

Registered Society No: 10237R
Homes and Communities Agency No: LH0689

THE SWAYTHLING HOUSING SOCIETY LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2019

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GENERAL INFORMATION

BOARD OF MANAGEMENT

Carol Bode	
Mandy Clarke	
Michael Sweeney	Resigned 15/10/18
Simon Porter	
Richard Williams	
Jonathan Martin Hurst	
John Gary Orr	Appointed 15/10/18
Jane Alderman	Appointed 01/02/19

SECRETARY

Malcolm Rule

REGISTERED OFFICE

Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AD

BANKERS

Lloyds Bank
25 Gresham Street
London
EC2V 7HN

AUDITOR

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

STRATEGIC REPORT

Business Overview

The Swaythling Housing Society Limited is regulated by the Regulator of Social Housing as a registered provider and is a company limited by guarantee. The Society is a member of the Radian Group, with a registered head office in Eastleigh.

The Society operates with the intention of generating surpluses which are reinvested to support our social purpose in delivering more homes and services for customers. Income is predominantly derived from rents from housing properties and surpluses generated on schemes developed for sale.

The Society also administers the Help to Buy contract for the South region as an agent for Homes England, helping thousands of people rent or purchase a home through a variety of products.

The Society is funded over the long term by a range of loans, bonds, and government grants in addition to its retained surpluses.

Performance Highlights

An overview of the Society's result has been presented below.

Financial Performance

Turnover increased by £6.7m from the prior year, to £96.4m, with varying performance across income streams. Income from social tenures reduced by £0.6m, principally due to sales to fellow Group subsidiaries and the impact of reduced rent following staircasing transactions. Market sale turnover fell from £15.1m to £10.9m; whilst sales volumes were consistent, sales commenced this year at Hatch Farm, a site developed in partnership with Eastleigh Borough Council where the Society is only entitled to 10% of the proceeds generated.

In contrast, a notable increase in volumes led to first tranche sale income nearly doubling to £21.5m, whilst market rent saw increases following the completion of a 113-unit scheme at Berry Court halfway through the year. Income from Help to Buy transactions was also £1.6m higher than the year before, following a successful historical output VAT reclaim from HMRC.

Operating costs increased by 9% to £48.6m. Management costs increased by £3.0m, including investments made in our Digital Transformation programme budgeted for in the year. Market rent and Help to Buy costs increased by £0.5m each, a reflection of delivering Berry Court and submitting the Help to Buy claim as outlined above.

Net interest costs increased by £1.2m, following a full year of charges relating to Affordable Housing Finance funds raised during 2017/18. The Society also paid £2.0m less in Gift Aid donations in the year, down from £23.0m to £21.0m.

The Society therefore delivered a surplus before tax of £31.2m compared to £28.1m the year before, with net margin increasing slightly from 31% to 32%.

STRATEGIC REPORT (continued)

Performance Highlights (continued)

Financial Position

Housing properties have reduced by £4.2m, with additions and transfers across tenures falling short of units sold to fellow Group subsidiaries and depreciation charges in the year. Investment properties have reduced by £8.4m, in part due to the schemes changing tenure and being reclassified as fixed assets. HomeBuy loans are held at cost and have reduced by £3.6m in the year as redemptions occur.

Properties for sale at the reporting date have remaining consistent with the prior year overall but does include a shift away from market sale to shared ownership tenures, accounting for £14.1m of the £15.0m balance. Receivables have increased by £8.5m, driven by £6.4m due from fellow Group subsidiaries. Cash has increased by 30% to £98.1m.

Payables due in less than one year have reduced by £3.3m, with a £2.7m reduction in development related accruals. Deferred capital grant has reduced by £7.8m to £184.6m, due to property disposals.

Reserves have increased by £30.1m, closing at £174.6m at the reporting date.

Our Performance

We monitor our operations every month on a group-wide basis by a range of key performance indicators (KPIs), allowing us to assess our financial performance and position and the delivery of our corporate strategy during the year.

An appraisal of these KPIs is included in our Group statutory accounts.

Principal Risks and Uncertainties

Within the Group, the principal risks and uncertainties, as identified by the Executive Board, are deemed to be those that would impact on the Group's ability to successfully deliver on the aims and objectives of its corporate strategy. An appraisal of these strategic risks is included in our Group statutory accounts.

Operational risks are those that the entities in the organisation face on a day to day basis, which are specific to the activities performed in each legal entity.

Capital and Treasury Management

The Society is financed by a combination of revenue reserves, long-term loan facilities, bond finance, and social housing grant received from government.

Radian has a comprehensive Treasury Policy with tests that apply to the Group as a whole. The policy requires the Group to maintain a minimum level of liquidity such that there is sufficient cash and committed financing facilities capable of immediate drawdown to cover the next six months' forecast cash requirement.

The Group must also have sufficient cash and committed financing facilities, though not necessarily capable of immediate drawdown, to cover the higher of committed development spend or forecast cash requirement over the next 18 months. The policy prioritises a lack of reliance on any single counterparty, whether through cash holdings or available facilities.

STRATEGIC REPORT (continued)

Capital and Treasury Management (continued)

Capital Structure

At 31 March 2019 the Society's nominal borrowings amounted to £280.9m (2018: £283.9m) of which £3.0m (2018: £3.0m) is due to be paid within the next year.

Risks

- **Interest rate risk** is the risk that the Society is unable to service its loans and borrowings due to rises in interest rates. The Society manages interest rate risk through the requirements laid out in the Group Treasury Policy, including entering into interest rate swaps to fix a proportion of floating rate debt;
- **Liquidity risk** is the risk that the Society is unable to service its loans and borrowings, or meet repayment liabilities as they fall due, owing to insufficient cash. The Society manages liquidity risk through the requirements laid out in the Group Treasury Policy, including requirements for minimum levels of cash or immediately available facilities;
- **Counterparty credit risk** is the risk that the Society is unable to access cash deposits due to failure of counterparties. The Society manages counterparty credit risk by regularly monitoring and reviewing the credit rating of counterparties through the requirements laid out in the Group Treasury Policy;
- **Market risk** is the risk that the Society is unable to refinance loans and borrowings at an acceptable interest rate as they mature. The Society manages market risk by modelling the impact of interest rate rises in its long-term forecast and identifying mitigating actions; and
- **Currency risk** is not applicable as the Society borrows and invests surplus funds only in sterling.

Interest Rate Management

Most of the Society's borrowings consist of fixed-rate bonds and bank loans at both fixed and floating rates of interest. A subset of our bank loans have embedded interest rate swaps that run for all or part of the loan term.

The Society has a standalone interest rate swap arrangement to pay floating and receive fixed interest from a fellow group undertaking, Windsor and District Housing Association Limited.

Total debt of £280.9m at 31 March 2019, including all swap arrangements, consisted of 82% fixed and 18% variable rate debt. Of our 82% fixed debt, £141.0m was due to embedded interest rate swaps (except for the intercompany arrangement) running for all or part of the loan term and £90.8m of fixed interest loans and bonds. There are no options in our portfolio.

Financial Loan Covenant Compliance

Financial loan covenants are primarily measured by interest cover, gearing ratios, and asset cover based on property asset values. Covenants are continually monitored and reported to the Board. There were no breaches of financial covenants during the year.

STRATEGIC REPORT (continued)

Capital and Treasury Management (continued)

Surplus assets for future debt security

As at 31 March 2019 the Society had over 650 unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise approximately £51m of future new debt on an asset cover ratio of 105% for Existing Use Value as Social Housing (EUV-SH) properties.

As per our current development programme, we also expect to complete 250 properties in the period to 31 March 2020.

Future Funding Options

As at 31 March 2019, the Society had sufficient funds for its current and medium-term needs.

Our Developments

The Society is one of the four stock holding entities in the Group, whom together are working towards delivering our target of 3,500 new homes before March 2023, through buying land, regeneration schemes, recycling our own assets, or in partnerships with others. These partnerships include joint ventures with local authorities, landlords or other housebuilders and Section 106 elements of major housing schemes.

There are numerous schemes in progress at any one time; the Society had 20 sites at various stages of development at the reporting date. We deliver a variety of homes, ranging from one bed flats to four bed houses depending on the site.

Below is an overview of our development activity in the year:

Scheme name and location	Actual/ expected completion	Units	Affordable rent	Shared ownership	Rent to Buy	Market rent	Market sale
Ashton Walk Woolston, Southampton	March 2018	50	X	X	X		X
Quebec Park Bordon, East Hampshire	April 2018	100	X	X			X
The Mayfield Woolston, Southampton	August 2018	6		X			
Berry Court Bournemouth	September 2018	113				X	
Bodley Quarter Windsor	December 2018	43		X	X		
The Willows West End, Southampton	October 2019	98	X	X		X	X
Leyland Walk Bursledon, Southampton	January 2020	30		X			
Fen Meadow Nursling, Southampton	June 2020	65		X			

STRATEGIC REPORT (continued)

Value for Money

The Group assesses its performance in relation to Value for Money (VfM) at a Group level rather than on an entity by entity basis due to the Group's structure.

An assessment of our VfM performance is included in our Group statutory accounts.

Statement of Compliance

The Board confirms that this strategic report has been prepared in accordance with the principles set out in the 'Statement of Recommended Practice for registered social housing providers 2014'.

The strategic report was approved by the Board on 31 July 2019 and signed on its behalf by the Chair:

A handwritten signature in black ink that reads "Carol Bode". The signature is written in a cursive, flowing style.

Carol Bode
Chair

DIRECTORS' REPORT

The Directors present their report for the year ended 31 March 2019.

Group Combined and Executive Board Members

Group Combined Board

As a regulated registered provider in the Radian Group, the legal Directors of The Swaythling Housing Society unite with the Directors of the five other registered providers to form the Group Combined Board.

The Chair, Group Chief Executive, and Chair of the Audit and Risk Committee are common members across all six entity boards. The Society has a directorship in common with the other three entities without charitable tax status in the Group.

The Directors of the Society are listed on page 1 and their remuneration is disclosed in note 9.

An overview of the full Group Combined Board, including those who are Directors of the Society, is included in our Group Statutory Accounts and updated as membership changes on our website.

Executive Board

As a member of the Radian Group, the day to day operations of the Society are the responsibility of the Executive Board.

An overview of the Executive Board is included in our Group Statutory Accounts and updated as the composition changes on our website.

Executive Service Contracts

The members of the Executive Board are employed on the same terms as other staff, except for a discretionary annual bonus scheme, overseen by the Remuneration and Nominations Committee. The Group Combined Board is responsible for approving any bonus awards or changes in the Chief Executive's remuneration or contract. Details of the benefits received by Executive Directors are set out on page 32.

The Executive Board members, including those who are Group Combined Board members, hold no interest in the Group's shares and act within the authority delegated to them by the Group Combined Board under defined terms of reference.

Governance and Regulation

As the Society is a registered provider, its Directors form part of the Group Combined Board. An overview of the approach to governance and regulatory compliance, as determined by the Group Combined Board, is included in our Group statutory accounts.

DIRECTORS' REPORT (continued)

Employees

The Society directly employed an average of 727 full-time equivalent employees during the year (2018: 701), calculated on standard working hours per week for each employee.

The Society shares information on its vision, strategic plan and objectives through briefings from senior management. In February 2019 a staff conference was held, where the Executive Board reflected on the performance of the wider Group since its formation and communicated their vision for the future of the organisation. Day-to-day operational information is shared with employees in a variety of formats, including vlogs, blogs and e-newsletters.

The Society is committed to providing equal opportunities to its employees, underpinned by a working environment that is inclusive and free from discrimination or harassment. The Society is flexible and considers all reasonable requests from existing and prospective employees in relation to any disability, impairment or change in circumstance.

Disclosure of Information in the Strategic Report

As the funding and development of the Society are inextricably linked to its business model and strategy, such information has been presented within the Capital and Treasury Management section on page 3.

Post Balance Sheet Events

There have been no events since the reporting date that the Board considers to have had a significant effect on the Society's financial position.

Going Concern

After making enquiries, the Board has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and the financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

The budget and long-term business plan, which consider the current uncertain economic climate and expected trading conditions, show that the Group will be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

Disclosure of Information to Auditor

At the date when this report is approved each of the Board Members confirm the following:

- So far as each Board Member is aware, there is no relevant audit information needed by the Society's auditor in connection with preparing their report, of which the Society's auditor is unaware; and
- Each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information needed by the Society's auditor in connection with preparing their report and to establish that the Society's auditor is aware of that information.

DIRECTORS' REPORT (continued)

External Auditor

BDO LLP has indicated their willingness to continue in office and a resolution to appoint them will be proposed at the forthcoming annual general meeting.

Approval of the Board

The Directors' Report was approved by the Board on 31 July 2019 and signed on its behalf by the Chair:

A handwritten signature in black ink that reads "Carol Bode". The signature is written in a cursive style with a large initial 'C'.

Carol Bode
Chair

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board Members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board Members to prepare financial statements for each financial year. Under that law the Board Members have elected to prepare the Society's financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board Members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and society will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Board Members. The Board Members responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED

Opinion

We have audited the financial statements of The Swaythling Housing Society Limited ("the Society") for the year ended 31 March 2019 which comprise the Statement of Comprehensive income, the Statement of Financial Position, the Statement of Changes in Reserves, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Society's affairs as at 31 March 2019 and of the Society's surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The Board Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board Members are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED (continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- The information given in the strategic report and board report for the financial year for which the financial statements are prepared is not consistent with the financial statements; or
- Adequate accounting records have not been kept by the Society; or
- A satisfactory system of control has not been maintained over transactions; or
- The Society's financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the board responsibilities statement set out on page 10, the Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board Members are responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board Members either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the members of the Society, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the members as a body, for our audit work, for this report, or for the opinions we have formed.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SWAYTHLING HOUSING SOCIETY LIMITED (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.



Philip Cliftlands
BDO LLP
Statutory Auditor
Gatwick, United Kingdom

1 August 2019.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STATEMENT OF COMPREHENSIVE INCOME
Year Ended 31 March 2019

	Note	2019 £'000	2018 £'000
Turnover	3	96,371	89,627
Cost of sales	3	(22,758)	(20,424)
Operating costs	3	(48,644)	(44,686)
Surplus from disposal of fixed assets	3	37,275	35,373
Operating surplus		62,244	59,890
Finance income	4	1,006	820
Finance costs	5	(11,020)	(9,839)
Fair value movement on financial instruments	28	(17)	(567)
Fair value movement on investment properties	13	32	818
Gift Aid	6	(21,000)	(23,000)
Surplus on ordinary activities before tax	7	31,245	28,122
Tax credit for the year	8	-	-
Surplus on ordinary activities after tax		31,245	28,122
Other comprehensive income			
Actuarial losses on defined benefit pension schemes	24	(1,160)	(1,436)
Total comprehensive income		30,085	26,686

All activities derive from continuing operations.

The notes on pages 17 to 51 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Housing properties	11	507,623	511,821
Other fixed assets	12	10,322	11,049
Investment properties	13	50,476	58,814
HomeBuy loans	14	39,351	43,000
		607,772	624,684
Current assets			
Properties for sale	16	15,034	14,350
Inventories	17	670	395
Receivables	18	17,212	8,762
Cash and cash equivalents		98,073	75,327
		130,989	98,834
Payables: amounts due within one year	19	(26,440)	(29,708)
		104,549	69,126
Net current assets			
		712,321	693,810
Total assets less current liabilities			
Payables: amounts due after one year	20	(304,177)	(306,224)
Deferred capital grant due after one year	21	(184,571)	(192,355)
HomeBuy grant		(32,219)	(35,109)
Pension liability	24	(16,780)	(15,633)
		174,574	144,489
Net assets			
Capital and reserves			
Share capital	25	0	0
Revenue reserve		174,574	144,489
		174,574	144,489
Society's funds			

The notes on pages 17 to 51 form part of these financial statements.

The financial statements of The Swaythling Housing Society Limited, registered society number 10237R, on pages 14 to 51 were approved by the Board and authorised for issue on 31 July 2019 and signed on its behalf by:



Carol Bode
Chair



Simon Porter
Board Member



Malcolm Rule
Secretary

STATEMENT OF CHANGES IN RESERVES

	Share capital £'000	Revenue reserve £'000	Total £'000
At 1 April 2017	0	117,803	117,803
Surplus on ordinary activities after tax	-	28,122	28,122
Actuarial losses on defined benefit pension schemes	-	(1,436)	(1,436)
Shares issued during the year	0	-	0
Shares cancelled during the year	0	-	0
At 31 March 2018	0	144,489	144,489
Surplus on ordinary activities after tax	-	31,245	31,245
Actuarial losses on defined benefit pension schemes	-	(1,160)	(1,160)
Shares issued during the year	0	-	0
Shares cancelled during the year	0	-	0
At 31 March 2019	-	174,574	174,574

The notes on pages 17 to 51 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. LEGAL STATUS

The Society is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Society Act 2014 and is also registered with the Regulator of Social Housing as a social housing provider.

2. ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Society have been prepared in accordance with applicable law and UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing Statement of Recommended Practice (SORP) 2014 for registered social housing providers and comply with the Accounting Direction for private registered providers of social housing 2014. The financial statements are presented in pounds sterling and have been prepared on the historical cost basis except for a modification to amortised cost or a fair value basis for certain financial instruments and investment properties, as specified in the accounting policies below.

Going Concern

The financial statements have been prepared on a going concern basis, details of which can be found in the Directors Report on page 8.

Disclosure Exemptions

In preparing the financial statements of the Society, advantage has been taken of the disclosure exemption under FRS 102 paragraph 1.12(b) in not preparing a Statement of Cash Flows on the basis that this is included in the consolidated financial statements.

Operating Segments

Segmental information is disclosed in note 3. Information about income, expenditure and assets attributable to material operating segments are presented based on the nature and function of housing assets held by the Society rather than geographic location. As permitted by FRS 102 paragraph 1.5, this is appropriate based on the similarity of the services provided, the nature of the risks associated, the type and class of customer, and the nature of the regulatory environment across all geographical locations in which the Society operates.

Management do not routinely receive segmental information disaggregated by geographical location.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Turnover

Turnover represents rental and service charge income (net of void losses), fee income and revenue grant receivable, proceeds from market and first tranche sales, other income and the amortisation of capital grant.

Rental and service charge income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from market and first tranche sales is recognised at the point of legal completion of the sale.

Other income is recognised as receivable on the delivery of services provided. Deferred Capital Grant is released over the life of the asset structure in accordance with FRS 102.

Cost of Sales

Cost of sales relates to market and first tranche sales and represents those costs, including direct overheads and other incidental costs, incurred during development, construction, and marketing of those properties.

On market sales, the cost of sales represents the full construction cost of the unit sold.

On first tranche transactions, the percentage of equity purchased determines the percentage of total unit costs recognised in the Statement of Comprehensive Income.

Help to Buy

Turnover is recognised in relation to Help to Buy on two distinct bases. A fixed quarterly fee for the operation of the contract is recognised as income on a straight-line basis each month, in addition to a fixed fee per case, recognised at the point of completion. The contract for the provision of services is subject to periodic renewal.

Revenue Grant

The Society receives grants in respect of revenue expenditure and these are credited as appropriate to income in the same period as the expenditure to which they relate.

Service Charge Income and Expenditure

Where service charge income is identifiable it is recorded separately to rental income. Where service charge income is not identifiable it is recorded within rental income.

Income is predominantly variable, and charges will therefore include an adjustment for the under or over recovery from previous years and will be adjusted for under or over recovery in the current year. Until these balances are returned to or recovered from our tenants they are held as payables or receivables on the Statement of Financial Position.

Service charge expenditure is disclosed separately and includes the cost of all direct services provided, in addition to an allowance for management costs. Expenditure will also include costs of services provided that are not recoverable from tenants.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Surplus/(Deficit) from Disposal of Fixed Assets

Other asset sales are recognised within surplus from disposal of fixed assets.

Staircasing events include both partial and final transactions, where the purchaser increases or fully acquires the equity in their property. Final staircasing events on houses will involve the disposal of the freehold, whereas on flats, the Society will retain the freehold on the property, reclassifying the unit as a leasehold unit in note 3.

The surplus on sales under the Right to Buy and Right to Acquire legislation is the difference between the proceeds received and the carrying value of the properties.

The surplus recognised on the sale of other housing properties is the difference between the proceeds received and the carrying value of the property.

The surplus recognised on redemptions of HomeBuy loans is derived from the market value of the equity holding in the property at the point of sale, less the original loan amount and any provision.

The surplus recognised on the sale of other fixed assets is the difference between the proceeds received and the carrying value of the asset.

The surplus recognised on the sale of properties to other registered providers is the difference between the proceeds received and the carrying value of the property. All sales relate to properties purchased by fellow Group entities.

Repairs and Maintenance

The Society capitalises items of expenditure on housing properties if they result in an enhancement to the economic benefits from the property or if they replace an identifiable component.

Works to existing properties which do not meet the above criteria are charged to the Statement of Comprehensive Income.

Finance Income

Interest is earned from cash and cash equivalents and interest charged on HomeBuy loans.

Finance Costs

Interest costs, issue costs, premiums, and discounts are charged to finance costs over the term of debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Included within finance costs are ongoing servicing fees of loans and borrowings, which are charged to the Statement of Comprehensive Income over the review cycle of each facility.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Value Added Tax (VAT)

The Society is part of the Radian Group Limited VAT group. As a large proportion of its income is rent, which is exempt for VAT purposes, the Group is subject to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is credited to the Statement of Comprehensive Income.

Gift Aid

Gift Aid represents payments to fellow Group subsidiaries with charitable tax status in the year. The Society has elected against early adoption of disclosing these payments as distributions, as required by the SORP 2018, retaining their classification as donations.

Pensions

The Society's pension arrangements comprise two defined benefit schemes and a defined contribution scheme.

For the defined contribution scheme, the amount charged to income and expenditure in respect of pension costs is the employer contribution payable in the year.

For defined benefit schemes, the amounts charged to staff costs within operating costs are those arising from employee services rendered during the period, benefit changes and settlements. The net interest cost on the net defined benefit liabilities is included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with assets of the scheme held separately from those of the Society and administered by The Pensions Trust or local government. Pension scheme assets are measured at fair value and liabilities on an actuarial basis using the projected unit method. Actuarial valuations are updated at each reporting date and full actuarial valuations are obtained at least triennially.

The funded defined benefit scheme is in deficit and a funding arrangement is in place. The net present value of the deficit reduction contributions payable under the agreement is recognised on the Statement of Financial Position and the unwinding of the discount rate is recognised as a finance cost.

Tax

Current tax is recognised for tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Fixed Assets - Housing Properties

Housing properties are held at cost less accumulated depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration costs. Interest costs are not capitalised.

The carrying value of housing properties is split between the land, structure and major components which require periodic replacement.

For Affordable Home Ownership properties, the amount retained in housing properties is the cost of unsold equity (if the first tranche sale has completed) or 60% of the total unit cost (if the first tranche sale is yet to complete).

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties upon practical completion.

Land

Land acquired or donated to the Society will be accounted for depending on its intended use.

Land acquired for the provision of social housing, or where no specific intended use exists, will be treated as a fixed asset. When land is held for speculative purposes, for capital gain, or a commercial rental return it will be accounted for as an investment property.

Depreciation

Freehold Buildings and Components

Depreciation is charged on a straight-line basis over the estimated useful economic life of components on the following annual rates:

- Structure:
 - Sheltered housing – 50 years;
 - All other tenures – 100 years;
- Boilers – 15 years;
- Kitchens – 20 years;
- Photovoltaics – 20 years;
- Bathrooms – 30 years;
- Heating – 30 years;
- Windows – 30 years; and

Freehold land and Investment properties are not depreciated.

When components are replaced, the carrying value of existing components is charged to the Statement of Comprehensive Income at the point of disposal.

2. ACCOUNTING POLICIES (continued)

Depreciation (continued)

Other Fixed Assets

Depreciation is charged on a straight-line basis over the expected useful economic lives of the assets at the following annual rates:

- Freehold premises – 50 years;
- Office equipment – 3 to 5 years;
- Office furniture and development equipment – 10 years; and
- Motor vehicles, yard plant and machinery – 4 years.

Investment Properties

Investment properties are commercial properties, housing properties let at market rates or properties held for investment potential or capital appreciation.

Investment properties are measured at cost on acquisition or initial recognition and subsequently revalued to their market value at least annually with gains and losses recognised in the Statement of Comprehensive Income.

Details of the advisers from whom values are obtained and the basis of valuation adopted are included in note 13.

Investments in HomeBuy Loans

The HomeBuy scheme, now closed to new entrants, was a program of home ownership where loans were advanced by the Society to purchasers of property. The program was funded through a combination of government grant and the Society's own funds. The loan advanced to the purchaser and the amount of grant received are both recorded at cost, less provision for bad debts.

The Society has a fixed charge on the property entitling it to a share of the proceeds on the sale of the property. Any capital loss realised on redemption of the loan is initially offset against the government grant, which is held as a long-term liability.

Valuation of Investments

Investments in associates are accounted for using the cost model in the financial statements.

Properties Held for Sale

All unsold market sale and affordable home ownership properties are classed as current assets at the reporting date and are valued at the lower of cost or estimated selling price less costs to complete and sell. Deficits on schemes are recognised as soon as they are foreseen.

On affordable home ownership properties where the first tranche sale has yet to complete, 40% of each units' cost will be recognised as a current asset.

Property held for sale comprises both completed properties and property in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Inventories

Inventory represents materials and replacement components held prior to use in repair works. Items are held at the lower of cost and net realisable value and periodic stock counts ensure that damaged and obsolete items are identified and written off.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits, and short-term investments with an original maturity date of three months or less.

Cash and cash equivalents also includes cash in sinking fund accounts to which the Society has access on behalf of the beneficiaries of the account.

Provisions

The Society recognises provisions in respect of liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the reporting date.

Receivables and Payables

Receivables and payables with no stated interest rate, and receivable and payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income within operating income and expense.

Recoverable Amount of Rental and Other Trade Receivables

The Society estimates the recoverable amount of receivables and provides for the balance based on the value and class of the debt. Receivable balances are reviewed quarterly to determine recoverability; balances deemed irrecoverable are subsequently written off.

Financial Instruments

Financial instruments are recognised when the Society becomes a party to the contractual provisions of the instrument and are classified according to their substance.

Deferred and Recycled Capital Grant

Deferred Capital Grant, predominantly Social Housing Grant, is initially recognised at fair value as a long-term liability and is amortised to the Statement of Comprehensive Income as turnover over the life of the structure of housing properties, except for grant received in respect of HomeBuy loans.

Upon disposal of an asset which has deferred capital grant allocated to it, the cost of the grant is transferred to the Recycled Capital Grant Fund until the grant is reinvested in a replacement property or repaid, reflecting the existing obligation under the social housing grant funding regime. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within liabilities is released to the Statement of Comprehensive Income to cost of sales.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Deferred Tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax relating to investment properties that are measured at fair value is recognised using the tax rates and allowances that apply to the sale of the assets. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted at the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented on the Statement of Financial Position and deferred tax assets within receivables.

Deferred tax assets and liabilities are offset only if the Society has a legally enforceable right to set off current tax assets against current tax liabilities.

Financial Assets and Liabilities

Loans and Borrowings

The Society's loans and borrowings meet the definition of, and are classified as, basic financial instruments under FRS 102. These instruments are initially recorded at the transaction price. They are subsequently recorded at amortised costs using the effective interest method.

Gilt Holdings

The Society holds UK government gilts within certain liquidity funds and has elected to designate these at fair value through profit or loss under FRS 102 paragraph 11.14(b).

Leases

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks or rewards of ownership of the leased assets to the entity. All other leases are classified as operating leases.

Rentals under operating leases are accounted for on a straight-line basis over the lease term even if the payments (where the Society is the lessee) and receipts (where the Society is the lessor) are not made or received on that basis.

The Society has no finance lease commitments.

Sinking Funds

Sinking funds comprise leasehold sinking funds and scheme provisions.

Leasehold sinking funds are unspent amounts collected from leaseholders for major repairs on leasehold schemes, plus any interest received, and are included in payables.

Scheme provisions are scheme funds set aside for major repairs and are also included in payables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Critical Judgments, Estimates, and Uncertainty

Preparation of the financial statements requires management to make the following significant judgments and estimates:

Impairment review

At each reporting date the Society assesses whether an indicator of impairment exists. If such an indicator exists assets affected are subject to an impairment review, and the recoverable amount of the asset or cash generating unit is estimated. An impairment loss occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

Classification of Loans with Embedded Interest Rate Swaps

We hold loans which carry a variable rate of interest. In some cases, our interest charges have been fixed by the inclusion of embedded interest rate swaps in these agreements for part or the full term of the loan. These loans could be repaid early, and fixes could be broken. This would involve paying a premium to lenders or the lenders paying a discount to us depending on the prevailing interest rate as there are two-way break clauses in our loan agreements.

Considering the requirements and criteria set out in FRS 102, and given our intention and forecasted ability to hold all of these loans to maturity, we consider classification of the loans as 'basic' to be appropriate and recognition at amortised cost to be a fair representation of our liabilities.

Provisioning for Investments in HomeBuy Loans

The Society has provided for investments in HomeBuy loans given its vulnerability to foreclosure and losses on the sale of secured properties. Provisioning involves judgment around redemption rates, failure rates, and changes in property prices.

Defined Benefit Pension Obligations

Financial and actuarial assumptions underlying accounting estimates of the Society's defined benefit obligations are informed by actuarial advice, based on best estimates according to scheme duration, and applied consistently across accounting periods.

Capitalisation of Property Development Costs

The estimate of anticipated costs to complete a development scheme is determined by suitably qualified professionals.

Judgement is involved in determining the appropriate allocation of costs relating to affordable home ownership between current and fixed assets, dependent upon the equity anticipated to be purchased in the first tranche.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

2. ACCOUNTING POLICIES (continued)

Fair Value Measurement

The Society uses external professional advisers to determine the fair value of financial instruments and investment properties.

Whilst the fair value of financial instruments is based on quoted prices, investment properties are valued according to the methodologies and assumptions applied by the adviser.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS

	2019				2018					
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus from disposal of fixed assets £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus from disposal of fixed assets £'000	Operating surplus/ (deficit) £'000
Social housing lettings	39,369	-	(26,106)	-	13,263	39,954	-	(22,560)	-	17,394
Other social housing activities										
Development administration	-	-	(513)	-	(513)	-	-	(197)	-	(197)
Intercompany recharges	17,015	-	(17,015)	-	-	18,506	-	(18,506)	-	-
First tranche affordable home ownership sales	21,446	(15,327)	(925)	-	5,194	11,244	(7,801)	(871)	-	2,572
Surplus from disposal of fixed assets	-	-	-	37,275	37,275	-	-	-	35,373	35,373
Help to Buy agency	3,934	-	(1,631)	-	2,303	2,368	-	(1,188)	-	1,180
Other social	522	-	(577)	-	(55)	156	-	(135)	-	21
Total other social housing activities	42,917	(15,327)	(20,661)	37,275	44,204	32,274	(7,801)	(20,897)	35,373	38,949
Non-social housing activities										
Market rent properties	2,455	-	(1,308)	-	1,147	1,535	-	(765)	-	770
Market sales	10,904	(7,431)	-	-	3,473	15,125	(12,623)	-	-	2,502
Other non-social	726	-	(569)	-	157	739	-	(464)	-	275
Total non-social housing activities	14,085	(7,431)	(1,877)	-	4,777	17,399	(12,623)	(1,229)	-	3,547
Total	96,371	(22,758)	(48,644)	37,275	62,244	89,627	(20,424)	(44,686)	35,373	59,890

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	2019				2018					
	General needs housing £'000	Supported / housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000	General needs housing £'000	Supported / housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000
Turnover										
Rent receivable net of identifiable service charges (net of voids)	25,688	1,211	3,917	4,631	35,447	27,157	1,105	3,383	4,271	35,916
Service charge income	742	149	827	1	1,719	866	173	825	2	1,866
Net rental income	26,430	1,360	4,744	4,632	37,166	28,023	1,278	4,208	4,273	37,782
Amortisation of capital grant	1,404	544	255	-	2,203	1,428	511	233	-	2,172
Net turnover from social housing lettings	27,834	1,904	4,999	4,632	39,369	29,451	1,789	4,441	4,273	39,954
Operating costs										
Management	(7,131)	(497)	(2,815)	(1,087)	(11,530)	(5,754)	(382)	(1,976)	(753)	(8,865)
Service charge costs	(1,218)	(85)	(481)	(185)	(1,969)	(1,498)	(100)	(514)	(196)	(2,308)
Routine maintenance	(2,587)	(180)	-	(394)	(3,161)	(2,734)	(182)	-	(358)	(3,274)
Planned maintenance	(1,174)	(82)	-	(179)	(1,435)	(924)	(61)	-	(121)	(1,106)
Major repairs expenditure	(1,875)	(131)	-	(286)	(2,292)	(1,868)	(124)	-	(244)	(2,236)
Bad debts	22	2	9	3	36	(45)	(3)	(15)	(6)	(69)
Other costs	28	2	11	4	45	300	20	103	40	463
Depreciation of housing properties	(3,973)	(299)	(600)	(798)	(5,670)	(4,172)	(169)	(510)	(795)	(5,646)
Loss on disposal of housing components	(100)	(5)	-	(25)	(130)	(92)	(4)	-	(25)	(121)
Impairment reversals	-	-	-	-	-	602	-	-	-	602
Operating expenditure on social housing lettings	(18,008)	(1,275)	(3,876)	(2,947)	(26,106)	(16,185)	(1,005)	(2,912)	(2,458)	(22,560)
Operating surplus on social housing lettings	9,826	629	1,123	1,685	13,263	13,266	784	1,529	1,815	17,394
Void losses	(111)	(6)	(4)	(48)	(169)	(136)	(13)	-	(30)	(179)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	2019					Total £'000
	Staircasing £'000	Right to Buy £'000	Sales to other registered providers £'000	Other housing sales £'000	HomeBuy redemptions £'000	
Sale proceeds	5,384	126	64,846	199	5,013	75,598
Less: cost of sales	(2,799)	(29)	(31,596)	(150)	(3,749)	(38,323)
Surplus from disposal of fixed assets	2,585	97	33,250	49	1,264	37,275

	2018					Total £'000
	Staircasing £'000	Right to Buy £'000	Sales to other registered providers £'000	Other housing sales £'000	HomeBuy redemptions £'000	
Sale proceeds	4,520	269	68,820	572	6,273	80,515
Less: cost of sales	(2,664)	(125)	(37,120)	(490)	(4,704)	(45,142)
Surplus from disposal of fixed assets	1,856	144	31,700	82	1,569	35,373

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	2019 Number	2018 Number
HOUSING PROPERTIES		
Owned and managed		
Social		
Social rent general needs housing	3,365	3,487
Affordable rent general needs housing	683	757
Supported / housing for older people	264	264
Affordable home ownership	1,598	1,457
Care homes	18	18
Other social housing	617	555
	6,545	6,538
Non-social		
Market rent housing	322	194
	322	194
	6,867	6,732
Owned and not managed		
Leasehold housing	400	381
Market sale	2	21
	402	402
Investments		
HomeBuy loans	1,022	1,117
	8,291	8,251
NON-HOUSING PROPERTIES		
Owned		
Garages	236	236
Allotments	16	16
Shops / commercial	28	27
Other	3	2
Total	283	281
Total Units	8,574	8,532
<i>Properties under construction</i>	447	906

Leased housing represents those units where the freehold has been retained.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

4. FINANCE INCOME

	2019 £'000	2018 £'000
Interest receivable from cash and cash equivalents	455	160
Income from interest rate swap	149	236
HomeBuy interest	402	424
	1,006	820

5. FINANCE COSTS

	2019 £'000	2018 £'000
Interest costs	10,451	9,308
Servicing fees of loans and borrowings	63	78
	10,514	9,386
Interest on Recycled Capital Grant Fund	122	93
Interest on pension scheme liabilities	384	360
	11,020	9,839

6. GIFT AID

The Society made Gift Aid payments of £21.0m (2018: £23.0m) to Portal Housing Association Limited.

7. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2019 £'000	2018 £'000
Surplus on ordinary activities before tax is stated after charging/(crediting)		
Gift Aid	21,000	23,000
Depreciation of fixed assets	7,240	6,713
Impairment reversals	-	(602)
Operating lease expense		
Land and buildings	43	28
Office equipment, computers and motor vehicles	-	2
The analysis of auditor's remuneration is as follows:		
Fees payable (excluding VAT) to the Society's auditor for the audit of the Society's annual financial statements	23	24
Fees payable (excluding VAT) to the Society's auditor in respect of other services	2	2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

8. TAX

	2019 £'000	2018 £'000
Deferred tax		
Timing differences, origination and reversal	135	136
Adjustment in respect of earlier years	(135)	(136)
Tax for the year	<u>-</u>	<u>-</u>

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2018: 20%). The differences are explained as follows:

	2019 £'000	2018 £'000
Total tax reconciliation		
Surplus on ordinary activities before tax	31,245	28,122
Tax on surplus on ordinary activities at 19% (2018: 19%)	5,937	5,344
Effects of		
Expenses not deductible for tax purposes	1,121	414
Non-taxable profit on Group transfer of properties	(6,316)	(6,023)
Prior year adjustments	(135)	(136)
Movement in unrecognised deferred tax	101	757
Movement in deferred tax due to differences in tax rates	(708)	(356)
Total tax	<u>-</u>	<u>-</u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax. The closing deferred tax assets and liabilities have been calculated at 17% in accordance with the rates enacted at the reporting date.

It is not anticipated that there will be any significant reversal of the deferred tax liability in the next 12 months as the Society makes Gift Aid payments to mitigate its anticipated taxable surplus.

9. DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Group Combined and Executive Boards. Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

9. DIRECTORS' EMOLUMENTS (continued)

Below are shown the aggregate emoluments (including pensions and benefits in kind, excluding compensation for loss of office) paid by the Society to:

	2019 £'000	2018 £'000
The Executive Board (excluding those paid to third parties)	739	707
Third parties in respect of Directors' services	115	229
Board Members	88	67
Key Management Personnel excluding Directors	1,137	1,251
	2,079	2,254
Compensation for loss of Directors' offices, by nature of:		
Payments in lieu of notice	-	135
Termination	-	155
	-	290
	2,079	2,544
Emoluments payable to the highest paid Director (excluding pension contributions)	151	154

The members of The Swaythling Housing Society Limited, including details of the other roles they perform on behalf of the constituent group entities, are shown below:

Name	Appointed	Resigned	Annual Fee	ARC	Committees		
					TIC	RNC	DPRG
Carol Bode (C)	01/10/16		£23,000			M	
Jonathan Martin Hurst	16/03/17		£11,500	M	C		
Mandy Clarke	01/09/13		£11,500	M		C	
<i>Michael Sweeney</i>	<i>18/08/17</i>	<i>15/10/18</i>	<i>N/A</i>		<i>M</i>		
Richard Williams	01/10/16		£11,500		M	M	
Simon Porter	25/09/14		£11,500	C	M		
<i>John Gary Orr</i>	<i>15/10/18</i>		<i>N/A</i>		<i>M</i>		<i>C</i>
Jane Alderman	01/02/19		£9,000				

C: Chair, M: Member, *Italics: Executive Board member*

Committees: ARC – Audit and Risk, TIC – Treasury and Investment, RNC – Remunerations and Nominations, DPRG – Development Programme Review Group

Board Members received emoluments during the year totalling £88k (2018: £67k). Board expenses of £12k (2018: £4k) were incurred in the year.

Members of the Executive Board receive no remuneration directly for their role as a Director for the company. It is not possible to disaggregate Radian Group Limited Board Members' remuneration in respect of services performed on behalf of the constituent group entities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

10. STAFF COSTS

The average number of employees expressed as full-time equivalents (calculated on standard working hours per week for each employee) during the year was:

	2019	2018
	FTE	FTE
Housing and central services staff	357	334
Maintenance staff	299	281
Development and home ownership staff	71	86
	<u>727</u>	<u>701</u>
	2019	2018
	£'000	£'000
Staff costs (for the above employees)		
Wages and salaries	24,398	24,196
Social security costs	2,396	2,370
Pension costs	2,951	2,962
	<u>29,745</u>	<u>29,528</u>

The Society had the following number of full time equivalent staff with remuneration (including compensation for loss of office and pension contributions) of £60,000 or more, shown in bands of £10,000:

	2019	2018
	FTE	FTE
Salary banding		
£60,000 - £69,999	19	11
£70,000 - £79,999	4	12
£80,000 - £89,999	4	4
£90,000 - £99,999	6	5
£100,000 - £109,999	1	2
£110,000 - £119,999	3	1
£130,000 - £139,999	1	1
£140,000 - £149,999	-	1
£150,000 - £159,999	2	2
£160,000 - £169,999	-	2
£170,000 - £179,999	1	-
£240,000 - £249,999	-	1
£290,000 - £299,999	-	1
	<u>41</u>	<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. HOUSING PROPERTIES

	Completed properties		Properties in course of construction				Total housing properties £'000
	Social housing lettings properties £'000	Affordable home ownership properties £'000	Total completed housing properties £'000	Social housing lettings properties in course of construction £'000	Affordable home ownership properties in course of construction £'000	Total housing properties in course of construction £'000	
Cost							
At 1 April 2018	445,067	92,245	537,312	11,800	15,871	27,671	564,983
Additions	-	(97)	(97)	17,524	21,090	38,614	38,517
Additions - works to existing properties transferred into management	1,350	-	1,350	-	-	-	1,350
Transfers across tenures	33,297	21,318	54,615	(33,297)	(21,318)	(54,615)	-
Disposals and demolitions	(138)	84	(54)	7,003	(767)	6,236	6,182
Intercompany transfers	(866)	(2,805)	(3,671)	-	-	-	(3,671)
Net movement to current assets	(39,271)	-	(39,271)	(3,476)	-	(3,476)	(42,747)
	-	(1,160)	(1,160)	-	-	-	(1,160)
At 31 March 2019	439,439	109,585	549,024	(446)	14,876	14,430	563,454
Accumulated depreciation							
At 1 April 2018	(48,657)	(4,505)	(53,162)	-	-	-	(53,162)
Charge for the year	(5,073)	(597)	(5,670)	-	-	-	(5,670)
Disposals and demolitions	558	184	742	-	-	-	742
Transfers across tenures	14	(9)	5	-	-	-	5
Intercompany transfers	2,254	-	2,254	-	-	-	2,254
At 31 March 2019	(50,904)	(4,927)	(55,831)	-	-	-	(55,831)
Net book value							
At 31 March 2019	388,535	104,658	493,193	(446)	14,876	14,430	507,623
At 31 March 2018	396,410	87,740	484,150	11,800	15,871	27,671	511,821

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

11. HOUSING PROPERTIES (continued)

Property valuation

Social housing land and buildings are shown at historic cost. The value of social housing properties as determined by the 'Existing Use Valuation – Social Housing' method at 31 March 2019 was £500.7m (2018: £455.4m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

Expenditure on works to existing housing properties

	2019 £'000	2018 £'000
Amounts capitalised	1,350	1,308
Amounts charged to Statement of Comprehensive Income	2,441	2,237

Security

The Society had housing property with a net book value of £315.0m pledged as security at 31 March 2019 (2018: £313.9m).

12. OTHER FIXED ASSETS

	Freehold land and premises £'000	Computers, fixtures and fittings £'000	Vehicles, plant and equipment £'000	Total £'000
Cost				
At 1 April 2018	10,763	1,651	3,884	16,298
Additions	-	309	534	843
Disposals and demolitions	-	-	(193)	(193)
At 31 March 2019	10,763	1,960	4,225	16,948
Accumulated depreciation				
At 1 April 2018	(1,245)	(1,291)	(2,713)	(5,249)
Charge for the year	(769)	(236)	(565)	(1,570)
Disposals and demolitions	-	-	193	193
At 31 March 2019	(2,014)	(1,527)	(3,085)	(6,626)
Net book value				
At 31 March 2019	8,749	433	1,140	10,322
At 31 March 2018	9,518	360	1,171	11,049

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

13. INVESTMENT PROPERTIES

	Investment properties £'000	Investment properties in course of construction £'000	Total investment properties £'000
Value			
At 1 April 2018	21,710	37,104	58,814
Additions	-	3,370	3,370
Transfers across tenures	-	(11,740)	(11,740)
Transferred into management	27,761	(27,761)	-
Revaluation surplus	32	-	32
At 31 March 2019	49,503	973	50,476

Property valuation

Completed investment properties are shown at market value of £49.5m (2018: £21.7m), defined as MV-T (market value tenanted) at the reporting date by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

If the investment properties had not been revalued, they would have been included at the following amounts:

	2019 £'000	2018 £'000
Cost	44,439	16,678
Depreciation	(2,277)	(2,197)
Net book value	42,162	14,481

14. HOMEBUY LOANS

	2019 £'000	2018 £'000
HomeBuy loans	40,091	43,801
Accrued HomeBuy interest	32	34
HomeBuy loan provision	(772)	(835)
	39,351	43,000

HomeBuy loans are secured by way of an equity charge over the property purchased by the recipient of the loan.

We have received £32.2m of grant (2018: £35.1m) in respect of the HomeBuy loans in issue. The grants will be recycled on redemption of the loans.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

15. INVESTMENTS

The Society has a 26% interest in Aspect Building Communities Limited, a company limited by guarantee. Aspect was formed to bring forward housing developments to increase housing supply and boost the local economy by working in partnership with local organisations. We are a co-investor alongside another registered provider and two local authorities who all contribute to the annual overheads. No investment value is held at the reporting date as it is deemed irrecoverable.

Our investment in Parity Trust is not considered to be recoverable and was fully impaired in 2015.

The Society holds in trust one 50p share in Swaythling Assured Home plc on behalf of Portal Housing Association Limited. The Society has no beneficial interest in this share with full beneficial interest being held by Portal Housing Association Limited.

16. PROPERTIES FOR SALE

	Completed properties			Properties in course of construction			Total properties for sale
	Market sale properties	Affordable home ownership properties	Total completed properties	Market sale properties	Affordable home ownership properties	Total in course of construction properties	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	5,324	4,058	9,382	87	4,881	4,968	14,350
Additions	-	-	-	2,594	14,067	16,661	16,661
Completed in year	2,132	14,212	16,344	(2,132)	(14,212)	(16,344)	-
Net movement from housing properties	-	1,160	1,160	-	-	-	1,160
Cost of properties sold	(7,402)	(15,288)	(22,690)	-	-	-	(22,690)
Reclassifications	-	50	50	315	5,188	5,503	5,553
At 31 March 2019	54	4,192	4,246	864	9,924	10,788	15,034

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

17. INVENTORIES

During the year inventories to the value of £2.5m (2018: £2.0m) were expensed in the Statement of Comprehensive Income. There was no provision made against inventories (2018: £nil).

18. RECEIVABLES

	2019 £'000	2018 £'000
Gross arrears of rent and service charges		
Social	1,237	1,263
Non-social	169	140
	1,406	1,403
Bad debt provision	(537)	(597)
Net tenant arrears	869	806
Trade receivables	2,911	1,562
Social housing grant receivable	-	295
Other receivables and prepayments	3,364	2,446
Amounts due from Group undertakings	6,399	-
Short-term non-liquid assets	3,401	3,414
Amounts due within one year	16,944	8,523
Interest rate swap	268	239
Amounts due after one year	268	239
	17,212	8,762

Short-term non-liquid assets comprise gilts and cash held in liquidity funds.

Investment	Nominal value £'000	Fair value		Interest rate	Expiry date
		2019 £'000	2018 £'000		
UK Government gilt holding	723	839	885	8.00%	2021

The fair value movement on Gilts of £46k has been debited to the Statement of Comprehensive Income in the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

19. PAYABLES: AMOUNTS DUE WITHIN ONE YEAR

	2019	2018
	£'000	£'000
Loans and borrowings	4,580	4,766
Deferred income	1,598	1,432
Other tax and social security payable	648	584
Trade payables	4,482	8,169
Other payables	5,121	2,240
Accruals	6,381	9,089
Contract retentions	1,496	799
Deferred capital grant due within one year	2,134	2,100
Amounts owed to Group undertakings	-	529
	26,440	29,708

Whilst amounts owed to Group undertakings are repayable within one year, it is unlikely that the obligation to repay the debt within one year will be enforced.

20. PAYABLES: AMOUNTS DUE AFTER ONE YEAR

	2019	2018
	£'000	£'000
Loans and borrowings	286,617	289,293
Contract retentions	1,835	2,459
Recycled Capital Grant Fund	15,725	14,472
	304,177	306,224

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

20. PAYABLES: AMOUNTS DUE AFTER ONE YEAR (continued)

Loans and borrowings are secured by fixed mortgages over housing properties and are repayable or will be released to the Statement of Comprehensive Income as follows:

	2019				2018			
	Bank loans £'000	Bonds £'000	HCA loans £'000	Total £'000	Bank loans £'000	Bonds £'000	HCA loans £'000	Total £'000
In multiple instalments								
One year or less	2,700	310	-	3,010	2,700	307	-	3,007
One to two years	3,600	337	-	3,937	2,700	310	-	3,010
Two to five years	10,800	1,201	-	12,001	10,800	1,103	-	11,903
Five years or more	173,100	10,163	-	183,263	176,700	10,598	-	187,298
	190,200	12,011	-	202,211	192,900	12,318	-	205,218
In a single instalment								
Two to five years	-	12,000	-	12,000	-	-	-	-
Five years or more	-	66,100	572	66,672	-	78,100	572	78,672
	-	78,100	572	78,672	-	78,100	572	78,672
	190,200	90,111	572	280,883	192,900	90,418	572	283,890

The prior year comparative has been restated to show the capital repayment profile for all loans and borrowings. The total value of all loans and borrowings includes a further £10.5m of capitalised fees and premiums.

A summary of the interest rates charged on loans and borrowings is included within the Capital and Treasury Management section, commencing on page 3.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

21. DEFERRED CAPITAL GRANT

	Completed £'000	In course of construction £'000	Total £'000
Cost			
At 1 April 2018	211,032	9,212	220,244
Inputs			
Received in year	-	1,320	1,320
Transferred from Recycled Capital Grant Fund	-	2,880	2,880
Transferred into management	10,079	-	10,079
Outputs			
Recycled on disposal	(960)	-	(960)
Released on disposal	(9,859)	-	(9,859)
Transferred into management	-	(10,079)	(10,079)
At 31 March 2019	210,292	3,333	213,625
Accumulated amortisation			
At 1 April 2018	(25,789)	-	(25,789)
Released on disposal	1,071	-	1,071
Charge for the year	(2,202)	-	(2,202)
At 31 March 2019	(26,920)	-	(26,920)
Amortised deferred capital grant			
At 31 March 2019	183,372	3,333	186,705
At 31 March 2018	185,243	9,212	194,455

Deferred capital grant will be recognised in the Statement of Comprehensive Income as follows:

	Completed £'000	In course of construction £'000	Total £'000
Deferred capital grant due within one year	2,134	-	2,134
Deferred capital grant due after one year	181,238	3,333	184,571
	183,372	3,333	186,705

The Recycled Capital Grant Fund and Disposals Proceeds Fund for the Group are held centrally within The Swaythling Housing Society Limited, hence transfers from the Recycled Capital Grant Fund or Disposals Proceeds Fund will not agree to the Society's Recycled Capital Grant Fund note or Disposals Proceeds Fund note.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

22. RECYCLED CAPITAL GRANT FUND

	£'000
At 1 April 2018	14,471
Net inputs to fund	
Grants recycled	3,897
Interest accrued	122
Transfers from other Group members	605
Recycling of grant	
New build	(3,370)
At 31 March 2019	<u>15,725</u>

23. DEFERRED TAX

Deferred tax is provided as follows:

	2019 £'000	2018 £'000
Deferred tax arising in relation to revalued assets	690	427
Tax losses available	(716)	(453)
Other timing differences	26	26
Provision for deferred tax	<u>-</u>	<u>-</u>

Deferred tax assets and liabilities are offset only where the Society has a legally enforceable right to do so. An asset of £0.7m (2018: £0.5m) has not been recognised in respect of losses and other timing differences. The asset would be recovered if there were sufficient and suitable surpluses in the future.

24. PENSIONS

Defined Contribution Scheme

The Pensions Trust Flexible Retirement Plan (FRP)

The Society participates in a defined contribution scheme administered by The Pensions Trust. The accounting charge represents the Society's contributions to the plan for the year and amounted to £1.2m (2018: £791k). There were outstanding contributions as at 31 March 19 of £117k (2018: £77k).

Defined Benefit Schemes

The Society participates in the following schemes:

- Radian Group Pension Scheme (RGPS);
- The Pensions Trust Growth Plan (GP);

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

24. PENSIONS (continued)

Defined Benefit Schemes (continued)

At the reporting date the schemes across the Group were funded as follows:

	2019 £'000	2018 £'000
RGPS defined benefit pension deficit	16,758	15,602
GP defined benefit obligation	22	31
	16,780	15,633

Radian Group Pension Scheme (RGPS)

On 1 October 2012 all employers within the Group established RGPS, a separate pension scheme administered by The Pensions Trust. At the same time employers in the Group withdrew from the Social Housing Pension Scheme (SHPS) and discharged those liabilities which were not transferred to RGPS. RGPS has the following defined benefit structures for its active members:

- $\frac{1}{60}$ th Final Salary; and
- $\frac{1}{60}$ th CARE (Career Average Revalued Earnings)

RGPS is now closed to new members for all employers within the Group though the Group has retained the ability to admit new members at its discretion.

A full actuarial valuation was carried out at 30 September 2016 and updated to 31 March 2018 by an independent qualified actuary. The valuation showed a deficit of £17.2m which the Group has agreed with the Trustee to aim to eliminate over a period of eight years from 1 April 2018. To this end the Group has paid a lump sum of £796k during the year (2018: £1.0m) of which the Society paid £508k (2018: £1.0m). Employers also continued to make monthly contributions of 34.6% of members' earnings until 31 March 2019.

Main financial assumptions adopted for FRS 102 purposes:

	2019 %	2018 %
Increases per annum		
RPI inflation	3.3	3.2
CPI inflation	2.3	2.2
Salary increases	3.3	3.2
Discount rate	2.4	2.6

Post retirement mortality assumptions:

	Males	Females
Retiring today	22.1	23.9
Retiring in 20 years	23.5	25.1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

24. PENSIONS (continued)

Defined Benefit Schemes (continued)

Radian Group Pension Scheme (RGPS) (continued)

At 31 March the assets in the defined benefit scheme which the Society participates in were:

	2019 £'000	2018 £'000
Equities	44,661	46,825
Bonds	25,432	23,905
Property	1,722	2,404
Alternative assets	128	1,205
Total market values of assets	71,943	74,339

The Society's obligations in respect of its defined benefit retirement scheme are set out below:

	2019 £'000	2018 £'000
Fair value of scheme assets	71,943	68,265
Present value of defined benefit obligation	(88,701)	(83,867)
Society's share of deficit in the scheme	(16,758)	(15,602)

Movements in the fair value of scheme assets:

	2019 £'000	2018 £'000
Opening fair value of scheme assets	68,265	62,857
Interest income on scheme assets	1,767	1,677
Expenses	(98)	-
Actuarial gains	2,736	2,805
Contributions from employers	1,641	1,917
Contributions from scheme members	16	702
Benefits paid net of transfers in and including unfunded	(2,384)	(1,693)
Closing fair value of scheme assets	71,943	68,265

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

24. PENSIONS (continued)

Defined Benefit Schemes (continued)

Radian Group Pension Scheme (RGPS) (continued)

Movements in the present value of defined benefit obligations:

	2019 £'000	2018 £'000
Opening defined benefit obligation	83,867	76,211
Service cost	1,150	2,185
Interest cost	2,150	2,037
Expenses	-	184
Actuarial losses	3,902	4,241
Benefits paid net of transfers in	(2,384)	(1,693)
Contributions by scheme members	16	702
Closing defined benefit obligation	88,701	83,867

Statement of Comprehensive Income:

	2019 £'000	2018 £'000
Analysis of amounts charged to operating surplus		
Service cost	1,150	2,185
Expenses	98	184
Amounts charged to other finance costs		
Net interest cost	383	360
Analysis of amount recognised in other comprehensive income		
Actual return less expected return on pension scheme assets	2,736	2,805
Changes in financial assumptions underlying the present value of the scheme liabilities	(3,902)	(4,241)
Actuarial loss on pension scheme	(1,166)	(1,436)

A deferred tax asset has not been recognised in respect of the Society's share of the RGPS deficit as there is insufficient evidence that the asset will be recovered. The amount of asset not recognised is £2.8m (2018: £2.7m). The asset would be recovered if there are sufficient and suitable surpluses in the future.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

24. PENSIONS (continued)

Defined Benefit Schemes (continued)

The Pensions Trust Growth Plan (GP)

The Society participates in GP, a funded multi-employer defined benefit pension scheme that is not contracted out of the state scheme. It is not possible to obtain sufficient information to account for the GP as a defined benefit scheme.

As the scheme is in deficit, and we have agreed to a deficit funding arrangement, the Society recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using a discount rate of 1.39% (2018: 1.71%). The unwinding of the discount rate is recognised as a finance cost.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the Society is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The latest actuarial valuation was carried out by an independent qualified actuary as at 30 September 2017 and reported a deficit of £131.5m with a funding level of 86%. Additional employer contributions are required over ten years to cover the past service deficit. The additional contributions required from the Society from 1 April 2019 are £4k per annum, increasing by 3% per annum compound.

Movements in the pension obligation:

	2019 £'000	2018 £'000
Opening pension obligation	31	35
Interest cost	1	0
Deficit contributions paid	(4)	(4)
Actuarial losses	(6)	0
Closing defined benefit obligation	22	31

Statement of Comprehensive Income

	2019 £'000	2018 £'000
Amounts charged to other finance costs		
Interest cost	(1)	0
Analysis of amounts recognised in other comprehensive income		
Actuarial losses	6	0

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

25. SHARE CAPITAL

	2019	2018
	£	£
Shares of £1 each		
Issued and fully paid at 1 April	37	39
Shares issued during the year	1	1
Shares cancelled during the year	(2)	(3)
Shares issued and fully paid at 31 March	36	37

The share capital of the Society consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. On ceasing to be a shareholder, the relevant share is cancelled, and the amount paid thereon becomes the property of the Society. Therefore, all shareholdings relate to non-equity interests.

26. CAPITAL AND OTHER COMMITMENTS

	2019	2018
	£'000	£'000
Capital expenditure commitments were as follows		
In contract	34,807	68,796
Approved but not contracted	11,867	2,086
Total capital commitments	46,674	70,882
Other commitments	30,888	28,437
Total commitments	77,562	99,319

Capital commitments represent expenditure on housing properties, other fixed assets, and investment properties not provided for in the financial statements. Other commitments represent expenditure on properties being developed for sale.

Commitments will be financed by cash and cash equivalents (£90.1m at 31 March 2019).

27. OPERATING LEASES

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Land and buildings	
	2019	2018
	£'000	£'000
Amounts payable as lessee		
Not later than one year	91	23
Later than one year and not later than five years	155	34
	246	57

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

27. OPERATING LEASES (continued)

The total receipts which the Society is committed to receive under operating leases are as follows:

	Commercial properties		Leases with partnership agencies		Tenancy leases	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Amounts receivable as lessor						
Not later than one year	-	18	234	241	12,636	11,776
Later than one year and not later than five years	2	32	541	586	29,335	30,670
Later than five years	15	252	81	59	4,688	4,470
	17	302	856	886	46,659	46,916

Where a tenancy lease has no fixed end date, it has been assumed that the Society is committed to receive one month's rent, equal to the default notice period on tenancy agreements.

28. FINANCIAL INSTRUMENTS

	At fair value		At historic or amortised cost	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets				
HomeBuy loans	-	-	40,122	43,835
Receivables	1,107	1,124	6,878	5,788
Cash and cash equivalents	-	-	98,073	75,327
	1,107	1,124	145,073	124,950
Financial liabilities				
Payables: amounts due within one year	-	-	(23,272)	(26,517)
Payables: amounts due after one year	-	-	(295,433)	(297,814)
Deferred Capital Grant due after one year	-	-	(184,571)	(192,355)
HomeBuy grant	-	-	(32,217)	(35,109)
Pension liability	-	-	(16,780)	(15,633)
	-	-	(552,273)	(567,428)
			2019 £'000	2018 £'000
Fair value (losses)/gains				
On interest rate swap			29	(496)
On current asset listed investments			(46)	(71)
			(17)	(567)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

29. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 £'000	2018 £'000
Asset		
Interest rate swap	268	239

The interest rate swap is valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The contract is to pay floating and receive fixed interest to and from fellow Group undertaking Windsor and District Housing Association Limited. The notional principal amount and remaining items of the interest rate swap contract outstanding as at the reporting date are as follows:

	Average contract fixed interest rate %	Notional principal value £'000	Fair value £'000
Two to five years	1.5	20,000	268

The interest rate swap settles on a quarterly basis. The floating interest rate on the interest rate swap is three-month LIBOR. The Society settles the difference between the fixed and floating interest rate on a net basis.

30. RELATED PARTY TRANSACTIONS

Pension Schemes

The Radian Group Pension Scheme and the Pensions Trust Growth Plan is considered to be a related party and full disclosure of the Scheme is provided in note 24.

Loans

During the year, two (2018: four) employees determined to be Key Management Personnel had loans with the Society. In the year, new loans of £4,375 were issued and £3,947 of repayments were made. As at 31 March 2019, the outstanding value of the remaining loans was £4,143 (2018: £3,717).

Loans are unsecured, repayable in monthly instalments and do not carry interest. There are no provisions for uncollectible receivables.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019 (continued)

30. RELATED PARTY TRANSACTIONS (continued)

Transactions with Other Entities or Jointly Controlled Entities

The Society, a subsidiary of Radian Group Limited, has taken advantage of the exemption contained in FRS 102 paragraph 33.1A not to disclose transactions or balances with entities which are wholly owned by the Group.

The Accounting Direction for Social Housing requires registered providers to disclose transactions and balances with the following non-regulated entities which are wholly owned by the Group.

- Radian Support Limited;
- Radian Capital plc; and
- Swaythling Assured Homes plc.

Transactions and balances with subsidiaries are eliminated in the consolidated Group financial statements.

The following transactions and balances are shown from the perspective of the Society.

	2019 £'000	2018 £'000
Transactions		
Management charge received from Radian Support	100	-

31. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 March 2019, the Society's ultimate parent and ultimate controlling party was Radian Group Limited, a company limited by guarantee and incorporated in England.

Radian Group Limited is a registered provider and is the parent of both the largest and smallest Group into which the Society is consolidated.

Group financial statements can be obtained from Radian Group Limited, Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD.

