

Registered Society No. 27877R
Homes and Communities Agency No: L4072

WINDSOR AND DISTRICT HOUSING ASSOCIATION LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2019

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GENERAL INFORMATION

BOARD OF MANAGEMENT

Carol Bode	
Jonathan Martin Hurst	
Mandy Clarke	
Michael Sweeney	Resigned 15/10/18
Richard Williams	
Simon Porter	
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

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

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

Performance Highlights

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

Financial Performance

Turnover reduced by £0.5m in the year to £28.3m; the main factor being a 1% reduction in income across social tenures following property sales to fellow Group subsidiaries. Turnover was in line with the prior year across other income streams, including £0.9m from first tranche sales.

Despite turnover remaining static, cost of sales on first tranche transactions increased by 58% to £0.8m, causing a decline in surplus to £0.1m at margins of 8%, down from 36% in the prior year. Operating costs reduced by £1.2m, notably within management costs, service charge expenditure and total cost of repairs.

Operating surpluses increased by £3.0m however, with an additional £2.8m generated from sales to fellow Group subsidiaries, at a margin of 73% against 61% the year before.

Interest costs remained in line with the prior year at a net £3.0m, as did fair value gains of £0.7m. Higher property valuations in the current year offset trivial losses on financial instruments – an interest rate swap with The Swaythling Housing Society Limited - which had formed the majority of the gain in the prior year. Gift Aid donations also reduced by £3.0m, from £10.0m to £7.0m in the year.

Surpluses before tax have therefore increased by £6.1m to £11.5m, with net margins increasing from 19% to 40% in the process.

Financial Position

The financial position of the Association has remained consistent with the prior year, despite unit sales, as additions and capitalised repairs have offset the impact. The only notable change within assets is cash, which has increased by £8.8m, assisted by additional property sales and a reduction in Gift Aid payments made.

Loans and borrowings have decreased by £2.8m as the Nationwide/Barclays syndicated loan, on lent from Radian Group Limited, is in its repayment phase.

Reserves closed at £58.9m, an increase of 25% from the prior year.

STRATEGIC REPORT (continued)

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, available on our website.

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 Association is financed by a combination of revenue reserves, a long-term intercompany loan 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 also prioritises a lack of reliance on any single counterparty, whether through cash holdings or available facilities.

Capital Structure

At 31 March 2019 the Association's borrowings amounted to £97.0m (2018: £100.4m) of which £2.8m (2018: £3.4m) is due to be paid within the next year.

Risks

- **Interest rate risk** is the risk that the Association is unable to service its loans and borrowings due to rises in interest rates. The Association manages interest rate risk through the requirements laid out in the Group Treasury Policy, including entry into interest rate swaps to fix a proportion of floating rate debt;
- **Liquidity risk** is the risk that the Association is unable to service its loans and borrowings, or meet repayment liabilities as they fall due, owing to insufficient cash. The Association 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 Association is unable to access cash deposits due to failure of counterparties. The Association manages counterparty credit risk by regularly monitoring and reviewing the credit rating of counterparties through the requirements laid out in the Group Treasury Policy;

STRATEGIC REPORT (continued)

Capital and Treasury Management (continued)

Risks (continued)

- **Market risk** is the risk that the Association is unable to refinance loans and borrowings at an acceptable interest rate as they mature. The Association 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 Group borrows and invests surplus funds only in sterling.

Interest Rate Management

The Association's borrowings consist of a single intercompany loan at both fixed and floating rates of interest.

Some of our intercompany loan has embedded interest rate swaps that run for all or part of the loan term.

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

Total debt of £97.0m at 31 March 2019 consisted of 70% fixed and 30% variable rate debt. The 70% fixed debt was due to interest rate swaps running for all or part of the loan term. 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.

Surplus assets for future debt security

As at 31 March 2019 the Association had over 700 unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise approximately £57m of future new debt on an asset cover ratio of 105% for Existing Use Value as Social Housing (EUV-SH) properties.

Per our current development programme, we expect to complete 71 properties in the period to 31 March 2020.

Future Funding Options

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

STRATEGIC REPORT (continued)**Our Developments**

The Association 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 Association had four 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
St. Leonards Park at Oakeley Vale Bursledon, Southampton	October 2019	31	X	X
Orchard Place Horton Heath, Southampton	November 2019	37	X	X

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, available on our website.

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:



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 Windsor and District Housing Association 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 Association has a directorship in common with the other three entities without charitable tax status in the Group.

The Directors of the Association 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 Association, 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 Association 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 30.

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 Association 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 Association directly employed an average of 16 full time equivalent employees during the year (2018: 19), calculated on standard working hours per week for each employee.

The Association 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 Association is committed to providing equal opportunities to its employees, underpinned by a working environment that is inclusive and free from discrimination or harassment. The Association 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 Association 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 have had a significant effect on the Association's financial position.

Going Concern

After making enquiries, the Board has a reasonable expectation that the Association 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 take into account the current uncertain economic climate and expected trading conditions, show that the Association 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 Association's auditor in connection with preparing their report, of which the Association'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 Association's auditor in connection with preparing their report and to establish that the Association'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, flowing style.

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 Association'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 Association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association 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 Association 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 WINDSOR AND DISTRICT HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of Windsor and District Housing Association Limited ("the Association") 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 Association's affairs as at 31 March 2019 and of the Association'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 Association 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 Association'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 WINDSOR AND DISTRICT HOUSING ASSOCIATION 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 Association; or
- A satisfactory system of control has not been maintained over transactions; or
- The Association'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 9, 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 Association'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 Association 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 Association, as a body, 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 Association'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 Association 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 WINDSOR AND DISTRICT HOUSING ASSOCIATION 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	28,321	28,790
Cost of sales	3	(836)	(528)
Operating costs	3	(18,212)	(19,395)
Surplus from disposal of fixed assets	3	11,303	8,738
Operating surplus		20,576	17,605
Finance income	4	352	237
Finance costs	5	(3,303)	(3,270)
Fair value movement on financial instruments	26	(29)	496
Fair value movement on investment properties	13	768	245
Distributions from joint venture	14	100	50
Gift Aid	6	(7,000)	(10,000)
Surplus on ordinary activities before tax	7	11,464	5,363
Tax (charge)/credit for the year	8	(278)	121
Surplus on ordinary activities after tax		11,186	5,484
Other comprehensive income			
Actuarial gains on defined benefit pension schemes	22	571	158
Total comprehensive income		11,757	5,642

All activities derive from continuing operations.

The notes on pages 16 to 46 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	152,137	153,522
Other fixed assets	12	1,516	1,374
Investment properties	13	10,923	10,624
Investments	14	1,195	1,195
		165,771	166,715
Current assets			
Properties for sale	15	3,364	2,800
Receivables	16	5,192	7,592
Cash and cash equivalents		30,282	21,507
		38,838	31,899
Payables: amounts due within one year	17	(7,091)	(8,737)
Net current assets		31,747	23,162
Total assets less current liabilities		197,518	189,877
Payables: amounts due after one year	18	(94,858)	(97,460)
Deferred capital grant due after one year	19	(35,652)	(36,946)
Deferred tax	21	(880)	(602)
Pension liability	22	(7,229)	(7,727)
Net assets		58,899	47,142
Capital and reserves			
Share capital	23	0	0
Revenue reserve		58,899	47,142
Association's funds		58,899	47,142

The notes on pages 16 to 46 form part of these financial statements.

The financial statements of Windsor and District Housing Association Limited, registered society number 27877R, on pages 13 to 46 were authorised by the Board on 31 July 2019 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	41,500	41,500
Surplus on ordinary activities after tax	-	5,484	5,484
Actuarial gains on defined benefit pension schemes	-	158	158
At 31 March 2018	0	47,142	47,142
Surplus on ordinary activities after tax	-	11,186	11,186
Actuarial gains on defined benefit pension schemes	-	571	571
Shares issued during the year	0	-	0
At 31 March 2019	0	58,899	58,899

The notes on pages 16 to 46 form part of these financial statements.

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

1. LEGAL STATUS

The Association 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 Association 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 2015. 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 7.

Disclosure Exemptions

In preparing the financial statements of the Association, 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 Association 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 Association operates.

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

Jointly Controlled Entities

Jointly controlled entities are those where the Association holds a significant equity interest but has no overall control.

In the financial statements interests in jointly controlled entities are accounted for using the cost method of accounting, under which the equity investment is initially recognised at the transaction price and distributions are recorded as income in the period received.

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

The percentage of equity purchased determines the percentage of total unit costs recognised in the Statement of Comprehensive Income.

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.

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 Association 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, subject to any third-party agreements relating back to Large Scale Voluntary Transfers of housing stock.

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

2. ACCOUNTING POLICIES (continued)

Surplus/(Deficit) from disposal of fixed assets (continued)

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 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 Association 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 loans made to jointly controlled entities.

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.

Value Added Tax (VAT)

The Association 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 Association has elected against early adoption of disclosing these payments as distributions, as required by the SORP 2018, retaining their classification as donations.

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

2. ACCOUNTING POLICIES (continued)

Pensions

The Associations' 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 Association 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.

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.

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 Association 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.

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

2. ACCOUNTING POLICIES (continued)

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.

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; and
- Office furniture and development equipment – 10 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.

Properties Held for Sale

All unsold 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 Association has access on behalf of the beneficiaries of the account.

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 Association 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 Association 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 Association has a legally enforceable right to set off current tax assets against current tax liabilities.

Financial Assets and Liabilities

Loans and Borrowings

The Association'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.

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 Association is the lessee) and receipts (where the Association is the lessor) are not made or received on that basis.

The Association 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.

2. ACCOUNTING POLICIES (continued)

Critical Judgments, Estimates, and Uncertainty

Impairment Review

At each reporting date the Association 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.

Defined Benefit Pension Obligations

Financial and actuarial assumptions underlying accounting estimates of the Association'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, dependant upon the equity anticipated to be purchased in the first tranche.

Fair Value Measurement

The Association 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 £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus from disposal of fixed assets £'000	Operating surplus/ (deficit) £'000
Social housing lettings	25,255	-	(17,177)	-	8,078	25,600	-	(17,955)	-	7,645
Other social housing activities										
Development administration	-	-	76	-	76	-	-	(350)	-	(350)
Intercompany recharges	433	-	(433)	-	-	482	-	(482)	-	-
First tranche affordable home ownership sales	946	(836)	(32)	-	78	943	(528)	(74)	-	341
Surplus from disposal of fixed assets	-	-	-	11,303	11,303	-	-	-	8,738	8,738
Other social	453	-	(206)	-	247	437	-	(88)	-	349
Total other social housing activities	1,832	(836)	(595)	11,303	11,704	1,862	(528)	(994)	8,738	9,078
Non-social housing activities										
Market rent properties	580	-	(289)	-	291	563	-	(313)	-	250
Other non-social	654	-	(151)	-	503	765	-	(133)	-	632
Total non-social housing activities	1,234	-	(440)	-	794	1,328	-	(446)	-	882
Total	28,321	(836)	(18,212)	11,303	20,576	28,790	(528)	(19,395)	8,738	17,605

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 housing needs £'000	Supported / housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000	General housing needs £'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)	18,886	3,459	362	650	23,357	19,226	3,471	346	589	23,632
Service charge income	802	513	102	21	1,438	780	603	109	18	1,510
Net rental income	19,688	3,972	464	671	24,795	20,006	4,074	455	607	25,142
Amortisation of capital grant	259	179	22	-	460	198	200	60	-	458
Net turnover from social housing lettings	19,947	4,151	486	671	25,255	20,204	4,274	515	607	25,600
Operating costs										
Management	(3,917)	(690)	(144)	(211)	(4,962)	(4,464)	(903)	(150)	(135)	(5,652)
Service charge costs	(1,652)	(291)	(61)	(89)	(2,093)	(2,008)	(406)	(67)	(61)	(2,542)
Routine maintenance	(2,529)	(445)	-	(136)	(3,110)	(2,296)	(464)	-	(69)	(2,829)
Planned maintenance	(1,216)	(214)	-	(65)	(1,495)	(904)	(183)	-	(27)	(1,114)
Major repairs expenditure	(2,223)	(391)	-	(120)	(2,734)	(2,528)	(511)	-	(76)	(3,115)
Bad debts	34	6	1	2	43	(61)	(12)	(2)	(2)	(77)
Other costs	10	2	-	1	13	79	16	3	2	100
Depreciation of housing properties	(2,018)	(526)	(45)	(84)	(2,673)	(2,006)	(482)	(51)	(46)	(2,585)
Loss on disposal of housing components	(133)	(33)	-	-	(166)	(122)	(19)	-	-	(141)
Operating expenditure on social housing lettings	(13,644)	(2,582)	(249)	(702)	(17,177)	(14,310)	(2,964)	(267)	(414)	(17,955)
Operating surplus on social housing lettings	6,303	1,569	237	(31)	8,078	5,894	1,310	248	193	7,645
Void losses	(136)	(55)	-	(4)	(195)	(107)	(46)	-	(6)	(159)

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				
	Staircasing £'000	Right to Buy £'000	Sales to other registered providers £'000	Other housing sales £'000	Total £'000
Sale proceeds	673	685	13,100	10	14,468
Less: Cost of sales	(318)	(38)	(2,808)	(1)	(3,165)
Surplus from disposal of fixed assets	355	647	10,292	9	11,303

	2018				
	Staircasing £'000	Right to Buy £'000	Sales to other registered providers £'000	Other housing sales £'000	Total £'000
Sale proceeds	895	589	10,714	285	12,483
Less: Cost of sales	(368)	(24)	(3,247)	(106)	(3,745)
Surplus from disposal of fixed assets	527	565	7,467	179	8,738

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	2,766	2,807
Affordable rent general needs housing	205	205
Supported / housing for older people	523	524
Affordable home ownership	109	101
Care homes	85	85
Other social housing	75	75
	3,763	3,797
Non-social		
Market rent housing	62	62
	62	62
	3,825	3,859
Owned and not managed		
Leasehold housing	516	517
	516	517
	4,341	4,376
Managed for others not owned		
Properties managed for others	654	656
	654	656
	4,995	5,032
Total	4,995	5,032
NON-HOUSING PROPERTIES		
Owned		
Garages	868	869
Shop / commercial	4	4
Other	20	20
	892	893
	5,887	5,925
Total Units	5,887	5,925
<i>Properties under construction</i>	<i>94</i>	<i>79</i>

Leasehold 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	106	15
Interest receivable from joint venture loan notes	246	222
	<u>352</u>	<u>237</u>

5. FINANCE COSTS

	2019 £'000	2018 £'000
Interest costs on loans and borrowings	3,085	3,016
Servicing fees of loans and borrowings	47	84
	<u>3,132</u>	<u>3,100</u>
Interest on pension scheme liabilities	171	170
	<u>3,303</u>	<u>3,270</u>

6. GIFT AID

The Association made Gift Aid payments of £7.0m (2018: £10.0m) 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		
Gift Aid	7,000	10,000
Depreciation of fixed assets	2,815	2,624
Operating lease rental		
Land and buildings	18	48
The analysis of auditor's remuneration is as follows		
Fees payable (excluding VAT) to the Association's auditor for the audit of the Association's annual financial statements	<u>18</u>	<u>17</u>

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	298	(208)
Adjustment in respect of earlier years	(20)	87
Tax charge/(credit) for the year	278	(121)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2018: 19%). The differences are explained as follows:

	2019 £'000	2018 £'000
Surplus on ordinary activities before tax	11,464	5,362
Tax on surplus on ordinary activities at 19% (2018: 19%)	2,178	1,019
Effects of		
Expenses not deductible for tax purposes	138	262
Prior year adjustments	(20)	87
Movement in unrecognised deferred tax	14	39
Non-taxable profit on Group transfer of properties	(1,955)	(1,419)
Movement in deferred tax due to differences in tax rates	(77)	(109)
Total tax charge/(credit)	278	(121)

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 Association makes an annual Gift Aid payment to Portal Housing Association Limited equal to its anticipated taxable profits.

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

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.

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

	2019 £'000	2018 £'000
Board members	-	12
Emoluments payable to the highest paid Director (excluding pension contributions)	-	12

In 2018/19 the board member remunerated by Windsor and District Housing Association Limited transferred to The Swaythling Housing Society Limited. It is not possible to disaggregate board members' remuneration in respect of services performed on behalf of the constituent Group entities.

The board members of Windsor and District Housing Association 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	01/09/13		£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

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 as follows:

	2019 FTE	2018 FTE
Housing and central services staff	15	18
Maintenance staff	1	1
	16	19
	2019 £'000	2018 £'000
Staff costs (for the above employees)		
Wages and salaries	528	626
Social security costs	47	61
Pension costs	85	97
	660	784

The Association had no full time equivalent staff (2018: none) with remuneration (including compensation for loss of office and pension contributions) of £60,000 or more.

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
	Social housing properties	Affordable home ownership properties	Total completed housing properties	Social housing lettings properties in course of construction	Affordable home ownership properties in course of construction	
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	173,273	7,531	180,804	3,210	3,081	187,095
Additions	-	-	-	3,299	1,966	5,265
Additions - works to existing properties	1,229	-	1,229	-	-	1,229
Transferred into management	2,935	1,035	3,970	(2,935)	(1,035)	(3,970)
Transfers across tenures	-	-	-	69	242	311
Disposals and demolitions	(814)	(328)	(1,142)	-	-	(1,142)
Intercompany transfers	(5,712)	-	(5,712)	-	-	(5,712)
Net movement to current assets	-	(141)	(141)	-	-	(141)
At 31 March 2019	170,911	8,097	179,008	3,643	4,254	186,905
Accumulated depreciation						
At 1 April 2018	(33,202)	(371)	(33,573)	-	-	(33,573)
Charge for the year	(2,628)	(45)	(2,673)	-	-	(2,673)
Intercompany transfers	822	-	822	-	-	822
Disposals and demolitions	633	23	656	-	-	656
At 31 March 2019	(34,375)	(393)	(34,768)	-	-	(34,768)
Net book value						
At 31 March 2019	136,536	7,704	144,240	3,643	4,254	152,137
At 31 March 2018	140,071	7,160	147,231	3,210	3,081	153,522

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 completed social housing properties as determined by the Existing Use Valuation – Social Housing method at 31 March 2019 was £300.8m (2018: £277.9m). 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	1,229	980
Amounts charged to Statement of Comprehensive Income	2,781	3,115

Security

The Association had property with a net book value of £42.8m pledged as security at 31 March 2019 (2018: £43.3m).

12. OTHER FIXED ASSETS

	Freehold land and premises £'000	Leasehold land and premises £'000	Computers, fixtures and fittings £'000	Total other fixed assets £'000
Cost				
At 1 April 2018	1,671	218	695	2,584
Disposals and demolitions	-	(127)	-	(127)
At 31 March 2019	1,671	91	695	2,457
Accumulated depreciation				
At 1 April 2018	(299)	(218)	(693)	(1,210)
Charge for the year	145	-	(3)	142
Disposals and demolitions	-	127	-	127
At 31 March 2019	(154)	(91)	(696)	(941)
Net book value				
At 31 March 2019	1,517	-	(1)	1,516
At 31 March 2018	1,372	-	2	1,374

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

13. INVESTMENT PROPERTIES

Value	Completed investment properties £'000	Investment properties in course of construction £'000	Total investment properties £'000
At 1 April 2018	10,155	469	10,624
Transfers across tenures	-	(469)	(469)
Revaluation surplus	768	-	768
At 31 March 2019	10,923	-	10,923

Completed investment properties are shown at market value of £10.9m (2018: £10.2m), 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	9,760	9,760
Depreciation	(395)	(336)
Net book value	9,365	9,424

14. INVESTMENTS

The Association has 333 solely held shares and 333 jointly held shares in Affinity (Reading) Holdings Limited alongside Southern Housing Group. In turn, Affinity (Reading) Holdings Limited owns 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply, refurbish, manage and maintain part of Reading Borough Council's housing inventory until 2034.

The Association is also in partnership with Southern Housing Group to deliver housing and community development services for the estate under the PFI contract via Affinity Housing Services.

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

15. PROPERTIES FOR SALE

	Completed	Properties in course of construction			Total properties for sale £'000
	Affordable home ownership properties £'000	Market sale properties £'000	Affordable home ownership properties £'000	Total in course of construction properties £'000	
At 1 April 18	-	1,276	1,524	2,800	2,800
Additions	-	(216)	1,311	1,095	1,095
Completed in year	690	-	(690)	(690)	-
Net movement from housing properties	141	-	-	-	141
Cost of properties sold	(831)	-	-	-	(831)
Reclassifications	-	(532)	691	159	159
At 31 March 19	-	528	2,836	3,364	3,364

16. RECEIVABLES

	2019 £'000	2018 £'000
Gross arrears of rent and service charges		
Social	1,011	1,047
Non-social	177	98
	1,188	1,145
Bad debt provision	(304)	(428)
Net tenant arrears	884	717
Trade receivables	50	113
Amounts due from Group undertakings	2,191	4,921
Other receivables and prepayments	173	52
Amounts due within one year	3,298	5,803
Other receivables and prepayments	17	20
Loan notes due from joint venture	1,436	1,436
Interest bearing balance due from joint venture	441	333
Amounts due after one year	1,894	1,789
	5,192	7,592

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

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

17. PAYABLES: AMOUNTS DUE WITHIN ONE YEAR

	2019 £'000	2018 £'000
Trade payables	229	704
Deferred income	1,212	1,158
Other tax and social security payable	10	13
Other payables	356	286
Accruals	581	1,046
Contract retentions	55	11
Loans and borrowings	2,788	3,369
Right to Buy profit share agreement	1,455	1,732
Deferred capital grant due within one year	405	418
	7,091	8,737

18. PAYABLES: AMOUNTS DUE AFTER ONE YEAR

	2019 £'000	2018 £'000
Loans and borrowings	94,241	97,029
Contract retentions	309	147
Other payables	16	21
Deposits repayable	24	24
Interest rate swap	268	239
	94,858	97,460

Loans and borrowings are secured by fixed mortgages over housing properties. Loans and borrowings are repayable as follows:

	Intercompany loans	
	2019 £'000	2018 £'000
In multiple instalments		
One year or less	2,788	3,369
One to two years	1,965	1,038
Two to five years	12,296	11,711
Five years or more	79,980	84,280
	97,029	100,398

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)

19. DEFERRED CAPITAL GRANT DUE AFTER ONE YEAR

	Completed £'000	In course of construction £'000	Total £'000
Cost			
At 1 April 2018	40,730	2,627	43,357
Inputs			
Received in year	-	839	839
Transferred from Recycled Capital Grant Fund	-	490	490
Transferred into management	2,564	-	2,564
Outputs			
Recycled on disposal	(106)	-	(106)
Released on disposal	(2,525)	-	(2,525)
Transferred into management	-	(2,564)	(2,564)
At 31 March 2019	40,663	1,392	42,055
Accumulated amortisation			
At 1 April 2018	(5,993)	-	(5,993)
Released on disposal	456	-	455
Charge for the year	(461)	-	(460)
At 31 March 2019	(5,998)	-	(5,998)
Amortised deferred capital grant			
At 31 March 2019	34,665	1,392	36,057
At 31 March 2018	34,737	2,627	37,364

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	405	-	405
Deferred capital grant due after one year	34,260	1,392	35,652
	34,665	1,392	36,057

The Recycled Capital Grant Fund for the Radian Group is held centrally within The Swaythling Housing Society Limited hence transfers from the Recycled Capital Grant Fund will not agree to the Association's Recycled Capital Grant Fund note.

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

20. RECYCLED CAPITAL GRANT FUND

	£'000
At 1 April 2018	-
Net inputs to fund	
Grants recycled	110
Recycling of grant	
Transfers to other Group members	(110)
At 31 March 2019	<u><u>-</u></u>

21. DEFERRED TAX

	£'000
At 1 April 2018	602
Charged to Statement of Comprehensive Income	278
At 31 March 2019	<u><u>880</u></u>

	2019 £'000	2018 £'000
Deferred tax arising in relation to revalued assets	260	133
Tax losses available	(142)	(292)
Other timing differences	762	761
Provision for deferred tax	<u><u>880</u></u>	<u><u>602</u></u>

Deferred tax assets and liabilities are offset only where the Association has a legally enforceable right to do so. It is not anticipated that there will be any significant reversal of the deferred tax liability in the next 12 months.

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

22. PENSIONS

Defined Contribution Scheme

The Pensions Trust Flexible Retirement Plan (FRP)

The Association participates in a defined contribution scheme administered by The Pensions Trust. The accounting charge represents the Association's contributions to the plan for the year and amounted to £27k (2018: £10k). There were outstanding contributions as at 31 March 2019 of £2k (2018: £1k).

Defined Benefit Schemes

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 2019 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 Association paid £108k (2018: £nil). 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
	%	%
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)

22. PENSIONS (continued)

Defined Benefit Schemes (continued)

Royal County of Berkshire Pension Fund (RCB)

The Association participates in RCB, a multi-employer defined benefit pension scheme where the deficit or surplus can be separately identified. A full actuarial valuation of RCB was carried out at 31 March 2016 and updated for FRS 102 purposes to 31 March 2019 by an independent qualified actuary. The valuation results showed a funding deficit of £2.0m and a funding level of 68%. Contributions in 2018/19 remained at 25.7% (2017/18: 25.7%) of pensionable pay to improve the funding level.

Radian Group has adopted a strategy of reducing its pension cessation risk by consolidating its pension obligations over a number of years. On 1 April 2016 the Association took on the RCB pension obligations of Radian Support Limited, receiving consideration of £1.4m in respect of the estimated cessation liability at the point in the future when the last member dies or there is an agreement to settle the liability.

Main financial assumptions adopted for FRS 102 purposes:

	2019	2018
	%	%
Discount rate	2.1	2.2
Pension increases (CPI inflation)	2.8	2.7
Salary increases	4.3	4.2

Post retirement mortality assumptions:

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 95%. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% per annum.

	Males	Females
Retiring today	22.0	24.0
Retiring in 20 years	23.7	25.8

At 31 March 2019 the assets attributable to the Association in the schemes which the Association participates in were:

	RGPS	RCB	Total
	£'000	£'000	£'000
Equities	1,138	2,729	3,867
Corporate bonds	648	807	1,455
Property	44	746	790
Infrastructure	-	506	506
Cash	-	427	427
Alternative assets	3	161	164
Total market values of assets	1,833	5,376	7,209

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

22. PENSIONS (continued)

Defined Benefit Schemes (continued)

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

	RGPS		RCB		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Fair value of scheme assets	1,833	1,740	5,376	5,249	7,209	6,989
Present value of defined benefit obligation	(2,260)	(2,137)	(12,178)	(12,579)	(14,438)	(14,716)
Association's share of deficit in the scheme	(427)	(397)	(6,802)	(7,330)	(7,229)	(7,727)

Movements in the fair value of scheme assets:

	RGPS		RCB		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Opening fair value of scheme assets	1,740	2,095	5,249	5,419	6,989	7,514
Interest income on scheme assets	45	56	112	116	157	172
Actuarial (losses)/gains	(31)	(423)	342	37	311	(386)
Expenses	(3)	-	(3)	(3)	(6)	(3)
Contributions from employers	143	38	15	9	158	47
Contributions from scheme members	-	30	2	2	2	32
Benefits paid	(61)	(56)	(341)	(331)	(402)	(387)
Closing fair value of scheme assets	1,833	1,740	5,376	5,249	7,209	6,989

Movements in the present value of defined benefit obligation:

	RGPS		RCB		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Opening defined benefit obligation	2,137	2,540	12,579	12,616	14,716	15,156
Service cost	37	93	17	18	54	111
Expenses	-	6	-	-	-	6
Interest cost	54	68	273	274	327	342
Actuarial losses/(gains)	93	(544)	(352)	-	(259)	(544)
Benefits paid	(61)	(56)	(341)	(331)	(402)	(387)
Contributions by scheme members	-	30	2	2	2	32
Closing defined benefit obligation	2,260	2,137	12,178	12,579	14,438	14,716

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

22. PENSIONS (continued)

Defined Benefit Schemes (continued)

Analysis of amounts charged to operating surplus:

	RGPS		RCB		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Current service costs	37	93	17	18	54	111
Expenses	3	6	3	3	6	9
	40	99	20	21	60	120

Amounts charged to other
finance costs

Net finance charge	10	12	161	158	171	170
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Analysis of amount recognised in Other Comprehensive Income:

	RGPS		RCB		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Actual return less expected return on pension scheme assets	(31)	(423)	342	37	311	(386)
Changes in assumptions underlying the present value of the scheme liabilities	(107)	544	352	-	245	544
Experience gains arising on the scheme liabilities	15	-	-	-	15	-
Actuarial losses on pension schemes	(123)	121	694	37	571	158

A deferred tax asset has not been recognised in respect of the Association's share of the RGPS and RCB deficits as there is insufficient evidence that the assets will be recovered. The amount of asset not recognised is £1.2m (2018: £1.1m). The asset would be recovered if there are sufficient funds and suitable profits in the future.

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

23. SHARE CAPITAL

	2019	2018
	£	£
Shares of £1 each		
Issued and fully paid at 1 April	6	6
Shares issued during the year	1	-
Shares issued and fully paid at 31 March	7	6

The share capital of the Association 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 Association. Therefore, all shareholdings relate to non-equity interests.

24. CAPITAL AND OTHER COMMITMENTS

	2019	2018
	£'000	£'000
Capital expenditure commitments were as follows		
In contract	5,111	5,675
Approved but not contracted	895	1,205
Total capital commitments	6,006	6,880
Other commitments	1,585	3,106
Total commitments	7,591	9,986

Capital commitments represent expenditure on housing properties 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 (£30.3m at 31 March 2019).

25. 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	20	19
Later than one year and not later than five years	42	62
	62	81

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

25. OPERATING LEASES (continued)

The total receipts which the Association 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	116	103	686	670	5,107	4,575
Later than one year but not later than five years	167	116	2,143	2,093	11,794	10,712
Later than five years	120	33	1,164	1,368	1,583	1,704
	403	252	3,993	4,131	18,484	16,991

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

26. FINANCIAL INSTRUMENTS

	At fair value		At historic or amortised cost	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Financial assets				
Investments	-	-	1,195	1,195
Receivables	-	-	5,306	7,948
Cash and cash equivalents	-	-	30,282	21,507
	-	-	36,783	30,650
Financial liabilities				
Payables: amounts due within one year	-	-	(5,876)	(7,578)
Payables: amounts due after one year	(268)	(239)	(94,574)	(97,200)
Deferred capital grant due after one year	-	-	(35,652)	(36,946)
Pension liability	-	-	(7,229)	(7,727)
Share capital	-	-		0
	(268)	(239)	(143,331)	(149,451)
Fair value (losses)/gains			2019 £'000	2018 £'000
On interest rate swap			(29)	496

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

27. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 £'000	2018 £'000
Liability		
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 fixed and receive floating interest to and from fellow Group undertaking The Swaythling Housing Society 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
2 to 5 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 Association settles the difference between the fixed and floating interest rate on a net basis.

28. RELATED PARTY TRANSACTIONS

Pension Schemes

The Radian Group Pension Scheme and the Royal County of Berkshire Pension Fund are considered to be related parties and full disclosure of these schemes is given in note 22.

Transactions with Other Entities or Jointly Controlled Entities

The Association, 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. Transactions with the jointly controlled entities are accounted for accordingly.

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

28. RELATED PARTY TRANSACTIONS (continued)

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

	2019 £'000	2018 £'000
Transactions		
Income		
Professional services charge to Affinity Housing Services	25	25
Director's fees charged to Affinity (Reading)	55	55
Interest from loan notes issued to Affinity (Reading) Holdings	246	222
	326	302
Balances		
Receivables		
Amounts due from Affinity Housing Services	13	30
Amounts due from Affinity (Reading) Holdings	1,877	1,769
Amounts due from Affinity (Reading)	28	33
	1,918	1,832

29. ULTIMATE PARENT COMPANY AND CONTROLLING COMPANY

At 31 March 2019 the Association'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 Association is consolidated.

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