

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

**THE SWAYTHLING HOUSING SOCIETY LIMITED**

**Annual Report and Financial Statements**

**Year Ended 31 March 2017**

# THE SWAYTHLING HOUSING SOCIETY LIMITED

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THE SWAYTHLING HOUSING SOCIETY LIMITED

**GENERAL INFORMATION**

**BOARD OF MANAGEMENT**

Carol Bode	Chair – appointed 01/10/2016
Mandy Clarke	
Simon Porter	
Lindsay Todd	
Richard Williams	Appointed 01/10/2016
Martin Hurst	Appointed 16/03/2017

**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

## INTRODUCTION FROM THE CHAIR

Since proudly becoming Chair of The Swaythling Housing Society Limited in October 2016 we have been through a period of significant change. Perhaps most notable is the British electorate's decision to leave the European Union. We are mindful of the impact that political decisions have on our area of work and how changes within the economy will affect our residents and customers. However, we remain confident that we are in a strong position to work through such conditions as and when they arise, by working on a rolling strategy that enables us to adapt quickly and efficiently.

Despite the challenges we have faced, it has been another successful year for The Swaythling Housing Society Limited. Yet we know that continuing with business as usual is not an option. The need for innovation is a constant. This will help us to continue delivering efficiencies and securing competitive funding for growth.

Radian's Vision 2025 remains at the heart of what we do and is where we aspire to be. A new 2017-20 Strategic Plan has been launched to give staff an understanding of the bigger picture and the roles they play individually and collectively in delivering the Plan. Empowering our people with the ability to innovate, to share and critique ideas and to engage in our Vision is key to our success.

There is an ever-growing need to supply more homes across our regions and we will continue to increase the number of homes that we manage. We are keen to identify public or private land that could be available for development. This may include larger sites with strategic opportunities that may not be suitable for short-term investors. Our development programme of property for both rent and sale is key to the success of our future.

Following the tragic events at Grenfell Tower, we have been and will continue to be in regular contact with our residents to address any concerns they may have and to provide fire safety advice and guidance.

The results of an internal investigation identified one of our developments, Park Reach in Southampton which, due to its height, was considered high risk. Further testing indicated that the cladding on the building does contain aluminium composite materials. As a result, we have worked closely with Southampton City Council and Hampshire Fire and Rescue Service to undertake a thorough assessment of the development which confirmed that, due to the fire safety management of the building, there is no requirement to move residents out of their homes. Discussions around remedial work to the building are ongoing.

We will continue to undertake a proactive and robust range of measures to ensure that our homes across our geography are safe and to reduce the risk of harm from fire.

At the end of 2016/17 the Society owned and managed 20,172 (2016: 19,892) homes across the South and South West of England.

During the year Radian delivered a total of 418 (2016: 229) new homes of which 246 (2016: 154) were completed by The Swaythling Housing Society Limited. During the year a total of 279 units were sold to Portal Housing Association Limited, although the Society continues to provide management services in relation to these units.

**INTRODUCTION FROM THE CHAIR (continued)**

The 2016/17 programme created and enhanced a number of vibrant communities including Gilbury Close, Southampton. This development transformed a redundant Radian office block into two three-bedroom family homes available for affordable rent. We are also developing a community at Quebec Barracks in Bordon. This site was previously occupied by the Ministry of Defence and will deliver 100 new mixed-tenure homes plus a commercial enterprise incorporating start-up office units and a community café. It is forecast to be completed in April 2018. The new homes we provide are of a high quality, built to the highest energy efficient standards and have sustainable designs.

In July 2017, Lindsay Todd announced that he will be stepping down as Chief Executive of Radian Group as of 31 August 2017. Lindsay has steered the organisation through a period of immense growth and change, including a successful three-way merger, creating an organisation six times larger than when he joined, set against a backdrop of constantly shifting sector landscapes. Lindsay leaves Radian in a strong financial position. The Board and Executive Members are grateful to him for all he has accomplished during his time at Radian.

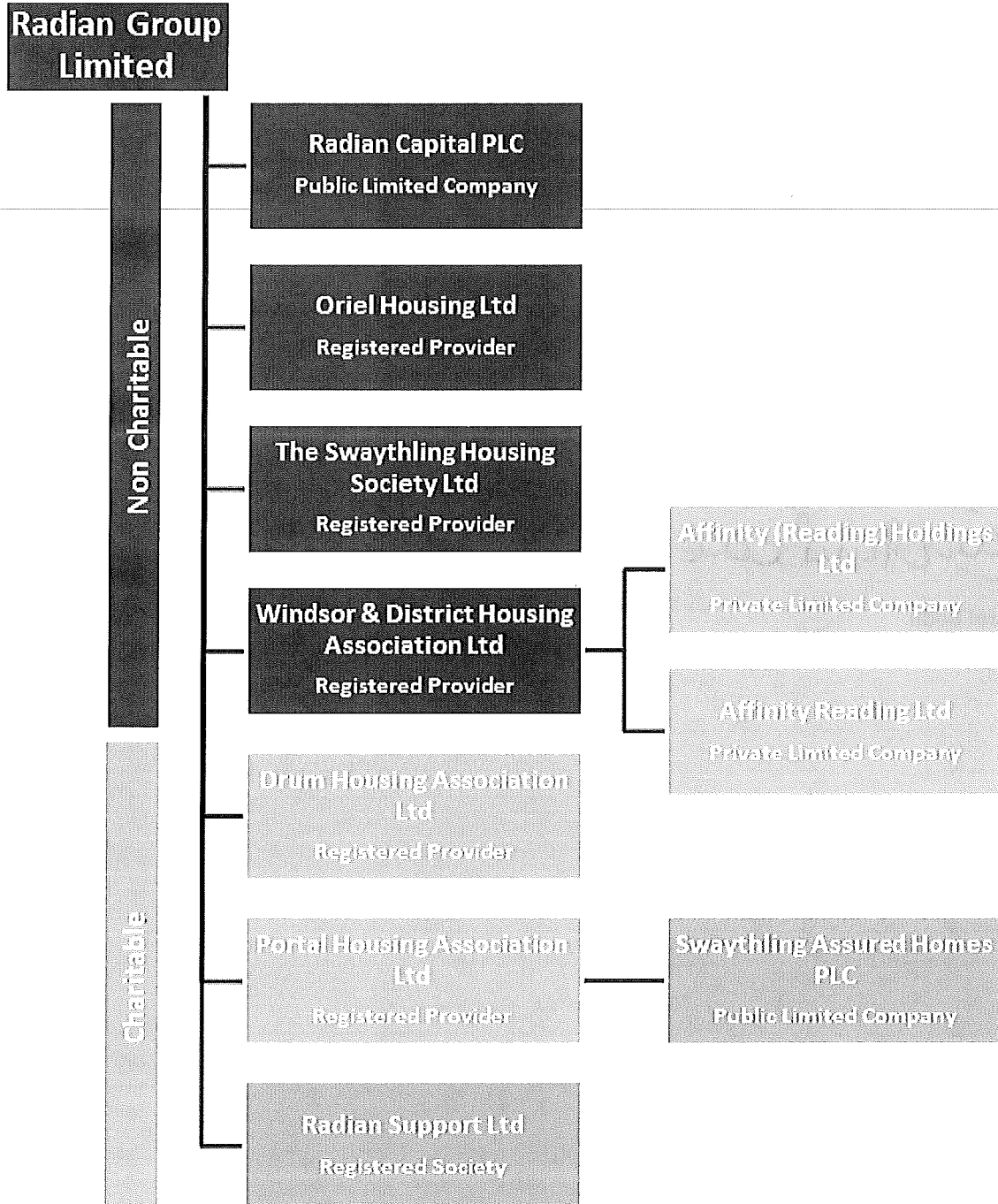
As we head into a new financial year, I would like to express my sincere thanks to everyone that has contributed to the growth and strength of The Swaythling Housing Society Limited. Our ability to continue developing new homes in the current climate is testament to the efforts put in by those passionate about making a difference to our communities. I look forward to seeing what the next year will bring.



**Carol Bode**  
Chair

**OUR PRINCIPAL ENTITIES**

Radian Group Limited, the Group's parent entity, is a company limited by guarantee and regulated by the Homes and Communities Agency as a Registered Provider. It does not own any housing stock and the Group's activities take place within the Group's registered provider subsidiaries.



## **OUR EXECUTIVE TEAM**

### **Lindsay Todd – Chief Executive**

Lindsay is a chartered surveyor who has held housing and development roles in housing associations in the North and the Midlands, as well as with a private rent housing company. He was Chief Executive of Oriel Group, one of Radian's founding partners, and became Radian's Chief Executive when it was formed in 2006. He is a member of the South East Regional Council of the Confederation of British Industry and Royal Institute of Chartered Surveyors Housing Supply Group. In July 2017, Lindsay announced that he will be stepping down as Chief Executive of Radian Group as of 31 August 2017.

### **Andrew Newberry – Former Director of Finance and IT**

Andrew qualified as a chartered accountant in 1979 whilst working for an international practice in England. After two years' further experience with them in Africa he returned to England and moved into commerce. This gave him experience at a senior level in a range of activities including construction, property development, property maintenance and leasing.

Andrew joined The Swaythling Housing Society Limited as Director of Finance in 1996, taking responsibility for finance, IT and company secretary matters and became Director of Finance of Radian Group at its inception. He is a member of the National Housing Federation (NHF) Financial Policy Advisory Group and the Housing Statement of Recommended Practice (SORP) Working Party. Andrew retired from Radian at the end of April 2017.

### **Beverley Anne Costain - Director of Finance and IT**

Anne started her career at Aon in 1992 and worked for various organisations, qualifying as a Chartered Accountant in 2000 (ACCA). Anne joined De La Rue in 2006 where she held a number of roles, culminating in being appointed Divisional Finance Director for Supply Chain and Currency.

Anne joined Radian Group in August 2012 as Deputy Finance Director, becoming Finance Director (designate) in July 2016 and formally taking over from Andrew Newberry as Finance Director upon his retirement. In her role as Deputy Finance Director, Anne has headed up the Finance and Treasury departments, qualifying as a Corporate Treasurer (AMCT) during this time.

### **Andrea Smith – Former Director of Development and New Business**

Andrea joined The Swaythling Housing Society Limited, one of Radian's founding entities, in July 1998 and has therefore been with Radian since its inception. A chartered architect, Andrea's early career was spent in private practice.

Passionate about property and design and proud of Radian's track record of developing award-winning schemes, Andrea is a Board member of Dorset Local Enterprise Partnership (LEP) and was chair of the NHF Delivering Great Homes Group and a member of its South East Standing Board until 31 March 2017. Andrea retired from Radian at the end of April 2017.

**OUR EXECUTIVE TEAM (continued)**

**Peter Evans - Director of Technical Services**

Peter has been working in construction for over 30 years gaining experience in a variety of roles including self employment, contracting, private sector consultancy, charitable organisations and the housing sector.

After leaving the production side of the construction industry in 1997 he qualified as a surveyor and subsequently joined the National Trust as an historic building surveyor working in Oxfordshire. In the same year he won two Chartered Institute of Builders Awards in Contractual and Technology studies. As Director of Technical Services he is responsible for asset management, maintenance and facilities management. He assumed responsibility for Radian's development function on Andrea Smith's retirement.

**Ralph Facey - Director of Housing and Customer Services**

Ralph joined Radian in January 2005 and has over 25 years' housing management experience gained in a range of different organisations. In Birmingham, Ralph co-ordinated preparations for the transfer of the City Castle Vale estate to a Housing Action Trust and oversaw the formal transfer. After three years spent as Housing Services Manager at Southampton City Council, Ralph became Chief Housing Officer at Gosport and led the service through a period of successful and significant change.

In January 2005 Ralph took over responsibility for The Swaythling Housing Society Limited's preparations for the July 2005 Audit Commission inspection, which resulted in a good service and excellent prospects for improvement judgment. Ralph was appointed as Director of Housing and Customer Services in December 2009 and is also a member of the Chartered Institute of Housing.

**Isabelle Simon-Evans - Director of Corporate Services**

Isabelle joined Radian in February 2010 following a career across the private, public and not-for-profit sectors and has experience of strategic restructuring and outsourcing as well as integrating cultures after mergers. Isabelle was formerly Director of People, Procurement and Organisational Development with The Children's Society and a Board member and Chair of the remuneration committee for a housing association specialising in services for people with learning disabilities and mental health issues.

Starting her career in sales and marketing, Isabelle developed operational experience in running services for vulnerable adults and registering and inspecting residential care. She is a fellow of the Institute of Personnel and Development and has had experience as a magistrate in the youth and adult courts.



## **BOARD REPORT**

The Board presents its annual report and the audited financial statements for the year ended 31 March 2017.

### **Principal Activities**

The Swaythling Housing Society Limited (the Society) is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and a subsidiary of Radian Group Limited (the Group). It is the principal employer of staff within the Group and provides housing management services to residents on behalf of all property owning entities within the Group. Its principal activity is to provide high quality homes and services which help improve people's lives and sustain the communities in which they live.

### **Corporate Governance Statement**

As a subsidiary of Radian Group Limited, the Society's affairs are overseen by the Group Combined Board which is formed of Board Members from across the Group's entities with each Board Member representing their respective entity or entities.

This ensures that each entity's interests are protected. Intercompany transactions are also governed by Group policy to protect the interests of individual entities.

### **Board Members of The Swaythling Housing Society Limited**

The current Board Members of the Society are set out on page 1. The Board Members are drawn from a wide background bringing together professional, commercial and other relevant experience. There have been no appointments to, or resignations from, the Board after the year end and in the period up to the date of signing this report.

Recommendations from a review of Radian's formal governance structure and governance effectiveness, led by the Group Combined Board, were implemented from 1 October 2016. The objectives were to achieve best practice in decision making and excellence in governance whilst continuing to meet statutory and regulatory requirements. The review encompassed the Group's legal entity structure, the role and composition of the Group Combined Board, its Committees and their skills and expertise, resident involvement, the terms of reference for the Executive Board and the overall effectiveness of the governance structure.

Following this review a new Housing, Assets and Customer Services Panel was established to best serve residents' interests and two former resident Board Members were transferred to lend their expertise to the governance of the housing management service. On 16 March 2017, two new Board Members were appointed to various subsidiaries across the Group thus further strengthening the Group Combined Board. One of these, Martin Hurst, joined the Board of The Swaythling Housing Society Limited on the same date.

Board Membership of The Swaythling Housing Society Limited, including changes that have taken place during the year, is set out below.

THE SWAYTHLING HOUSING SOCIETY LIMITED

BOARD REPORT (continued)

Board Members of The Swaythling Housing Society Limited (continued)

Name	Committee, Panel and Other Roles	Movements in Year	
		Joined	Left
Carol Bode	Member of Remuneration and Nominations Committee	01/10/16	
Lindsay Todd	Chief Executive Officer Member of Treasury and Investment Committee Chair of Executive Development Panel		
Mandy Clarke	Senior Independent Director Chair of Remuneration and Nominations Committee Member of Audit and Risk Committee		
Simon Porter	Chair of Audit and Risk Committee Member of Treasury and Investment Committee and Remuneration and Nominations Committee		
Peter Baynham			31/07/16
Michael Collis	Resident Board Member		01/10/16
Colin Hessey	Resident Board Member		01/10/16
Oliver Graham	Chair of Treasury and Investment Committee Member of New Business Committee (disbanded) and Audit and Risk Committee		15/12/16
Richard Williams	Member of Treasury and Investment Committee and Remuneration and Nominations Committee	01/10/16	
Martin Hurst	Member of Treasury and Investment Committee and Remuneration and Nominations Committee	16/03/17	

The Group Combined Board Composition and Remuneration

The table below sets out how the Board Members of the Society and the Board Members of its fellow Group subsidiaries form the Group Combined Board.

<i>"CH"/"VC" denotes Chair/Vice Chair; "x" denotes Membership of a Board</i>	Group Combined Board						Other	Annual fees <sup>1</sup>
	Non-Charitable				Charitable		Radian Support	
	Radian	Windsor	Swaythling	Oriel	Drum	Portal		
Carol Bode	CH	CH	CH	CH	CH	CH		£23,000
Lindsay Todd <sup>4</sup>	x	x	x	x	x	x	x	n/a
Simon Porter	x	x	x	x	x	x		£11,500 <sup>2</sup>
Mandy Clarke	x	x	x	x				£11,500 <sup>2</sup>
Richard Williams	VC	x	x	x				£11,500 <sup>2</sup>
Martin Hurst	x	x	x	x				£9,000
Ashley West					x	x		£9,000
Mark Ralf <sup>5</sup>					x	x	VC	£11,500 <sup>2</sup>
Bridget Phelps <sup>6</sup>					x	x	CH	£9,000
Jayne Beeson					x	x		£9,000
Brian Pirie							x	£0 <sup>3</sup>

**BOARD REPORT (continued)**

**The Group Combined Board Composition and Remuneration (continued)**

<sup>1</sup> Fees are payable to Board Members in accordance with Group policy.

<sup>2</sup> The roles of Group Vice Chair, Senior Independent Director and Committee Chair receive a supplementary fee paid for by the Group.

<sup>3</sup> Fee waived at the request of Board member.

<sup>4</sup> Lindsay Todd has announced that he will be stepping down as Chief Executive of Radian Group as of 31 August 2017.

<sup>5</sup> Mark Ralf has notified us of his intention to give up his Board commitments at the end of September 2017.

<sup>6</sup> Bridget Phelps has notified us of her intention to give up her Board commitments at the end of her current term of office at the end of July 2017.

The Group Combined Board delegates certain governance responsibilities to Group Committees which have their own approved terms of reference. Management of daily operations is delegated to the Executive Board.

Information regarding the composition of the Board Committees is available on our website ([www.radian.co.uk](http://www.radian.co.uk)). The major committees supporting the Group Combined Board during the year were:

***Audit and Risk Committee***

The Audit and Risk Committee is responsible for the oversight of:

- Internal and external audit;
- The effectiveness of internal controls and risk identification and mitigation; and
- Reviewing financial performance and the financial statements.

***Remuneration and Nominations Committee***

The Remuneration and Nominations Committee has delegated responsibility for:

- Executive and Board appointments, pay and succession planning; and
- Board performance review process.

***Treasury and Investment Committee***

The Treasury and Investment Committee is responsible for the oversight of:

- The structure of funding arrangements;
- Raising new finance and liquidity management;
- Loan portfolio risk management;
- Management of the security portfolio;
- Budget and business plans; and
- Reviewing the Group pension investment strategy.

**BOARD REPORT (continued)**

**Executive Board and Service Contracts**

The Executive Board are set out on pages 5 to 6. The Executives hold no beneficial interest in the Group's shares and act within the authority delegated by the Group Combined Board under defined terms of reference.

The Executives are employed on similar terms to other staff, except for an entitlement to car allowances and health care insurance. The Chief Executive is provided with a company car.

The Executive Directors are members of the Radian Group Pension Scheme (RGPS) and they participate in the sections of the Scheme on the same terms as all other employee members of those sections. The Group contributes to all sections of the Scheme on behalf of its employees.

Group insurance policies, together with an additional NHF Certificate of Liability Insurance, indemnify Board Members and Officers against liability when acting for the Group or relevant subsidiaries.

**Resident Involvement**

The Group actively encourages residents' involvement in decision making:

- The Housing, Assets and Customer Services Panel allows residents to review performance and service delivery and monitor outcomes;
- A resident scrutiny group evaluates Radian's services and makes recommendations to the Executive Board;
- The Panel uses a combination of face-to-face and online meetings to develop local initiatives and improve customer satisfaction; and
- Various other forums and panels including the Health and Wellbeing Forum and Community Safety Panel enable residents to help shape our services.

**Governance and Regulation**

The Group's operations are carried out in accordance with the Housing Acts and other applicable law. The Group Combined Board adopts the NHF Code of Conduct 2012 on behalf of the Group and the NHF Code of Governance 2015 on behalf of the RP entities within the Group.

Compliance with the HCA's Regulatory Framework is monitored by the Audit and Risk Committee which provides assurance to the Board. The Board certifies that the Group is compliant with all regulatory standards and, specifically, the Governance and Financial Viability Standard. The HCA reconfirmed Radian's regulatory rating for governance and viability as G1 and V1 respectively in December 2016.

The Group Combined Board expects its Members, involved residents, staff and contractors to comply with the Radian Code of Conduct, which is based on a model provided within the NHF Code of Conduct. Having conducted an appropriate internal compliance review, the Group Combined Board considers that each of the RP entities is fully compliant with both the Governance Code and the Code of Conduct.

A statement of compliance is published on Radian's website and all Boards consider their effectiveness annually.

## **BOARD REPORT (continued)**

### **Internal Control and Risk Management**

As part of its remit to oversee Group affairs, the Group Combined Board acknowledges its ultimate responsibility for establishing and maintaining a Group-wide system of internal control that is appropriate to the various business environments in which it operates and for reviewing the effectiveness of those controls. These controls are designed to give reasonable assurance in respect of the:

- Reliability of financial and operational information used within the Group or for publication;
- Maintenance of proper accounting records;
- Safeguarding of assets against unauthorised use or disposal; and
- Management of risks against the achievement of Group strategic and business objectives.

The Group Combined Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. In meeting its responsibilities, the Group Combined Board has adopted a risk-based approach to internal controls that are embedded within the normal management and governance processes. This approach, consistent with past practice, includes the regular evaluation of the nature and extent of risks to which the Group is exposed and in regularly scanning the external environment.

The process adopted by the Group Combined Board to review the effectiveness of our internal controls and the key elements of our control framework includes:

#### ***Identification and evaluation of key risks***

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities. The process is coordinated through a regular reporting framework by the Audit and Risk Committee and the Group Combined Board. The Executive Board regularly considers reports on the significant risks facing the Group and the Director of Corporate Services reports to the Group Combined Board on any significant changes affecting key risks. In addition, the Treasury and Investment Committee continually reviews financial risk and advises the Board accordingly. The Board formally reviews strategic and financial risk at least once every year.

#### ***Monitoring and corrective action***

A process of Group-wide control self-assessment culminating in an annual self-assessment sign off by the Executive Board and regular management reporting on control issues provides assurance to the Group's Boards. This includes a formal procedure for ensuring that corrective action is taken in relation to any significant control issues. The Group uses an outsourced internal audit function to monitor internal controls and identify any weaknesses.

#### ***Control environment and control procedures***

The Group Combined Board has responsibility for a defined range of issues covering Group strategy, performance, finance and compliance. There are clearly defined levels of responsibility and delegated authority.

There is a broad framework of policies and procedures with which all employees must comply and which covers areas such as segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection. A framework for employees' individual objectives and appraisal supports achievement of good standards of performance.

**BOARD REPORT (continued)**

**Internal Control and Risk Management (continued)**

***Information and financial reporting systems***

Forecasts and budgets are prepared which allow the Board and Management to monitor the key financial objectives and progress towards achieving financial plans set for the year and the medium term. Regular management accounts and reports on financial performance, together with KPIs for service standards and progress against operational plans, are prepared, providing regular up-to-date financial and other information with significant variances investigated and reported as appropriate.

***Audit and Risk Committee***

The Audit and Risk Committee reviews the annual internal and external plans and reports and meets with the auditors to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Committee reviews the major risks at every meeting. In turn, the Committee Chair reports to the Group Combined Board at each of their meetings.

***Fraud, bribery, money laundering and whistleblowing***

A Group-wide fraud prevention policy and response plan are in place and all incidents are reported to the Audit and Risk Committee and recorded in a register which is reviewed annually. The policy covers prevention, detection and reporting of fraud and the recovery of assets. The Audit and Risk Committee has reviewed the fraud register on behalf of the Group Combined Board. A Group whistleblowing policy is in place and there are controls to mitigate the risk of bribery and money laundering.

The internal control framework and the risk management process are subject to periodic review by internal auditors who are responsible for providing independent assurance to the Audit and Risk Committee which in turn reports to the Group Combined Board.

**Review of Effectiveness of Internal Control**

The Group's Boards and KPMG, our internal auditors, confirm the effectiveness of our internal control systems to manage the achievement of the Group's objectives for the 12 months ended 31 March 2017.

**Health, Safety and Wellbeing**

The Group has detailed health, safety and wellbeing policies and procedures which are managed to protect our employees, visitors, contractors, residents and members of the public from harm. We also provide staff with training and education on health, safety and wellbeing matters.

There is quarterly KPI reporting on safety management compliance to the Audit and Risk Committee and to the Group Combined Board.

**BOARD REPORT (continued)**

**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 Society's budget and business plan, which take into account the current uncertain economic climate and expected trading conditions, show that it will be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

**Auditor**

In the case of each of the persons who are Members of the Society at the date when this report is approved:

- So far as each of the Members is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Society's auditor is unaware; and
- Each of the Members has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information (as defined) and to establish that the Society's auditor is aware of that information.

A resolution to appoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

The Board Report was approved by the Board on 27 July 2017 and signed on its behalf by the Chair.



**Carol Bode**  
Chair

## STRATEGIC REPORT

### Our Business Model

The Society's principal activity is the provision, management and maintenance of quality, cost-effective accommodation for people in housing need. Housing properties are let at rents that are affordable to tenants.

The Society owns and manages its own housing inventory as well as managing the majority of Radian Group's housing inventory. It has been subject to a programme of repair and all of the homes we own have been maintained to a good standard.

The Society owns (or has an investment in) and manages 22,308 (restated 2016: 21,989) properties (excluding HomeBuy loans) in 33 local authority areas predominantly in Hampshire, Surrey, West Sussex and Wiltshire. 28% (2016: 28%) of the properties are concentrated in East Hampshire.

Of the 20,172 housing properties (restated 2016: 19,892) which the Society owns (or has an investment in, excluding HomeBuy loans) and manages, 71% (2016: 71%) are social rent general needs and affordable rent general needs accommodation and a further 8% (2016: 8%) are social rent supported housing and housing for older people. 9% (2016: 8%) of the homes are affordable home ownership and the balance is care homes, other social, leased and market rent housing.

The Society employed an average of 689 full time equivalent employees during the year (2016: 671). Operations for the Society are run from the Society's head office in Eastleigh.

The Society measures its performance primarily by monitoring the KPIs set by the Group Combined Board, which are scrutinised by the Housing, Assets and Customer Services Panel and the Residents' Council. We have a combination of financial and operational targets for performance in areas that include rent arrears, rent losses from voids and bad debts, customer satisfaction and repairs. Our performance is subject to regulation by the HCA and our loan covenants are agreed with our lenders.

### Future Developments

The Group's collective strategy is to secure opportunities and funding to enable us to develop more homes in our chosen markets within target areas. We plan to build at a rate which does not threaten our financial viability and are currently planning to deliver an average of 600 new homes a year.

Under our current structure the majority of new homes will be built by the non-charitable RPs, financed by sales of existing homes to Portal Housing Association Limited. The Group will finance purchases of homes through cash reserves and bond issues.

Under the Government's rent reduction policy announced in July 2015, we were required to reduce the majority of our rents by 1% in each of the subsequent four years. To mitigate the impact of this reduced income we have identified cost savings of £12m to be achieved by 2019/20, which is the last year of the rent reduction. As a result, our projections show that we will continue to improve our operating margins throughout the period of rent reduction.

We forecast business performance and remodel our business plan twice a year or more often if there are significant changes in our regulatory and economic environment. We review the underlying assumptions regularly to ensure that they are appropriate.



## **STRATEGIC REPORT (continued)**

### **Future Developments (continued)**

We stress test the model to assess the financial impact of the following major risks to the organisation:

- Further rent reductions using a number of multi-variate scenarios to test our sensitivity to these;
- Increased voids and arrears in light of welfare reforms;
- Increases in inflation and interest rates; and
- Increased exposure to market sales and a fall in the percentage of first tranche sales.

The business models and stress testing are reviewed, along with mitigating actions to ensure that we can continue to develop new homes.

The future impact of Voluntary Right to Buy has been considered as the programme will initially generate a positive inflow of cash. We are considering how we will overcome the future challenge of replenishing diminishing stock.

### **Our Vision and Strategic Goals**

Our day-to-day activities are underpinned by a clear understanding of what we want Radian to be in the future as outlined in our 'Vision 2025'.

Customers - Our customers in 2025 tell us that we provide great homes they want to live in. We aim:

- To have a broad customer base;
- To truly understand our customers' needs and requirements;
- For our customers to benefit from the development of our digital offer;
- For our customers to be able to build equity in their homes; and
- For our market rent customers to continue to enjoy the flexibility of renting as a long-term option.

Partners - Our partners in 2025 tell us that we are great to work with and add value. We aim:

- To work with our partners to build homes of all tenures;
- For our employees to drive our business success through innovation, flexibility and commitment to customer satisfaction and be partners in everything we do;
- To have strong relationships with all regional stakeholders;
- To have successfully merged with others; and
- To bring expertise and clarity to our partnerships.

Homes - Our homes in 2025 are distinctive and sought after. We aim:

- To double our size;
- To complete 2,000 new homes in 2025 including 300 outright new builds;
- To offer a range of tenures across all of our homes;
- To own or manage a large stock of market rent homes;
- To retain 75% of our homes as social rent homes;
- To provide low-cost rented products;
- For our homes to be distinctive, sought after and tailored to our different customers and markets;
- To continue to modernise our older homes;
- To ensure that most of our new homes will be built by us on land we purchase for development;
- For our new homes to be energy efficient and smarter; and

**STRATEGIC REPORT (continued)**

**Our Vision and Strategic Goals – Homes (continued)**

- To ensure that Affordable Home Ownership will constitute a much larger proportion of our management portfolio.

*Services* - Our services in 2025 are rated by customers to be best in class. We aim:

- To have a clear focus on an efficient modern, digital service delivery;
- To provide locally-based services that in turn create successful, prosperous and vibrant communities;
- To facilitate customers mobility by helping them move home or by improving their current homes;
- For all our services to be associated with quality; and
- To be digitally accessible, enabling increased self-service for our customers.

*Geography* - Our geography in 2025 will have extended across the South. We aim:

- To extend our activities from west of the M25 and M40 to east of the M5 and south of a line from Oxford to Gloucester; and
- To continue to strengthen our offer locally for customers and partners.

**Strategic Plan 2017-20**

This Vision will be delivered by the achievement of our internal strategic objectives which focus on the next three years but are updated annually to remain relevant to the business. The Strategic Plan is interlinked with a transformation plan which has four success factors:

*Customer* - Our customers tell us that we provide great homes they want to live in and our services are highly rated:

- Redefined standards of service and customer relationships for all tenures and markets;
- Digital and mobile technology to enhance customer experience and reduce service costs;
- New online customer services; and
- Top-quartile customer satisfaction and income collection sustained while also increasing turnover and reducing our costs.

*Property* - Our homes are sought after and our partners tell us that we are great to work with and add value with our:

- New in-house estate management service for mixed tenure schemes;
- SMART. portfolio management service for corporate investors;
- Established Radian Build property development contractor;
- New homes that are connected, serviced more easily and which are more efficient;
- Better homes which are developed more cheaply due to competitively priced construction and land supply which will include using modular construction solutions;
- Wide range of homes and choice of tenure across an extended geography in accordance with agreed targets for profit and yield; and
- Asset management assumptions which favour stock retention.

*People* - We are talented and Radian is a great place to work with:

- Engaged people who deliver the change we need to succeed and continue to improve;
- A modernised approach to manage and recognise performance; and
- Appropriate change initiation and management.

**STRATEGIC REPORT (continued)**

**Strategic Plan 2017-20 (continued)**

*Commercial* - We are efficient and we generate surpluses which are reinvested in new products and services with:

- An updated merger strategy which we plan to have implemented;
- Competitive funding secured for growth beyond 2020;
- A brand known for quality;
- Clear about the financial contribution of each part of Radian; and
- We will have reviewed, simplified and established slicker processes to improve decision making and improve business intelligence.

**Principal Risks and Uncertainties**

Radian has a published risk management framework which sets out how corporate risk is considered, assessed and mitigated through the organisation’s hierarchy, from project level, to senior management and the Executive and Group Combined Boards.

Radian’s Risk Manager meets with our senior management in each business area at least three times a year to review the risk register of operational and strategic risks. A consistent approach is applied in regard to scoring risks before and after mitigating actions are taken, new controls are implemented and tracked until they are operating effectively. The results of our risk reviews are reported to Radian’s Audit and Risk Committee three times per year and top-level strategic risks are reported and reviewed by the Group Combined Board.

The following is a summary of the principal risks identified:

<b>Nature of risk</b>	<b>Impact</b>	<b>Mitigations include</b>
IT systems fail, are compromised or are subjected to unauthorised use or malicious attacks with potential for reputational damage	Disruption to Radian’s business caused by major disaster, hardware or communications failure and/or power, air conditioning or other facilities-related issues. Viruses, phishing or malware attacks, unauthorised users or inappropriate use by staff causing failure of IT systems, impacting revenue collection, integrity and security of data, service delivery or customer confidence.	Extensive network security in place including Cisco firewalls, anti-virus, endpoint security, enhanced network management, purpose built corporate datacentre with offsite failover and backup services, cloud-based filtering for email and web, encryption and management of all mobile devices and two-factor authentication for remote users. Other controls include documented change management, planned upgrades with robust testing, appropriate maintenance and support contracts, effective supplier relationships, systems and service management with ITIL trained staff and up-to-date business continuity and disaster recovery plans which are tested regularly.
Failure to deliver our planned development programme	Failure to deliver the planned development programme, to achieve compliance with agreed standards or within planned resources.	Rigorous development control processes with effective management oversight of programme delivery. Proactive project management with Executive and Group Combined Board oversight.

**STRATEGIC REPORT (continued)**

<b>Nature of risk</b>	<b>Impact</b>	<b>Mitigations include</b>
Transformation programme	Loss of business focus during implementation of our transformation programme, failure to adopt appropriate behaviours to implement change and innovate. Disengagement of staff and/or reputational damage due to poor communication of changes.	Oversight of Radian’s transformation programme by a steering committee comprising non executive and executive members. It is delivered by a dedicated director who works closely with the Learning and Development Team. A new induction programme is in place together with a change management toolkit. Staff at all levels play an active role in the transformation process. A strong communications team is in place to support transformation communication.
Changes in legislation or regulation jeopardise our cash flow	Changes in rent regulation, welfare benefits or accounting standards jeopardise cash flow and cost saving measures.	Senior finance staff maintain awareness of sector change with advice from auditors and other sector experts. Assessment of the impact of changes using modelling and regular forecasting and analysis of financial outturn. Increased staffing within the Housing Income Team are helping to address these increased pressures. Stress testing of our business plan has considered the impact of further rent cuts beyond 2020 and has identified mitigating actions.
Breach of HCA funding conditions	Inability to use government funding as a result of failure to meet milestones or inadequate oversight of projects and programmes.	Rigorous development control processes with effective management oversight of programme delivery. Quarterly meetings are held between our development consortium and the HCA monitor the progress of our development programme.
Relationships with key stakeholders	Missed opportunities or diminished reputation due to failure to maintain a strong and positive relationship with key stakeholders, including local and national government.	Radian liaises with local authorities, is a member of key NHF working groups and engages with other consortium partners to try and influence government agenda.
Increased arrears and lost revenue due to changes in government policy	Failure to achieve top quartile performance for percentage net rent collection.	Radian has a rolling action plan to manage our response to welfare reform and the introduction of Universal Credit. It is reviewed monthly and updated regularly to reflect the progress of its rollout. We have appointed a dedicated officer and have reviewed internal procedures to minimise the risks around under-occupation and affordability for residents, particularly when considering new development schemes. We have organised awareness campaigns to ensure residents are aware of the changes and our Employment, Support and Training (EST) Team continue to take referrals for those looking to be supported into work.

**STRATEGIC REPORT (continued)**

Nature of risk	Impact	Mitigations include
Radian Build becomes inefficient as a result of insufficient and untimely land supply	Insufficient workflow prevents the recovery of overhead costs resulting in financial loss.	Radian Build schemes are sourced by our Land Supply Team and are currently priced in advance on a prime cost contract basis, backed by competitive procurement. The Executive Board monitors Radian Build's progress against our business plan.

**Budgets and Business Plans**

The members of the Group Combined Board ensure that the Group's subsidiaries act in their own interest while also contributing positively to the results of the Group as a whole.

**Financial Performance**

Our budget strategy requires the business:

- To increase its operating margin for housing annually which in turn increases its capacity to obtain additional funding to build an average of 600 new homes a year; and
- To ensure that the main trading entities within the Group achieve a surplus before tax.

**Growth**

The business aims to grow by adding more homes at a rate which sustains its financial viability. Aside from developments that are earmarked specifically for sale our default strategy is to 'build and hold' property for a period of 30 years.

**Capital and Treasury Management**

The Group is financed by a combination of revenue reserves, long-term loan facilities, bond finance and Social Housing Grant received from government.

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

Radian has a Group-wide 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 loan facilities capable of immediate drawdown to cover the next six months' forecast cash requirement. The Group must also have sufficient cash and committed loan facilities, though not necessarily capable of immediate drawdown, to cover the higher of committed development spend and the next 18 months forecast cash requirement. The policy also prioritises a lack of reliance on any one counterparty, whether through cash holdings or available facilities.

**STRATEGIC REPORT (continued)**

**Financial Review**

Turnover has increased 1% to £65.4m from £64.6m primarily as a result of a £0.4m increase in Help to Buy agency turnover. Turnover from social housing lettings increased by 1% which equates to £0.3m. The first of four annual 1.0% rent decreases were applied to the applicable tenancies from 1 April 2016 in accordance with government policy.

Our target for the year was to keep rent losses from voids in line with the previous year. The Society's rent losses remained at 0.5% (2016: 0.5%). Overall rent arrears have increased to 1.7% (2016: 2.1%).

Operating costs and cost of sales have decreased by 9% to £44.3m (2016: £48.9m) primarily due to a reduction in social housing operating costs from £25.0m to £19.8m.

Finance costs have decreased by 3% to £9.9m as a £10.5m THFC bond and a £2.9m of Lloyds loan have been repaid during the year, partly offsetting an increase in interest costs due to the receipt of £45.1m nominal of Affordable Housing Finance funds in January 2017.

**Fixed Assets and Funding**

The Society's investment in fixed assets has risen to £612.1m (restated 2016: £601.8m). The fixed asset investment is funded by £265.8m of loans and borrowings (restated 2016: £233.4m), £201.1m deferred capital grant (2016: £205.4m) and £117.8m of revenue reserves (2016: £90.7m).

At 31 March 2017 the Society owned or had an investment in 7,263 completed housing properties (restated 2016: 7,316) excluding HomeBuy loans. These properties were on the Statement of Financial Position at a net book value of £554.3m (2016: £538.3m).

The Board appointed professional valuers to value the Society's completed housing properties and investment properties as at 31 March 2017 and at that date the value of the housing properties on an existing use valuation - social housing basis was £455.1m (2016: £453.2m) and the value of investment properties as determined by the market value method was £19.5m (2016: £18.7m).

<b>Financial Key Performance Indicators</b>	<b>Restated</b>	
	<b>2017</b>	<b>2016</b>
Turnover (£'m)	65.4	64.6
Turnover from Social Housing as % of total revenue	63%	64%
Surplus from Social Housing lettings as % of finance costs	218%	158%
Operating margin	94%	55%
Net margin	47%	21%
Debt (net of cash) as % of total assets (net of cash)	38%	37%
Debt as a multiple of revenue	4.1	3.6

The Strategic Report was approved by the Board on 27 July 2017 and signed on its behalf by the Chair.



**Carol Bode**  
Chair

## VALUE FOR MONEY

### Value for Money (VfM) – An Integral Part of Our Business

We aim to provide quality services that represent value for money. In order to fulfil our regulatory obligations we publish our VfM statement on our website every September. That statement provides full details of our performance, cost, return on assets, VfM delivered to date and our future plans. Our website also contains our VfM strategy 2016-20 which is a vital component of our Vision 2025.

As part of their annual global accounts review, the HCA track the cost performance of Registered Providers, excluding any income collected, against the sector median. Radian's total cost per unit in 2015/16 was £3,880 against a sector median of £3,550 and a top quartile of £4,430. To ensure that our cost base remains appropriate in light of unprecedented welfare reform, the Group Combined Board carried out a VfM 'zero based budget' review during the year.

This process identified £12m of financial over-performance against our 2015/16 budget as a baseline. We expect to deliver this improvement in our surpluses by March 2020. Each department will contribute by reducing overheads and service costs and by creating efficiencies through greater collaboration and innovation. The 2016/17 budget incorporated planned VfM savings of £4.9m towards the 2020 target of £12m.

2016/17 saw a range of VfM activity, for example:

- A series of changes to the structure of our housing management function which resulted in improved income collection and a 14% saving in costs, which equated to £2.3m;
- A review of our void management approach which reduced cost and void loss and improved overall void turnaround time; and
- A range of reviews to reduce our overheads which included restructuring our finance and corporate services functions.

### Housing Management Performance

Radian's net rent arrears reached their lowest ever position of 1.5% (Swaythling: 1.7%) at 31 March 2017, in spite of welfare reform. Income collection remained very strong for the Group as a whole at 100.3% and the Society collected 100.1% of its rent debit. Our Group void loss improved to 0.67% and was 0.67% for the Society.

We secured HouseMark accreditation for the high quality of our response to anti-social behaviour, our domestic abuse service and our Customer Service Centre approach.

### Service Satisfaction

Customer satisfaction continued to improve in 2016/17 in spite of cost savings. Our residents in rental accommodation reported top-quartile satisfaction and home owners' satisfaction was in the top ten percent.

- Our customer's overall satisfaction with Radian increased from 83% in 2014/15 to 86% in 2016/17. The Society's overall satisfaction score was 85.4%. The Group's Net Promoter Score, which is an external customer experience benchmark, increased nine points from 15 to 24 in the year;
- Tenant satisfaction with our landlord service increased from 87% in 2014/15 to 88% in 2016/17. The Society's score was 87.3% and the Group's Net Promoter Score has risen from 24 to 29 in the last year; and

## VALUE FOR MONEY (continued)

### Service Satisfaction (continued)

- Home owners' satisfaction scores have improved significantly since 2014/15 which reflects our investment in this service in recent years. Satisfaction with the overall landlord service increased from 69% in 2014/15 to 74% in 2016/17 and was 76% for the Society. The Group's Net Promoter Score improved from -22 to -2 over the course of the year. Our affordable home ownership satisfaction results are the highest among our peers.

### Our Community Investment Offer

Our community investment programme centres on activities that will sustain both our revenue stream and minimise long-term management costs. We focus on neighbourhoods that need intensive work and run projects and initiatives aimed at improving wellbeing in socially isolated areas that are most affected by welfare reform.

In the Society's area of operations:

- Our award winning RoundAbout Café in Southampton promotes digital inclusion, employment, good health and helps to combat social isolation. The Café was awarded £22,764 of EU social funding to recruit a job coach to help residents into employment and increase community capacity;
- We've partnered with Now Heritage, which is a local history company, to explore the history of the old Ford site in Eastleigh. Funding of £70,300 was secured from the Heritage Lottery Fund so that the history of the site will not be forgotten. A team of community volunteers will be trained, developing new skills and building community networks; and

Radian's Employment Support and Training programme supports residents to gain employment and access training opportunities. We offer residents practical help to write CVs and gain interview and presentation skills. We also work with them to boost their confidence and self esteem.

Since April 2012 Radian's Group wide Employment Support and Training programme has helped 531 people into employment and given 1,658 people access to training opportunities.

In 2016/17 the Society has focused on hard to reach customers at risk of welfare reform:

- 15 individuals have been supported into employment;
- 20 individuals have been given training opportunities; and
- 31 individuals have been coached to prepare CVs.

### Building New Communities

During the year the Society completed the West Street development of 16 rent to buy and eight affordable rented units. This development has provided much needed high quality homes with great access to transport links.

### Measuring our return on assets

We measure our financial return on our own interest in our social housing assets after deducting government grant and loans. It has improved from 6.2% in 2015/16 to 7.2% in 2016/17. This measure takes into account that a large proportion of our investment has been borrowed from lenders. Our investment is the reserves that we have accumulated over the years by retaining our surpluses. Our return will fall as interest rates rise and our borrowing costs increase.



## STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Registered Society law and registered provider legislation in the United Kingdom requires the Board to prepare financial statements for each reporting period which give a true and fair view of the state of affairs of the Society at the end of the reporting period and of the surplus or deficit of the Society for the year then ended.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- Follow applicable United Kingdom Accounting Standards and the Statement of Recommended Practice (SORP) 2014, 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 Society will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing SORP 2014, the Accounting Direction for Social Housing in England from April 2015 and the Housing and Regeneration Act 2008. It is 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.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Housing SORP 2014.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in the annual reports may differ from legislation in other jurisdictions.

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

We have audited the financial statements of The Swaythling Housing Society Limited for the year ended 31 March 2017 which comprise the society statement of comprehensive income, the society statement of financial position, the society statement of changes in reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Society's Members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of 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 Society's Members as a body for our audit work, for this report or for the opinions we have formed.

***Respective responsibilities of the Board and auditors***

As explained more fully in the statement of board member responsibilities, the Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

***Scope of the audit of the financial statements***

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

***Opinion on financial statements***

In our opinion the financial statements:

- Give a true and fair view of the state of the society's affairs as at 31 March 2017 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 prepared in accordance with the requirements of 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.

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

***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 to report to you if, in our opinion:

- The information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- 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.



BDO LLP, statutory auditor  
Gatwick, West Sussex  
United Kingdom  
30 August 2017

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 March 2017**

	Note	2017 £'000	Restated 2016 £'000
Turnover	3	65,373	64,558
Cost of sales	3	(3,320)	(3,574)
Operating costs	3	(41,020)	(45,340)
Surplus from disposal of fixed assets	3	40,527	19,959
<b>Operating surplus</b>		<b>61,560</b>	<b>35,603</b>
Finance income	4	984	(2,744)
Finance costs	5	(9,858)	(10,131)
Fair value movement on financial instruments	30	61	597
Fair value movement on investment properties	30	751	1,404
Gift aid	6	(23,000)	(11,200)
<b>Surplus on ordinary activities before taxation</b>	<b>7</b>	<b>30,498</b>	<b>13,529</b>
Taxation on surplus	8	382	120
<b>Surplus on ordinary activities for the year</b>		<b>30,880</b>	<b>13,649</b>
<b>Other comprehensive income</b>			
Actuarial (losses)/gains on defined benefit pension scheme	25	(3,735)	6,902
<b>Total comprehensive income</b>		<b>27,145</b>	<b>20,551</b>

See relevant notes to the financial statements for details of restatement of 2016 comparatives.

All activities derive from continuing operations.

The notes on pages 29 to 65 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**

As at 31 March 2017

	Note	2017 £'000	Restated 2016 £'000
<b>Fixed assets</b>			
Housing properties	11	525,736	519,582
Other fixed assets	12	10,506	10,326
Investment properties	13	28,555	18,743
HomeBuy loans	14	47,322	53,152
		<b>612,119</b>	<b>601,803</b>
<b>Current assets</b>			
Properties for sale	16	12,427	3,028
Inventories	17	362	304
Receivables	18	58,390	7,127
Cash		2,877	8,028
		<b>74,056</b>	<b>18,487</b>
Payables: amounts falling due within one year	19	(33,129)	(37,662)
		<b>40,927</b>	<b>(19,175)</b>
<b>Net current assets</b>			
		<b>653,046</b>	<b>582,628</b>
<b>Total assets less current liabilities</b>			
Payables: amounts falling due after more than one year	20	(283,921)	(236,267)
Deferred capital grant falling due after more than one year	21	(198,768)	(203,114)
HomeBuy grant		(39,165)	(43,663)
Provisions for liabilities	24	-	(383)
Pension liability	25	(13,389)	(8,543)
		<b>117,803</b>	<b>90,658</b>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Share capital	26	0	0
Revenue reserve		117,803	90,658
		<b>117,803</b>	<b>90,658</b>
<b>Society's funds</b>			

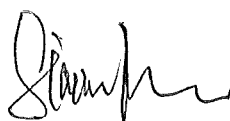
See relevant notes to the financial statements for details of restatement of 2016 comparatives.

The notes on pages 29 to 65 form part of these financial statements.

The financial statements of The Swaythling Housing Society Limited, registered number 10237R, on pages 26 to 65 were approved by the Board and authorised for issue on 27 July 2017 and signed on its behalf by:



**Carol Bode**  
Chair



**Simon Porter**  
Board Member



**Malcolm Rule**  
Secretary

THE SWAYTHLING HOUSING SOCIETY LIMITED

STATEMENT OF CHANGES IN RESERVES

	Share capital £'000	Revenue reserve £'000	Total £'000
At 1 April 2015	0	70,107	<b>70,107</b>
Surplus on ordinary activities for the year	-	13,649	<b>13,649</b>
Actuarial gains on defined benefit pension scheme	-	6,902	<b>6,902</b>
Shares cancelled during the year	0	-	<b>0</b>
At 31 March 2016	0	90,658	<b>90,658</b>
Surplus on ordinary activities for the year	-	30,880	<b>30,880</b>
Actuarial losses on defined benefit pension scheme	-	(3,735)	<b>(3,735)</b>
Shares issued during the year	0	-	<b>0</b>
Shares cancelled during the year	0	-	<b>0</b>
<b>At 31 March 2017</b>	<b>0</b>	<b>117,803</b>	<b>117,803</b>

The notes on pages 29 to 65 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

**1. LEGAL STATUS**

The Society is registered with the FCA under the Co-operative and Community Benefits Society Act 2014 and is registered with the HCA as a social housing provider.

**2. ACCOUNTING POLICIES**

**Basis of preparation**

The financial statements of the Society have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. This is the second year in which the financial statements have been prepared under FRS 102. 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 Board Report on page 13.

**Disclosure exemptions**

The Society has taken advantage of the following disclosure exemptions under FRS 102 paragraph 1.12(b) on the basis that they are included in the consolidated financial statements of the ultimate parent company, Radian Group Limited:

- Statement of cash flows;
- Remuneration of key management personnel; and
- Detailed financial instruments disclosures.

**Related parties**

As a subsidiary of its parent, Radian Group Limited, whose results and balances are included in the consolidated financial statements, the Society has not disclosed transactions or balances with entities which form part of the Group and which are also Registered Providers.

**Turnover**

Turnover represents rental and service charge income (net of void losses), fee income and revenue grant receivable, proceeds from first tranche sales and from sales of outright new build properties at the point of completion. Turnover also includes the amortisation of capital grant in accordance with FRS 102. Deferred capital grant is released over the life of the asset structure. Rental 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 and outright new build sales is recognised at the point of legal completion of the sale. Other income is recognised as receivable on the delivery of services provided

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Cost of sales**

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

**Service charges**

Our service charges are predominantly variable. The charges will include an allowance for the surplus or deficit from previous years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors.

**Value Added Tax (VAT)**

The Group is VAT registered, but a large proportion of its income, namely rent, is exempt for VAT purposes and thus gives rise 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.

**Deferred capital grant**

Deferred capital grant, predominantly Social Housing Grant, is initially recognised at fair value as a long term liability and is released as turnover in the statement of comprehensive income over the life of the structure of housing properties, except for grant received in respect of HomeBuy investments. Deferred capital 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 creditors is released to the statement of comprehensive income.

**Donated land**

Land donated by local authorities and others for social rent usage is added to the fixed asset register at zero cost.

**Affordable home ownership transactions**

Affordable home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sale proceeds included in turnover. The remaining staircasing element is included in completed housing property at cost. Subsequent staircasing sales are treated as surplus on sales of housing properties. Deficits on schemes are recognised as soon as they are foreseen.

**Outright new build sales**

Completed properties and properties under construction are valued at the lower of cost and estimated selling price less costs to complete and sell and are classified as current assets. Cost comprises materials, direct labour and direct development overheads.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Fixed assets - Housing properties**

Housing properties are held at cost less depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration costs.

Housing properties are split between the structure and major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life.

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale.

Affordable home ownership properties are split proportionately between fixed and current assets based on the proportion of the share of equity sold in the first tranche.

**Investment properties**

Investment properties are commercial properties and other properties not held for social benefit or use in the business, instead held for investment potential or capital appreciation. Investment properties are measured at cost on acquisition or initial recognition and subsequently revalued at the year end with changes recognised in income and expenditure. Details of the valuers and the basis of valuation adopted are included in note 13.

**HomeBuy**

The HomeBuy scheme, now closed to new entrants, was a program of low cost ownership where loans were advanced by the Group to purchasers of property. The program was funded through a combination of government grant and the Group's own funds. The Group has the benefit of 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. HomeBuy loans are stated at the amount advanced less provision for bad debts.

**Critical judgments, estimates and uncertainty**

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

***Impairment review***

Estimates have been made in the impairment review of social housing properties affected by the rent reduction - see our impairment policy.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

***Classification of loans***

Fixed rate loans could be repaid early and the 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. Since we have no current intention to repay any of these loans early by breaking the fixes, we have exercised professional judgment in classifying these loans as 'basic'. In light of 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 rate 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 a qualified surveyor. Judgment is involved in determining the appropriate allocation of costs for mixed tenure developments and the subsequent allocation of costs relating to affordable home ownership between current and fixed assets.

***Intercompany recharges***

The allocation of management expenditure to providers within the Group is determined by a range of factors including the number of homes under management and the level of the organisation's development activity.

***Fair value measurement***

The Society uses external professional advisers to determine the fair value of financial instruments and investment properties. The fair value of financial instruments is based on quoted prices and investment properties are valued using a yield methodology based on market rental values discounted to present value and with reference to sales activity in the local area.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Depreciation**

***Freehold buildings and components***

Depreciation is provided to write off the cost to estimated residual value on a straight line basis over the estimated useful economic life of assets at the following annual rates:

- Structure – 100 years
- Boilers – 15 years
- Kitchens – 20 years
- Photovoltaics – 20 years
- Bathroom – 30 years
- Heating – 30 years
- Windows – 30 years
- Sheltered Housing – 50 years

***Other fixed assets***

Depreciation is charged on a straight line basis over the expected useful 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
- Motor vehicles, yard plant and machinery – 4 years

Leased property depreciation is charged on a straight line basis over the period of the lease.

**Impairment**

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 (the higher of value in use, fair value less costs to sell and value in use – service potential). Value in use - service potential is represented by depreciated replacement cost which is the lower of rebuild cost and the estimated price of an asset with equivalent service potential on the open market, adjusted for depreciation. In practice, depreciated replacement cost is rebuild cost given the lack of data available on equivalent assets in the open market.

An impairment loss occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. This impairment loss is charged and disclosed as a separate line within operating expenditure where it is considered to be material.

**Pensions**

The Society's pension arrangements comprise a defined benefit scheme, a defined contribution scheme and a funded defined benefit 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

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

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

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.

**Taxation**

Current tax is recognised for the amount of income 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.

**Deferred taxation**

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 within provisions for liabilities and deferred tax assets within receivables. Deferred tax assets and liabilities are offset only if the Society has a legally enforceable right to offset current tax assets against current tax liabilities.

**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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Financial assets and liabilities**

All are initially measured at transaction price, including transaction costs, unless those financial assets are classified as fair value through profit or loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction. Fair value measurement applies to the standalone interest rate swap and the Society's investment in gilts. Under FRS 102, if an arrangement is a financing transaction, the financial asset or liability should be measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The Society's loans and bonds 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 historic cost as the difference between historic cost and amortised cost is not material.

Where instruments are classified as payable or receivable within one year they are measured at an undiscounted amount of the cash expected to be paid or received within one year.

Financial assets are only derecognised when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Society transfers to another party substantially all of the risks and rewards of ownership of the financial asset or, c) the Society, despite having retained some but not all significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are only derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**Finance costs**

Finance costs are charged to income and expenditure 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. Issue costs, premiums and discounts are capitalised and amortised over the life of the associated financial instrument.

**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.

The Society has no finance lease commitments and all of its leases are classified as operating leases. Whether the Society is the lessee or lessor, rentals under operating leases are charged on a straight line basis over the lease term even if the payments are not made on such a basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017			Restated 2016						
	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
<b>Social housing lettings</b>	41,297	-	(19,834)	-	21,463	41,019	-	(24,984)	-	16,035
<b>Other social housing activities</b>										
First tranche affordable home ownership sales	5,461	(3,320)	(2,251)	-	(110)	5,889	(3,574)	(4,032)	-	(1,717)
Development administration	-	-	(2,255)	-	(2,255)	-	-	(1,172)	-	(1,172)
Charges for support services	14,408	-	(14,408)	-	-	14,180	-	(12,766)	-	1,414
Non-rent bad debts	-	-	(118)	-	(118)	-	-	(86)	-	(86)
Help to buy agency	1,894	-	(1,244)	-	650	1,473	-	(1,374)	-	99
Surplus from disposal of fixed assets	-	-	-	40,527	40,527	-	-	-	19,959	19,959
<b>Total other social housing activities</b>	<b>21,763</b>	<b>(3,320)</b>	<b>(20,276)</b>	<b>40,527</b>	<b>38,694</b>	<b>21,542</b>	<b>(3,574)</b>	<b>(19,430)</b>	<b>19,959</b>	<b>18,497</b>
<b>Non-social housing activities</b>										
Market rent properties	1,635	-	(495)	-	1,140	1,442	-	(592)	-	850
Service charge income and costs	256	-	(253)	-	3	135	-	(204)	-	(69)
Supporting people	122	-	(108)	-	14	-	-	-	-	-
Other	300	-	(54)	-	246	420	-	(130)	-	290
<b>Total non-social housing activities</b>	<b>2,313</b>	<b>-</b>	<b>(910)</b>	<b>-</b>	<b>1,403</b>	<b>1,997</b>	<b>-</b>	<b>(926)</b>	<b>-</b>	<b>1,071</b>
<b>Total</b>	<b>65,373</b>	<b>(3,320)</b>	<b>(41,020)</b>	<b>40,527</b>	<b>61,560</b>	<b>64,558</b>	<b>(3,574)</b>	<b>(45,340)</b>	<b>19,959</b>	<b>35,603</b>

The 2016 Sale of housing accommodation and First tranche affordable home ownership comparative has been aggregated to show under the heading of First tranche affordable home ownership sales.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017				Restated 2016
	General needs housing £'000	Supported housing and housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000
<b>Turnover</b>					
Rent receivable net of identifiable service charges (net of voids)	28,961	1,238	3,151	4,080	37,447
Service charge income	733	178	723	1	1,635
<b>Net rental income</b>	<b>29,694</b>	<b>1,416</b>	<b>3,874</b>	<b>4,081</b>	<b>39,065</b>
Amortisation of capital grant	1,977	-	255	-	2,232
<b>Net turnover from social housing lettings</b>	<b>31,671</b>	<b>1,416</b>	<b>4,129</b>	<b>4,081</b>	<b>41,297</b>
<b>Operating expenditure</b>					
Service charge costs	(1,386)	(81)	(418)	(171)	(2,056)
Management	(4,476)	(261)	(1,351)	(552)	(6,640)
Routine maintenance	(2,546)	(148)	-	(314)	(3,008)
Planned maintenance	(1,265)	(74)	-	(156)	(1,495)
Bad debts	(34)	(2)	(10)	(4)	(50)
Major repairs expenditure	(2,258)	(132)	-	(278)	(2,668)
Depreciation of housing properties	(4,117)	(214)	(519)	(750)	(5,600)
Loss on disposal of housing components	(106)	(9)	-	(30)	(145)
Impairment of housing properties	-	-	-	-	(101)
Other costs	1,232	72	372	152	1,828
<b>Operating expenditure on social housing lettings</b>	<b>(14,956)</b>	<b>(849)</b>	<b>(1,926)</b>	<b>(2,103)</b>	<b>(19,834)</b>
<b>Operating surplus on social housing lettings</b>	<b>16,715</b>	<b>567</b>	<b>2,203</b>	<b>1,978</b>	<b>21,463</b>
Void losses	(131)	(18)	-	(65)	(214)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

The 2016 Turnover comparative has been restated to include £1,936k of Amortisation of capital grant which was previously disclosed within Other social housing activities.

The 2016 Management comparative has been restated to reflect a reduction in costs of £4k relating to the recognition of the Growth Plan pension liability.

The 2016 Planned maintenance comparative has been restated to reflect a net adjustment of £58k of central service recharges which is now disclosed within Major repairs expenditure.

Surplus/(deficit) from disposal of fixed assets

	2017					Total £'000	Total £'000	Restated 2016
	Staircasing £'000	Right to buy £'000	Sales to other Registered Providers £'000	Other housing sales £'000	HomeBuy redemptions £'000			
Sale proceeds	4,252	122	42,757	965	7,656	-	55,752	32,776
Less: cost of sales	(2,622)	(107)	(4,143)	(991)	(6,007)	(1,355)	(15,225)	(12,817)
<b>Surplus/(deficit) from disposal of fixed assets</b>	<b>1,630</b>	<b>15</b>	<b>38,614</b>	<b>(26)</b>	<b>1,649</b>	<b>(1,355)</b>	<b>40,527</b>	<b>19,959</b>

The 2016 comparative has been restated to include £7,976k of HomeBuy redemption proceeds and £5,268k of HomeBuy redemption cost of sales (net effect on surplus of £2,708k).



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017 Number	Restated 2016 Number
<b>Properties in management</b>		
Social rent general needs housing	3,669	3,911
Affordable rent general needs housing	861	762
Social rent supported housing and housing for older people	246	267
Affordable home ownership	1,366	1,332
Care homes	18	30
Other social housing	558	496
Social leased housing	333	307
Non social leased housing	19	19
Market rent housing	193	192
Properties managed for others	12,909	12,576
<b>Housing properties in management</b>	<b>20,172</b>	<b>19,892</b>
Non housing properties	277	268
Non housing properties managed for others	1,859	1,829
<b>Total properties in management</b>	<b>22,308</b>	<b>21,989</b>
HomeBuy loans	1,255	1,416
Outright new build	8	-
<b>Total properties managed or invested</b>	<b>23,571</b>	<b>23,405</b>
<b>Properties under construction</b>	<b>730</b>	<b>605</b>

The 2016 Social leased housing comparative has been restated to exclude 461 properties for which the Society does not own the freehold. In addition to this 19 properties are now disclosed under Non social leased housing.

The 2016 Properties managed for others comparative has been restated to exclude 6 properties for which the owning entity does not own the freehold.

The 2016 Non housing properties in management comparative of 2,097 has been split into Non housing properties of 268 and Non housing properties managed for others of 1,829.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

4. FINANCE INCOME

	2017 £'000	Restated 2016 £'000
Interest receivable from bank and building society deposits	383	124
HomeBuy interest receivable/(payable)	507	(2,909)
Bond premium amortised	94	41
	<b>984</b>	<b>(2,744)</b>

The 2016 HomeBuy interest receivable/(payable) comparative has been restated by £2,708k relating to the surplus on HomeBuy redemptions which is now classified as Surplus/(deficit) from disposal of fixed assets.

HomeBuy interest receivable/(payable) in 2016 includes a reversal of previous interest received of £3.4m.

5. FINANCE COSTS

	2017 £'000	Restated 2016 £'000
<b>On housing loans at amortised cost</b>		
Interest costs	9,528	9,628
Recycled Capital Grant Fund	40	39
Loan arrangement fees and associated costs	11	4
Bond discount amortised	2	2
	<b>9,581</b>	<b>9,673</b>
Interest on pension scheme liabilities	277	458
	<b>9,858</b>	<b>10,131</b>

The 2016 Interest on pension scheme liabilities comparative of £458k has been restated from £457k due to the recognition of the Growth Plan pension liability.

The 2016 Finance costs comparative has been restated to include £458k of Interest on pension scheme liabilities which was disclosed as Other financing income in the prior year.

6. GIFT AID

The Society made gift aid payments of £23.0m (2016: £9.2m) to Portal Housing Association Limited. The Society made gift aid payments of £nil (2016: £2.0m) to Radian Support Limited.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 7. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017 £'000	2016 £'000
<b>Surplus on ordinary activities before taxation is stated after charging:</b>		
Gift aid	23,000	11,200
Depreciation of fixed assets	6,519	6,911
Impairment of housing properties	-	101
<b>Operating lease expense:</b>		
Land and buildings	23	23
Office equipment, computers and motor vehicles	5	37
<b>The analysis of auditor's remuneration is as follows:</b>		
Fees payable (excluding VAT) to the Society's auditor for the audit of the Society's annual financial statements	22	24
<b>Total audit fees</b>	<u>22</u>	<u>24</u>
Fees payable (excluding VAT) to the Society's auditor in respect of other services	2	1
<b>Total non-audit fees</b>	<u>2</u>	<u>1</u>

The impairment of housing properties in 2016 related to various impairments none of which were individually material.

## 8. TAXATION

	2017 £'000	2016 £'000
<b>Current tax</b>		
United Kingdom corporation tax at 20% (2016: 20%)	-	-
Adjustment in respect of prior year	-	-
<b>Total current tax</b>	<u>-</u>	<u>-</u>
<b>Deferred taxation</b>		
Timing differences, origination and reversal	(176)	112
Adjustment in respect of earlier years	(206)	(232)
<b>Total deferred tax</b>	<u>(382)</u>	<u>(120)</u>
<b>Tax credit for the year</b>	<u>(382)</u>	<u>(120)</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 8. TAXATION (continued)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 20% (2016: 20%). The differences are explained as follows:

	2017 £'000	2016 £'000
<b>Total tax reconciliation</b>		
Surplus on ordinary activities before taxation	30,498	13,529
Taxation on surplus on ordinary activities at 20% (2016: 20%)	6,100	2,705
<b>Effects of</b>		
Expenses not deductible for tax purposes	645	671
Non-taxable profit on Group transfer of properties	(7,723)	(3,180)
Prior year adjustments	(206)	(232)
Movement in unrecognised deferred tax	737	157
Movement in deferred tax due to differences in tax rates	65	(241)
<b>Total tax credit</b>	<b>(382)</b>	<b>(120)</b>

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 18% 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 twelve months as the Society makes an annual gift aid payment to Portal Housing Association Limited equal to its anticipated taxable profits.

## 9. DIRECTORS' EMOLUMENTS

The Directors are defined as the Board Members and the Executive Board. The payments detailed below relate to those payments made by the Society and do not relate to payments made by other Group entities.

	2017 £'000	Restated 2016 £'000
Aggregate emoluments payable to Directors (including benefits in kind)	553	183
Pension contributions in respect of services as Directors	64	11
	<b>617</b>	<b>194</b>
Emoluments payable to the highest paid Director (excluding pension contributions but including benefits in kind)	<b>138</b>	<b>138</b>

The 2016 comparative for aggregate emoluments has been restated to disclose the amounts payable to Directors excluding pension contributions, which were previously included. In addition, the restated comparative for aggregate emoluments payable to Directors now includes those for the Executive Board and Board Members rather than solely the Executive Board.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

**9. DIRECTORS' EMOLUMENTS (continued)**

The Chief Executive is an ordinary member of the Final Salary Scheme with a 1/60th accrual rate benefit structure of RGPS with the same conditions of membership as all other employees within that non-contributory benefit structure of the Scheme. Full details of the scheme funding are disclosed in note 25. The Chief Executive has no pension arrangements to which the Society contributes, other than those relating to the Scheme.

Board Members are paid by the Society as an agent for the Radian Group. The Executive Board were paid by the Society from 1 November 2016, with the exception of the Director of Radian Support Limited who was paid by Radian Support Limited. Prior to November 2016, the Group Director of Housing and Customer Services was the only Executive Director paid by the Society. The Director of Radian Support Limited was paid by Radian Support Limited and the remaining Directors were paid by Radian Group Limited. Where paid by other members of the Group, it is not possible to disaggregate the Directors' remuneration in respect of services performed on behalf of The Swaythling Housing Society Limited.

Board Members received emoluments during the year totalling £40,039 (2016: £45,000). Board expenses of £1,280 (2016: £3,229) were incurred in the year.

Total consideration paid to key management personnel, who are those persons defined as having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, was £2,129k (2016: £1,961k).

**10. STAFF COSTS**

The average number of employees (including Directors) expressed as full time equivalents (calculated on a standard working week of 37 hours) during the year was as follows:

	<b>2017</b>	<b>2016</b>
	<b>FTE</b>	<b>FTE</b>
Housing and Central Services	323	316
Care and support	2	12
Development and Home Ownership staff	92	94
Maintenance staff	272	249
	<b>689</b>	<b>671</b>
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs (for the above employees)</b>		
Wages and salaries	23,448	22,682
Social security costs	2,173	1,928
Pension costs	2,094	2,598
	<b>27,715</b>	<b>27,208</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

10. STAFF COSTS (continued)

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

	2017	2016
	FTE	FTE
<b>Salary banding</b>		
£60,000 - £69,999	8	8
£70,000 - £79,999	4	4
£80,000 - £89,999	7	4
£90,000 - £99,999	3	4
£100,000 - £109,999	-	1
£110,000 - £119,999	1	1
£120,000 - £129,999	2	-
£130,000 - £139,999	1	1
£140,000 - £149,999	2	-
£150,000 - £159,999	-	-
£160,000 - £169,000	-	1
£170,000 - £179,000	-	-
£180,000 - £189,000	-	-
£190,000 - £199,000	1	-
	<b>29</b>	<b>24</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

11. HOUSING PROPERTIES

	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	Total housing properties £'000
<b>Cost</b>							
At 1 April 2016	464,320	78,491	542,811	21,480	3,521	25,001	567,812
Additions	22	-	22	20,284	7,988	28,272	28,294
Additions - works to existing properties	2,212	-	2,212	-	-	-	2,212
Transferred into management	24,844	4,571	29,415	(24,844)	(4,571)	(29,415)	-
Disposals and demolitions	(2,585)	(2,717)	(5,302)	-	-	-	(5,302)
Intragroup transfers	(14,092)	-	(14,092)	-	-	-	(14,092)
Net movement to current assets	-	(227)	(227)	-	(2,732)	(2,732)	(2,959)
<b>At 31 March 2017</b>	<b>474,721</b>	<b>80,118</b>	<b>554,839</b>	<b>16,920</b>	<b>4,206</b>	<b>21,126</b>	<b>575,965</b>
<b>Accumulated depreciation</b>							
At 1 April 2016	(44,455)	(3,775)	(48,230)	-	-	-	(48,230)
Charge for the year	(5,081)	(519)	(5,600)	-	-	-	(5,600)
Disposals and demolitions	706	155	861	-	-	-	861
Intragroup transfers	2,740	-	2,740	-	-	-	2,740
<b>At 31 March 2017</b>	<b>(46,090)</b>	<b>(4,139)</b>	<b>(50,229)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(50,229)</b>
<b>Net book value</b>							
At 31 March 2017	428,631	75,979	504,610	16,920	4,206	21,126	525,736
At 31 March 2016	419,865	74,716	494,581	21,480	3,521	25,001	519,582

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (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 2017 was £455.1m (2016: £453.2m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

## Expenditure on works to existing housing properties

	2017 £'000	2016 £'000
Amounts capitalised	2,212	3,834
Amounts charged to Statement of Comprehensive Income	2,668	3,254

## Security

The Society had housing property with a net book value of £227.7m pledged as security at 31 March 2017 (2016: £241.9m).

## 12. OTHER FIXED ASSETS

	Freehold land and premises £'000	Leasehold land and premises £'000	Computers, fixtures and fittings £'000	Vehicles, plant and equipment £'000	Total other fixed assets £'000
<b>Cost</b>					
At 1 April 2016 (restated)	8,360	1,332	3,215	3,223	16,130
Additions	1,603	-	157	694	2,454
Disposals and demolitions	(66)	(1,332)	(1,987)	(290)	(3,675)
<b>At 31 March 2017</b>	<b>9,897</b>	<b>-</b>	<b>1,385</b>	<b>3,627</b>	<b>14,909</b>
<b>Accumulated depreciation</b>					
At 1 April 2016 (restated)	(917)	(166)	(2,633)	(2,088)	(5,804)
Charge for the year	(175)	(7)	(161)	(576)	(919)
Disposals and demolitions	189	174	1,678	279	2,320
<b>At 31 March 2017</b>	<b>(903)</b>	<b>1</b>	<b>(1,116)</b>	<b>(2,385)</b>	<b>(4,403)</b>
<b>Net book value</b>					
<b>At 31 March 2017</b>	<b>8,994</b>	<b>1</b>	<b>269</b>	<b>1,242</b>	<b>10,506</b>
<b>At 31 March 2016 (restated)</b>	<b>7,443</b>	<b>1,166</b>	<b>582</b>	<b>1,135</b>	<b>10,326</b>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

12. OTHER FIXED ASSETS (continued)

The Freehold land and premises and Leasehold land and premises opening cost and accumulated depreciation has been restated to reflect the £640k reclassification of Herbert Collins House from freehold to investment properties and the reclassification of £8,294k of cost and £721k of accumulated depreciation relating to Collins House land from Leasehold land and premises to Freehold land and premises.

13. INVESTMENT PROPERTIES

	Investment properties £'000	Investment properties in course of construction £'000	Total investment properties £'000
<b>Cost</b>			
At 1 April 2016 (restated)	18,743	-	18,743
Additions	-	9,061	9,061
Revaluation surplus	751	-	751
<b>At 31 March 2017</b>	<b>19,494</b>	<b>9,061</b>	<b>28,555</b>

The opening cost has been restated by £640k to reflect a correction to the classification of Herbert Collins House from freehold to investment properties.

Property valuation

Completed investment properties are shown at market value of £19.5m (2016: £18.7m). The valuation was carried out 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:

	2017 £'000	2016 £'000
Cost	15,136	14,496
Depreciation	(1,934)	(1,495)
<b>Net book value</b>	<b>13,202</b>	<b>13,001</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 14. HOMEBUY LOANS

	2017 £'000	Restated 2016 £'000
HomeBuy loans	48,202	54,209
Accrued HomeBuy interest	37	-
HomeBuy loan provision	(917)	(1,057)
	<u>47,322</u>	<u>53,152</u>

The 2016 comparative has been restated to reflect the gross value of HomeBuy loans, with the grant liability shown as HomeBuy grant within liabilities.

We have received £39.2m of grant (2016: £43.7m) in respect of the HomeBuy loans in issue. The grants will be recycled on redemption of the loans.

## 15. INVESTMENTS

We are co-investor in Aspect Building Communities Limited (Aspect) with a Registered Provider and two Local Authorities. Aspect was formed to bring forward housing development to increase housing supply and boost the local economy by working in partnership with local organisations. We have a 26% interest in Aspect, a company limited by guarantee.

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

	2017 £'000	2016 £'000
<b>Affordable home ownership schemes</b>		
Properties under construction	1,742	2,348
Completed properties	716	680
	<u>2,458</u>	<u>3,028</u>
<b>Outright new build schemes</b>		
Properties under construction	7,857	-
Completed properties	2,112	-
	<u>9,969</u>	<u>-</u>
	<u>12,427</u>	<u>3,028</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

17. INVENTORIES

During the year inventories to the value of £2.0m (2016: £2.1m) were expensed in the Statement of Comprehensive Income. There was no provision made against inventories (2016: £0.1m).

18. RECEIVABLES

	2017 £'000	Restated 2016 £'000
Gross arrears of rent and service charges	1,862	2,507
Bad debt provision	(570)	(650)
<b>Net tenant arrears</b>	<b>1,292</b>	<b>1,857</b>
Trade receivables	1,408	485
Social Housing Grant receivable	1,095	45
Other receivables and prepayments	1,618	2,140
Short term non-liquid assets	52,119	1,454
Intercompany loans	-	400
Staff car loan	123	121
	<b>57,655</b>	<b>6,502</b>
<b>Amounts falling due after one year</b>		
Interest rate swap	735	625
	<b>58,390</b>	<b>7,127</b>

The 2016 Gross arrears of rent and service charges comparative has been restated to reflect a £1,126k adjustment relating to deferred income which is now disclosed within Payables: Amounts falling due within one year.

Non-liquid assets include gilts (see below) and the proceeds of the AHF bond of £49.3m. These funds will be released once housing properties have been pledged as security.

Investment	Nominal value (£)	Fair value (£)	Interest rate	Expiry date
UK Government Gilt Holding	723,000	<u>955,873</u>	8.00%	2021

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 19. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017	Restated 2016
	£'000	£'000
Loans and borrowings	2,961	13,342
Rent and service charges received in advance	772	1,433
Deferred income	1,089	1,126
Other taxation and social security payable	583	528
Interest due and payable	1,252	2,178
Trade payables	11,453	8,115
Other payables	3,037	2,457
Accruals	3,004	4,014
Contract retentions	1,416	1,969
Social Housing Grant received in advance	-	53
Deferred capital grant falling due within one year	2,313	2,307
Unamortised fees and net premiums	244	5
Amounts owed to Group undertakings	5,005	68
Finance lease creditor	-	67
	<b>33,129</b>	<b>37,662</b>

The 2016 Deferred income comparison has been restated to reflect £1,126k Deferred income previously disclosed within Receivables: Gross arrears of rent and service charges.

The 2016 Trade payables comparative has been restated to reflect £1,900k of Capital accruals previously disclosed within Other payables.

The 2016 Other payables comparative has been restated to reflect £4,014k of Accruals which are now disclosed within a separate heading entitled Accruals, £2,633k of Contract retentions which are now disclosed under a separate heading entitled Contract retentions of which £664k is now disclosed within Contract retentions in note Payables: Amounts falling due after more than one year.

The 2016 Unamortised fees and net premiums comparative has been restated to reflect £5k previously disclosed within Unamortised fees and net premiums in note Payables: Amounts falling due after more than one year.

The 2016 Amounts owed to Group undertakings comparative has been restated by £56k to correct the accounting entries for a plot of land sold to another Group entity.

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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 20. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2017	Restated 2016
	£'000	£'000
Loans and borrowings	262,866	220,089
Contract retentions	1,300	664
Recycled capital grant fund	13,761	12,973
Disposals proceeds fund	159	216
Unamortised fees and net premiums	5,835	659
Finance lease creditor	-	1,666
	<b>283,921</b>	<b>236,267</b>

The 2016 Contract retentions comparative has been restated to reflect the movement of £664k of contract retentions payable after more than one year from Other payables within Payables: Amounts falling due within one year.

The 2016 Recycled capital grant fund comparative of £13,029k and Disposals proceeds fund comparative of £216k have been split from the prior year where they were aggregated to £13,245k and disclosed as Recycled grant fund and disposal proceeds fund. The 2016 Recycled capital grant fund comparative has been restated by £56k to correct the accounting entries for a plot of land sold to another Group entity.

The 2016 Social Housing Grant comparative of £194,432k and Other public subsidy comparative of £8,682k have been aggregated and moved to the face of the statement of financial position and renamed Deferred capital grant falling due after more than one year.

The Group 2016 Unamortised fees and net premiums comparative of £659k has been restated to reflect the movement of £5k to unamortised fees and net premiums within payables: Amounts due within one year.

Loans and borrowings are secured by a combination of fixed mortgages over housing properties and fixed charges over bank accounts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 20. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The loans and borrowings are repayable as follows:

	2017				Restated 2016			
	Bank loans £'000	Bonds £'000	HCA loans £'000	Total £'000	Bank loans £'000	Bonds £'000	HCA loans £'000	Total £'000
<b>In multiple instalments</b>								
one year or less	2,700	261	-	2,961	2,700	142	-	2,842
one to two years	2,700	284	-	2,984	2,700	261	-	2,961
two to five years	9,900	1,013	-	10,913	9,000	931	-	9,931
five years or more	180,300	10,997	-	191,297	183,900	11,297	-	195,197
	<b>195,600</b>	<b>12,555</b>	<b>-</b>	<b>208,155</b>	<b>198,300</b>	<b>12,631</b>	<b>-</b>	<b>210,931</b>
<b>In a single instalment</b>								
one year or less	-	-	-	-	-	10,500	-	10,500
five years or more	-	57,100	572	57,672	-	12,000	-	12,000
	<b>-</b>	<b>57,100</b>	<b>572</b>	<b>57,672</b>	<b>-</b>	<b>22,500</b>	<b>-</b>	<b>22,500</b>
	<b>195,600</b>	<b>69,655</b>	<b>572</b>	<b>265,827</b>	<b>198,300</b>	<b>35,131</b>	<b>-</b>	<b>233,431</b>

The 2016 loans and borrowings repayment schedule comparative has been restated to reflect corrections to the repayment profile of the loans and borrowings.

The Society has participated in 3 bonds which are repayable in both single and multiple instalments and are all subject to fixed nominal rates of interest of between 2.9% and 11.5%. The Society has two bank loans, one of which is repayable in a single instalment and one of which is repayable in multiple instalments. One bank loan has a variable nominal rate of interest of between LIBOR + 0.2% and LIBOR + 0.3% and the other has a variable nominal rate of interest of LIBOR + 0.5%. The Society has two HCA loans in place which are repayable in single instalments and are subject to an increasing fixed nominal rate of interest.

**Interest rate risk**

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.

**Liquidity risk**

Liquidity risk is the risk that the Society is unable to service its loans and borrowings or meet repayment liabilities as they fall due, due to insufficient cash. The Society manages liquidity risk through the requirements laid out in the Group Treasury policy.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 20. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

**Counterparty credit risk**

Counterparty credit risk is the risk that the Society is required to repay funding early 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**

Market risk is the risk that the Society is unable to refinance loans and borrowings at a similar 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.

## 21. DEFERRED CAPITAL GRANT FALLING DUE AFTER MORE THAN ONE YEAR

	Completed £'000	In course of construction £'000	Total £'000
<b>Cost</b>			
At 1 April 2016	224,586	2,339	226,925
<b>Inputs</b>			
Received in year	-	1,231	1,231
Transferred from recycled capital grant fund	-	5,061	5,061
Transferred from disposals proceeds fund	-	315	315
Transferred into management	3,990	-	3,990
<b>Outputs</b>			
Net movement to payables due within one year	(6)	-	(6)
Recycled on disposal	(1,265)	-	(1,265)
Released on disposal	(8,983)	-	(8,983)
Transferred into management	-	(3,990)	(3,990)
Other	(235)	-	(235)
<b>At 31 March 2017</b>	<b>218,087</b>	<b>4,956</b>	<b>223,043</b>
<b>Accumulated amortisation</b>			
At 1 April 2016	(23,811)	-	(23,811)
Released on disposal	1,757	-	1,757
Charge for the year	(2,232)	-	(2,232)
Other	11	-	11
<b>At 31 March 2017</b>	<b>(24,275)</b>	<b>-</b>	<b>(24,275)</b>
<b>Amortised deferred capital grant falling due after more than one year</b>			
<b>At 31 March 2017</b>	<b>193,812</b>	<b>4,956</b>	<b>198,768</b>
<b>At 31 March 2016</b>	<b>200,775</b>	<b>2,339</b>	<b>203,114</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

21. DEFERRED CAPITAL GRANT FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The recycled capital grant fund and disposals proceeds fund for the Radian 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.

22. RECYCLED CAPITAL GRANT FUND

	Recycled capital grant fund £'000
At 1 April 2016 (restated)	12,973
<b>Net inputs to fund:</b>	
Grants recycled	5,896
Interest accrued	39
Transfer from other Group members	489
<b>Recycling of grant:</b>	
New build	(5,636)
<b>At 31 March 2017</b>	<b>13,761</b>

The opening 1 April 2016 comparative has been restated by £56k to correct the accounting entries for a plot of land sold to another Group entity.

23. DISPOSALS PROCEEDS FUND

	Disposals proceeds fund £'000
At 1 April 2016	216
<b>Net inputs to fund:</b>	
Grants recycled	82
Interest accrued	1
Transfer from other Group members	175
<b>Recycling of grant:</b>	
New build	(315)
<b>At 31 March 2017</b>	<b>159</b>

Pursuant to The Housing and Planning Act 2016, the disposals proceeds fund will be fully utilised in 2017/18 with all future inputs going to the recycled capital grant fund. This fund will therefore have a zero balance in future years.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

**24. PROVISIONS FOR LIABILITIES**

	<b>Deferred taxation £'000</b>
At 1 April 2016	383
Credited to Statement of Comprehensive Income	383
<b>At 31 March 2017</b>	<b>-</b>

Deferred tax is provided as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Deferred tax arising in relation to revalued assets	446	407
Tax losses available	(474)	(52)
Other timing differences	28	28
<b>Provision for deferred tax</b>	<b>-</b>	<b>383</b>

Deferred tax assets and liabilities are offset only where the Society has a legally enforceable right to do so. An asset of £1.4m (2016: £0.9m) 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.

**25. PENSIONS**

**Summary of pension liability**

	<b>2017 £'000</b>	<b>2016 £'000</b>
RGPS defined benefit pension deficit	13,354	8,506
Growth Plan defined benefit obligation	35	37
	<b>13,389</b>	<b>8,543</b>

**Radian Group Pension Scheme (RGPS)**

On 1 October 2012 all employers within the Radian Group established RGPS, a separate pension scheme administered by the Pensions Trust. At the same time employers in the Radian 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:

- 1/60th Final Salary; and
- 1/60th CARE (Career Average Revalued Earnings).

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**25. PENSIONS (continued)**

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

Radian has adopted a strategy of reducing the Group's pension cessation risk by consolidating its pension obligations in a single employer over a number of years. In the year ended 31 March 2015 the Society took on the deferred member and pensioner obligations of the other Radian employers in the Scheme, including those of Radian Support Limited (Radian Support). During the year the Society also took on the remaining RGPS obligations of Radian Support, receiving £1.8m consideration for the obligations it has taken on to date. After recognising the pension assets and liabilities on the Statement of Comprehensive Income, the Society recognised a £1.1m credit against operating costs.

Employers continued to make monthly contributions of 6.9% of members' earnings and the Society made a lump sum payment of £1.8m during the year (2016: £1.0m).

A full actuarial valuation was carried out at 30 September 2013 and updated to 31 March 2017 by an independent qualified actuary. The valuation showed a deficit of £7.9m which the Group has agreed with the Trustee to aim to eliminate over a period of eight years from 1 April 2015. To this end the Group has paid a lump sum of £3.2m during the year (2016: £1.4m) of which the Society paid £1.8m. Employers continue to pay 23.2% of pensionable earnings less members' contributions in respect of the cost of accruing benefits.

Main financial assumptions adopted for FRS 102 purposes:

	<b>2017</b>	<b>2016</b>
	%	%
<b>Increases per annum</b>		
RPI inflation	3.3	3.0
CPI inflation	2.3	2.0
Salary increases	4.3	3.0
Discount rate	2.7	3.5

Post retirement mortality assumptions:

	<b>Males</b>	<b>Females</b>
Retiring today	23.2	24.9
Retiring in 20 years	24.9	26.4

**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 £682k (2016: £595k). There were outstanding contributions as at 31 March 2017 of £60k (2016: £49k).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

25. PENSIONS (continued)

At 31 March 2017 the assets in the defined benefit scheme which the Society participates in were:

	<b>Radian Group Pension Scheme £'000</b>
Equities	44,833
Bonds	19,933
Property	2,221
Alternative assets	2,854
<b>Total market values of assets</b>	<b>69,841</b>

The assets in the Society's schemes at 31 March 2016 were:

	<b>Radian Group Pension Scheme £'000</b>
Equities	28,097
Bonds	12,022
Property	1,794
Alternative assets	903
<b>Total market values of assets</b>	<b>42,816</b>

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

	<b>Radian Group Pension Scheme</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Fair value of scheme assets	62,857	42,816
Present value of defined benefit obligation	(76,211)	(51,322)
<b>Society's share of deficit in the scheme</b>	<b>(13,354)</b>	<b>(8,506)</b>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

25. PENSIONS (continued)

Movements in the fair value of scheme assets:

	<b>Radian Group Pension Scheme</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening fair value of scheme assets	42,816	40,974
Interest income on scheme assets	1,641	1,296
Actuarial gains/(losses)	10,446	(805)
Contributions from employers	2,836	2,008
Contributions from scheme members	711	680
Benefits paid net of transfers in and including unfunded	(1,310)	(1,337)
Transfer of assets between entities	5,717	-
<b>Closing fair value of scheme assets</b>	<b>62,857</b>	<b>42,816</b>

Movements in the present value of defined benefit obligations:

	<b>Radian Group Pension Scheme</b>	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Opening defined benefit obligation	51,322	55,603
Service cost	1,431	2,003
Interest cost	1,917	1,753
Expenses	151	334
Actuarial losses/(gains)	14,180	(7,714)
Benefits paid net of transfers in	(1,310)	(1,337)
Contributions by scheme members	711	680
Transfer of obligations between entities	7,809	-
<b>Closing defined benefit obligation</b>	<b>76,211</b>	<b>51,322</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 25. PENSIONS (continued)

Statement of Comprehensive Income:

	Radian Group Pension Scheme	
	2017 £'000	2016 £'000
<b>Analysis of amounts charged to operating surplus:</b>		
Transfer of obligations between entities	2,092	-
Service cost	1,431	2,003
Expenses	151	334
<b>Amounts charged to other finance costs:</b>		
Net interest cost	276	457
<b>Analysis of amount recognised in other comprehensive income:</b>		
Actual return less expected return on pension scheme assets	(10,446)	805
Changes in financial assumptions underlying the present value of the scheme liabilities	14,180	(6,917)
Experience gains arising on the scheme liabilities	-	(797)
<b>Actuarial loss/(gain) on pension scheme</b>	<b>3,734</b>	<b>(6,909)</b>

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 £2.4m (2016: £1.5m). The asset would be recovered if there were sufficient and suitable surpluses in the future.

**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 1.32% (2016: 2.07%). The unwinding of the discount rate is recognised as a finance cost. We have made a prior year adjustment to account for an opening pension liability of £37k to reflect our agreed schedule of additional contributions with an equivalent amount debited to revenue reserves.

We previously followed old UK GAAP and accounted for employer contributions as they fell due, disclosing a contingent liability for our share of the scheme deficit on an annuity purchase basis that would be payable on our withdrawal from the scheme. Participating employers are required to meet this share as 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.

As at the reporting date there were no active members of the GP and one pensioner member.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 25. PENSIONS (continued)

The latest actuarial valuation was carried out by an independent professionally qualified actuary as at 30 September 2014 with a deficit of £177m and a funding level of 82%. Additional employer contributions are required over ten years to cover the past service deficit. The additional contributions required from the Group from 1 April 2017 are £3,851 per annum, increasing by 3% per annum compound.

## Movements in the pension obligation

	2017 £'000	Restated 2016 £'000
Opening pension obligation	37	33
Interest cost	1	1
Deficit contributions paid	(4)	(4)
Actuarial losses	1	7
<b>Closing defined benefit obligation</b>	<b>35</b>	<b>37</b>

## Statement of Comprehensive Income:

	2017 £'000	Restated 2016 £'000
<b>Amounts charged to Other finance costs:</b>		
Interest cost	1	1
<b>Analysis of amounts recognised in Other comprehensive income:</b>		
Actuarial losses	1	7

## 26. SHARE CAPITAL

	2017 £	Restated 2016 £
<b>Shares of £1 each</b>		
Issued and fully paid at 1 April	43	47
Shares issued during the year	3	-
Shares cancelled during the year	(7)	(4)
<b>Shares issued and fully paid at 31 March</b>	<b>39</b>	<b>43</b>

The 2016 Shares cancelled during the year comparative has been restated by £4 to reflect 4 shares which were cancelled in the prior year but not accounted for.

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. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the Society. Therefore, all shareholdings relate to non-equity interests.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 27. CAPITAL COMMITMENTS

	2017 £'000	2016 £'000
<b>Capital expenditure commitments were as follows:</b>		
Capital new build expenditure contracted but not provided for in the financial statements	82,013	27,260
Capital new build expenditure authorised but not contracted	21,685	25,386
<b>Total capital commitments</b>	<b>103,698</b>	<b>52,646</b>

The above represents authorised or contracted but not provided for in the financial statements expenditure on housing properties, other fixed assets or investment properties.

Our capital commitments will be financed by cash (£2.9m at 31 March 2017). Additional funds will continue to be generated from operations (approximately £1.3m each month) and future intragroup property sales to Portal Housing Association Limited.

The Society is also in the process of securing housing properties against the AHF bond which will release £49.3m of cash.

## 28. OPERATING LEASES

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

	Land and buildings		Other	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Leases which expire:</b>				
Not later than one year	23	23	1	22
Later than one year and not later than five years	56	79	-	-
More than five years	-	-	-	-
	<b>79</b>	<b>102</b>	<b>1</b>	<b>22</b>

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

	Commercial Properties		Leases with Partnership Agencies		Tenancy Leases Restated	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Leases which expire:</b>						
Not later than one year	22	38	230	225	11,924	10,670
Later than one year and not later than five years	19	38	655	757	32,164	27,917
More than five years	213	215	41	154	4,561	4,734
	<b>254</b>	<b>291</b>	<b>926</b>	<b>1,136</b>	<b>48,649</b>	<b>43,321</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 28. OPERATING LEASES (continued)

The 2016 Tenancy Leases comparative has been restated to reflect a change from recognising future minimum lease income for leases that have no end date from 35 years to one month in line with default notice periods.

## 29. FINANCE LEASES

The total future minimum lease payments under finance leases are as follows:

	Land	
	2017	Restated 2016
	£'000	£'000
<b>Leases which expire:</b>		
Not later than one year	-	67
Later than one year and not later than five years	-	270
More than five years	-	1,396
	<b>-</b>	<b>1,733</b>

The 2016 comparative has been restated to correct the split and total of future minimum lease payments previously disclosed. The Swaythling Housing Society Limited purchased the freehold of the land at Collins House during the year.

## 30. FINANCIAL INSTRUMENTS

	At fair value		At historic or Amortised cost	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Investment properties	28,555	18,743	-	-
Investments	-	-	47,322	53,152
Cash and cash equivalents	-	-	2,877	8,028
Receivables	-	-	5,536	4,648
Short term non-liquid assets	956	987	51,163	467
Intercompany loans	-	-	-	400
Interest rate swap	735	625	-	-
	<b>30,246</b>	<b>20,355</b>	<b>106,898</b>	<b>66,695</b>
			<b>2017</b>	<b>2016</b>
			£'000	£'000
<b>Financial liabilities</b>				
Trade and other payables			40,139	38,033
Amounts owed to Group undertakings			5,005	68
Loans and borrowings including unamortised net premiums			271,906	234,095
Obligations under finance leases			-	1,733
			<b>317,050</b>	<b>273,929</b>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 30. FINANCIAL INSTRUMENTS (continued)

	2017 £'000	2016 £'000
<b>Fair value gains/(losses)</b>		
On interest rate swap	110	625
On current asset listed investments	(49)	(28)
On investment properties	751	1,404
	<u>812</u>	<u>2,001</u>
	2017 £'000	2016 £'000
<b>Impairment gains/(losses)</b>		
On unlisted equity instruments measured at amortised cost less impairment	11	(75)

## 31. DERIVATIVE FINANCIAL INSTRUMENTS

	2017 £'000	2016 £'000
<b>Assets</b>		
Interest rate swap	<u>735</u>	<u>625</u>

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
2 to 5 years	1.5205	20,000	735

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.

## 32. RELATED PARTY TRANSACTIONS

## Pension Schemes

The Radian Group Pension Scheme is considered to be a related party and full disclosure of the Scheme is provided in note 25.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

**32. RELATED PARTY TRANSACTIONS (continued)**

**Resident Board Members**

During the year one (2016: one) Board member was a resident of a property owned by the Society. Rent received from the Board member during the year amounted to £2,854 (2016: £7,004).

As a result of the restructuring of boards and committees, the resident resigned from the Board with effect from 30 September 2016 and as such ceased to be a related party from this date. There were therefore no amounts outstanding at 31 March 2017 (2016: £576 overpaid).

**Loans**

During the year, two (restated 2016: one) employees determined to be Key Management Personnel had loans with the Society. The new loan arose as employees transferred from Radian Group Limited during the year. As at 31 March 2017, one of the loans had been repaid in full and the outstanding value of the remaining loans was £nil (restated 2016: £1,146).

**Transactions with other Group members**

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

This is the case except for intragroup transactions with the following subsidiaries and transactions with the following joint ventures:

- Radian Support Limited;
- Radian Capital plc;
- Swaythling Assured Homes plc;
- Affinity (Reading) Holdings Limited; and
- Affinity (Reading) Limited.

These entities are not regulated by the Regulation Committee of the HCA and the Accounting Direction for Social Housing requires Registered Providers to disclose transactions with non-regulated Group members. Dormant subsidiary Swaythling Assured Homes plc was also a non-regulated subsidiary but there were no transactions with regulated Group members during the year.

Transactions with the subsidiaries are eliminated in the Group financial statements. Transactions with the joint ventures are not eliminated in the Group financial statements.

The following transactions are shown from the perspective of the Society and relate to Radian Support Limited:

	2017 £'000	2016 £'000
<b>Income</b>		
Management Charge	<u>101</u>	<u>533</u>

The management charge included an allocation of budgeted Central Services staff costs based on those full time equivalents whose work directly related to Radian Support Limited. The charge also included directly attributable budgeted software and shared IT infrastructure costs.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**33. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY**

At 31 March 2017 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

**34. RESTATED REVENUE RESERVES**

This reconciliation sets out the effects on the Society's revenue reserves of correcting prior year errors.

**The Pensions Trust Growth Plan**

We have made a prior year adjustment to account for the Growth Plan pension. We previously followed old UK GAAP and accounted for employer contributions as they fell due, disclosing a contingent liability for our share of the scheme deficit on an annuity purchase basis that would be payable on our withdrawal from the scheme. We are making an adjustment to account for the scheme under FRS 102. As the scheme is in deficit and we have agreed to a deficit funding arrangement we have made a prior year adjustment to recognise 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 unwinding of the discount rate is recognised as a finance cost.

	<b>31 March 2016 £'000</b>	<b>1 April 2015 £'000</b>
<b>Original revenue reserves</b>	<b>90,695</b>	<b>70,140</b>
Adjustment due to recognition of Growth Plan pension liability	(37)	(33)
<b>Restated revenue reserves</b>	<b>90,658</b>	<b>70,107</b>

**Restated surplus for the year ended 31 March 2016**

	<b>31 March 2016 £'000</b>
Original surplus on ordinary activities before tax	13,526
Adjustment due to recognition of Growth Plan pension liability	3
<b>Restated surplus on ordinary activities before tax</b>	<b>13,529</b>

