

Company No: 06192065



Swan Commercial Services Limited

Annual Report and Financial Statements

Year ended 31 March 2020

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Swan Commercial Services Limited
Year ended 31 March 2020

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Swan Commercial Services Limited
Year ended 31 March 2020

Legal and Administrative Details

Directors	Jamie Smith John Synnuck James King	(Resigned 31 March 2020) (Appointed 1 April 2020)
Secretary	Susan McBride	
Registered Office	Pilgrim House High Street Billericay Essex CM12 9XY	
External Auditor	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY	
Internal Auditor	RSM Risk Assurance Services LLP 25 Farringdon Street London EC4A 4AB	
Solicitor	Devonshires Solicitors LLP Salisbury House Finsbury Circus London EC2M 7DT	
Banker	Royal Bank of Scotland plc 29 East Walk Basildon Essex SS14 1HD	
Company's Registered Number	06192065	

Swan Commercial Services Limited
Year ended 31 March 2020

Strategic Report

Principal Activity

The Company's principal activity is the provision of design and build construction services within Essex and London and development of property.

Review of the Business for the Year and Future Developments

The Directors measure performance against plan through regular reporting of financial and non-financial metrics. The key performance indicators are as follows:

KPI	2019/20	2018/19
Turnover	£67.6m	£98.5m
Gross Profit	£0.5m	£1.7m
Gift Aid Payment	£1.5m	£0.3m

Annual turnover and operating profit fluctuates with the Company's construction service activity and property development programme. Gift aid reflects the payment made in the year to the ultimate parent company, Swan Housing Association Limited, of a charitable donation equivalent to the amount of the prior year profits.

During the year design and build construction activities were carried out at the Beechwood Village, Blackwall Reach, Cambridge Road and Peachy sites. Work has also continued at the Company's Laindon development site and at its modular housing manufacturing facility. Other development opportunities are being pursued by the Company.

On 8 July 2020 a crane collapsed at our Watts Grove construction site in the London Borough of Tower Hamlets. The incident resulted in the tragic loss of a life for which our deepest condolences have been extended to the family, the serious injury of two crane operatives and has caused a number of local residents to have to leave their homes until the crane is removed and the surrounding area made safe.

Currently the incident site and surrounding area remains in the control of the police and we are fully supporting the authorities and the Health and Safety Executive with their investigation into how the incident occurred. At this stage of the investigation there is insufficient information to estimate the financial impact of the incident.

Results

The Company has generated a profit before tax of £507k (2019 restated: £1,400k) on a turnover of £67,638k (2019: £98,539k). Gift aid of £1,532k (2019: £236k) paid during the year has been charged directly to reserves in these financial statements.

Swan Commercial Services Limited
Year ended 31 March 2020

Strategic Report (cont)

Going Concern

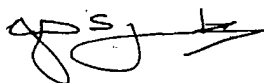
On the basis of their assessment of the Company's funding arrangements, trading prospects and other aspects of its financial position, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. The impact of Covid19 and a Brexit scenario which assumes the transition period concludes in December 2020 without a free trade agreement being in place between the United Kingdom and the European Union have been modelled and mitigations developed as part of the Group's multi-variate stress testing of its business plan. As a result the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

Risk Management

Swan Commercial Services Limited has developed a comprehensive risk register. This covers health and safety, corporate, operational and financial risks. It is reviewed and updated on a regular basis by the Directors of Swan Commercial Services Limited. The principal risks affecting the Company are general economic slowdown leading to a fall in property construction activity, recruiting and retaining key personnel and employment of contractors for the development of sites. These and many other risks are included in the risk register.

The impact of Covid19 and a Brexit scenario which assumes the transition period concludes in December 2020 without a free trade agreement being in place between the United Kingdom and the European Union have been modelled and mitigations developed as part of the Group's multi-variate stress testing of its business plan.

Approved by the Board of Directors
and signed on their behalf by:



John D Synnuck
15 September 2020

Swan Commercial Services Limited
Year ended 31 March 2020

Directors' Report

The Directors submit their annual report and audited financial statements of Swan Commercial Services Limited (the "Company"), registered number 06192065, for the year ended 31 March 2020.

Directors

A list of the Company's Directors at the year end, during the year and at the date of this report can be found in the Legal and Administrative details on page 1 of this Annual Report and Financial Statements.

Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and of the profit or loss of the Company for that year.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' Indemnity Insurance

The Company maintains Directors' and officers' liability insurance for its Board members and officers, which is renewed annually.

Disclosure of information

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

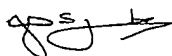
Future Developments

Future developments are addressed within the Strategic Review.

Auditor

A resolution to reappoint Grant Thornton UK LLP as auditor of the Company is to be proposed in accordance with Section 485, Companies Act 2006.

Approved by the Board of Directors and signed on their behalf by:



John D Synnuck
15 September 2020

Independent Auditor's Report to the Members of Swan Commercial Services Limited

Opinion

We have audited the financial statements of Swan Commercial Services Limited (the 'Company') for the year ended 31 March 2020, which are comprised of the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its profit 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 Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company associated with these particular events.

Conclusions relating to going concern

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

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

In our evaluation of the Directors' conclusions, we considered the risks associated with the Company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this Auditor's Report is not a guarantee that the Company will continue in operation.

Independent Auditor's Report to the Members of Swan Commercial Services Limited (cont)

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, set out on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Members of Swan Commercial Services Limited (cont)

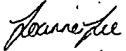
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Joanne Love FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge
30 September 2020

Swan Commercial Services Limited
Year ended 31 March 2020

Statement of Comprehensive Income

	Notes	2020 £'000	Restated (see note 18) 2019 £'000
Turnover	5	67,638	98,539
Cost of sales		(67,131)	(96,889)
Gross profit		507	1,650
Interest receivable and similar income		1	3
Interest payable and similar charges	7	(1)	(253)
Profit on ordinary activities before tax	8	507	1,400
Tax on profit on ordinary activities	9	-	-
Profit for the financial year being total comprehensive income for the year		507	1,400

All of the Company's operations are classified as continuing. There were no gains or losses in either year other than those included in the Statement of Comprehensive Income above.

The notes on pages 8 to 18 form part of these Financial Statements.

Statement of Changes in Equity

	Notes	Share Capital £'000	Profit and loss £'000	Total £'000
Previously Reported as at 1 April 2018		-	278	278
Prior Year Adjustment		-	(2,181)	(181)
Balance as at 1 April 2018	18	-	97	97
Total comprehensive income for the year		-	1,400	1,400
Restated balance as at 31 March 2019	18	-	1,497	1,497
Total comprehensive income for the year		-	507	507
Donation to parent made under the gift aid scheme		-	(1,532)	(1,532)
Balance as at 31 March 2020		-	472	472

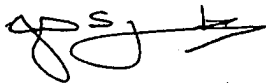
Swan Commercial Services Limited
Year ended 31 March 2020

Statement of Financial Position

	Notes	2020 £'000	Restated (see note 18) 2019 £'000
Fixed Assets			
Tangible Fixed Assets	10	1,709	2,053
Current Assets			
Stock and properties held for sale	11	31,184	19,157
Debtors	12	12,220	16,205
Cash in bank and in hand		25	25
		43,429	35,387
Creditors: amounts falling due within one year	13	(15,448)	(20,943)
Net current assets		27,981	14,444
Total assets less current liabilities		29,690	16,497
Creditors: amounts falling due after more than one year	14	(29,218)	(15,000)
Net assets		472	1,497
Capital and reserves			
Share capital	15	-	-
Profit and loss account		472	1,497
Shareholders' funds		472	1,497

The notes on pages 8 to 18 form part of these Financial Statements.

These Financial Statements were approved and authorised for issue by the Board of Directors on 15 September 2020 and were signed on their behalf by:



John D Synnuck
Company number: 06192065

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements

1. Company Information

Swan Commercial Services Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The address of its registered office is Pilgrim House, High Street, Billericay, Essex CM12 9XY.

2. Basis of Preparation

The financial statements of the Company have been prepared in compliance with United Kingdom accounting standards, including FRS 102 'the Financial Reporting Standard applicable in the UK and Republic of Ireland' ('FRS 102') and amendments from the 2017 triennial review, in particular the accounting for Gift Aid, and Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below in note 4. These policies have been consistently applied in all years presented, unless stated otherwise.

These financial statements are prepared on a going concern basis, under the historical cost convention.

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS102, as it is a qualifying entity and its financial statements are included in the consolidated financial statements of its ultimate parent company, Swan Housing Association Limited (see note 18).

- the requirements of Section 4 Statement of Financial Position 4.12 (a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c); and
- requirements of Section 33 Related Party Disclosures paragraph 33.7.

The Company has taken advantage of the exemption, under FRS 102 paragraph 1.12(b), from preparing a statement of cash flows, on the basis that it is a qualifying entity and its ultimate parent undertaking, Swan Housing Association Limited, includes the Company's cash flows in its consolidated financial statements.

Going concern

On the basis of their assessment of the Company's funding arrangements, trading prospects and other aspects of its financial position, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, being a period of not less than 12-months from the date of approval of these financial statements. The impact of Covid19 and a Brexit scenario which assumes the transition period concludes in December 2020 without a free trade agreement being in place between the United Kingdom and the European Union have been modelled and mitigations developed as part of the Group's multi-variate stress testing of its business plan. As a result the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

3. Significant judgements and estimates

The preparation of financial statements in conformity with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Recoverability of stock and properties held for sale

Due to the nature of the Company's activities, the Directors consider that there are no significant judgements or key sources of estimation uncertainty, with the exception of the assessment that stock and properties held for sale are carried at the lower of cost or net realisable value, management assesses the net realisable value of schemes using publicly available information and internal forecasts on future sales price after allowing for all further costs of completion and disposal. Covid-19 has not materially affected business to date and is not forecast to do so in the near future. Management has put in measures to safeguard staff, customers and suppliers, and continues to monitor the situation closely to ensure minimum disruption.

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

4. Principal Accounting Policies

Turnover

Turnover represents the fees received for the provision of design and build and other construction services (including those at the manufacturing facility) provided to customers in the UK. Turnover may also represent the proceeds from the sale of completed properties, where the Company has acquired and developed land for sale,

For fixed price construction contracts turnover is recognised based upon an internal assessment of the value of works carried out. This assessment is arrived at after due consideration of the performance against the programme of works, measured works, detailed evaluation of the costs incurred and comparison to external certification of the work performed. Provision for claims against the Company is made as soon as it is probable that a liability will arise, but claims and variations made by the Company are not recognised in the profit and loss account until the outcome is virtually certain. Provision will be made against any potential loss as soon as it is identified.

Amounts recoverable on contracts are stated at cost plus attributable profit less any foreseeable losses and payments on account and are included in debtors and creditors respectively.

Turnover from the sale of properties, whether by way of sale of freehold or grant of lease for a premium, is recognised upon legal completion and therefore the risks and rewards of ownership have been transferred to the purchaser.

All turnover is stated exclusive of VAT.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised cost model. The effective interest rate method, which applies the interest rate that exactly discounts the estimated future cash flows to the carrying amount of the financial instrument at initial recognition, has been used to calculate amortised cost. Any related fees and transaction costs are also amortised using this method.

The Company has not adopted hedge accounting for financial instruments.

Expenditure

Net operating expenditure is recognised in respect of goods and services received when supplied in accordance with contractual terms. Expenditure in inventory is expensed through cost of sales in the Statement of Comprehensive Income on an accruals basis in line with the invoicing of turnover for services provided as sales made.

Interest payable

Interest payable is recognised on a time apportioned basis by reference to the principal outstanding and the effective interest rate. Borrowing costs are recognised in the Statement of Comprehensive Income on an accruals basis in the period in which they are incurred.

Taxation

Current tax is recognised for the amount of corporation tax payable in respect of the taxable profit for the current or past reporting years using the rates and laws that have been enacted or substantially enacted at the reporting date. Current tax for the current period is reduced to the extent that a gift aid payment to the charitable parent company is probable within nine months of the period end. Tax relief for the gift aid payment made during the current year out of the taxable profits for the prior year has been recognised through the Statement of Changes in Equity.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as 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 future taxable profits. Deferred tax is calculated using the rates and laws 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 in provision for liabilities and deferred tax assets in debtors. Such assets and liabilities are only offset where the Company has a legal right of set off.

VAT

The Company is registered for VAT and its expenditure on taxable activities is shown exclusive of VAT.

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

4. Principal Accounting Policies (cont)

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of tangible fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the year in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their useful lives, on a straight line basis. Depreciation begins when the asset is capable of operating in the manner intended by management. The estimated useful lives range as follows:-

Plant and Machinery	5 to 10 years
Leasehold Improvements	5 to 10 years
Fixtures and Fittings	5 years
Computer Equipment	4 years

The assets, residual values, useful lives and depreciation methods are reviewed and adjusted annually if appropriate, or if there is an indication of significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

Stock and work in progress

Inventories primarily represent the costs of ongoing design and build works and is stated at the lower of cost and net realisable value. Net realisable value is assessed by considering the expected total costs to complete.

The costs of design and build works includes the costs of the manufacture, off-site, of modular housing units. The raw materials utilised in this process are stated at the lower of cost or net realisable value.

Otherwise the cost of design and build works, modular housing units or owned land developed for sale is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At each balance sheet date inventory is assessed for impairment. If inventories are impaired, the carrying value is reduced to its recoverable value less the costs to completion. The impairment loss is recognised immediately in profit or loss.

Trade debtors

Trade debtors which do not carry any interest are stated at their fair value amount and included in current assets where maturity is less than 12 months.

Trade creditors

Trade creditors on normal terms are not interest bearing and are stated at their fair value.

Gift aid payments

Donations made under the gift aid scheme to the ultimate parent are recognised through the Statement of Changes in Equity when paid following formal approval by the Board of Directors.

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

5. Turnover

Turnover by activity comprises:

	2020 £'000	2019 £'000
Design and build construction services	67,638	98,539
All turnover is derived in the UK.		

6. Director's Remuneration

The Directors did not receive any remuneration in the current or prior year for their qualifying services to the Company (2019: £nil). The Company benefits from services provided by other group companies and consequently employed no staff itself in either the current or prior year.

7. Interest payable and similar charges

	2020 £'000	2019 £'000
Interest on amount due to group undertakings	1	253

8. Profit on ordinary activities before taxation

	2020 £'000	2019 £'000
Profit on ordinary activities before taxation is stated after charging:		
Operating Lease Rentals	599	525
Group service charge from Swan Housing Association Limited	422	345
Depreciation on tangible fixed assets	534	477

Auditor's remuneration for audit services to the Company amounting to £13,000 (2019: £10,000) is included within the service charge from Swan Housing Association Limited.

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

9. Tax on profit on ordinary activities

	2020 £'000	Restated (see note 18) 2019 £'000
Tax charge on profit on ordinary activities		
UK Corporation Tax on profit for the year	-	-
Tax charge on profit on ordinary activities	-	-
Tax reconciliation	2020 £'000	2019 £'000
Profit on ordinary activities before tax	<u>507</u>	<u>1,400</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of: 19% (2019: 19%)	96	266
Depreciation of assets not qualifying for capital allowances	2	5
Taxable profits to be donated under gift aid	(139)	(291)
Movement in deferred tax not recognised	41	20
Tax charge on profit on ordinary activities	<u>-</u>	<u>-</u>
Tax previously provided on profits, released following the payment of gift aid	<u>236</u>	<u>55</u>

There are no material recognised or unrecognised deferred tax assets or liabilities at either 31 March 2020 or 2019.

Factors impacting future taxes

The Company is a wholly owned subsidiary of a charitable Company and was formed on the expectation that its profits would be donated to its charitable parent under the gift aid scheme. Such donations if made within nine months of the end of an accounting period may be used to reduce the Corporation Tax payable in respect of the profits of that year. The Company has assumed that its profits will be donated to its charitable parent Company within 9 months of the end of the current accounting year, consistent with prior years.

No provision for such a donation out of the 2020 profits has been included in these financial statements since no obligation to make that payment exists. However, the Directors expect that such a donation will be made within nine months of 31 March 2020, consistent with prior years, and the Corporation Tax liability for the year has been relieved accordingly.

The UK Government previously announced that the rate of UK Corporation tax would reduce to 17% with effect from 1 April 2020. In the Spring Budget 2020, the Government announced that the previously enacted decrease in the rate of Corporation Tax from 19% to 17% would no longer happen and that rates would remain at 19% for the foreseeable future. The new law was substantively enacted by a resolution under the Provisional Collection of Taxes Act 1968 on 17 March 2020.

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

10. Tangible fixed assets

	Leasehold Improvements	Plant and Machinery	Fixtures and Fittings	Computer Equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2019	678	1,699	149	47	2,573
Additions	1	182	1	6	190
At 31 March 2020	679	1,881	150	53	2763
Depreciation					
At 1 April 2019	168	302	37	13	520
Charge for the year	136	356	30	12	534
At 31 March 2020	304	658	67	25	1,054
Net book value					
At 31 March 2020	375	1,223	83	28	1,709
At 31 March 2019	510	1,397	112	34	2,053

11. Stock and properties held for sale

	2020 £'000	2019 £'000
Raw materials	871	633
Work in progress	30,313	18,524
	31,184	19,157

There is no material difference between current value and replacement value.

12. Debtors

	2020 £'000	2019 £'000
Trade debtors	72	1,229
Amounts owed by fellow group undertakings	10,232	13,422
Other debtors	1,405	934
Prepayments and accrued income	511	620
	12,220	16,205

The amounts owed by fellow group undertakings are repayable on demand and non interest bearing.

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

13. Creditors: amounts falling due within one year

	2020 £'000	Restated (see note 18) 2019 £'000
Trade creditors	8,932	11,061
Amounts owed to fellow group undertakings	2,562	2,964
Other creditors	2,358	2,395
Accruals and deferred income	1,596	4,523
	<u>15,448</u>	<u>20,943</u>

The amounts owed to fellow group undertakings are repayable on demand and non interest bearing.

14. Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Loans due to fellow group undertakings	<u>29,218</u>	<u>15,000</u>

A loan facility agreement exists which was entered into between Swan Housing Association Limited and the Company effective 15 February 2017 which has a limit of £50 million (2019: £15 million) and is fully repayable on 31 March 2024. Interest is payable at 6.25% which is 2% above the lender's cost of funds and the borrowing is secured by floating charge over the assets of the Company.

15. Share capital

	2020 £	2019 £
Called up, allotted and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

16. Commitments

Future minimum lease payments under non-cancellable operating leases are as follows:

	2020 £'000	2019 £'000
Operating leases which expire:		
Within one year	547	599
Between two to five years	1,924	2,154
After 5 years	-	350
	<u>2,471</u>	<u>3,103</u>

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

17. Contingent Liabilities

The Company has entered into a Deed of Guarantee and Indemnity with Thurrock Borough Council in relation to a regeneration project in Purfleet, Essex. As at 31 March 2020 and 31 March 2019 there were no material obligations under this guarantee.

On 31 January 2019, the Company (together with fellow group undertaking, Swan New Homes Limited as borrowers) entered into a loan facility agreement for an aggregate sum of £30 million with a further fellow group company, Swan Housing Finance Limited. The facility is to provide funds for the Company's development at Laindon and carries interest at EC Base Rate plus 4% and is repayable on the earlier of 30 June 2025 or the date of sale of the last residential unit on the development site. As at 31 March 2020 a sum of £9.5m (2019: £nil) had been drawn down and Swan New Homes Limited had drawn down £13.2m (2019: £10.2m).

Swan Housing Finance Limited has itself entered a borrowing facility on the same terms with the Homes and Communities Agency (under its trading name Homes England). In order to secure the borrowing of Swan Housing Finance Limited, the Company (together with fellow group company Swan New Homes Limited) has provided security in the form of a floating charge over the assets of the Company and a fixed charge over its Laindon site.

18. Prior Year Adjustments - Reconciliation of previous reported figures

Following the issue of the FRS102 triennial review for periods commencing on or after 1 January 2019, adjustments are required to reflect an amended treatment in respect of the tax treatment of gift aid donations by a company to its parent charity. The prior year has been restated to recognise through the Comprehensive Statement of Income the tax benefit, in that year, of a gift aid donation to the ultimate parent charity under the gift aid scheme in the nine months ended 31 December 2019. The likelihood of payment of that donation was probable as at 31 March 2019, but there was no obligation for payment as at 31 March 2019, consequently that gift aid donation itself was not otherwise recognised in the financial statements of the prior year. The amount of the gift aid donation actually made is instead recognised in the year of payment, through the Statement of Changes in Equity.

The prior year results have been restated to reflect the position had the policy always been applied. The table below reports the adjustments required for each financial statement line affected by the change.

Statement of Comprehensive Income

	£'000
Original tax on profit on ordinary activities	(291)
Reduction in 2019 corporation tax charge due to probable gift aid payment	291
Restated tax on profit on ordinary activities	-
Original profit on ordinary activities after tax for the year 31 March 2019	1,109
Reduction in 2019 corporation tax charge due to probable gift aid payment	291
Restated profit on ordinary activities for the year 31 March 2019	1,400

Swan Commercial Services Limited
Year ended 31 March 2020

Notes to the Financial Statements (cont)

18. Prior Year Adjustments - Reconciliation of previous reported figures (cont)

<u>Restatement of net assets and reserves</u>	£'000
Original net assets and reserves as at 31 March 2018	278
Reduction in 2018 corporation tax charge due to probable gift aid payment	(181)
Restated net assets and reserves as at 31 March 2018	97
Original net assets and reserves as at 31 March 2019	1,206
Reduction in 2019 corporation tax charge due to probable gift aid payment	291
Restated net assets and reserves as at 31 March 2019	1,497
<u>Restatement of equity</u>	
Restated net assets and reserves as at 31 March 2018	97
Restated Total comprehensive income for the year	1,400
Restated net assets and reserves as at 31 March 2019	1,497

19. Ultimate parent undertaking

Swan Commercial Services Limited is a wholly owned subsidiary of Swan Housing Association Limited. Swan Commercial Services Limited regards Swan Housing Association Limited, a Registered Society and a Co-operative and Community Benefit Society, registered in England and Wales, as its ultimate parent undertaking and controlling party.

Swan Housing Association Limited is also the largest and smallest group which includes the results of the Company and for which Consolidated Financial Statements are prepared. Financial Statements for the ultimate parent undertaking can be obtained from its registered office at Pilgrim House, High Street, Billericay, Essex, CM12 9XY.

20. Post balance sheet event

On 8 July 2020 a crane collapsed at our Watts Grove construction site in the London Borough of Tower Hamlets. The incident resulted in the tragic loss of a life for which our deepest condolences have been extended to the family, the serious injury of two crane operatives and has caused a number of local residents to have to leave their homes until the crane is removed and the surrounding area made safe.

Currently the incident site and surrounding area remains in the control of the police and we are fully supporting the authorities and the Health and Safety Executive with their investigation into how the incident occurred. At this stage of the investigation there is insufficient information to estimate the financial impact of the incident.