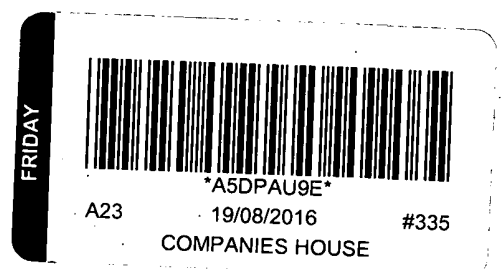


Company Registration Number: 09362244

Swan Housing Capital Plc

Report and Financial Statements

For the period 19 December 2014 to 31 March 2016



Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March
2016

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Statutory Information

Company registration number 09362244

Directors

Peter Baynham – appointed 21 May 2015
Parmjit Dhanda – appointed 21 May 2015
Sukhvinder Kaur-Stubbs – appointed 21 May 2015
Shelia Lewis - appointed 21 May 2015
Marie Li Mow Ching – appointed 21 May 2015
Valerie Owen – appointed 21 May 2015
Alan Palmer – appointed 21 May 2015
Jamie Smith – appointed 19 December 2014
John Synnuck – appointed 19 December 2014

Secretary

Jamie Smith – appointed 19 December 2014

Registered Office

Pilgrim House
High Street
Billericay
Essex
CM12 9XY

Independent Auditor

Grant Thornton UK LLP
101 Cambridge Science Park
Milton Road
Cambridge CB4 0FY

Bankers

Royal Bank of Scotland plc
29 East Walk
Basildon
Essex
SS14 1HD

Solicitors

Devonshires
30 Finsbury Circus
City of London
EC2M 7DT

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Strategic Report for the year ending 31 March 2016

Business review and principal activity

Swan Housing Capital plc's principal activity is to procure funding for Swan Housing Association Limited.

On 5 March 2015 the Company issued a fixed rate secured bond, denominated in Sterling, maturing 5 March 2048 (the "2048 Bond") of £250,000,000 to the debt capital market paying a fixed coupon semi-annually in arrears of 3.625%. £100,000,000 of the 2048 Bond was retained. The yield on issue was 3.682% resulting in proceeds from the issue of £148,435,135.

Under the terms of the Bond Loan Agreement, the par value of £150,000,000 is recognised as the amount lent to Swan Housing Association Limited, who recognise the bid / offer spread of £1,564,500. Swan Housing Association Limited is also responsible for paying the fees relating to the transaction. Both the bid / offer spread and fees relating to the transaction are amortised over the life of the bond.

Since incorporation the Company has not carried out any business or activities with the exception of the debt capital market transaction on 5 March 2015 and loaning the proceeds to Swan Housing Association Limited. The profit for the period, both before and after taxation, was £nil.

Principal risks and uncertainties

The principal risks facing the Company are:

- the inability to meet its obligations in respect of the Bond Trust Deed; and
- counterparty risk

Various security and contractual arrangements, as described in Note 11 to these financial statements, are in place to mitigate these risks.

The risks facing Swan Housing Association Limited (the "Original Borrower") could also have a material effect on the performance of Swan Housing Capital plc. A full list and management of the risks can be found in the Original Borrower's Consolidated Financial Statements.

The impact of the United Kingdom's decision to leave the European Union in June 2016 is being monitored. Further detail is set out in note 15.

Going Concern

The Company's business activities, its principal risks and uncertainties and factors likely to affect its future position are set out within the Report to the Directors. There are no material uncertainties.

The support available to the Company from the Original Borrower gives reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, it continues to adopt the going concern basis in the financial statements.

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Strategic Report (continued)

Future developments

The Directors do not anticipate any change in the Company's principal activity.

Financial risk management objectives

The Directors' approach to financial risk management objectives and exposures have been set out in Note 10 of these financial statements.

Summary of key performance indicators

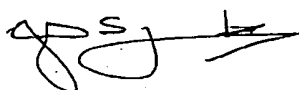
The Directors have monitored the progress of the overall strategy and the individual strategic elements by reference to the following non-financial indicator described below:

The Board of Directors ensure that the Company fulfils its obligations under the Bond Trust Deed which in turn ensures it is compliant with Listing Regulations and under the Bond Loan Agreement its commitments to Bond investors.

The Company is primarily a conduit for accessing the Debt Capital Markets therefore the Board of Directors monitor the availability of cashflows to and from the Original Borrower as the financial key performance indicators.

During the financial period all cash flows were readily available to and from the Original Borrower and therefore showed a favourable performance against this objective.

Signed on behalf of the Board of Directors



John D Synnuck
19 July 2016

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Report of the Directors for the year ending 31 March 2016

The Directors submit their Report and the Audited Financial Statements for the period 19 December 2014 to 31 March 2016.

Date of incorporation

Swan Housing Capital plc ("Company") was incorporated on 19 December 2014. The Company commenced operation on 16 January 2015.

Results and dividends

The profit for the period amounted to £nil.

The Directors do not recommend the payment of a dividend in respect of the period ending 31 March 2016.

Directors and their interests

The Directors of the Company who held office during the period are as follows:

Peter Baynham – appointed 21 May 2015
Parmjit Dhanda – appointed 21 May 2015
Sukhvinder Kaur-Stubbs – appointed 21 May 2015
Shelia Lewis – appointed 21 May 2015
Marie Li Mow Ching – appointed 21 May 2015
Valerie Owen – appointed 21 May 2015
Alan Palmer – appointed 21 May 2015
Jamie Smith – appointed 19 December 2014
John Synnuck – appointed 19 December 2014

In accordance with the Company's Articles of Association, none of its Directors are required to retire. None of the Directors who held office at the beginning or end of the period had any interest in the shares of the Company.

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Report of Directors (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report, 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102. 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 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 judgments and 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.

The directors confirm that:

- there is no relevant audit information of which the Company's auditors are 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.
- The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company website. Legislation in the United Kingdom governs the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of our knowledge

- the Financial Statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- the annual report, including the strategic report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

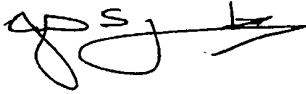
Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Report of Directors (continued)

Auditors

Grant Thornton UK LLP have expressed their willingness to continue in office. Accordingly a resolution in accordance with section 489(4) of the Companies Act 2006 is to be proposed for the re-appointment of Grant Thornton UK LLP.

Signed on behalf of the Board of Directors



John D Synnuck
19 July 2016

Registered in England – No 09362244

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Corporate Governance Statement

The Company has a listed security in issue and is required to comply with the applicable sections DTR 7.1 and DTR 7.2 of the Financial Services Authority ("FSA") handbook.

As the Company does not have a Premium Listing the Directors are not required to apply the UK Corporate Governance Code (formerly the Combined Code) which sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. In common with other companies within the Swan Housing Group, the Company has adopted the National Housing Federation's 2015 Code of Governance: Promoting Board Excellence for Housing Associations.

The Board and its Directors

The Company is led by a Board of Directors ("Board"). The appointment of the Directors is pursuant to the Articles of Association dated 19 December 2014.

Each Director is of equal standing. There is also no distinction drawn between executive and non-executive Directors.

As the Board all have considerable experience within the Social Housing sector, and also act as Directors of Swan Housing Association Limited and its subsidiaries, the Company does not arrange any formal induction or training for new Directors. This arrangement is reviewed on an on-going basis to consider its appropriateness.

The Directors are covered by Swan Housing Association Limited directors' and officers' indemnity insurance policy.

The Board acknowledges that it is collectively responsible for the success of the Company by providing leadership, setting the Company's strategic aims, ensuring that the necessary financial and human resources are in place and reviewing management performance.

In order to discharge these responsibilities, the Directors met 5 times in the period. Board Meetings are also attended by key members of the Company's management team.

All Directors receive appropriate and timely information and briefing papers in advance of the Management and Board Meetings. Whilst day-to-day management of the Company is delegated to the management team, there is a formal schedule of matters reserved for decisions by the Board. These include such matters as the provision of guarantees or indemnities in respect of any liability and approval of the annual budget or engagement in any other activity.

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March
2016

Corporate Governance Statement (continued)

The Board and its Directors (continued)

Appointments to the Board are made in line with the Articles of Association. Swan Housing Association Limited has a Nominations and Remuneration committee that provides oversight for the entire Swan Group of companies which includes Swan Housing Capital plc. The Company does not have a separate and dedicated Nominations and Remuneration committee as the size and nature of the Company does not warrant a dedicated committee.

The Board does not undertake a formal annual evaluation of its performance and that of its Directors and there is no formal policy on re-election of Directors. However, the Board of Swan Housing Association completed its annual review of combined and individual member performance during the period. The Directors ensure that the Board is structured in such a way that each member of the Board is able to bring different experiences and skills to the operation of the Company and encourages and supports each Director to regularly update and refresh their skills and knowledge.

Internal control and risk management systems

The Board has established processes for identifying, evaluating and managing the significant risks the Company faces. The Board annually reviews these processes, which have been in place from the commencement of trading to the date of approval of this report. The risks are also reviewed quarterly during the Swan Group Audit and Risk Committee meetings.

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board's monitoring covers all controls, including financial, operational and compliance controls and risk management to ensure it meets the minimum requirements of DTR 7.1.3. It is based principally on reviewing financial and operational reports from management to consider whether significant risks are identified, evaluated, managed and controlled and whether any significant weaknesses are promptly remedied or indicate a need for more extensive monitoring.

As part of the requirements of DTR 7.1.3 the Board specifically monitors the financial reporting process and the statutory audit of the annual accounts through reports provided by management. Furthermore, the Board reviews and monitors the independence of the statutory auditor and considers the relationship with the Group as part of its assessment. This is monitored as part of the Swan Housing Association Limited Board meetings which consider the relationship with the statutory auditor and all group subsidiaries.

At each Company management meeting the Board reviews whether the existing internal controls to monitor the requirements of DTR 7.1.3 are sufficient and take appropriate action as necessary.

The Board has not identified nor been advised of any failings or weaknesses which it has determined to be significant during the course of its review of the systems of internal control.

The Board considers that the existing internal controls to be sufficient and does not consider there to be a requirement for a specific Swan Housing Capital plc Internal Audit function as the Swan Housing Association Limited Internal Audit function provides sufficient support and expertise. The requirement for a dedicated Internal Audit function is considered annually.

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Independent auditor's report to the members of Swan Housing Capital plc

We have audited the financial statements of Swan Housing Capital plc for the period ended 31 March 2016 which comprises the Comprehensive Statement of Income, the Statement of Changes in Equity, the Statement of Financial Position 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) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors 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 Auditing Practices Board's (APB'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 APB's website at 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 Company's affairs as at 31 March 2016 and of its result for the period 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- 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 information given in the Corporate Governance Statement set out on page 8 with respect to internal control and risk management systems in relation to financial reporting processes is consistent with the financial statements.

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Independent auditor's report to the members of Swan Housing Capital plc
(continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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

Grant Thornton UK LLP

Paul Naylor
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge, England
Date: 9 August 2016

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Statement of Comprehensive Income for the period ended 31 March 2016

	Notes	2016 £'000
Administrative expenses	2	-
Operating income before financing costs		<u>-</u>
Interest receivable and similar income	3	5,825
Interest payable and similar charges	4	(5,825)
Profit on ordinary activities before taxation		<u>-</u>
Taxation	5	-
Profit for the period		<u><u>-</u></u>

The above relates wholly to continuing operations.

There is no difference between the result on ordinary activities before taxation and the result for the period stated above and their historic cost equivalent.

The Company has no other comprehensive income.

The accompanying accounting policies and notes form part of these financial statements.

Statement of Changes in Equity

	Share capital £ '000	Income and expenditure reserve £ '000	Total £ '000
Balance as at 19 December 2014	-	-	-
Profit in the period	-	-	-
Total Comprehensive Income for the period	<u>-</u>	<u>-</u>	<u>-</u>
Shares issued on formation	13	-	13
Balance as at 31 March 2016	<u><u>13</u></u>	<u><u>-</u></u>	<u><u>13</u></u>

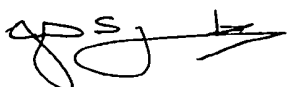
Swan Housing Capital plc
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Statement of Financial Position as at 31 March 2016

	Notes	2016 £'000
Fixed asset investment	6	150,000
Current assets		
Debtors – amount falling due within one year	7	387
Cash at bank and in hand		13
Creditors – amounts falling due within one year	8	(387)
Net current assets		<u>13</u>
Total net assets less current liabilities		<u>150,013</u>
Creditors – amounts falling due after more than one year	9	(150,000)
Net assets		<u>13</u>
Capital and reserves		
Called-up share capital	12	13
Equity shareholders' funds	13	<u>13</u>

The accompanying accounting policies and notes form part of these financial statements.

Signed on behalf of the Board of Directors



John D Synnuck

These financial statements were approved and authorised by the Directors for issue on 19 July 2016

Company Registration Number: 09362244

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March
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Notes to the Financial Statements

1. Principal Accounting Policies

1.0 Basis of preparation

These are the first financial statements of the company. The financial statements have been prepared on the going concern basis, under the historical cost convention, in accordance with the Companies Act 2006 and applicable accounting standards (United Kingdom Generally Accepted Accounting Practice) including FRS102.

The financial statements are presented in Sterling rounded to the nearest thousand.

1.1 Significant judgements

Financial instrument classification

The Company's bond is required to be classified as either a basic or non basic financial instrument in accordance with the conditions set out under FRS102 section 11.9.

Management have concluded that the bond should be reported as basic and as such is reported at amortised cost using the effective interest rate method.

Statement of cash flows

The Company is a wholly owned subsidiary company of a Group headed by Swan Housing Association Limited, and its results are included in the consolidated financial statements of that company. As a qualifying entity Swan Housing Capital Plc has taken advantage of the exemption within FRS102 from preparing a statement of cash flows. The Group financial statements are publically available.

1.2 Interest receivable and similar income

Interest receivable is recognised as interest accrues, using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Notes to the Financial Statements (continued)

1.3 Taxation

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

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 provisions 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.

1.4 Non-utilisation fee

The Bond Loan Agreement contains a provision for the Company to recover from Swan Housing Association the difference between the interest payable to the Bond investors and the interest receivable from amounts on-lent to Swan Housing Association under the bond loan agreement.

1.5 Financial instruments – Initial Recognition

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured in accordance with FRS102 section 11.

1.6 Financial assets

Amounts classed by the Company as financial assets are loans and other receivables and cash.

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Intercompany debtors are classified as loans and other receivables. Loans and other receivables are measured subsequent to initial recognition at amortised cost, discounted at a rate equal to the original effective rate, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the Comprehensive Statement of Income.

Swan Housing Capital plc

Report and financial statements for the period 19 December 2014 to 31 March 2016

Notes to the Financial Statements (continued)

1.7 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs, unless they are measured at fair value through the profit and loss account.

Financial liabilities are measured subsequent to initial recognition at amortised cost using discount of the original effective rate, with interest-related charges recognised as an expense in finance cost in the Statement of Comprehensive Income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the Statement of Comprehensive Income on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognised only when the obligation is extinguished, that is, when the obligation is discharged.

1.8 Bond issue costs

All costs relating to the servicing of the Bonds are covered by Swan Housing Association Limited.

1.9 Share capital

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument.

2. Administrative Expenses

None of the Directors received any remuneration as Directors from the Company during the period. The Company has no directly employed personnel.

Audit fees of £8,000 and other administrative expenses are borne by Swan Housing Association Limited as per the Bond Loan Agreement.

3. Interest receivable and similar income

	2016 £'000
Interest receivable	<u>5,825</u>

Under the terms of the Bond Loan Agreement the parent company is required to reimburse the Company all expenditure incurred in the respect of the Bond issue. Immediately after the issuance of the Bond the Company immediately on-lent the proceeds to the parent company which gave rise to interest receivable during the period; the terms of the on-lending agreement mirror the bond terms.

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March
2016

Notes to the Financial Statements (continued)

4. Interest payable and similar charges

	2016 £'000
Interest payable on the Bond	<u>5,825</u>

5. Taxation

Tax charge on profit on ordinary activities	2016 £'000
Current tax arising from current year movements	-
Tax charge on profit on ordinary activities	<u>-</u>
Tax reconciliation	
Profit on ordinary activities before tax	<u>-</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 20%	-
Total tax charge	<u>-</u>
There is no unrecognised deferred taxation at the balance sheet date.	

6. Fixed asset investments

	2016 £'000
Amounts owed by Original Borrowers	<u>150,000</u>

Loans to Original Borrowers are considered to be fixed asset investments as they are intended for use on a continuing basis in the Company's activities. The Directors consider such loans to be held for the long term.

7. Debtors – amount falling due within one year

	2016 £'000
Amounts receivable from Group undertakings	<u>387</u>

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March
2016

Notes to the Financial Statements (continued)

8. Creditors – amount falling due within one year

2016
£'000

Other creditors (accrued bond coupon)	387
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9. Creditors – amounts falling due after more than one year

2016
£'000

Amounts due to the Bond investors	150,000
-----------------------------------	---------

Under the terms of the Bond Loan Agreement the Original Borrower is committed to repay the Bond in full at maturity in 2048 to enable the Company to reimburse the Bond holders.

10. Financial instruments

The Company's financial instruments comprise borrowings and loans receivable. The sole purpose of these financial instruments is to raise finance for the growth and development activities of the Original Borrower and other Group entities as they meet the criteria to accede to the borrowing structure ("Additional Borrowers").

The Company does not actively engage in the trading of financial assets for speculative purposes. The Company has not entered into any derivative contracts.

The most significant financial risks to which the Company is exposed are credit risk and liquidity risk. The Board's policy for managing the risks is summarised below:

The Company's financial instruments are summarised as follows:

2016
£'000

Financial assets:
classified as debt instruments (amortised cost)

Loans to Original Borrowers	150,000
Amounts receivable from Group undertakings	387
Cash and cash equivalents	13
	150,400

2016
£'000

Financial liabilities:
classified as basic financial liabilities (amortised cost)

Other creditors (accrued bond coupon – see Note 8)	387
Amounts due to the Bond investors	150,000
	150,387

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Notes to the Financial Statements (continued)

10. Financial instruments (continued)

Credit risk

The Company is dependent on receipt of funds from the Original Borrower in order to meet its contractual obligations under the Bond Loan Agreement in relation to the Bond. The credit risk is that the Original Borrower, as the main counterparties, fails to reimburse the Company. The Directors consider the credit risk to be very low owing to the fact that the Swan Housing Association Limited is a strong business, with a strong asset base is supported by a regulator that has strong oversight and ensures the financial viability of the business.

The credit risk for bank deposits and money market funds is considered negligible.

No impairment loss has been recorded in relation to the fixed asset investment.

Liquidity risk

Liquidity risk is the risk that Swan Housing Capital plc might be unable to meet its obligations. Expected cash flows from financial assets, in particular its cash resources and trade receivables, are used by the Directors in assessing and managing liquidity risk. The risk is managed via the Bond Loan Agreement into which the Company has entered with the Original Borrower. The interest receivable mechanism described in Note 3 is in place to ensure that the liquidity risk within the Company is minimised.

The repayment profile of the Company's liabilities is as follows:

	On demand £'000	Less than 12 months £'000	1 to 5 years £'000	More than 5 years £'000	Total £'000
2016					
Amounts due to the Bond investors	-	-	-	150,000	150,000

Amounts due to the Bond Investors reflects the gross payments due on the £150,000,000 of the Bond that was issued to external investors.

Interest rate risk

The Company has no exposure to interest rate risk as all amounts owed to external Bond investors are at a fixed rate of interest as are the interest receivable amount due from the Original Borrower on amounts lent under the Bond Loan Agreement.

There are no other interest bearing assets or liabilities.

The interest rate profile of the Company's financial liabilities is as follows:

	2016 £'000
Fixed rate borrowings	150,000

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March 2016

Notes to the Financial Statements (continued)

10. Financial instruments (continued)

The Bond pays a fixed rate of interest at 3.625% semi-annually.

The total Bond value is £250,000,000 with £150,000,000 issued leaving the Company £100,000,000 available and undrawn.

Fair values

Set out below is a comparison of book values and fair values of the Company's financial instruments:

	At Fair Value	Book Value
	2016	2016
	£'000	£'000
Financial asset		
Loans to Original Borrowers	146,412	150,000
Loans and receivables	387	387
Cash and cash equivalents	13	13
At 31 March 2016	146,812	150,400
	2016	2016
	£'000	£'000
Financial liabilities		
Other creditors	387	387
Fixed rate secured bonds	146,412	150,000
At 31 March 2016	146,799	150,387

The fair value of the loans to Original Borrowers is based on the market value of similar debt instruments at 31 March 2016. The terms of the loan to the Original Borrowers are fixed therefore no adjustment has been made to align the book value to fair value. The cost of the fixed asset investment approximates fair value.

The fair value of the fixed rate secured the Bond is based on market value at 31 March 2016. The terms of the Bond are fixed therefore no adjustment has been made to reduce the book value to fair value

Foreign currency risk

The Company has no foreign currency transactions. All of the Company's borrowings and coupon payments are denominated in Sterling.

Swan Housing Capital plc
Report and financial statements for the period 19 December 2014 to 31 March
2016

Notes to the Financial Statements (continued)

11. Capital risk management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for the Bond investors and benefits for other stakeholders. The risk of interruption of cash inflows by the Company (which are required to service and repay the debt) is low owing to these ultimately being receivable from Swan Housing Association Limited and its subsidiaries which receive a significant proportion of their rents from the public sector.

In order to maintain or adjust the capital structure, the Company may issue new shares.

The Company monitors capital on the basis of the carrying amount of equity plus its cash and cash equivalents as presented on the face of the Statement of Financial Position. Capital for the reporting period under review is summarised as follows:

	2016 £'000
Fixed asset investment	150,000
Cash and cash equivalents	13
Equity	13
Total capital	<u><u>150,026</u></u>

The Company has honoured all its covenant obligations since the Bond issuance to the Debt Capital Markets on 5 March 2015.

The Company has complied with all externally imposed capital requirements during the period.

12. Called up share capital

	2016 £'000
Allocated, issued and fully paid	
50,000 ordinary shares of £1 each, 25p paid	<u><u>13</u></u>

Upon incorporation the Company issued 50,000 shares to provide working capital to establish the business.

Swan Housing Capital plc
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Notes to the Financial Statements (continued)

13. Related party transactions

The Company takes advantage of the FRS 102 (33.11) "Related Party Disclosures" exemption permitting it not to disclose transactions with Group undertakings where 100% of the voting rights are controlled within the group and consolidated group accounts are prepared.

14. Ultimate parent undertaking

Swan Housing Capital plc is a wholly owned subsidiary of Swan Housing Association Limited, which is the ultimate parent and ultimate controlling entity. Swan Housing Association Limited is the smallest and largest entity in the group that produces consolidated financial statements. Swan Housing Association is a registered provider under the Co-operative and Community Benefit Societies Act 2014. Consolidated financial statements of Swan Housing Association Limited can be obtained from the Company Secretary at Pilgrim House, High Street, Billericay, Essex, CM12 9XY.

15. Post balance sheet event

In late June 2016 Standard & Poor's (S&P), the credit rating agency, cut the rating of the UK by two notches from AAA to AA as a result of the uncertainty created by the brexit vote. As with many associations, Swan Housing Association Limited's credit rating benefits from an expectation of government support and as a result of the downgrade of the UK government S&P downgraded the Swan credit rating from AA- (stable) to A+ (negative). The impact of the brexit vote also resulted in the 30 year gilt rate falling to historically low levels and on the 8th July we issued £60m of retained 30 year bonds at a yield of 3.33%. The proceeds of the bond will be used to refinance existing bank debt.