Riverside

Financial Statements

Year ended 31 March 2017

The Riverside Group Limited

Contents

These statements demonstrate we are in a strong position to deliver our vision of transforming lives and revitalising neighbourhoods.

At a glance

In 2016/17 we achieved the following:

We are building

841

New homes built

Last year: 750

Raising performance

19.7 days

Re-let period

Last year: 25.3 days

We are renewing

£126.7m

Investment in new and improved homes and extra services

Last year: £128.3m

We are connecting

38%

% of service transitions accessed by customers online

Last year: 18%

Effective business

3.21%

Rent arrears %

Last year: 3.57%

Raising performance

£15m

Saved in first year of Riverside transformation programme

Last year: Pre Target Operating Model


New washing miracle
Tide
Oceans of Suds
FREE SAMPLE
TRIG
Maxons
Mixed
Fruit Rock
SMACKS
APPLE
JACKS

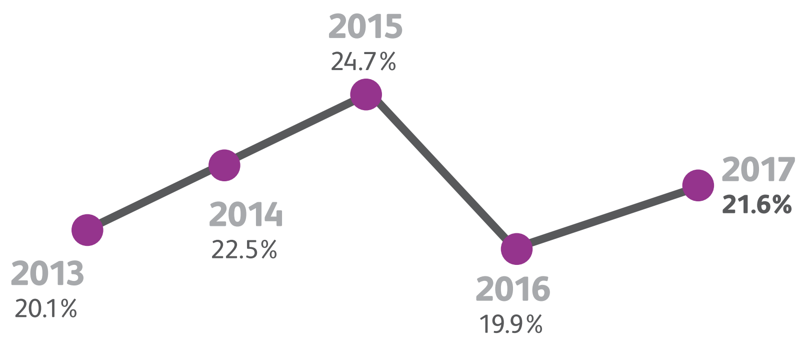
02. Five year summary of financial highlights

Five year summary of financial highlights

For the year ended 31 March Group		2013	2014	2015	2016	**2017**
Statement of comprehensive income						
Turnover	£'000	291,890	303,933	325,977	365,598	**370,051**
Operating surplus	£'000	58,811	68,377	80,549	72,812	**80,051**
Operating surplus as a percentage of turnover	%	20.1%	22.5%	24.7%	19.9%	**21.6%**
Surplus on ordinary activities before tax	£'000	32,787	49,126	48,052	50,087	**69,850**
Surplus as a percentage of turnover	%	11.2%	16.2%	14.7%	13.7%	**18.9%**
Statement of financial position						
Tangible assets	£'000	1,802,147	1,835,516	1,750,256	1,778,548	**1,793,785**
Loans repayable after more than one year	£'000	743,834	681,846	749,810	774,867	**740,629**
Reserves	£'000	257,320	311,132	334,835	389,843	**450,931**
Accommodation figures						
Total housing stock owned and managed	Units	53,573	52,980	53,164	52,945	**52,610**
New homes built	Units	407	713	689	750	**841**

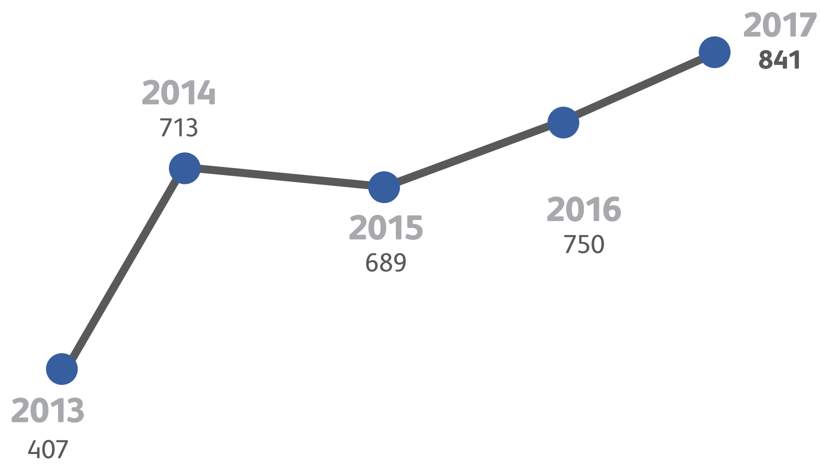
Operating surplus as a percentage of turnover

Operating surplus has increased in 2017 as the Group responds to the challenges presented by the Government spending review. Group operating cost has reduced and additional margin has been generated through development sales.



New homes built

Riverside is committed to increasing its investment in new homes and 2017 once again saw an increase in the number of homes built.

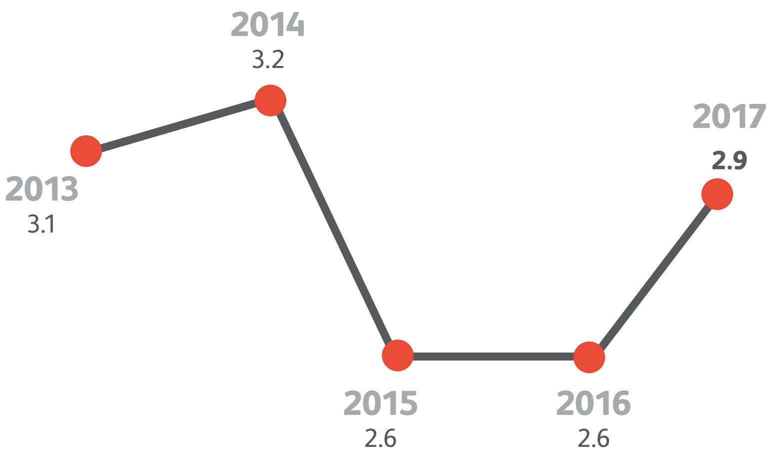


For the year ended 31 March Group		2013	2014	2015	2016	**2017**
Key ratios						
Voids and bad debts – Group (as % of rent and service charge receivable)	%	2.2	2.5	2.5	2.1	**2.0**
Rent and service charge arrears – Group (current rent and service charge arrears divided by net rent and service charges receivable, multiplied by 365 days)	%	4.4	4.4	4.5	3.7	**3.5**
Interest cover – Association (operating surplus plus property depreciation, amortisation and grant divided by net interest payable)		3.1	3.2	2.6	2.6	**2.9**
Gearing – Association (loans as % of properties)	%	38.0	36.5	38.2	36.0	**33.7**

All figures have been extracted from current and prior years' audited financial statements.

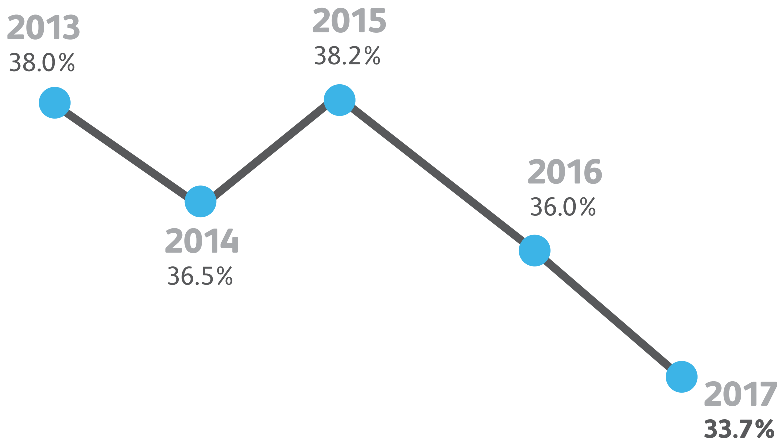
Interest cover

Interest cover has improved due to the increase in operating surplus. The level of head room is substantial at £55m and can accommodate a significant reduction in operating surplus before covenants would be breached.



Gearing

The Association's gearing fell as surpluses helped fund the building programme without the need to borrow.



03. The Board, Executives and Advisors

The Board, Executives and Advisors

Group Board

Max Steinberg CBE
Group Chair

Pauline Davis
Group Vice Chair

Susan Jee
Group Treasurer

Jonathan Dale

Philip Han

Carol Matthews*

Sally Trueman

Peter White*

The Board is responsible for Riverside's overall policy and strategy and is committed to integrity and accountability in the stewardship of the Group's affairs.

Detailed information can be found about each Group Board member on our website **www.riverside.org.uk**

Executive Directors

(Left to right)

John Glenton
Executive Director, Care and Support

Rosemary Farrar
Interim Chief Financial Officer

Ian Gregg
Executive Director, Asset Services

John Wood
Executive Director, Neighbourhood Services

Léann Hearne
Executive Director, Shared Services

Carol Matthews
Group Chief Executive

Registered auditors

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

Principal bankers

National Westminster Bank Plc
28 Castle Street
Liverpool
L2 0UP

Secretary and Registered Office

Lynn McCracken (resigned 30 June 2017)

Andrew Gladwin (appointed 30 June 2017)
2 Estuary Boulevard
Estuary Commerce Park
Liverpool
L24 8RF

Registered Numbers

Co-operative and Community Benefit Society
Registered Number: 30938R

Homes and Communities Agency
Registered Number: L4552

Details of Board Member resignations and appointments for the period 1 April 2016 to 7 July 2017 are listed on page 34.

*Co-opted Board Members

04. Group Chair’s introduction

Group Chair's introduction

The new Corporate Plan is ambitious and outward looking. We want to step up supply through doubling our house building programme over the next three years and work with others to tackle some of our more challenging neighbourhoods, harnessing the power of our investment for the benefit of local communities.

'We do not distribute any of our profits – every penny that we make goes into our services and bricks and mortar.'

I am delighted to introduce The Riverside Group Financial Statements 2016/17, and its companion document, 'Business Effectiveness', our annual value for money self-assessment.

The financial, strategic and operational performance demonstrated by these reports, shows a group of housing organisations which is strong, resilient and, most importantly, improving. Whilst our financial turnover has been relatively static, our underlying operating surplus has increased, as we continue to drive down costs and maximise income, despite a period where we have had to absorb a series of one-off expenses associated with restructuring our pension arrangements and investing in a major change programme. Furthermore, our overall surplus has risen to an even greater extent, boosted by growing profits contributed by our commercial companies, and property disposals driven by our active approach to asset management. The net result is a stronger balance sheet underpinned by growing reserves, and despite completing record numbers of new homes, our debt per unit has been contained. Of course this is fundamental to our financial viability and our ability to build affordable homes into the future on a sustainable basis. We do not distribute any of our profits – every penny that we make goes into our services and bricks and mortar.

Our performance has put us in the privileged position where we have real choice about our future direction. This has played out through the development of a new Corporate Plan, the product of a thorough and inclusive process which started with a period of fundamental soul searching, as we considered our place in a changing and uncertain world. As we enter our 90th year, we have reaffirmed our purpose as an organisation that exists for those who cannot meet their needs in the housing market, with a charitable housing association at its core.

The resulting plan is ambitious and outward looking. We want to step up supply through doubling our house building programme over the next three years and work with others to tackle some of our more challenging neighbourhoods, harnessing the power of our investment for the benefit of local communities. I hope you will take the opportunity to look at our 'Plan and Profile' which is available on our website www.riverside.org.uk.

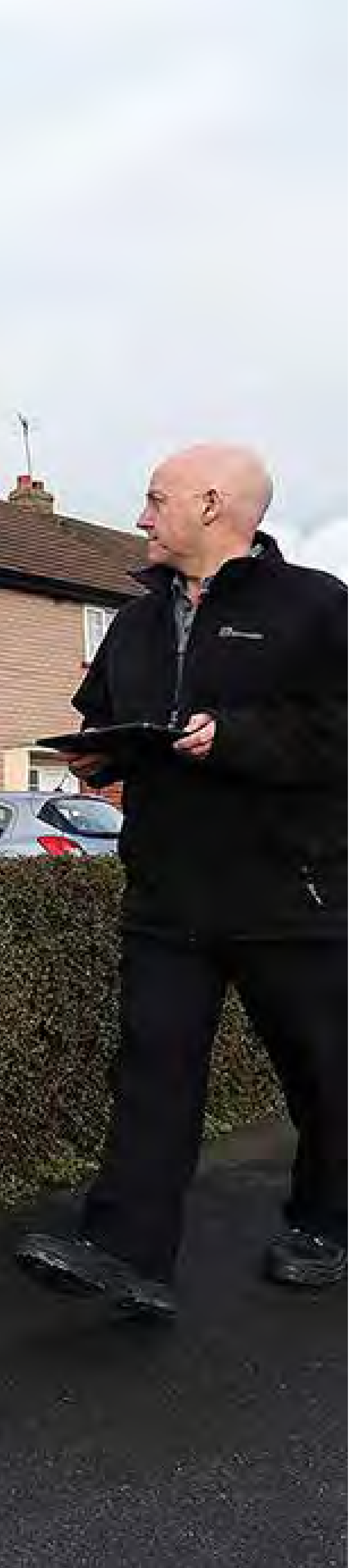
Delivering this 'offer' depends upon an operating environment which will enable us to generate revenue at a time of huge uncertainty associated with Brexit. This means working with government at national, local and (now) City Region levels – to agree long-term rent and investment settlements which will enable us to secure the funding to build many more new homes across our range of housing markets. We think we are pushing at an open door. But it will also involve some tougher challenges, as we continue to fight for adequate benefits to meet the housing costs of customers on limited incomes, in particular those living in our care and support schemes, which are so vital in reducing pressure on hard-pressed health and social care services.

It feels that we are some way off securing a sustainable approach to the future funding of supported housing, but we stand ready to continue a constructive dialogue.

I want to conclude by underlining that our strong performance is the product of another vital ingredient of sustainable success – excellent governance. I am delighted that we have come through our first regulatory In-Depth Assessment with our highest grading for governance and financial viability intact, although the process has re-iterated how we need to continue to improve oversight and assurance as we stretch our legs and take more risk. I am proud to lead such a strong team of Board and Committee members and pay tribute to their skills, wisdom and dedication.

Thank you for showing an interest in Riverside.

Max Steinberg CBE
Group Chair



05. Group Chief Executive's statement

Group Chief Executive's statement

This set of financial statements comes at the end of our three year Corporate Plan, 'One Riverside', and provides an opportunity to reflect on what we have achieved and how we have used our resources and assets to do this.

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In his introduction, the Chair has commented on Riverside's underlying financial strength, the foundation to all that we do. Growing operating surpluses and a strengthening balance sheet are the product of a robust financial strategy, endorsed by the fact that we are one of only two English housing associations to have gained and retained Moody's Aa3 credit rating, the highest in the sector.

There are a number of factors at play here – better procurement, in-house repairs savings, increasing contributions from our commercial arms – but for me, the most important is the fruits we are seeing from the biggest service transformation programme we have ever embarked upon. What started as a housing services modernisation programme, which was ambitious enough – has been scaled up into the development and roll-out of a comprehensive new operating model which will touch every part of Riverside. At its heart is an improved front-line service model delivered across three business streams – our equivalent of more 'bobbies on the beat' – supported by an efficient and consistent shared services model, with accountability to stakeholders provided through four geographical regions.

And this is not 'jam tomorrow'. Despite only being one full year into a four year transformation programme, the efficiencies we seek have been deliberately front-loaded. Over the last year we have exceeded our gross savings target, efficiencies that will be recurring and then continue to build throughout our business plan. This is part of the reason why last year, we were able to invest over £126.7m in new homes, improved homes and extra services – the things that transform lives and revitalise communities. As a not for profit organisation, this is our true dividend.

Looking back over the plan as a whole, we met nearly 60% of our strategic targets, with the vast majority demonstrating improvement from our position in 2014, when the previous Corporate Plan was launched. Of course our world has changed significantly over the planning period, but I offer no excuses. At Riverside we set ourselves challenging stretch targets to drive improved performance, rather than ones which are easy to reach and make good headlines.

My pick of our successes include the delivery of a record affordable homes programme despite having to reshape it to reflect impending changes to supported

My pick of our successes include the delivery of a record affordable homes programme - despite having to reshape it to reflect impending changes to supported housing funding – and the complementary ramping up of the home ownership sales which help pay for it, an approach which we will accelerate in our next plan.

housing funding – and the complementary ramping up of the home ownership sales which help pay for it, an approach which we will accelerate in our next plan. Customer net promoter scores and their satisfaction with homes and places have all increased, though we are disappointed that a breakthrough in improved repairs satisfaction remains elusive. Money advice and employment support services have delivered fantastic outputs for struggling households, so much so that they are now mainstream services, just part of what we do. What is more, we can now evidence their real impact on income collection, where a relentless focus has seen our performance continue to improve way ahead of target. And at a time when homelessness is growing and social care is in crisis, we are proud to offer an impressive range of preventative services through what is now one of the largest care and support businesses in the country, with income, and more importantly the number of customers we support, growing year on year throughout the plan.

So looking ahead, I recently launched our new three year plan through a series of roadshows attended by nearly a thousand staff. Colleagues were understandably anxious about the scale of change, but the sense of excitement about our future direction was palpable.

I took the opportunity to pay tribute to the excellent results they have delivered for Riverside and our customers – financial, strategic and operational. I repeat that tribute here.

Carol Matthews
Group Chief Executive

06. Strategic report

Strategic report

Transforming the business is key to unlocking efficiencies which will allow us to prosper for years to come, building affordable homes and improving our customers' experience, with a more streamlined, cost effective and targeted approach.

Overview of the business

The Riverside Group Limited (TRGL) is registered with the Homes and Communities Agency (HCA) as a Private Registered Provider (PRP) of social housing as defined by the Housing and Regeneration Act 2008 and it is a charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014. It is the parent of Irvine Housing Association Limited, which is registered with the Scottish Housing Regulator (SHR). The Group also engages in commercial activities through its subsidiaries Prospect (GB) Limited (residential development), Evolve Facility Services Limited (property maintenance) and The Compendium Group Limited, a joint venture with Lovell Partnerships Limited (large scale urban regeneration and development). Riverside Estuary Limited operates our Hull Extra Care PFI. Riverside Finance plc was set up to enable funding to be secured from the capital markets for the Group.

The Group's structure is summarised in the table below and governance related matters are discussed in the Board report.

More detail of the Group's structure and its activities is set out in Note 12 of the financial statements.

The strategic report will provide information across three themes:

- Our strategy
- Our business environment
- Our business performance

Each of these will be expanded upon in the paragraphs which follow.

The Riverside Group Limited: 52,610 units

Irvine Housing Association Limited	Prospect (GB) Limited	Evolve Facility Services Limited	The Compendium Group Limited	Riverside Estuary Limited	Riverside Finance plc
Scottish RSL[1]	Property development and investment	Property maintenance	Major regeneration projects	Construction and management of extra care units	Bond finance

[1]Note: Registered Social Landlord

Our strategy

Objectives

Our vision is "transforming lives, revitalising neighbourhoods".

We seek to transform the lives of individuals by providing quality services and better opportunities, whilst revitalising the places they live through investing in our homes and leading regeneration.

Riverside's plans for achievement of its objectives are managed on a three year cycle. We have just completed the final year of our Corporate Plan 2014-17, and are now embarking on delivery of the Corporate Plan for 2017-20.

Context

In developing this plan, we have we have reviewed a range of evidence. We have considered the implications of significant economic, political and demographic change in the context of European and global political instability. We have also reflected on our own performance and the changing characteristics of our customers, stock and neighbourhoods.

Our objectives

The Riverside Corporate Plan 2017-20 is called 'We are Riverside' and sets out how we will deliver our vision.

We have broken the strategy down into three objectives.

Stepping up supply – for future customers and the taxpayer

Helping end the housing crisis; doubling our housebuilding programme in three years.

Customers first – for existing customers

Making customers and communities our priority by working in new ways; completing our modernisation programme, rolling out online repairs services.

Neighbourhoods matter – for communities and local partners

Closing the gap between our best and worst performing places.

Our objectives are outward facing. But to achieve them we need to continue to focus internally and transform the business to drive better value for money and performance, through motivated and engaged colleagues. We set out a coherent change agenda for the coming three years through identifying activities and targets under three 'routes to success'.

- adding value
- engaging our people
- raising performance.

The main vehicle for this change is our transformation programme which will develop a new Target Operating Model (TOM) for the whole Group. The programme provides a clear, resourced roadmap, following a £25m commitment made by the Board. Creating and implementing a new Group-wide model will enhance the value for money we offer to our stakeholders, and ensure that Riverside is a flexible and adaptable organisation able to meet immediate and future challenges.

We will deliver the plan by translating high level objectives into resource backed business stream and regional plans, with robust methods to ensure our Boards and Executive Team gain assurance about delivery.

The business stream plans are broken down as follows:

We are building… Stepping up supply
By March 2020 we will have:

- Built 1,500 homes in each year, two-thirds of which will be for affordable rent.
- Delivered a 400 home programme in Scotland.

We are connecting… Customers first
By March 2020 we will have:

- 50% of repairs and other key service transactions undertaken online.
- 15% of older customers helped by the Retirement Living at Home initiative to continue living independently in their existing homes.
- £1m additional investment in our support services leveraged through new funding streams including social impact investment.

We are renewing… Neighbourhoods matter

- Over 200 new homes for rent and our first homes for sale started as part of the London Assets programme.
- 2 large scale renewal plans approved, backed by multi-million pound investment.
- 1-2% of our rented homes disposed each year in accordance with strategic plans.
- National footprint reduced from 163 to 150 local authority areas.

Our business environment

The following paragraphs will explain the internal and external environment in which Riverside operates.

Welfare and housing policy

Explanation – There are a range of policy developments which could impact on the Group. These include the Housing White Paper, voluntary right to buy and further welfare reforms.

Mitigation – Riverside has a track record as an influencer and opinion former in the sector. It is regularly called to give evidence to Select Committees. It is an early adopter and was one of the participants in the recent pilot of voluntary right to buy.

Group Board hold regular strategy events to review the external environment and to develop the Group's response.

A range of actions to mitigate the impact of measures to cap housing benefit to the level of Local Housing Allowance have been developed.

Risk management

Riverside directs its affairs in a prudent manner and safeguards its assets through the effective management of risk, with regular reviews of the risk universe and Board approval of business developments involving significant risk. The Board gives those risks which threaten the wellbeing of tenants and others a high profile on the risk map.

Economy and the housing market

Explanation – Geo-political developments continue to surprise and could have an adverse impact on economic confidence. This is particularly important as the Group expands its housebuilding programme.

Mitigation – The Group regularly benchmarks its financial resilience against other organisations. The business plan was robustly stress tested. The results were considered by Group Board and show the Group would have sufficient time to develop alternative strategies.

Financial results of the commercial entities have full visibility at Group Board.

Funding

Explanation – As at March 2017 the Group has borrowings of £796m. The Group needs to maintain the confidence of the financial markets so that it can raise the funding necessary to fulfil the ambitions to increase housing supply set out in its 2017-20 Corporate Plan.

Mitigation – The Business Plan takes a prudent view and builds in additional headroom above the most restrictive covenants. The Group actively mitigates interest rate risk through an appropriate mix of fixed interest loans and swaps.

Cash leakage is tracked and the Group has undertaken a fundamental review of its income collection processes.

Transformation

Explanation – Driven in part by the four years of rent reduction announced by the Chancellor in July 2015, the Group is mid-way through an organisational redesign (Target Operating Model TOM).

Mitigation – The TOM is the largest change programme ever attempted at Riverside. To mitigate the risk, there has been significant investment in business change capability. This is accompanied by a modernisation of the Group's IT infrastructure aimed at streamlining processes and facilitating online customer interactions.

Regular updates on progress including savings made are presented to Group Board. The implementation process has had no adverse impacts on customer service.

Safety first

Explanation – The Group works with some of the most vulnerable members of the community and attaches the highest priority to its compliance responsibilities.

Mitigation – A full property compliance strategy was implemented in September 2016. The Group is embarking on a comprehensive programme of information security improvements. A dashboard of compliance KPIs has been implemented. A specialist quality team works to ensure the Care & Support business meets and exceeds the necessary care standards.

Our corporate social responsibility

Corporate Social Responsibility (CSR) is part of our charitable and social purpose and links closely with our vision and values. It is central to our new corporate plan which focusses on providing new homes, connecting with our customers and regenerating the neighbourhoods where we work.

Riverside is a leading national provider of social and affordable housing, and we have an impressive track record of investing in added-value activities for both individuals and communities to deliver measurable positive outcomes. Whilst our commitment to being an ethical and social business informs all our activities, we contribute through specific initiatives, some of which are described below.

— **Community**

Riverside staff have surpassed the last two charity fundraising targets, raising more than £76k in total for Wateraid and the Alzheimer's Society. We are currently on target to raise £100k for Cancer Research UK by October 2017. Through the Riverside Foundation we have committed to invest £1.5m in community projects between 2017 and 2020. This supports services such as money advice, affordable warmth, employment and training and intensive intervention for young individuals and families. We also offer crisis funding through the Helping Hands service and help resettle ex-offenders via our Gate Buddies scheme.

— **Environment**

We are continuing to upgrade the energy efficiency of our properties including boilers and double glazing; over the last year we have had a particular focus on loft and cavity wall insulation with around 1700 properties retrofitted in 2016/17. Neighbourhood management helps develop and maintain cleaner, safer and greener places to live. Financially unviable properties are brought back to use through our Own Place Project, with the local area gaining a physical and economic boost. We have secured ISO 14001 accreditation for our commitment to being green in our head office.

— **Marketplace**

We maintain an ongoing commitment to responsible procurement, with every Pre-Qualification Questionnaire or tender including our standard requirements on social value and CSR. We have a menu of 'social value services', which aims to incorporate tenant work experience and training, apprenticeships, charitable support, and the use of social enterprise within the supply chain.

— **Workplace**

We have introduced a new performance management framework to help our employees deliver their organisational objectives whilst developing as individuals. Our volunteering programme allows every employee up to two days a year to spend volunteering, offering a unique opportunity for personal development, whilst at the same time assisting those who need our support. The business benefits are enhanced job satisfaction, employee engagement and customer satisfaction.

Our business performance

The Group had a set of strong financial outcomes in 2016/17 and further consolidated the position with an improved operating margin.

Statement of comprehensive income

The detailed results for the year are set out in the consolidated statement of comprehensive income on page 48 and the notes to the financial statements on pages 57 to 115. The following table provides a summary of the Group's results:

For the year ended 31 March	**2017**	2016
	£m	£m
Group turnover	**370**	366
Operating surplus	**80**	73
Surplus on sale of property	**22**	13
Net interest payable	**(34)**	(38)
Other movements	**2**	2
Surplus for the year before tax	**70**	50
Operating margin %	**21.6%**	19.9%

Turnover from letting has been maintained at prior year levels despite the impact of the 1% rent reduction due to an increase in service charges. Income from the Hull PFI contract has fallen by £12m as the construction phase of the project nears conclusion but growth in non-social housing activities and particularly open market sales has offset the fall resulting in a year on year increase in turnover.

The operating surplus has increased by £7m from £73m in 2015/16 to £80m in 2016/17, delivering a higher total margin of 21.6% compared to 19.9% the previous year. Operating margin percentage has increased across parts of the Group.

2017	General Needs	Care & Support	Commercial and other subsidiaries	Group
	£m	£m	£m	£m
Turnover	205	98	67	370
Operating surplus	62	8	10	80
Operating margin %	30.0%	8.8%	14.7%	21.6%

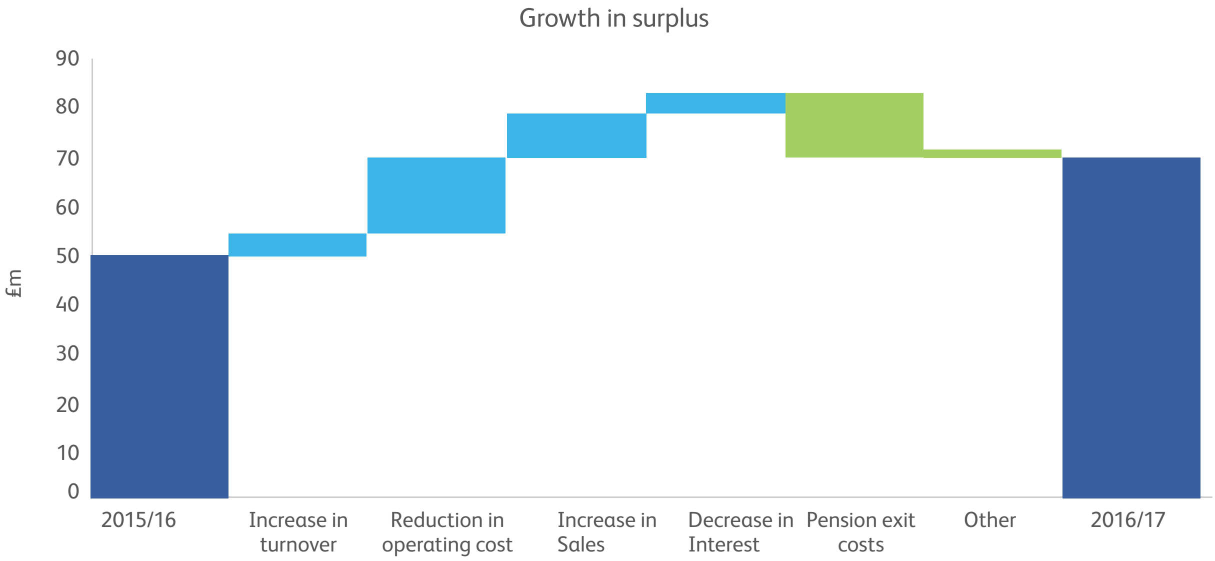
2016	General Needs	Care & Support	Commercial and other subsidiaries	Group
	£m	£m	£m	£m
Turnover	209	94	63	366
Operating surplus	60	5	7	73
Operating margin %	29.0%	6.3%	10.3%	19.9%

The roll-out of a target operating model (TOM) for the Group has helped drive the improvement in margin. This major transformation project is a key response to the challenges presented by the Government spending review. Within the year TOM has delivered £15m of operating efficiencies in management and repair costs. These savings can be seen in the increase in the year in the operating margin in both General Needs and Care and Support. The operating margin on commercial activities has also increased year on year largely as a result in the growth in Prospect (GB) Limited. The savings delivered in the first full year are recurring and will increase year on year.

The increase in operating surplus is despite absorbing a number of significant costs as expense is incurred in order to maintain growth in future periods. The Group has invested significant funds into the implementation of the TOM and the 2016/17 financial statements include a £4.9m provision to cover further costs of this project. In addition the Group has absorbed £12.4m de-participation costs as a result of the continued policy of reducing exposure to defined benefit pension schemes. At the end of the year the Group left the Cumbia and Strathclyde local government pension schemes. During the year £1.3m was also invested in consultancy fees linked to a major asset development being planned in the London area.

The contribution from property disposals of £22m reflects both the Group's proactive asset management strategy of disposing of housing in local authorities where the Group holds limited stock and its participation in the Voluntary Right to Buy pilot.

The net interest payable reduced as the impact of lower cost funding started to be felt and borrowings remained level.



Statement of financial position

The consolidated statement of financial position is provided on page 49 and supporting details can be found in the notes to the financial statements on pages 57 to 115. The following table provides a summary of the key elements.

For the year ended 31 March	**2017**	2016
	£m	£m
Fixed assets and investments	**1,832**	1,814
Debtors receivable after more than one year	**12**	12
Net current assets	**130**	136
Total assets less current liabilities	**1,974**	1,962
Creditors falling due after more than one year	**1,523**	1,572
Reserves	**451**	390
	1,974	1,962
Debt per unit (£'000)	**15.1**	15.0

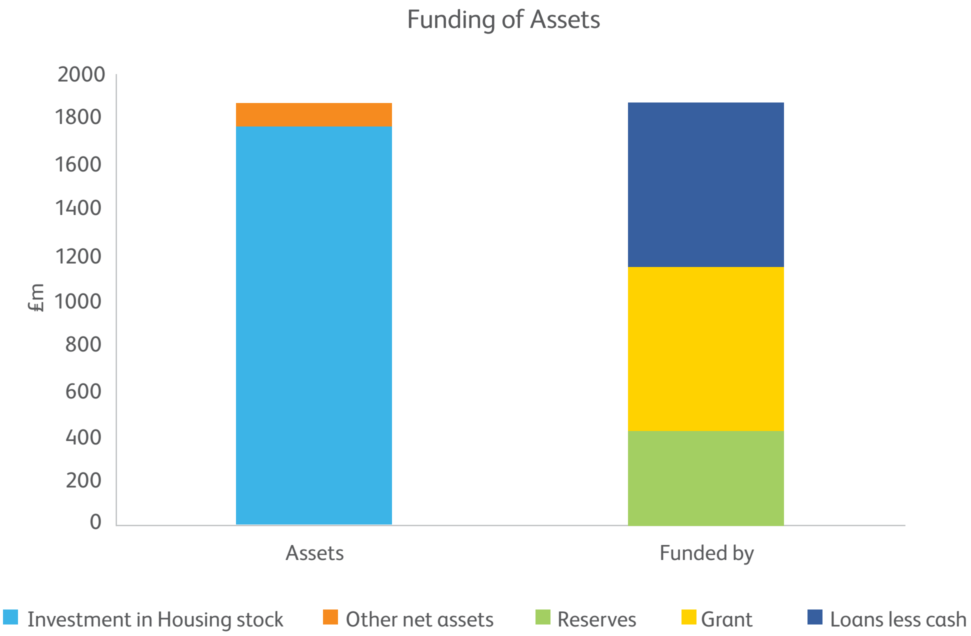
The improving financial performance has resulted in a strengthening of the balance sheet entirely funded by surpluses generated rather than an increase in debt. The strong performance is also reflected in the increased interest cover and reduced gearing.

The construction of social housing and shared ownership properties and the continued investment in existing properties increased the value of fixed assets by £15m. This was achieved against the backdrop of an ongoing disposals policy.

There have been a number of significant movements within net current assets. Trade and other debtors have increased by £25.4m due to an increase of £26.7m in the Hull PFI finance debtor linked to ongoing development of the project's three extra care units. Cash has increased by £34.5m as a result of the strong operating performance and the reasons for this are discussed in the next section of the report.

Creditors falling due after more than one year have reduced as a consequence of the increase in short term loans and whilst there has been a switch between short and long term debt the large operating surplus generated has meant that spend on development has been funded without the need for increased borrowing.

We have reinvested all our profits in our assets and in enhancing the financial strength and viability of the organisation. The "We are building" business stream within the Corporate Plan will ensure this process of reinvestment in new as well as in existing housing continues.



Statement of cash flows

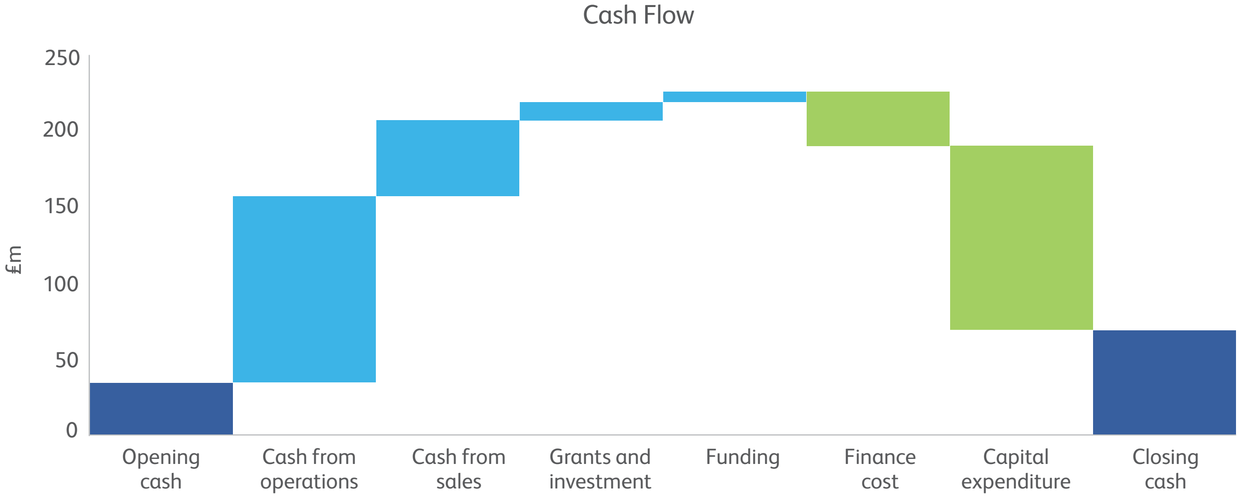
The consolidated statement of cash flows is provided on page 51 and supporting details can be found in the notes to the financial statements on pages 57 to 115. The following table provides a summary of the key elements.

For the year ended 31 March	**2017**	2016
	£m	£m
Operating activities	**123**	86
Returns on investment and servicing of finance	**(35)**	(38)
Capital expenditure	**(110)**	(109)
Proceeds from property sales	**50**	33
Change in short term deposits	**5**	11
Cash inflow/(outflow)	**33**	(17)
Financing	**2**	27
Increase in cash	**35**	10

Net cash received from operating activities was £37m higher than the prior year. This was generated by the growth in operating surplus and in open market sales.

The Group has continued to invest heavily in building new homes and improving existing properties.

Proactive asset management remains our key aim with surplus properties being sold allowing the proceeds of £50m received in the year to be reinvested into the Group's remaining homes.



Our borrowing structure and interest costs

As at 31st March 2017, the Group has committed funding of £955m of which £796m is drawn. Available facilities are comprised of £159m of facilities fully secured and ready to draw. In addition to loan facilities, as at 31st March 2017 the Group also had available as funding £100m of retained bonds (which are fully secured and available for issue) and £68m of cash and cash equivalents.

During the course of the year a further £20m of funding was secured via low cost government guaranteed funds from AHF plc. £10m of this new funding was drawn in the year with £10m retained for drawing in the year ending 31st March 2018.

The Group's treasury policy aims to minimise refinancing risk and the Group will repay £92m of loans over the next five years which represents 12% of drawn debt.

Net interest costs were £34m (2016: £38m). The weighted average cost of drawn debt, inclusive of margins and hedging activities was 4.6% (2016: 5.0%)

The Group manages its exposure to fluctuations in interest rate risk by ensuring the proportion of its debt on fixed interest rates provides a high level of certainty over its net interest costs. Fixed rates are provided via a combination of fixed rate debt, embedded and standalone interest rate swaps. At 31st March 2017, 96% of Group's drawn debt (inclusive of hedging activities) was fixed (2016: 96%). This would have fallen to 79% if all loan facilities had been fully drawn.

The Group applies FRS 102 accounting. Under FRS 102 the fair value of derivatives are shown on the balance sheet with the corresponding fair value movement disclosed in the cash flow hedge reserve or via the statement of comprehensive income dependent on whether the requirements of hedge accounting have been achieved

At 31st March 2017 the Group had a standalone interest rate swap exposure of £25m (2016: £29m) based on fixed rate interest rates with a notional value of £245m.

The weighted duration of the swaps is 4.8 years (2016 : 5.4 years). For the year ended 31st March 2017 the application of hedge accounting has resulted in limiting the impact of the movement in fair value of derivatives to a £1.2m credit to the statement of comprehensive income (2016: £1.0m credit)

Loan covenants, actual and forecast, are monitored monthly and reported to the board on a quarterly basis. The key covenants are interest cover, gearing ratios and asset cover. All covenants have been met throughout the year and at the year end.

As at 31st March 2017 and to date the Group has a Moody's credit rating of Aa3. The outlook for the Group is deemed negative, in accordance with Moody's current view of the social housing sector in general.

Our development

We achieved our three year target to secure 1,500 affordable homes for the business plan period from 1st April 2014 to 31st March 2017. We also completed 1,507 affordable homes over the plan period. During the 3 years of the business plan there have been new challenges presented by future rent reductions and questions over capping housing benefit to Local Housing Allowance (LHA) levels. Riverside has responded by adjusting the tenure profile of its forward programme, by increasing grant and other subsidy and postponing projects that could be at risk from LHA changes.

We continued to focus our investment on core areas where we have a strong presence working closely with local authorities to deliver significant programmes in Cumbria, Tyneside, Merseyside, Derby, Leicestershire and Hull.

We completed the first phase of our Hull Extra Care PFI project in March 2017 which will see 316 homes primarily for older people completing in summer 2017. Prospect and Compendium (our joint venture company) together have completed and sold 773 homes in the three year plan period, taking the Group total completions to 2,280.

Looking forward Riverside has identified 6 sites in London which currently house over 500 tenants that may benefit from regeneration. Consultations with residents and local planning authorities have commenced with feasibility indicating up to 600 new homes could be provided.

And in Scotland, procurement has commenced on our first phase of a 180 home development in Irvine with grant secured from the Scottish Government.

Riverside has been delivering a significant shared ownership programme on a national basis for 20 years. This knowledge and commercial experience secured Riverside an allocation of £15.8m in grant under the Shared Ownership Affordable Homes Programme which will support 530 homes.

Riverside continues to work collaboratively with other housing partners and a new "Cutting Edge Framework for procurement" was launched in 2016. This has attracted two new partners further improving our mutual procurement efficiencies. Riverside is also a lead partner with the HCA, leading the Riverside Consortium which supports consortium members to bid and access grant from the HCA.

Business Effectiveness: Riverside's value for money self-assessment 2016

Riverside has developed an approach to value for money which we call 'Business Effectiveness'. This is embedded in our Corporate Plan, and through this we have come to define value for money as the delivery of our corporate objectives in the most cost-effective way possible. This balances the outcomes we achieve for a range of stakeholders, with the resources we consume.

We publish an annual self-assessment as a companion document to these financial statements. It provides detailed commentary on the delivery of our corporate objectives, and considers our costs, performance and return on assets over time, and in comparison to our peers through appropriate benchmarking.

This year's self-assessment is all the more significant in that it marks the end of our corporate planning cycle, and so we are able to provide a more considered view of our journey over the past three years. The full document can be found here.

Performance against our strategic objectives

Our 'One Riverside' Corporate Plan set out three objectives: Connected Customers, Resilient Lives and Better Places. Through these we articulated detailed plans to improve services, support customers and build and invest to create great neighbourhoods. The plan also identified two key enablers, or what we call 'routes to success' - the ways we need to improve and manage the business to achieve our aims. To ensure we could track the delivery of the plan, we identified 28 strategic measures to reflect the diversity of our objectives, setting ourselves ambitious targets and reviewing them each year.

Any consideration of value for money needs to start by considering whether we have met our targets. We have achieved or bettered 16 out of 28 of our original targets (nearly 60%), with results for a further 8 measures showing improvement beyond the original 2014 baseline. At Riverside we set challenging targets, and so we see this as a strong set of results.

Our best performance has been in the delivery of the 'Better Places' and 'Resilient Lives' objectives, where we set goals to build more homes, improve our assets and places, and support our customers through very challenging times. Performance for the 'Effective Business' route to success has also been strong, showing how we have generated and managed the resources required to meet our aims.

Notable achievements include the delivery of our 1500 home affordable housing programme. Added to the homes for outright sale built by our commercial companies, we have started over 2600 new homes in three years. At the same time we have invested heavily in our existing stock, driving a 9% improvement in customer satisfaction with the quality of home, and for two of the past three years, an increase in the average net present value (NPV) of our stock, although this has fallen back slightly in 2016/17 because of the impact of the -1% rent reduction. We have supported our customers through very difficult times, helping 590 into work in 2016/17 and over 1500 over the period of the plan, whilst increasing annual incomes through money advice services by nearly £5 million last year alone. Our net promoter score, a measure of overall satisfaction, has reached 22%, 14% above the 2014 baseline. Furthermore our care and support arm is now one of the largest in the country, securing £3.5m of contract income in 2016/17 and providing services to over 17,000 customers.

All of this has been enabled through our strong financial performance, evidenced through these Financial Statements. Better procurement has driven down our outsourced costs, with savings of £2.7m (cash and cost avoidance) achieved in 2016/17, more than double the target set. Our commercial companies have also made a major contribution to Group resources, with profits more than quadrupling over the period of the Corporate Plan to over £9m per annum.

As highlighted in last year's self-assessment, business transformation is at the heart of our drive to improve value for money. We have scaled up our housing services modernisation programme, agreeing a new operating model which has now reached the end of its first full year of implementation. With £15m gross savings delivered in 2016/17, we have exceeded targets and are well on our way in a journey which aims to save £32m per annum by the end of 2020/21.

However we have not met all of our targets. We have had to respond to major changes in our operating environment, not least welfare changes which have eroded the incomes of many of our customers, and enforced rent reductions which have reduced our own revenues. Despite disposing over 2100 homes over the period of the plan, our ability to use this to shrink our geographical footprint has been impeded, as other housing associations reviewing their own strategies have been less willing to acquire and sell stock. Significant organisational transformation has also had an impact on colleagues, and we have missed a number of our 'Great People' targets in building staff engagement.

Benchmarking against our peers

We continue to benchmark our costs and performance using evidence drawn from the regulator's unit cost comparison exercise, and HouseMark.

At the headline level, Riverside's social housing cost per unit (CPU), has moved up and down over the past three years within a small 5% band. This movement has been distorted by the occurrence of significant one-off costs over the last two financial years, accounting for around 20% of our headline unit costs. These include costs associated with our transformation programme, pension restructuring and a major PfI scheme. The impact of stripping out these costs, shows a sharp downward trend in our CPU between 2014/15 and 2015/16, followed by a small increase the following year.

Our costs per unit compare favourably to our peers after removing service charge costs, which largely relate to our high cost care and support business. Riverside's adjusted headline CPU was 8% lower than the sector average (2015/16), and lower than that of our largest peers with stock of more than 40,000 homes. Furthermore our adjusted CPU has fallen by more than 4% over the past year to £3.04k per unit.

Our performance across a range of key 'cash leakage' metrics - rent arrears, income collection, re-let times and void rent loss - has continued to improve, and is now generally better than that of our HouseMark peers, a significant achievement given our performance two years ago. This is the result of a concerted focus on service improvement which will continue as we reconfigure our operating model.

Re-let performance has been particularly strong, with the average time taken to let a property improving by nearly 10 days over the past two years. This has an obvious knock-on impact on reducing rent loss.

Current rent arrears have also continued to fall, although they remain in the lower middle quartile when compared to peers. Better than average income collection rates should help in the ongoing reduction of both current and former rent arrears.

The future: Sector Scorecard

Looking ahead, Riverside has played a role in helping develop a Sector Scorecard, being part of the pioneering working group. Indeed many of the agreed indicators are similar to those we have reported over the years through this Business Effectiveness report, and so there is strong continuity with our existing approach. We have already provided data to help test the suite of indicators, and look forward to publishing the scorecard from 2017/18, together with commentary. This is likely to replace part of this report.

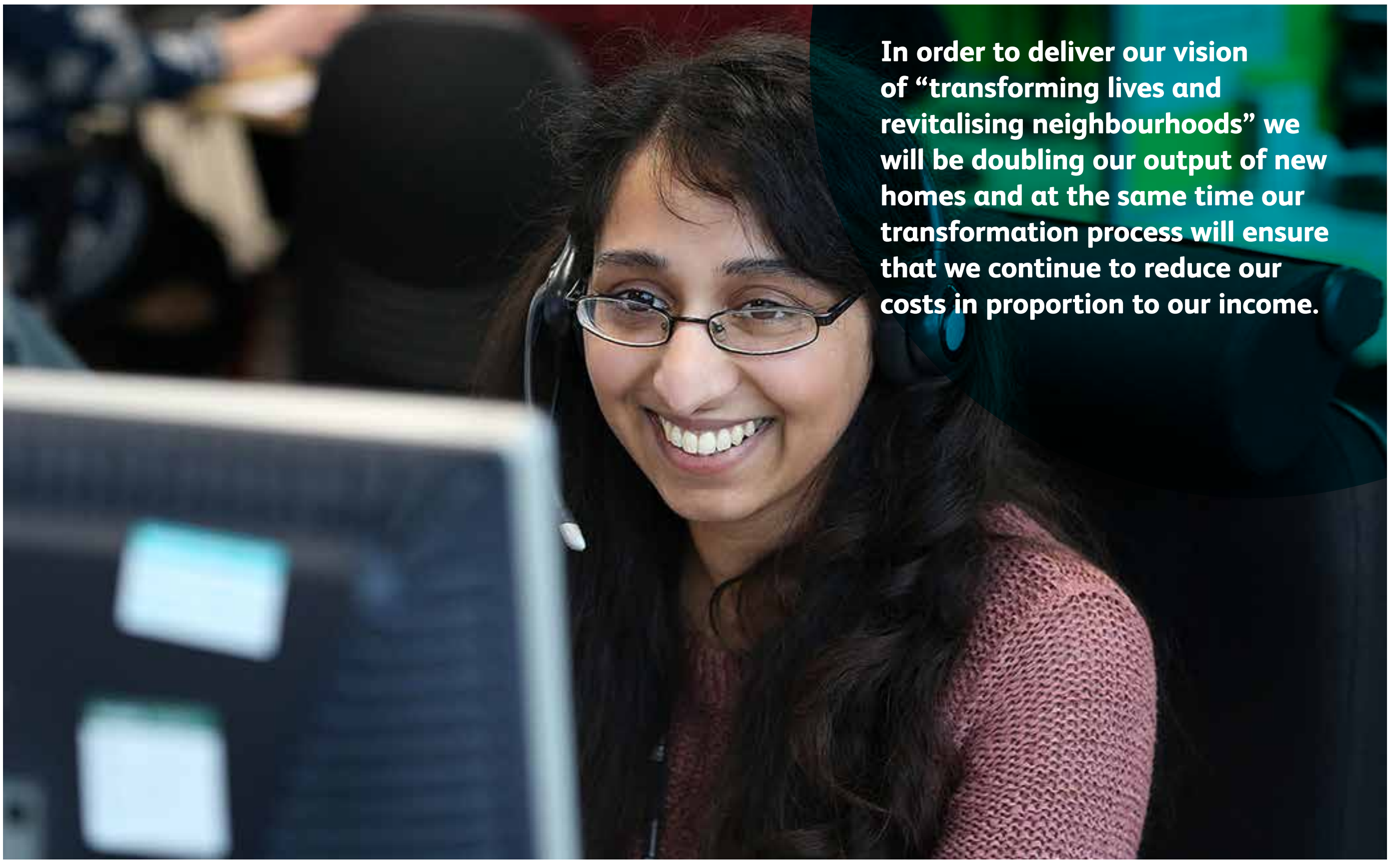
Value for Money Gains

Taken as a whole and in context, we are proud of our performance over the past three years. We have tracked our true value for money gains by quantifying the cash invested each year in discretionary activities – building new homes, investing in our current stock and delivering additional services, such as money advice and employment support. Last year we invested around £127m in these activities, and over the three years of the plan this sum has totalled nearly £380m. This is our true value for money dividend to our stakeholders.

Our future

Riverside is embarking on an ambitious plan for growth over the next five years and our strong balance sheet and improving margin offer a good basis for this investment. We continue to be mindful of the increased risk that this growth plan will present and will keep this under careful review.

In order to deliver our vision of "transforming lives and revitalising neighbourhoods" we will be doubling our output of new homes and at the same time our transformation process will ensure that we continue to reduce our costs in proportion to our income.

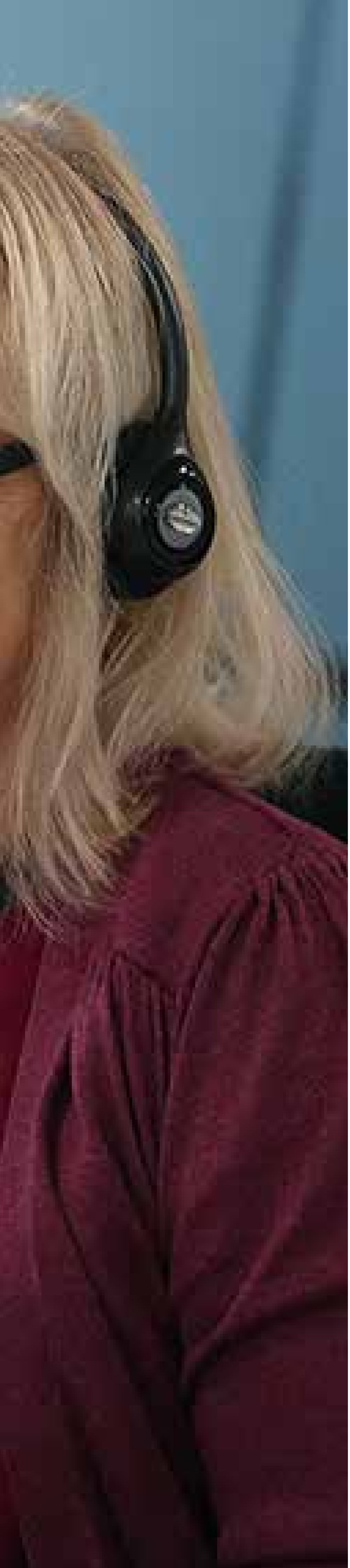


We plan to raise new finance during the coming year to pay for this and also to invest further in our commercial facing activities to provide the subsidy that will be needed as grant funding disappears.

Statement of compliance

The form and content of the strategic report review has been prepared in line with the Statement of Recommended Practice for registered Social Housing Providers 2014. The statement has also been prepared in accordance with The Accounting Direction for Private Registered Providers of Social Housing from April 2015.

Rosemary Farrar
Interim Chief Financial Officer



07. Report of the Board

Report of the Board

The Board is pleased to present its report and the audited consolidated financial statements for the year ended 31 March 2017.

Principal activity

The principal activity of the Riverside Group is the provision of affordable homes for rent and shared ownership, together with housing support and associated services for vulnerable and elderly residents.

TRGL comprises several closely connected companies with a common, shared purpose. TRGL is the ultimate holding company within this Group. Details of members of the Riverside Group are given on page 85 of these financial statements.

TRGL, through its Board of Directors, is responsible for establishing the Group's overall policies and strategies, for monitoring compliance with Group values and overseeing performance against Group targets, within a clearly defined framework of delegation and system of control.

The Group's objectives are carried out for the public benefit as set out in the financial statements. The Board considers legal advice and Charity Commission guidance when determining the activities that the Group undertakes to deliver these objectives.

Post year end events

The Board has considered the implications of the result of the General Election and confirm that there have been no events since the financial year end that have had a material effect on the financial position of the Group.

The Board of The Riverside Group Limited

The Board members of TRGL holding office during the period 1 April 2016 to 6 July 2017 are detailed below:

- Joy Baggaley (resigned 28 February 2017)
- Jonathan Dale
- Pauline Davis (appointed 9 June 2016)
- Paul Forster-Jones (resigned 8 September 2016)
- Philip Han
- Susan Jee
- Michael Little (resigned 16 June 2016)
- Carol Matthews
- Philip Raw (resigned 5 February 2017)
- Max Steinberg CBE
- Sally Trueman
- Peter White (appointed 17 June 2016)

Board membership includes a tenant and Board meetings are also attended by a tenant observer, who serves for a twelve month term. This role was filled by Walter Macfarlane until December 2016 when he was succeeded by Janice Murray. Also in attendance at Board meetings are the other Executive Directors and the Deputy Company Secretary.

Membership of the Board comprises 50% women, (2016: 50%), which compares to a 51% female population in the areas where Riverside works. Board membership of both those declaring themselves to be disabled or BME is in line with the percentage of the relevant population.

Executive Directors meet formally under the leadership of the Group Chief Executive in order to consider all major management issues.

During the year payments made to Board members totalled £530k (2016: £513k), which represented 0.14% (2016: 0.14%) of annual turnover. Payment of the Group Chair and Group Board members is calculated by taking into account the size of the Group and industry norms.

The Board carries out an annual appraisal of its performance and an annual appraisal of individual Board members. The Chair is appraised by an external consultant every three years.

Each board member (excluding co-optees) is appointed for a fixed term of office, of up to three years. Reappointment is possible for up to a maximum of two additional terms.

Review of business and future developments

The review of business and future developments is discussed in the Group Chair's introduction, the Group Chief Executive's statement and the strategic report on pages 20 to 23.

Executive Directors

Whilst the Board is responsible for the Group's overall policy and strategy, management is delegated to the Group Chief Executive. The Executive Directors are the senior management team and act as executives within the authority delegated by the Board. They meet formally under the leadership of the Group Chief Executive in order to consider all major management issues. This meeting is a key decision making forum for the management of the Group, reviewing all proposed policy changes and performance.

The Executive Directors hold no beneficial interest in the share capital of any member of the Group however a £1 share in two subsidiary companies is held in trust for TRGL by an Executive Director.

Corporate governance

The Board is committed to integrity and accountability in the stewardship of the Group's affairs. The Group complies with the NHF Code of Governance, except that, to promote a culture of openness, the Group Audit Committee meets with staff present.

The Group has carried out its annual assessment of governance, including roles, responsibilities and accountabilities of the Board, Chair and Chief Executive and is satisfied that its arrangements are clear and effective.

The external auditors have undertaken non-audit work for the Group during the year ended 31 March 2017. Details of this work is set out in note 9 to the financial statements. The Group Audit Committee has a protocol with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for the annual review of external auditor performance.

Corporate role of the Board

The Board comprises seven non-executive Board members, including Peter White who is a co-optee and is Chair of the Neighbourhood Services Committee, together with the Group Chief Executive and the Chief Financial Officer who are co-opted executive members.

The Board determines what matters should be delegated to the Executive Team or a Committee of the Board and what matters it will reserve for its own consideration and decision. Board members act in the interest of the Riverside Group and not on behalf of any other interest group.

The principal obligations of the Board to the Group are to:

- be committed to the values and objectives of the Group
- develop strategy and implement the Group's core policies
- uphold the NHF code of governance
- represent the Group and enhance its profile externally.

The Board is drawn from a wide background and its members are selected to ensure that they bring relevant experience, skills and understanding to the discussions and decision making process of the Board.

Each subsidiary has a Board of Directors chosen for their specific area of expertise including appropriately experienced non-executives. A non-executive Commercial Ventures Review Group, which includes three Group Board members, provides additional scrutiny.

The Board has a schedule of six meetings each year for regular business and meets annually to discuss strategy. It also convenes if decisions are required for urgent matters between meetings. TRGL rules allow attendance by telephone and video conference which facilitates effective governance. The Chair also has authority to take decisions on behalf of the Board where a meeting cannot be organised and a timely decision is required.

The Board has established several committees to oversee specific areas of the Group's work. The Board sets the responsibilities and scope of authority of each Committee. Board delegation may allow decision making for certain matters, or require that the Committee consider issues and provide advice and assurance to support Board decision-making.

The Committees of the Board are the Governance and Remuneration Committee, the Group Audit Committee, the Group Treasury Committee, the Neighbourhood Services Committee, the Riverside Care and Support Committee and the Scotland Committee, all of which, are primarily composed of non-executive members. There are over 30 tenants actively involved in the formal governance structure through their roles as Board, Committee and Federation members. Further information on the Committees is given below and the membership is shown in table 1 with attendance at Board and Committee meetings being shown in table 2.

Group Governance and Remuneration Committee
The Committee monitors Group Governance to ensure that it remains effective and efficient. This includes overseeing succession planning and recruitment activity for key individuals in the Group and advising TRGL Board on their appointment including TRGL Board members, the Chief Executive Officer and Chairs of Committees. It agrees the appointment of all other non-executives and the appointment of Executive Directors. It ensures that Board and Committees are regularly appraised to ensure that they remain effective. The Group Chief Executive's contract is reviewed by independent consultants in line with the triennial review of the salary level of all Executive Directors. The Executive Directors are not present at any meeting when their remuneration packages are determined. The Committee also agrees the brief within which the Group Chief Executive can negotiate staff salaries with the union, Unite. The Committee is comprised entirely of non-executives including Jackie Green, an independent director of human resources who joins the Committee as Chair when non-executive remuneration is considered. The Committee also takes specialist human resources advice from external consultants as appropriate. It meets at least four times per year.

Group Audit Committee
The Committee addresses internal and external audit issues and advises the Board on risk management policies and processes. It also considers the financial statements and the appointment of the external auditor and recommends their approval by the Board. The Committee is comprised entirely of non-executives and at least one member must have recent and relevant financial experience and an appropriate professional qualification. It meets at least four times per year.

Table 1

Board & Administrative Committee Members of TRGL

Board of Riverside Group

Max Steinberg (Chair)
Pauline Davis (Vice-Chair)
Susan Jee (Treasurer)
Jonathan C Dale
Philip J Han
Sally E Trueman

Co-optees
Carol M Matthews*
Peter White

Scotland Committee

Duncan McEachran (Chair)
Margaret Burgess
Gerard Darroch
Pauline Davis
David Green
Susan Jee

Riverside Group Governance and Remuneration Committee

Pauline Davis (Chair)
Jackie Green**
Susan Jee
Max Steinberg

Neighbourhood Services Committee

Peter White (Chair)
Rowan Carstairs
Jackie Grannell
David Green
Mary McAndrew
Duncan McEachran
Maria Milford
Sara Naylor
Sue Powell
Patrick Rice
Darren Warneford
John R W Wood*

Riverside Group Audit Committee

Philip J Han (Chair)
Adrian Crookes
Tim Croston
Susan Jee
Neill Skinner

Riverside Group Treasury Committee

Susan Jee (Chair)
Philip J Han
Robert Towers

Care and Support Committee

William McCarthy (Chair)
Anne Parker (Vice-Chair)
Richard Austin
Ian Bennett
Pauline Davis
Andy Deutsch
John Glenton*
Neill Skinner
Archdeacon Cherry Vann
Peter White

Key:

* Executives
** Jackie Green acts as Committee Chair for meetings at which non-executive remuneration is reviewed

Group Treasury Committee
The Committee considers technical and complex treasury matters and provides advice and makes recommendations to TRGL Board. It is composed entirely of non-executives who are appointed on the basis of their skills and knowledge of treasury issues. It meets when required but at least once per year.

Neighbourhood Services Committee
The Committee was establised in December 2016 and is responsible for monitoring services provided by the social housing business and Riverside Home Ownership. It has responsibility for considering the customers' experience of services and ensuring that services are well managed, deliver value for money, and appropriately manage risk. The Committee is composed of non-executives, including a TRGL Board member, tenant representatives and the Executive Director, Neighbourhood Services. It meets at least six times per year.

Care and Support Committee
The Committee previously named Care and Support Divisional Board is responsible for monitoring services provided by the Care and Support business. As with the Neighbourhood Services Committee, it focuses on the customer experience in the context of value for money and risk management. The Committee is composed of non-executives, tenant representatives and the Executive Director, Care and Support. It meets at least four times per year.

Scotland Committee
The Committee oversees and monitors the implementation of the Group business strategy for Scotland. It comprises three nominees from the Board of Irvine Housing Association Limited and two nominees from TRGL. The Committee meets as required.

Table 2: Member attendance at Board and/or Committee meetings.

Board/committee members	Group Board	Governance & Remuneration	Neighbourhood Services	Group Treasury	Group Audit	Scotland	Care and Support
			Meetings attended/Eligible to attend				
Max Steinberg	7/7	7/8	–	–	–	–	–
Pauline Davis	6/7	4/4	–	–	–	0/0	4/4
Susan Jee	7/7	8/8	–	1/1	4/4	0/0	–
Jonathan Dale	7/7	–	–	–	–	–	–
Philip Han	7/7	–	–	1/1	4/4	–	–
Sally Trueman	7/7	–	–	–	–	–	–
Carol Matthews	7/7	–	–	–	–	–	–
Peter White	5/6	–	3/3	–	–	–	3/4
Philip Raw	6/6	6/6					
Paul Forster-Jones	2/3						
Joy Baggeley	6/6						
Jackie Green	–	0/0	–	–	–	–	–
Mike Little		2/2					
Sue Powell	–	–	3/3	–	–	–	–
Darren Warneford	–	–	3/3	–	–	–	–
John Wood	–	–	3/3	–	–	–	–
Adrian Crookes	–	–	–	–	4/4	–	–
Tim Croston	–	–	–	–	4/4	–	–
Neill Skinner	–	–	–	–	4/4	–	4/4
Robert Towers	–	–	–	1/1	–	–	–
Duncan McEachran	–	–	3/3	–	–	0/0	–
Margaret Burgess	–	–	–	–	–	0/0	–
Gerrard Darroch	–	–	–	–	–	0/0	–
David Green	–	–	3/3	–	–	0/0	–
Rowan Carstairs	–	–	3/3	–	–	–	–
Jackie Grannell	–	–	3/3	–	–	–	–
Mary McAndrew	–	–	3/3	–	–	–	–
Maria Milford	–	–	3/3	–	–	–	–
Sara Naylor	–	–	3/3	–	–	–	–
Patrick Rice	–	–	3/3	–	–	–	–
William McCarthy	–	–	–	–	–	–	3/4
Anne Parker	–	–	–	–	–	–	4/4
Richard Austin	–	–	–	–	–	–	2/4
Ian Bennett	–	–	–	–	–	–	3/4
Andy Deutsch	–	–	–	–	–	–	3/4
John Glenton	–	–	–	–	–	–	4/4
Archdeacon Cherry Vann	–	–	–	–	–	–	2/4

The above table captures all those who have served as Board or Committee Members in the financial year 2016/17 including those who stepped down or were appointed in the period.

Internal controls assurance

The Board is the ultimate governing body and is responsible for the Group's system of internal control.

The Board, advised by the Group Audit Committee, has reviewed the effectiveness of the system of internal control for the year ended 31 March 2017 and to the date of approval of these financial statements. For the year ended 31 March 2017, the Board makes the following statements:

- The system of internal control is designed to provide the Board with reasonable but not absolute assurance that risks are identified on a timely basis and dealt with appropriately; that assets are safeguarded; that proper accounting records are maintained; and that the financial information used within the business or for publication is reliable. Control is exercised through an organisational structure with clearly defined levels of authority, responsibility and accountability.
- The Group maintains a culture of risk awareness, based on a sound control environment with high regard for integrity and ethical values. Regular reviews of the risk universe and risk mitigation actions are carried out. Any business development involving significant risk is subject to Board approval.
- The framework of internal control is subject to a regular programme of review. In particular, the Group maintains a fully resourced Internal Audit team led by an appropriately qualified Director reporting directly to the Group Audit Committee. Service delivery risk is monitored through the service improvement framework, quality self-assessment and tenant scrutiny processes. All this ensures that the control environment framework remains robust during a period of continued external change.
- The Group is committed to sound financial management in all aspects of its business. It has a robust business planning process and all parts of the Group have detailed annual budgets and longer term business plans. The Group has a comprehensive system of management reporting. This includes a monthly reporting package of financial results and key performance indicators. Overall scrutiny is provided by the Board.
- The Group maintains a suite of policies covering the main elements of its business. The policies are subject to a rolling programme of review to confirm their continued appropriateness with all Group policies approved by the Board.
- The anti-fraud policy sets out the commitment to preventing fraud. Confidential reporting arrangements are in place to allow staff to voice their concerns and know that they will be properly investigated. The anti-bribery and corruption policy sets out guidelines for all staff to ensure the highest standards of conduct in business dealings and this has been adopted throughout the Group, in addition to the NHF's publication "Code of conduct with good practice for members" (2012).
- The Group has made good progress in implementing the various new regulatory requirements including annual certification of compliance with laws and regulatory standards together with the compilation of our assets and liabilities into a single register. These all strengthen the control environment.
- The Group is embarking on its new Target Operating Model. The design principles include a number of elements which will improve the control environment including consistency, standardisation and clarity about performance management. The design phase will include up front consideration of risk to ensure the control environment remains effective.
- In reviewing the effectiveness of the Group's system of internal control, the Board has considered a range of sources of assurance including:
  - management reports;
  - key performance indicators;
  - audit reports;
  - quality management systems and;
  - external regulator reports.
- During the year there were no weaknesses in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in these financial statements.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and the association for that period.

In preparing these financial statements, the Board is 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 and the Statement of Recommended Practice 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 association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Equality and diversity

The Group's policies reflect its commitment to equality and the value it places on diversity in all aspects of its work.

Political donations

No donations for political purposes were made during the year.

Policy on payment of creditors

In the absence of any dispute, the Group's policy is to pay non-development invoices within 30 days of the date of the invoice. Development creditors, paid under certificate, are settled within 21 days of the valuation date.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 11 to the financial statements.

Investment power

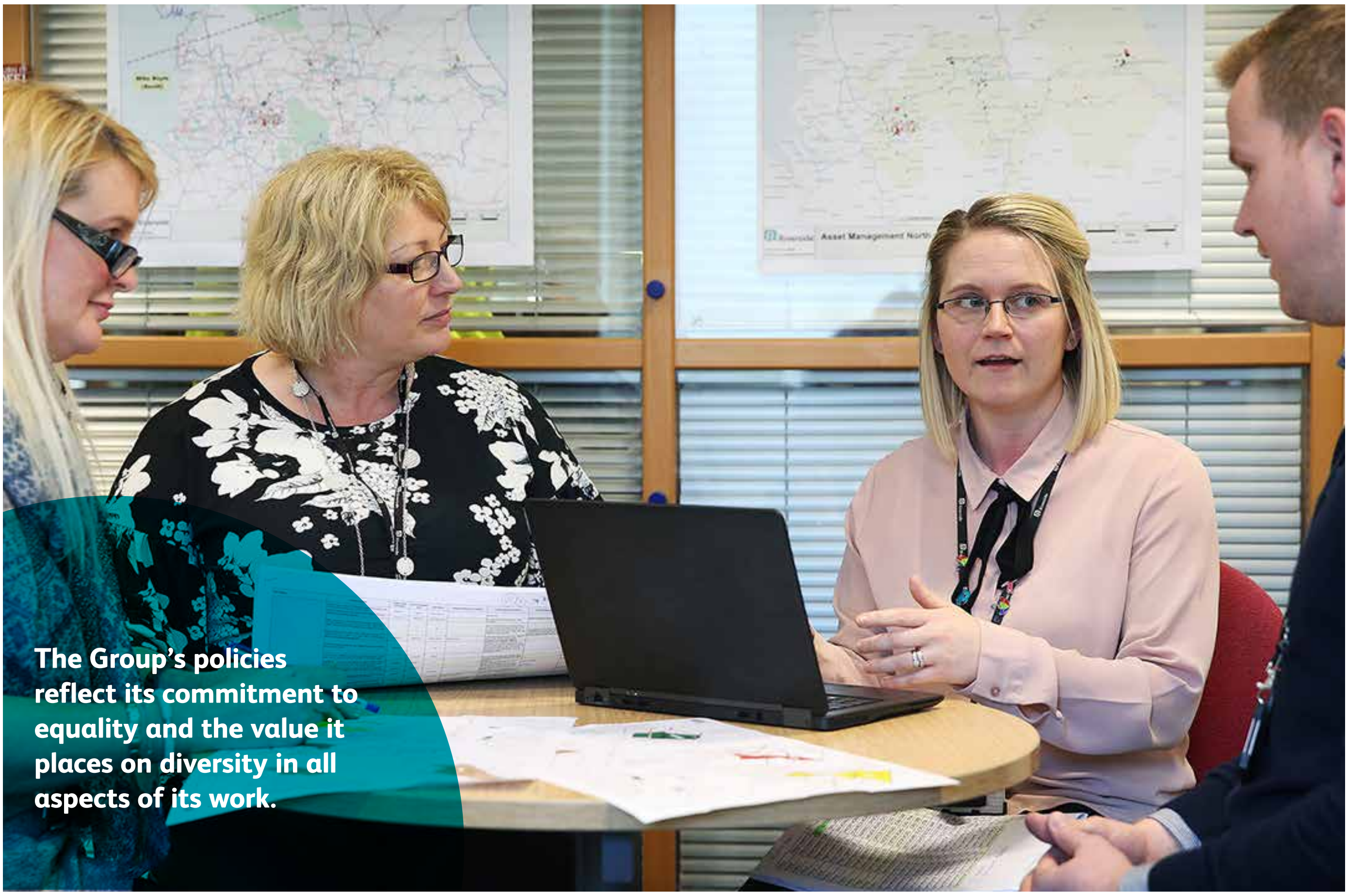
The Group's Rules permit investment of monies not immediately required to carry out its objectives as it determines and is permitted by law.

Annual General Meeting

The Annual General Meeting will be held on 7 September 2017.

Auditors

A resolution to re-appoint the auditors KPMG LLP following the re-tender of audit services during the year will be put to the Annual General Meeting.



The Group's policies reflect its commitment to equality and the value it places on diversity in all aspects of its work.

Statement of compliance

The Board confirms that the strategic report and board report have been prepared in accordance with principles set out in paragraph 4.7 of the 2014 SORP for Registered Social Housing Providers.

The Board certifies that as a registered provider, TRGL complies with the Homes and Communities Agency's Governance and Financial Viability Standard 2015.

Andy Gladwin
Secretary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08. Independent auditor's report

Independent auditor's report

to The Riverside Group Limited

We have audited the financial statements of The Riverside Group Limited for the year ended 31 March 2017 set out on pages 48 to 115. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 40, the association's Board is responsible for the preparation of financial statements which 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

— give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the association as at 31 March 2017 and of the income and expenditure of the group and the association for the year then ended;

— comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and

— have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

—the association has not kept proper books of account; or

—the association has not maintained a satisfactory system of control over transactions; or

—the financial statements are not in agreement with the association's books of account; or

—we have not received all the information and explanations we need for our audit.

Mick Davies
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
[Date]


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09. Group and Association statements

Consolidated statement of comprehensive income

for the year ended 31 March 2017

	Notes	**2017 £'000**	2016 £'000
Group turnover	2	**370,051**	365,598
Operating costs	2	**(290,000)**	(292,786)
Group operating surplus	2	**80,051**	72,812
Share of operating profit in joint ventures		**649**	509
Gain on the sale of fixed assets	6	**22,333**	13,498
Interest receivable and other income	7	**4,793**	5,784
Interest payable and similar charges	8	**(39,185)**	(43,542)
Movement in fair value of financial instruments		**1,209**	1,026
Surplus on ordinary activities before tax	9	**69,850**	50,087
Taxation	10	**(804)**	(93)
Share of joint venture taxation	10	**(3)**	(5)
Transfer to reserves		**(186)**	(52)
Surplus for the year after tax		**68,857**	49,937
Other comprehensive income			
Gain/(loss) recognised on cashflow hedges		**2,787**	1,483
Actuarial gain/(loss) on pension scheme	26	**(10,742)**	4,116
Donations and draw downs		**—**	(580)
Total comprehensive income for the year		**60,902**	54,956

All of the above results derive from continuing operations.

There is no material difference between the surplus on ordinary activities before tax and the surplus for the year as reported and their historical cost equivalent.

The notes on pages 57 to 115 form an integral part of the financial statements.

There are no historical cost surpluses or deficits other than those recognised within the statement of comprehensive income.

Consolidated statement of financial position

as at 31 March 2017

	Notes	**2017 £'000**	2016 £'000
Fixed assets			
Intangible assets:			
Goodwill	31	**—**	467
Tangible assets:			
Housing properties	11	**1,776,397**	1,762,277
Other tangible fixed assets	11	**17,388**	16,271
		1,793,785	1,778,548
Investments			
Investment in joint ventures	12	**1,255**	755
Investment properties	12	**15,013**	14,258
Other investments	12	**16,319**	14,511
Homebuy equity loans	12	**5,666**	5,666
		1,832,038	1,814,205
Debtors: amounts receivable after more than one year	13	**11,648**	12,269
Current assets			
Investments	12	**50,800**	56,322
Trade and other debtors	13	**136,079**	111,440
Properties for sale	14	**57,313**	52,843
Cash and cash equivalents		**68,927**	34,403
		313,119	255,008
Creditors: amounts falling due within one year	15	**(182,886)**	(118,884)
Net current assets		**130,233**	136,124
Total assets less current liabilities		**1,973,919**	1,962,598
Creditors: amounts falling due after more than one year	16	**1,483,333**	1,541,090
Deferred income	19	**6,788**	5,203
Provisions for liabilities			
Pension provision	28	**16,408**	7,513
Other provision	28	**16,459**	18,949
		1,522,988	1,572,755
Capital and reserves			
Non-equity share capital	20	**—**	—
Cashflow hedge reserve		**(20,542)**	(23,329)
Designated reserves		**3,022**	2,836
Income and expenditure reserve		**468,451**	410,336
		1,973,919	1,962,598

The financial statements on pages 48 to 115 were approved by the Board on 6 July 2017 and were signed on its behalf on 17 July 2017 by:

Max Steinberg CBE, Group Chair

Susan Jee, Group Treasurer

Andy Gladwin, Secretary

The notes on pages 57 to 115 form an integral part of the financial statements.

Consolidated statement of changes in reserves

	Designated reserves	Cash flow hedge reserve	Income expenditure reserve	2017 Total reserves
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2016	**2,836**	**(23,329)**	**410,336**	**389,843**
Surplus for the year	**186**	**—**	**68,857**	**69,043**
Donations and other movements	**—**	**—**	**—**	**—**
Effective position of changes in fair value of cash flow hedges	**—**	**2,787**	**—**	**2,787**
Actuarial loss on pension scheme	**—**	**—**	**(10,742)**	**(10,742)**
At 31 March 2017	**3,022**	**(20,542)**	**468,451**	**450,931**

Within designated reserves are the charitable reserves of £2.6m analysed between restricted reserves £1.5m and unrestricted reserves £1.1m.

In addition there is a further £0.2m restricted reserve relating to 50 % of proceeds on qualifying land disposals which are subject to a clawback agreement with Carlisle City Council.

	Designated reserves	Cash flow hedge reserve	Income expenditure reserve	2016 Total reserves
	£'000	£'000	£'000	£'000
At 1 April 2015 as previously reported	19,885	—	330,373	350,258
Effects of adoption of FRS 102	(16,521)	(24,812)	25,910	(15,423)
Balance as at 1 April 2015	3,364	(24,812)	356,283	334,835
Surplus for the year	52	—	49,937	49,989
Donations and other movements	(580)	—	—	(580)
Effective position of changes in fair value of cash flow hedges	—	1,483	—	1,483
Actuarial loss on pension scheme	—	—	4,116	4,116
At 31 March 2016	**2,836**	**(23,329)**	**410,336**	**389,843**

Consolidated statement of cash flows

for the year ended 31 March 2017

	2017		2016	
	£'000	**£'000**	£'000	£'000
Net cash inflow from operating activities (note 21)		**123,038**		85,757
Returns on investments and servicing of finance				
Interest received	**2,307**		8,261	
Interest paid	**(37,695)**		(46,581)	
Net cash outflow from returns on investments and servicing of finance		**(35,388)**		(38,320)
Taxation				
Tax paid		**(3)**		(5)
Capital expenditure and financial investment				
Cash paid for housing construction	**(87,962)**		(86,938)	
Cash paid for other fixed assets	**(6,420)**		(7,873)	
Cash flow for fixed asset investments	**2,787**		4,385	
Expenditure on capitalised improvements	**(27,352)**		(26,317)	
Social Housing Grant received	**5,022**		8,391	
Receipts from property sales	**49,632**		32,904	
Investment in joint ventures	**4,115**		(410)	
Net cash outflow from capital expenditure and financial investment		**(60,178)**		(75,858)
Management of liquid resources				
Increase in short term deposits	**5,522**		11,017	
Net cash inflow from management of liquid resources		**5,522**		11,017
Net cash outflow before financing		**32,991**		(17,409)
Financing				
Loans raised	**14,312**		42,187	
Loan principal repayments	**(12,779)**		(15,056)	
Net cash inflow from financing		**1,533**		27,131
Increase in cash (note 22)		**34,524**		9,722

The notes on pages 57 to 115 form an integral part of the financial statements.

Association statement of comprehensive income

for the year ended 31 March 2017

	Notes	**2017 £'000**	2016 £'000
Turnover	2	**293,890**	292,913
Operating costs	2	**(224,736)**	(229,947)
Operating surplus	2	**69,154**	62,966
Gain on the sale of fixed assets	6	**22,324**	13,442
Interest receivable and other income	7	**5,756**	4,138
Interest payable and similar charges	8	**(38,299)**	(38,887)
Movement in fair value of financial instruments		**1,199**	1,023
Gift Aid		**3,174**	3,019
Surplus on ordinary activities before tax	9	**63,308**	45,701
Taxation	10	**—**	15
Transfer to reserves		**(186)**	(52)
Surplus for the year after tax		**63,122**	45,664
Other comprehensive income			
Gain/(loss) recognised on cash flow hedges		**2,715**	1,429
Actuarial gain/(loss) on pension scheme	26	**(10,742)**	2,503
Donations		**—**	(580)
Total comprehensive income for the year		**55,095**	49,016

All of the above results derive from continuing operations.

There is no material difference between the surplus on ordinary activities before tax and the surplus for the year as reported and their historical cost equivalent.

The notes on pages 57 to 115 form an integral part of the financial statements.

There are no historical cost surpluses or deficits other than those recognised within the statement of comprehensive income.

Association statement of financial position

as at 31 March 2017

	Notes	**2017 £'000**	2016 £'000
Fixed assets			
Tangible assets			
Housing properties	11	**1,694,760**	1,679,562
Other tangible fixed assets	11	**16,932**	15,669
		1,711,692	1,695,231
Investments			
Investment properties	12	**1,212**	1,123
Other investments	12	**47,268**	45,491
Homebuy equity loans	12	**329**	329
		1,760,501	1,742,174
Debtors: amounts receivable after more than one year	13	**51,619**	60,657
Current assets			
Investments	12	**45,243**	36,155
Trade and other debtors	13	**60,343**	58,121
Properties for sale	14	**19,823**	14,955
Cash and cash equivalents		**63,514**	29,690
		188,923	138,921
Creditors: amounts falling due within one year	15	**(150,738)**	(97,285)
Net current assets		**38,185**	41,636
Total assets less current liabilities		**1,850,305**	1,844,467
Creditors: amounts falling due after more than one year	16	**1,364,107**	1,422,810
Deferred income	19	**6,788**	5,203
Provisions for liabilities			
Pension provision	28	**16,408**	6,243
Other provision	28	**16,459**	18,949
		1,403,762	1,453,205
Capital and reserves			
Non-equity share capital	20	**—**	—
Cashflow hedge reserve		**(20,529)**	(23,244)
Designated reserves		**2,969**	2,783
Income and expenditure reserve		**464,103**	411,723
		1,850,305	1,844,467

The financial statements on pages 48 to 115 were approved by the Board on 6 July 2017 and were signed on its behalf on 17 July 2017 by:

Max Steinberg CBE, Group Chair
Susan Jee, Group Treasurer
Andy Gladwin, Secretary

The notes on pages 57 to 115 form an integral part of the financial statements.

Association statement of changes in reserves

	Designated reserves	Cash flow hedge reserve	Income expenditure reserve	Total reserves
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2016	**2,783**	**(23,244)**	**411,723**	**391,262**
Surplus for the year	**186**	**—**	**63,122**	**63,308**
Effective position of changes in fair value of cash flow hedges	**—**	**2,715**	**—**	**2,715**
Actuarial loss on pension scheme	**—**	**—**	**(10,742)**	**(10,742)**
At 31 March 2017	**2,969**	**(20,529)**	**464,103**	**446,543**

Within designated reserves are the charitable reserves of £2.6m analysed between restricted reserves £1.5m and unrestricted reserves £1.1m.

In addition there is a further £0.2m restricted reserve relating to 50% of proceeds on qualifying land disposals which are subject to a clawback agreement with Carlisle City Council.

	Designated reserves	Cash flow hedge reserve	Income expenditure reserve	Total reserves
	£'000	£'000	£'000	£'000
At 1 April 2015 as previously reported	19,824	—	338,927	358,751
Effects on adoption of FRS 102	(16,513)	(24,673)	24,629	(16,557)
Balance as at 1 April 2015	3,311	(24,673)	363,556	342,194
Surplus for the year	52	—	45,664	45,716
Donations and other movements	(580)	—	—	(580)
Effective position of changes in fair value of cash flow hedges	—	1,429	—	1,429
Actuarial loss on pension scheme	—	—	2,503	2,503
At 31 March 2016	**2,783**	**(23,244)**	**411,723**	**391,262**

10. Notes to the financial statements

1 Principal accounting policies

The financial statements are Group statements which consolidate the financial statements of The Riverside Group Limited and its subsidiary undertakings.

Legal status

The parent association, The Riverside Group Limited, is registered under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing.

Basis of accounting

The Group's financial statements have been prepared in accordance with Financial Reporting Standard 102: the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of housing properties, investments and derivative financial instruments and are presented in £ sterling.

Parent association disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the parent association;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures and have been provided in respect of the Group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent association as their remuneration is the same as the totals for the Group as a whole.

Basis of consolidation

The financial statements are Group statements and consolidate the financial statements of The Riverside Group Limited and its subsidiary undertakings.

The Riverside Group Limited's interest in joint ventures is accounted for using the equity method.

Details of subsidiaries and joint ventures are shown in note 12 to the financial statements.

Going concern

The Board has a reasonable expectation that based on forecasts and current expectations of future sector conditions the Group and Association have adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. As a consequence the Board continues to adopt the going concern basis in preparing these financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date 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.

The following judgements, estimates and assumptions have had the most significant effect in amounts recognised in the financial statements:

- **The categorisation of housing properties.** In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented properties are investment properties;
- **Tangible fixed assets.** Other than investment properties, tangible assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed on page 62;

- **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred. During 2015-2016 the government announced a change in rent policy which resulted in a material impact on the net income collected in the future for housing properties and the Group have assessed that this impact represents a trigger for impairment review.

  An impairment of £4.0m relating to Birmingham Children's Hospital is considered prudent due to the lease expiring in 2023, it is unlikely for the lease to be renewed resulting in the building remaining void for a significant period of time. The impairment reflects the impact on future revenue streams.
- **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long term nature of these plans, such estimates are subject to considerable uncertainty and the Group relies on the expert input of actuaries. Further details of the assumptions made are provided in Note 26.

Supported housing

In addition to its own directly managed supported housing schemes, The Riverside Group owns a number of schemes that are run by outside agencies. Where The Riverside Group carries the financial risk all the scheme's income and expenditure is included in the statement of comprehensive income. Where the agency carries the financial risk only the income and expenditure which relates solely to The Riverside Group is included. Other income and expenditure of schemes in this category is excluded from the statement of comprehensive income.

Supporting people contract income

Supporting People (SP) contract income received from Administering Authorities is accounted for as income for support services in the turnover in note 3 to the financial statements. The related support costs are matched against this income.

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior 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 in the statement of financial position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the statement of financial position within creditors.

Turnover

Turnover comprises rental and service charge income receivable (net of void losses), certain revenue grants from local authorities and the Homes and Communities Agency, together with other income and income from the sale of shared ownership and other properties developed for outright sale. Income from property sales is recognised as receivable on the delivery of services provided.

Joint ventures

An entity is treated as a joint venture where the group holds an interest and shares control under a contractual arrangement with one or more parties external to the group.

In the group accounts, joint ventures are accounted for using the equity method. The consolidated statement of comprehensive income includes the group's share of the operating results, pre-tax results and attributable taxation of such undertakings based on audited financial statements. In the consolidated statement of financial position, the group's share of the identifiable net assets attributable to its joint ventures are shown separately.

Retirement benefits

During the year the Group operated a group pension scheme and contributed to local government pension schemes and the Social Housing Pension Scheme (SHPS), all of which were defined benefit schemes. The assets of the schemes are held separately from those of the Group. At 31 March 2016 the group pension scheme closed to future accrual. The Group also exited one of the local government pension schemes and the SHPS defined benefit section. The de-participation cost payable on exit of local government pension schemes, to the extent that they relate to an outstanding deficit, are used to remove this deficit from the statement of financial position. Any remaining costs are expensed through the statement of comprehensive income. The Group also contributes to defined contribution schemes.

The assets of the pension schemes are measured using market values. The liabilities of the pension schemes are measured using a projected unit method discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Group's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 1.92% at 31 March 2015, 2.06% at 31 March 2016 and 1.33% at 31 March 2017. The unwinding of the discount is recognised as a finance cost in the statements of comprehensive income in the period incurred.

Excluding SHPS, the surpluses of the pension schemes (to the extent that they are recoverable) or deficits are recognised in full. The movements in the schemes' surpluses/deficits are included in the statement of comprehensive income and shown in the statement of movement in reserves, under the heading actuarial gains and losses.

The Group also contributes to defined contribution plans. Under a defined contribution plan the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension schemes are recognised as an expense in the statement of comprehensive income periods during which services are rendered by employees.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Housing properties are principally properties available for rent. Cost includes the cost of acquiring the land and buildings, development costs and expenditure incurred in respect of improvements.

Properties acquired in stock transfers are recognised at fair value.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of comprehensive income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to the statement of comprehensive income over the term of the lease.

Investment property

Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the statement of comprehensive income.

Depreciation and impairment

Where a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated on a straight line basis over its individual useful economic life. The estimated individual useful economic life of the components are as follows:

Component	Useful Economic Life (years)
Structure – new build	100
Structure – rehabilitated	up to 50
Kitchens	20
Bathrooms	30
Roofs	60
Boilers	15
Full heating system	30
Windows and doors	25

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

Asset	Useful Economic Life (years)
Freehold and long leasehold offices	15 to residual value
Office fixtures and fittings	10
Care and support scheme fixtures and fittings	3 – 25
IT equipment	3 – 5
Leasehold improvements	over the term of the lease

Assets in the course of construction are held at cost and are not depreciated until reclassified as housing properties completed.

Improvement to property

Expenditure incurred on general repairs to housing properties is charged to the statement of comprehensive income in the year in which it is incurred.

Expenditure on refurbishment or replacement of identified housing property components is capitalised. Non-component works to existing housing properties are capitalised where they relate to an improvement, which is defined as an increase in the net rental stream or the life of a property.

Impairment of non-financial assets

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any indication exists, then the asset's recoverable amount is estimated. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit" or "CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of consolidated income.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation if no impairment loss had been recognised.

First tranche shared ownership sales

Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the fair value of the identifiable net assets acquired over the fair value of the consideration paid.

Goodwill is carried at cost less accumulated amortisation and impairment losses.

Amortisation is calculated on the straight line basis over estimated useful life, which is estimated at five years. The amortisation period and method is reviewed when events and circumstances indicate that the useful life may have changed since the last reporting date.

HomeBuy

The Group operates this scheme by lending a percentage of the cost to home purchasers, secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of Social Housing Grant (SHG). On redemption:

- — the SHG is recycled
- — the SHG is written off if a loss occurs or
- — the Group keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised as fixed asset investments in the statement of financial position at the amount paid to the purchaser and reviewed annually for impairment. The associated Homebuy grant from the HCA is recognised as deferred income within creditors until the loan is redeemed.

Properties for sale

Completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads.

Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Arrears

Debtors include the total rent and service charge arrears which is comprised of both current and former tenant arrears. Former tenant arrears are fully provided for in the financial statements at the point the tenant leaves the property. Current tenant arrears are provided for at specific rates according to the age of the debt.

Social Housing and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and is recognised in Turnover over the estimated useful life of the associated asset, under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the statement of comprehensive income is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant

On disposal of assets for which non-monetary government grants are held as deferred income in the statement of financial position, the unamortised amount in creditors is derecognised and recognised as income in the statement of comprehensive income.

Recycling of Capital Grant

Where SHG is recycled, as described above, it is credited to a fund which appears as a creditor until used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF. This creditor is carried forward until it is used to fund the acquisition of new social housing.

Non government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is shown as deferred income until the conditions are met and then it is recognised as Turnover.

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the normal value of the shares issued together with the fair value of any additional consideration.

Investments in unlisted company shares, which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to fair value at each statement of financial position date. Gains and losses on re-measurement are recognised in the statement of consolidated income for the period.

Investments in listed company shares, which have been classified as current asset investments, are re-measured to fair value at each statement of financial position date. Gain and losses on re-measurement are recognised in the statement of consolidated income for the period.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

Value Added Tax

The Riverside Group is partially exempt in relation to Value Added Tax (VAT), and accordingly is able to recover from HM Revenue & Customs part of the VAT incurred on expenditure. At the year end VAT recoverable or payable is included in the statement of financial position. Irrecoverable VAT is accounted for in the statement of comprehensive income.

Taxation

The charge for taxation is based on the surplus or deficit for the year. It takes into account deferred taxation arising from timing differences between the treatment of certain items for taxation and accounting purposes to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

Loan issue costs and interest payable

The cost of raising loans is amortised over the period of the loan.

Loans are stated in the statement of financial position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year any redemption penalty and any connected loan finance issue costs are recognised in the statement of comprehensive income in the year in which the redemption took place.

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, less transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured without any deduction for transaction costs the entity may incur on sale or other disposal as follows:

- Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.
- Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

Financial instruments held by the Group are classified as follows:

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method unless a quoted price is available, in which case they are held at fair value.
- Financial liabilities such as bonds and loans are held at amortised cost using the effective interest method.
- Loans to or from subsidiaries including those that are due on demand are held at amortised cost using the effective interest method.
- Commitments to receive or make a loan to another entity which meet the conditions above are held at cost less impairment.
- An investment in another entity's equity instruments other than non-convertible preference shares and non-puttable ordinary and preference shares are held at fair value.
- Derivatives such as interest rate swaps are classified as financial assets or financial liabilities at fair value.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- The best evidence of fair value is a quoted price in an active market.
- When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arms length exchange motivated by normal business considerations.

Hedging

Interest rate swaps relate to fixing variable rate interest and are therefore designated as cash flow hedges. A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction, which could affect profit or loss. They are measured at fair value at each reporting date.

Gains and losses on cash flow hedges which are highly effective are recognised in other comprehensive income. Any ineffective portion of a gain or loss on cash flow hedges is recognised in profit or loss.

In order to apply hedge accounting, an economic relationship must exist between the hedged item and the hedging instrument. The Group must formally designate and document the hedging relationship at inception so that the risk being hedged, the hedged item and the hedging instrument are clearly identified, and the risk management objective for undertaking the hedge. It is also required to determine and document the causes of hedge ineffectiveness.

In a cash flow hedge, if the hedged future cash flows are no longer expected to occur, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to profit or loss immediately.

Service concession arrangements

The Group's Private Finance Initiatives (PFI) contracts with Sandwell Metropolitan Borough Council and Hull City Council meet the conditions of a service concession arrangement.

For service concession arrangements entered into after the date of transition to FRS 102 the service concession arrangements will be accounted for using the financial asset model whereby costs incurred in constructing the PFI assets are initially recognised as a financial asset at the fair value of the construction costs. Thereafter accounting is in accordance with FRS 102 section 11 "Basic Financial Instruments".

Service concession arrangements entered into before the date of transition to FRS 102 continue to be accounted for using the same accounting policies being applied at the date of transition to FRS 102.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the consolidated statement of comprehensive income immediately.

An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised as profit or loss immediately.

Non-equity share capital

22 shares have been issued to the members of The Riverside Group Limited. In the event of winding up the liability of individual members shall not exceed £1.

Cashflow hedge reserve

The hedge reserve comprises the effective portion of the cumulative net change on the fair value of cashflow hedging instruments related to hedged transactions that have not yet occurred.

Restricted reserves

Restricted reserves represent reserves earmarked for a specific use.

2 Turnover, operating costs and operating surplus

	Group 2017			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus/(deficit) £'000**
Social housing activities				
Lettings (note 3)	**282,049**	**—**	**(212,535)**	**69,514**
Other social housing activities				
Development for sale shared ownership	**3,842**	**(3,396)**	**—**	**446**
Management services	**1,424**	**—**	**(1,795)**	**(371)**
Community regeneration	**20**	**—**	**(4,184)**	**(4,164)**
Other	**37,163**	**—**	**(33,817)**	**3,346**
	324,498	**(3,396)**	**(252,331)**	**68,771**
Non-social housing activities				
Lettings (note 3)	**5,204**	**—**	**(1,127)**	**4,077**
Developments for outright sale	**38,633**	**(31,988)**	**—**	**6,645**
Other	**1,716**	**—**	**(1,158)**	**558**
	45,553	**(31,988)**	**(2,285)**	**11,280**
Total	**370,051**	**(35,384)**	**(254,616)**	**80,051**

	2016			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	282,621	—	(219,814)	62,807
Other social housing activities				
Development for sale shared ownership	3,994	(3,463)	—	531
Management services	964	—	(2,016)	(1,052)
Community regeneration	92	—	(5,818)	(5,726)
Other	47,468	—	(38,712)	8,756
	335,139	(3,463)	(266,360)	65,316
Non-social housing activities				
Lettings (note 3)	3,323	—	(437)	2,886
Developments for outright sale	25,212	(21,048)	—	4,164
Other	1,924	—	(1,478)	446
	30,459	(21,048)	(1,915)	7,496
Total	365,598	(24,511)	(268,275)	72,812

2 Turnover, operating costs and operating surplus – continued

	Association 2017			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus/(deficit) £'000**
Social housing activities				
Lettings (note 3)	**272,228**	**—**	**(209,134)**	**63,094**
Other social housing activities				
Development for sale shared ownership	**3,842**	**(3,396)**	**—**	**446**
Management services	**1,423**	**—**	**(1,809)**	**(386)**
Community regeneration	**—**	**—**	**(3,941)**	**(3,941)**
Other	**13,504**	**—**	**(5,300)**	**8,204**
	290,997	**(3,396)**	**(220,184)**	**67,417**
Non-social housing activities				
Lettings (note 3)	**2,871**	**—**	**(1,060)**	**1,811**
Development for outright sale	**—**	**—**	**—**	**—**
Other	**22**	**—**	**(96)**	**(74)**
	2,893	**—**	**(1,156)**	**1,737**
Total	**293,890**	**(3,396)**	**(221,340)**	**69,154**

	2016			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	272,894	—	(215,089)	57,805
Other social housing activities				
Development for sale shared ownership	3,994	(3,463)	—	531
Management services	964	—	(2,016)	(1,052)
Community regeneration	92	—	(5,808)	(5,716)
Other	12,285	—	(2,643)	9,642
	290,229	(3,463)	(225,556)	61,210
Non-social housing activities				
Lettings (note 3)	2,667	—	(673)	1,994
Development for outright sale	—	—	—	—
Other	17	—	(255)	(238)
	2,684	—	(928)	1,756
Total	292,913	(3,463)	(226,484)	62,966

3 Income and expenditure from social housing lettings

	Group					
	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2017 Total £'000**	2016 Total £'000
Income from lettings						
Rent receivable net of						
Service charge income	166,458	38,942	4,852	65	210,317	212,181
Income for support services	4,502	21,353	—	—	25,855	27,311
Service charge receivable	5,516	27,874	—	137	33,527	31,739
Net rental income	**176,476**	**88,169**	**4,852**	**202**	**269,699**	271,231
Other revenue grants	—	371	—	—	371	202
Amortisation of government grants	6,721	3,680	356	—	10,757	10,858
Government grants taken to income	1,209	13	—	—	1,222	330
Turnover from lettings	**184,406**	**92,233**	**5,208**	**202**	**282,049**	282,621
Expenditure on lettings						
Management	(35,128)	(11,329)	(939)	(212)	(47,608)	(52,891)
Service charge costs and						
support services	(13,353)	(50,942)	(94)	(51)	(64,440)	(63,773)
Routine maintenance	(42,730)	(7,325)	(619)	(44)	(50,718)	(54,754)
Major repairs expenditure	(6,238)	(3,325)	(35)	—	(9,598)	(9,537)
Bad debts	(1,253)	(704)	(10)	14	(1,953)	(2,196)
Depreciation of housing properties	(25,954)	(6,671)	(939)	(13)	(33,577)	(34,727)
Impairment of housing properties	(4,641)	—	—	—	(4,641)	(1,936)
Operating costs on lettings	**(129,297)**	**(80,296)**	**(2,636)**	**(306)**	**(212,535)**	(219,814)
Operating surplus on social housing lettings	**55,109**	**11,937**	**2,572**	**(104)**	**69,514**	62,807
Void loss	(797)	(2,701)	(15)	(1)	**(3,514)**	(3,536)

	2017 £'000	2016 £'000
Particulars of turnover from non-social housing lettings		
Market rent	**5,204**	3,323
	5,204	3,323

3 Income and expenditure from social housing lettings – continued

	Association					
	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2017 Total £'000**	2016 Total £'000
Turnover from lettings						
Rent receivable net of						
Service charge income	157,583	38,745	4,852	65	201,245	203,215
Income for support services	4,501	21,353	—	—	25,854	27,309
Service charges receivable	5,399	27,651	—	137	33,187	31,418
Net rental income	**167,483**	**87,749**	**4,852**	**202**	**260,286**	261,942
Other revenue grants	—	371	—	—	371	113
Amortisation of government grants	6,511	3,678	356	—	10,545	10,509
Government grants taken to income	1,026	—	—	—	1,026	330
Turnover from lettings	**175,020**	**91,798**	**5,208**	**202**	**272,228**	272,894
Expenditure on lettings						
Management	(33,011)	(11,436)	(947)	(212)	(45,606)	(52,719)
Service charge cost and support services	(12,911)	(50,751)	(94)	(51)	(63,807)	(63,040)
Routine maintenance	(44,382)	(7,303)	(622)	(43)	(52,350)	(53,293)
Major repairs expenditure	(5,890)	(3,309)	(35)	—	(9,234)	(9,203)
Bad debts	(1,257)	(704)	(10)	14	(1,957)	(2,170)
Depreciation of housing properties	(24,841)	(6,657)	(939)	(13)	(32,450)	(32,728)
Impairment of housing properties	(3,730)	—	—	—	(3,730)	(1,936)
Operating costs on lettings	**(126,022)**	**(80,160)**	**(2,647)**	**(305)**	**(209,134)**	(215,089)
Operating surplus on social housing lettings	**48,998**	**11,638**	**2,561**	**(103)**	**63,094**	57,805
Void loss	(787)	(2,701)	(15)	(1)	**(3,504)**	(3,520)

	2017 £'000	2016 £'000
Particulars of turnover from non-social housing lettings		
Market rent	**2,871**	2,667
	2,871	2,667

4 Directors' and senior staff emoluments

The Directors are defined for the purpose of this note as the members of the Board and Executive Directors of The Riverside Group Limited. Directors appointed after the end of the financial year are not included in the disclosure. This satisfies the definition included in the Accounting Direction for Private Registered Providers of Social Housing 2015. The Executive Directors do not receive any chargeable benefits in kind other than company cars. The emoluments of the Directors are set out below. There are five (2016: three) Executive Directors included within the total below who are not Board members.

	Group	
	2017	2016
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	**1,281**	973
Highest paid Director – Group Chief Executive Emoluments (excluding pension contributions)	**211**	209
Expenses reimbursed to Directors not chargeable to income tax	**8**	14

Three of the Executive Directors exited the pension scheme and the total settlement made by way of increased salaries was £63,182. Group Board approved a policy for such settlement at a rate which does not involve the Group incurring any greater cost than that of the individuals pension membership.

An adjustment of £14k has been made in 2016 to reclassify pension contributions to emoluments.
Emoluments paid to directors in bands includes salary, allowances, pension contributions, employers NI, benefits in kind and non-consolidated bonus.

4 Directors' and senior staff emoluments – continued

The emoluments (including pension contributions and benefits in kind) or fees paid to Executive and Non-Executive Directors were as follows:

Executive Directors	**2017 £'000**	2016 £'000
Carol Matthews	**211**	209
Joy Baggaley[2]	**205**	201
Léann Hearne	**168**	147
John Wood	**164**	168
Ronnie Clawson[1,3]	**160**	147
Ian Gregg	**144**	—
John Glenton	**117**	—
Rosemary Farrar[1]	**9**	—

Key to numbering
1 The emoluments relate to part of the year.
2 In addition to this a contractual severance payment was made of £163k.
3 In addition to this a contractual severance payment was made of £60k.

Non-Executive Directors	**2017 £'000**	2016 £'000
Max Steinberg CBE	**27**	27
Susan Jee	**19**	19
Philip Raw[1]	**16**	19
Philip Han	**12**	10
Pauline Davis[1]	**11**	4
Peter White[1]	**11**	—
Jonathan Dale	**10**	10
Paul Forster-Jones[1]	**4**	10
Mike Little[1]	**2**	10
Sally Trueman		**—**

—

Key to numbering
1 The emoluments relate to part of the year.

The number of staff whose remuneration is £60,000 or more (including pension contributions) is disclosed below:

	2017	2016
£60,001 — £70,000	**26**	26
£70,001 — £80,000	**12**	13
£80,001 — £90,000	**9**	7
£90,001 — £100,000	**7**	9
£100,001 — £110,000	**5**	5
£110,001 — £120,000	**4**	5
£120,001 — £130,000	**1**	3
£150,001 — £160,000	**2**	—
	66	68

The salary bandings do not include Directors who are disclosed above.

5 Employee information

Staff numbers
The average number of persons (including the Executive Directors) employed during the year (based on 35-37.5 hours) was:

	Group	
	2017 Number	Restated 2016 Number
Full time equivalent	**2,710**	2,743

	2017 £'000	2016 £'000
Staff costs (for the above persons)		
Wages and salaries	**74,771**	75,311
Social security costs	**6,936**	6,201
Other pension costs	**5,345**	5,858
	87,052	87,370

Staff costs and numbers referred to above all relate to staff employed by The Riverside Group, but exclude staff costs and numbers employed by the managing agents at supported housing schemes.

The total amount of severance and redundancy payments made during the year was £3.5m (2016: £1.2m).

	Association	
	2017 Number	2016 Number
Full time equivalent	**2,204**	2,211

	2017 £'000	2016 £'000
Staff costs (for the above persons)		
Wages and salaries	**60,689**	61,394
Social security costs	**5,593**	4,943
Other pension costs	**4,882**	5,378
	71,164	71,715

The total amount of severance and redundancy payments made during the year was £3.4m (2016:£1.1m)

6 Gain on the sale of fixed assets

	Group	
	2017	2016
	£'000	£'000
Proceeds of sales	**49,711**	32,717
Cost of sales	**(27,378)**	(19,219)
Surplus on sale of property	**22,333**	13,498

	Association	
	2017	2016
	£'000	£'000
Proceeds of sales	**49,669**	32,501
Cost of sales	**(27,345)**	(19,059)
Surplus on sale of property	**22,324**	13,442

Surplus on sale of property includes shared ownership staircasing sales surplus of £473k (2016: £398k).

7 Interest receivable and other income

	Group	
	2017	2016
	£'000	£'000
Bank and other interest receivable	**2,932**	5,762
Income from listed investments	**1,861**	22
	4,793	5,784

	Association	
	2017	2016
	£'000	£'000
Bank and other interest receivable	**2,332**	2,382
Income from listed investments	**1,861**	22
Intercompany interest from subsidiary	**1,563**	1,734
	5,756	4,138

8 Interest payable and similar charges

	Group	
	2017	2016
	£'000	£'000
Bank loans and overdrafts	**20,284**	23,928
Other loans	**18,092**	18,061
Finance costs	**809**	1,553
	39,185	43,542

	Association	
	2017	2016
	£'000	£'000
Bank loans and overdrafts	**18,373**	20,539
Other loans	**17,492**	16,864
Other interest payable	**1,652**	61
Finance costs	**673**	1,387
Intercompany interest	**109**	36
	38,299	38,887

9 Surplus on ordinary activities

	Group 2017 £'000	Group 2016 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation for the year		
Housing properties	**33,581**	33,048
Other tangible fixed assets	**4,573**	3,623
Amortisation of government grant	**(10,757)**	(10,858)
Impairment charge/(credit) for the year		
Housing properties	**4,217**	1,936
Investment properties and properties awaiting sale	**424**	(1,052)
Released on disposal	**(3,455)**	(798)
Auditors' remuneration		
For audit services	**160**	162
For non-audit services		
— tax advisory	**130**	180
— pension advisory	**55**	200
— other	**—**	78
Operating lease rentals		
Land and buildings	**1,218**	1,208
Other	**659**	747

	Association 2017 £'000	Association 2016 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation for the year		
Housing properties	**32,461**	31,926
Other tangible fixed assets	**4,402**	3,434
Amortisation of government grant	**(10,545)**	(10,509)
Impairment charge/(credit) for the year		
Housing properties	**3,730**	1,936
Released on disposal	**(3,455)**	(798)
Auditors' remuneration		
For audit services	**110**	111
For non-audit services		
— tax advisory	**130**	180
— other	**55**	278
Operating lease rentals		
Land and buildings	**1,106**	1,104
Other	**627**	702

10 Tax on surplus on ordinary activities

	Group 2017 £'000	2016 £'000
Analysis of charge in period		
Current tax charge	**—**	142
Deferred tax charge/(credit)	**804**	(49)
Total tax charge/(credit)	**804**	93

Factors affecting tax charge for period

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 20 %. The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	**69,850**	50,087
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20 % (2016: 20 %)	**13,970**	10,017
Effects of:		
Expenses not deductible for tax purposes	**4**	18
Profits exempt from tax due to charitable exemption	**(12,865)**	(8,835)
Income not subject to tax	**—**	(121)
Movement in deferred tax	**(133)**	(447)
Consolidation adjustments	**—**	(674)
Prior year deferred tax	**(8)**	3
Affect on profit from Joint Ventures	**(100)**	(5)
Fixed Asset Differences	**—**	3
Rate change	**(64)**	134
Total charge	**804**	93

Deferred taxation

The movement in the year is as follows:

	2017 £'000	2016 £'000
At the beginning of the year	**(1,210)**	(1,303)
Charge for the year	**813**	233
Equity credit current year	**—**	—
Equity credit – consolidation asset	**—**	(143)
Prior year	**(9)**	3
At the end of the year	**(407)**	(1,210)

The elements of the deferred tax asset and amounts not provided are as follows:

	Provided £'000
Difference between accumulated depreciation and capital allowances	**452**
Losses	**(812)**
Other timing differences	**(47)**
	(407)

10 Tax on surplus on ordinary activities – continued

	Association	
	2017	2016
	£'000	£'000
Analysis of charge in period		
Current tax charge	**—**	—
Deferred tax charge	**—**	—
Prior period tax	**—**	(15)
	—	(15)

Factors affecting tax charge for period
The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 20%. The differences are explained below:

	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	**63,308**	45,701
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	**12,661**	9,140
Effects of:		
Losses	**—**	—
Adjustment to tax charge in respect of previous periods	**—**	(15)
Expenses not deductible for tax purposes	**—**	—
Depreciation in excess of capital allowances	**—**	—
Profits exempt from tax as a result of charitable exemption	**(12,661)**	(9,140)
Current tax	**—**	(15)

11 Tangible fixed assets

	Group				
	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total properties £'000
Cost					
At 1 April 2016	1,958,750	53,676	85,890	4,670	2,102,986
Schemes completed	40,362	(40,362)	8,594	(8,594)	—
Additions	630	29,164	—	16,603	46,397
Improvements to existing properties	29,906	—	—	—	29,906
Disposal of properties	(19,856)	(3,135)	(7,007)	—	(29,998)
Accelerated replacement of components	(1,538)	—	—	—	(1,538)
Reclassification	350	(125)	10	—	235
Disposal of components	(5,213)	—	—	—	(5,213)
At 31 March 2017	**2,003,391**	**39,218**	**87,487**	**12,679**	**2,142,775**
Depreciation and impairment					
At 1 April 2016	337,799	—	2,910	—	340,709
Charge for the year	32,437	—	1,144	—	33,581
Eliminated in respect of disposals	(7,419)	—	(285)	—	(7,704)
Eliminated for accelerated replacements	(970)	—	—	—	(970)
Impairment charge	4,217	—	—	—	4,217
Impairment released on disposals	(3,455)	—	—	—	(3,455)
At 31 March 2017	**362,609**	**—**	**3,769**	**—**	**366,378**
Net book value at 31 March 2017	**1,640,782**	**39,218**	**83,718**	**12,679**	**1,776,397**
Net book value at 31 March 2016	1,620,951	53,676	82,980	4,670	1,762,277

Improvements to existing properties consist of £29.9m (2016: £29.5m) capitalised costs in addition to £9.5m (2016: £9.5M) non-capitalised improvements, which have been charged to the income and expenditure account.

The net book value of tangible fixed assets includes £Nil (2016: £Nil) in respect of assets held under finance leases.

11 Tangible fixed assets – continued

	Group			
	Scheme fixtures and fittings £'000	Freehold and long leasehold offices £'000	Fixtures vehicles and computer equipment £'000	Total other fixed assets £'000
Cost				
At 1 April 2016	13,871	11,866	11,019	36,756
Additions	2,180	15	3,840	6,035
Disposals	(1,192)	(376)	(1,368)	(2,936)
At 31 March 2017	**14,859**	**11,505**	**13,491**	**39,855**
Depreciation and impairment				
At 1 April 2016	9,479	6,450	4,556	20,485
Charge for the year	1,795	309	2,469	4,573
Eliminated in respect of disposals	(944)	(375)	(1,272)	(2,591)
At 31 March 2017	**10,330**	**6,384**	**5,753**	**22,467**
Net book value at 31 March 2017	**4,529**	**5,121**	**7,738**	**17,388**
Net book value at 31 March 2016	4,392	5,416	6,463	16,271

11 Tangible fixed assets – continued

	Association				
	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership properties £'000	Shared ownership properties under construction £'000	Total properties £'000
Cost					
At 1 April 2016	1,866,868	50,950	85,890	4,670	2,008,378
Schemes completed	40,362	(40,362)	8,594	(8,594)	—
Additions	630	29,160	—	16,603	46,393
Improvements to existing properties	29,255	—	—	—	29,255
Disposal of properties	(19,383)	(3,135)	(7,007)	—	(29,525)
Accelerated replacement of components	(1,525)	—	—	—	(1,525)
Reclassification	350	8	10	—	368
Disposal of components	(5,202)	—	—	—	(5,202)
At 31 March 2017	**1,911,355**	**36,621**	**87,487**	**12,679**	**2,048,142**
Depreciation and impairment					
At 1 April 2016	326,927	—	1,889	—	328,816
Charge for the year	31,317	—	1,144	—	32,461
Eliminated in respect of disposals	(7,410)	—	(285)	—	(7,695)
Eliminated for accelerated replacements	(962)	—	—	—	(962)
Impairment charge	4,217	—	—	—	4,217
Impairment released on disposals	(3,455)	—	—	—	(3,455)
At 31 March 2017	**350,634**	—	2,748	—	353,382
Net book value at 31 March 2017	**1,560,721**	**36,621**	**84,739**	**12,679**	**1,694,760**
Net book value at 31 March 2016	1,539,941	50,950	84,001	4,670	1,679,562

Improvements to existing properties consist of £29.3m (2016: £29.0m) capitalised costs in addition to £9.2m (2016: £9.2m) non-capitalised improvements, which have been charged to the income and expenditure account.

The net book value of tangible fixed assets includes £Nil (2016: £Nil) in respect of assets held under finance leases.

11 Tangible fixed assets – continued

	Scheme fixtures and fittings £'000	Freehold and long leasehold offices £'000	**Association** Fixtures vehicles and computer equipment £'000	Total other fixed assets £'000
Cost				
At 1 April 2016	13,871	11,168	10,393	35,432
Additions	2,180	14	3,814	6,008
Disposals	(1,192)	(376)	(1,257)	(2,825)
At 31 March 2017	**14,859**	**10,806**	**12,950**	**38,615**
Depreciation and impairment				
At 1 April 2016	9,478	6,150	4,135	19,763
Charge for the year	1,795	265	2,342	4,402
Eliminated in respect of disposals	(944)	(375)	(1,163)	(2,482)
At 31 March 2017	**10,329**	**6,040**	**5,314**	**21,683**
Net book value at 31 March 2017	**4,530**	**4,766**	**7,636**	**16,932**
Net book value at 31 March 2016	4,393	5,018	6,258	15,669

11 Tangible fixed assets – continued

Housing properties and offices include freehold and long leasehold land and buildings as analysed below:

	Group	
	2017	2016
	£'000	£'000
Housing Properties		
Freehold	**1,776,270**	1,762,150
Long leasehold	**127**	127
	1,776,397	1,762,277
Offices		
Freehold	**4,684**	4,852
Long leasehold	**437**	564
	5,121	5,416

	Association	
	2017	2016
	£'000	£'000
Housing Properties		
Freehold	**1,694,633**	1,679,435
Long leasehold	**127**	127
	1,694,760	1,679,562
Offices		
Freehold	**4,448**	4,611
Long leasehold	**318**	407
	4,766	5,018

12 Investments

A. Fixed assets

Name of undertaking	Nature of undertaking	Principal activity
Caribou Green Warmth LLP[4]	Joint Venture partnership incorporated under the Limited Liability Partnership Act 2000	Energy improvement works
Circle Liverpool Limited[2]	Joint Venture company incorporated and limited by shares under the Companies Act 1985	Construction waste recycling
The Compendium Group Limited[3]	Joint Venture company incorporated and limited by shares under the Companies Act 1985	Strategic urban regeneration and development
Donald Bates Charity[5]	Charitable Trust	Management of sheltered housing
ECHG (Harrow) Homes plc[5]	Public Limited Company limited by shares under the Companies Act 1985	Property investment
ECHG (Kensington & Chelsea) Homes plc[5]	Public Limited Company	Property investment
ECHG (No. 1) Limited[5]	A charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014	Property investment
Eleanor Godfrey Crittall Charity	Charitable Trust	Management of sheltered housing
Eventide Homes Trust	Charitable Trust	Management of supported housing
Evolve Facility Services Limited	Private company limited by shares under the Companies Act 2006	Property maintenance
Irvine Housing Association Limited	Registered Society and Scottish Registered Charity under the Co-operative and Community Benefits Societies 2014	Registered provider of social housing
Naylands (51-68) Limited[1]	Private company limited by shares under the Companies Act 1985	Property management
Prospect (GB) Limited	Company incorporated and limited by shares under the Companies Act 1985	Property development and investment
Riverside Consultancy Services Limited	Company incorporated and limited by shares under the Companies Act 1985	Design and build services
Riverside Finance plc	Public Limited Company incorporated under the Companies Act 2006	Bond issuance
Riverside Estuary Limited	Private charitable company limited by shares under the Companies Act 1985	Construction and management of Extra Care units
Riverside Regeneration Limited[5]	Company incorporated and limited by shares under the Companies Act 1985	Urban regeneration initiatives
Riverside Urban Services Limited[5]	Company incorporated and limited by guarantee under the Companies Act 1948 – 1981	Leasing of office premises
The St. Michael's Housing Trust	Registered charity and registered provider	Management of supported housing

Key to numbering

1 Entity is 77% owned by The Riverside Group Limited.
2 Entity is 22.5% owned by The Riverside Group Limited.
3 Entity is 50% owned by The Riverside Group Limited.
4 Entity is 40% owned by The Riverside Group Limited.
5 Entity is dormant.

All other undertakings are 100% owned by The Riverside Group Limited.

12 Investments – continued

	Group	
	2017	2016
	£'000	£'000
(i) Other investments		
8¾% Treasury Stock 2017	**260**	321
Charifund	**13,351**	11,525
Other	**2,708**	2,665
	16,319	14,511
Investment properties (see (ii) below)	**15,013**	14,258
Homebuy equity loans	**5,666**	5,666
	36,998	34,435
Group share of gross assets of joint ventures	**4,445**	7,310
Group share of gross liabilities of joint ventures	**(3,190)**	(6,555)
	1,255	755
	38,253	35,190

	Association	
	2017	2016
	£'000	£'000
(i) Other investments		
8¾% Treasury Stock 2017	**260**	321
Charifund	**13,351**	11,525
Other	**2,513**	2,501
Investment in subsidiaries	**29,703**	29,703
Investment in joint ventures	**1,441**	1,441
	47,268	45,491
Investment properties (see (ii) below)	**1,212**	1,123
Homebuy equity loans	**329**	329
	48,809	46,943

12 Investments – continued

	Group	
	2017	2016
	£'000	£'000
(ii) Investment properties		
Valuation at 1 April 2016	**14,258**	13,644
Revaluation	**755**	17
Reversal of impairment	**—**	597
Disposals	**—**	—
Valuation at 31 March 2017	**15,013**	14,258

	Association	
	2017	2016
	£'000	£'000
(ii) Investment properties		
Valuation at 1 April 2016	**1,123**	1,106
Revaluation	**89**	17
Impairment	**—**	—
Disposals	**—**	—
Valuation at 31 March 2017	**1,212**	1,123

B. Current assets

	Group	
	2017	2016
	£'000	£'000
Charged bank accounts	**50,800**	56,322
	50,800	56,322

	Association	
	2017	2016
	£'000	£'000
Charged bank accounts	**45,243**	36,155
	45,243	36,155

13 Debtors

	Group 2017 £'000	Group 2016 £'000
Amounts falling due after more than one year:	**11,648**	12,269
Amounts falling due within one year:		
Rent and service charge arrears	**16,991**	14,593
Less: provision for bad and doubtful debts	**(9,452)**	(7,497)
Net rental debtors	**7,539**	7,096
Social Housing Grant receivable	**—**	113
Other debtors	**121,058**	90,727
Prepayments and accrued income	**5,796**	7,050
Deferred tax	**407**	1,210
Amount due from joint venture	**1,279**	5,244
	136,079	111,440

Included in debtors due after more than one year is £6.6m (2016: £6.8m) representing the obligation of the local authorities that transferred stock to the Group to have improvement work carried out to the properties. The Group is contracted by the local authorities to carry out these improvement works on their behalf. A further £4.9m (2016 : £5.4m) is held in respect of the on going Fire Risk Assessment programme.

	Association 2017 £'000	Association 2016 £'000
Amounts falling due after more than one year:		
Improvement programmes	**11,648**	12,269
Intra group debtors	**39,971**	48,388
	51,619	60,657
Amounts falling due within one year:		
Rent and service charge arrears	**16,422**	13,944
Less: provision for bad and doubtful debts	**(9,099)**	(7,051)
Net rental debtors	**7,323**	6,893
Due from subsidiary undertakings	**—**	130
Social Housing Grant receivable	**—**	113
Other debtors	**46,579**	44,940
Prepayments and accrued income	**6,441**	6,045
	60,343	58,121

14 Properties for sale

	Group	
	2017	2016
	£'000	£'000
Properties under construction – outright sales	**32,560**	14,760
Properties under construction – shared ownership	**8,117**	3,409
Completed properties – outright sales	**4,930**	23,128
Completed properties – shared ownership	**11,706**	11,546
	57,313	52,843

	Association	
	2017	2016
	£'000	£'000
Properties under construction – shared ownership	**8,117**	3,409
Completed properties – shared ownership	**11,706**	11,546
	19,823	14,955

15 Creditors: amounts falling due within one year

	Group	
	2017	2016
	£'000	£'000
Bank and other loans (see note 17)	**44,411**	10,226
Trade creditors	**10,728**	5,431
Rent and service charges received in advance	**4,422**	3,839
Social Housing Grant received in advance	**5,404**	6,539
Other taxation and social security payable	**207**	1,683
Other creditors	**29,294**	27,026
Recycled Capital Grant Fund (see note 16a)	**3,178**	390
Disposal Proceeds Fund (see note 16a)	**449**	438
Accruals and deferred income	**72,129**	61,111
Corporation tax	**115**	197
Accumulated amortisation of grant	**220**	220
Grant on Homebuy equity loans	**1,784**	1,784
Amortisation of grant	**10,545**	—
	182,886	118,884

	Association	
	2017	2016
	£'000	£'000
Bank and other loans (see note 17)	**33,357**	10,226
Trade creditors	**6,527**	2,788
Rent and service charges received in advance	**4,178**	3,628
Social Housing Grant received in advance	**5,223**	6,438
Other taxation and social security payable	**—**	—
Other creditors	**31,460**	30,439
Recycled Capital Grant Fund (see note 16a)	**3,178**	390
Disposals Proceeds Fund (see note 16a)	**449**	438
Accruals and deferred income	**50,350**	40,672
Intra group creditors	**5,142**	1,937
Grant on Homebuy equity loans	**329**	329
Amortisation of grant	**10,545**	—
	150,738	97,285

Social Housing Grant received in advance will be utilised against the related capital expenditure during the next twelve months. Deferred government grant received from the Homes and Communities agency is initially stated at fair value as a long term liability and is amortised as income over the life of the structure of properties.

16 Creditors: amounts falling due after more than one year

	Group	
	2017 £'000	2016 £'000
Long term loans (see note 17)	**740,629**	774,867
Recycled Capital Grant Fund (see note 16a)	**13,178**	7,769
Disposal Proceeds Fund (see note 16a)	**1,872**	1,428
Deferred Capital Grant (note 16b)	**884,078**	893,078
Accumulated amortisation of grant	**(186,940)**	(182,318)
Amortisation of grant due in one year	**(10,545)**	—
SHPS pension agreement plan (note 26 (iv))	**15,173**	16,255
Fair value of derivatives	**24,954**	28,950
Other	**934**	1,061
	1,483,333	1,541,090

	Association	
	2017 £'000	2016 £'000
Long term loans (see note 17)	**645,289**	680,811
Recycled Capital Grant Fund (see note 16a)	**13,178**	7,769
Disposal Proceeds Fund (see note 16a)	**1,872**	1,428
Deferred Capital Grant (note 16b)	**858,237**	867,320
Accumulated amortisation of grant (note 16b)	**(184,025)**	(179,615)
Amortisation of grant due in one year	**(10,545)**	—
SHPS pension agreement plan (note 26 (iv))	**15,173**	16,255
Fair value of derivatives	**24,902**	28,816
Other	**26**	26
	1,364,107	1,422,810

Long term loans are secured by fixed charges on properties.

16a Creditors: analysis of disposal proceeds fund and recycled capital grant fund

	Group and Association	
	2017	2016
	£'000	£'000
Disposal Proceeds Fund		
Opening balance	**1,866**	1,339
Inputs to DPF:		
Grants recycled	**930**	923
Interest accrued	**13**	7
Recycling of grant:		
Newbuild	**(488)**	(403)
Closing balance	**2,321**	1,866

	2017	2016
	£'000	£'000
Recycled Capital Grant Fund		
Opening balance	**8,159**	10,900
Inputs to RCGF:		
Grants recycled	**9,103**	3,959
Interest accrued	**54**	55
Recycling of grant:		
Newbuild	**(960)**	(6,755)
Closing balance	**16,356**	8,159

No amounts are due for repayment to the Homes and Communities Agency.

16b Deferred Capital Grant

	Group	
	2017	2016
	£'000	£'000
Deferred capital grant		
At start of the year	**893,078**	897,636
Grant received in the year	**6,299**	13,902
Disposals	**(15,299)**	(18,460)
As at 31 March 2017	**884,078**	893,078
Amortisation at start of the year	**(182,318)**	(175,245)
Released to income	**(10,765)**	(10,858)
Released to disposals	**6,143**	3,785
As at 31 March 2017	**(186,940)**	(182,318)

Amounts due to be released within one year £10,545.
Amounts due to be released after more than one year £686,593.

	Association	
	2017	2016
	£'000	£'000
Deferred capital grant		
At start of the year	**867,320**	871,752
Grant received in the year	**6,215**	13,902
Disposals	**(15,298)**	(18,334)
As at 31 March 2017	**858,237**	867,320
Amortisation at start of the year	**(179,615)**	(172,768)
Released to income	**(10,553)**	(10,509)
Released to disposals	**6,143**	3,662
As at 31 March 2017	**(184,025)**	(179,615)

Amounts due to be released within one year £10,545.
Amounts due to be released after more than one year £663,667.

17 Debt analysis

	Group 2017 £'000	2016 £'000
Due within one year		
Bank loans	**16,248**	5,324
Other loans	**28,163**	4,902
	44,411	10,226
Due after more than one year		
Bank loans	**461,906**	438,851
Local authority loans	**67**	67
Other loans	**139,570**	197,260
Less finance costs capitalised	**(6,197)**	(6,535)
	595,346	629,643
Bond	**150,000**	150,000
Discount on issue	**(3,115)**	(3,115)
Bond issue costs	**(1,602)**	(1,661)
Net bond balance	**145,283**	145,224

The loans and bond are secured by way of a first fixed charge over assets of the Group.

Bank loans are repaid in instalments at a combination of fixed and variable rates of interest inclusive of lending margins of between 1.1% and 7.4%. The instalments fall to be repaid in the periods 2018 to 2046.

The local authority loan is interest free and is repayable in 2021.

Other loans are repayable in instalments at fixed rates of interest of between 2.9% and 11.7%. The instalments fall to be repaid in the periods 2018 to 2044.

The bond is repayable in one instalment in 2045. Fixed interest is payable at 3.9%.

	2017 £'000	2016 £'000
Debt maturity profile		
In one year or less	**44,411**	10,226
Between one and two years	**9,875**	49,564
Between two and five years	**37,718**	44,458
In five years or more	**703,950**	692,156
	795,954	796,404
Less:		
Loans due in one year or less	**(44,411)**	(10,226)
Finance costs capitalised	**(7,799)**	(8,196)
Discount on issue of bond	**(3,115)**	(3,115)
	740,629	774,867

17 Debt analysis – continued

	Association	
	2017	2016
	£'000	£'000
Due within one year		
Bank loans	**5,194**	5,324
Other loans	**28,163**	4,902
	33,357	10,226
Due after more than one year		
Bank loans	**373,532**	391,213
Local authority loans	**67**	67
Other loans	**132,441**	150,572
Less finance costs capitalised	**(6,033)**	(6,265)
	500,007	535,587
Bond	**150,000**	150,000
Discount on issue	**(3,115)**	(3,115)
Bond issue costs	**(1,602)**	(1,661)
Net bond balance	**145,283**	145,224

The loans and bond are secured by way of a first fixed charge over assets of the Association.

Bank loans are repaid in instalments at a combination of fixed and variable rates of interest inclusive of lending margins of between 1.1 % and 7.4 %. The instalments fall to be repaid in the periods 2018 to 2046.

The local authority loan is interest free and is repayable in 2021.

Other loans are repayable in instalments at fixed rates of interest of between 2.9 % and 11.7 %. The instalments fall to be repaid in the periods 2018 to 2044.

The bond is repayable in one instalment in 2045. Fixed interest is paid at 3.9 %. The bond was issued by Riverside Finance plc which on-lends all of the proceeds of the issue to the Association. The assets of the Association act as security for the issuance through a security trust arrangement with Prudential Trustee Company Limited.

	2017	2016
	£'000	£'000
Debt maturity profile		
In one year or less	**33,357**	10,226
Between one and two years	**7,570**	41,611
Between two and five years	**30,406**	29,374
In five years or more	**618,064**	620,867
	689,397	702,078
Less:		
Loans due in one year or less	**(33,357)**	(10,226)
Finance costs capitalised	**(7,636)**	(7,926)
Discount on issue of bond	**(3,115)**	(3,115)
	645,289	680,811

17a Borrowing facilities

Borrowing facilities

Undrawn committed borrowing facilities at 31 March 2017 were as follows:

	Group	
	2017	2016
	£'000	£'000
Expiring in one year or less	**96,425**	—
Expiring between one and five years	**92,256**	56,000
Expiring in more than five years	**88,461**	119,784
	277,142	175,784

£2.4m (2016 : £20.9m) of the undrawn committed borrowing facilities requires fixed charged security to be placed with the lender before it can be utilised.

	Association	
	2017	2016
	£'000	£'000
Expiring in one year or less	**93,961**	—
Expiring between one and two years	**92,256**	56,000
Expiring in more than two years	**88,461**	98,839
	274,678	154,839

£0m (2016 : £0m) of the undrawn committed borrowing facilities requires fixed charged security to be placed with the lender before it can be utilised.

18 Financial instruments and risk management

A. Carrying amount of financial instruments

The carrying value of the financial assets and liabilities include:

	Group 2017 £'000	Group 2016 £'000	**Association 2017 £'000**	Association 2016 £'000
Assets at fair value through profit or loss				
Fixed asset investments (Note 12)	**16,319**	14,511	**16,124**	14,347
Current asset investments (Note 12)	**—**	—	**—**	—
Assets measured at amortised cost				
Fixed asset investments (Note 12)	**5,666**	5,666	**329**	329
Current asset investments (Note 12)	**50,800**	56,322	**45,243**	36,155
Debtors (Note 13)	**129,876**	104,277	**53,902**	51,833
Cash and cash equivalents	**68,927**	34,403	**63,514**	29,690
Liabilities measured at amortised cost				
Loans (Notes 15, 16 and 17)	**(785,040)**	(785,093)	**(678,646)**	(691,037)
Trade creditors (Notes 15 and 16)	**(117,829)**	(100,348)	**(97,683)**	(79,490)
Derivatives				
Designated as hedges (Note 16)	**(24,954)**	(28,950)	**(24,902)**	(28,816)
Fair value through the profit or loss (Note 16)	**—**	—	**—**	—
	(656,235)	(699,212)	**(622,119)**	(666,989)

B. Financial instruments measured at fair value

Where financial instruments are measured in the statement of financial position at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy;

Level 1 – Quoted prices in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (from prices) or indirectly (that is derived from prices).
Level 3 – Inputs from the asset or liability that are not based on observable market data (that is, unobservable inputs).

Investments measured at fair value through profit and loss comprise investments in bonds and funds investing in UK stocks. The fair value is determined by reference to their market price.

Derivative financial instruments are interest rate swaps designed to hedge the interest rate risk associated with the variability of cashflows on variable rate loans. All of the Group's derivatives are carried at fair value. Fair value measurement is provided by the Group's external advisors and is categorised as Level 2. The valuation techniques include discounted cash flow pricing models with observable inputs. The most significant inputs into those models are interest rate yield curves, developed from publicly quoted rates and market available information. All valuations have been compared to similar market transactions or alternative third-party pricing services to ensure current market conditions are properly represented.

For all other financial instruments fair value equates to book value.

C. Hedge accounting

Periods in which the cash flows associated with hedge accounting are expected to occur.

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Interest rate swaps				
In one year or less	**6,355**	7,586	**6,290**	7,491
Between one and two years	**5,865**	6,031	**5,865**	5,992
Between two and three years	**4,890**	4,677	**4,890**	4,677
Between three and five years	**8,767**	7,262	**8,767**	7,262
In five years or more	**16,846**	11,710	**16,846**	11,710
Total	**42,723**	37,266	**42,658**	37,132
Nominal values of the above				
Cash flow hedge	**244,586**	252,077	**236,586**	240,577
Fair value	**—**	—	**—**	—
Total	**244,586**	252,077	**236,586**	240,577

D. Risk

The main risks arising from the from the Group's financial instruments are liquidity risk, interest rate risk, credit and counterparty risk, and market risk.

Liquidity Risk
The Group will ensure it has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it all times to have the level of funds available to it which are necessary for the achievement of its business objectives.

The Group has a policy to maintain sufficient liquidity:

i) In cash to cover the next one months forecast net cash requirement;

ii) In cash and committed loan facilities capable of immediate drawdown to cover the next twelve months forecast net cash requirement, including an estimate of cash collateral requirements;

iii) In cash and committed loan facilities (whether or not capable of immediate drawdown) to cover the higher of committed development spend and the next eighteen months forecast net cash requirement, including an estimate of cash collateral requirements.

Interest Rate Risk
The Group has a policy of managing its exposure to fluctuations in interest rates so as to minimise any detrimental impact on its budgeted expenditure and income levels. In respect of its borrowings the Group is risk adverse and will endeavour to ensure that its borrowings contain a mix of fixed and variable interest rate structures. The optimum mix will be determined in the Annual Treasury Strategy.

Variable rates include borrowing linked to LIBOR and borrowings linked to an index. Fixed rate interest includes borrowing in relation to which the interest rate has been fixed in excess of twelve months.

The Chief Financial Officer is responsible for monitoring the Group's interest rate risk exposures and in managing this risk they will pay due regards to:
— Minimising the risk of future covenant breach;
— Current interest rate levels and the structure of the interest rate market;
— Current interest rates and inflation compared with historic trends;
— Anticipated future trend movements;
— The impact on revenue of estimated movements in interest rate and inflation trends;
— Sensitivity of revenue to movement in interest rates and inflation trends; and
— Policy and/or budgetary implications.

The Group has adopted the wider constitutional rule permitting the use of interest rate derivatives to manage its interest rate exposures. The Group will only use derivatives for managing interest rate and inflation risk and not for speculative purposes. All derivative transactions will be subject to standard ISDA documentation.

The Chief Financial Officer will monitor the mark to market of derivatives and ensure sufficient security is available to meet any requirements.

Credit and Counterparty risk
Credit risk applies to all debtor balances, the majority relating to tenant and other arrears. There are dedicated teams assigned to manage the recovery of these arrears which are reported monthly as one of the Group's key performance indicators.

The Group Treasury Policy specifies minimum credit ratings for counterparties. The Chief Financial Officer monitors the credit quality of all counterparties and if the credit rating of a counterparty is downgraded below the minimum requirement it is reported to the Group Board with appropriate recommendations, which might include proposals to cease investing surplus funds, to refinance loans or unwind a derivative position.

If possible the Group will spread transactions over a number of financial institutions at a level appropriate to their efficient management.

Market Risk
The Group seeks to ensure that its treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will seek to protect itself from the effects of such fluctuations.

19 Deferred income

Deferred income represents the amount received in excess of nominal value of the bond. This includes £6.5m for the AHF Bond and £0.8m for the £25m THFC loan. These amounts are being released over the life of the loan and the balances at 31 March 2017 are £6.2m and £0.6m respectively.

20 Share capital

	Group and Association	
	2017	2016
	£	£
At 1 April 2016	**15**	14
Appointed in year	**13**	3
Resigned in year	**(6)**	(2)
At 31 March 2017	**22**	15

21 Reconciliation of operating surplus to net cash inflow from operating activities

	Group 2017 £'000	2016 £'000
Operating surplus	**80,051**	72,812
Depreciation and impairment	**30,237**	32,841
Increase in other debtors and prepayments	**(27,996)**	(35,407)
Increase in other creditors and accruals	**19,456**	10,707
Decrease in rent arrears	**(443)**	(282)
Fixed asset disposals	**33,712**	16,274
Amortisation of Grant	**(11,979)**	(11,188)
Net cash inflow from operating activities	**123,038**	85,757

22 Reconciliation of net cash flow to movement in net debt

	Group 2017 £'000	2016 £'000
Increase in cash in the year	**34,524**	9,722
Increase in loans	**(1,533)**	(27,131)
(Decrease)/increase in liquid resources	**(5,522)**	(11,017)
Change in net debt resulting from cash flows	**27,469**	(28,426)
Movement on investment	**—**	—
Release of finance costs	**1,586**	3,390
	29,055	(25,036)
Net debt at 1 April 2016	**(694,368)**	(669,332)
Net debt at 31 March 2017 (see note 23)	**(665,313)**	(694,368)

23 Analysis of net debt

	Group			
	1 April 2016 £'000	Cash flows £'000	Other changes £'000	**31 March 2017 £'000**
Cash at bank and in hand	34,403	34,524	—	**68,927**
Loans due within one year (see note 15)	(10,226)	12,779	(46,964)	**(44,411)**
Loans due after one year (see note 17)	(774,867)	(14,312)	48,550	**(740,629)**
Current asset investments (see note 12B)	56,322	(5,522)	—	**50,800**
Total	(694,368)	27,469	1,586	**665,313**

24 Capital commitments

	Group and Association	
	2017 £'000	2016 £'000
Capital expenditure that has been contracted for but which has not been provided for in the financial statements	**41,813**	50,140
Capital expenditure that has been authorised by the Board but which has not yet been contracted for	**9,744**	4,046
Income to be generated from the above expenditure contracted not provided for	**24,290**	19,246
Income to be generated from the above expenditure authorised by the Board	**3,001**	330

The remaining commitments will be fully financed from internal cash resources and existing loan facilities as required.

25 Financial commitments

At 31 March 2017 commitments under non-cancellable operating leases were as follows:

	Group			
	2017		2016	
	Land & buildings £'000	**Other £,000**	Land & buildings £'000	Other £,000
Expiring within one year	**44**	**195**	9	818
Expiring between one and five years	**205**	**229**	1,003	539
Expiring in five or more years	**1,643**	**236**	6,583	2,502
	1,892	**660**	7,595	3,859

	Association			
	2017		2016	
	Land & buildings £'000	**Other £,000**	Land & buildings £'000	Other £,000
Expiring within one year	**32**	**186**	—	791
Expiring between one and five years	**110**	**211**	909	532
Expiring in five or more years	**1,643**	**230**	6,383	1,926
	1,785	**627**	7,292	3,249

26 Pension information

i) The Riverside Group Pension Scheme

The Riverside Group operates a pension scheme providing benefits based on final pensionable pay. The contributions are determined by an independent qualified actuary on the basis of triennial valuation using the projected unit method. The most recent formal valuation was 31 March 2014. This has been updated for FRS 102 purposes to 31 March 2017 by an independent qualified actuary. The assumptions used are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

	2017	2016
Inflation CPI	**2.7%**	2.3%
Rate of discount on scheme liabilities	**2.5%**	3.5%
Rate of salary increase	**2.7%**	2.4%
Rate of increase of pensions in payment	**3.3%**	3.1%
Rate of increase of deferred pensions	**2.7%**	2.3%
Life expectancy male non-pensioner	**24.6**	25.5
Life expectancy female non-pensioner	**26.8**	26.7
Life expectancy male pensioner	**22.8**	22.7
Life expectancy female pensioner	**24.9**	24.8

The Minister for Pensions announced on 8 July 2010 the Government's intention to move to using the Consumer Prices Index (CPI) rather than Retail Prices Index (RPI) as the inflation measure for determining minimum pension increases to be applied to the statutory index-linked features of retirement benefits. As a result CPI has been applied to future deferred revaluations, salary increases and increases to Guaranteed Minimum Pensions (GMP). RPI continues to be applied to CARE revaluations and increases to pensions in excess of GMP.

The fair value of the scheme's assets at 31 March 2017, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2017 £'000	2016 £'000
Fair value of assets	**156,100**	129,000
Present value of liabilities	**(169,800)**	(133,800)
Deficit in the scheme	**(13,700)**	(4,800)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2017 were:

	2017 £'000	2016 £'000
Market value		
Equities	**87,400**	74,433
Index Linked Gilts	**16,600**	11,223
Cash	**2,500**	8,256
Other	**49,600**	35,088
Total	**156,100**	129,000

	2017 £'000	2016 £'000
Analysis of the amount charged to operating profit		
Current service cost	**—**	4,200
Past service cost and curtailments	**—**	(1,300)
Total operating charge	**—**	2,900

	2017 £'000	2016 £'000
Analysis of the amount credited to interest receivable		
Interest on assets	**4,400**	4,100
Interest on pension liabilities	**(4,600)**	(4,400)
Net return	**(200)**	(300)

26 Pension information – continued

	2017 £'000	2016 £'000
Movement in (deficit)/surplus during year		
Deficit in scheme at beginning of the year	**(4,800)**	(12,700)
Movement in year:		
Current service cost	**—**	(4,200)
Past service cost	**—**	1,300
Contributions	**800**	10,400
Other finance income	**(200)**	(300)
Remeasurements	**(9,500)**	700
Deficit in scheme at end of the year	**(13,700)**	(4,800)

	2017 £'000	2016 £'000
Amount recognised in Other Comprehensive Income (OCI)		
Net interest	**25,200**	(5,500)
Experienced (losses)/gains arising on the scheme liabilities	**(34,700)**	6,200
Changes in assumptions underlying the present value of the scheme liabilities	**—**	—
Remeasurements	**(9,500)**	700

	2017	2016
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**25,200**	(5,500)
% of scheme assets	**16.1%**	(4.26%)
Experienced gains/(losses) on liabilities (£'000)	**(34,700)**	6,200
% of scheme liabilities	**(20.4%)**	4.63%
Total amount recognised in (OCI) (£'000)	**(9,500)**	700
% of scheme liabilities	**(5.6%)**	0.52%

26 Pension information – continued

	2017 £'000	2016 £'000
Reconciliation of assets		
Assets at beginning of period	**129,000**	122,100
Employer contributions	**800**	10,400
Employee contributions	**—**	1,300
Benefits paid	**(3,300)**	(3,400)
Interest on assets	**4,400**	4,100
Asset performance	**25,200**	(5,500)
Assets at end of period	**156,100**	129,000
Reconciliation of liabilities		
Projected benefit obligation at the beginning of period	**133,800**	134,800
Operating charge	**—**	2,900
Interest cost	**4,600**	4,400
Employee contributions	**—**	1,300
Benefits paid	**(3,300)**	(3,400)
Actuarial gain/(loss)	**34,700**	(6,200)
Change in assumptions	**—**	—
Projected benefit obligation at end of period	**169,800**	133,800
Recognition of surplus		
Deficit brought forward	**(4,800)**	(12,700)
Finance income	**(200)**	(300)
Net interest	**25,200**	(5,500)
Actuarial (loss)/gain	**(34,700)**	6,200
Contribution gain	**800**	7,500
Deficit carried forward	**(13,700)**	(4,800)

26 Pension information – continued

ii) Other defined benefit pension schemes
During the year the Riverside Group also made contributions to other defined benefit pension schemes: Merseyside Pension Fund, East Riding Pension Fund, Cumbria Local Government Pension Scheme and Strathclyde Pension Fund.

At 31 March 2017 the Group ceased accrual to the Cumbria and Strathclyde Pension Funds.

The most recent actuarial valuations of these schemes have been updated for FRS 102 purposes by independent qualified actuaries. The disclosures represent the Group's share of the overall scheme's assets and liabilities.
The assumptions used, which have been combined on a weighted average basis on asset values, are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

	2017	2016
Inflation CPI	**2.3%**	2.1%
Rate of discount on scheme liabilities	**3.0%**	3.5%
Rate of salary increase	**3.5%**	3.7%
Rate of increase of pensions in payment	**2.3%**	2.1%
Rate of increase of deferred pensions	**2.3%**	2.2%
Life expectancy male non-pensioner	**24.6**	24.7
Life expectancy female non-pensioner	**27.1**	27.4
Life expectancy male pensioner	**22.2**	22.3
Life expectancy female pensioner	**24.5**	24.7

The Chancellor of the Exchequer announced on 22 June 2010 as part of the Emergency Budget that with effect from April 2011 public service pensions would have their pension increases calculated by reference to CPI rather than RPI. The majority of local government pension schemes have taken the view that a constructive obligation to increase pensions in line with RPI exists and as a result the change was regarded as a change in benefits and was shown in 2011 as a credit to past service cost.

The fair value of the schemes' assets at 31 March 2017, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the schemes' liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2017 £'000	2016 £'000
Fair value of assets	**10,122**	46,984
Present value of liabilities	**(12,830)**	(49,697)
Deficit in the schemes	**(2,708)**	(2,713)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2017 were:

	2017 £'000	2016 £'000
Market value		
Equities	**5,761**	26,721
Fixed Interest Gilts	**344**	5,781
Index Linked Gilts	**1,150**	4,408
Property	**816**	5,110
Other	**1,705**	2,573
Cash	**346**	2,391
Total	**10,122**	46,984

	2017 £'000	2016 £'000
Analysis of the amount charged to operating profit		
Current service cost	**206**	1,116
Past service cost	**—**	151
Total operating charge	**206**	1,267

	2017 £'000	2016 £'000
Analysis of the amount credited to other interest receivable		
Interest on assets	**285**	1,517
Interest on pension liabilities	**(336)**	(1,705)
Net return	**(51)**	(188)

26 Pension information – continued

	2017 £'000	2016 £'000
Movement in deficit during year		
Deficit in scheme at beginning of the year	**(2,713)**	(5,743)
Movement in year:		
Schemes exited in year	**1,278**	161
Current service cost	**(206)**	(1,116)
Past service cost	**—**	(151)
Contributions	**226**	907
Other finance (expenditure)/income	**(51)**	(188)
Remeasurements	**(1,242)**	3,417
Deficit in scheme at end of the year	**(2,708)**	(2,713)

	2017 £'000	2016 £'000
Amount recognised in Other Comprehensive Income (OCI)		
Net interest	**1,727**	(699)
Experienced gains/(losses) arising on the scheme liabilities	**(2,969)**	4,116
Changes in assumptions underlying the present value of the scheme liabilities	**—**	—
Remeasurements	**(1,242)**	3,417

	2017	2016
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**1,727**	(699)
% of scheme assets	**17.1%**	(1.49%)
Experienced gains/(losses) on liabilities (£'000)	**(2,969)**	4,116
% of scheme liabilities	**(23.1%)**	8.28%
Total amount recognised in OCI (£'000)	**(1,242)**	3,417
% of scheme liabilities	**(9.7%)**	6.88%

26 Pension information – continued

	2017 £'000	2016 £'000
Reconciliation of assets		
Assets at beginning of period	**46,984**	51,329
Schemes exited in year	**(38,976)**	(4,691)
Employer contributions	**226**	907
Employee contributions	**55**	250
Benefits paid	**(179)**	(1,629)
Interest on assets	**285**	1,517
Asset performance	**1,727**	(699)
Assets at end of period	**10,122**	46,984
Reconciliation of liabilities		
Projected benefit obligation at beginning of period	**49,697**	57,072
Schemes exited in year	**(40,254)**	(4,852)
Operating charge	**206**	1,267
Interest cost	**336**	1,705
Employee contributions	**55**	250
Benefits paid	**(179)**	(1,629)
Remeasurements	**2,969**	(4,116)
Projected benefit obligation at end of period	**12,830**	49,697
Recognition of surplus		
Deficit brought forward	**(2,713)**	(5,743)
Schemes exited in year	**1,278**	161
Finance income	**(51)**	(188)
Net interest	**1,727**	(699)
Remeasurements	**(2,969)**	4,116
Contribution (loss)/gain	**20**	(360)
Deficit carried forward	**(2,708)**	(2,713)

(iii) Defined contribution pension schemes

The Riverside Group also contributes to defined contribution schemes. The cost for the year was £3.2m (2016: £1.3m).

26 Pension information – continued

(iv) The Social Housing Pension Scheme

From August 2013 the defined contribution scheme is the vehicle the organisation uses for Auto Enrolment. The scheme is split into two separate sections with auto enrolment contribution rates currently set at employer 4 %, employee 1 % and enhanced rates of employer 9 %, employee 6 % with an exclusive tier for eligible members of employer 12 %, employee 9 %.

Following the closure of the Riverside Group Pension Scheme members transferred to the SHPS defined contribution scheme.

As at the balance sheet date 499 employees of the Group were active members of the SHPS Defined Contribution scheme with rates set at employer 12 %, employee 9 %, 359 members with rates set at employer 9 %, employee 6 % and 1,134 members in the Auto Enrolment Scheme.

It is not possible in the normal course of events to identify, on a consistent and reasonable basis, the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 102 represents the employer contribution payable.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustees of SHPS. The debt is due in the event of the employer ceasing to participate in SHPS or on the winding up of SHPS.

The debt for SHPS as a whole is calculated by comparing the liabilities for SHPS (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) versus the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The amount of the debt therefore depends on many factors including total liabilities, investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2014 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £3,123 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70 %.

Both the Final Salary and CARE sections of the Defined Benefit Scheme were closed for future accrual on 31 March 2016.

SHPS deficit payment agreement

The association has a contractual obligation under an agreement to pay additional deficit payments to SHPS of £1.2m per annum for 12 years to 2026. During the year the Riverside Group contributed £1.8m.

In calculating the net present value of the liability included within provisions the association has used a discount rate based on a market rate AA corporate bond for the same period as the contractual obligations.

	Group	
	2017	2016
	£,000	£,000
At start of the year	**16,255**	11,861
Deficit contributions paid	**(1,846)**	(1,286)
Interest for the year	**313**	215
Impact of changes in assumptions	**451**	(104)
Amendments to the contribution schedule	**—**	5,569
	15,173	16,255

27 Contingent liabilities

As at 31 March 2017, The Riverside Group had a contingent liability totalling £0.3m (2016: £0.3m) in respect of its entire holding of 8¾% Treasury Stock 2018. This stock is held by the Trustee for Funding For Homes Limited, subject to certain rights, and could be sold should a fellow borrower fail to service the interest or repay the stock.

Following the demolition of properties on certain sites in 2010 the related grant has been written back and a contingent liability to a maximum of £2.1m (2016: £2.1m) exists in respect of this grant; in the unlikely event of the sale of the land, the grant becomes repayable to the extent of any surplus generated on the sale.

During 2015, £8.8m government grant was recognised, arising from a stock acquisition from another social landlord. This grant is recyclable in the event of the housing properties being disposed. A further acquisition in 2017 resulted in £0.5m additional recyclable grant.

The Group has performance bonds with Barclays Bank totalling £25k (2016: £25k).

Riverside Estuary Limited is engaged in a commercial dispute with a supplier. The companie's legal advisors do not consider the supplier is entitled to relief and/or compensation as a consequence no provision has been made in the financial statements as no material losses are expected to arise.

28 Provisions for liabilities and charges

		Group and Association	
		2017	2016
		£'000	£'000
Improvement programmes	(i)	**11,312**	11,720
Pension liabilities	(ii)	**16,408**	7,513
Target operating model implementation		**4,918**	7,000
Other		**229**	229
At 31 March 2017		**32,867**	26,462

(i) Improvement programmes
A provision of £6.7m (2016: £6.8m) has been made in respect of The Riverside Group's outstanding contractual and statutory commitment to carry out improvement work, in addition to a further £4.6m (2016: £4.9m) for Fire Risk Assessment works.

(ii) Pension liabilities
In line with the full adoption of FRS 17 'Retirement Benefits' the net deficit on The Riverside Group Pension Scheme and Local Authority funds are recognised as a liability on the balance sheet (note 26).

29 Accommodation in management and development

	Group 2017 Number	Group 2016 Number	Association 2017 Number	Association 2016 Number
Social housing ownership				
General housing social rent	**31,444**	33,432	**29,277**	31,262
Intermediate rent	**252**	263	**252**	263
Affordable rent	**5,821**	4,145	**5,821**	4,145
Housing for older people	**4,738**	4,786	**4,696**	4,786
Supported housing	**4,164**	4,281	**4,164**	4,240
Care homes	**271**	264	**271**	264
Leasehold where purchaser owns less than 100%	**1,476**	1,617	**1,476**	1,617
Leasehold where purchaser owns 100%	**1,012**	847	**1,012**	847
Total social housing owned	**49,178**	49,635	**46,969**	47,424
Social housing management only				
General housing social rent	**1,199**	1,208	**1,199**	1,208
Supported housing	**199**	118	**185**	118
Leasehold where purchaser owns less than 100%	**44**	19	**44**	19
Leasehold where purchaser owns 100%	**85**	110	**85**	110
Total managed	**1,527**	1,455	**1,513**	1,455
Non-social housing				
Rented owned	**354**	358	**354**	358
Rented managed for others	**8**	2	**8**	2
Leased owned	**549**	821	**549**	821
Leased managed for others	**994**	674	**994**	674
Total non-social housing	**1,905**	1,855	**1,905**	1,855
Total stock	**52,610**	52,945	**50,387**	50,734
Accommodation in development at the year end	**751**	1,317	**629**	890

30 Related party transactions

One Board member of The Riverside Group Limited is a tenant of The Riverside Group Limited. Their tenancy is on normal commercial terms, and they cannot use their position to their advantage. There are no other related party transactions.

The Riverside Group Limited provides a number of central services for its subsidiaries including unregulated entities Prospect (GB) Limited and Evolve Facility Services Limited and these are recharged accordingly.

Evolve Facility Services Limited is a wholly owned subsidiary which performs maintenance services for the Group. Its income is derived entirely from the repair contracts it has in place with the Group.

During the year the parent association, The Riverside Group Limited, transacted with its subsidiary undertakings as follows:

	2017 £'000	2016 £'000
Net payments to/(from) related entities		
Caribou Green Warmth LLP	**—**	100
The Compendium Group Limited	**(3,948)**	500
Evolve Facility Services Limited	**40,418**	37,818
Irvine Housing Association Limited	**(2,885)**	(1,750)
Prospect (GB) Limited	**5,214**	2,412
Riverside Consultancy Services Limited	**33,882**	37,312
Riverside Finance plc	**—**	38
Riverside Estuary Ltd	**(4,349)**	1,078
Circle Limited	**83**	—
Total	**68,415**	77,508

31 Goodwill

Goodwill arose on the acquisition of Evolve Facility Services Limited on 1 December 2011, £4.3m cost less amortisation of £4.3m to date, balance as at 31 March 2017 £0m (2016 : £0.5m).

Get in touch or find out more

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A charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014

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