Riverside

Financial Statements

Year ended 31 March 2018
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 2017/18 we achieved the following:

We are building

845

New homes and extra care units built

Last year: 841

Raising performance

£4,337

Cost Per Unit

Last year: £4,880

We are renewing

£124m

Capital expenditure

Last year: £110m

We are connecting

45.6%

% of service transactions accessed by customers online

Last year: 38.1%

Effective business

32.6%

Gearing

Last year: 34.5%

Effective business

£10.1m

Transformation investment

Last year: £3.5m

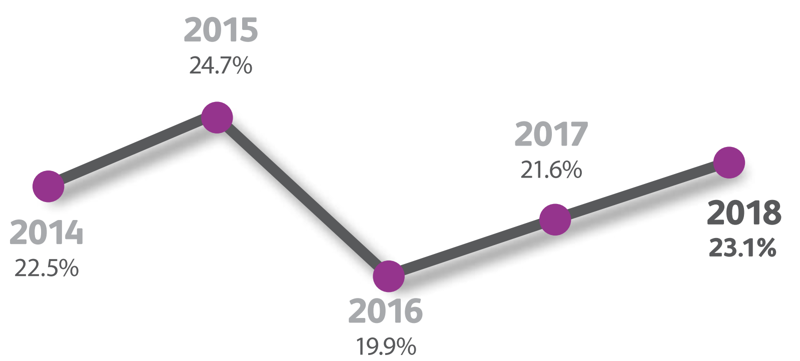
02. Five year summary of financial highlights

Five year summary of financial highlights

For the year ended 31 March Group		2014	2015	2016	2017	**2018**
Statement of comprehensive income						
Turnover	£'000	303,933	325,977	365,598	370,051	**346,160**
Operating surplus	£'000	68,377	80,549	72,812	80,051	**80,007**
Operating surplus as a percentage of turnover	%	22.5%	24.7%	19.9%	21.6%	**23.1%**
Surplus on ordinary activities before tax	£'000	49,126	48,052	50,087	69,850	**60,071**
Surplus as a percentage of turnover	%	16.2%	14.7%	13.7%	18.9%	**17.4%**
Statement of financial position						
Tangible assets	£'000	1,835,516	1,750,256	1,778,548	1,793,785	**1,835,975**
Loans repayable after more than one year	£'000	681,846	749,810	774,867	740,629	**749,595**
Reserves	£'000	311,132	334,835	389,843	450,931	**518,121**
Accommodation figures						
Total housing stock owned and managed	Units	52,980	53,164	52,945	52,610	**52,942**
New homes built	Units	713	689	750	841	**845**

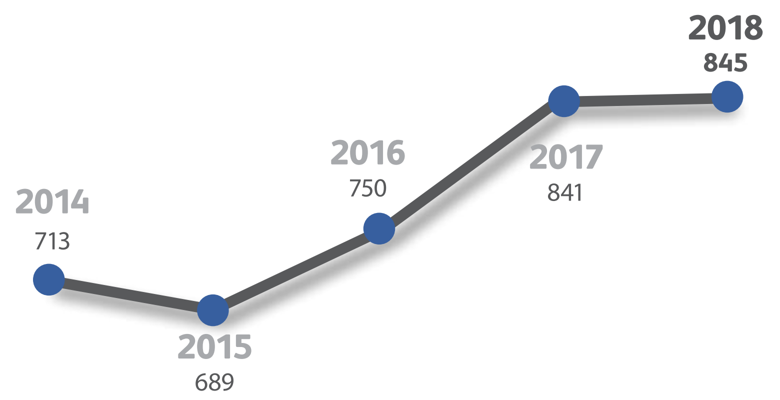
Operating surplus as a percentage of turnover

Operating surplus has increased in 2018 as the Group continues to respond to the challenges presented by the government spending review.



New homes built

Riverside is committed to increasing its investment in new homes and 2018 once again saw an increase in the number of homes built.

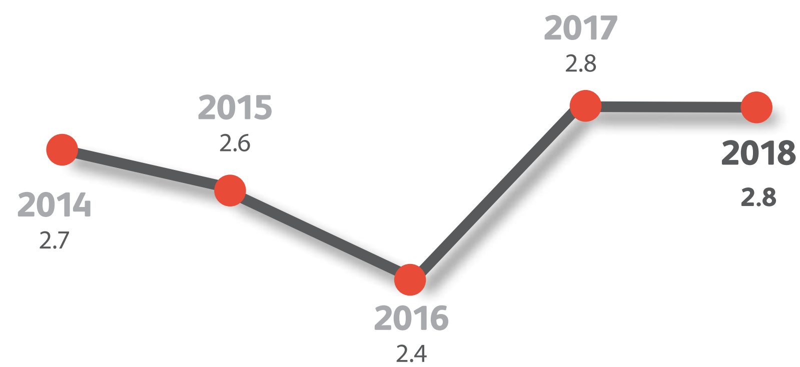


For the year ended 31 March Group		2014	2015	2016	2017	**2018**
Key ratios						
Voids and bad debts – Group (as % of net rental income)	%	2.5	2.4	2.0	2.0	**2.7**
Rent and service charge arrears – Group (as a % of net rent and service charge receivable)	%	4.1	2.9	2.9	3.1	**4.1**
Interest cover – Association (operating surplus plus property depreciation, amortisation and grant divided by net interest payable)		2.7	2.6	2.4	2.8	**2.8**
Gearing – Association (loans as % of properties)	%	36.5	38.2	36.0	34.5	**32.6**

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

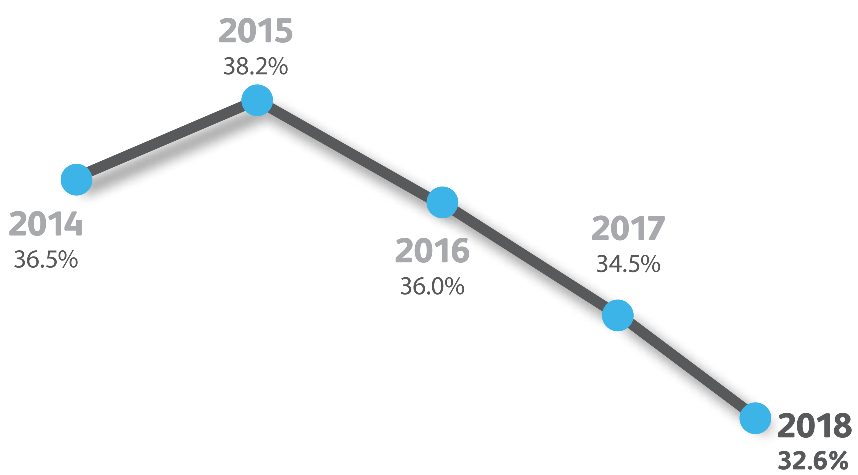
Interest cover

Interest cover has been maintained, despite an increase in interest.



Gearing

The Association's gearing fell due to a reduction in borrowing and an increase in the value of property.
note: gearing calculation based on funder covenant definition



03. The Board, Executives and Advisors

The Board, Executives and Advisors

Group Board

*Co-opted Board Member

Max Steinberg CBE
Group Chair

Pauline Davis
Group Vice Chair

Susan Jee
Group Treasurer

Tim Croston

Jonathan Dale

Ingrid Fife

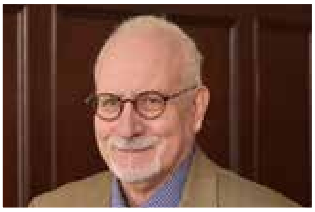
Carol Matthews*

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/about-us/our-team**



Victor Andrews
Tenant observer

Executive Directors

(Left to right)

Carol Matthews
Group Chief Executive

John Glenton
Executive Director, Care and Support

Léann Hearne
Executive Director, Shared Services

Ian Gregg
Executive Director, Asset Services

Cris McGuinness
Chief Financial Officer

(not pictured)

John Wood (retired 30 April 2018)
Executive Director, Neighbourhood Services

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

Andy Gladwin (resigned 9 May 2018)

Tom Ferguson (appointed 10 May 2018)

2 Estuary Boulevard
Estuary Commerce Park
Liverpool
L24 8RF

Registered Numbers

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

Homes England
Registered Number: L4552

Details of Board Member resignations and appointments for the period 1 April 2017 to 21 August 2018 are listed on page 40.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04. Group Chair's introduction

Group Chair's introduction

During 2018, we will celebrate our 90th birthday. We hope that our founders would be proud of how we've taken the modest resources they secured in 1928 and built a national organisation capable of helping more than 50,000 households at any one time.

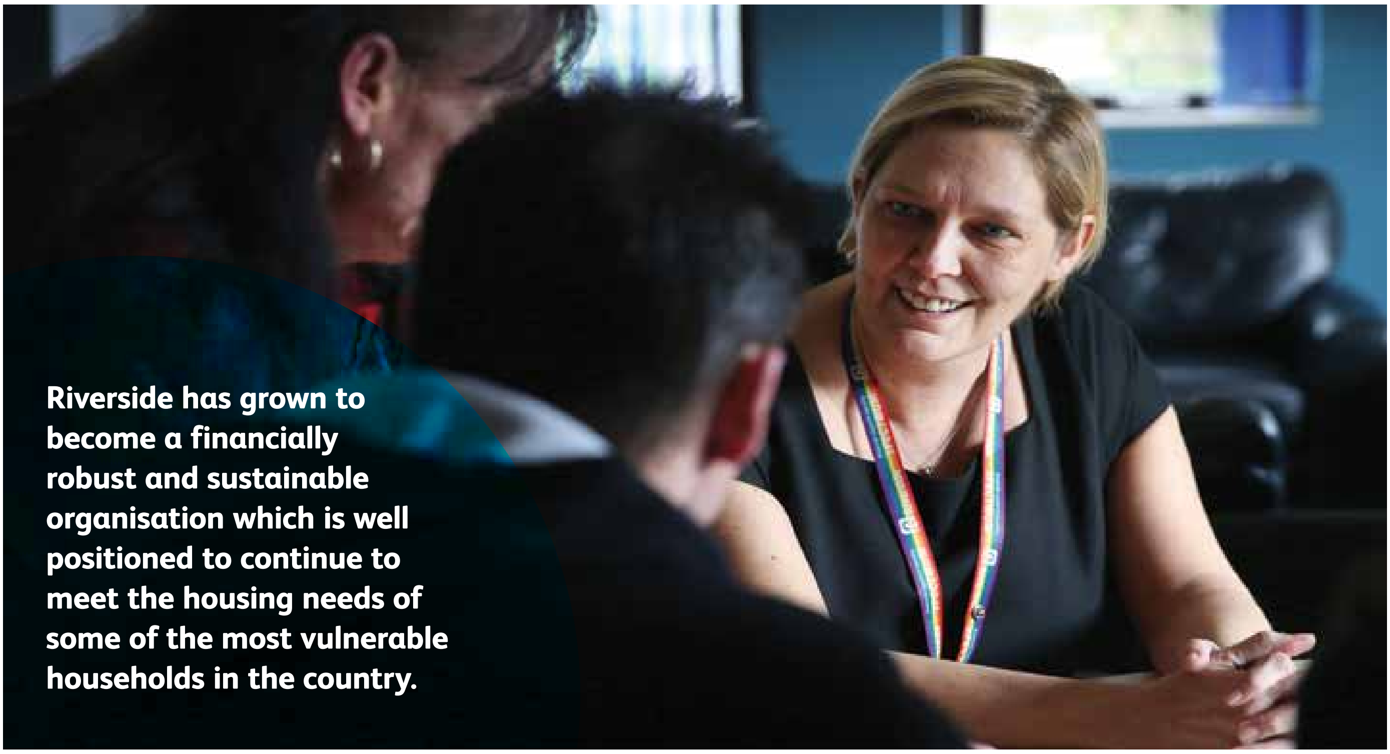
Welcome to The Riverside Group's Financial Statements for the year ended March 2018.
Thank you for taking the time to read them.

As usual the statements set out our statutory accounts, as well as providing a more reflective overview of strategic, operational and financial performance. However this year our format is slightly different, in that we are addressing the new requirements set out in The Regulator of Social Housing's revised Value for Money Standard and associated Code of Practice. No longer are we publishing a separate self-assessment document, but rather we are setting out our achievements against the seven mandatory metrics defined by the Regulator, as well as a range of other strategic measures drawn from our Corporate Plan, to provide a rounder picture of our performance. We have always tried to set out a balanced account of the value for money that Riverside offers, which is aligned with our corporate priorities. However, we hope the new approach provides a more succinct and comparable summary.

During 2018, we will celebrate our 90th birthday, and these statements demonstrate that Riverside has grown to become a financially robust and sustainable organisation which is well positioned to continue to meet the housing needs of some of the most vulnerable households in the country. Looking back, our fundamental mission and social purpose have changed very little – it is the scale at which we operate and the means we use that are different. We hope that our founders would be proud of how we've taken the modest resources they secured in 1928, and built a national organisation capable of helping more than 50,000 households at any one time. I sense that our outlook is very much in tune with the deep reflections that the wider sector has been engaged in, following the terrible Grenfell Tower tragedy just over a year ago. A number of high profile reviews and commissions have been established, and Riverside has played an active role in shaping their thinking, to ensure that social purpose remains at the very heart of social housing going forward.

Of course we are only able to achieve what we do by building an organisation which is adaptable, robust and resilient; one that is operated in the long-term interests of our beneficiaries, given the ongoing risks we face. This means that financial strength is a crucial means to an end, and these statements demonstrate how we have created a business worth over £2 billion, with underlying operating surpluses that enable us to reinvest in more homes and better services. Our financial reserves are over £500m and this strength continues to be recognised externally, with credit rating agency Moody's continuing to rank Riverside amongst a handful of the country's most attractive associations to funders, with an A1 rating.

This financial strength needs to be used purposefully, and a year ago we adopted a new three year plan for Riverside, setting out ambitions to step up housing supply, improve our service offer to customers and close the gap between our best and worst performing neighbourhoods. A year on and we are making good progress and we use these pages to account for the outcomes we are achieving.



We are looking forward to welcoming Impact Housing Association into the Riverside Group as a subsidiary. It is testament to the quality of relationships built and joint endeavors that this partnership has progressed through a focused period of due diligence to enable both Boards to approve the joining together of two organisations which will unlock significant investment for tenants homes in Cumbria.

None of our achievements could be secured without the highest standards of Governance at Riverside – something that continues to be recognised by the Regulator. We have been able to establish and maintain a passionate and skilful group of non-executives who are committed to the values of Riverside, and who support a highly skilled executive team. Collectively, they combine a long-term strategic outlook with real attention to detail, as they seek assurance about investment opportunities and performance. These statements are a tribute to their tireless dedication and wisdom.

Max Steinberg CBE
Group Chair

05. Group Chief Executive's statement

Group Chief Executive's statement

Balancing a clear social purpose with commercial behaviours is not new to Riverside. We're broadly on course to deliver our objectives, though there will inevitably be challenges ahead.

The publication of our 2018 Financial Statements comes at a moment of significant opportunity for Riverside and the wider social housing sector. Over the years we have tended to focus on the gathering clouds of increasing risk, whether associated with Brexit, the squeeze on customer incomes through ongoing welfare reform, and reducing Government investment in homes and services. Whilst these are still very real, the stock of social housing, and housing associations in particular, is rising. Government has set itself an ambitious target of building 300,000 new homes each year, practically doubling current levels of output, and sees housing associations as having a significant role to play, both through providing traditional products such as social rented housing and affordable homes for sale for those locked out of the housing market.

The gauntlet has been laid down, presenting a unique chance for the sector to show what it can deliver. This growth agenda needs to be balanced with other objectives, as the call for housing associations to reaffirm their social purpose and offer greater transparency and accountability gets louder. Balancing a clear social purpose with commercial behaviours is not new to Riverside, and we have attempted to reconcile these through the Corporate Plan we agreed a year ago and on which we report progress in these statements.

We're broadly on course to deliver our objectives, though there will inevitably be challenges ahead. During last year we completed over 845 new homes, the highest number in the recent history of Riverside, fitting for such a significant birthday year. Our affordable rental programme has been particularly strong, but it is clear that our commercial housebuilding is not delivering at the level we originally planned, with sales around 15% below target. We know that if we are to achieve our own target of doubling the number of homes built over the plan period, we will need to find new delivery vehicles such as Joint Ventures and partnerships, maximising opportunities to enter deals with Homes England.

At the same time, we are relentlessly implementing our ambitious approach to service transformation, resulting in an improvement in customer satisfaction by more than a third over the year (as measured by our net promoter score), delivered at a reduced cost. Our new front line service model has been rolled out across our neighbourhoods, with 40% more housing officers on the ground, backed by an efficient shared service centre and a new on-line customer self-service portal for repairs ordering which is being trialled in over 3,500 households. We are also proud to continue to grow our care and support services. Tackling the rising tide of homelessness is central to our strategy, and

Following a competitive process, we were selected as preferred partner by Impact Housing Association, and I am delighted that they have now chosen to join the Group as a subsidiary.

we now provide services to over 10,000 homeless customers each year. We do not see the continuation and growth of these services as optional – they are central to our mission.

In the longer-term, we recognise that there is a role for growth through merger, acquisitions and other forms of constitutional partnership, and we are continuing to develop our approach but only where this will help us meet our strategic objectives. Following a competitive process, we were selected as preferred partner by Impact Housing Association, and I am delighted that they have now chosen to join the Group as a subsidiary. This will immediately unlock significant investment to improve tenants' homes in Cumbria, and provide a longer-term opportunity to develop a more efficient and effective service offer across the whole of the county, as we explore the integration of Impact's operations with our own in the Carlisle region.

Investment at the scale that we have embarked upon demands a clear financial strategy backed by challenging targets. Whilst these statements demonstrate that our overall position is strong – with excellent liquidity and relatively low borrowing per unit – we remain on a journey to improve our operating margin and reduce our unit costs, where we perform below average for our peers. At Group level, both of these measures have improved over the past year, but there is some way to go.

We are now on our own journey of organisational transformation which will be pivotal to our success. It is only by changing ourselves that we will be able to achieve our fundamental mission of 'transforming lives, revitalising neighbourhoods'.

Carol Matthews
Group Chief Executive


Marketing Suite

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 Regulator of Social Housing, for now the regulatory division of The Homes and Communities Agency, 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: 52,942 units owned and managed

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 first year of our Corporate Plan 2017-20, and are making good progress in delivering our key strategic objectives.

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.

Over the three years of the plan we have set ourselves the following targets:

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.
- Two 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 and Green Papers, the Green Paper for Care & Support, proposals for the future funding of supported housing, voluntary right to buy and roll out of universal credit.

Mitigation – Riverside has a track record as an influencer and opinion former in the sector.

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

The potential impact of Government policy is reflected in the Group's Business Plan through sensitivity analysis and stress testing.

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 landscape and Board approval of all business developments involving significant risk. The strategic risk register is routinely considered by Boards and Committees.

Economy and the housing market

Explanation – As the Group increases the number of new housing starts, it becomes more sensitive to macroeconomic conditions, including uncertainty relating to Brexit and market cooling in London.

Mitigation – The business golden rules have been re-affirmed by Group Board. These are the critical, high priority performance measures which must be maintained and include liquidity, covenant headroom and operating margin.

The Group actively mitigates interest rate risk through hedging.

All development schemes are reviewed by the new Investment Appraisal Committee at a range of gateways including concept, acquisition and completion. This enables a thorough review of each scheme in the context of market changes.

One of the golden rules sets out the maximum investment in commercial activities. The financial results of the commercial entities have full visibility at Group Board.

Funding

Explanation – As at March 2018 the Group has borrowings of £779m. The Group needs to maintain the confidence of the financial markets so that it can raise the additional funding necessary to fulfil its ambitions to increase housing supply. The 2017-20 Corporate Plan includes a commitment to provide 1,500 new homes a year by 2020.

Mitigation – The Group's credit rating was revalidated as A1 by Moody's at the end of 2017.

The business plan underwent exhaustive stress testing and Group Board concluded that the business could withstand a range of adverse scenarios.

The surplus from open market sales is a key dependency given that it contributes cash to underpin the affordable homes programme.

Riverside is financially strong and the ability to provide security against future borrowing is the key limiting factor to its development ambitions.

Transformation

Explanation – Driven by the four years of rent reduction, economic challenges and welfare reform, the Group is over mid-way through an organisational redesign (the Target Operating Model) which is the largest change programme ever attempted at Riverside.

Mitigation – There has been significant investment in business change capability. Risk management is an important element of the business change methodology. The IT transformation programme is on track.

The IT team is demonstrating its ability to deliver complex projects and the first phase of a major upgrade of the core housing management system successfully went live in February 2018.

A new model for the delivery of frontline housing services was implemented in November 2017. Staff have been equipped with the tools and technologies to facilitate agile working. They are supported by a centralised back office team.

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

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 – An asset compliance framework has been rolled out. This includes robust data quality controls, ongoing risk assessment, escalation routines and clear accountabilities. A comprehensive compliance dashboard is scrutinised by the governance community.

A consistent Group wide communal area inspection regime was implemented in the year.

Over the past two years the Group has invested in its information security capabilities including senior appointments and new technologies. In May 2018 the Group was awarded a certificate of assurance that it met the requirements of the UK.Gov Cyber Security Essentials scheme.

Being a responsible business

Riverside is one of the country's largest providers of affordable housing, care and regeneration services. A group of complementary businesses driven by a clear social purpose, our charitable housing association is at our core.

Being a responsible business links closely with our overall vision to transform lives and revitalise neighbourhoods. Our values are also at the heart of what we do, and reflect our strong sense of social responsibility and accountability to our customers. We are people-focused, courageous, trusted and ambitious. We pride ourselves in doing business in an ethical way, whilst respecting the environment.

We have an impressive track record of investing in added-value activities for individuals and wider communities, whilst delivering measurable positive outcomes. Our commitment to being an ethical and social business informs all our activities, we also contribute through specific initiatives, such as those described hereafter.

— **Community**

Our Retirement Living at Home model offers services for a significant number of older customers who live in a general needs home. Over the next three years (2017-20) we have tasked ourselves to help 15% of our older customers to continue living independently in their existing homes. Our provision of extra services to help sustain tenancies, including money advice, has seen customers £15m better off over the last three years (2014-17). Riverside staff raised £100k for our corporate charity, Cancer Research UK.

— **Environment**

Over the past three years (2014-17) we have spent £3m improving public services on our estates. In London we are working with customers to shape multi-million pound improvements on six of our estates. The ambitious, self funded regeneration scheme aims to replace existing homes with new ones that are safer, warmer, more energy efficient, great open spaces are created and community safety improved.

— **Marketplace**

We are making an additional investment (£1m over 2017-20) in our support services, leveraged through new funding streams, including social impact investment. We maintain an ongoing commitment to responsible procurement, with every Pre-Qualification Questionnaire (PQQ) or tender including our standard requirements on social value and responsible business.

— **Workplace**

In May 2017 Riverside signed up to MIND's Employer Pledge, detailing how we would demonstrate our commitment to changing the way we all think and act about mental health in the workplace. This includes; a mental health scenario as part of Equality Analyses for developing/ renewing policies, and a mental health and wellbeing prompt added to all staff one-to-ones meetings, yearly appraisals and back to work interviews.

Our business performance

The Group has a set of strong outcomes in 2017/18 and 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 56 and the notes to the financial statements on pages 66 to 123. The following table provides a summary of the Group's results:

For the year ended 31 March	**2018**	2017
	£m	£m
Group turnover	**346**	370
Operating surplus	**80**	80
Surplus on sale of property	**15**	22
Net interest payable	**(36)**	(34)
Other movements	**1**	2
Surplus for the year before tax	**60**	70
Operating margin %	**23.1%**	21.6%

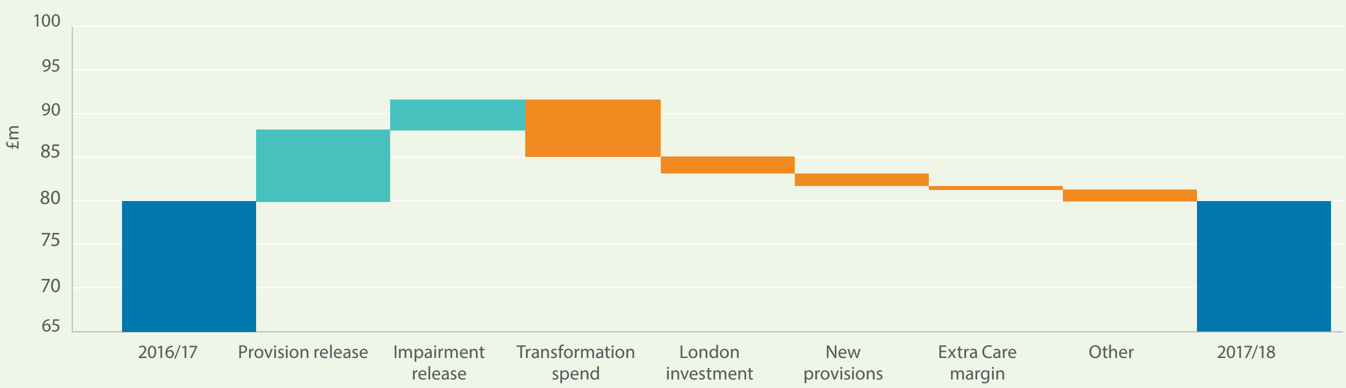
There has been an overall reduction in turnover, primarily as a result of the completion of construction of the Group's Extra Care PFI contract. Turnover from social housing lettings has only fallen by £2.5m despite the impact of the 1% rent reduction. A growth in shared ownership sales of £3.6m was offset by a fall in non-social housing revenue of £5.7m

The contribution from property disposals of £15m reflects the Groups proactive asset management strategy of disposing of housing in local authorities where the Group holds limited stock. The fall in the year is due to a reduction in voluntary right to by sales.

The net interest payable increased as a result of the group paying more interest on bank loans and overdrafts.

The Group has had another year of sound financial performance with the Operating Surplus maintained despite a reduction in Turnover, resulting in an improvement in margin of 1.5% to 23.1%. Despite the apparent lack of movement in the level of Operating Surplus during the year there were a number of large costs absorbed in the year and provisions released. The chart below shows the significant year on year movements.

Movement in Operating Surplus



During the year Operation Surplus benefited from a net £8.9m release of provisions and a net £3.5m release against impairment despite the inclusion of the impairment of a land bank site and properties in London earmarked for demolition and replacement with new build social housing.

The year also saw an £6.6m increase in investment in transformation and a £2.0m increase in the development of London Assets attributable to an increase in professional fees and the impairment provision. Spend in both these areas has the objective of either delivering future savings or future growth. Cost includes £1.2m of new contractual provisions. The other significant elements of the movement were the transition of Extra Care units located in Hull from the construction phase to being fully operational which adversely impacted the surplus by £0.4m and a £0.8m fall across the wider operation.

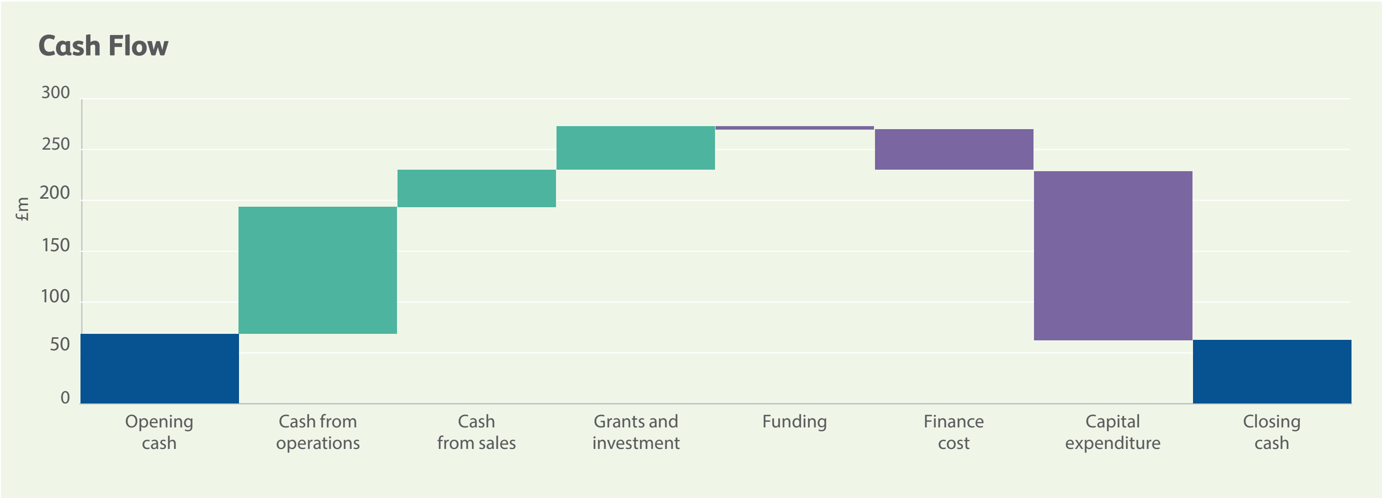
Statement of cash flows

The consolidated statement of cash flows is provided on page 59 and supporting details can be found in the notes to the financial statements on pages 66 to 123. The following table provides a summary of the key elements.

For the year ended 31 March	**2018**	2017
	£m	£m
Operating activities	**125**	123
Returns on investment and servicing of finance	**(41)**	(35)
Capital expenditure	**(124)**	(110)
Proceeds from property sales	**37**	50
Change in short term deposits	**13**	5
Cash inflow/(outflow)	**10**	33
Financing	**(15)**	2
Increase in cash	**(5)**	35

Net cash received from operating activities was £2m higher than the prior year. The cash generated from operations, sales, grants and investments has been used for the supply of new housing, the improvement of existing properties and the purchase of stock from other associations. Capital expenditure was £124m in the year compared to £110m in the previous year.

Proactive asset management remains a key aim with surplus properties being sold allowing the proceeds from sales of £37m to be reinvested in the Groups remaining homes as well as funding further supply of new homes. Cash received from social housing grant and investments amounted to £42m.



Statement of financial position

The consolidated statement of financial position is provided on page 57 and supporting details can be found in the notes to the financial statements on pages 66 to 123. The following table provides a summary of the key elements.

For the year ended 31 March	2018	2017
	£m	£m
Fixed assets and investments	**1,860**	1,832
Debtors receivable after more than one year	**11**	12
Net current assets	**154**	130
Total assets less current liabilities	**2,025**	1,974
Creditors falling due after more than one year	**1,507**	1,523
Reserves	**518**	451
	2,025	1,974
Debt per unit (£'000)	**13.9**	15.1

The surplus generated has resulted in a strengthening of the balance sheet funded by an increase in reserves in addition to a reduction in debt resulting in reduced gearing.

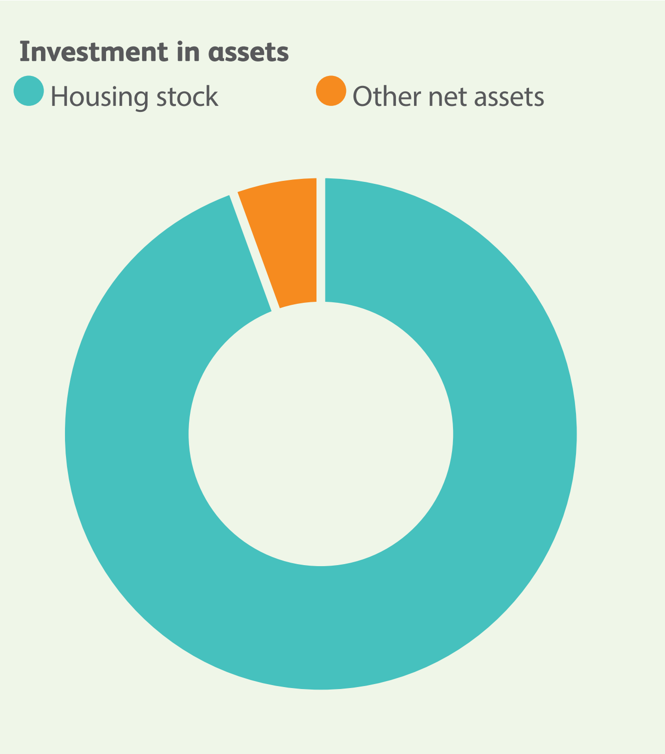
The construction of social housing and shared ownership properties, the purchase of 491 units from Hyde Housing and the continued investment in existing properties and technology increased the value of fixed assets by £42m. This increase was achieved against the backdrop of the ongoing disposals programme referred to earlier.

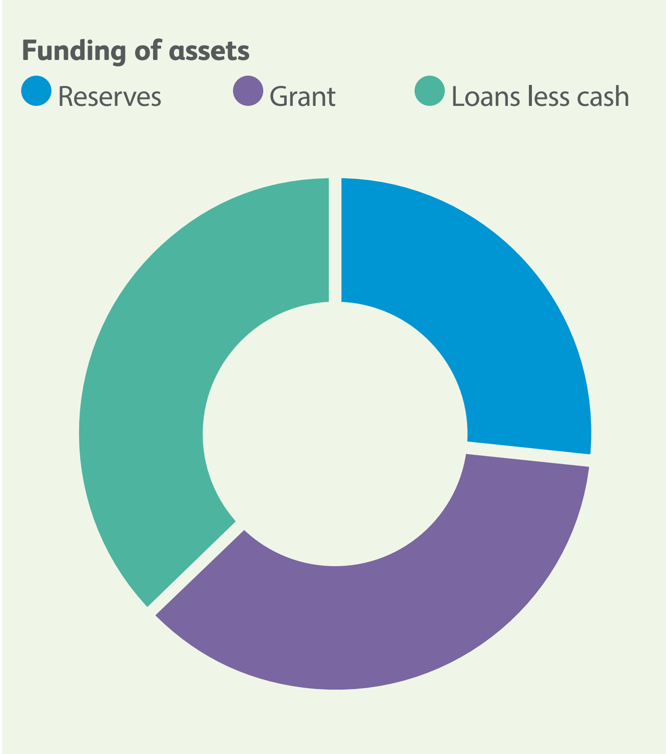
Fixed asset investments have decreased by £14m as a direct result of the disposal of the Commercial Properties portfolio within Prospect.

There have been a number of significant movements within current assets. Investments have reduced by £14.3m due to a reduction in the affordable housing fund. Trade and other debtors have reduced as a result of more effective credit control. There has been an increase in properties for sale of £5.7m. Cash has reduced by £5m from £69m to £64m due to an increase in capital investment.

Short term creditors have reduced due to release of long standing provisions and a fall in loans.

The operating surplus generated has meant that investment spend has been funded without the need for increased borrowing.





We have reinvested the surplus generated into our housing assets and enhancing the organisation's financial strength. The "We are building" stream within the Corporate Plan will ensure the continued investment in the organisation's housing assets.

Our borrowing structure and interest costs

As at 31st March 2018, the Group has committed funding of £1,052m of which £779m is drawn. Available facilities are comprised of £173m of facilities fully secured and ready to draw and a further £100m of facilities which are agreed but awaiting security; this additional £100m of funding is expected to be available to draw by 31 March 2019. In addition to loan facilities, as at 31 March 2018 the Group also had available as funding £100m of retained bonds (which are fully secured and available for issue) and £64m of cash and cash equivalents.

During the course of the year, the retained £10m of low cost government guaranteed funds from AHF plc were drawn. A total of £150m of new revolving credit facilities were agreed in the year, which also brought a new counterparty (HSBC) into the lending portfolio. £50m of these new facilities were secured and available to draw by the year end. In addition, a further £40m of revolving credit facilities were being arranged with a second new counterparty, Svenska Handelsbanken AB. This facility is expected to be executed, secured and available to draw over the course of the year ending 31 March 2019.

The Group's treasury policy aims to minimise refinancing risk and the Group has to repay £95m of loans over the next five years which represents 12% of drawn debt.

Net Interest costs are £35m (2017: £34m). The weighted average cost of drawn debt, inclusive of margins and hedging activities was 4.3% (2017: 4.6%).

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 31 March 2018, 93% of Group's drawn debt (inclusive of hedging activities) was fixed (2017: 96%). This would have fallen to 76% if all loan facilities were fully drawn (2017: 79%).

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 31 March 2018 the Group had a standalone interest rate swap exposure of £18m (2017: £25m) based on fixed rate interest rates with a notional value of £226m. The weighted duration of the

Over the last year, half of the homes we have built have been at affordable rents, with the remainder being sold outright or on a shared ownership basis.

swaps is 4.6 years (2017: 4.8 years). For the year ended 31 March 2018 the application of hedge accounting has resulted in limiting the impact of the movement in fair value of derivatives to £0.7m credit to the statement of comprehensive income (2017: £1.2m 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 31 March 2018, the Group has a Moody's credit rating of A1 and the outlook for the Group is deemed stable, in accordance with Moody's current view of the social housing sector in general.

Our development

Stepping Up Supply is a key theme within the Riverside Corporate Plan for 2017-20. This will be achieved through building different tenures to help balance the risks and ensure the development programme is financially sustainable. In the first year, half of the homes we have built have been at affordable rents, with the remainder being sold outright or on a shared ownership basis.

At the end of the first year financial performance and progress against affordable unit targets has been good. Over 1,000 of the 2,111 new homes target set out in the Corporate Plan have been identified or secured.

Of these, 29% will be new shared ownership homes. During 2017/18 we completed 429 new affordable rented and shared ownership homes and started on site on a further 379 homes.

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 have completed all phases of our Hull Extra Care PFI project in March 2018, which has seen an additional 316 homes provided. Prospect and Compendium (our joint venture company) have completed and sold 159 and six properties respectively.

Riverside has identified six sites in London which currently house over 500 tenants that may benefit from regeneration, with feasibility studies indicating up to 600 additional homes could be provided. Consultations with residents and local planning authorities has commenced on three of these estates, and a procurement process completed to identify developer partners.

And in Scotland, work started in May 2018 on a site in Irvine. This will see 87 new affordable homes delivered with over £5m of grant secured from Scottish Government. This is an indication of our desire to grow in Scotland.

Business Effectiveness: value for money

Our approach
In this section we set out evidence of Riverside's compliance with the regulator's new value for money standard and accompanying code of practice. We will not be publishing a separate narrative self-assessment.

Over the years we have adopted a method of improving value for money that is fully integrated into the running of our business. We do not see VFM as something that is 'separate', but rather we have adopted approaches to corporate planning and performance management which clearly set out what we want to achieve for our customers, prospective customers and communities. We then identify and manage the people, financial resources and processes needed to achieve our goals.

Seven (plus five) Metrics
To demonstrate the progress we are making in achieving our objectives in a cost effective manner, we are reporting performance against the seven metrics defined by The Regulator of Social Housing, to enable comparison against the rest of the sector. We also compare our performance against our targets for the year (where they have been defined), and, to give a sense of our direction of travel, our results for 2016/17. Where performance falls short, we set out high level proposals for improvement and a target for 2018/19.

The seven mandatory metrics on their own do not cover the breadth of our objectives. We have therefore supplemented them with five other measures, drawn from our Integrated Strategic Performance Report. This is the bi-monthly scorecard we use to review progress against the objectives set out in our three year corporate plan, which has now come to the end of its first year.
https://www.riverside.org.uk/about-us/our-vision/

We have selected five measures which focus on the outcomes we deliver for customers and communities, related to our main objectives. These complement the regulator's more financial and development orientated metrics.

They are as follows:

Stepping up Supply

- Customer satisfaction with new homes: for rented homes built as part of our affordable programme (effectiveness).
- Net Present Value per unit of our affordable housing programme: a measure of financial viability of the largest component of our development programme (economy).

Customers First

- Net promoter score: an overall measure of satisfaction with service across our main business stream (effectiveness).
- Percentage of key transactions completed on-line: a potential future driver of customer satisfaction and cost reduction (efficiency, economy).

Neighbourhoods Matter

- Satisfaction with area as a place to live: a measure of the impact of our investment in neighbourhoods (effectiveness).

How are we doing?
So what do these combined metrics tell us about the value for money that Riverside offers as we reach the end of the first year of our new Corporate Plan?

We believe they tell the story of an organisation which:

- **is financially strong, but still serious about improvement:** achieving sustainable year on year cost reductions through an ambitious programme of transformation; securing a steady rise in customer satisfaction.
- **is re-investing our substantial financial capacity:** building more homes than ever for rent, shared ownership and sale.
- **understands the places in which we work, and seeks to manage our assets actively.**
- **remains totally committed to our charitable purpose of supporting some of those in the greatest need:** understanding the financial consequences of doing so, and ensuring we maximise returns elsewhere in the business.

The Mandatory Metrics

We have benchmarked our performance against the provisional sector score card results for associations owning more than 10,000 homes. The benchmark applied is the median for this group.

Metric 1: Reinvestment %			EFFICIENCY
RESULT	TARGET	PREVIOUS YEAR	BENCHMARK
3.6%	4.0%	4.3%	6.3%

Riverside is generating substantial surpluses which strengthen our balance sheet and enable us to re-invest in new and improved homes. In 2017/18 Riverside re-invested almost 3.6% of the total value of our housing assets in this way. Re-investment in our existing homes increased and was above target last year. We spent over £40m (gross) in planned maintenance and improvements. Additionally £29m was spent on stock acquisition and a significant amount was invested in stock rationalisation with
the aim of increasing efficiency.

Performance Improvement: We are committed to a significant step-up in our development programme under our 2017-20 corporate plan, although this will not be evident in our spend until 2018/19. This is reflected in next year's targets.

Target for 2018/19: 5.6%

Metric 2: New supply delivered %				ECONOMY
	RESULT	TARGET	PREVIOUS YEAR	BENCHMARK
a. Social Housing Units	**0.9%**	1.1%	0.8%	1.15%
b. Non-social Housing Units	**0.3%**	0.4%	0.5%	0.06%

We have made a positive start to delivering our Affordable Housing programme under the current Corporate Plan 2017-20, and in the first year we completed 429 social housing units. This figure comprises a mixture of social, affordable rent and shared ownership units across a range of property types. Outside of VFM reporting requirements, we completed an additional 251 extra care units (Hull PFI scheme), which puts us between median and upper quartile of developing housing associations.

We have taken advantage of a favourable development climate in which high quality Section 106 opportunities have continued to present and the availability of grant has been better than anticipated. Shared Ownership sales exceeded budget (£2.3m).

The number of 'Non-Social' unit completions fell short of target, although is in the upper quartile when benchmarked with other providers with more than 10,000 homes, primarily as a result of slower than anticipated sales by Prospect, our commercial inhouse building subsidiary. This reflected both delays in the development and land purchase processes, and slower than anticipated sales on three sites.

Performance Improvement:

— Revised targets for commercial housebuilding subsidiary.

— Consider new joint venture vehicles for mixed tenure development, including non-social housing.

Target for 2018/19: social housing units 0.9%
non-social housing units 0.4%

Metric 3: Gearing %			EFFICIENCY
RESULT	TARGET	PREVIOUS YEAR	BENCHMARK
38.9%	46.0%	40.3%	46.1%

Riverside's gearing has fallen by nearly 1.5% over the past year putting us well below the median position for our comparator group. Increasing reserves and some slippage in our development programme has reduced our immediate borrowing needs. This a temporary position, and we can expect gearing to begin to climb again in 2018/19 as our development programme builds.

The strength of our balance sheet puts Riverside in a very strong position to fund the significant long-term growth ambitions set out in the 2017-20 Corporate Plan, as we play our part in helping tackle the housing crisis. We remain a very attractive prospect to lenders and investors, having maintained a Moody's A1 credit-rating, one of only two providers in the sector to do so. Around a third of our rented homes are uncharged.

Performance Improvement: None required.
Target for 2018/19: 39.4%

Metric 4: Interest Cover (EBITDA MRI)			EFFICIENCY
RESULT	TARGET	PREVIOUS YEAR	BENCHMARK
189%	121%	205%	198%

Our interest cover is relatively healthy, and provides significant headroom against our highest loan covenant requirement. However despite a small increase in our overall operating surplus in 2017/18, interest cover has fallen from the previous year. This is partly because of higher levels of investment in our stock over the year, a £3m increase in capitalised major repairs as well as increases in interest payable arising from one-off costs associated with restructuring and simplifying our loan portfolio. The actual level of interest paid reduced.

Our interest cover is in the lower middle quartile for our comparator group and is a product of a number of structural factors which supress our operating surplus, a key component of the calculation. Our headline unit costs are high compared to sector averages. This is predominantly because of higher costs and the lower operating margins associated with our care and support business, where our operating margin is half that that of our general needs business stream. Our level of interest cover is also the product of a relatively low rent base, given our concentration of stock in lower value areas, especially in the north west of England. The average net rent for our general needs stock is 11% lower than the sector average.

Performance Improvement:

- Further reduce management and overhead costs through transformation programme (see below).
- Further repairs savings through new in-house service in South and Central Region.
- Delivery of asset management programme which will see a gradual shift in asset values through our development and acquisitions programme, and the disposal of lower value assets.

Target for 2018/19: 140%

Metric 5: Headline Social Housing CPU			ECONOMY
RESULT	TARGET	PREVIOUS YEAR	BENCHMARK
£4,337	£4,414	£4,880	£3,198

Riverside's headline social housing cost per unit has fallen by more than 11% from 2016/17, continuing the trend from the previous year reported in our final VFM self-assessment. This has been driven in part by cost savings generated by our ongoing transformation programme, despite one-off restructuring costs still being a major factor in offsetting net savings. The other significant driver of change has been a reduction in 'other social housing costs', which were artificially inflated in the two previous financial years as a result of the accounting treatment of Hull PFI.

Whilst our cost performance relative to a sector median of £3,198 appears weak, this is largely driven by high service costs associated with our supported housing and housing for older people. When these costs are removed, Riverside's adjusted CPU for management, repair, maintenance and other falls to £2,939, closer to the adjusted median for our comparator group of £2,842.

Performance improvement:

- Performance improvement measures the same as those set out for interest cover.

Target for 2018/19: £4,026

Metric 6: Operating Margin %				EFFICIENCY
	RESULT	TARGET	PREVIOUS YEAR	BENCHMARK
Overall	**23.1%**	19.3%	21.6%	29.3%
Social Housing	**30.7%**	25.3%	29.3%	32.9%

Riverside's overall group-level margin has improved by 1.5% over the year, nearly 4% above target. With our margin now increasing towards 25%, we are well on the way to achieving a target margin of 30% by 2021 just above the current median for our comparator group of 29.3%. Whilst the operating surplus has remained at £80m, the improvement in margin is largely accounted for by a reduction in turnover of over 6%, arising from a number of factors including ongoing rent reductions, the removal of the one-off impact of our Hull PFI schemes over the previous two years, and the sale of our commercial property portfolio.

The level of our Group margin is largely driven by our social housing business, with our commercial development subsidiary only generating an operating margin of 4% (against a target of 13%). This follows a challenging year where sales have been substantially behind target and the impact of a £2m balance sheet write off has been absorbed. Furthermore, within our social housing business, neighbourhood services (general needs rent and shared ownership) has an operating margin which is nearly double the level generated by our care and support business stream. Care and support has a very different business model being resource intensive and where contracted income and service charge income account for 60% of turnover.

Our social housing margin is stronger at 30.7% closer to the median for our comparator group of 32.9%, a slight improvement on the previous year and over 5% above target.

Performance improvement:

- Improved commercial sales performance and profit margins, incorporated in Prospect's business plan going forward (under new leadership).
- Other cost reduction measures as per commentary on interest cover.

We plan to retain and grow our care and support arm as a lower margin business, as this is central to our mission as a charitable housing association. However we will continue to drive improvements to its margin.

Overall target 2018/19: 25%
Social Housing target for 2018/19: 33.1%

Metric 7: Return on Capital Employed			ECONOMY
RESULT	TARGET	PREVIOUS YEAR	BENCHMARK
4.75%	3.63%	5.22%	4.10%

Our Return on Capital Employed is nearly 5%, 1% above our target for the year and well above the median for our comparator group, but 0.5% below the level achieved in 2016/17.

This decline is mainly driven by two unusual factors: a £30m acquisition of 500 homes from Hyde which was completed just before financial year end, boosting our asset base but without significant returns being generated; and a reduction in gains on the disposal of fixed assets from the previous year which had been boosted by our participation in the Voluntary Right to Buy Programme.

Performance Improvement: None required.
Target for 2018/19: 4.4%

Our Additional Value for Money Metrics

Stepping up Supply

Customer satisfaction with new home (affordable rent and shared ownership)

RESULT	TARGET	PREVIOUS YEAR
91.3%	92.0%	N/A

A high level of customer satisfaction with newly built rented and shared ownership homes was achieved in 2017/18, with overall performance falling just short of target at 91.3%. This was predominantly the result of extremely positive feedback regarding the design and safety features of our properties across the Group, with 100% satisfaction recorded among general needs customers.

Whilst this reflects a positive outcome in the context of an expanding development programme and increased sales activity, a more favourable overall outturn was not achieved due to a reduction in the number of 'very satisfied' and 'satisfied' Shared Ownership customers.

Despite this, it is clear that we provide a high quality new build offer to all customers.

Performance Improvement:

- Robust defects process to address snagging and other repairs.
- Improved information provided as part of handover process (e.g. heating).

Target for 2018/19: 92%

NVP/Unit – Affordable Programme

RESULT	TARGET	PREVIOUS YEAR
-£1,123	-£4,410	-£4,410

Financially, our affordable programme has performed very well, nearly breaking even in unit NPV terms and exceeding the target we have set for the current affordable housing programme. This represents a significant improvement on the financial performance of our last programme.

This is a result of our ability to secure grant on better terms than originally expected, and the ongoing availability to purchase completed properties on favourable terms through s106 agreements. We continue to be able to contain costs by procuring the construction of new homes at competitive prices through the Riverside Framework, a partnership between eight associations.

Performance Improvement: none required

Target for 2018/19: -£4,410

Customers First

Net Promoter Score

RESULT	TARGET	PREVIOUS YEAR
21.4	17.0	15.9

Riverside's Net Promoter Score (NPS), a measure of overall satisfaction with our service improved significantly during 2017/18, with a 44% increase achieved from the previous year, exceeding the annual target. Positive progress was made particularly among general needs and care & support customers for which NPS scores of 30.2 and 26.1 were recorded respectively. The primary drivers of performance against this measure, as cited by 'promoters', were heavily linked to our repairs service, affordability of housing services and our commitment to listen to and act upon customer views.

This strong overall performance was offset by lower NPS scores reported by our shared ownership and leasehold customers, with leaseholders in particular the most prevalent 'detractor' group. We were less likely to be recommended due to issues around customer service, communication and repairs, demonstrating the importance of providing consistent services across all business areas.

Given the scale of transformation currently underway across the organisation, including the implementation of a completely reformed frontline service, current NPS performance represents a solid foundation from which to build.

Performance Improvement:

— High quality, consistent repairs service across the Group following a rapid improvement exercise.

— Review Home Ownership processes and service delivery model as part of transformation programme.

Target for 2018/19: 20

Percentage of key service transactions completed online		
RESULT	TARGET	PREVIOUS YEAR
45.6%	50%	38.1%

Riverside is committed to expanding our digital offer to customers, enabling people to access a range of services online, making it quicker and easier to respond to their needs. We saw a 20% increase in the number of 'key' service transactions undertaken online during 2017/18 and made significant progress towards achieving our target of 50%. A major project is underway to embed an online repairs booking service that has recently gone live to 3,500 customers.

Performance Improvement:

— Roll out on-line repairs service across customer base.

— Use on-line platform to extend to other services.

— Complete Wi-Fi installation at Care and Support Schemes.

Target for 2018/19: 50%

Neighbourhoods Matter

Customer satisfaction with area as place to live		
RESULT	TARGET	PREVIOUS YEAR
86%	87%	86%

Performance remained largely static throughout 2017/18 compared to the previous year, with no movement in the overall level of satisfaction, finishing just below target at 86%. This does however, represent positive progress over five years, in which time performance has improved from the sector's bottom quartile.

Riverside works in some of the country's most deprived areas and although this measure is affected by a range of factors, many outside of our direct influence, we continue to work with partners to improve our neighbourhoods. A co-ordinated approach to the production of detailed evidence based 'Neighbourhood Plans' has been implemented and will continue to inform practical and targeted interventions to bring about positive change in areas of need.

Several large scale regeneration programmes will begin to gather pace over the final two years of the Corporate Plan, underlining our commitment to 'closing the gap' between our best and worst performing places.

Performance Improvement:

— Production of Neighbourhood Plans for areas in need of improvement.

— Targeted investment in priority neighbourhoods.

Target for 2018/19: 87%

Looking forward: Our transformation programme

The principal driver of improved value for money at Riverside will continue to be our comprehensive transformation programme.

The focus of this is the implementation of a new operating model based on a fundamental re-design of the Group, to support us in achieving our vision and long term goals.

Since early 2016, significant improvement has already been delivered, including the implementation of a new frontline service (supported by national shared services) generating a total recurring salary cost saving of £6.2m per annum. Further phases of the programme (spanning the next two financial years) are expected to deliver a further £18m in recurring savings.

These savings will be achieved through a combination of further salary cost reductions and premises costs, as we reduce our overall footprint, refurbish strategic sites and close a number of smaller offices. Over the longer term, recurring savings will offset costs associated with programme delivery, redundancy payments, premises refurbishment and continued strategic IT investment. Delivery costs totalled £15m for the first phase with a further £44m built in to the business plan for the remaining phases over the next two financial years.

This approach will see us become a leaner, more efficient organisation that has the capacity to deliver the key priorities of building more homes and providing better value services in sustainable neighbourhoods. This will help deliver recurring savings of £24m per annum from 2020/21, driving improvements across all the key value for money metrics. We will continue to evidence progress in our Financial Statements.

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.

On the basis that 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. As a result Riverside continues to adopt a going concern basis in preparing these financial statements.

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.

Cris McGuinness
Chief Financial Officer


2

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 2018.

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 companies with a common, shared purpose. TRGL is the ultimate parent within this Group. Details of members of the Riverside Group are given on page 93 of these financial statements.

TRGL, through its Board of members 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 regulatory guidance when determining the activities that the Group undertakes to deliver these objectives.

Events after the end of the reporting period

On 17 August 2018 the £100m retained element of the Riverside Group £250m 30 year bond was sold and on 20 August 2018 Impact Housing Association joined the Riverside Group.

The Board of The Riverside Group Limited

The Board members of TRGL holding office during the period 1 April 2017 to 21 August 2018 are detailed below:

- Tim Croston (appointed 7 September 2017)
- Jonathan Dale
- Pauline Davis
- Ingrid Fife (appointed 29 October 2017)
- Philip Han (resigned 7 September 2017)
- Susan Jee
- Carol Matthews
- Max Steinberg CBE
- Sally Trueman
- Peter White (appointed 18 January 2018)

The Board is comprised of non-executives, a tenant member, and the Group Chief Executive, who is a co-optee. A tenant is also invited to to attend Board meetings as an observer. This role was filled by Janice Murray until December 2017 when she was succeeded by Victor Andrews, who will undertake this role for a twelve month term. Also in attendance at Board meetings are the Executive Directors and the Company Secretary.

Membership of the Board comprises 55% women, (2017: 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).

The Group Audit Committee addresses internal and external audit issues and advises the Board on risk management policies and processes.

During the year payments made to Board members totalled £530k (2016: £513k), which represented 0.15% (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 a biennial appraisal of individual Board members. Every three years an external provider is engaged to assess Board performance and the effectiveness of the Board Chair.

Each board member (excluding the co-optee) 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 15 to 36.

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.

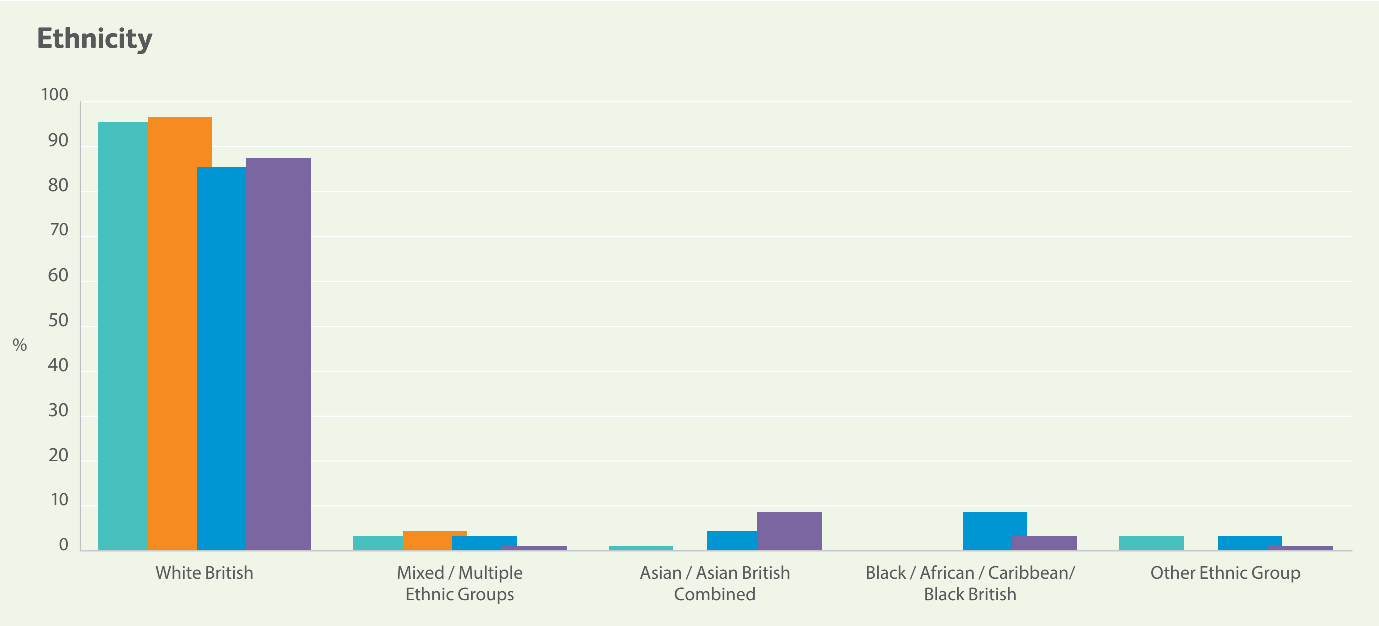
The Executive Directors hold no beneficial interest in the share capital of any member of the Group. However, a £1 share in two subsidiary companies is held in trust for TRGL by an Executive Director.

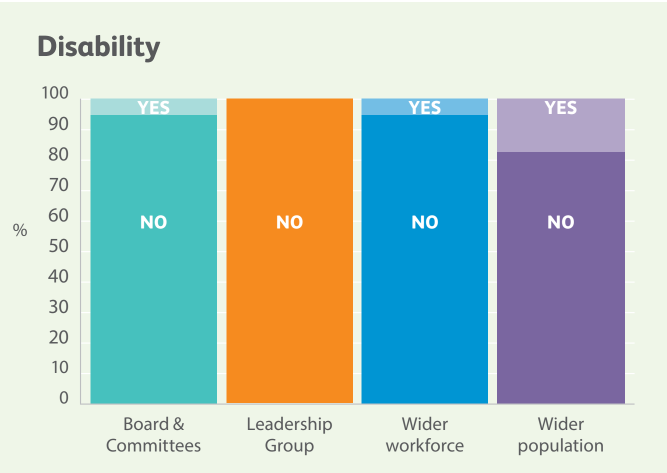
Corporate governance

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.

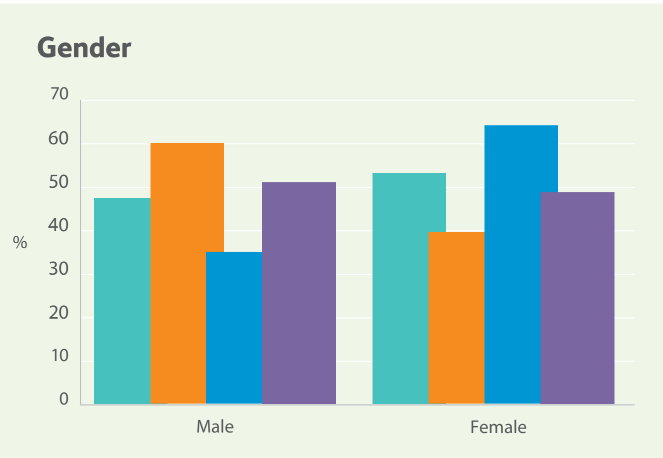
The external auditors have undertaken non-audit work for the Group during the year ended 31 March 2018. Details of this work is set out in note 9 to the financial statements. The Group Audit Committee has a protocol with the external auditors, which sets out policies for determining what non-audit work can be undertaken by the external auditors and procedures for the annual review of external auditor performance.

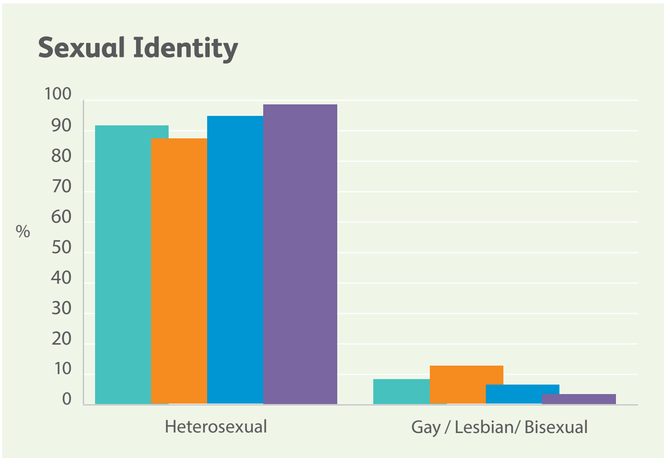




Key

- Board and Committees
- Leadership Group
- Wider workforce
- Wider population





Equality and Diversity: Board, committee and workforce composition

Riverside has adopted an equality, diversity and inclusion (EDI) policy which aims to:

- Prevent discrimination, eliminate prejudice, promote inclusion and celebrate diversity within the organisation.
- Be fair in its dealings with all people – board members, staff, customers, volunteers and partners – with whom Riverside has relationships taking into account the diverse nature of their culture and backgrounds.
- Ensure that EDI is embedded in everything it does.

To achieve these policy aims, it is important that Riverside understands the composition of its Board and Committees, Leadership Team and wider workforce by the key protected characteristics, and compares this with the profile of the population living in the communities it serves. Over time, the Board wants to continue to use progressive policies and practices, to develop a more diverse workforce, led by a diverse Leadership Team and governance community.

Each year, the Board agrees an Equality and Diversity Action Plan to provide a framework to drive improvement, and as part of the plan for 2018/19 it has committed to working towards the ten challenges set out in the Chartered Institute of Housing's 'Leading Diversity by 2020' campaign.

One of these challenges is to publish data demonstrating the composition of Boards and Committees, the Leadership Team and the wider workforce, comparing this with the characteristics of the population living in the places where Riverside operates. The charts show this comparison by ethnicity, disability, gender and sexual orientation.

This data demonstrates that whilst the wider staff base is diverse, the composition of the Leadership Team and Board and Committees is less so, particularly in relation to ethnicity and disability.

Signing up to the CIH campaign will help frame an improvement plan for tackling areas of weakness. The Board has recently approved its own Board Diversity Protocol, which will introduce practical measures to encourage a wider pool of applicants for Board and Committee positions and ensure that appropriate support and training is available for members, including participation in mentoring programmes.

Corporate role of the Board

The Board comprises eight non-executive Board members plus the Group Chief Executive who is a co-optee.

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. The Group aims to have Boards and Committees which are representative of the wider population in the areas where it works and it is committed to fairness and equality of opportunity.

Each subsidiary has a Board of Directors chosen for their specific area of expertise including appropriately experienced non-executives. 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 Care and Support Committee, London Development Committee, Joint Advisory 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 Riverside Customer Voice 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. Independent consultants are engaged to review the Group Chief Executive's renumeration annually and their contract every three years. The salary level of other Executive Directors is reviewed, again by an independent party, triennally. The Executive Directors are not present at any meeting when their remuneration packages are discussed.
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 and 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, with a representative from each of the Neighbourhood Services and Care & Support Committees. At least one member must have recent and relevant financial experience and an appropriate professional qualification. It meets at least four times per year.

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 established 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, Asset Services. It meets at least six times per year.

Care and Support Committee
The Committee 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 three nominees from TRGL. The Committee meets as required.

Joint Advisory Committee
The Committee was formed in early 2018 to advise the Boards of TRGL and Impact Housing Association (IHA) on matters relating to the partnership between the two organisations. It is not intended as a permanent feature of the Group's governance structure and will be disestablished once its specific purpose has been served. On this basis details of meetings have not been included here.

London Development Committee
The London Development Committee was formed in October 2017 to oversee the shaping, design, costing and delivery of estate renewal in London on Group Board's behalf, giving advice and making appropriate recommendations in line with financial parameters and corporate ambitions.

Table 1: Board and Committee Members of TRGL as at 25 July 2018

Board of The Riverside Group Ltd

Max Steinberg (Chair)
Pauline Davis (Vice-Chair)
Ingrid Fife
Susan Jee (Treasurer)
Tim Croston
Jonathan C Dale
Sally E Trueman
Peter White

Co-optees
Carol Matthews

London Development Committee

Pauline Davis (Chair)
Victor Andrews
Jenny Coombs
Cris McGuinness
Dale Meredith
Paul Newbold

Scotland Committee

Duncan McEachran (Chair)
Margaret Burgess
Gerard Darroch
Pauline Davis
David Green
Sue Powell

Riverside Group Governance and Remuneration Committee

Pauline Davis (Chair)
Susan Jee
Max Steinberg

Neighbourhood Services Committee

Peter White (Chair)
Rowan Carstairs
Jackie Grannell
David Green
Ian Gregg
Mary McAndrew
Duncan McEachran
Maria Milford
Sara Naylor
Sue Powell
Patrick Rice
Darren Warneford

Joint Advisory Committee

Mark Costello
Geraldine Kay
Jocelyn Manners-Armstrong
Carol Matthews
Sue Powell
Lee Sugden
Peter White

Riverside Group Audit Committee

Tim Croston (Chair)
Adrian Crookes
Maria Hallows
Sara Naylor
Neill Skinner

Riverside Group Treasury Committee

Susan Jee (Chair)
Devan Bala
Nigel Perryman

Care and Support Committee

Ingrid Fife (Chair)
Ian Bennett
Judith Crowther
Andy Deutsch
John Glenton
Hetal Parmar
Neill Skinner
Archdeacon Cherry Vann
Peter White

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	London Development
				Meetings attended/Eligible to attend				
Max Steinberg	7/7	6/6	–	–	–	–	–	–
Pauline Davis	7/7	6/6	–	–	–	1/1	3/3	4/4
Susan Jee	6/7	6/6	–	6/6	4/4	0/1	–	–
Jonathan Dale	7/7	–	–	–	–	–	–	–
Philip Han	2/2	–	–	5/6	1/1	–	–	–
Sally Trueman	6/7	–	–	–	–	–	–	–
Carol Matthews	7/7	–	–	–	–	–	–	–
Peter White	5/7	–	5/6	–	–	–	3/4	–
Tim Croston	5/5	–	–	–	–	–	–	–
Ingrid Fife	4/4	–	–	–	–	–	2/2	–
Sue Powell	–	–	4/6	–	–	–	–	–
Darren Warneford	–	–	6/6	–	–	–	–	–
John Wood	–	–	6/6	–	–	–	–	4/4
Adrian Crookes	–	–	–	–	3/4	–	–	–
Tim Croston	–	–	–	–	4/4	–	–	–
Neill Skinner	–	–	–	–	4/4	–	3/4	–
Robert Towers	–	–	–	3/5	–	–	–	–
Duncan McEachran	–	–	4/6	–	–	1/1	–	–
Margaret Burgess	–	–	–	–	–	1/1	–	–
Gerrard Darroch	–	–	–	–	–	1/1	–	–
David Green	–	–	6/6	–	–	1/1	–	–
Rowan Carstairs	–	–	5/6	–	–	–	–	–
Jackie Grannell	–	–	6/6	–	–	–	–	–
Mary McAndrew	–	–	5/6	–	–	–	–	–
Maria Milford	–	–	6/6	–	–	–	–	–
Sara Naylor	–	–	6/6	–	1/1	–	–	–
Patrick Rice	–	–	5/6	–	–	–	–	–
Anne Parker	–	–	–	–	–	–	2/2	–
Richard Austin	–	–	–	–	–	–	2/3	–
Ian Bennett	–	–	–	–	–	–	2/4	–
Andy Deutsch	–	–	–	–	–	–	3/4	–
John Glenton	–	–	–	–	–	–	4/4	–
Archdeacon Cherry Vann	–	–	–	–	–	–	3/4	–
Jenny Coombs	–	–	–	–	–	–	–	4/4
Dale Meredith	–	–	–	–	–	–	–	4/4
Paul Newbold	–	–	–	–	–	–	–	3/4
Victor Andrews	–	–	–	–	–	–	–	1/1
Devan Bala	–	–	–	3/3	–	–	–	–
Nigel Perryman	–	–	–	3/3	–	–	–	–
Judith Crowther	–	–	–	–	–	–	1/2	–
Hetal Parmar	–	–	–	–	–	–	2/2	–

The above table captures all those who have served as Board or Committee Members in the financial year 2017/18 including those who stepped down or were appointed in the financial year 2017/18.

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 2018 and to the date of approval of these financial statements. For the year ended 31 March 2018, 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 mid way through 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.
- 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 judgements 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
- assess the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

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. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 association'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 strong 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 13 September 2018.

Auditors

A resolution to re-appoint the auditors KPMG LLP 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.

Tom Ferguson
Secretary

08. Independent auditor's report

Independent auditor's report

to The Riverside Group Limited

Opinion

We have audited the financial statements of The Riverside Group Limited ("the association") for the year ended 31 March 2018 which comprise the Group and Association statement of comprehensive income, Group and Association statement of financial position, Group and Association statement of changes in reserves and Group statement of cash flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the group and the association as at 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard.
We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

The association's Board is responsible for the other information, which comprises the Strategic Report, the Report of the Board and the Statement on Internal Controls Assurance. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required 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.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 48, the association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at **www.frc.org.uk/auditorsresponsibilities**

The purpose of our audit work and to whom we owe our responsibilities

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.

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

09. Group and Association statements

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	Notes	**2018 £'000**	2017 £'000
Group turnover	2	**346,160**	370,051
Operating costs	2	**(266,153)**	(290,000)
Group operating surplus	2	**80,007**	80,051
Share of operating profit in joint ventures		**302**	649
Gain on the sale of fixed assets	6	**15,424**	22,333
Interest receivable and other income	7	**7,212**	4,793
Interest payable and similar charges	8	**(43,532)**	(39,185)
Movement in fair value of financial instruments		**658**	1,209
Surplus on ordinary activities before tax	9	**60,071**	69,850
Taxation	10	**451**	(804)
Share of joint venture taxation		**(4)**	(3)
Transfer to reserves		**(116)**	(186)
Surplus for the year after tax		**60,402**	68,857
Other comprehensive income			
Gain/(loss) recognised on cashflow hedges		**6,158**	2,787
Actuarial loss on pension scheme	26	**58**	(10,742)
Total comprehensive income for the year		**66,618**	60,902

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 66 to 123 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 2018

	Notes	2018 £'000	2017 £'000
Fixed assets			
Tangible assets:			
Housing properties	11	**1,810,866**	1,776,397
Other tangible fixed assets	11	**25,109**	17,388
		1,835,975	1,793,785
Investments			
Investment in joint ventures	12	**1,503**	1,255
Investment properties	12	**1,236**	15,013
Other investments	12	**16,374**	16,319
Homebuy equity loans	12	**4,854**	5,666
		1,859,942	1,832,038
Debtors: amounts receivable after more than one year	13	**11,106**	11,648
Current assets			
Investments	12	**37,516**	50,800
Trade and other debtors	13	**136,483**	136,079
Properties for sale	14	**62,032**	57,313
Cash and cash equivalents		**63,687**	68,927
		299,718	313,119
Creditors: amounts falling due within one year	15	**(145,926)**	(182,886)
Net current assets		**153,792**	130,233
Total assets less current liabilities		**2,024,840**	1,973,919
Creditors: amounts falling due after more than one year	16	**1,470,797**	1,483,333
Deferred income	19	**8,146**	6,788
Provisions for liabilities			
Pension provision	28	**15,376**	16,408
Other provisions	28	**12,400**	16,459
		1,506,719	1,522,988
Capital and reserves			
Non-equity share capital	20	**—**	—
Cashflow hedge reserve		**(13,927)**	(20,542)
Designated reserves		**3,138**	3,022
Income and expenditure reserve		**528,910**	468,451
		2,024,840	1,973,919

The financial statements on pages 55 to 123 were approved by the Board on 12 July 2018 and were signed on its behalf on 21 August 2018 by:

Max Steinberg CBE, Group Chair

Susan Jee, Group Treasurer

Tom Ferguson, Secretary

The notes on pages 66 to 123 form an integral part of the financial statements.

Consolidated statement of changes in reserves

	Designated reserves	Cash flow hedge reserve	Income expenditure reserve	2018 Total reserves
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2017	**3,022**	**(20,542)**	**468,451**	**450,931**
Surplus for the year	**116**	**—**	**60,401**	**60,517**
Donations and other movements	**—**	**—**	**—**	**—**
Effective position of changes in fair value of cash flow hedges	**—**	**6,615**	**—**	**6,615**
Actuarial loss on pension scheme	**—**	**—**	**58**	**58**
At 31 March 2018	**3,138**	**(13,927)**	**528,910**	**518,121**

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 £0.5m 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	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

Consolidated statement of cash flows

for the year ended 31 March 2018

	2018		2017	
	£'000	**£'000**	£'000	£'000
Net cash inflow from operating activities (note 21)		**124,777**		123,038
Returns on investments and servicing of finance				
Interest received	**1,846**		2,307	
Interest paid	**(42,442)**		(37,695)	
Net cash outflow from returns on investments and servicing of finance		**(40,596)**		(35,388)
Taxation				
Tax paid		**(4)**		(3)
Capital expenditure and financial investment				
Cash paid for housing construction	**(126,122)**		(87,962)	
Cash paid for other fixed assets	**(9,556)**		(6,420)	
Cash flow for fixed asset investments	**26,106**		2,787	
Expenditure on capitalised improvements	**(30,953)**		(27,352)	
Social Housing Grant received	**18,572**		5,022	
Receipts from property sales	**37,429**		49,632	
Investment in joint ventures	**(2,695)**		4,115	
Net cash outflow from capital expenditure and financial investment		**(87,219)**		(60,178)
Management of liquid resources				
Increase in short term deposits	**13,284**		5,522	
Net cash inflow from management of liquid resources		**13,284**		5,522
Net cash outflow before financing		**10,242**		32,991
Financing				
Loans raised	**54,793**		14,312	
Loan principal repayments	**(70,275)**		(12,779)	
Net cash inflow from financing		**(15,482)**		1,533
(Decrease)/Increase in cash (note 22)		**(5,240)**		34,524

The notes on pages 66 to 123 form an integral part of the financial statements.

Association statement of comprehensive income

for the year ended 31 March 2018

	Notes	**2018 £'000**	2017 £'000
Turnover	2	**294,885**	293,890
Operating costs	2	**(221,807)**	(224,736)
Operating surplus	2	**73,078**	69,154
Gain on the sale of fixed assets	6	**15,245**	22,324
Interest receivable and other income	7	**4,690**	5,756
Interest payable and similar charges	8	**(39,415)**	(38,299)
Movement in fair value of financial instruments		**620**	1,199
Gift Aid		**2,579**	3,174
Surplus on ordinary activities before tax	9	**56,797**	63,308
Taxation	10	**—**	—
Transfer to reserves		**(116)**	(186)
Surplus for the year after tax		**56,681**	63,122
Other comprehensive income			
Gain/(loss) recognised on cash flow hedges		**6,158**	2,715
Actuarial loss on pension scheme	26	**58**	(10,742)
Total comprehensive income for the year		**62,897**	55,095

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 66 to 123 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 2018

	Notes	**2018 £'000**	2017 £'000
Fixed assets			
Tangible assets			
Housing properties	11	**1,729,313**	1,694,760
Other tangible fixed assets	11	**24,801**	16,932
		1,754,114	1,711,692
Investments			
Investment properties	12	**1,236**	1,212
Other investments	12	**47,315**	47,268
Homebuy equity loans	12	**329**	329
		1,802,994	1,760,501
Debtors: amounts receivable after more than one year	13	**49,887**	51,619
Current assets			
Investments	12	**33,342**	45,243
Trade and other debtors	13	**55,950**	60,343
Properties for sale	14	**20,245**	19,823
Cash and cash equivalents		**56,161**	63,514
		165,698	188,923
Creditors: amounts falling due within one year	15	**(121,581)**	(150,738)
Net current assets		**44,117**	38,185
Total assets less current liabilities		**1,896,998**	1,850,305
Creditors: amounts falling due after more than one year	16	**1,351,076**	1,364,107
Deferred income	19	**8,146**	6,788
Provisions for liabilities			
Pension provision	28	**15,376**	16,408
Other provisions	28	**12,400**	16,459
		1,386,998	1,403,762
Capital and reserves			
Non-equity share capital	20	**—**	—
Cashflow hedge reserve		**(13,927)**	(20,529)
Designated reserves		**3,085**	2,969
Income and expenditure reserve		**520,842**	464,103
		1,896,998	1,850,305

The financial statements on pages 55 to 123 were approved by the Board on 12 July 2018 and were signed on its behalf on 21 August 2018 by:

Max Steinberg CBE, Group Chair   Susan Jee, Group Treasurer   Tom Ferguson, Secretary

The notes on pages 66 to 123 form an integral part of the financial statements.

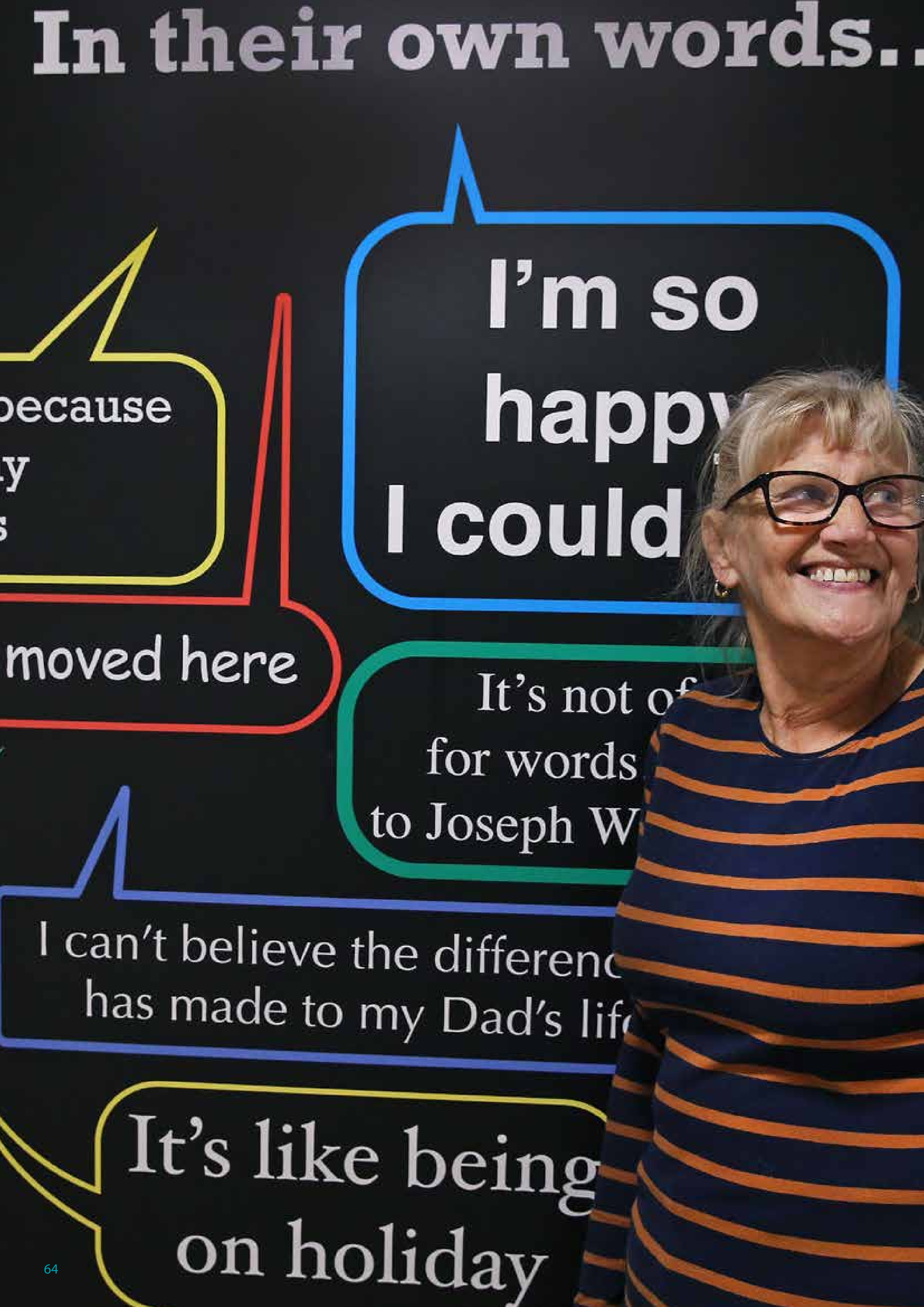
Association statement of changes in reserves

	Designated reserves	Cash flow hedge reserve	Income expenditure reserve	Total reserves
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 2017	**2,969**	**(20,529)**	**464,103**	**446,543**
Surplus for the year	**116**	**—**	**56,681**	**56,797**
Effective position of changes in fair value of cash flow hedges	**—**	**6,602**	**—**	**6,602**
Actuarial loss on pension scheme	**—**	**—**	**58**	**58**
At 31 March 2018	**3,085**	**(13,927)**	**520,842**	**510,000**

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 £0.5m 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
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


In their own words..
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It's like being
on holiday

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 Group has in place long term borrowing facilities which provide resources to finance investment and development programmes along with the Group's day to day operations. The Group has a long term business plan which shows that it is able to service debt facilities whilst continuing to comply with lenders covenants. On this basis 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 70;

— **Impairment of non-financial assets.** An annual impairment review of the Group's land and properties is undertaken

During 2017/18 a proposal to transfer one of the sites in the Association's Belle Vale land bank to The Compendium Group (the Association's joint venture with Lovell Partnerships) indicated an impairment to £nil was required. As a consequence of this trigger event Jones Lang LaSalle were commissioned to value the land bank. As a result of this valuation an impairment of £2.9m is considered prudent taking the carrying value of the Belle Vale land bank to £nil.

As the Group's London asset development programme progresses, existing Lambeth and Bromley properties have been impaired by £1.4m prior to the estate regeneration.

A review of the impairment provision for properties originally developed for shared ownership but currently let at market or intermediate rent indicated that £1.9m of the provision could be released as a result of an increase in estimated net realisable values.

— **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 contributed to local government pension schemes which were defined benefit schemes. The Group also contributes to the Social Housing Pension Scheme (SHPS). The assets of the scheme are held separately from those of the Group.

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 2.06% at 31 March 2016, 1.33% at 31 March 2017 and 1.72% at 31 March 2018. 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 costs

Costs relating to development of properties and IT systems are capitalised only to the extent that they are directly attributable to the development process and in bringing the properties or system to their intended use. Capitalised costs are written off over the useful economic life of the asset.

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

27 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 2018 Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	**279,526**	**—**	**(210,063)**	**69,463**
Other social housing activities				
Development for sale shared ownership	**7,354**	**(7,062)**	**—**	**292**
Management services	**1,086**	**—**	**(1,957)**	**(871)**
Community regeneration	**—**	**—**	**(2,230)**	**(2,230)**
Other	**18,407**	**—**	**(8,240)**	**10,167**
	306,373	**(7,062)**	**(222,490)**	**76,821**
Non-social housing activities				
Lettings (note 3)	**2,864**	**—**	**(974)**	**1,890**
Developments for outright sale	**36,663**	**(32,533)**	**—**	**4,130**
Other	**260**	**—**	**(3,094)**	**(2,834)**
	39,787	**(32,533)**	**(4,068)**	**3,186**
Total	**346,160**	**(39,595)**	**(226,558)**	**80,007**

	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

2 Turnover, operating costs and operating surplus – continued

Association 2018

	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000
Social housing activities				
Lettings (note 3)	**269,409**	**—**	**(206,342)**	**63,067**
Other social housing activities				
Development for sale shared ownership	**7,354**	**(6,108)**	**—**	**1,246**
Management services	**1,086**	**—**	**(1,916)**	**(830)**
Community regeneration	**—**	**—**	**(2,187)**	**(2,187)**
Other	**14,293**	**—**	**(4,108)**	**10,185**
	292,142	**(6,108)**	**(214,553)**	**71,481**
Non-social housing activities				
Lettings (note 3)	**2,734**	**—**	**(943)**	**1,791**
Development for outright sale	**—**	**—**	**—**	**—**
Other	**9**	**—**	**(203)**	**(194)**
	2,743	**—**	**(1,146)**	**1,597**
Total	**294,885**	**(6,108)**	**(215,699)**	**73,078**

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

3 Income and expenditure from social housing lettings

	Group					
	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2018 Total £'000**	2017 Total £'000
Income from lettings						
Rent receivable net of						
Service charge income	163,012	39,080	5,097	102	207,291	210,317
Income for support services	724	24,474	—	—	25,198	25,855
Service charge receivable	5,754	29,777	11	182	35,724	33,527
Net rental income	**169,490**	**93,331**	**5,108**	**284**	**268,213**	269,699
Other revenue grants	718	7	—	—	725	371
Amortisation of government grants	6,567	3,668	353	—	10,588	10,757
Government grants taken to income	—	—	—	—	—	1,222
Turnover from lettings	**176,775**	**97,006**	**5,461**	**284**	**279,526**	282,049
Expenditure on lettings						
Management	(30,088)	(11,343)	(1,260)	(36)	(42,727)	(47,243)
Service charge costs and						
support services	(13,570)	(55,862)	(104)	(90)	(69,626)	(64,845)
Routine maintenance	(42,430)	(8,781)	(883)	(15)	(52,109)	(50,678)
Major repairs expenditure	(5,272)	(836)	—	—	(6,108)	(9,598)
Bad debts	(1,390)	(922)	6	(2)	(2,308)	(1,953)
Depreciation of housing properties	(26,600)	(7,077)	(921)	(16)	(34,614)	(33,577)
Impairment of housing properties	(2,571)	—	—	—	(2,571)	(4,641)
Operating costs on lettings	**(121,921)**	**(84,821)**	**(3,162)**	**(159)**	**(210,063)**	(212,535)
Operating surplus on social housing lettings	**54,854**	**12,185**	**2,299**	**125**	**69,463**	69,514
Void loss	(1,352)	(3,190)	(8)	(1)	(4,551)	(3,514)

	2018 £'000	2017 £'000
Particulars of turnover from non-social housing lettings		
Market rent	**2,864**	5,204
	2,864	5,204

3 Income and expenditure from social housing lettings – continued

	Association					
	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2018 Total £'000**	2017 Total £'000
Turnover from lettings						
Rent receivable net of						
Service charge income	153,740	33,991	5,097	102	197,930	201,245
Income for support services	703	24,474	—	—	25,177	25,854
Service charges receivable	5,646	29,606	11	183	35,446	33,187
Net rental income	**160,089**	**93,071**	**5,108**	**285**	**258,553**	260,286
Other revenue grants	473	7	—	—	480	371
Amortisation of government grants	6,357	3,667	352	—	10,376	10,545
Government grants taken to income	—	—	—	—	—	1,026
Turnover from lettings	**166,919**	**96,745**	**5,460**	**285**	**269,409**	272,228
Expenditure on lettings						
Management	(29,358)	(11,309)	(1,260)	(36)	(41,963)	(45,157)
Service charge cost and						
support services	(11,494)	(55,702)	(104)	(90)	(67,390)	(64,305)
Routine maintenance	(43,468)	(8,774)	(883)	(15)	(53,140)	(52,301)
Major repairs expenditure	(4,743)	(832)	—	—	(5,575)	(9,234)
Bad debts	(1,324)	(922)	6	(2)	(2,242)	(1,957)
Depreciation of housing properties	(25,447)	(7,076)	(921)	(16)	(33,460)	(32,450)
Impairment of housing properties	(2,571)	—	—	—	(2,571)	(3,730)
Operating costs on lettings	**(118,406)**	**(84,615)**	**(3,162)**	**(159)**	**(206,342)**	(209,134)
Operating surplus on social housing lettings	**48,513**	**12,130**	**2,298**	**126**	**63,067**	63,094
Void loss	(1,341)	(3,190)	(8)	(1)	(4,540)	(3,504)

	2018 £'000	2017 £'000
Particulars of turnover from non-social housing lettings		
Market rent	**2,734**	2,871
	2,734	2,871

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 seven (2017: five) Executive Directors included within the total below who are not Board members.

	Group	
	2018	2017
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	**1,356**	1,281
Highest paid Director – Interim Chief Finance Officer[1] (2017: Group Chief Executive) Emoluments (excluding pension contributions)	**243**	211
Expenses reimbursed to Directors not chargeable to income tax	**9**	8

Three of the Directors received cash in lieu of pension payments of £65k. The 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 individual's pension membership.

Key to numbering
1 Interim appointment. Emoluments are inclusive of agency fees and VAT.

The emoluments (excluding pension contributions) paid to Executive and Non-Executive Directors were as follows:

Executive Directors		**2018 £'000**	2017 £'000
Rosemary Farrar[1,2]		**243**	9
Carol Matthews		**195**	184
Léann Hearne		**154**	151
John Wood		**154**	151
Ian Gregg		**137**	132
John Glenton		**124**	105
Joy Baggaley[2]	**114**	179	
Cris McGuinness[2]		**15**	—
Ronnie Clawson[2]		**—**	152

The emolument above exclude the following pension payments:
Four of the Directors received pensions payments of £45k (2017: £52k) and three received cash in lieu of pension payments of £65k (2017: £63k). The Group Board approved a policy for payment in lieu of pension payments at a rate which does not involve the Group incurring any greater cost than that of the individual's pension membership.

Key to numbering
1 Interim appointment. Emoluments are inclusive of agency fees and VAT.
2 The emoluments relate to part of the year.

4 Directors' and senior staff emoluments – continued

Non-Executive Directors	2018 £'000	2017 £'000
Max Steinberg CBE	**27**	27
Susan Jee	**19**	19
Pauline Davis	**19**	11
Peter White	**13**	11
Jonathan Dale	**10**	10
Tim Croston[1]	**10**	—
Philip Han[1]	**8**	12
Ingrid Fife[1]	**6**	—
Philip Raw	**—**	16
Paul Forster-Jones	**—**	4
Mike Little	**—**	2

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:

	2018	2017
£60,001 — £70,000	**20**	26
£70,001 — £80,000	**17**	11
£80,001 — £90,000	**4**	8
£90,001 — £100,000	**6**	7
£100,001 — £110,000	**4**	6
£110,001 — £120,000	**5**	4
£120,001 — £130,000	**1**	1
£140,001 — £150,000	**1**	—
£150,001 — £160,000	**2**	2
£160,001 — £170,000	**—**	1
	60	66

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	
	2018 Number	2017 Number
Full time equivalent	**2,697**	2,710

	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	**76,728**	74,771
Social security costs	**7,124**	6,936
Other pension costs	**5,117**	5,345
	88,969	87,052

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 £4.9m (2017: £3.5m).

	Association	
	2018 Number	2017 Number
Full time equivalent	**2,148**	2,204

	2018 £'000	2017 £'000
Staff costs (for the above persons)		
Wages and salaries	**61,148**	60,689
Social security costs	**5,634**	5,593
Other pension costs	**4,651**	4,882
	71,433	71,164

The total amount of severance and redundancy payments made during the year was £4.8m (2017:£3.4m)

6 Gain on the sale of fixed assets

	Group	
	2018	2017
	£'000	£'000
Proceeds of sales	**37,473**	49,711
Cost of sales	**(22,049)**	(27,378)
Surplus on sale of property	**15,424**	22,333

	Association	
	2018	2017
	£'000	£'000
Proceeds of sales	**37,255**	49,669
Cost of sales	**(22,010)**	(27,345)
Surplus on sale of property	**15,245**	22,324

Surplus on sale of property includes shared ownership staircasing sales surplus of £703k (2017: £473k).

7 Interest receivable and other income

	Group	
	2018	2017
	£'000	£'000
Bank and other interest receivable	**6,170**	2,932
Income from listed investments	**1,042**	1,861
	7,212	4,793

	Association	
	2018	2017
	£'000	£'000
Bank and other interest receivable	**2,939**	2,332
Income from listed investments	**325**	1,861
Intercompany interest from subsidiary	**1,426**	1,563
	4,690	5,756

8 Interest payable and similar charges

	Group	
	2018	2017
	£'000	£'000
Bank loans and overdrafts	**23,718**	20,284
Other loans	**17,031**	16,189
Other interest payable	**1,494**	1,339
Pension costs	**558**	564
Finance costs	**731**	809
	43,532	39,185

	Association	
	2018	2017
	£'000	£'000
Bank loans and overdrafts	**19,632**	18,122
Other loans	**17,031**	17,492
Other interest payable	**1,494**	1,339
Intercompany interest	**(31)**	109
Pension costs	**558**	564
Finance costs	**731**	673
	39,415	38,299

9 Surplus on ordinary activities

	Group 2018 £'000	Group 2017 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation for the year		
Housing properties	**34,406**	33,581
Other tangible fixed assets	**5,357**	4,573
Amortisation of government grant	**(10,621)**	(10,757)
Impairment charge/(credit) for the year		
Housing properties	**2,541**	4,217
Investment properties and properties awaiting sale	**—**	424
Released on disposal	**(300)**	(3,455)
Auditors' remuneration		
For audit services	**163**	160
For non-audit services		
— tax advisory	**—**	130
— pension advisory	**31**	55
— other	**55**	—
Operating lease rentals		
Land and buildings	**1,320**	1,218
Other	**598**	659

	Association 2018 £'000	Association 2017 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation for the year		
Housing properties	**33,251**	32,461
Other tangible fixed assets	**5,235**	4,402
Amortisation of government grant	**(10,389)**	(10,545)
Impairment charge/(credit) for the year		
Housing properties	**2,541**	3,730
Released on disposal	**(300)**	(3,455)
Auditors' remuneration		
For audit services	**112**	110
For non-audit services		
— tax advisory	**—**	130
— pension advisory	**28**	55
— other	**76**	—
Operating lease rentals		
Land and buildings	**1,172**	1,106
Other	**552**	627

10 Tax on surplus on ordinary activities

	Group 2018 £'000	2017 £'000
Analysis of charge in period		
Current tax charge	**(3)**	—
Deferred tax charge/(credit)	**(448)**	804
Total tax charge/(credit)	**(451)**	804

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 19%. The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	**60,071**	69,850
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**11,413**	13,970
Effects of:		
Expenses not deductible for tax purposes	**4**	4
Profits exempt from tax due to charitable exemption	**(11,039)**	(12,865)
Movement in deferred tax	**—**	(133)
Consolidation adjustments	**—**	—
Prior year deferred tax	**—**	(8)
Affect on profit from Joint Ventures	**(47)**	(100)
Disposal of investment properties	**(835)**	—
Rate change	**53**	(64)
Total charge	**(451)**	804

Deferred taxation
The movement in the year is as follows:

	2018 £'000	2017 £'000
At the beginning of the year	**(407)**	(1,210)
Charge for the year	**(451)**	813
Prior year	**3**	(9)
At the end of the year	**(855)**	(407)

The elements of the deferred tax asset and amounts not provided are as follows:	Provided £'000
Difference between accumulated depreciation and capital allowances	**23**
Losses	**(53)**
Other timing differences	**(825)**
	(855)

10 Tax on surplus on ordinary activities – continued

	Association	
	2018	2017
	£'000	£'000
Analysis of charge in period		
Current tax charge	**—**	—
Deferred tax charge	**—**	—
Prior period tax	**—**	—
	—	—

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 19%. The differences are explained below:

	2018	2017
	£'000	£'000
Profit on ordinary activities before tax	**56,797**	63,308
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2017: 20%)	**10,791**	12,661
Effects of:		
Profits exempt from tax as a result of charitable exemption	**(10,791)**	(12,661)
Current tax	**—**	—

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 2017	2,003,391	39,218	87,487	12,679	2,142,775
Schemes completed	29,480	(29,480)	13,537	(13,537)	—
Additions	28,590	14,020	—	17,348	59,958
Improvements to existing properties	33,051	—	31	—	33,082
Disposal of properties	(25,195)	—	(2,231)	—	(27,426)
Accelerated replacement of components	(1,836)	—	—	—	(1,836)
Reclassification	132	79	44	(254)	1
At 31 March 2018	**2,067,613**	**23,837**	**98,868**	**16,236**	**2,206,554**
Depreciation and impairment					
At 1 April 2017	362,609	—	3,769	—	366,378
Charge for the year	33,594	—	812	—	34,406
Eliminated in respect of disposals	(7,135)	—	(202)	—	(7,337)
Impairment charge	2,541	—	—	—	2,541
Impairment released on disposals	(300)	—	—	—	(300)
At 31 March 2018	**391,309**	**—**	**4,379**	**—**	**395,688**
Net book value at 31 March 2018	**1,676,304**	**23,837**	**94,489**	**16,236**	**1,810,866**
Net book value at 31 March 2017	1,640,782	39,218	83,718	12,679	1,776,397

Improvements to existing properties consist of £33m (2017: £29.9m) capitalised costs in addition to £6.1m (2017: £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 (2017: £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 2017	14,859	11,505	13,491	39,855
Additions	1,992	4	8,151	10,147
Disposals	(1,528)	(294)	(1,841)	(3,663)
At 31 March 2018	**15,323**	**11,215**	**19,801**	**46,339**
Depreciation and impairment				
At 1 April 2017	10,330	6,384	5,753	22,467
Charge for the year	1,886	294	3,177	5,357
Eliminated in respect of disposals	(4,771)	(70)	(1,753)	(6,594)
At 31 March 2018	**7,445**	**6,608**	**7,177**	**21,230**
Net book value at 31 March 2018	**7,878**	**4,607**	**12,624**	**25,109**
Net book value at 31 March 2017	4,529	5,121	7,738	17,388

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 2017	1,911,355	36,621	87,487	12,679	2,048,142
Schemes completed	29,480	(29,480)	13,537	(13,537)	—
Additions	28,590	13,787	—	17,348	59,725
Improvements to existing properties	32,006	—	31	—	32,037
Disposal of properties	(24,902)	—	(2,231)	—	(27,133)
Accelerated replacement of components	(1,808)	—	—	—	(1,808)
Reclassification	132	79	44	(254)	1
At 31 March 2018	**1,974,853**	**21,007**	**98,868**	**16,236**	**2,110,964**
Depreciation and impairment					
At 1 April 2017	350,634	—	2,748	—	353,382
Charge for the year	32,439	—	812	—	33,251
Eliminated in respect of disposals	(7,021)	—	(202)	—	(7,223)
Impairment charge	2,541	—	—	—	2,541
Impairment released on disposals	(300)	—	—	—	(300)
At 31 March 2018	**378,293**	**—**	**3,358**	**—**	**381,651**
Net book value at 31 March 2018	**1,596,560**	**21,007**	**95,510**	**16,236**	**1,729,313**
Net book value at 31 March 2017	1,560,721	36,621	84,739	12,679	1,694,760

Improvements to existing properties consist of £32.0m (2017: £29.3m) capitalised costs in addition to £5.6m (2017: £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 (2017: £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 2017	14,859	10,806	12,950	38,615
Additions	1,992	4	7,950	9,946
Disposals	(1,528)	(70)	(1,473)	(3,071)
At 31 March 2018	**15,323**	**10,740**	**19,427**	**45,490**
Depreciation and impairment				
At 1 April 2017	10,329	6,040	5,314	21,683
Charge for the year	1,886	249	3,100	5,235
Eliminated in respect of disposals	(4,771)	(70)	(1,388)	(6,229)
At 31 March 2018	**7,444**	**6,219**	**7,026**	**20,689**
Net book value at 31 March 2018	**7,879**	**4,521**	**12,401**	**24,801**
Net book value at 31 March 2017	4,530	4,766	7,636	16,932

11 Tangible fixed assets – continued

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

	Group	
	2018 £'000	2017 £'000
Housing Properties		
Freehold	**1,810,739**	1,776,270
Long leasehold	**127**	127
	1,810,866	1,776,397
Offices		
Freehold	**4,285**	4,684
Long leasehold	**322**	437
	4,607	5,121

	Association	
	2018 £'000	2017 £'000
Housing Properties		
Freehold	**1,729,186**	1,694,633
Long leasehold	**127**	127
	1,729,313	1,694,760
Offices		
Freehold	**4,278**	4,448
Long leasehold	**243**	318
	4,521	4,766

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	
	2018 **£'000**	2017 £'000
(i) Other investments		
8¾% Treasury Stock 2017	**—**	260
Charifund	**13,678**	13,351
Other	**2,696**	2,708
	16,374	16,319
Investment properties (see (ii) below)	**1,236**	15,013
Homebuy equity loans	**4,854**	5,666
	22,464	36,998
Group share of gross assets of joint ventures	**4,681**	4,445
Group share of gross liabilities of joint ventures	**(3,178)**	(3,190)
	1,503	1,255
	23,967	38,253

	Association	
	2018 **£'000**	2017 £'000
(i) Other investments		
8¾% Treasury Stock 2017	**—**	260
Charifund	**13,678**	13,351
Other	**2,493**	2,513
Investment in subsidiaries	**29,703**	29,703
Investment in joint ventures	**1,441**	1,441
	47,315	47,268
Investment properties (see (ii) below)	**1,236**	1,212
Homebuy equity loans	**329**	329
	48,880	48,809

12 Investments – continued

	Group	
	2018	2017
	£'000	£'000
(ii) Investment properties		
Valuation at 1 April 2017	**15,013**	14,258
Revaluation	**5,917**	755
Disposals	**(19,694)**	—
Valuation at 31 March 2018	**1,236**	15,013

	Association	
	2018	2017
	£'000	£'000
(ii) Investment properties		
Valuation at 1 April 2017	**1,212**	1,123
Revaluation	**24**	89
Valuation at 31 March 2018	**1,236**	1,212

B. Current assets

	Group	
	2018	2017
	£'000	£'000
Charged bank accounts	**37,516**	50,800
	37,516	50,800

	Association	
	2018	2017
	£'000	£'000
Charged bank accounts	**33,342**	45,243
	33,342	45,243

13 Debtors

	Group	
	2018	2017
	£'000	£'000
Amounts falling due after more than one year:	**11,106**	11,648
Amounts falling due within one year:		
Rent and service charge arrears	**16,577**	16,991
Less: provision for bad and doubtful debts	**(6,720)**	(9,452)
Net rental debtors	**9,857**	7,539
Other debtors	**117,928**	121,058
Prepayments and accrued income	**4,220**	5,796
Deferred tax	**451**	407
Amount due from joint venture	**4,027**	1,279
	136,483	136,079

Included in debtors due after more than one year is £6.6m (2017: £6.7m) 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 £0.4m (2017 : £4.9m) is held in respect of the on going Fire Risk Assessment programme.

	Association	
	2018	2017
	£'000	£'000
Amounts falling due after more than one year:		
Improvement programmes	**11,106**	11,648
Intra group debtors	**38,781**	39,971
	49,887	51,619
Amounts falling due within one year:		
Rent and service charge arrears	**15,750**	16,422
Less: provision for bad and doubtful debts	**(6,378)**	(9,099)
Net rental debtors	**9,372**	7,323
Other debtors	**42,619**	46,579
Prepayments and accrued income	**3,959**	6,441
	55,950	60,343

14 Properties for sale

	Group 2018 £'000	Group 2017 £'000
Properties under construction – outright sales	**35,722**	32,560
Properties under construction – shared ownership	**8,725**	8,117
Completed properties – outright sales	**4,259**	4,930
Completed properties – shared ownership	**13,326**	11,706
	62,032	57,313

	Association 2018 £'000	Association 2017 £'000
Properties under construction – shared ownership	**6,919**	8,117
Completed properties – shared ownership	**13,326**	11,706
	20,245	19,823

15 Creditors: amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000
Bank and other loans (see note 17)	**18,605**	44,411
Trade creditors	**9,301**	10,728
Rent and service charges received in advance	**5,272**	4,422
Social Housing Grant received in advance	**7,565**	5,404
Other taxation and social security payable	**—**	207
Other creditors	**28,830**	29,294
Recycled Capital Grant Fund (see note 16a)	**3,786**	3,178
Disposal Proceeds Fund (see note 16a)	**888**	449
Accruals and deferred income	**56,435**	72,129
Corporation tax	**1,094**	115
Accumulated amortisation of grant	**—**	220
Grant on Homebuy equity loans	**1,784**	1,784
Amortisation of grant	**10,379**	10,545
SHPS pension agreement plan	**1,987**	—
	145,926	182,886

	Association 2018 £'000	Association 2017 £'000
Bank and other loans (see note 17)	**16,300**	33,357
Trade creditors	**6,880**	6,527
Rent and service charges received in advance	**4,837**	4,178
Social Housing Grant received in advance	**7,466**	5,223
Other creditors	**28,554**	31,460
Recycled Capital Grant Fund (see note 16a)	**3,786**	3,178
Disposals Proceeds Fund (see note 16a)	**888**	449
Accruals and deferred income	**36,453**	50,350
Intra group creditors	**3,722**	5,142
Grant on Homebuy equity loans	**329**	329
Amortisation of grant	**10,379**	10,545
SHPS pension agreement plan	**1,987**	—
	121,581	150,738

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	
	2018	2017
	£'000	£'000
Long term loans (see note 17)	**749,595**	740,629
Recycled Capital Grant Fund (see note 16a)	**19,596**	13,178
Disposal Proceeds Fund (see note 16a)	**1,444**	1,872
Deferred Capital Grant (note 16b)	**873,670**	884,078
Accumulated amortisation of grant	**(192,735)**	(186,940)
Amortisation of grant due in one year	**(10,379)**	(10,545)
SHPS pension agreement plan (note 26 (iv))	**11,267**	15,173
Fair value of derivatives	**17,681**	24,954
Other	**658**	934
	1,470,797	1,483,333

	Association	
	2018	2017
	£'000	£'000
Long term loans (see note 17)	**653,043**	645,289
Recycled Capital Grant Fund (see note 16a)	**19,594**	13,178
Disposal Proceeds Fund (see note 16a)	**1,444**	1,872
Deferred Capital Grant (note 16b)	**848,008**	858,237
Accumulated amortisation of grant (note 16b)	**(189,608)**	(184,025)
Amortisation of grant due in one year	**(10,379)**	(10,545)
SHPS pension agreement plan (note 26 (iv))	**11,267**	15,173
Fair value of derivatives	**17,681**	24,902
Other	**26**	26
	1,351,076	1,364,107

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	
	2018	2017
	£'000	£'000
Disposal Proceeds Fund		
Opening balance	**2,321**	1,866
Inputs to DPF:		
Grants recycled	**—**	930
Interest accrued	**11**	13
Recycling of grant:		
Newbuild	**—**	(488)
Closing balance	**2,332**	2,321

	2018	2017
	£'000	£'000
Recycled Capital Grant Fund		
Opening balance	**16,356**	8,159
Inputs to RCGF:		
Grants recycled	**8,306**	9,103
Interest accrued	**100**	54
Recycling of grant:		
Newbuild	**(1,380)**	(960)
Closing balance	**23,382**	16,356

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

16b Deferred Capital Grant

	Group	
	2018	2017
	£'000	£'000
Deferred capital grant		
At start of the year	**884,078**	893,078
Grant received in the year	**3,773**	6,299
Disposals	**(14,181)**	(15,299)
As at 31 March 2018	**873,670**	884,078
Amortisation at start of the year	**(186,940)**	(182,318)
Released to income	**(10,621)**	(10,765)
Released to disposals	**4,826**	6,143
As at 31 March 2018	**(192,735)**	(186,940)

Amounts due to be released within one year £10,379.
Amounts due to be released after more than one year £670,556.

	Association	
	2018	2017
	£'000	£'000
Deferred capital grant		
At start of the year	**858,237**	867,320
Grant received in the year	**3,775**	6,215
Disposals	**(14,004)**	(15,298)
As at 31 March 2018	**848,008**	858,237
Amortisation at start of the year	**(184,025)**	(179,615)
Released to income	**(10,389)**	(10,553)
Released to disposals	**4,806**	6,143
As at 31 March 2018	**(189,608)**	(184,025)

Amounts due to be released within one year £10,379.
Amounts due to be released after more than one year £648,021.

17 Debt analysis

	Group 2018 £'000	Group 2017 £'000
Due within one year		
Bank loans	**15,133**	16,248
Other loans	**3,472**	28,163
	18,605	44,411
Due after more than one year		
Bank loans	**433,830**	461,906
Local authority loans	**67**	67
Other loans	**176,660**	139,570
Less finance costs capitalised	**(6,519)**	(6,197)
	604,038	595,346
Bond	**150,000**	150,000
Discount on issue	**(2,897)**	(3,115)
Bond issue costs	**(1,545)**	(1,602)
Net bond balance	**145,558**	145,283

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 2019 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 3.8% and 11.7%. The instalments fall to be repaid in the periods 2019 to 2044.

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

	2018 £'000	2017 £'000
Debt maturity profile		
In one year or less	**18,605**	44,411
Between one and two years	**18,576**	9,875
Between two and five years	**58,686**	37,718
In five years or more	**683,294**	703,950
	779,161	795,954
Less:		
Loans due in one year or less	**(18,605)**	(44,411)
Finance costs capitalised	**(8,064)**	(7,799)
Discount on issue of bond	**(2,897)**	(3,115)
	749,595	740,629

17 Debt analysis – continued

	Association 2018 £'000	2017 £'000
Due within one year		
Bank loans	**15,133**	5,194
Other loans	**1,167**	28,163
	16,300	33,357
Due after more than one year		
Bank loans	**400,677**	373,532
Local authority loans	**67**	67
Other loans	**113,154**	132,441
Less finance costs capitalised	**(6,412)**	(6,033)
	507,486	500,007
Bond	**150,000**	150,000
Discount on issue	**(2,897)**	(3,115)
Bond issue costs	**(1,545)**	(1,602)
Net bond balance	**145,558**	145,283

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 2019 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 3.7% and 11.7%. The instalments fall to be repaid in the periods 2019 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.

	2018 £'000	2017 £'000
Debt maturity profile		
In one year or less	**16,300**	33,357
Between one and two years	**16,171**	7,570
Between two and five years	**51,313**	30,406
In five years or more	**596,413**	618,064
	680,197	689,397
Less:		
Loans due in one year or less	**(16,300)**	(33,357)
Finance costs capitalised	**(7,957)**	(7,636)
Discount on issue of bond	**(2,897)**	(3,115)
	653,043	645,289

17a Borrowing facilities

Borrowing facilities

Undrawn committed borrowing facilities at 31 March 2018 were as follows:

	Group	
	2018	2017
	£'000	£'000
Expiring in one year or less	**3,987**	96,425
Expiring between one and five years	**210,699**	92,256
Expiring in more than five years	**58,803**	88,461
	273,489	277,142

£100m (2017 : £2.4m) of the undrawn committed borrowing facilities requires fixed charged security to be placed with the lender before it can be utilised.

	Association	
	2018	2017
	£'000	£'000
Expiring in one year or less	**3,987**	93,961
Expiring between one and two years	**210,699**	92,256
Expiring in more than two years	**58,803**	88,461
	273,489	274,678

£100m (2017 : £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 2018 £'000	Group 2017 £'000	**Association 2018 £'000**	Association 2017 £'000
Assets at fair value through profit or loss				
Fixed asset investments (Note 12)	**16,374**	16,319	**16,169**	16,124
Assets measured at amortised cost				
Fixed asset investments (Note 12)	**4,854**	5,666	**329**	329
Current asset investments (Note 12)	**37,516**	50,800	**33,342**	45,243
Debtors (Note 13)	**131,812**	129,876	**51,991**	53,902
Cash and cash equivalents	**63,687**	68,927	**56,161**	63,514
Liabilities measured at amortised cost				
Loans (Notes 15, 16 and 17)	**(768,200)**	(785,040)	**(669,343)**	(678,646)
Trade creditors (Notes 15 and 16)	**(101,589)**	(117,829)	**(76,750)**	(97,683)
Derivatives				
Designated as hedges (Note 16)	**(17,681)**	(24,954)	**(17,681)**	(24,902)
	(633,227)	(656,235)	**(605,782)**	(622,119)

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.

18 Financial instruments and risk management (continued)

C. Hedge accounting

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

	Group 2018 £'000	Group 2017 £'000	**Association 2018 £'000**	Association 2017 £'000
Interest rate swaps				
In one year or less	**3,960**	5,890	**3,960**	5,815
Between one and two years	**3,110**	4,529	**3,110**	4,529
Between two and three years	**2,629**	3,642	**2,629**	3,642
Between three and five years	**4,160**	5,989	**4,160**	5,989
In five years or more	**4,980**	7,012	**4,980**	7,012
Total	**18,839**	27,062	**18,839**	26,987
Nominal values of the above				
Cash flow hedge	**208,831**	248,536	**208,831**	240,586
Total	**208,831**	248,536	**208,831**	240,586

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.

18 Financial instruments and risk management (continued)

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 £8.2m 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 2018 are £7.5m and £0.6m respectively.

20 Share capital

	Group and Association	
	2018	2017
	£	£
At 1 April 2017	**22**	15
Appointed in year	**12**	13
Resigned in year	**(7)**	(6)
At 31 March 2018	**27**	22

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

	Group	
	2018	2017
	£'000	£'000
Operating surplus	**80,007**	80,051
Depreciation and impairment	**30,853**	30,237
Increase in other debtors and prepayments	**6,517**	(27,996)
Increase in other creditors and accruals	**(13,586)**	19,456
Decrease in rent arrears	**(2,317)**	(443)
Fixed asset disposals	**33,891**	33,712
Amortisation of Grant	**(10,588)**	(11,979)
Net cash inflow from operating activities	**124,777**	123,038

22 Reconciliation of net cash flow to movement in net debt

	Group	
	2018	2017
	£'000	£'000
Decrease in cash in the year	**(5,240)**	34,524
Increase in loans	**15,482**	(1,533)
(Decrease)/increase in liquid resources	**(13,284)**	(5,522)
Change in net debt resulting from cash flows	**(3,042)**	27,469
Release of finance costs	**1,358**	1,586
	(1,684)	29,055
Net debt at 1 April 2018	**(665,313)**	(694,368)
Net debt at 31 March 2018 (see note 23)	**(666,997)**	(665,313)

23 Analysis of net debt

	Group			
	1 April 2017 £'000	Cash flows £'000	Other changes £'000	**31 March 2018 £'000**
Cash at bank and in hand	68,927	(5,240)	—	**63,687**
Loans due within one year (see note 15)	(44,411)	26,208	(402)	**(18,605)**
Loans due after one year (see note 17)	(740,629)	(10,726)	1,760	**(749,595)**
Current asset investments (see note 12B)	50,800	(13,284)	—	**37,516**
Total	(665,313)	(3,042)	1,358	**(666,997)**

24 Capital commitments

	Group and Association	
	2018 £'000	2017 £'000
Capital expenditure that has been contracted for but which has not been provided for in the financial statements	**50,250**	41,813
Capital expenditure that has been authorised by the Board but which has not yet been contracted for	**4,732**	9,744
Income to be generated from the above expenditure contracted not provided for	**14,222**	24,290
Income to be generated from the above expenditure authorised by the Board	**—**	3,001

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

25 Financial commitments

At 31 March 2018 commitments under non-cancellable operating leases were as follows:

	Group			
	2018		2017	
	Land & buildings £'000	**Other £,000**	Land & buildings £'000	Other £,000
Expiring within one year	**156**	**3**	44	195
Expiring between one and five years	**590**	**595**	205	229
Expiring in five or more years	**573**	**—**	1,643	236
	1,319	**598**	1,892	660

	Association			
	2018		2017	
	Land & buildings £'000	**Other £,000**	Land & buildings £'000	Other £,000
Expiring within one year	**50**	**—**	32	186
Expiring between one and five years	**550**	**552**	110	211
Expiring in five or more years	**573**	**—**	1,643	230
	1,173	**552**	1,785	627

26 Pension information

i) The Riverside Group Pension Scheme

The Riverside Group operates a pension scheme providing benefits based on final pensionable pay. The scheme was closed to future accrual on 31 March 2016. The actuarial method used for the calculation of the liabilities is the projected unit method. The latest valuation of the scheme was carried out with effect from 31 March 2017 and the liabilities for these accounting disclosures have been calculated by rolling forward the valuation liabilities from that valuation date to 31 March 2018. The assumptions used have been chosen as being consistent and appropriate both with FRS102 and with assumptions used in previous years. The actuarial assumptions, due to the timescale covered, may not necessarily be borne out in practice.

The major assumptions used in this valuation are:

	2018	2017
Rate of discount on scheme liabilities	**2.6%**	2.5%
Retail price inflation	**3.3%**	3.4%
Consumer price inflation	**2.3%**	2.7%
Pension increases:		
- Pre 1 February 2002	**3.2%**	3.3%
- Pre 5 April 2006	**3.2%**	3.3%
- Post 5 April 2006	**2.2%**	2.3%
Life expectancy at age 65:		
- Male current pensioner	**23.0**	22.8
- Female current pensioner	**25.6**	24.9
- Male future pensioner	**24.4**	24.6
- Female future pensioner	**27.0**	26.8

The scheme uses the Consumer Prices Index (CPI) to revalue pensions in deferment and increases given to GMP pensions in payment.

The Retail Price Index (RPI) is used to determine the pensions increase assumptions for those benefits in excess of GMP.

The Scheme Rules state that benefits earned before 1 February 2005 and 5 April 2006 are increased in line with RPI inflation up to a maximun of 2.5% each year. An allowance has been made for these caps in the pensions increase assumptions.

Pension increases above 5% are only provided at the Trustees' discretion. The valuation assumes that a maximum pension increase of 5% p.a. applies to pre February 2002 benefits.

The fair value of the scheme's assets at 31 March 2018, 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:

	2018 £'000	2017 £'000
Fair value of assets	**157,700**	156,100
Present value of liabilities	**(170,500)**	(169,800)
Deficit in the scheme	**(12,800)**	(13,700)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2018 were:

	2018 £'000	2017 £'000
Market value		
Equities	**75,190**	71,900
Insured policy	**15,000**	15,500
LDI Portfolio	**20,070**	16,700
Cash	**650**	2,500
Other	**46,790**	49,500
Total	**157,700**	156,100

The net interest expense for the year is included in comprehensive income. Remeasurements of the net defined benefit liability are included in other comprehensive income.

	2018 £'000	2017 £'000
Analysis of interest		
Interest on assets	**3,900**	4,400
Interest on pension liabilities	**(4,200)**	(4,600)
Net interest expense	**(300)**	(200)
Amount recognised in Other Comprehensive Income (OCI)		
Return on scheme assets excluding amount included in net interest	**1,600**	25,200
Actuarial losses	**(2,000)**	(34,700)
Adjustment for restrictions on the asset recognised	**—**	—
Remeasurement of the net liability	**(400)**	(9,500)
Total defined benefit cost	**(700)**	(9,700)

26 Pension information – continued

	2018 £'000	2017 £'000
Movement in deficit during year		
Deficit in scheme at beginning of the year	**(13,700)**	(4,800)
Movement in year:		
Contributions from the employer	**1,600**	800
Net interest expense	**(300)**	(200)
Return on assets excluding amount included in net interest	**1,600**	25,200
Actuarial losses	**(2,000)**	(34,700)
Deficit in scheme at end of the year	**(12,800)**	(13,700)

	2018 £'000	2017 £'000
The return on scheme assets		
Interest income	**3,900**	4,400
Return on scheme assets excluding amount included in net interest	**1,600**	25,200
	5,500	29,600

	2018	2017
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**1,600**	25,200
% of scheme assets	**1.0%**	16.1%
Experienced losses on liabilities (£'000)	**(2,000)**	(34,700)
% of scheme liabilities	**(1.2%)**	(20.4%)
Total amount recognised in (OCI) (£'000)	**(400)**	(9,500)
% of scheme liabilities	**(0.2%)**	(5.6%)

26 Pension information – continued

	2018 £'000	2017 £'000
Reconciliation of assets		
Assets at beginning of period	**156,100**	129,000
Employer contributions	**1,600**	800
Benefits paid	**(5,500)**	(3,300)
Interest income	**3,900**	4,400
Return on scheme assets excluding amounts included in net interest	**1,600**	25,200
Assets at end of period	**157,700**	156,100
Reconciliation of liabilities		
Projected benefit obligation at the beginning of period	**(169,800)**	(133,800)
Operating charge	**—**	—
Interest expense	**(4,200)**	(4,600)
Benefits paid	**5,500**	3,300
Actuarial loss	**(2,000)**	(34,700)
Change in assumptions	**—**	—
Projected benefit obligation at end of period	**(170,500)**	(169,800)
Recognition of surplus		
Deficit brought forward	**(13,700)**	(4,800)
Net interest expense	**(300)**	(200)
Return assets less interest income	**1,600**	25,200
Actuarial loss	**(2,000)**	(34,700)
Contribution gain	**1,600**	800
Deficit carried forward	**(12,800)**	(13,700)

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 and the Surrey Pension Fund.

At 31 March 2017 the Group ceased accrual to the Cumbria Local Government Pension Fund and the Strathclyde Pension Fund.

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:

	2018	2017
Inflation CPI	**2.1%**	2.3%
Rate of discount on scheme liabilities	**2.6%**	3.0%
Rate of salary increase	**3.4%**	3.5%
Rate of increase of pensions in payment	**2.2%**	2.3%
Rate of increase of deferred pensions	**2.5%**	2.3%
Life expectancy at age 65		
- male future non-pensioner	**24.7**	24.6
- female future non-pensioner	**27.5**	27.1
- male current pensioner	**22.0**	22.2
- female current pensioner	**24.7**	24.5

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 2018 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:

	2018 £'000	2017 £'000
Fair value of assets	**10,439**	10,122
Present value of liabilities	**(12,788)**	(12,830)
Deficit in the schemes	**(2,349)**	(2,708)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2018 were:

	2018 £'000	2017 £'000
Market value		
Equities	**4,900**	5,761
Bonds	**2,857**	1,494
Property	**805**	816
Other	**1,383**	1,705
Cash	**494**	346
Total	**10,439**	10,122

	2018 £'000	2017 £'000
Analysis of the amount charged to operating profit		
Current service cost	**303**	206
Total operating charge	**303**	206
Analysis of interest		
Interest on assets	**254**	285
Interest on pension liabilities	**(323)**	(336)
Net interest expense	**(69)**	(51)

	2018 £'000	2017 £'000
Amount recognised in Other Comprehensive Income (OCI)		
Return on assets excluding amounts included in net interest	**1**	179
Remeasurement of assets	**(39)**	1,549
Experienced losses arising on scheme liabilities	**—**	(729)
Changes in assumptions underlying the present value of the scheme liabilities	**496**	(2,241)
Remeasurements	**458**	(1,242)
Total defined benefit credit/(cost)	**389**	(1,293)

26 Pension information – continued

	2018 £'000	2017 £'000
Movement in deficit during year		
Deficit in scheme at beginning of the year	**(2,708)**	(2,713)
Movement in year:		
Schemes exited in year	**—**	1,278
Current service cost	**(303)**	(206)
Contributions	**273**	226
Net interest expense	**(69)**	(51)
Remeasurements	**458**	(1,242)
Deficit in scheme at end of the year	**(2,349)**	(2,708)

	2018	2017
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**(38)**	1,727
% of scheme assets	**(0.4%)**	17.1%
Experienced gains/(losses) on liabilities (£'000)	**496**	(2,969)
% of scheme liabilities	**3.9%**	(23.1%)
Total amount recognised in OCI (£'000)	**458**	(1,242)
% of scheme liabilities	**3.6%**	(9.7%)

26 Pension information – continued

	2018 £'000	2017 £'000
Reconciliation of assets		
Assets at beginning of period	**10,122**	46,984
Schemes exited in year	**—**	(38,976)
Employer contributions	**273**	226
Employee contributions	**56**	55
Benefits paid	**(228)**	(179)
Interest income	**254**	285
Return on assets excluding amounts included in net interest	**1**	179
Remeasurements	**(39)**	1,549
Assets at end of period	**10,439**	10,122
Reconciliation of liabilities		
Projected benefit obligation at beginning of period	**12,830**	49,697
Schemes exited in year	**—**	(40,254)
Operating charge	**303**	206
Interest cost	**323**	336
Employee contributions	**56**	55
Benefits paid	**(228)**	(179)
Remeasurements	**(496)**	2,969
Projected benefit obligation at end of period	**12,788**	12,830
Recognition of surplus		
Deficit brought forward	**(2,708)**	(2,713)
Schemes exited in year	**—**	1,278
Net income expense	**(69)**	(51)
Return on assets less interest income	**1**	1,727
Remeasurements	**457**	(2,969)
Contribution (loss)/gain	**(30)**	20
Deficit carried forward	**(2,349)**	(2,708)

(iii) Defined contribution pension schemes
The Riverside Group also contributes to defined contribution schemes. The cost for the year was £4.0m (2017: £3.2m).

(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%.

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

Following the closure of the Riverside Group Pension Scheme to future accrual on 31 March 2016 members transferred to the SHPS defined contribution scheme.

As at the balance sheet date 396 employees of the Group were active members of the SHPS Defined Contribution scheme with rates set at employer 12%, employee 9%, 408 members with rates set at employer 9%, employee 6% and 1,204 members in the Auto Enrolment Scheme.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

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%.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

SHPS deficit payment agreement

The association has a contractual obligation under an agreement to pay additional deficit payments to SHPS each year for nine years to September 2026. During the year the Riverside Group contributed £1.9m.

In calculating the net present value of the liability included within provisions the association has used a discount rate of 1.72% based on a market rate AA corporate bond for the same period as the recovery plan contributions.

	Group	
	2018 £,000	2017 £,000
Reconciliation of opening and closing provisions		
At start of the year	**15,173**	16,255
Deficit contributions paid	**(1,915)**	(1,846)
Unwinding of discount factor (interest rate)	**189**	313
Remeasurements – Impact of changes in assumptions	**(193)**	451
Remeasurements – Amendments to the contribution schedule	**—**	—
	13,254	15,173
Income and expenditure impact		
Interest expense	**189**	313
Remeasurements - Impact of changes in assumptions	**(193)**	451
Remeasurements - Amendments to the contribution schedule	**—**	—
Net (income)/expense recognised in income and expenditure account	**(4)**	764

27 Contingent liabilities

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 (2017: £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 2017, £9.3m 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 2018 resulted in £12.6m additional recyclable grant.

28 Provisions for liabilities and charges

		Group and Association	
		2018	2017
		£'000	£'000
Improvement programmes	(i)	**7,078**	11,312
Pension liabilities	(ii)	**15,376**	16,408
Target operating model implementation		**5,436**	4,918
Other		**(114)**	229
At 31 March 2018		**27,776**	32,867

(i) Improvement programmes
A provision of £6.6m (2017: £6.7m) 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 £0.4m (2017: £4.6m) 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 Donations

	Group and Association	
	2018	2017
	£'000	£'000
Donations	**406**	3
	406	3

30 Accommodation in management and development

	Group 2018 Number	Group 2017 Number	Association 2018 Number	Association 2017 Number
Social housing ownership				
General housing social rent	**30,255**	31,444	**28,095**	29,277
Intermediate rent	**246**	252	**246**	252
Affordable rent	**6,945**	5,821	**6,945**	5,821
Housing for older people	**4,689**	4,738	**4,647**	4,696
Supported housing	**4,092**	4,178	**4,078**	4,164
Care homes	**266**	271	**266**	271
Leasehold where purchaser owns less than 100%	**1,674**	1,476	**1,674**	1,476
Leasehold where purchaser owns 100%	**1,056**	1,012	**1,056**	1,012
Total social housing owned	**49,223**	49,192	**47,007**	46,969
Social housing management only				
General housing social rent	**1,191**	1,199	**1,191**	1,199
Supported housing	**429**	185	**429**	185
Leasehold where purchaser owns less than 100%	**39**	44	**39**	44
Leasehold where purchaser owns 100%	**85**	85	**85**	85
Housing for older people	**—**	—	**—**	—
Total managed	**1,744**	1,513	**1,744**	1,513
Non-social housing				
Rented owned	**358**	354	**358**	354
Rented managed for others	**—**	8	**—**	8
Leased owned	**660**	549	**660**	549
Leased managed for others	**957**	994	**957**	994
Total non-social housing	**1,975**	1,905	**1,975**	1,905
Total stock	**52,942**	52,610	**50,726**	50,387
Accommodation in development at the year end	1,031	751	1,031	629

31 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:

	2018 £'000	2017 £'000
Net payments to/(from) related entities		
Caribou Green Warmth LLP	**—**	—
The Compendium Group Limited	**(3,975)**	(3,948)
Evolve Facility Services Limited	**45,964**	40,418
Irvine Housing Association Limited	**(2,218)**	(2,885)
Prospect (GB) Limited	**(1,425)**	5,214
Riverside Consultancy Services Limited	**21,173**	33,882
Riverside Finance plc	**—**	—
Riverside Estuary Ltd	**(392)**	(4,349)
Circle Limited	**107**	112
Total	**59,234**	68,444

Get in touch or find out more

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24 hours, **365** days a year. So you can call at the weekend or even on Christmas Day
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Speak to a member of our team

We are happy to accept **Next Generation Text** (NGT) calls. Press '3' once connected

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

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