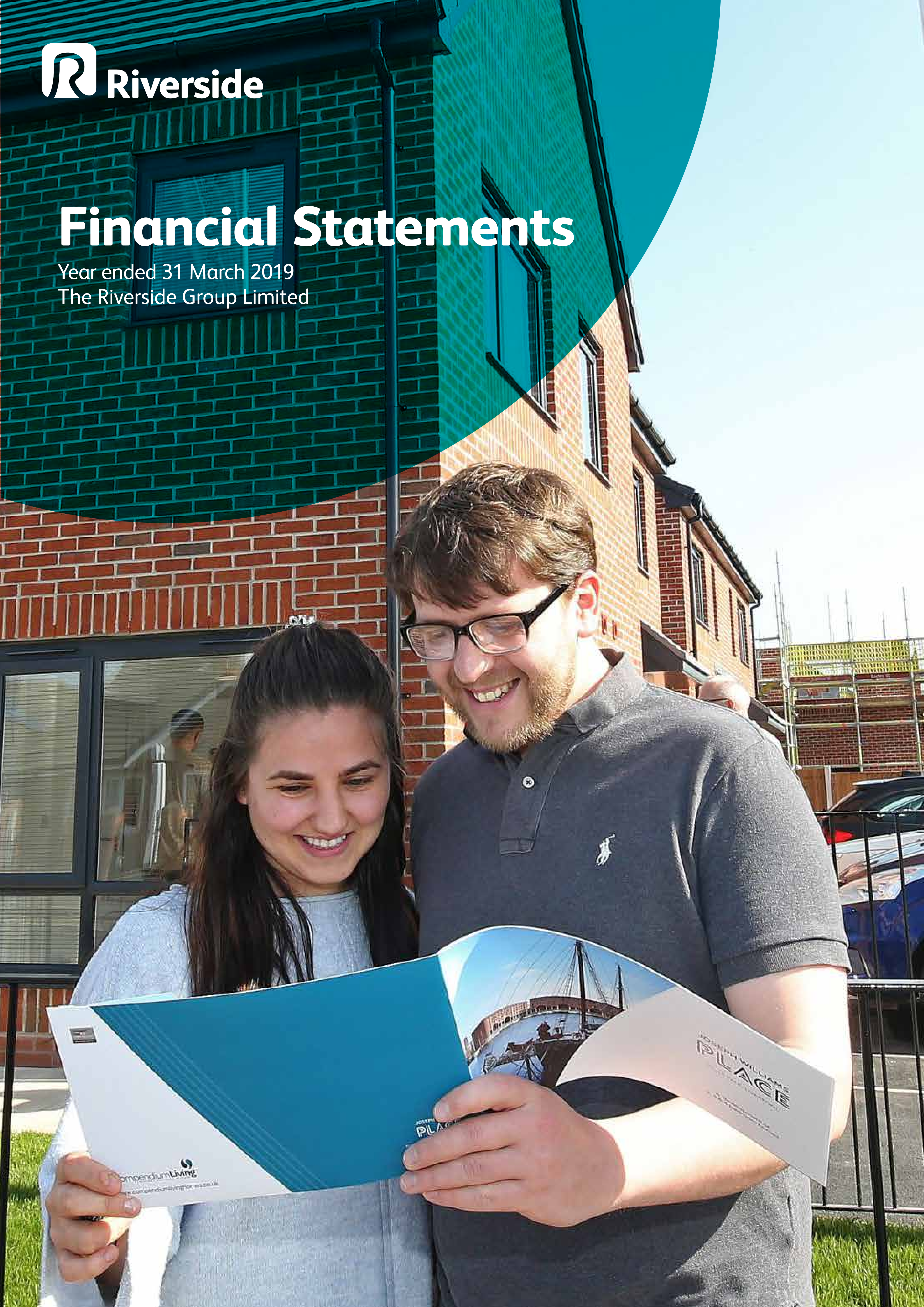
Riverside

Financial Statements

Year ended 31 March 2019

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 2018/19 we achieved the following:

We are building

590

New homes and extra care units built

Last year: 845

Raising performance

95.5%

Customer satisfaction with new home

Last year: 91.3%

We are renewing

3.7%

Reinvestment %

Last year: 3.6%

We are connecting

22.5%

% of service transactions accessed by customers online

Last year: 23.4%

Effective business

34.7%

Gearing

Last year: 32.6%

Effective business

£16.6m

Transformation investment

Last year: £10.1m


Riverside

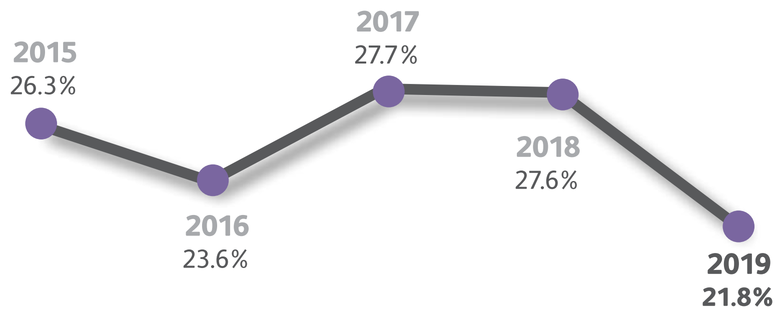
02. Five year summary of financial highlights

Five year summary of financial highlights

For the year ended 31 March Group		2015	2016	2017	2018	**2019**
Statement of comprehensive income						
Turnover	£'000	325,977	365,598	370,051	346,160	**364,255**
Operating surplus	£'000	85,594	86,310	102,384	95,431	**79,478**
Operating surplus as a percentage of turnover	%	26.3%	23.6%	27.7%	27.6%	**21.8%**
Surplus on ordinary activities before tax	£'000	48,052	50,087	69,850	60,071	**26,956**
Surplus as a percentage of turnover	%	14.7%	13.7%	18.9%	17.4%	**7.4%**
Statement of financial position						
Tangible and intangible assets	£'000	1,750,256	1,778,548	1,793,785	1,835,975	**2,006,915**
Loans repayable after more than one year	£'000	749,810	774,867	740,629	749,595	**842,616**
Reserves	£'000	334,835	389,843	450,931	518,121	**522,856**
Accommodation figures						
Total housing stock owned and managed	Units	53,164	52,945	52,610	52,942	**56,089**
New homes built	Units	689	750	841	845	**590**

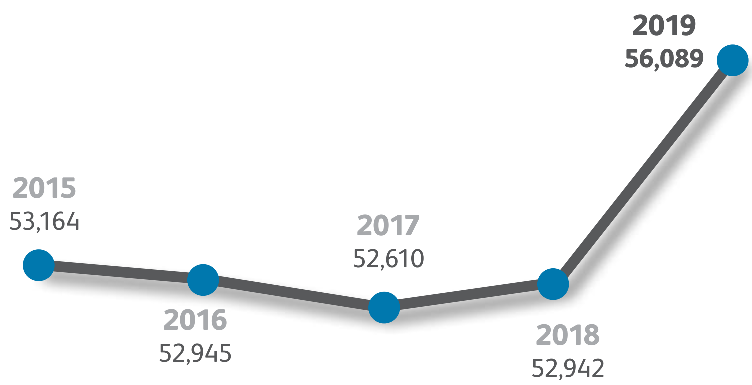
Operating surplus as a percentage of turnover

Operating surplus has reduced in 2019 as the Group continues to invest heavily in business transformation and grow its care and support provision.



Total housing stock owned and managed

Housing stock increased primarily as a result of Impact Housing Association joining the Group and by new homes being built.

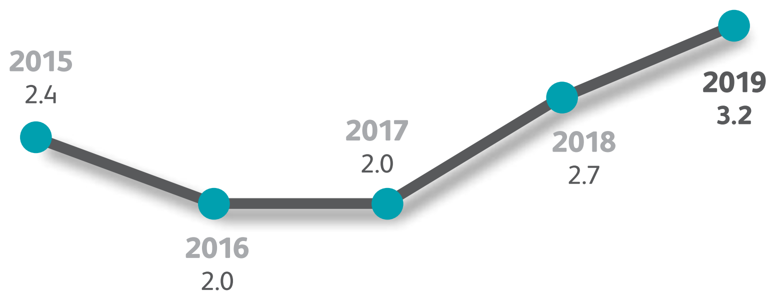


For the year ended 31 March Group		2015	2016	2017	2018	**2019**
Key ratios						
Voids and bad debts – Group (as % of net rental income)	%	2.4	2.0	2.0	2.7	**3.2**
Rent and service charge arrears – Group (as a % of net rent and service charge receivable)	%	2.9	2.9	3.1	4.1	**4.6**
Interest cover – Association (operating surplus plus surplus on sale of property, property depreciation, amortisation and grant divided by net interest payable)	%	2.7	2.8	3.5	3.2	**2.5**
Gearing – Association (loans as % of historic cost of properties)	%	38.2	36.0	34.5	32.6	**34.7**

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

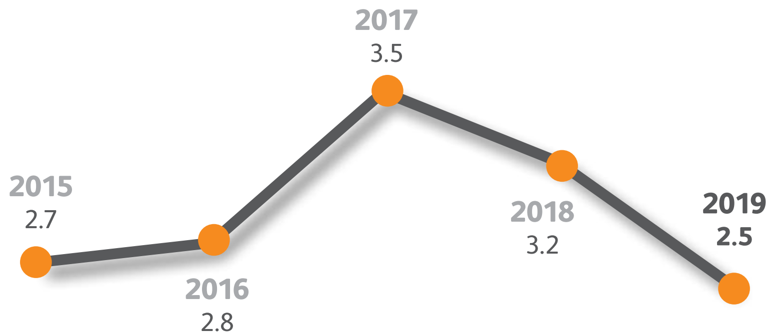
Voids and bad debts

Void and bad debts as a % of net rental income has increased due to an increase in voids. Bad debts have remained at a similar level to 2017/18.



Interest cover

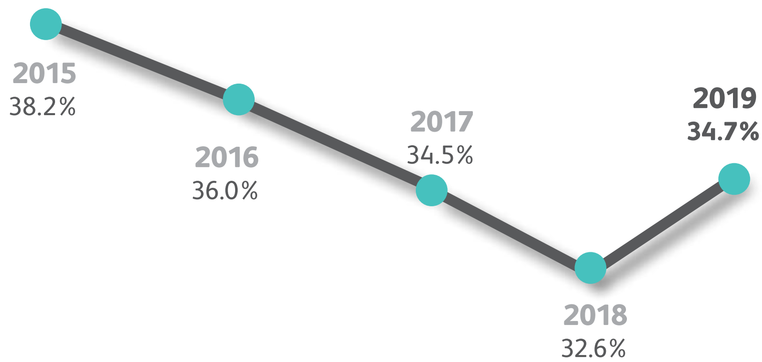
Interest cover has reduced due to a fall in operating surplus, surplus on sale of property and an increase in interest payable. The operating surplus reduced as a result of transformation investment.



Gearing

The Association's gearing increased as a result of issuing £100m of retained bonds in August 2018.

Note: gearing calculation based on funder covenant definition.




Another
Dream
Home
12
RESERVED
11

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

Tim Croston

Jonathan Dale

Michelle Dovey
Finance Lead

Ingrid Fife

Carol Matthews*

Sally Trueman

Peter White

David Otty
Tenant observer

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

Details of Board Member resignations and appointments for the period 1 April 2018 to 12 August 2019 are listed on page 42.

Executive Directors

(Left to right)

Carol Matthews **Group Chief Executive**

John Glenton **Executive Director, Care and Support**

Cris McGuinness **Chief Financial Officer**

Ian Gregg **Executive Director, Asset Services**

Patrick New **Executive Director, Customer Service**

Registered auditors

KPMG LLP
1 Sovereign Street
Leeds
LS1 4DA

Principal bankers

National Westminster Bank Plc
Liverpool City Office
2-8 Church Street
Liverpool
L1 3BG

Secretary and Registered Office

Andy Gladwin (resigned 9 May 2018)

Tom Ferguson (appointed 10 May 2018, resigned 16 January 2019)

Anne-Marie Owens (appointed 17 January 2019, resigned 10 July 2019)

Sara Shanab (appointed 11 July 2019)

2 Estuary Boulevard
Estuary Commerce Park
Liverpool
L24 8RF

Registered Numbers

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

Regulator of Social Housing
Registered Number: L4552


HAPPY 90TH

04. Group Chair's introduction

Group Chair’s introduction

Our financial health is underpinned by the excellence of the Riverside governance community.

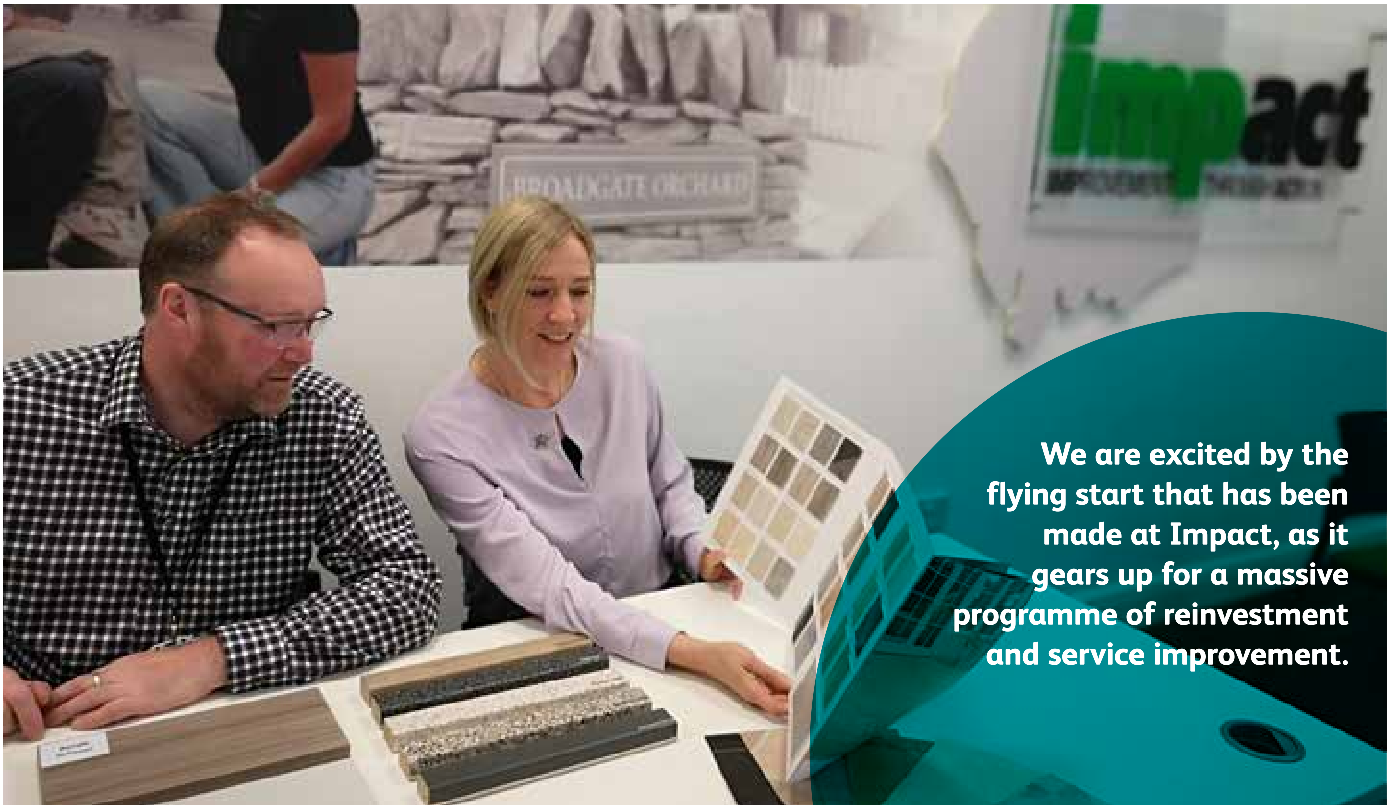
Thank you for taking the time to read our financial statements for 2018/19. As usual, they present both our audited accounts, together with a more reflective strategic report, which for a second year incorporates commentary on the Regulator of Social Housing’s mandatory value for money metrics, augmented for balance with some of our own strategic customer orientated metrics.

The numbers presented in our audited accounts evidence our ongoing financial strength and capacity as one of the UK’s largest housing association groups, with over £2bn of assets and £523m of reserves. These are very big numbers, but their real significance lies in the opportunity they give us to continue to address the nation’s housing problems, and deliver our fundamental vision of ‘transforming lives, revitalising neighbourhoods’. Our social purpose remains central to everything we do, and has been at the forefront of our minds as we have celebrated our 90th anniversary as one of the country’s oldest and largest housing charities.

For those of us who are not finance professionals, we have tried to bring these figures to life through our strategic report which forms the first part of the document. This narrative provides more colour, giving an honest and reflective assessment of our financial and strategic performance, placing it in the context of the world in which we operate and the risks we face. We would be the first to admit that the ‘snapshot’ of current financial and strategic performance is mixed, however this is not entirely unexpected, and sits within a longer-term trajectory of significant improvement.

At a more granular level, we can see ‘green shoots’ appearing, particularly in our efforts to contain costs and offer better value to customers. However these are not always immediately apparent given that levels of one-off investment in the business still more than offset genuine annual savings that are being made. The key is that the Board is very clear about how we need to continue to drive improvement, primarily by completing the transformation journey we started three years ago which is now entering its final phase in what will be the third and final year of our current Corporate Plan. This means that between now and March 2020, we will be shaping a new plan, and we are currently in the throes of gathering evidence and engaging with colleagues, customers and Board members to ensure the plan is ambitious, realistic and grounded.

Our financial health is underpinned by the excellence of the Riverside governance community. I have now entered my final year as both Chair and Board member, and over this time I have witnessed an increasingly skillful, mature and aware Board play a key role in guiding this organisation through a difficult operating context, offering appropriate challenge, clear leadership and wise counsel. Board decisions are by no means formalities, and the level of debate, together with the support we receive from executives, is very impressive. Our financial strength continues to be recognised externally, with credit rating agency Moody’s ranking Riverside amongst a handful of the country’s most attractive associations to investors, with an A1 rating.



In August 2018, Impact Housing Association joined the Group as a Cumbria based subsidiary, and since then it has recruited a new Board. I would like to use this opportunity to welcome new Board members into the Riverside governance family, and we are excited by the flying start that has been made at Impact, as it gears up for a massive programme of reinvestment and service improvement.

It is with great sadness that I will move on, but I know I will be leaving Riverside in very capable hands. I look forward to seeing the association grow and prosper as it continues to deliver the great homes and services that customers and communities really deserve.

Max Steinberg CBE
Group Chair


TIME
CAPSULE
BURIED IN 2018
TO BE OPENED IN
2068

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 are broadly on course to deliver our objectives, though there will inevitably be challenges ahead.

We are presenting these financial statements in a period of profound uncertainty. Whilst the recent political narrative about housing associations has been highly positive, it is almost impossible to predict what will happen in the next few months, let alone years. As the political pack is once again reshuffled, Brexit remains unresolved, and in the meantime it becomes increasingly difficult to plan with any confidence. Once upon a time our approach to affordable housing supply was counter-cyclical – in other words we were called to do more in times of economic downturn when grant support was more generous and social house building was seen as a way of boosting the economy. However now – unless there is a significant change of heart at the next spending review – providers like Riverside have become more reliant on the market to support new supply, either using sales profits to cross-subsidise development, or converting land value into subsidy by way of S106 agreements. Both are very dependent upon market certainty, and this is in short-supply.

Of course the underlying demand for our products and services is very strong. The visible rise in street homelessness is but one symptom of the nation's housing crisis, and it is clear that organisations such as Riverside are needed more than ever. Given that our fundamental challenge is a supply rather than demand one, the onus is on us to use our assets in increasingly ingenious ways to generate our own resources to ensure that we can deliver for customers and communities.

These financial statements demonstrate how we have those assets at our disposal, and they are growing too. But they also show that in the short-term at least, we have found it challenging to use them to generate growing revenue returns. This is partly because our rental income continues to reduce (although 2019/20 is the final year we will be managing Government imposed rent cuts), but also because some of our one-off costs have risen, as we invest in our own future through our transformation programme. However we see this as a down-payment on our future, and during 2018/19 we have already seen £10m gross savings (recurring) even if these are not yet immediately apparent in the bottom line.

Another way in which we are attempting to deliver greater efficiency is through growing Riverside as a group, bringing other providers in to spread costs and provide better services. Last year, we were delighted to welcome Impact Housing Association into the Group, and even though this makes massive long-term strategic sense for both organisations, there has been a short-term price to pay in terms of the Group's financial performance, as together we begin to turn around a lower margin business and kick-off a significant programme of catch-up repairs.

It is worth reflecting on two other things which are highlighted in these statements.

Firstly, the number of homes we've built is lower than target and the previous year's performance. This is a temporary setback, not because we have failed to pursue opportunities, but rather because our London Regeneration programme has slowed because of the Mayor's requirement to ballot communities facing demolition. Additionally, we have restructured Prospect, our property development business, in a softening market. In the meantime we've entered a joint venture with Bovis Homes in Northamptonshire, which will facilitate the building of over 3,000 homes.

Secondly our customer satisfaction levels are not where we want them to be, and have actually declined over the past year. Even though this may partly be a product of a changed methodology which is deliberately reaching out to customers who might not have previously responded to our surveys, we are letting too many people down. So we are using this as a catalyst for renewed action, and whilst we may have introduced a new front line service model and an increasing number of digitally accessible services, too often it seems to be the little things we're not getting quite right – like returning calls promptly and following up on complaints. Under Board direction and new leadership, we're putting a Customer Plan in place, which we will use to relentlessly deliver and monitor improvement until we can evidence that we've turned things round.

Finally I'd like to take this opportunity to pay tribute to Max Steinberg, our outgoing chair. He has steered Riverside through one of the most challenging times in its history, retaining the highest standards of governance, and keeping our focus on our core social purpose and the customers and communities we serve.

Carol Matthews
Group Chief Executive


Riverside
Direct

06. Strategic report

Strategic report

Finalising the transformation of 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, Homes England, 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 Impact Housing Association and St Michael's Housing Trust both Registered Providers operating in Carlisle and Leicester respectively. It is also 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 (property development and investment), Evolve Facility Services Limited (property maintenance) and The Compendium Group Limited, a joint venture with Lovell Partnerships Limited. From April 2019, The Riverside Group, alongside Bovis Homes also has a joint venture, Stanton Cross Development LLP, an investment held via subsidiary Riverside Regeneration Limited. 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 four themes:

- Our strategy
- Being a responsible business
- Our business environment
- Our business performance.

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

The Riverside Group Limited: 56,089 units owned and managed

Evolve Facility Services Limited	Impact Housing Association Limited	Irvine Housing Association Limited	Prospect (GB) Limited	Riverside Estuary Limited	Riverside Finance plc	Riverside Regeneration Limited	The Compendium Group Limited
Property maintenance	Registered Provider	Scottish Registered Provider	Property development and investment	Construction and management of extra care units	Bond finance	Investment holding company for Stanton Coss LLP	Major regeneration projects

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 second year of our Corporate Plan 2017-20, and here we outline our progress in delivering our key strategic objectives.

Context
When developing this plan, we reviewed a range of evidence. We considered the implications of significant economic, political and demographic change in the context of European and global political instability. We 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. The strategy can be categorised across three objectives.

— Stepping up supply – for future customers and the taxpayer
Helping end the housing crisis; significantly increasing our housebuilding programme by year three of the plan.

— 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. We have set out a coherent change agenda for the 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 for the whole Group. The programme provides a clear, resourced roadmap, following a £25m commitment made by the Board. Creating and implementing the new Group-wide model is enhancing the value for money we offer to our stakeholders, and is ensuring that Riverside is a flexible and adaptable organisation able to meet immediate and future challenges.

We are building… Stepping up supply

- The Corporate Plan set an ambitious target to double our development with Riverside aiming to be building 1,500 new homes per year by the end of the third year. Over the first two years of the plan delivery of new homes has increased, and we have completed over 1,400 homes. Despite the progress made, the Corporate Plan will prove challenging to deliver with the affordable homes programme in the London area having slipped behind plan. Our commercial sales subsidiary, Prospect (GB) Limited, has been subject to a period of positive change and is now well placed to grow into the future.

We are connecting… Customers first

- Riverside has expanded its online repairs reporting facility during the second year of the plan. Additionally our digital offer has also improved through the installation of Wi-Fi at our largest Retirement Living schemes and supported housing services.
- We are piloting a 'Helpline Plus' service in Langley as part of our Retirement Living at Home initiative which aims to give our customers the opportunity to continue living independently in their existing homes.
- A range of activity has been carried out to position Riverside as one of the largest providers of services to tackle and prevent homelessness, with 10,500 people supported by our services. We are delivering Housing First pilots in Kent and Manchester and have started a new project to further our influence in this important area.

We are renewing… Neighbourhoods matter

- Riverside has advanced its renewal plans in London with successful resident ballots being achieved in Bromley and Lambeth.
- The regeneration programme in London has been delayed by the introduction of resident ballots. So far, we have conducted two successful ballots, both resulting in overwhelming support for our development plans in Bromley and Lambeth. 2019/20 is likely to see the creation of two joint ventures as the first of our London schemes enter into contract.
- Renewal plans focused on our Hallwood Park and Palace Fields neighbourhoods have gained pace with long term investment plans due to be finalised in 2019.

Our business environment

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

Risk management

Risk management is well established and 'live' within our business. Riverside conducts its business in a prudent manner which safeguards its assets through the effective management of risk. It takes all necessary steps to ensure its social housing assets are protected and not subjected to undue risk. We mitigate risks to ensure safety and wellbeing of tenants, staff and third parties.

Risk appetite

Riverside calibrates its appetite for risks which might threaten its financial viability by setting a series of business 'Golden Rules' covering gearing, interest cover, liquidity, operating margin and assets available for security. In addition, the Investment Policy sets out the maximum proportion of reserves which can be invested in commercial activities.

The risk register is owned by Group Board and is a standing item at every Board meeting. It is routinely scrutinised by Executive Directors and by Board sub-committees.

A summary of the high level strategic risks is set out on the next page.

Strategic Risk and explanation	How Group Board gets assurance
Development As the Group increases the number of new housing starts, it becomes more sensitive to changing market conditions.	The Group's development ambitions are stress tested against a range of adverse scenarios. All development schemes, whether social or for profit, are scrutinised by the executive Investment Appraisal Committee in line with parameters set by Group Board. The Board has established a sub-committee to oversee the regeneration of our estates in London which is made up of experienced non-Executives who understand the London market.
Brexit This leads to a range of uncertainties – not least liquidity.	The Group Treasury Committee oversees a range of sensible preparations. One action was to build additional costs into the daily liquidity forecasts. Another was to balance the risk of cash concentration with single counterparties with the need to hold monies in UK domiciled funds in case financial services passporting was disrupted. Executive Directors have made operational preparations, for example to mitigate the impact on the supply chain.
Performance The ongoing transformation programme has had a particular focus on customer service. Across the sector performance is increasing.	The Board scrutinises a comprehensive suite of operational performance metrics. The Board has commissioned a culture change programme and reviews periodic updates on progress. Issues like repairs, complaint handling, customer self-service, equality & diversity and repairs have all been included in the workplan of the Board's sub-committees in the last year.
Compliance Riverside provides diverse services to its customers, some of whom are vulnerable people, and attaches the highest responsibility to its compliance responsibilities.	Safety KPIs, for example asset compliance, are generally set at 100% reflecting the Group's commitment to the protection of customers and others. The new asset compliance framework has been embedded and includes robust data quality, full property risk assessment, clear accountabilities and quality assurance. A compliance dashboard is scrutinised by the governance community. The Care and Support Committee provides assurance on the quality of care across the full range of supported housing and Retirement Living schemes.
Universal Credit The impact on customers is already being felt.	A range of actions have been taken and are overseen by the Neighbourhood Services Committee. These include financial modelling, early contact with new Universal Credit customers, relationship building with DWP as well as measures to enhance our income processing arrangements.

Being a responsible business

Being a responsible business links closely with our overall vision to transform lives and revitalise communities. Our values are also at the heart of what we do, reflecting our strong sense of social responsibility and accountability to customers; we care, we are courageous, and we are trusted. 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. We have committed to securing and supporting social value and responsible business through our supply chain, assisting with the creation of economic, social and environmental benefits for our local communities. Our commitment to being an ethical and social business informs all our activities, we also contribute through specific initiatives, with a taste of these described hereafter.

In 2018, we marked Riverside's 90th year as a housing provider. To celebrate, we held a number of customer and community-focused initiatives and events, as well as with colleagues and external stakeholders. We achieved the following:

- 201 Riverside colleagues undertook volunteering across 32 different activities from painting and decorating, to gardening at schemes, and even bingo calling!
- 12 activities received contributions from Riverside's 'Making a Difference' fund (with an average of £316 pledged per activity).
- More than £13k donated to various worthy organisations.

After a successful three-year partnership with Cancer Research UK, where over £100k was raised, Riverside recently partnered with a new corporate charity, Marie Curie. It is an initial one-year partnership with a fundraising target of £30k.

Our staff group, Enable, aims to provide assistance and information to colleagues who experience short or long term disability or illness. It looks to influence policy and procedures, support managers and enable staff to carry out their jobs regardless of any impairment. Some of its main achievements over the last year include the following:

- A mental health scenario on the Equality Impact Assessment, which should be carried out on all new policies and procedures, or during a review.
- A section on mental health and wellbeing in all one-to-ones.
- As part of the Supporting Employee Assistance Policy review, short notice leave requests should be considered for colleagues experiencing sudden onset of mental health and/or stress-related conditions.

Our updated Group Procurement policy, commits to encouraging our supply chain to provide opportunities of employment, work experience, training, volunteering/apprenticeship programmes or contributions to the Riverside Foundation. We will also actively consider the environmental and sustainability impact in our procurement of goods and services, assessing specifications and tender proposals appropriately.

Our business performance

The results for the year include the contribution of Impact Housing Association Limited who we welcomed into the Group as a wholly owned subsidiary in August 2018. Turnover was boosted as a result but surplus before tax was lower than the previous year. This was as a result of refinancing Impact's loan book, accounting for the merger and because the Group continues to invest in transformation. The Group balance sheet remains strong and healthy and the Group continues to be a net generator of cash.

Statement of comprehensive income

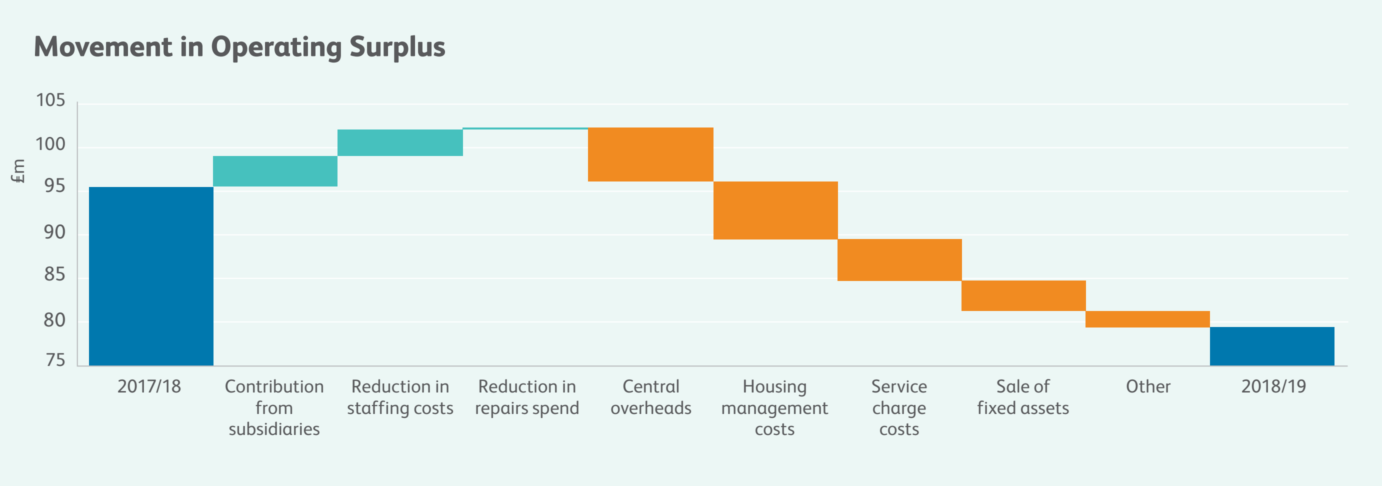
The detailed results for the year are set out in the consolidated statement of comprehensive income on page 56 and the notes to the financial statements on pages 65 to 129. The following table provides a summary of the Group's results:

For the year ended 31 March	2019	2018
	£m	£m
Group turnover	364	346
Operating costs	(297)	(266)
Surplus on sale of property	12	15
Operating surplus	79	95
Net interest payable	(41)	(36)
Loss on acquisition of subsidiary	(14)	—
Other movements	2	1
Surplus for the year before tax	26	60
Other comprehensive income	(22)	6
Total comprehensive income	4	66
Operating margin %	21.8%	27.6%

There has been an overall increase in turnover, primarily as a result of absorbing Impact into the Group structure during the year. Impact contributed £11m to the Group turnover from the point it was acquired. Turnover from social housing lettings continues to comprise the majority of the Group's turnover at 80%, with income from the sale of shared ownership properties 4% of total turnover, non-social housing activities, mainly development for outright sales and lettings 11% and income from other social housing activities 5%.

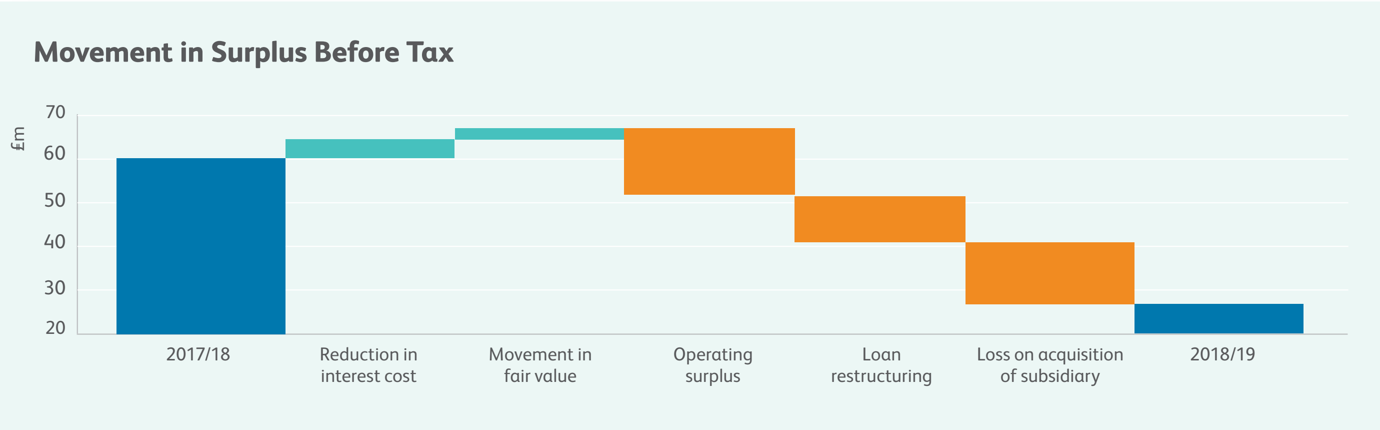
The contribution from property disposals of £12m reflects the Group's proactive asset management strategy divesting of underperforming assets and disposing of housing in local authorities where the Group holds limited stock.

Despite the growth in revenue, operating surplus reduced by £15.9m from £95.4m to £79.5m. The key components in the reduction of operating surplus are detailed below.



Impact contributed £2.1m to the Group operating surplus from the point it joined the Group in August, the Group's other active subsidiaries contributed £1.4m. The operating efficiencies resulting from business transformation are delivering significant savings with a £3.2m reduction in staffing spend in the year. The Group continues to invest in transformation as it enters the final year of the programme and central overheads have increased by £6.1m. Housing management costs have risen with increases in property insurance and legal fees associated with tenancy management being significant. Growth in Care and Support via new contracts has contributed to the increase in service charge costs.

Surplus before tax is lower than last year partly as a result of the lower operating surplus but mainly due to incurring loan restructuring costs including the refinancing of Impact's loan book following merger and the accounting loss arising from the fair value accounting of the merger.



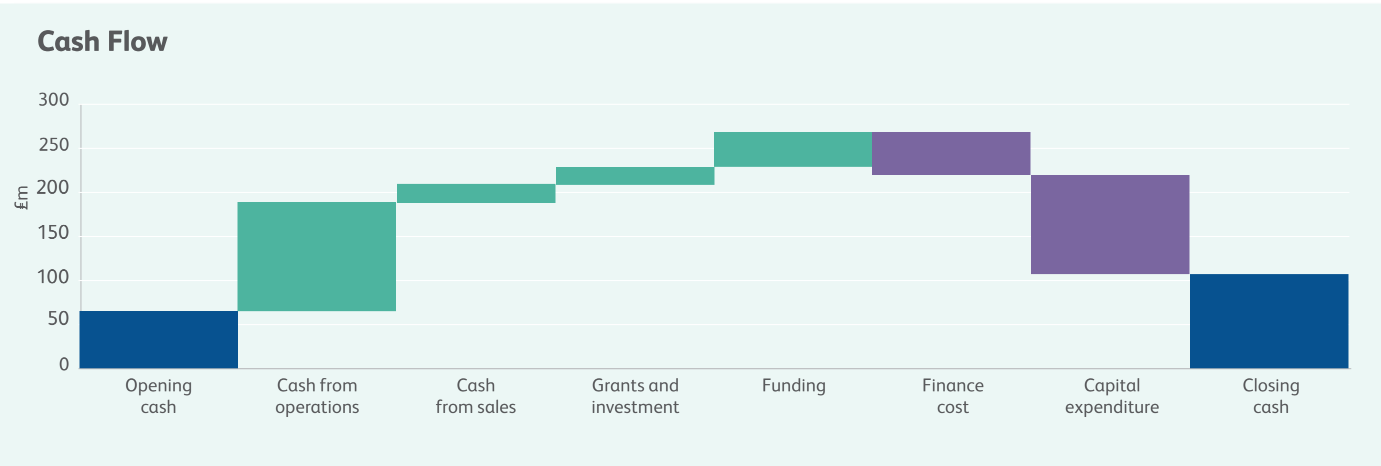
Accounting adjustments recognised in Other Comprehensive Income reduces the surplus in the year by £22m. These are larger than previously experienced mainly as a result of the change in accounting for the Social Housing Pension Fund (SHPS) from defined contribution to defined benefit accounting. On transition to defined benefit accounting the £10.4m difference between the liability for the deficit repayment contributions and the net defined benefit liability is recognised in other comprehensive income. Further detail on the accounting and impact of the transition to defined benefit accounting are provided in Notes 1 and 26. The defined benefit basis of accounting for SHPS contributed significantly to the £11.2m actuarial loss experienced in 2019, with the balance of the £22m being comprised of the loss recognised on cashflow hedges, and the effect of the initial recognition accounting for multi-employer defined benefit schemes.

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 65 to 129. The following table provides a summary of the key elements.

For the year ended 31 March	2019	2018
	£m	£m
Operating activities	123	125
Returns on investment and servicing of finance	(49)	(41)
Capital expenditure	(93)	(124)
Proceeds from property sales	21	37
Change in short term deposits	1	13
Cash inflow/(outflow)	3	10
Financing	39	(15)
Increase in cash	42	(5)

The cash generated from operating activities, property sales, and grants has been used for the supply of new housing, the improvement of existing properties, the purchase of fixed assets and the servicing of the Group's debt. After re-investment in operating activities the Group was cash positive, this cash inflow was further boosted by the raising of £128m of new finance including the sale of the Group's £100m retained bond. After the repayment of £88m of loans, the majority of which was to streamline the Group's loan portfolio and manage counterparty risk, the cash available for investment increased by £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 65 to 129. The following table provides a summary of the key elements.

For the year ended 31 March	2019	2018
	£m	£m
Fixed assets and investments	2,028	1,860
Debtors receivable after more than one year	11	11
Net current assets	179	154
Total assets less current liabilities	2,218	2,025
Creditors falling due after more than one year	1,695	1,507
Reserves	523	518
	2,218	2,025
Debt per unit (£'000)	15.3	13.9

The balance sheet remains strong despite the reduction in the surplus generated. Reserves have increased, and whilst debt has grown, an increase in cash and the cost of housing properties has resulted in a small reduction in the level of gearing at Group level.

The net book value of housing properties has increased by £165m of which £152m relates to Impact housing stock. The underlying increase was achieved against the backdrop of the ongoing disposals programme referred to earlier.

£10m of intangible assets have been included on the balance sheet this year, principally capitalised IT development costs as the Group invests to generate future growth.

There have been a number of significant movements within current assets. Trade and other debtors have increased by £4.1m and there has been a decrease in properties for sale of £14.6m due to a reduction in the value of properties under construction for outright sale. Cash has increased by £42m, discussed in more detail in the statement of cash flows.

There has been an increase of £188m in creditors falling due after more than one year. Long term loans have increased by £93m, the most significant element of the increase being the issue of £100m of retained bonds. Deferred capital grants have increased by £84m as a result of the merger with Impact.

Our borrowing structure and interest costs

As at 31 March 2019, the Group has committed funding of £1,193m of which £863m is drawn. Available facilities are comprised of £300m fully secured and ready to draw and a further £30m which are agreed but awaiting security; this additional £30m of funding is expected to be available to draw by 31 March 2020. In addition to loan facilities, as at 31 March 2019 the Group also had available £106m of cash and cash equivalents.

During the course of the year, the £100m of retained own name bonds were sold in a single transaction in the secondary market at a premium of c£13m. The new £40m revolving credit facility with Svenska Handelsbanken AB noted last year was executed and fully secured, resulting in this facility now being available to draw. Additionally, £72m of the new £100m HSBC revolving credit facility agreed last year was also secured, making it available to draw. Both of these facilities were secured by releasing stock from over-secured facilities in the portfolio, maintaining unencumbered assets for future borrowing. The remaining tranche of the HSBC facility is expected to be secured by 31 March 2020.

Also during the year Impact Housing Association joined the Group. A number of Impact's existing lenders were repaid using funds lent intra-group by The Riverside Group Limited to Impact. Existing external facilities with Barclays Bank were re-negotiated to provide Impact with a revolving credit facility for the next five years and so that the terms of the facilities reflect the fact that Impact is now part of a larger group.

The Group's treasury policy aims to minimise refinancing risk and the Group has to repay £129m of loans over the next five years which represents 15% of drawn debt.

Net interest costs are £32m, excluding break costs incurred when prepaying loans (2018: £36m). The weighted average cost of drawn debt, inclusive of margins and hedging activities was 3.9% (2018: 4.3%).

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 2019, 87% of the Group's drawn debt (inclusive of hedging activities) was fixed (2018: 89%). This would have fallen to 62% if all loan facilities were fully drawn (2018: 76%).

The Group applies Financial Reporting Standard FRS102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102). 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 2019 the Group had a standalone interest rate swap exposure of £17m (2018: £18m) based on fixed rate interest swaps with a notional value of £142m. The weighted duration of the swaps is 5.7 years (2018: 4.6 years). For the year ended 31 March 2019 the application of hedge accounting has resulted in limiting the impact of the movement in fair value of derivatives to £3.2m credit to the statement of comprehensive income (2018: £0.6m credit).

Loan covenants 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 were met at the year end.

As at 31 March 2019, 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. Two years into the current Corporate Plan more than half of the homes we have built have been for affordable rents, with the remainder being sold outright or on a shared ownership basis.

At the end of the second year financial performance and progress in identifying opportunities has been good. Over 1,400 of the 2,111 new homes target set out in the Corporate Plan have been identified or secured. Of these 30% will be new shared ownership homes. During 2018/19 we completed 380 new affordable and shared ownership homes and started on site on a further 680 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 the Ayrshires, Cumbria, Tyneside, Merseyside, Derby, Leicestershire and Hull.

During 2018/19 Compendium (our joint venture company) focused sales activity on two key sites at Ings in Hull and Joseph Williams Place in Liverpool. Both sites were delayed as a result of infrastructure issues. In Liverpool, first sales were delayed by six months, however 21 sales were completed in the final five months of the year and have started the new year very well. In Hull, first sales were delayed by two months. Overall 57 sales were achieved in the year and a further 5 units were completed but remained unsold. In 2019/20, Compendium is forecasting 99 sales from these two sites which are both progressing well. The forward plan includes a second phase of development at Castleward in Derby in 2020.

Prospect, Riverside's commercial property development and investment subsidiary developed 148 units for sale during the year of which 137 were sold. In addition Prospect developed 52 of the 380 rented and shared ownership properties completed in 2018/19.

Riverside entered into a joint venture agreement with Bovis in April 2019 for a large mixed tenure development at Stanton Cross, Wellingborough. Sales on the first residential site are progressing well and we expect to achieve or exceed our target of 70 sales in 2019/20.

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.

We have balloted two of the estates and tenants have voted in favour of redevelopment. We are progressing our planning applications on these estates with our developer partners.

Work should commence on one of the smaller estates early in 2020. The feasibility of redeveloping three other estates continues to be explored in consultation with tenants

In Scotland, work is progressing well on a site in Irvine which will see 87 new affordable homes delivered with over £5m of grant secured from the Scottish Government. Feasibility work and purchase negotiations are taking place on several other sites in the area.

Riverside secured a significant allocation from Homes England under the Shared Ownership Affordable Homes Programme. The £15.8m allocation is supporting the delivery of a new extra care scheme, affordable rented and shared ownership homes.

Business Effectiveness: value for money (VfM)

Our approach
At Riverside we take an approach to improving value for money that is fully integrated into the way we run the organisation. VfM is not something that stands alone. Rather our corporate planning and performance management clearly set out and measure what we want to achieve for our customers, prospective customers and communities. We then manage and optimise the people, financial resources and processes needed to achieve these goals. This is the Riverside definition of achieving true value for money.

As part of our strategy to drive better value for money, Riverside has been active in exploring the role that mergers, acquisitions and partnerships can play in improving services for customers and increasing our capacity to invest more in building and improving homes. We have deliberately taken a strategic approach, identifying the circumstances in which bringing other partners into the Group could have tangible benefits and defining more clearly what Riverside has to offer. This enables us to take both a proactive approach, as well as making better-informed decisions when opportunities arise.

As part of this approach and following a competitive process, Cumbria based Impact Housing Association joined the Group in August 2018. Whilst our partnership is based on a robust business case which will bring long term benefits for the customers of both associations, in the short-term there has been a one-off effect (usually negative) on a number of VfM metrics. Where this has been the case this is explained in the narrative.

The metrics
To demonstrate the progress we are making, here we report performance against the seven VfM metrics defined by The Regulator of Social Housing. This transparent approach enables:

- Measurement against the targets we have set ourselves, and our previous year's (2017/18) performance to show direction of travel.
- Comparison against sector norms.

However this type of measurement is only valuable where it drives action, and where performance falls short, we set out our improvement plans.

The Regulator's mandatory metrics are relatively narrow and do not cover the breadth of our objectives, in particular those focusing on outcomes for customers and communities. To address this we have supplemented them with five other measures, drawn from our Integrated Strategic Performance Report, 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 second year.

For further detail of our objectives see **https://www.riverside.org.uk/about-us/our-vision**

Commentary on metrics

The following table summarises the results for both the mandatory and additional metrics discussed below.

Value for money mandatory metrics	Group			
	2018/19 Result	**2018/19 Target**	**2017/18 Result**	2018/19 Benchmark
Efficiency				
Reinvestment %	**3.7%**	5.6%	3.6%	7.1%
Gearing %	**38.3%**	39.4%	38.9%	46.3%
EBITDA MRI Interest Cover %	**159%**	140%	189%	193%
Operating Margin (social housing lettings) %	**18.8%**	33.1%	24.9%	28.7%
Operating Margin (overall) %	**18.5%**	25.0%	23.1%	26.0%
Economy				
New supply delivered (social housing units) %	**0.7%**	0.9%	0.4%	1%
New supply delivered (non-social housing units) %	**0.4%**	0.4%	0.3%	0%
Headline social housing cost per unit (CPU)	**£4,528**	£4,026	£4,337	£3,271
Return on capital employed %	**3.6%**	4.4%	4.7%	4.0%

Value for money additional metrics	**2018/19 Result**	**2018/19 Target**	**2017/18 Result**
Stepping up supply			
Customer satisfaction with new home (affordable rent and shared ownership)	**95.5%**	96.0%	91.3%
NPV/unit – affordable programme	**–£499**	–£4,410	–£1,123
Customers first			
Net promoter score	**13.9**	23.0	21.4
Percentage of key service transactions completed online	**22.5%**	35.0%	23.4%
Neighbourhoods matter			
Customer satisfaction with area as place to live	**82.7%**	86.0%	86.0%

Figures reported in this section are based on the Regulators VfM metric definitions.

1) Gearing % – The figures reported on page 5 are based on the Association, covenant definition (loans as a % of historic cost of properties).

2) EBITDA MRI Interest Cover % – The Group's interest cover covenant does not include capitalised major repairs, whilst the Regulator's definition does. Excluding capitalised major repairs from the calculation of the target for 2019/20 would increase interest cover to 195%.

3) Operating margin % – The operating margin reported in this section excludes profit from sale of fixed assets. Group operating margin reported in other areas of the financial statements includes profit from sale of fixed assets.

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 %

Riverside is generating substantial surpluses which strengthen our balance sheet and enable us to re-invest in new and improved homes. In 2018/19 Riverside re-invested 3.7% of the total value of our housing assets in this way. A small increase on the previous year was achieved despite a £180m increase in the value of housing properties mainly a result of absorbing the value of Impact housing stock into the Group asset base. Whilst the full value of Impact housing stock is included, only part year operating cost is included in the outturn and this has had a one off adverse effect on the 2018/19 result. We spent £40m on development of new properties which represented an increase in excess of £8m on the previous year whilst maintaining the level of reinvestment in our existing housing stock at £33m.

Performance Improvement:
In the long-term we remain committed to stepping up our development programme as set out in our 2017-20 Corporate Plan, with work underway to ensure that our full capacity to increase supply is harnessed (see 'New supply delivered').

Target for 2019/20: 7.0%

Metric 2: New supply delivered

During the course of the year we delivered 342 social housing units under the Affordable Housing programme, totalling 771 at the end of the second year of the Corporate Plan. The figures comprise a mixture of social, affordable rent and shared ownership units across a range of property types. Securing shared ownership opportunities was more challenging and we saw a reduction in the number of such properties developed as a result of limited S106 opportunities and increasing competition from private developers. During the year there were 210 'Non-Social' unit completions, reflecting an increase from the previous year and in line with target. These units were all developed for market sale by our commercial in-house building subsidiary, Prospect and our existing joint venture partner, Compendium. A further 38 affordable units were developed by Prospect for other registered providers outside of VfM reporting.

Performance Improvement:
Work will continue to secure sites and starts for affordable housing and sale programmes and we are already expecting to see a significant increase in the level of supply delivered through:

- A newly created joint venture with Bovis Homes that will deliver c3,500 units over a ten-year period as part of a mixed tenure development.
- Our London estate regeneration programme that will deliver c1,200 new homes, with planning applications due to be submitted for two key sites following successful tenant ballots, and joint venture partners identified.

Target for 2019/20: social housing units 1.1%
non-social housing units 0.4%

Metric 3: Gearing %

Riverside's gearing has fallen marginally over the past year and we remain well below the median position for our comparator group. An increase in loans has been in part offset by an increase in cash and this plus the significant increase in the value of housing properties referred to under Reinvestment has resulted in the improvement. It is anticipated that gearing will increase as the momentum behind the development programme driven by the plans outlined under New Supply serves to generate additional funding requirements.

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. Around a third of our rented homes are available to secure further funding.

Performance Improvement: None required.
Target for 2019/20: 42.3%

Metric 4: Interest cover (EBITDA MRI) %

Our interest cover has reduced however this was anticipated and the outturn is slightly ahead of target. A number of factors combined to cause the reduction. Both operating surplus and gain on disposal of fixed assets reduced in the current year by £13m and £3m respectively. Additionally there was a £4m increase in the value of interest payable including £8.7m of loan restructuring costs. Before restructuring costs the underlying interest payable reduced by £4.7m.

Our interest cover is a product of a number of structural factors which suppress 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 significantly lower than 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 anticipated acceleration of the development programme is likely to place further strain on interest cover.

Performance Improvement:

- Further reduce management and overhead costs through transformation programme.
- Further repairs savings through Riverside Direct our newly created in-house service in the 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 2019/20: 105%

Metric 5: Headline Social Housing CPU

Riverside's headline social housing cost per unit has increased by 4.4% from 2017/18. There has been a £17m increase in management cost with one-off restructuring costs still being a major factor in offsetting net savings.

Whilst our cost performance relative to a sector median 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 costs is closer to the adjusted median for our comparator group.

Performance improvement:

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

Target for 2019/20: £4,818

Metric 6: Operating Margin

Riverside's overall group-level margin (excluding contribution from disposal of fixed assets) has reduced from £80m to £67m in the year. This represented a reduction of 4.6% to 18.5%. Revenue in the year increased by £18m of which £11m was from revenue generated by Impact whose contribution to operating margin was £2m. The increase in expenditure referred to under Headline Social Housing CPU has had a large bearing on the reduction in the margin and is in part to fund the transformation programme and ongoing work to bring the London development programme to fruition.

The year on year comparison was adversely impacted by release of provisions during 2017/18 and the ongoing 1% annual rent reduction.

The margin on development for shared ownership sale was 10%, whilst the margin on outright sale was 11% which both serve to dilute the overall margin, though only the former effects the margin on social housing lettings.

As referred to previously within our social housing business, neighbourhood services (general needs rent and shared ownership) has an operating margin which is much higher than 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 a large proportion of turnover

Our social housing letting margin is £55m and is slightly higher than the overall margin at 18.8%.

Performance improvement:

- Improved commercial sales performance and profit margins, incorporated in Prospect's business plan going forward.
- 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 2019/20: 17.4%
Social Housing target for 2019/20: 13.8%

Metric 7: Return on Capital Employed %

Our Return on Capital Employed reduced from 4.7% to 3.6% and is also below the target set of 4.4%. A number of factors contributed to the reduction. As has been previously explained both operating margin and the gain on disposal of fixed assets reduced and the total assets net of current liabilities increased as a result of the increase in the value of housing stock resulting from the inclusion of Impact. Whilst the full cost of Impact housing stock is included in the financial statements only part year trading is included and this has had a one off adverse effect on the outturn in 2018/19.

Performance Improvement:

- Performance improvement measures the same as those set for overall operating margin.

Target for 2019/20: 3.0%

Our Additional Value for Money Metrics

Stepping Up Supply

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

Customer satisfaction with newly built rented and shared ownership homes increased in the year representing an extremely positive outturn above target. Previously identified improvement areas in relation to processes around defects were addressed, particularly our responsiveness in dealing with snagging and other repairs. A new procedure was introduced to the handover process to ensure that prospective tenants receive a guaranteed move-in date.

Although it will be a significant challenge to improve upon this position, Shared Ownership customers have been identified as being generally less satisfied than general needs tenants and work is underway to identify the underlying reasons.

Performance Improvement:

- Task group established to explore potential service improvements with a particular focus on Shared Ownership customers.
- Commitment to identify and acting on dissatisfaction at early stage.

Target for 2019/20: 96%

NPV/Unit – Affordable Programme

The financial performance of our affordable housing programme has remained strong and is still comfortably within target, with further improvement reported at year-end from 2017/18. This is a result of our continued success in securing and purchasing new affordable homes through S106 agreements and our ongoing ability to secure grant from Homes England at more favourable rates than originally anticipated. We continue 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 2019/20: –£4,410

Customers First

Net Promoter Score

Riverside's Net Promoter Score (NPS), a measure of overall satisfaction with our service, reduced in the year and finished below target. Performance was impacted by significant changes to our operating model, including a complete overhaul of frontline services and the introduction of a new in-house repairs service in our South and Central region, which experienced mobilisation challenges. Indeed, the key driver behind this reduction has been an increase in detractors based on our repairs and maintenance service.

We also improved our approach to gathering customer feedback in the year with 30% of surveys now completed online reaching a more representative sample, including those traditionally less satisfied such as younger customers. A general decline in satisfaction levels was anticipated as a result of this, although it is acknowledged that this represents a more realistic view of performance.

Performance Improvement:

- Improved service delivery as new operating model and associated ways of working become more established across the Group.
- Implementation of service improvement plans for contractors to address service failure.
- Targeted approach to improving satisfaction through dedicated Customer plan monitored by Board, greater visibility of customer service related metrics and commitment to understanding and responding to the drivers of dissatisfaction.

Target for 2019/20: 23

Transactions completed online (of those registered) %

This measure was revised in the year to provide a more accurate view of online transactions as we continue to expand our online platform and enhance our digital offer. Performance is not therefore directly comparable to that from the previous year and the target has also been revised accordingly. Currently, the measure tracks the number of repairs logged through a self-service option as a percentage of all repairs logged online, although this will evolve over time as our digital platform is extended to other service areas.

In response to one of the improvement areas identified in 2017/18, we have installed Wi-Fi at the majority of our largest Retirement Living schemes and supported housing services, with the programme expected to conclude in 2019.

Performance Improvement:

- Continued expansion of online platform to boost the number of registered users.
- Simplified self-service system to improve user experience, supplemented by additional guidance and promotional material.
- Complete Wi-Fi installation at larger Care and Support schemes.

Target for 2019/20: 35%

Neighbourhoods Matter

Customer satisfaction with area as place to live

The level of satisfaction with area reduced in the year and is likely linked to the overall decline described in commentary under 'Net Promoter Score'. The sharpest decline has been seen amongst Care and Support customers, though it is difficult to identify the drivers behind this and there are a range of factors outside of our direct control that can also have an adverse impact. Riverside continues to operate in some of the country's most deprived areas, and whilst efforts to improve our neighbourhoods have commenced through targeted investment as part of bespoke plans and larger-scale regeneration initiatives, the benefits of such intervention are likely to be seen over the longer-term.

A number of 'Neighbourhood Plans' have been launched across our geography, setting out key priorities in areas in need of improvement.

Performance Improvement:

- Continued roll-out of Neighbourhood Plans to identify investment priorities, supported by newly established 'place fund' to deliver improvement initiatives in line with wider strategic objectives.
- Targeted approach to improving satisfaction as per 'Net Promoter Score'.

Target for 2019/20: 86%

How are we doing?
In summary, these metrics tell an authentic story of an organisation which is still in transition, one that:

— Remains totally committed to its values and charitable purpose, supporting some of those in the greatest need living in many of the country's most deprived neighbourhoods, and fully understands the financial consequences of doing so.

— Has huge underlying financial capacity, and is working hard to optimise it by improving its margin through ambitious investment in a transformation programme, even if upfront costs still exceed the substantial gross annual savings now being made.

— Manages this capacity sensibly with an eye to the long-term, but lives within its means, as it re-invests in new and improved homes across a range of tenures, unfazed by recent programme slippage.

— Is focused on improving outcomes for customers through new front-line services supported by online options, but is frustrated that customers are not yet fully reaping the benefits and is determined to do better.

We hope this is an organisation you recognise and value.

Driving the margin

At 18.5% in 2018/19, Riverside's operating margin (excluding surplus from land and property sales) was significantly lower than the comparator group median of 26.0%.

Riverside's social housing operating margin was 18.8% in 2018/19, compared to comparator group median of 28.7%.

Whilst we recognise there are definitely further business savings to be achieved, it also important to note the combination of specific factors which have an impact on Operating Margin including lower average rents than our peers, the proportion of Care and Support property in our portfolio, and commercial developer Prospect further diluting the margin. All of these factors have an impact on Riverside's achievable margin.

On average Riverside has lower rents than its peers on general needs stock, due to a combination of geography and historical rent policy. Our average rent is £10 per week lower than peers of general needs homes. This equates to an approximate additional £20m in operating surplus being acheived by our peers, and if we were to follow suit, would increase our margin by over 4.2%.

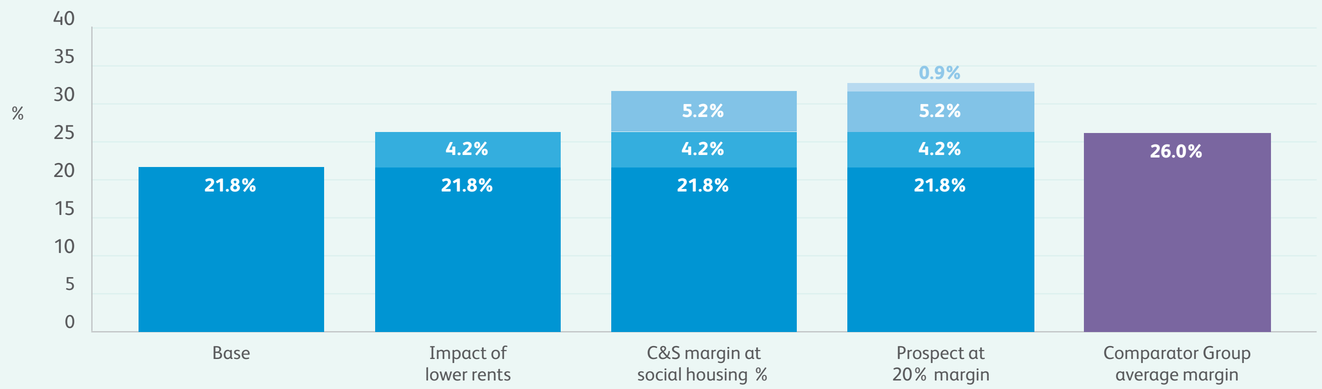
Alongside the rents, some 18% of our properties are Care and Support. In broad terms, if the Care and Support turnover delivered the same margin as the social housing stock this would increase the margin by a further 5.2%.

If Prospect delivered a 20% margin the overall operating margin would increase by a further 0.9%.

The intention of this analysis is to highlight the challenges Riverside faces when comparing our operating margin to sector quartiles.

Taking these elements into account, the budgeted operating margin for 2019/20 would be the equivalent of 32.1%, as shown in the graph below, some 6.1% above the comparator group average margin.

Analysing Our Margin



Data sourced from Housemark as at August 2019

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 2015.

Cris McGuinness
Chief Financial Officer

07. Report of the Board

Report of the Board

The Board is pleased to present its report and the audited consolidated financial statements for the year ended 31 March 2019.

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.

The Board leads the organisation and guards its mission through establishing a culture, values, policy and strategy to deliver TRGL's objectives. It monitors performance against agreed 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 30 March 2019 Riverside Regeneration Limited issued shares valued at £42.5m to TRGL for the purpose of capitalising the Stanton Cross Developments LLP, a joint venture with Bovis Homes. On 2 April 2019 Riverside Regeneration Limited contributed £33.1m to the LLP, and on 16 April 2019 and 27 June 2019 further investments of £1.0m and £5.0m respectively were made.

The Board of The Riverside Group Limited

The Board members of TRGL holding office during the period 1 April 2018 to 12 August 2019 are detailed below:

- Tim Croston
- Jonathan Dale
- Pauline Davis
- Michelle Dovey (Appointed 10 February 2019)
- Ingrid Fife
- Susan Jee (Resigned 9 February 2019)
- Carol Matthews
- Max Steinberg CBE
- Sally Trueman
- Peter White

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 attend Board meetings as an observer. This role was filled by Victor Andrews until December 2018 when he was succeeded by David Otty, 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 56% women, (2018: 55%), which compares to a 51% female population in the areas where Riverside works. (Board membership of both those declaring themselves to be disabled or BAME is lower than the percentage of the relevant population).

During the year payments made to Board members totalled £468k (2018: £530k), which represented 0.13% (2018: 0.15%) 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 (and its committees) carries out an annual appraisal of its effectiveness each year. Every three years an independent, external provider is engaged to carry out this exercise. Individuals, including the Board Chair, undergo an appraisal every two years. Additionally, a programme of 360° appraisals, facilitated by an external specialist is in place and this year the Group Audit Committee and the Boards of three subsidiary companies are taking part.

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 11 to 39.

Executive Directors

Whilst the Board is responsible for the Group's overall policy and strategy, overall management of the business is delegated to the Group Chief Executive. A team of Executive Directors assist the Chief Executive in delivering the Board's vision and aims. The Chief Executive is responsible to the Board and only acts within the authority delegated by it. The Executive Team meets on a monthly basis to consider all major management issues including performance across the Group.

The Executive Directors also form the membership of the Investment Appraisal Committee which meets monthly. Its purpose is to assess the viability of investment proposals such as new projects and initiatives to ensure that they generate value for the Group and its stakeholders and contribute to delivering Riverside's goals. The Committee oversees projects at key stages of development to ensure that they are effectively delivered and remain financially viable.

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

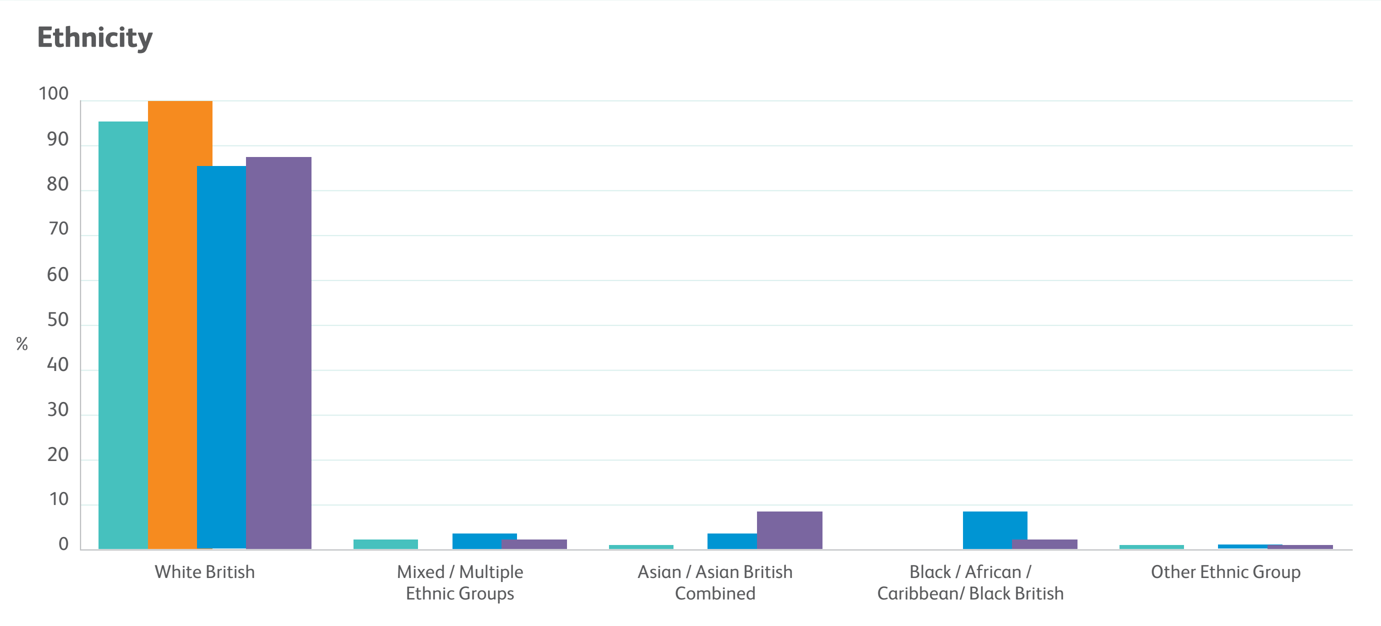
The Board is committed to integrity and accountability in the stewardship of the Group's affairs. The Group complies with the NHF Code of Governance, except that the Board Chair's term of office has exceeded the nine year maximum tenure. The decision to extend the Chair's term of office was taken by the Board based on a robust business case and in the best interests of TRGL and was supported by the TRGL Shareholders. The Chair will step down in March 2020.

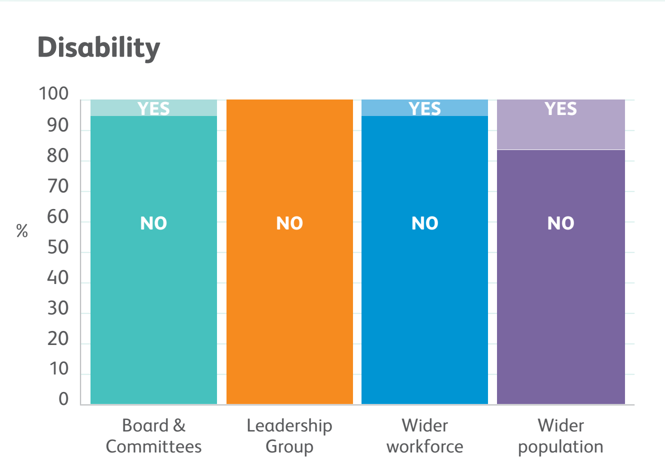
The Group has carried out its annual assessment of governance, including roles, responsibilities and accountabilities of the Board, Chair and Chief Executive and is satisfied that its arrangements are clear and effective.

Riverside has adopted the National Housing Federation's "Mergers, Group Structures and Partnerships: a voluntary code for housing associations". In August 2018, Impact Housing Association joined the Riverside Group under a process which complied with this voluntary code. In early 2019 Riverside submitted proposals to another Registered Provider looking to join a larger housing association group. In this instance Riverside were not appointed preferred partner. In early 2019, Riverside completed work to establish a strategic approach to merger and acquisition activities. This will inform future activity, as we seek to create and respond to opportunities for organisational growth which meet our objectives.

The external auditors have undertaken non-audit work for the Group during the year ended 31 March 2019. 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.

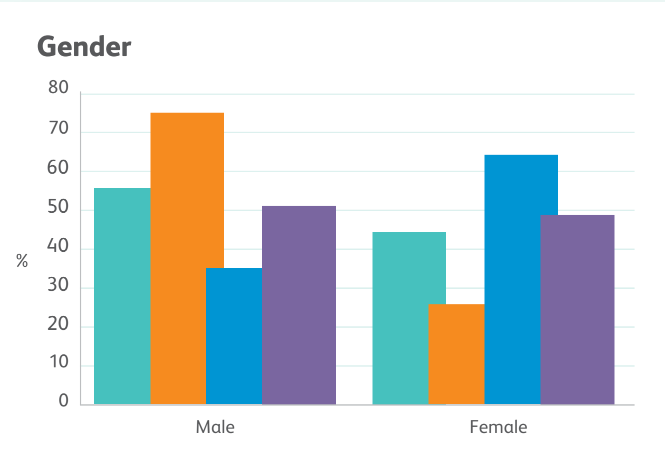
Key Equality and Diversity Metrics

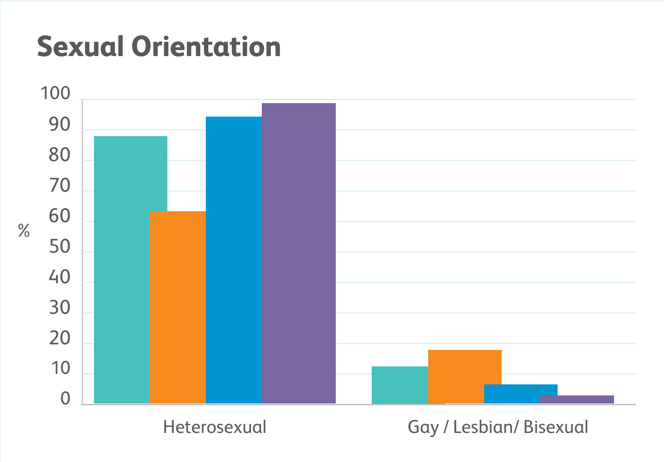




Legend

- 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 EDI Action Plan to provide a framework to drive improvement, and as part of the plan for last year, it committed to working towards the 10 challenges set out in the Chartered Institute of Housing's 'Leading Diversity by 2020' campaign. This work is ongoing and features in the 2019-20 action plan.

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, sex 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 Chartered Institute of Housing (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.

The majority of Group subsidiaries have their own Board of Directors appointed for their skills, knowledge and experience. These can be both Executive and Non Executive Directors. 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 and the Scotland Committee, all of which, are primarily composed of non-executive members. There are over 20 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.

Group Governance and Remuneration Committee
The Committee monitors Group Governance to ensure that it remains effective and efficient. This includes monitoring compliance against Riverside's adopted Code of Governance (NHF Code of Governance 2015) and its principal constitutional and governance policy documents. It also oversees 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 remuneration annually and their contract every three years. The salary level of other Executive Directors is reviewed, again by an independent party, triennially. 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 and Support Committees and the Impact Board. 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 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 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 Directors for Customer Service and 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.

London Development Committee
The London Development Committee is responsible for overseeing 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 12 August 2019

Board of The Riverside Group Ltd

Max Steinberg (Chair)
Pauline Davis (Vice-Chair)
Michelle Dovey
Ingrid Fife
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)
Michelle Dovey
Max Steinberg

Neighbourhood Services Committee

Peter White (Chair)
Jackie Grannell
David Green
Ian Gregg
Margi Kelly
Mary McAndrew
Duncan McEachran
Maria Milford
Sara Naylor
Sue Powell
Sam Scott

Riverside Group Audit Committee

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

Riverside Group Treasury Committee

Michelle Dovey (Chair)
Devan Bala
Nigel Perryman

Care and Support Committee

Ingrid Fife (Chair)
Chris Billinge
Ian Campbell
Judith Crowther
Andy Deutsch
John Glenton
Hetal Parmar
Neill Skinner
Harry Soar
Archdeacon Cherry Vann

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 2019 and to the date of approval of these financial statements. For the year ended 31 March 2019, 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. Any business development involving significant risk is subject to Board approval.
- 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.
- 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.
- The Board and its sub-Committees scrutinise a comprehensive suite of performance metrics.
- 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 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 is nearing the completion of 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 12 September 2019.

Auditors

A resolution to re-appoint the auditors KPMG LLP will be put to the Annual General Meeting.

Statement of compliance

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

The Board certifies that as a registered provider, TRGL complies with the Regulator of Social Housing's Governance and Financial Viability Standard 2015.

A breach of the Rent Standard in Impact Housing Association has been reported to the Regulator and a remediation plan is in place with the aim of completing all corrective actions by mid July 2019.

Sara Shanab
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 2019 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 2019 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.

The impact of uncertainties due to UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as valuation of pension liabilities and housing properties and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the association or to cease their operations, and as they have concluded that the group and the association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the group's business model, including the impact of Brexit, and analysed how those risks might affect the group and association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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

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 Pages 48 and 49, 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.

Clare Partridge
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

09. Group and Association statements

Consolidated statement of comprehensive income

for the year ended 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Group turnover	2	**364,255**	346,160
Operating costs	2	**(296,711)**	(266,153)
Gain on the sale of fixed assets	6	**11,934**	15,424
Group operating surplus	2	**79,478**	95,431
Share of operating profit in joint ventures		**568**	302
Interest receivable and other income	7	**7,062**	7,212
Interest payable and similar charges	8	**(47,580)**	(43,532)
Movement in fair value of financial instruments		**3,177**	658
Loss on repayment of Impact loans		**(1,851)**	—
Loss on aquisition of a subsidiary	32	**(13,898)**	—
Surplus on ordinary activities before tax	9	**26,956**	60,071
Taxation	10	**(278)**	451
Share of joint venture taxation		**(229)**	(4)
Surplus for the year after tax		**26,449**	60,518
Other comprehensive income			
(Loss)/gain recognised on cashflow hedges		**(2,070)**	6,158
Actuarial loss on pension schemes	26	**(11,248)**	58
Initial recognition of multi-employer defined benefit scheme	26a	**(8,507)**	—
Total comprehensive income for the year		**4,624**	66,734

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 65 to 129 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 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible assets:			
Housing properties	11	**1,975,510**	1,810,866
Other tangible fixed assets	11	**21,535**	25,109
Intangible assets	11	**9,870**	—
		2,006,915	1,835,975
Investments			
Investment in joint ventures	12	**1,674**	1,503
Investment properties	12	**1,190**	1,236
Other investments	12	**17,138**	16,374
Homebuy equity loans	12	**1,830**	4,854
		2,028,747	1,859,942
Debtors: amounts receivable after more than one year	13	**10,587**	11,106
Current assets			
Investments	12	**36,848**	37,516
Trade and other debtors	13	**140,535**	136,483
Properties for sale	14	**47,420**	62,032
Cash and cash equivalents		**105,994**	63,687
		330,797	299,718
Creditors: amounts falling due within one year	15	**(151,715)**	(145,926)
Net current assets		**179,082**	153,792
Total assets less current liabilities		**2,218,416**	2,024,840
Creditors: amounts falling due after more than one year	16	**1,627,741**	1,470,797
Deferred income	19	**7,992**	8,146
Provisions for liabilities			
Pension provision – defined benefit scheme	28	**16,971**	15,376
Pension provision – multi employer scheme	28	**32,409**	—
Other provisions	28	**10,447**	12,400
		1,695,560	1,506,719
Capital and reserves			
Non-equity share capital	20	**—**	—
Cashflow hedge reserve		**(15,997)**	(13,927)
Designated reserves		**3,249**	3,138
Income and expenditure reserve		**535,604**	528,910
		2,218,416	2,024,840

The financial statements on pages 55 to 129 were approved by the Board on 12 August 2019 and were signed on its behalf on 12 and 13 August 2019 by:

Max Steinberg CBE, Group Chair   Ingrid Fife, Board Member   Sara Shanab, Secretary

The notes on pages 65 to 129 form an integral part of the financial statements.

Consolidated statement of changes in reserves

	Designated reserves	Cash flow hedge reserve	Income expenditure reserve	2019 Total reserves
	£'000	£'000	£'000	£'000
Balance as at 1 April 2018	**3,138**	**(13,927)**	**528,910**	**518,121**
Surplus for the year	**—**	**—**	**26,449**	**26,449**
Transfer to designated reserves	**111**	**—**	**—**	**111**
Initial recogonition of multi employer scheme	**—**	**—**	**(8,507)**	**(8,507)**
Effective position of changes in fair value of cash flow hedges	**—**	**(2,070)**	**—**	**(2,070)**
Actuarial loss on pension schemes	**—**	**—**	**(11,248)**	**(11,248)**
At 31 March 2019	**3,249**	**(15,997)**	**535,604**	**522,856**

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	2018 Total reserves
	£'000	£'000	£'000	£'000
Balance as at 1 April 2017	3,022	(20,542)	468,450	450,930
Surplus for the year	—	—	60,518	60,518
Transfer to designated reserves	116	—	(116)	—
Effective position of changes in fair value of cash flow hedges	—	6,615	—	6,615
Actuarial loss on pension schemes	—	—	58	58
At 31 March 2018	3,138	(13,927)	528,910	518,121

Consolidated statement of cash flows

for the year ended 31 March 2019

	2019		2018	
	£'000	£'000	£'000	£'000
Net cash inflow from operating activities (note 21)		**123,182**		124,777
Returns on investments and servicing of finance				
Interest received	**6,363**		1,846	
Interest paid	**(55,211)**		(42,442)	
Net cash outflow from returns on investments and servicing of finance		**(48,848)**		(40,596)
Taxation				
Tax paid		**—**		(4)
Capital expenditure and financial investment				
Cash paid for housing construction	**(71,182)**		(126,122)	
Cash paid for other fixed assets	**(7,013)**		(9,556)	
Cash flow for fixed asset investments	**—**		26,106	
Expenditure on capitalised improvements	**(33,109)**		(30,953)	
Social Housing Grant received	**18,555**		18,572	
Receipts from property sales	**20,892**		37,429	
Investment in joint ventures	**—**		(2,695)	
Net cash outflow from capital expenditure and financial investment		**(71,857)**		(87,219)
Management of liquid resources				
Increase in short term deposits	**668**		13,284	
Net cash inflow from management of liquid resources		**668**		13,284
Net cash outflow before financing		**3,145**		10,242
Financing				
Loans raised	**127,567**		54,793	
Loan principal repayments	**(88,405)**		(70,275)	
Net cash inflow from financing		**39,162**		(15,482)
(Decrease)/Increase in cash (note 22)		**42,307**		(5,240)

The notes on pages 65 to 129 form an integral part of the financial statements.

Association statement of comprehensive income

for the year ended 31 March 2019

	Notes	**2019 £'000**	2018 £'000
Turnover	2	**302,382**	294,885
Operating costs	2	**(245,522)**	(221,807)
Gain on the sale of fixed assets	6	**11,762**	15,245
Operating surplus	2	**68,622**	88,323
Interest receivable and other income	7	**5,080**	4,690
Interest payable and similar charges	8	**(42,484)**	(39,415)
Movement in fair value of financial instruments		**3,177**	620
Gift Aid		**1,408**	2,579
Surplus on ordinary activities before tax	9	**35,803**	56,797
Taxation	10	**—**	—
Share of joint ventures tax		**—**	—
Transfer to reserves		**—**	(116)
Surplus for the year after tax		**35,803**	56,681
Other comprehensive income			
(Loss)/gain recognised on cash flow hedges		**(2,070)**	6,158
Actuarial loss on pension schemes	26	**(10,077)**	58
Initial recognition of multi-employer defined benefit scheme		**(8,507)**	—
Total comprehensive income for the year		**15,149**	62,897

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 65 to 129 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 2019

	Notes	2019 £'000	2018 £'000
Fixed assets			
Tangible assets:			
Housing properties	11	**1,749,016**	1,729,313
Other tangible fixed assets	11	**19,787**	24,801
Intagible assets	11	**9,870**	—
		1,778,673	1,754,114
Investments			
Investment in joint ventures		**—**	—
Investment properties	12	**1,190**	1,236
Other investments	12	**90,554**	47,315
Homebuy equity loans	12	**329**	329
		1,870,746	1,802,994
Debtors: amounts receivable after more than one year	13	**79,246**	49,887
Current assets			
Investments	12	**33,912**	33,342
Trade and other debtors	13	**59,467**	55,950
Properties for sale	14	**16,116**	20,245
Cash and cash equivalents		**69,489**	56,161
		178,984	165,698
Creditors: amounts falling due within one year	15	**(141,267)**	(121,581)
Net current assets		**37,717**	44,117
Total assets less current liabilities		**1,987,709**	1,896,998
Creditors: amounts falling due after more than one year	16	**1,401,158**	1,351,076
Deferred income	19	**7,992**	8,146
Provisions for liabilities			
Pension provision – defined benefit scheme	28	**16,971**	15,376
Pension provision – multi employer scheme	28	**26,081**	
Other provisions	28	**10,247**	12,400
		1,462,449	1,386,998
Capital and reserves			
Non-equity share capital	20	**—**	—
Cashflow hedge reserve		**(15,997)**	(13,927)
Designated reserves		**3,196**	3,085
Income and expenditure reserve		**538,061**	520,842
		1,987,709	1,896,998

The financial statements on pages 55 to 129 were approved by the Board on 12 August 2019 and were signed on its behalf on 12 and 13 August 2019 by:

Max Steinberg CBE, Group Chair   Ingrid Fife, Board Member   Sara Shanab, Secretary

The notes on pages 65 to 129 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 2018	**3,085**	**(13,927)**	**520,842**	**510,000**
Surplus for the year	**111**	**—**	**35,803**	**35,914**
Initial recognition of multi employer defined benefit scheme	**—**	**—**	**(8,507)**	**(8,507)**
Effective position of changes in fair value of cash flow hedges	**—**	**(2,070)**	**—**	**(2,070)**
Actuarial loss on pension schemes	**—**	**—**	**(10,077)**	**(10,077)**
At 31 March 2019	**3,196**	**(15,997)**	**538,061**	**525,260**

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 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 schemes	—	—	58	58
At 31 March 2018	3,085	(13,927)	520,842	510,000

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 Regulator for Social Housing 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 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 71.

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

The 2018/19 review did not result in the requirement for any material impairments.

— **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.

Transition from defined contribution accounting to defined benefit accounting and GMP equalisation

Prior to financial year 2018 there has been insufficient information available for each employer's share of Social Housing Pension Scheme (SHPS) to apply defined benefit accounting. As a result, and as required by FRS 102 paragraphs 28.11 and 28.11A, the Group accounted for its obligations by stating the present value of agreed future deficit repayment contributions.

For financial years ending on or after 31 March 2019, sufficient information is available for an employer's share of SHPS to be identified and as a result defined benefit accounting must be applied in accordance with paragraphs 28.14 to 28.28 of FRS 102.

FRS 102 does not set out requirements to address the transition from defined contribution accounting to defined benefit accounting resulting in the Financial Reporting Council setting out in "FRED 71 – Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multi-employer defined benefit plans" proposed amendments to FRS 102 to require the difference between any liability for the deficit repayment contributions and the net defined benefit liability recognised when applying defined benefit accounting, to be recognised in other comprehensive income.

The proposed amendments will be effective for accounting periods beginning on or after January 2020, with early adoption permitted.

When determining the appropriateness of applying defined benefit accounting for SHPS for the financial year ended 31 March 2019 consideration has been given to the fact sufficient information has been provided by SHPS to apply defined benefit accounting for the year ended 2019, the materiality of the adjustments arising on transition in the Statement of Comprehensive Income and Statement of Financial Position and the alternative accounting treatments and timing discussed in FRED 71 and the 14 March 2019 guidance provided by the National Housing Federation. As a result defined benefit accounting has be applied in accordance with paragraphs 28.14 to 28.28 of FRS 102.

Disclosure of the change in accounting policy is included in the Strategic Report and Note 26 Pensions information.

The Group has taken the opportunity to adopt FRED 71 early. The transitional adjustment is applied at 1 April 2018.

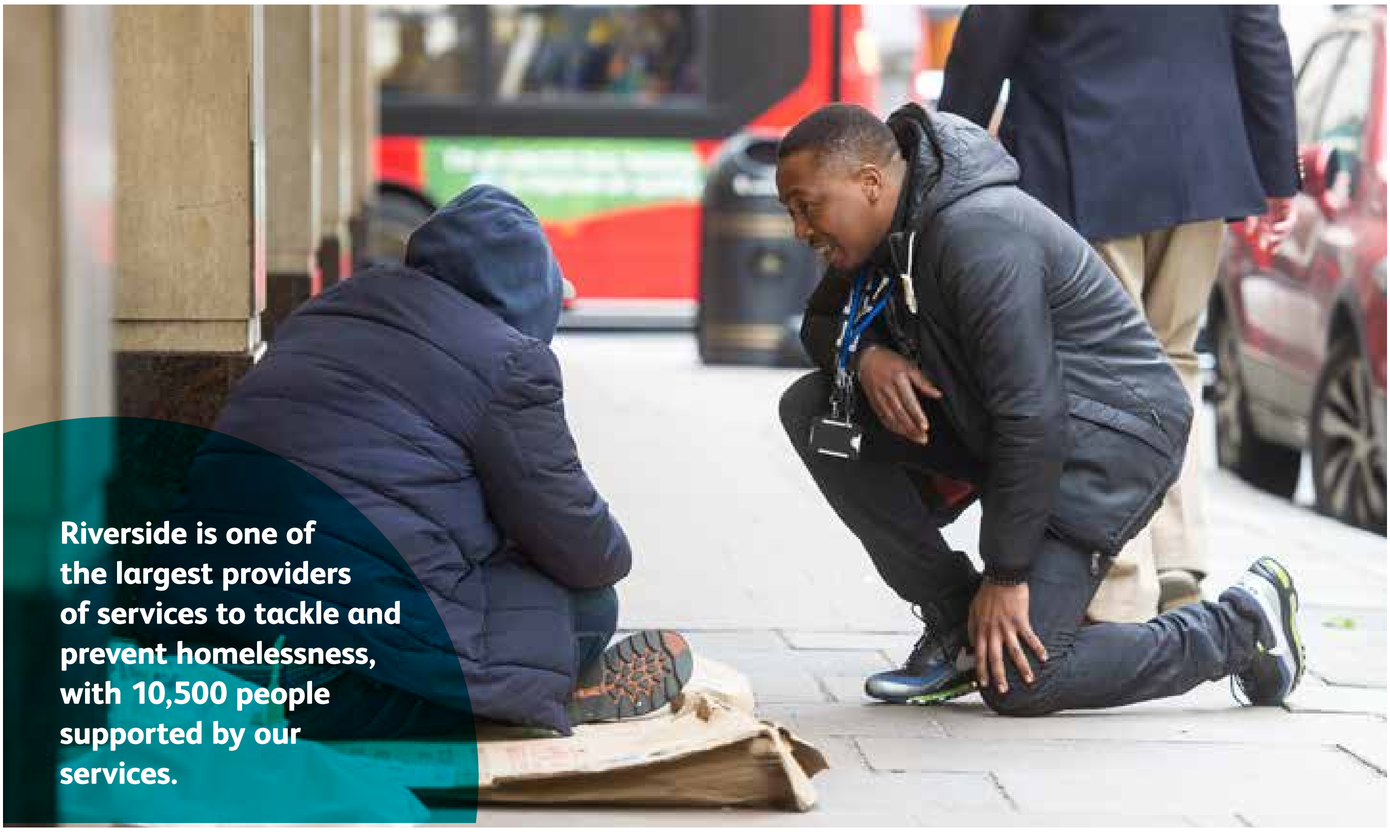
A High Court ruling in Lloyds Banking Group Pension Trustees Limited versus Lloyds Bank plc was published in 26 October 2018 which held that UK pension schemes with Guaranteed Minimum Pensions (GMP) accrued from May 1990 must equalise for the different effects of these GMPs accrued from 17 May 1990 for the different effects of these GMPs between men and women.

The process of actually equalising some of the GMP benefits for the relevant members is complicated and will take some time however, actuaries are able to estimate the impact of GMP equalisation now and include an allowance for the increase in calculated liabilities. When determining the appropriateness of including an allowance for the increase in calculated liabilities that might be expected as a result of GMP equalisation consideration has been given to the relative size of the Group's pension liabilities, the materiality of any expected impact and the availability of estimates.

The Retirement benefits policy note and the Note 26 Pensions information contain more detail on the transition to defined benefit accounting.

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 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.

Excluding SHPS for the year ended 31 March 2018, 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)

Net disposal proceeds including grant released on sale of a property under the right to acquire scheme and Voluntary Purchase Grant net disposal proceeds are credited to the DPF until reinvested in appropriate new social housing. Under transitional arrangements in the Housing and Planning Act 2016 the DPF will continue to operate until the fund is exhausted; or until Riverside notifies the regulator it is unable to use or allocate funds in the DPF; or until 6 April 2020 whichever is earlier.

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.

2 Turnover, operating costs and operating surplus

	Group 2019			
	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus/(deficit) £'000**
Social housing activities				
Lettings (note 3)	**291,685**	**—**	**(236,851)**	**54,834**
Other social housing activities				
Development for sale shared ownership	**13,307**	**(12,028)**	**—**	**1,279**
Management services	**1,034**	**—**	**(1,895)**	**(861)**
Community regeneration	**—**	**—**	**(962)**	**(962)**
Other	**16,400**	**—**	**(7,628)**	**8,772**
	322,426	**(12,028)**	**(247,336)**	**63,062**
Non-social housing activities				
Lettings (note 3)	**3,070**	**—**	**(948)**	**2,122**
Developments for outright sale	**38,759**	**(36,387)**	**—**	**2,372**
Other	**—**	**—**	**(12)**	**(12)**
	41,829	**(36,387)**	**(960)**	**4,482**
Total	**364,255**	**(48,415)**	**(248,296)**	**67,544**

	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

2 Turnover, operating costs and operating surplus – continued

Association 2019

	Turnover £'000	**Cost of sales £'000**	**Operating costs £'000**	**Operating surplus/(deficit) £'000**
Social housing activities				
Lettings (note 3)	**271,301**	**—**	**(224,376)**	**46,925**
Other social housing activities				
Development for sale shared ownership	**13,307**	**(12,028)**	**—**	**1,279**
Management services	**1,034**	**—**	**(1,895)**	**(861)**
Community regeneration	**—**	**—**	**(954)**	**(954)**
Other	**13,940**	**—**	**(5,295)**	**8,645**
	299,582	**(12,028)**	**(232,520)**	**55,034**
Non-social housing activities				
Lettings (note 3)	**2,800**	**—**	**(800)**	**2,000**
Development for outright sale	**—**	**—**	**—**	**—**
Other	**—**	**—**	**(174)**	**(174)**
	2,800	**—**	**(974)**	**(1,826)**
Total	**302,382**	**(12,028)**	**(233,494)**	**56,860**

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

3 Income and expenditure from social housing lettings

	Group					
	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2019 Total £'000**	2018 Total £'000
Income from lettings						
Rent receivable net of Service charge income	**170,305**	**41,197**	**5,654**	**146**	**217,302**	207,291
Income for support services	**815**	**23,574**	**—**	**—**	**24,390**	25,198
Service charge receivable	**5,370**	**33,217**	**—**	**159**	**38,745**	35,724
Net rental income	**176,490**	**97,988**	**5,654**	**305**	**280,437**	268,213
Other revenue grants	**157**	**20**	**—**	**—**	**177**	725
Amortisation of government grants	**7,062**	**3,653**	**356**	**—**	**11,071**	10,588
Government grants taken to income	**—**	**—**	**—**	**—**	**—**	—
Turnover from lettings	**183,709**	**101,661**	**6,010**	**305**	**291,685**	279,526
Expenditure on lettings						
Management	**(39,291)**	**(18,016)**	**(1,886)**	**(200)**	**(59,393)**	(42,727)
Service charge costs and support services	**(15,061)**	**(61,890)**	**(678)**	**(84)**	**(77,713)**	(69,626)
Routine maintenance	**(28,366)**	**(7,479)**	**(716)**	**(81)**	**(36,642)**	(38,529)
Planned maintenance	**(12,249)**	**(2,555)**	**(105)**	**(53)**	**(14,962)**	(13,580)
Major repairs expenditure	**(6,328)**	**(1,143)**	**(44)**	**(6)**	**(7,521)**	(6,108)
Bad debts	**(2,031)**	**(674)**	**(10)**	**5**	**(2,710)**	(2,308)
Depreciation of housing properties	**(29,439)**	**(7,674)**	**(762)**	**(13)**	**(37,888)**	(34,614)
Impairment of housing properties	**(31)**	**9**	**—**	**—**	**(22)**	(2,571)
Operating costs on lettings	**(132,796)**	**(99,422)**	**(4,201)**	**(432)**	**(236,851)**	(210,063)
Operating surplus on social housing lettings	**50,913**	**2,239**	**1,809**	**(127)**	**54,834**	69,463
Void loss	(2,143)	(4,156)	(13)	(1)	**(6,313)**	(4,551)

	2019 £'000	2018 £'000
Particulars of turnover from non-social housing lettings		
Market rent	**3,070**	2,864
	3,070	2,864

3 Income and expenditure from social housing lettings – continued

	Association					
	General housing £'000	Supported housing £'000	Shared ownership £'000	Key worker housing £'000	**2019 Total £'000**	2018 Total £'000
Turnover from lettings						
Rent receivable net of Service charge income	**153,535**	**39,922**	**5,654**	**146**	**199,257**	197,930
Income for support services	**815**	**23,574**	**—**	**—**	**24,389**	25,177
Service charges receivable	**4,843**	**32,355**	**—**	**159**	**37,357**	35,446
Net rental income	**159,193**	**95,851**	**5,654**	**305**	**261,003**	258,553
Other revenue grants	**6**	**3**	**—**	**—**	**9**	480
Amortisation of government grants	**6,297**	**3,636**	**356**	**—**	**10,289**	10,376
Government grants taken to income	**—**	**—**	**—**	**—**	**—**	—
Turnover from lettings	**165,496**	**99,490**	**6,010**	**305**	**271,301**	269,409
Expenditure on lettings						
Management	**(34,768)**	**(17,554)**	**(1,886)**	**(200)**	**(54,408)**	(41,963)
Service charge cost and support services	**(14,337)**	**(61,155)**	**(677)**	**(86)**	**(76,255)**	(67,390)
Routine maintenance	**(27,871)**	**(7,250)**	**(717)**	**(81)**	**(35,919)**	(40,085)
Planned maintenance	**(11,100)**	**(2,490)**	**(105)**	**(53)**	**(13,748)**	(13,056)
Major repairs expenditure	**(5,729)**	**(1,128)**	**(44)**	**(6)**	**(6,907)**	(5,575)
Bad debts	**(1,960)**	**(665)**	**(10)**	**5**	**(2,630)**	(2,242)
Depreciation of housing properties	**(26,187)**	**(7,604)**	**(762)**	**(13)**	**(34,566)**	(33,460)
Impairment of housing properties	**13**	**44**	**—**	**—**	**57**	(2,571)
Operating costs on lettings	**(121,939)**	**(97,802)**	**(4,201)**	**(434)**	**(224,376)**	(206,342)
Operating surplus on social housing lettings	**43,557**	**1,688**	**1,809**	**(129)**	**46,925**	63,067
Void loss	(2,040)	(4,080)	(13)	(1)	(6,134)	(4,540)

	2019 £'000	2018 £'000
Particulars of turnover from non-social housing lettings		
Market rent	**2,800**	2,734
	2,800	2,734

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 (2018: seven) Executive Directors included within the total below who are not Board members.

	Group	
	2019	2018
	£'000	£'000
Emoluments (including pension contributions and benefits in kind)	**1,423**	1,356
Highest paid Director – Group Chief Executive (2018: Interim Chief Finance Officer[1,2]) Emoluments (excluding pension contributions)	**229**	243
Expenses reimbursed to Directors not chargeable to income tax	**10**	9

Two of the Directors received cash in lieu of pension payments of £44k. 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.

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

Executive Directors	**2019 £'000**	2018 £'000
Carol Matthews	**229**	195
Cris McGuinness	**196**	15
Darren Levy[1,2]	**192**	—
Ian Gregg	**144**	137
John Glenton	**125**	124
Tom Rennie[1,2]	**118**	—
John Wood[2]	**99**	154
Léann Hearne[2]	**83**	154
Patrick New[2]	**23**	—
Rosemary Farrar[1]	**—**	243
Joy Baggaley	**—**	114

The emolument above exclude the following pension payments:
Four of the Directors received pensions payments of £59k (2018: £45k) and two received cash in lieu of pension payments of £44k (2018: £65k). 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	2019 £'000	2018 £'000
Max Steinberg CBE	**27**	27
Pauline Davis	**19**	19
Susan Jee[1]	**17**	19
Tim Croston	**14**	10
Ingrid Fife	**14**	6
Peter White	**13**	13
Jonathan Dale	**10**	10
Michelle Dovey[1]	**2**	—
Philip Han	**—**	8
Sally Trueman	**—**	—

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

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

	2019	2018
£60,001 — £70,000	**28**	20
£70,001 — £80,000	**11**	17
£80,001 — £90,000	**8**	4
£90,001 — £100,000	**6**	6
£100,001 — £110,000	**3**	4
£110,001 — £120,000	**3**	5
£120,001 — £130,000	**2**	1
£130,001 — £140,000	**—**	—
£140,001 — £150,000	**1**	1
£150,001 — £160,000	**—**	2
	62	60

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	
	2019 Number	2018 Number
Full time equivalent	**2,765**	2,697

	2019 £'000	2018 £'000
Staff costs (for the above persons)		
Wages and salaries	**82,258**	76,728
Social security costs	**7,628**	7,124
Other pension costs	**4,620**	5,117
	94,506	88,969

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

The total amount of severance and redundancy payments made during the year was £3.9m (2018: £4.9m).

	Association	
	2019 Number	2018 Number
Full time equivalent	**2,122**	2,148

	2019 £'000	2018 £'000
Staff costs (for the above persons)		
Wages and salaries	**61,244**	61,148
Social security costs	**5,698**	5,634
Other pension costs	**3,828**	4,651
	70,770	71,433

The total amount of severance and redundancy payments made during the year was £3.9m (2018:£4.8m)

6 Gain on the sale of fixed assets

	Group 2019 £'000	Group 2018 £'000
Proceeds of sales	**20,562**	37,473
Cost of sales	**(8,628)**	(22,049)
Surplus on sale of property	**11,934**	15,424

	Association 2019 £'000	Association 2018 £'000
Proceeds of sales	**20,191**	37,255
Cost of sales	**(8,429)**	(22,010)
Surplus on sale of property	**11,762**	15,245

Surplus on sale of property includes shared ownership staircasing sales surplus of £948k (2018: £703k).

7 Interest receivable and other income

	Group 2019 £'000	Group 2018 £'000
Bank and other interest receivable	**6,370**	6,170
Income from listed investments	**692**	1,042
	7,062	7,212

	Association 2019 £'000	Association 2018 £'000
Bank and other interest receivable	**2,935**	2,939
Income from listed investments	**692**	325
Intercompany interest from subsidiaries	**1,453**	1,426
	5,080	4,690

8 Interest payable and similar charges

	Group	
	2019	2018
	£'000	£'000
Bank loans and overdrafts	**25,409**	23,718
Other loans	**18,501**	17,031
Other interest payable	**1,054**	1,494
Pension costs	**892**	558
Finance costs	**1,724**	731
	47,580	43,532

	Association	
	2019	2018
	£'000	£'000
Bank loans and overdrafts	**23,341**	19,632
Other loans	**15,817**	17,031
Other interest payable	**746**	1,494
Intercompany interest	**—**	(31)
Pension costs	**892**	558
Finance costs	**1,688**	731
	42,484	39,415

9 Surplus on ordinary activities

	Group 2019 £'000	Group 2018 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation for the year		
Housing properties	**37,254**	34,406
Other tangible fixed assets	**7,496**	5,357
Amortisation of government grant	**(11,071)**	(10,621)
Impairment charge/(credit) for the year		
Housing properties	**51**	2,541
Investment properties and properties awaiting sale	**—**	—
Released on disposal	**(29)**	(300)
Auditors' remuneration		
For audit services	**190**	163
For non-audit services		
— tax advisory	**—**	—
— pension advisory	**—**	31
— other	**26**	55
Operating lease rentals		
Land and buildings	**1,236**	1,320
Other	**587**	598

	Association 2019 £'000	Association 2018 £'000
Surplus on ordinary activities is stated after charging:		
Depreciation for the year		
Housing properties	**34,017**	33,251
Other tangible fixed assets	**7,252**	5,235
Amortisation of government grant	**(10,289)**	(10,389)
Impairment charge/(credit) for the year		
Housing properties	**(28)**	2,541
Released on disposal	**(29)**	(300)
Auditors' remuneration		
For audit services	**114**	112
For non-audit services		
— tax advisory	**—**	—
— pension advisory	**—**	28
— other	**26**	76
Operating lease rentals		
Land and buildings	**1,040**	1,172
Other	**469**	552

10 Tax on surplus on ordinary activities

	Group 2019 £'000	2018 £'000
Analysis of charge in period		
Current tax charge	**—**	(3)
Deferred tax charge/(credit)	**278**	(448)
Total tax charge/(credit)	**278**	(451)

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:	**2019 £'000**	2018 £'000
Profit on ordinary activities before tax	**26,956**	60,071
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19 % (2018: 19 %)	**5,122**	11,413
Effects of:		
Expenses not deductible for tax purposes	**4**	4
Profits exempt from tax due to charitable exemption	**(6,979)**	(11,039)
Movement in deferred tax	**—**	—
Acquisition of subsidiary	**2,274**	—
Prior year deferred tax	**(2)**	—
Effect on profit from Joint Ventures	**(108)**	(47)
Disposal of investment properties	**—**	(835)
Rate change	**(33)**	53
Total charge	**278**	(451)

Deferred taxation

The movement in the year is as follows:	**2019 £'000**	2018 £'000
At the beginning of the year	**(855)**	(407)
Charge for the year	**280**	(451)
Prior year	**(2)**	3
At the end of the year	**(577)**	(855)

The elements of the deferred tax asset and amounts not provided are as follows:	**Provided £'000**	**Unprovided £,000**
Difference between accumulated depreciation and capital allowances	**14**	—
Losses	**(530)**	—
Other timing differences	**(61)**	—
	(577)	—

10 Tax on surplus on ordinary activities – continued

	Association	
	2019	2018
	£'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:

	2019	2018
	£'000	£'000
Profit on ordinary activities before tax	**35,803**	56,797
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	**6,802**	10,791
Effects of:		
Profits exempt from tax as a result of charitable exemption	**(6,802)**	(10,791)
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 2018	2,067,613	23,837	98,868	16,236	2,206,554
Schemes completed	15,552	(15,552)	18,390	(18,390)	—
Additions	1,145	26,790	186	13,049	41,170
Improvements to existing properties	32,592	—	8	—	32,600
Disposal of properties	(9,370)	—	(3,933)	—	(13,303)
Accelerated replacement of components	(2,306)	—	—	—	(2,306)
Reclassification	—	(30)	7	160	137
Arising on acquisition	163,304	538	1,148	3,456	168,446
At 31 March 2019	**2,268,530**	**35,583**	**114,674**	**14,511**	**2,433,298**
Depreciation and impairment					
At 1 April 2018	391,309	—	4,379	—	395,688
Charge for the year	36,262	—	971	21	37,254
Eliminated in respect of disposals	(3,571)	(336)	(278)	—	(4,185)
Impairment charge	64	—	(13)	—	51
Impairment released on disposals	(29)	—	—	—	(29)
Arising on acquisition	28,364	336	35	274	29,009
At 31 March 2019	**452,399**	—	**5,094**	**295**	**457,788**
Net book value at 31 March 2019	**1,816,131**	**35,583**	**109,580**	**14,216**	**1,975,510**
Net book value at 31 March 2018	**1,676,304**	**23,837**	**94,489**	**16,236**	**1,810,866**

Improvements to existing properties consist of £33m (2018: £33m) capitalised costs in addition to £7.5m (2018: £6.1m) non-capitalised improvements, which have been charged to the income and expenditure account.

The net book value of tangible fixed assets includes £Nil (2018: £Nil) in respect of assets held under finance leases.

11 Tangible fixed assets – continued

	Scheme fixtures and fittings £'000	Group Freehold and long leasehold offices £'000	Fixtures vehicles and computer equipment £'000	Total other fixed assets £'000
Cost				
At 1 April 2018	15,323	11,215	19,801	46,339
Additions	5,284	11	793	6,088
Disposals	(2,752)	(2,800)	(4,168)	(9,720)
Reclassification	(525)	(1)	(6,247)	(6,773)
Arising on acquisition	1,367	1,290	544	3,201
At 31 March 2019	**18,697**	**9,715**	**10,723**	**39,135**
Depreciation and impairment				
At 1 April 2018	7,445	6,608	7,177	21,230
Charge for the year	2,139	270	5,087	7,496
Eliminated in respect of disposals	(2,762)	(2,733)	(5,621)	(11,116)
Reclassification	—	—	(1,649)	(1,649)
Arising on acquisition	904	416	319	1,639
At 31 March 2019	**7,726**	**4,561**	**5,313**	**17,600**
Net book value at 31 March 2019	**10,971**	**5,154**	**5,410**	**21,535**
Net book value at 31 March 2018	7,878	4,607	12,624	25,109

Intangible fixed assets	Completed £000	Work in Progress £000	Totals £'000
Cost			
At 1 April 2018	—	—	—
Additions	—	5,059	5,059
Reclassification	—	6,773	6,773
Completed in year	6,657	(6,657)	—
At 31 March 2019	**6,657**	**5,175**	**11,832**
Amortisation			
At 1 April 2018	—	—	—
Charge for the year	150	—	150
Reclassification	1,812	—	1,812
At 31 March 2019	**1,962**	**—**	**1,962**
Net book value at 31 March 2019	**4,695**	**5,175**	**9,870**

As part of the Transformation Programme there is significant investment in our IT infrastructure. These internally generated enhancements are being recognised as Intangible Assets.

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 2018	1,974,853	21,007	98,868	16,236	2,110,964
Schemes completed	15,552	(15,552)	18,390	(18,390)	—
Additions	369	20,914	186	13,049	34,518
Improvements to existing properties	30,552	—	8	—	30,560
Disposal of properties	(9,267)	—	(3,842)	—	(13,109)
Accelerated replacement of components	(2,158)	—	—	—	(2,158)
Reclassification	—	(30)	7	161	138
At 31 March 2019	**2,009,901**	**26,339**	**113,617**	**11,056**	**2,160,913**
Depreciation and impairment					
At 1 April 2018	378,293	—	3,358	—	381,651
Charge for the year	33,050	—	967	—	34,017
Eliminated in respect of disposals	(3,437)	—	(277)	—	(3,714)
Impairment charge	(14)	—	(14)	—	(28)
Impairment released on disposals	(29)	—	—	—	(29)
At 31 March 2019	**407,863**	**—**	**4,034**	**—**	**411,897**
Net book value at 31 March 2019	**1,602,038**	**26,339**	**109,583**	**11,056**	**1,749,016**
Net book value at 31 March 2018	1,596,560	21,007	95,510	16,236	1,729,313

Improvements to existing properties consist of £31m (2018: £32.0m) capitalised costs in addition to £6.9m (2018: £5.6m) non-capitalised improvements, which have been charged to the income and expenditure account.

The net book value of tangible fixed assets includes £Nil (2018: £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 2018	15,323	10,740	19,427	45,490
Additions	5,207	—	757	5,964
Disposals	(2,752)	(2,799)	(4,075)	(9,626)
Reclassification	(525)	—	(6,248)	(6,773)
At 31 March 2019	**17,253**	**7,941**	**9,861**	**35,055**
Depreciation and impairment				
At 1 April 2018	7,444	6,219	7,026	20,689
Charge for the year	2,071	207	4,974	7,252
Eliminated in respect of disposals	(2,761)	(2,732)	(5,531)	(11,024)
Reclassification	—	—	(1,649)	(1,649)
At 31 March 2019	**6,754**	**3,694**	**4,820**	**15,268**
Net book value at 31 March 2019	**10,499**	**4,247**	**5,041**	**19,787**
Net book value at 31 March 2018	7,879	4,521	12,401	24,801

Intangible fixed assets	Completed £000	Work in Progress £000	Totals £'000
Cost			
At 1 April 2018	—	—	—
Additions	—	5,059	5,059
Reclassification	—	6,773	6,773
Completed in year	6,657	(6,657)	—
At 31 March 2019	**6,657**	**5,175**	**11,832**
Amortisation			
At 1 April 2018	—	—	—
Charge for the year	150	—	150
Reclassification	1,812	—	1,812
At 31 March 2019	**1,962**	**—**	**1,962**
Net book value at 31 March 2019	**4,695**	**5,175**	**9,870**

11 Tangible fixed assets – continued

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

	Group 2019 £'000	Group 2018 £'000
Housing Properties		
Freehold	**1,964,568**	1,799,678
Long leasehold	**10,977**	11,188
	1,975,545	1,810,866
Offices		
Freehold	**4,928**	4,285
Long leasehold	**226**	322
	5,154	4,607

	Association 2019 £'000	Association 2018 £'000
Housing Properties		
Freehold	**1,749,016**	1,729,186
Long leasehold	**—**	127
	1,749,016	1,729,313
Offices		
Freehold	**4,021**	4,278
Long leasehold	**226**	243
	4,247	4,521

12 Investments

A. Fixed assets

Name of undertaking	Nature of undertaking	Principal activity
Caribou Green Warmth LLP[1]	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[4]	Charitable Trust	Management of sheltered housing
ECHG (Harrow) Homes plc[4]	Public Limited Company limited by shares under the Companies Act 1985	Property investment
ECHG (Kensington & Chelsea) Homes plc[4]	Public Limited Company	Property investment
ECHG (No. 1) Limited[4]	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
Impact Housing Association Limited	Registered Society under the Co-operative and Community Benefits Societies 2014	Registered provider of social housing
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[5]	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	Company incorporated and limited by shares under the Companies Act 1985	Urban regeneration initiatives
Riverside Urban Services Limited[4]	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 40% 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 dormant.
5 Entity is 77% owned by The Riverside Group Limited.

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

12 Investments – continued

	Group 2019 £'000	Group 2018 £'000
(i) Other investments		
Charifund	**14,512**	13,678
Other	**2,626**	2,696
	17,138	16,374
Investment properties (see (ii) below)	**1,190**	1,236
Homebuy equity loans	**1,830**	4,854
	20,158	22,464
Group share of gross assets of joint ventures	**9,737**	4,681
Group share of gross liabilities of joint ventures	**(8,063)**	(3,178)
	1,674	1,503
	21,832	23,967

	Association 2019 £'000	Association 2018 £'000
(i) Other investments		
Charifund	**14,512**	13,678
Other	**2,398**	2,493
Investment in subsidiaries	**72,203**	29,703
Investment in joint ventures	**1,441**	1,441
	90,554	47,315
Investment properties (see (ii) below)	**1,190**	1,236
Homebuy equity loans	**329**	329
	92,073	48,880

On 30 March 2019 The Riverside Group purchased £42,500,000 of share capital from Riverside Regeneration Limited.

	Group	
	2019	2018
	£'000	£'000
(ii) Investment properties		
Valuation at 1 April 2018	**1,236**	15,013
Revaluation	**(46)**	5,917
Disposals	**—**	(19,694)
Valuation at 31 March 2019	**1,190**	1,236

	Association	
	2019	2018
	£'000	£'000
(ii) Investment properties		
Valuation at 1 April 2018	**1,236**	1,212
Revaluation	**(46)**	24
Valuation at 31 March 2019	**1,190**	1,236

B. Current assets

	Group	
	2019	2018
	£'000	£'000
Charged bank accounts	**36,848**	37,516
	36,848	37,516

	Association	
	2019	2018
	£'000	£'000
Charged bank accounts	**33,912**	33,342
	33,912	33,342

13 Debtors

	Group	
	2019	2018
	£'000	£'000
Amounts falling due after more than one year:	**10,587**	11,106
Amounts falling due within one year:		
Rent and service charge arrears	**20,922**	16,577
Less: provision for bad and doubtful debts	**(9,209)**	(6,720)
Net rental debtors	**11,713**	9,857
Other debtors	**112,941**	117,928
Prepayments and accrued income	**9,307**	4,220
Deferred tax	**—**	451
Amount due from joint venture	**6,574**	4,027
	140,535	136,483

Included in debtors due after more than one year is £6.6m (2018: £6.6m) 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 £0m (2018 : £0.4m) is held in respect of the ongoing Fire Risk Assessment programme.

	Association	
	2019	2018
	£'000	£'000
Amounts falling due after more than one year:		
Improvement programmes	**10,587**	11,106
Intra group debtors	**68,659**	38,781
	79,246	49,887
Amounts falling due within one year:		
Rent and service charge arrears	**19,094**	15,750
Less: provision for bad and doubtful debts	**(8,559)**	(6,378)
Net rental debtors	**10,535**	9,372
Other debtors	**40,286**	42,619
Prepayments and accrued income	**8,646**	3,959
	59,467	55,950

14 Properties for sale

	Group 2019 £'000	Group 2018 £'000
Properties under construction – outright sales	**22,642**	35,722
Properties under construction – shared ownership	**9,932**	8,725
Completed properties – outright sales	**3,806**	4,259
Completed properties – shared ownership	**11,040**	13,326
	47,420	62,032

	Association 2019 £'000	Association 2018 £'000
Properties under construction – shared ownership	**5,076**	6,919
Completed properties – shared ownership	**11,040**	13,326
	16,116	20,245

15 Creditors: amounts falling due within one year

	Group	
	2019	2018
	£'000	£'000
Bank and other loans (see note 17)	**19,200**	18,605
Trade creditors	**11,146**	9,301
Rent and service charges received in advance	**7,239**	5,272
Social Housing Grant received in advance	**14,140**	7,565
Other creditors	**27,051**	28,830
Recycled Capital Grant Fund (see note 16a)	**2,970**	3,786
Disposal Proceeds Fund (see note 16a)	**1,282**	888
Accruals and deferred income	**57,017**	56,435
Corporation tax	**—**	1,094
Grant on Homebuy equity loans	**1,171**	1,784
Amortisation of grant	**10,499**	10,379
SHPS pension agreement plan	**—**	1,987
	151,715	145,926

	Association	
	2019	2018
	£'000	£'000
Bank and other loans (see note 17)	**16,358**	16,300
Trade creditors	**7,687**	6,880
Rent and service charges received in advance	**6,401**	4,837
Social Housing Grant received in advance	**13,667**	7,466
Other creditors	**26,711**	28,554
Recycled Capital Grant Fund (see note 16a)	**2,970**	3,786
Disposals Proceeds Fund (see note 16a)	**1,282**	888
Accruals and deferred income	**41,438**	36,453
Intra group creditors	**14,135**	3,722
Grant on Homebuy equity loans	**329**	329
Amortisation of grant	**10,289**	10,379
SHPS pension agreement plan	**—**	1,987
	141,267	121,581

Social Housing Grant received in advance will be utilised against the related capital expenditure during the next twelve months. Deferred government grant received from Homes England 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	
	2019	2018
	£'000	£'000
Long term loans (see note 17)	**842,616**	749,595
Recycled Capital Grant Fund (see note 16a)	**22,237**	19,596
Disposal Proceeds Fund (see note 16a)	**—**	1,444
Deferred Capital Grant (note 16b)	**957,207**	873,670
Accumulated amortisation of grant	**(201,694)**	(192,735)
Amortisation of grant due in one year	**(10,499)**	(10,379)
SHPS pension agreement plan (note 26 (iv))	**—**	11,267
Fair value of derivatives	**16,574**	17,681
Other	**1,300**	658
	1,627,741	1,470,797

	Association	
	2019	2018
	£'000	£'000
Long term loans (see note 17)	**721,855**	653,043
Recycled Capital Grant Fund (see note 16a)	**22,237**	19,594
Disposal Proceeds Fund (see note 16a)	**—**	1,444
Deferred Capital Grant (note 16b)	**849,333**	848,008
Accumulated amortisation of grant (note 16b)	**(198,577)**	(189,608)
Amortisation of grant due in one year	**(10,289)**	(10,379)
SHPS pension agreement plan (note 26 (iv))	**—**	11,267
Fair value of derivatives	**16,574**	17,681
Other	**25**	26
	1,401,158	1,351,076

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	
	2019	2018
	£'000	£'000
Disposal Proceeds Fund		
Opening balance	**2,332**	2,321
Inputs to DPF:		
Transferred from Impact Housing Association	**353**	—
Interest accrued	**10**	11
Recycling of grant:		
Newbuild	**(1,413)**	—
Closing balance	**1,282**	2,332

No amounts are due for repayment to Homes England.

	2019	2018
	£'000	£'000
Recycled Capital Grant Fund		
Opening balance	**23,382**	16,356
Inputs to RCGF:		
Grants recycled	**3,124**	8,306
Interest accrued	**182**	100
Recycling of grant:		
Newbuild	**(1,481)**	(1,380)
Closing balance	**25,207**	23,382

No amounts are due for repayment to Homes England.

16b Deferred Capital Grant

	Group	
	2019	2018
	£'000	£'000
Deferred capital grant		
At start of the year[1]	**951,116**	884,078
Grant received in the year	**12,117**	3,773
Disposals	**(6,026)**	(14,181)
As at 31 March 2019	**957,207**	873,670
Amortisation at start of the year	**(192,735)**	(186,940)
Released to income	**(10,499)**	(10,621)
Released to disposals	**1,540**	4,826
As at 31 March 2019	**(201,694)**	(192,735)

Amounts due to be released within one year £10,379k.
Amounts due to be released after more than one year £946,828k.

[1]The 2019 opening balance includes the acquisition of Impact.

	Association	
	2019	2018
	£'000	£'000
Deferred capital grant		
At start of the year	**848,008**	858,237
Grant received in the year	**6,731**	3,775
Disposals	**(5,406)**	(14,004)
As at 31 March 2019	**849,333**	848,008
Amortisation at start of the year	**(189,608)**	(184,025)
Released to income	**(10,289)**	(10,389)
Released to disposals	**1,320**	4,806
As at 31 March 2019	**(198,577)**	(189,608)

Amounts due to be released within one year £10,289k.
Amounts due to be released after more than one year £839,044k.

17 Debt analysis

	Group 2019 £'000	Group 2018 £'000
Due within one year		
Bank loans	**15,569**	15,133
Other loans	**3,631**	3,472
	19,200	18,605
Due after more than one year		
Bank loans	**417,598**	433,830
Local authority loans	**67**	67
Other loans	**173,468**	176,660
Less finance costs capitalised	**(6,463)**	(6,519)
	584,670	604,038
Bond	**250,000**	150,000
Premium/Discount on issue	**9,483**	(2,897)
Bond issue costs	**(1,537)**	(1,545)
Net bond balance	**257,946**	145,558

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 %.

	2019 £'000	2018 £'000
Debt maturity profile		
In one year or less	**19,200**	18,605
Between one and two years	**19,895**	18,576
Between two and five years	**90,249**	58,686
In five years or more	**730,988**	683,294
	860,332	779,161
Less:		
Loans due in one year or less	**(19,200)**	(18,605)
Finance costs capitalised	**(7,999)**	(8,064)
Discount on issue of bond	**9,483**	(2,897)
	842,616	749,595

17 Debt analysis – continued

	Association 2019 £'000	2018 £'000
Due within one year		
Bank loans	**15,132**	15,133
Other loans	**1,226**	1,167
	16,358	16,300
Due after more than one year		
Bank loans	**358,314**	400,677
Local authority loans	**92**	67
Other loans	**111,920**	113,154
Less finance costs capitalised	**(6,417)**	(6,412)
	463,909	507,486
Bond	**250,000**	150,000
Premium/(Discount) on issue	**9,483**	(2,897)
Bond issue costs	**(1,537)**	(1,545)
Net bond balance	**257,946**	145,558

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.

	2019 £'000	2018 £'000
Debt maturity profile		
In one year or less	**16,358**	16,300
Between one and two years	**16,672**	16,171
Between two and five years	**64,424**	51,313
In five years or more	**639,230**	596,413
	736,684	680,197
Less:		
Loans due in one year or less	**(16,358)**	(16,300)
Finance costs capitalised	**(7,954)**	(7,957)
Discount on issue of bond	**9,483**	(2,897)
	721,855	653,043

17a Borrowing facilities

Borrowing facilities

Undrawn committed borrowing facilities at 31 March 2019 were as follows:

	Group	
	2019	2018
	£'000	£'000
Expiring in one year or less	**60,359**	3,987
Expiring between one and five years	**215,839**	210,699
Expiring in more than five years	**53,399**	58,803
	329,597	273,489

£30m (2018 : £100m) of the undrawn committed borrowing facilities requires fixed charged security to be placed with the lender before it can be utilised.

	Association	
	2019	2018
	£'000	£'000
Expiring in one year or less	**60,359**	3,987
Expiring between one and two years	**215,839**	210,699
Expiring in more than two years	**53,399**	58,803
	329,597	273,489

£28m (2018 : £100m) 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 2019 £'000	Group 2018 £'000	**Association 2019 £'000**	Association 2018 £'000
Assets at fair value through profit or loss				
Fixed asset investments (Note 12)	**17,138**	16,374	**16,910**	16,171
Assets measured at amortised cost				
Fixed asset investments (Note 12)	**1,830**	4,854	**329**	329
Current asset investments (Note 12)	**36,848**	37,516	**33,912**	33,342
Debtors (Note 13)	**131,522**	131,812	**50,548**	51,991
Cash and cash equivalents	**105,994**	63,687	**69,390**	56,161
Liabilities measured at amortised cost				
Loans (Notes 15, 16 and 17)	**(861,816)**	(768,200)	**(738,213)**	(669,343)
Trade creditors (Notes 15 and 16)	**(103,971)**	(101,589)	**(82,262)**	(76,750)
Derivatives				
Designated as hedges (Note 16)	**(16,574)**	(17,681)	**(16,574)**	(17,681)
	(689,029)	(633,227)	**(665,960)**	(605,780)

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

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (from prices) or indirectly (that is derived from prices).

Level 3 – Inputs from the asset or liability that are not based on observable market data (that is, unobservable inputs).

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

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

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

C. Hedge accounting

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

	Group			
	2019		2018	
	£'000 Assets	**£'000 Liabilities**	£'000 Assets	£'000 Liabilities
Interest rate swaps				
In one year or less	**954**	**(4,467)**	1,552	(5,512)
Between one and two years	**1,051**	**(4,251)**	1,390	(4,500)
Between two and three years	**1,186**	**(4,013)**	1,695	(4,324)
Between three and five years	**2,155**	**(6,255)**	3,208	(7,367)
In five years or more	**2,715**	**(6,385)**	5,070	(10,049)
Total	**8,061**	**(25,371)**	12,915	(31,752)

	Association			
	2019		2018	
	£'000 Assets	**£'000 Liabilities**	£'000 Assets	£'000 Liabilities
Interest rate swaps				
In one year or less	**954**	**(4,467)**	1,552	(5,512)
Between one and two years	**1,051**	**(4,251)**	1,390	(4,500)
Between two and three years	**1,186**	**(4,013)**	1,695	(4,324)
Between three and five years	**2,155**	**(6,255)**	3,208	(7,367)
In five years or more	**2,715**	**(6,385)**	5,070	(10,049)
Total	**8,061**	**(25,371)**	12,915	(31,752)

	Group and Association	
	2019 £'000	2018 £'000
Nominal values of the above		
Cash flow hedge	**141,195**	208,831
Total	**141,195**	208,831

D. Risk

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

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

The Group has a policy to maintain sufficient liquidity:

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

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

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

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

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

The Chief Financial Officer is responsible for monitoring the Group's interest rate risk exposures and in managing this risk they will pay due regards to:

— minimising the risk of future covenant breach;

— current interest rate levels and the structure of the interest rate market;

— current interest rates and inflation compared with historic trends;

— anticipated future trend movements;

— the impact on revenue of estimated movements in interest rate and inflation trends;

— sensitivity of revenue to movement in interest rates and inflation trends; and

— policy and/or budgetary implications.

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

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

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

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

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

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

19 Deferred income

Deferred income represents the amount received in excess of nominal value of the bond. This includes £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 2019 are £7.3m and £0.6m respectively.

20 Share capital

	Group and Association	
	2019	2018
	£	£
At 1 April 2018	**21**	22
Appointed in year	**7**	12
Resigned in year	**(5)**	(7)
At 31 March 2019	**23**	27

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

	Group	
	2019	2018
	£'000	£'000
Operating surplus	**79,478**	95,431
Depreciation and impairment	**33,100**	30,853
Increase in other debtors and prepayments	**(8,787)**	6,517
Increase in other creditors and accruals	**(9,516)**	(13,586)
Decrease in rent arrears	**(1,856)**	(2,317)
Fixed asset disposals	**45,106**	18,467
Amortisation of Grant	**(11,071)**	(10,588)
Arising on acquisition	**(3,272)**	—
Net cash inflow from operating activities	**123,182**	124,777

22 Reconciliation of net cash flow to movement in net debt

	Group	
	2019	2018
	£'000	£'000
Increase/(decrease) in cash in the year	**42,307**	(5,240)
Increase in loans	**(39,162)**	15,482
(Decrease)/increase in liquid resources	**(668)**	(13,284)
Change in net debt resulting from cash flows	**2,477**	(3,042)
Release of finance costs	**(200)**	1,358
Arising on Acquisition	**(54,254)**	—
	(51,977)	(1,684)
Net debt at 1 April 2018	**(666,997)**	(665,313)
Net debt at 31 March 2019 (see note 23)	**(718,974)**	(666,997)

23 Analysis of net debt

	Group			
	1 April 2018 £'000	Cash flows £'000	Other changes £'000	**31 March 2019 £'000**
Cash at bank and in hand	63,687	42,307	—	**105,994**
Loans due within one year (see note 15)	(18,605)	19,200	(19,795)	**(19,200)**
Loans due after one year (see note 16)	(749,595)	(58,362)	(34,659)	**(842,616)**
Current asset investments (see note 12)	37,516	(668)	—	**36,848**
Total	(666,997)	2,477	(54,454)	**(718,974)**

24 Capital commitments

	Group and Association	
	2019 £'000	2018 £'000
Capital expenditure that has been contracted for but which has not been provided for in the financial statements	**105,132**	50,250
Capital expenditure that has been authorised by the Board but which has not yet been contracted for	**5,244**	4,732
Income to be generated from the above expenditure contracted not provided for	**41,684**	14,222
Income to be generated from the above expenditure authorised by the Board	**—**	—

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

25 Financial commitments

At 31 March 2019 commitments under non-cancellable operating leases were as follows:

	Group			
	2019		2018	
	Land & buildings £'000	**Other £,000**	Land & buildings £'000	Other £,000
Expiring within one year	**201**	**265**	156	3
Expiring between one and five years	**562**	**200**	590	595
Expiring in five or more years	**694**	**114**	573	—
	1,457	**579**	1,319	598

	Association			
	2019		2018	
	Land & buildings £'000	**Other £,000**	Land & buildings £'000	Other £,000
Expiring within one year	**85**	**211**	50	—
Expiring between one and five years	**436**	**144**	550	552
Expiring in five or more years	**519**	**114**	573	—
	1,040	**469**	1,173	552

At 31 March 2019 commitments under finance leases were as follows:

	2019 £'000	2018 £'000
In one year or more but less than two	**47**	45
In two years or more but less than five	**141**	139
In five years or more	**1,144**	1,137
	1,332	1,321

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 2019. The assumptions used have been chosen as being consistent and appropriate both with FRS 102 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:

	2019	2018
Rate of discount on scheme liabilities	**2.3%**	2.6%
Retail price inflation	**3.3%**	3.3%
Consumer price inflation	**2.3%**	2.3%
Pension increases:		
— Pre 1 February 2002	**3.3%**	3.2%
— Pre 5 April 2006	**3.3%**	3.2%
— Post 5 April 2006	**2.4%**	2.2%
Life expectancy at age 65:		
— Male current pensioner	**22.9**	23.0
— Female current pensioner	**25.5**	25.6
— Male future pensioner	**27.3**	24.4
— Female future pensioner	**27.0**	27.0

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 maximum 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 2019, 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:

	2019 £'000	2018 £'000
Fair value of assets	**165,300**	157,700
Present value of liabilities	**(179,300)**	(170,500)
Deficit in the scheme	**(14,000)**	(12,800)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2019 were:

	2019 £'000	2018 £'000
Market value		
Equities	**62,960**	75,190
Insured policy	**15,110**	15,000
LDI Portfolio	**23,050**	20,070
Cash	**14,590**	650
Other	**49,590**	46,790
Total	**165,300**	157,700

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.

	2019 £'000	2018 £'000
Analysis of interest		
Interest on assets	**4,000**	3,900
Interest on pension liabilities	**(4,300)**	(4,200)
Net interest expense	**(300)**	(300)
Amount recognised in Other Comprehensive Income (OCI)		
Return on scheme assets excluding amount included in net interest	**6,700**	1,600
Actuarial losses	**(10,600)**	(2,000)
Adjustment for restrictions on the asset recognised	**—**	—
Remeasurement of the net liability	**(3,900)**	(400)
Total defined benefit cost	**(4,200)**	(700)

26 Pension information – continued

	2019 £'000	2018 £'000
Movement in deficit during year		
Deficit in scheme at beginning of the year	**(12,800)**	(13,700)
Movement in year:		
Contributions from the employer	**3,000**	1,600
Net interest expense	**(300)**	(300)
Return on assets excluding amount included in net interest	**—**	1,600
Actuarial losses	**(3,900)**	(2,000)
Deficit in scheme at end of the year	**(14,000)**	(12,800)

	2019 £'000	2018 £'000
The return on scheme assets		
Interest income	**4,000**	3,900
Return on scheme assets excluding amount included in net interest	**6,700**	1,600
	10,700	5,500

	2019	2018
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**6,700**	1,600
% of scheme assets	**4.1%**	1.0 %
Experienced losses on liabilities (£'000)	**(10,600)**	(2,000)
% of scheme liabilities	**(5.9%)**	(1.2 %)
Total amount recognised in (OCI) (£'000)	**(3,900)**	(400)
% of scheme liabilities	**(2.2%)**	(0.2 %)

26 Pension information – continued

	2019 £'000	2018 £'000
Reconciliation of assets		
Assets at beginning of period	**157,700**	156,100
Employer contributions	**3,000**	1,600
Benefits paid	**(6,100)**	(5,500)
Interest income	**4,000**	3,900
Return on scheme assets excluding amounts included in net interest	**6,700**	1,600
Assets at end of period	**165,300**	157,700
Reconciliation of liabilities		
Projected benefit obligation at the beginning of period	**(170,500)**	(169,800)
Interest expense	**(4,300)**	(4,200)
Benefits paid	**6,100**	5,500
Actuarial loss	**(10,600)**	(2,000)
Projected benefit obligation at end of period	**(179,300)**	(170,500)
Recognition of surplus		
Deficit brought forward	**(12,800)**	(13,700)
Net interest expense	**(300)**	(300)
Return on assets less interest income	**—**	1,600
Actuarial loss	**(3,900)**	(2,000)
Contribution gain	**3,000**	1,600
Deficit carried forward	**(14,000)**	(12,800)

ii) Other defined benefit pension schemes
During the year the Riverside Group also made contributions to other defined benefit pension schemes: Merseyside Pension Fund and the East Riding 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:

	2019	2018
Inflation CPI	**2.2%**	2.1%
Rate of discount on scheme liabilities	**2.4%**	2.6%
Rate of salary increase	**3.6%**	3.4%
Rate of increase of pensions in payment	**2.3%**	2.2%
Rate of increase of deferred pensions	**0.3%**	2.5%
Life expectancy at age 65		
— Male future non-pensioner	**24.9%**	24.7
— Female future non-pensioner	**27.6%**	27.5
— Male current pensioner	**22.1%**	22.0
— Female current pensioner	**24.8%**	24.7

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

The fair value of the schemes' assets at 31 March 2019 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:

	2019 £'000	2018 £'000
Fair value of assets	**10,656**	10,439
Present value of liabilities	**(13,400)**	(12,788)
Deficit in the schemes	**(2,744)**	(2,349)

26 Pension information – continued

The market value of the assets of the scheme and the expected long term rates of return at 31 March 2019 were:

	2019 £'000	2018 £'000
Market value		
Equities	**4,638**	4,900
Bonds	**2,932**	2,857
Property	**859**	805
Other	**1,671**	1,383
Cash	**556**	494
Total	**10,656**	10,439

	2019 £'000	2018 £'000
Analysis of the amount charged to operating profit		
Current service cost	**209**	303
Total operating charge	**209**	303
Analysis of interest		
Interest on assets	**261**	254
Interest on pension liabilities	**(321)**	(323)
Net interest expense	**(60)**	(69)

	2019 £'000	2018 £'000
Amount recognised in Other Comprehensive Income (OCI)		
Return on assets excluding amounts included in net interest	**—**	1
Remeasurement of assets	**128**	(39)
Experienced losses arising on scheme liabilities	**—**	—
Changes in assumptions underlying the present value of the scheme liabilities	**(537)**	496
Remeasurements	**(409)**	458
Total defined benefit credit/(cost)	**(469)**	389

26 Pension information – continued

	2019 £'000	2018 £'000
Movement in deficit during year		
Deficit in scheme at beginning of the year	**(2,349)**	(2,708)
Movement in year:		
Schemes exited in year	**39**	—
Current service cost	**(209)**	(303)
Contributions	**244**	273
Net interest expense	**(60)**	(69)
Remeasurements	**(409)**	458
Deficit in scheme at end of the year	**(2,744)**	(2,349)

	2019	2018
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**128**	(39)
% of scheme assets	**1.2%**	(0.4%)
Experienced gains/(losses) on liabilities (£'000)	**(537)**	496
% of scheme liabilities	**(4.0%)**	3.9%
Total amount recognised in OCI (£'000)	**(409)**	458
% of scheme liabilities	**(3.1%)**	3.6%

26 Pension information – continued

	2019 £'000	2018 £'000
Reconciliation of assets		
Assets at beginning of period	**10,439**	10,122
Schemes exited in year	**(371)**	—
Employer contributions	**244**	273
Employee contributions	**38**	56
Benefits paid	**(288)**	(228)
Interest income	**261**	254
Return on assets excluding amounts included in net interest	**—**	1
Remeasurements	**333**	(39)
Assets at end of period	**10,656**	10,439
Reconciliation of liabilities		
Projected benefit obligation at beginning of period	**(12,788)**	(12,830)
Schemes exited in year	**410**	—
Operating charge	**(209)**	(303)
Interest cost	**(321)**	(323)
Employee contributions	**(38)**	(56)
Benefits paid	**288**	228
Remeasurements	**(742)**	496
Projected benefit obligation at end of period	**(13,400)**	(12,788)
Recognition of surplus		
Deficit brought forward	**(2,349)**	(2,708)
Schemes exited in year	**39**	—
Net income expense	**(60)**	(69)
Return on assets less interest income	**—**	1
Remeasurements	**(409)**	457
Contribution (loss)/gain	**35**	(30)
Deficit carried forward	**(2,744)**	(2,349)

(iii) Defined contribution pension schemes

The Riverside Group also contributes to defined contribution schemes. The cost for the year was £4.0m (2018: £4.0m).

(iv) The Social Housing Pension Scheme – Defined Benefit Scheme

The Group participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

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.

For financial years ending on or before 28 February 2019, it has not been possible for the Group to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the Group has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the Group to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the Group's fair share of the Scheme's total assets to calculate the Group's net deficit or surplus at the accounting period start and end dates.

For financial years ending prior to 31 March 2019 there is insufficient information available for an employer in SHPS to account for its obligations on a defined benefit basis. As a result, and as required by FRS 102 paragraphs 28.11 and 28.11A, the Group accounted for its obligations by stating the present value of agreed future deficit repayment contributions.

The accounting adopted for the transition from defined contribution accounting to defined benefit accounting follows the guidance in "FRED 71 Draft amendments to FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland, Multi-employer defined benefit plans" and the difference between the liability for the deficit repayment contributions and the net defined benefit liability recognised when applying defined benefit accounting is recognised in other comprehensive income. The adjustment is applied at 1 April 2018 which is judged to be the first day for which sufficient information is available to use defined benefit accounting.

The impact at the point of transition to defined benefit accounting in the consolidated financial statements is the removal from creditors in the Statement of Financial Position of the £16.8m present value of the deficit funding agreement and the recognition in provisions of £27.1m net pensions deficit. The difference of £10.3m is recognised in the Statement of Comprehensive Income within Other Comprehensive Income. The impact of GMP equalisation is estimated at 0.06 % of liabilities increasing the liability at transition by £69k.

26a Social housing pension scheme – continued

	Association	
	2019	2018
	£'000	£'000
Reconciliation of opening and closing provisions		
At start of the year	**13,254**	15,173
Deficit contributions paid	**—**	(1,915)
Unwinding of discount factor (interest rate)	**—**	189
Remeasurements – Impact of changes in assumptions	**—**	(193)
Transferred to Other Comprehensive Income (OCI) on 1 April 2018	**(13,254)**	—
	—	13,254
Income and expenditure impact		
Interest expense	**—**	189
Remeasurements – Impact of changes in assumptions	**—**	(193)
Net (income)/expense recognised in income and expenditure account	**—**	(4)

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

	Group	
	2019	2018
	£'000	£'000
Fair value of plan assets	**93,855**	72,878
Present value of defined benefit obligation	**(126,199)**	(94,639)
Deficit in plan	**(32,344)**	(21,761)

	Association	
	2019	2018
	£'000	£'000
Fair value of plan assets	**75,801**	72,878
Present value of defined benefit obligation	**(101,882)**	(94,639)
Deficit in plan	**(26,081)**	(21,761)

26a Social housing pension scheme – continued

Reconciliation of opening and closing balances of the defined benefit obligation

	Group 2019 £'000	Association 2019 £'000
Defined benefit obligation at the start of period	117,324	94,639
Current service cost	116	—
Expenses	106	90
Interest expense	2,972	2,391
Contributions by plan participants	106	—
Actuarial losses/(gains) due to scheme experience	197	393
Actuarial losses/(gains) due to changes in demographic assumptions	354	288
Actuarial losses/(gains) due to changes in financial assumptions	8,207	6,558
Benefits paid and expenses	(3,183)	(2,477)
Defined benefit obligation at the end of period	126,199	101,882

Reconciliation of opening and closing balances of the fair value of plan assets

	Group 2019 £'000	Association 2019 £'000
Fair value of plan assets at the start of period	90,187	72,878
Interest income	2,306	1,859
Experience on plan assets (excluding amounts included in interest income)	1,819	1,471
Contributions by the employer	2,620	2,070
Contributions by plan participants	106	—
Benefits paid and expenses	(3,183)	(2,477)
Fair value of plan assets at the end of period	93,855	75,801

The actual return on the plan assets (including any changes in share of assets) over the period ending 31 March 2019 was £3.3m.

Defined benefit costs recognised in Statement of Comprehensive Income.

	Group 2019 £'000	Association 2019 £'000
Current service cost	116	—
Expenses	106	90
Net interest expense	666	532
Defined benefit cost recognised in statement of comprehensive income	888	622

26a Social housing pension scheme – continued

Defined benefit costs recognised in Other Comprehensive Income (OCI)

	Group 2019 £'000	Association 2019 £'000
Experience on plan assets (excluding amounts included in net interest cost)	**1,819**	**1,471**
Experience gains and losses arising on the plan liabilities	**(197)**	**(393)**
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**(354)**	**(288)**
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**(8,207)**	**(6,558)**
Total amount recognised in Other Comprehensive Income (OCI) – gain (loss)	**(6,939)**	**(5,768)**

Assets

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Global equity	**15,792**	17,814	**12,754**	14,395
Absolute Return	**8,121**	11,017	**6,559**	8,903
Distressed opportunities	**1,706**	871	**1,378**	704
Credit relative value	**1,719**	—	**1,388**	—
Alternative risk premia	**5,413**	3,420	**4,372**	2,764
Fund of hedge funds	**422**	2,970	**341**	2,400
Emerging markets debt	**3,238**	3,637	**2,615**	2,939
Risk sharing	**2,834**	834	**2,289**	674
Insurance-linked securities	**2,692**	2,370	**2,174**	1,915
Property	**2,112**	4,152	**1,706**	3,355
Infrastructure	**4,922**	2,312	**3,975**	1,868
Private debt	**1,259**	803	**1,017**	649
Corporate bond fund	**4,379**	3,704	**3,537**	2,993
Long lease property	**1,381**	—	**1,115**	—
Secured income	**3,360**	3,343	**2,714**	2,701
Over 15 year gilts	**—**	—	**—**	—
Liability driven investment	**34,324**	32,856	**27,721**	26,550
Net current assets	**181**	84	**146**	68
Total assets	**93,855**	90,187	**75,801**	72,878

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by the employer.

26a Social housing pension scheme – continued

Key Assumptions

	Group and Association 2019 %	2018 %
Discount rate	2.30	2.56
Inflation (RPI)	3.30	3.19
Inflation (CPI)	2.30	2.29
Salary growth	3.30	3.19

Allowance for commutation of pension for cash at retirement 75 % of max allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Group and Association
Life expectancy at age 65	
— Male retiring in 2019	21.8
— Female retiring in 2019	23.5
— Male retiring in 2039	23.2
— Female retiring in 2039	24.7

The Social Housing Pension Scheme – Defined Contribution 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 5 %, employee 3 % 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 115 employees of the Group were active members of the SHPS Defined Contribution scheme with rates set at employer 12 %, employee 9 %, 735 members with rates set at employer 9 %, employee 6 %, five members with rates set at employer 4 % and employee 1 % and 1,267 members in the Auto Enrolment Scheme.

26b Pension liability analysis

	Group 2019 £'000	Group 2018 £'000
Summary of pension liabilities		
Riverside Group Scheme	**(14,000)**	(12,800)
Other defined benefit schemes	**(2,744)**	(2,349)
Social housing pension scheme	**(32,344)**	—
Early retirement plan	**(227)**	(227)
Growth plan	**(65)**	—
Total provision (note 28)	**(49,380)**	(15,376)

	Association 2019 £'000	Association 2018 £'000
Summary of pension liabilities		
Riverside Group Scheme	**(14,000)**	(12,800)
Other defined benefit schemes	**(2,744)**	(2,349)
Social housing pension scheme	**(26,081)**	—
Early retirement plan	**(227)**	(227)
Total provision (note 28)	**(43,052)**	(15,376)

	Group 2019 £'000	Group 2018 £'000
Fair value of plan assets	**93,855**	72,878
Present value of defined benefit obligation	**(126,199)**	(94,639)
Deficit in plan	**(32,344)**	(21,761)

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	
		2019	2018
		£'000	£'000
Improvement programmes	(i)	**6,682**	7,078
Pension liabilities	(ii)	**49,380**	15,376
Target operating model implementation		**3,565**	5,436
Other		**200**	(114)
At 31 March 2019		**59,827**	27,776

		Association	
		2019	2018
		£'000	£'000
Improvement programmes	(i)	**6,682**	7,078
Pension liabilities	(ii)	**43,052**	15,376
Target operating model implementation		**3,565**	5,436
Other		**—**	(114)
At 31 March 2019		**53,299**	27,776

(i) Improvement programmes
A provision of £6.6m (2018: £7.0m) has been made in respect of The Riverside Group's outstanding contractual and statutory commitment to carry out improvement work.

(ii) Pension liabilities
In line with FRS 102 'Retirement Benefits' the net deficits on Groups Pensions Schemes are recognised as a liability on the balance sheet.

29 Donations

	Group and Association 2019 £'000	2018 £'000
Donations	**505**	406
	505	406

30 Accommodation in management and development

	Group 2019 Number	Group 2018 Number	**Association 2019 Number**	Association 2018 Number
Social housing ownership				
General housing social rent	**32,155**	30,255	**27,835**	28,095
Intermediate rent	**245**	246	**245**	246
Affordable rent	**7,315**	6,945	**7,105**	6,945
Housing for older people	**4,711**	4,689	**4,618**	4,647
Supported housing	**4,473**	4,092	**4,083**	4,078
Care homes	**317**	266	**270**	266
Leasehold where purchaser owns less than 100%	**1,929**	1,674	**1,785**	1,674
Leasehold where purchaser owns 100%	**1,104**	1,056	**1,104**	1,056
Total social housing owned	**52,249**	49,223	**47,045**	47,007
Social housing management only				
General housing social rent	**1,195**	1,191	**1,187**	1,191
Supported housing	**541**	429	**522**	429
Leasehold where purchaser owns less than 100%	**38**	39	**38**	39
Leasehold where purchaser owns 100%	**89**	85	**89**	85
Housing for older people	**—**	—	**—**	—
Total managed	**1,863**	1,744	**1,836**	1,744
Non-social housing				
Rented owned	**356**	358	**356**	358
Rented managed for others	**—**	—	**—**	—
Leased owned	**658**	660	**650**	660
Leased managed for others	**963**	957	**963**	957
Total non-social housing	**1,977**	1,975	**1,969**	1,975
Total stock	**56,089**	52,942	**50,850**	50,726
Accommodation in development at the year end	**1,098**	1,031	1,098	1,031

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:

	2019 £'000	2018 £'000
Net payments to/(from) related entities		
Caribou Green Warmth LLP	**—**	—
The Compendium Group Limited	**2,550**	(3,975)
Evolve Facility Services Limited	**41,795**	45,964
Irvine Housing Association Limited	**(1,650)**	(2,218)
Prospect (GB) Limited	**(12,410)**	(1,425)
Riverside Consultancy Services Limited	**15,887**	21,173
Riverside Finance plc	**(113,595)**	—
Riverside Estuary Ltd	**(2,092)**	(392)
Circle Limited	**(6)**	107
Impact Housing Association Limited	**44,014**	—
Riverside Regeneration Limited	**33,128**	—
The Riverside Group Pension Scheme contributions (note 26)	**3,000**	1,600
Local Government Pension Scheme contributions (note 26)	**244**	273
Social Housing Defined Benefit Scheme contributions (note 26a)	**2,620**	—
The Riverside Group Total	**13,485**	61,107

	2019 £'000	2018 £'000
Outstanding balances due (to)/from related entities		
The Compendium Group Limited	**7,810**	5,260
Evolve Facility Services Limited	**4,153**	4,138
Irvine Housing Association Limited	**2,342**	3,992
Prospect (GB) Limited	**38,242**	50,962
Riverside Consultancy Services Limited	**(691)**	(872)
Riverside Finance plc	**(262,558)**	(148,963)
Riverside Estuary Ltd	**3,487**	5,748
Circle Limited	**101**	107
Impact Housing Association Limited	**44,014**	—
Riverside Regeneration Limited	**42,500**	—
The Riverside Group Total	**(120,600)**	(79,628)

The schemes' deficits are detailed in notes 26 and 26a.

32 Combinations that are in substance a gift

On 20 August 2018 Impact Housing Association Limited joined The Riverside Group, becoming a 100 % subsidiary, for nil consideration. As such the excess of the fair value of liabilities over the fair value of assets received has been recognised in the Statement of Comprehensive Income.

	£m 2018 Book Value	**£m** 2018 Fair Vaiue
Fixed assets		
Housing properties	153.5	139.4
Other tangible assets	1.8	1.8
	155.3	**141.2**
Current assets		
Debtors	0.9	0.9
Cash at bank	3.2	3.2
	4.1	**4.1**
Liabilities		
Creditors: Amounts falling due within one year	(0.4)	(0.4)
Creditors: Amounts falling due after more than one year	(81.9)	(81.9)
Provisions	(5.4)	(5.4)
Loans	(68.2)	(71.8)
Net assets/(liabilities)	**3.5**	**(13.9)**

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

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