

RADIAN GROUP LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2019

Company Registration No: 03482228

Regulator of Social Housing No: L4172



Contents

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Year Ended 31 March 2019

1. GENERAL INFORMATION	3	External Value for Money Metrics	19	5. AUDITORS REPORT	36
Board of Directors.....	3	New Homes	20	Auditors Report.....	37
Secretary	3	Tenancy Fraud and Anti-Money Laundering	20	Opinion	37
Registered Office	3	Modern Slavery and Human Trafficking	21	Basis for Opinion	37
Bankers	3	Social Matters.....	21	Conclusions Relating to Going Concern.....	37
Auditor	3	Impact on the Environment.....	22	Key Audit Matters	38
Introduction from the Group Chair	4	Statement of Compliance	22	Profit Recognition on Property Sales	38
Group Structure	5			How We Addressed the Key Audit Matter	
				In the Audit	38
2. STRATEGIC REPORT	6	3. DIRECTORS' REPORT.....	23	Key Observations.....	38
Business Overview	7	Group Combined Board.....	24	An Overview of the Scope of our Audit.....	39
Performance Highlights	7	Group Combined Board Overview	24	Extent to Which The Audit is Capable of Detecting	
Financial Performance	8	Group Combined Board Members.....	25	Irregularities, Including Fraud	39
Financial Position.....	9	Executive Board	28	Other Information.....	39
Our Performance	10	Executive Service Contracts.....	28	Matters on Which We Are Required	
Our Vision and Corporate Strategy.....	11	Governance and Regulation	29	To Report By Exception	40
Principal Risks and Uncertainties	11	Governance	29	Responsibilities of the Board	40
Capital and Treasury Management	13	Regulation.....	29	Auditor's Responsibilities for the Audit of	
Capital Structure.....	13	Internal Control and Risk Management.....	30	The Financial Statements	40
Own-Named Bonds	13	Review of Effectiveness of Internal Control	32	Other Matters	40
Other Loans and Borrowings	14	Employees	32	Use of Our Report.....	41
Risks	14	Disclosure of Information in the Strategic Report ...	32		
Interest Rate Management.....	14	Post Balance Sheet Events.....	33	6. FINANCIAL STATEMENTS AND NOTES	42
Financial Loan Covenant Compliance	15	Going Concern	33	Group statement of comprehensive income	43
Surplus Assets for Future Debt Security	15	Disclosure of Information to Auditor	33	Company statement of comprehensive income.....	43
Future Funding Options	15	External Auditor	33	Group statement of financial position	44
Moody's Credit Rating	15	Approval of the Board.....	33	Company statement of financial position	45
Stock Profile	16			Group & Company Statement of Changes	
Our Developments	17	4. STATEMENT OF THE BOARD'S		in Reserves	46
Value for Money	18	RESPONSIBILITIES	34	Group statement of cash flows	47
Regulatory Updates	18	Statement of the Board's Responsibilities	35	Notes to the financial statements	48

1. General information

GENERAL INFORMATION

Board of Directors

Carol Bode

Jonathan Martin Hurst

Mandy Clarke

Michael Sweeney
Resigned 15/10/18

Richard Williams

Simon Porter

John Gary Orr
Appointed 15/10/18

Jane Alderman
Appointed 01/02/19

Secretary

Malcolm Rule

Registered Office

Collins House
Bishopstoke Road
Eastleigh
Hampshire
SO50 6AD

Bankers

Lloyds Bank
25 Gresham Street
London
EC2V 7HN

Auditor

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

1. General information

INTRODUCTION FROM THE GROUP CHAIR

This year has been a hugely productive one, with changes both in the sector and at Radian. We were delighted to welcome Gary Orr as our new Chief Executive in October 2018. He has already inspired colleagues, leading them in our new strategy, “Realising our Potential”.

We were very pleased to be assessed by the Regulator of Social Housing as V1 for financial viability and G1 for governance in March 2019. This means that we remain in a strong financial position and can continue our commitment to reinvest our profits to create homes, but at an award-winning standard, like our Quebec Park development. We know it is about more than just bricks and mortar though, it's about creating secure communities with opportunities where residents want to live. Which is why we are committed to putting our customers at the heart of everything we do and investing accordingly.

In August 2018 the government shared its Social Housing Green Paper. We welcomed their vision to redefine the relationship between residents and landlords, and to make sure that residents' voices are heard. The paper also looked at ways of overcoming stigma, something

that we're passionate about and have been championing. We were one of the early adopters of the National Housing Federation's 'Together with Tenants' project which aims to give tenants a stronger voice. We're also committed to investing in our communities to provide 1,000 jobs and support 100 businesses across our most disadvantaged areas.

Brexit has dominated the political agenda this year. With the economic and political uncertainty looking set to continue, we have been testing our business strategy and are confident it will respond to the challenging environment ahead. We remain passionate about helping to solve the housing crisis and know that providing safe, affordable and quality homes is more important than ever.

We have a target to deliver 3,500 additional homes by 2023, which includes 2,200 affordable homes. Our new land-led model will see us delivering around 700 new homes a year and put us above many medium sized housebuilders. We made an important contribution to our target in November 2018 when we signed a significant joint venture with Thakeham Homes to develop more than 600 new homes in Pease Pottage, West Sussex.

As we move forward, we will continue our focus on our social purpose. This year saw us celebrate our 2,000th person through employment, support or training. Our pilot social prescribing project, launched in October 2018 in Whitehill and Bordon, has supported local people to take part in social activities such as a sport or voluntary work with the support and guidance of specialists. This has had a dramatic, positive effect on people facing a number of challenges, including anxiety, agoraphobia, and loneliness. We are working with current partners and trying to identify new partnerships to secure funding for the project beyond the years pilot.

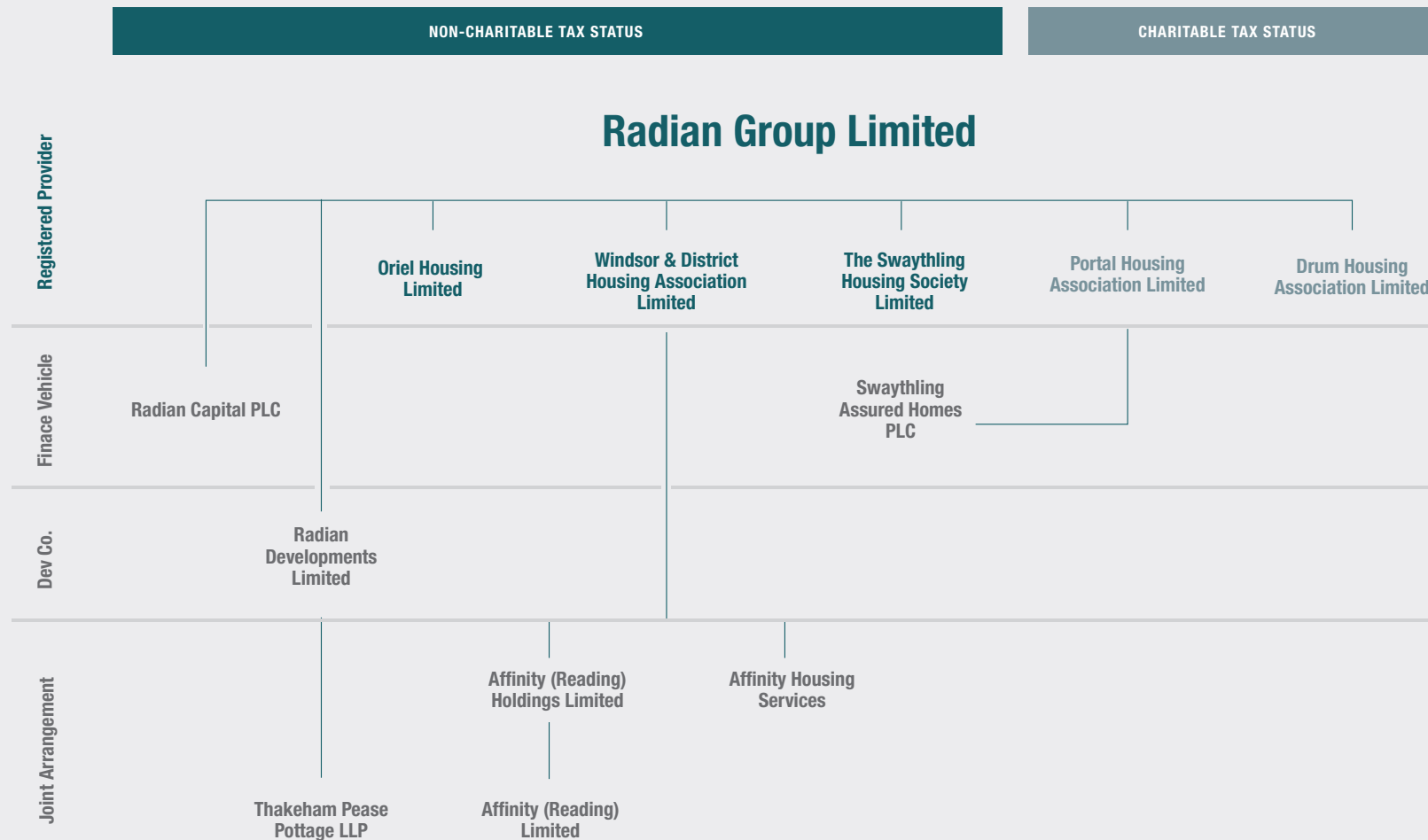
We recently announced that we are exploring a potential partnership with Yarlington Housing Group, which is very exciting and offers a great chance to create an organisation where we could deliver increased opportunities for all our customers across the south and south west of England. Both organisations are progressive and ambitious and are committed to supporting their communities and delivering a fantastic customer experience. This is an exciting opportunity to have a much greater impact and achieve more collaboratively.



I am proud of what we have achieved so far and excited for what the next year will bring. Housing associations are more important than ever, and we will embrace opportunities as we continue to evolve. Without the wonderful work and support of our dedicated colleagues, customers, partners, and current and past Executive Board and Group Combined Board, we wouldn't be where we are now. So, I would like to thank everyone for their efforts so far and those yet to come.

1. General information

GROUP STRUCTURE



2. STRATEGIC REPORT



STRATEGIC REPORT

Business Overview

Radian Group Limited, a company limited by guarantee, is a registered provider of social housing and is regulated by the Regulator of Social Housing. The Company is the non-stock owning parent of the Radian Group, with a registered head office in Eastleigh.

The Group, as outlined in the structure on page five, contains several entities who each contribute to the overall operations of the Group. There are six registered providers in total, two of which – Portal Housing Association and Drum Housing Association – benefit from charitable tax status, and another – Oriel Housing Limited – which owns no stock but acts as a development company for fellow Group members. Radian Group Limited, The Swaythling Housing Society, and Windsor and District Housing Association, who are involved in the Affinity joint venture, are fellow registered providers.

Radian Developments Limited was incorporated in September 2018 to enter into joint ventures, of which Thakeham Pease Pottage LLP is the first. Radian Capital plc is a funding vehicle through which finance is raised via corporate bonds for use in the wider organisation. Swaythling Assured Homes plc is one of five dormant entities, the other four holding no net asset value.

The Group utilises its structure to deliver a range of products and services, with surpluses reinvested to deliver more homes and services for customers across a range of tenures. Income is predominantly derived from rents from housing properties across social tenures, whilst income from non-social activities – both rental and sale of units – contributes significantly to the Group's result. The Group is funded over the long term by a range of loans, bonds and government grants in addition to its retained surpluses.

2. Strategic Report

Performance Highlights

An overview of the Group's result from continuing operations has been presented below.

	2019	2018	2017
Statement of Comprehensive Income	£'000	£'000	£'000
Turnover	167,714	161,676	135,113
Cost of sales	(24,975)	(25,023)	(6,260)
Operating costs	(84,303)	(78,289)	(73,770)
Surplus from disposal of fixed assets	5,628	5,539	4,919
Operating surplus	64,064	63,903	60,002
Finance income	2,760	1,049	1,341
Finance costs	(35,946)	(30,701)	(28,550)
Fair value movement on financial instruments	(50)	(111)	(19)
Fair value movement on investment properties	974	1,086	2,103
Share of surplus in jointly controlled entities	(327)	249	228
Surplus on ordinary activities before taxation	31,475	35,475	35,105
Tax charge for the year	(278)	121	(91)
Surplus on ordinary activities	31,197	35,596	35,014
Other comprehensive income	(650)	(1,915)	(7,484)
Total comprehensive income	30,547	33,681	27,530

2. Strategic Report

Performance Highlights (continued)

	2019	2018	2017
	£'000	£'000	£'000
Statement of Financial Position			
Housing properties at cost less depreciation	1,285,136	1,229,467	1,175,970
Other fixed assets	13,359	13,824	13,347
Investment properties	62,035	69,798	44,439
HomeBuy loans	40,046	43,767	48,247
Investments	2,135	2,562	2,363
Net current assets	197,390	171,013	139,537
	1,600,101	1,530,431	1,423,903
Long term payables and grant	1,314,124	1,275,564	1,205,034
Other long-term liabilities	32,900	32,337	29,733
Reserves	253,077	222,530	189,136
	1,600,101	1,530,431	1,423,903

Financial Performance

Turnover has increased by £6.0m year on year, with income from rentals up by £2.8m, property transactions up by £1.4m and Help to Buy by £1.6m, all contributing to the increase.

Turnover from social tenures has increased by £1.9m to £122.1m and contributes 73% of the Group's turnover, following 515 additions in the year. The completion of 113 units at Berry Court was the main factor in income from market rent units increasing by 44% in the year to £3.1m.

Income from market and first tranche sales contribute £35.5m in total, compared to £34.1m in the prior year, but first tranche sales now make up 69% of this balance as opposed to 56% previously. Market sale values were particularly strong in the prior year, with sales at Quebec Park generating most of the income.

Income from Help to Buy transactions was also £1.6m higher than the year before, following a successful one-off historical output VAT reclaim from HMRC made by The Swaythling Housing Society.

Cost of sales are in line with the prior year at £25.0m, ensuring overall margins are consistent, although margins have fallen on first tranche and increased on market sales respectively.

Operating costs increased by £5.9m, up 8% against the prior year. Management costs increased by £1.1m, including investments made in our Digital Transformation programme budgeted for in the year. Repair costs also increased by £1.1m, with a provision for remedial works at Inkerman Road of £0.6m the main factor. Depreciation also increased by £0.8m, reflecting the increased stock levels in the Group. Costs relating to Help to Buy and market rent increased by £0.4m each; a result of the VAT reclaim and overheads at Berry Court.

As surpluses from the disposal of fixed assets are in line, operating surpluses have marginally increased to £64.1m; despite this, margins have fallen from 40% to 38% in the year.

2. Strategic Report

Financial Performance (continued)

Interest costs have increased by a net £3.5m, with interest costs increasing by 17% to £35.9m but interest income nearly trebling in the year to £2.8m. Interest costs have increased following additional borrowing, notably those relating to the latest tranche of Radian Capital's deferred 2049 bond. Additional income has been generated from loans to jointly controlled entities made during the year.

The share of jointly controlled entity results has reduced by £0.6m, recording a deficit of £0.3m in the year, due mainly to the share of loss relating to Thakeham Pease Pottage LLP, where works on site are in the early stages of development.

These additional costs have seen surpluses before tax reductions by £4.0m to £31.5m in the year, with margins falling from 22% to 19% accordingly.

In other comprehensive income, the Group suffered an actuarial loss on its defined benefit pension portfolio of £0.7m, although this was lower than the £1.9m loss in the prior year.

Financial Position

Housing properties have increased by £55.7m, following additions and transfers from investment properties of £78.5m, less disposals and depreciation charged in the year. At the reporting date, we hold a total of £1,285.1m of properties across social tenures at their book value.

Investment properties reduced by £7.8m year on year, following transfers across tenures after additions of £3.4m and a revaluation gain across the whole portfolio of £1.0m. HomeBuy loans are held at cost and have reduced by £3.7m in the year as redemptions occur.

Current assets have increased by £26.1m overall; cash is down by £22.5m but has facilitated the majority of the £44.9m increase in receivables, with a total of £41.4m lent to Thakeham Pease Pottage LLP across development and equity loans from November 2018.

Long term payables have increased by 5%; a function of the receipt of £47.3m in May 2018 in relation to the latest deferred tranche of Radian Capital's 2049 bond, less loans in repayment phase. At the reporting date total loans and borrowings were £878.5m.

Following the performance in the year, reserves increased by £30.5m to close at £253.1m.

2

2. Strategic Report

Our Performance

We monitor our operations every month on a group wide basis via a range of key performance indicators (KPIs), which are included in our management accounts. These are reviewed by the Executive Board and include an overview of our income and expenditure, assets and liabilities, and cash flows in all Group entities.

On a quarterly basis these KPIs are presented to the Group Combined Board to provide them with an overview of the results in the Group. These indicators are outlined below:

Ref	Metric	2018/19	Budget 2018/19	2017/18
i	Number of properties owned and/or in management	21,989	21,889	21,401
ii	Number of Radian Build properties completed	63	N/A	41
iii	Lettings interest cover ratio	1.40	1.34	1.63
iv	Surplus on ordinary activities before tax (£'000)	31,475	25,084	35,475
v	Operating surplus per FTE (£'000)	84.0	63.4	87.0
vi	Void loss	0.56%	0.96%	0.57%
vii	New affordable homes completed	515	541	505
viii	New market homes completed	153	159	57
ix	Profit achieved for market homes sold	32%	15%	17%
x	Ratio of planned to responsive repairs			
	Proportion of planned repairs	59%	54%	60%
	Proportion of responsive repairs	41%	46%	40%
xi	Investment in properties over five years (£000)	30,903	30,832	N/A *

* 2018/19 represented the first year of this KPI, which will be monitored on a five year rolling basis.

In the year, the Group added net 588 properties, which it either owned and/or managed, following 668 additions and 110 disposals, before adjustments for items such as retained freeholds on fully staircased flats. The year end position exceeded budget following strong handovers in the final quarter of the year allied with a reduction in property sales over the same period.

Our lettings interest cover reduced from 1.63 to 1.40; surpluses on our rental stock fell by 4% to £46.4m following operating costs increasing ahead of turnover and a 17% increase in interest costs to £35.9m. Rental income was above budget, ensuring the cover reduced less than anticipated.

The £4.0m reduction in surpluses before tax, as outlined in the Financial Performance section previously, contributed to a reduction in our operating surplus per FTE of £84.0k. However, surpluses were 25% higher and the number of employees notably below the levels budgeted.

Void losses were budgeted to increase in the year due to the continued uncertainty surrounding welfare reform; despite the challenging environment, performance improved marginally from the prior year.

The profit achieved on market sales doubled to 32%, with contingency releases and cost contributions from the local authority reducing cost of sales by £2m at Quebec Park in the year. In an overview of sector wide Value for Money KPIs is presented in our Value for Money section on page 18.

2. Strategic Report

Our Vision and Corporate Strategy

Our vision is to be the landlord who builds vibrant, healthy, successful communities where people can put down roots, prosper and thrive. Our mission is to offer a variety of rental and home ownership products and services to meet customer, community and housing need.

Through our Corporate Strategy 2018-23 we will measure our performance against four success factors of Community, Customer, Property, and People. Within each category we have defined what would represent success and the criteria against which this will be monitored.

- **Community** - we will reclaim our landlord role for the benefit of all our communities, working in partnership across all sectors, and delivering sustainable outcomes to meet diverse needs.
- **Customer** - we will motivate and empower our customers to realise their aspirations and meet their needs throughout their lives by designing and delivering intelligent services supported by modern and intuitive technology.
- **Property** - we will develop quality homes across a variety of tenures, researching and developing contemporary products to meet demand. We will actively manage our stock for investment and regulatory purposes.
- **People** - we will be a high-performing, results-orientated business led by strong and modern leadership. All our people will be skilful, innovative, and tenacious, driving effective customer service.

Principal Risks and Uncertainties

Risk management is essential to the Group's ambitious plans to increase and diversify its development programme and take on more risk to deliver on its objectives. The Group's approach to risk is documented in its risk management framework, which also contains the Group's risk appetite statement and determines the amount of risk the Group is willing to take in different areas.

Registers of strategic and operational risks are maintained and reviewed regularly throughout the year at Group Combined Board, Executive Board and senior management levels. Each quarter the Executive Board review the Strategic Risk Register, and a series of workshops held across the business ensure the Operational Risk Register is kept updated. These risk registers record the controls and mitigations against each risk, the level of assurance in place against those controls, and the owner responsible.

At the workshops each risk is scored based on a calibrated and consistent scale of impact and likelihood, both before and after the controls are in place, giving a clear understanding of the residual risk. Action plans to introduce new controls or improve on existing mitigations are implemented where necessary and tracked at subsequent workshops.

The Executive Board receive quarterly risk reports at Executive Risk and Compliance meetings and reports on the top ranking operational risks are received at each Audit and Risk Committee meeting. The committee also receives a map of assurances against those risks, giving an assessment of the level of assurance at each of the three lines of defence; direct control, internal oversight and external assurance, highlighting any areas of concern. Meanwhile the Group Combined Board receives the same reports on the Strategic Risk Register at each of their quarterly meetings.

2. Strategic Report

Principal Risks and Uncertainties (continued)

The following table gives an overview of the significant risks against our five-year strategic plan, and the corresponding controls in place.

Risk Area	Controls and Actions
Recruiting, developing and retaining the necessary skills, including the appropriate strategic leadership, to deliver our objectives.	<ul style="list-style-type: none"> • Management Development and Talent Management programmes • Skills matching and gap analysis exercises • Reporting and monitoring of strategic outcomes, mapping and tracking against development and digital transformation • Tramline reporting showing where resource needed
Assumptions used in financial modelling diverging from market conditions, including the potential result of the UK exiting the European Union in a disorderly or unfavourable manner, resulting in economic or political shock, high inflation and/or interest rates, a downturn in the housing market, labour and supply chain shortages	<ul style="list-style-type: none"> • Business plan modelling against single and multivariate changes against the base case, and up to 34% decline in house prices • Trigger points in place for interest rate rises • Assurances from key suppliers on parts sourcing and stock levels • Guaranteed education and skills funding for Employment, Support and Training programme • No dependency on European Union labour within internal works division
Securing and maintaining sufficient funding to meet our development aims	<ul style="list-style-type: none"> • Treasury management skills and experience within team • Stress testing of Radian business plan • Regular reporting on treasury management and Business Plan position
Stakeholders and local authority partners do not engage with Radian's proposals, and our relationship and reputation with these partners is diminished	<ul style="list-style-type: none"> • Mapping of stakeholder relationships • Local authority liaison and preferred partner meetings • Promotion of Radian brand to local MPs and councillors • Quarterly stakeholder newsletters
Radian is unable to maintain its G1 V1 regulatory rating due to failure to meet the Regulator of Social Housing's requirements in respect of economic or consumer standards	<ul style="list-style-type: none"> • Governance Improvement Plan • Continuous engagement with the regulator • Development Programme Review Group monitoring all development activity
Planned efficiencies from greater asset management are overtaken by additional costs and requirements incurred because of post-Grenfell changes to the regulatory environment	<ul style="list-style-type: none"> • Close monitoring of regulatory landscape • Asset Management Strategy in place • Regular compliance reporting
Radian is unable to deliver a successful digital transformation which improves our customer experience and keeps abreast of changing customer expectations	<ul style="list-style-type: none"> • Close focus on prioritising most requested services • Full engagement with a wide range of involved residents • Surveys and focus groups implemented • Iterative approach with regular reviews at each stage • Monitoring of project progress and regular programme risk reviews

2. Strategic Report

Capital and Treasury Management

The Group is financed by a combination of revenue reserves, long-term loan facilities, bond finance, and social housing grant received from government.

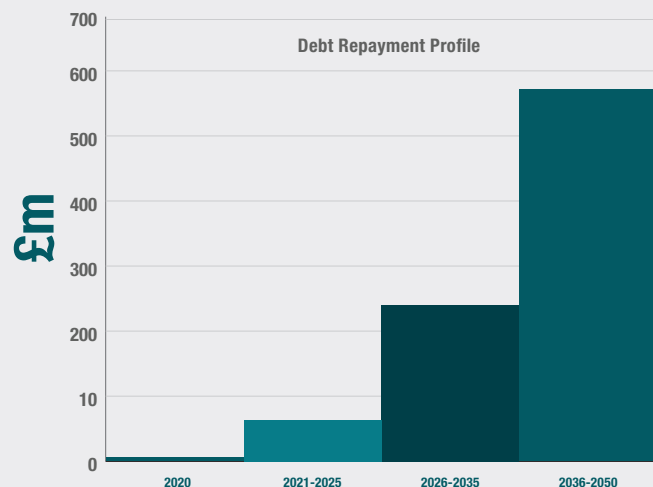
Radian has a comprehensive Treasury Policy with tests that apply to the Group as a whole. The policy requires the Group to maintain a minimum level of liquidity such that there is sufficient cash and committed financing facilities capable of immediate drawdown to cover the next six months' forecast cash requirement.

The Group must also have sufficient cash and committed financing facilities, though not necessarily capable of immediate drawdown, to cover the higher of committed development spend or forecast cash requirement over the next 18 months. The policy prioritises a lack of reliance on any single counterparty whether through cash holdings or available facilities.

Capital Structure

At 31 March 2019 Group borrowings amounted to £837.5m nominal (2018: £800.3m) of which £5.9m (2018: £6.5m) is due to be paid within the next year.

The following graph outlines our debt repayment profile:



Own-Named Bonds

All our own-named bonds are issued by Radian Capital plc with proceeds received being on-lent to Portal Housing Association Limited. The proceeds for the 2042 and 2044 bonds were received upfront with the proceeds of the 2049 bond being received in instalments. The 2042 and 2049 bonds are repayable in 2042 and 2049 respectively. The 2044 bond is repayable in instalments.

- 2042 bond - £100m nominal of the 6.000% 2042 bond was issued in March 2012. £75m of the bond was sold in March 2012, £2m in December 2012 and £23m in September 2013. In May 2014 Portal Housing Association Limited repurchased £23m of the 2042 bond and subsequently sold £12.5m of the bond in May 2016.
- 2044 bond - £100m nominal of the 4.622% 2044 bond was issued in May 2014. £30m of the bond was sold in May 2014 and is repayable in five annual instalments on the 26th, 27th, 28th, 29th, and 30th anniversaries of issue.
- 2049 bond – £200m nominal of the 5.029% 2049 bond was issued in May 2014.
 - £100m was sold in May 2014 and nominal proceeds of £1m and £24m were received in May 2014 and May 2016 respectively, with two further instalments of £25m received in May 2017 and 2018 respectively. At the reporting date, one instalment of £25m was due in May 2019.
 - A further £50m was sold in July 2015 and nominal proceeds of £0.5m and £12m were received in July 2015 and May 2016 respectively with two further instalments of £12.5m received in May 2017 and 2018 respectively. At the reporting date, one instalment of £12.5m was due in May 2019.
 - £25m was sold in June 2016 and nominal proceeds of £6.25m were received in June 2016, May 2017 and May 2018. At the reporting date, one instalment of £6.25m was due in May 2019.

In all cases the purchasers have contracted to make these future payments.

2. Strategic Report

Capital and Treasury Management (continued)

Other Loans and Borrowings

The Group has participated in other bonds which are repayable in both single and multiple instalments and which are subject to fixed nominal rates of interest of between 2.9% and 8.6%. The Group also has various bank loans which are repayable in both single and multiple instalments and which are subject to nominal rates of interest linked to LIBOR.

Additionally, the Group has two Homes and Communities Agency loans which are repayable as single instalments and are subject to an increasing fixed nominal rate of interest.

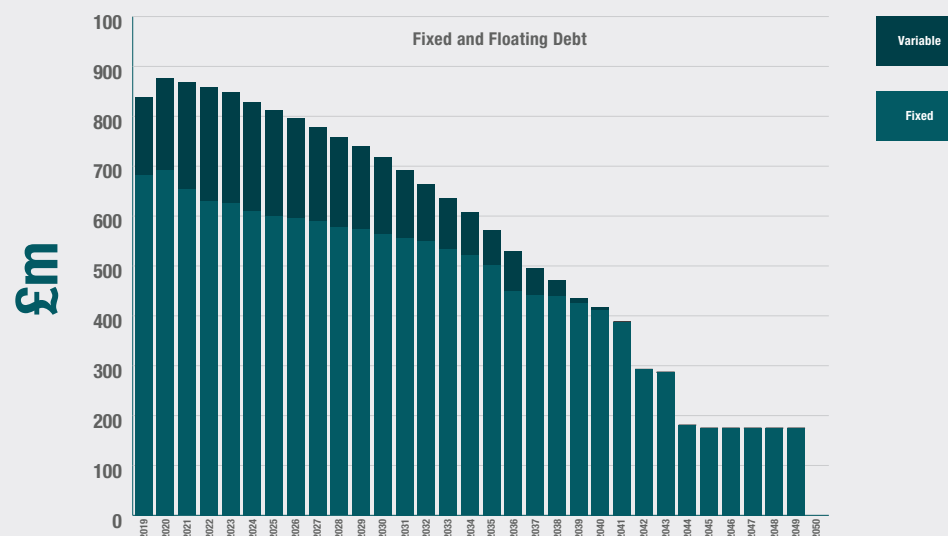
Risks

- **Interest rate risk** is the risk that the Group is unable to service its loans and borrowings due to rises in interest rates. The Group manages interest rate risk through the requirements laid out in the Group Treasury Policy, including entering interest rate swaps to fix a proportion of floating rate debt;
- **Liquidity risk** is the risk that the Group is unable to service its loans and borrowings, or meet repayment liabilities as they fall due, owing to insufficient cash. The Group manages liquidity risk through the requirements laid out in the Group Treasury Policy, including requirements for minimum levels of cash or immediately available facilities;
- **Counterparty credit risk** is the risk that the Group is unable to access cash deposits due to failure of counterparties. The Group manages counterparty credit risk by regularly monitoring and reviewing the credit rating of counterparties through the requirements laid out in the Group Treasury Policy;
- **Market risk** is the risk that the Group is unable to refinance loans and borrowings at an acceptable interest rate as they mature. The Group manages market risk by modelling the impact of interest rate rises in its long-term forecast and identifying mitigating actions; and
- **Currency risk** is not applicable as the Group borrows and invests surplus funds only in sterling.

Interest Rate Management

Most of the Group's borrowings consist of fixed-rate bonds and bank loans at both fixed and floating rates of interest. A subset of our bank loans have embedded interest rate swaps that run for all or part of the loan term. Total debt of £837.5m nominal at 31 March 2019 consisted of 84% fixed and 16% variable rate debt. Of our 84% fixed rate debt, £303.0m was made up of embedded interest rate swaps running for all or part of the loan term and £400.5m was fixed interest bonds. There are no options in our portfolio.

The following graph shows the mix of fixed and variable interest rates for all current borrowings to the point of maturity:



2. Strategic Report

Capital and Treasury Management (continued)

Financial Loan Covenant Compliance

Financial loan covenants are primarily measured by interest cover, gearing ratios, debt per home limits, and asset cover based on property asset values. Covenants are continually monitored and reported to the Executive Board and Treasury and Investment Committee. There were no breaches of financial covenants during the year.

Surplus Assets for Future Debt Security

As at 31 March 2019, the Group had 2,400 unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise over £200m of future new debt assuming an asset cover ratio of 105% based on Existing Use Value as Social Housing (EUV-SH).

Based on our current development programme, we also expect to complete more than 600 properties in the period to 31 March 2020, which will in turn provide additional security.

Future Funding Options

As at 31 March 2019, the Group had £206.8m of available funds. This comprised £163.0m of immediately available cash and cash equivalents and £43.8m nominal of deferred bond proceeds due to be received by May 2019. This is sufficient to fund the Group well beyond the 18 month minimum period stipulated in our Treasury Policy. It will cover all committed and pipeline developments including the affordable rent programme.

Moody's Credit Rating

On 18 January 2019, following their review, Moody's confirmed our credit rating remained unchanged at A3 stable. In their review Moody's highlighted our strong operating performance and healthy liquidity position, which we consider has us well placed to achieve our five-year Corporate Strategy 2018-2023.

2. Strategic Report

Stock Profile

As at the 31 March 2019 we owned and managed housing properties across 34 local authorities; those where we managed 100 properties or more have been listed below. The geography of the properties we currently own and manage is consistent with 2017/18.

	General Needs		Supported/housing for	Affordable home	Care	Other social	Market rent	Total
	Social rent	Affordable rent	older people	ownership	homes	housing	housing	
East Hampshire District Council	3,537	601	643	309	-	142	3	5,235
Royal Borough of Windsor and Maidenhead	2,608	167	426	37	62	71	-	3,371
Southampton City Council	1,817	205	218	324	-	158	149	2,871
Eastleigh Borough Council	886	161	114	279	12	74	31	1,557
Wiltshire Council	484	335	6	208	-	1	4	1,038
New Forest District Council	670	48	1	148	6	48	-	921
Portsmouth City Council	486	130	-	70	-	102	48	836
Test Valley Borough Council	210	69	-	114	-	78	16	487
Winchester City Council	310	80	-	87	-	8	-	485
Slough Borough Council	333	31	3	-	-	29	-	396
Borough of Poole Council *	289	17	19	51	-	6	-	382
Fareham Borough Council	158	109	3	48	-	53	-	371
Bournemouth Borough Council *	168	8	16	23	-	3	122	340
Bracknell Forest Borough Council	141	6	64	36	-	27	-	274
Havant Borough Council	35	68	-	56	-	101	-	260
Basingstoke and Deane Borough Council	53	31	5	45	-	107	-	241
Gosport Borough Council	40	6	5	20	-	133	-	204
Chichester District Council	48	96	-	34	-	3	-	181
Rushmoor Borough Council	75	9	-	47	6	25	-	162
Reading Borough Council	30	28	17	18	17	43	-	153
Wycombe District Council	57	21	-	33	-	-	-	111
Other local authorities	96	45	20	51	19	37	14	282
Total	12,531	2,271	1,560	2,038	122	1,249	387	20,158

* On 1 April 2019 these councils merged to form Bournemouth, Christchurch and Poole (BCP) Council

2. Strategic Report

Our Developments

The Group is working towards delivering our target of 3,500 new homes before March 2023, through buying land, regeneration schemes, recycling our own assets, or in partnerships with others. These partnerships include joint ventures with local authorities, landlords or other housebuilders and Section 106 elements of major housing schemes.

There are numerous schemes in progress at any one time, with 38 sites at various stages of development at the reporting date. We deliver a variety of homes, ranging from one bed flats to four bed houses depending on the site.

Below is an overview of our development activity in the year:

Scheme name and Location	Actual/expected completion	Units	Entity	Affordable rent	Shared ownership	Rent to buy	Market rent	Market sale
Ashton Walk Woolston, Southampton	March 2018	50	The Swaythling Housing Society	●	●	●		●
Quebec Park Bordon, East Hampshire	April 2018	100	The Swaythling Housing Society	●	●			●
The Mayfield Woolston, Southampton	August 2018	6	The Swaythling Housing Society		●			
Berry Court Bournemouth	September 2018	113	The Swaythling Housing Society				●	
Bodley Quarter Windsor	December 2018	43	The Swaythling Housing Society		●	●		
The Willows West End, Southampton	October 2019	98	The Swaythling Housing Society	●	●		●	●
St. Leonards Park at Oakeley Vale Bursledon, Southampton	October 2019	31	Windsor and District Housing Association	●	●			
Orchard Place Horton Heath, Southampton	November 2019	37	Windsor and District Housing Association	●	●			
Leyland Walk Bursledon, Southampton	January 2020	88	The Swaythling Housing Society and Drum Housing Association	●	●			
Fen Meadow Nursling, Southampton	June 2020	130	The Swaythling Housing Society and Drum Housing Association	●	●			
Daedalus Village Lee-on-the-Solent	February 2021	80	Drum Housing Association		●			
King's Chase Ampfield, Romsey	July 2021	55	Drum Housing Association		●			

2. Strategic Report

Value for Money

Value for money – an integral part of our business

Our Corporate Strategy focuses on realising our potential as a successful, profitable business which invests in creating and sustaining vibrant, thriving communities.

For us, value for money means providing quality services at the best price we can. To do this, we will continue to focus on three things:

- **Economy** – reducing costs and the level of resources needed.
- **Efficiency** – making the best use of our assets and resources to produce specified standards of service.
- **Effectiveness** – ensuring our products and services meet our customers' expectations.

To make sure we embed value for money we will design a new approach to assessing potential investment in homes and services through structured business plans so that new and existing investments are evaluated in line with our strategic objectives.

Regulatory Updates

In April 2018, the Regulator of Social Housing introduced a new Value for Money Standard which introduced a requirement for providers to publish performance against their own targets and a set of sector wide value for money metrics set by the regulator.

One of the regulator's key objectives in defining a set of standards was to support transparency and allow providers to analyse their performance alongside their peers on a like-for-like basis. The regulator will use individual providers' metrics to support its regulation of the sector and to identify issues where it may need to engage with them to seek further assurance that the organisation is meeting the requirements of the Value for Money Standard.

The 2017/18 metrics, as published as part of the Global Accounts in January 2019, will provide a baseline for annual monitoring of trends in sector performance and provides Boards, and other interested stakeholders, with valuable information to analyse their results.

From 2019/20, Boards are required to comply with the full reporting expectations set out in the Value for Money Standard, which includes analysis of how their organisation's performance compares to their peers.

2. Strategic Report

Value for Money (continued)

External Value for Money Metrics

During 2018/19 our Group Combined Board monitored the nine external value for money metrics as part of wider key performance indicator reporting.

Ref	Metric	2018/19	2017/18	2017/18		
				Lower Quartile	Median	Upper Quartile
1	Re-investment	5.67%	5.86% *	3.90%	6.00%	8.70%
2a	New supply delivered - social	2.60%	2.61%	0.50%	1.20%	2.30%
2b	New supply delivered - non-social	0.76%	0.29%	0.00%	0.00%	0.07%
3	Gearing	55.2%	52.1% *	33.1%	42.9%	53.1%
4	Interest cover	192%	219%	154%	206%	263%
5	Headline social housing cost per unit	£3,405	£3,311	£3,010	£3,397	£4,501
6a	Operating margin - social housing lettings only	36.7%	39.3%	25.5%	32.1%	37.1%
6b	Operating margin - excluding surplus on disposal of fixed assets	34.8%	36.1%	22.7%	28.9%	34.1%
7	Return on capital employed	4.0%	4.2%	3.3%	4.1%	5.4%

* In 2017/18, our financial statements were published with KPIs 1 and 3 reported as 5.16% and 44% respectively. These KPIs have been restated to correct the denominator from housing properties at cost to housing properties at net book value, in line with the guidance from the regulator.

Indicators which have shown a notable variance year on year have been outlined below, with the performance of the sector in 2017/18 used as a benchmark for the results of the Group.

- **New supply (non-social)** has increased due to the handover of 113 units at Berry Court in the year; in 2018/19 153 units were completed compared to only 57 the year before. This places the Group comfortably in the top quartile of delivering units of a non-social tenure.
- **Gearing** has increased by 3.1%, following an increase in loans and borrowings, a reduction in cash balances and the tenure mix of developments. Cash balances have reduced by £22.5m, with the investments in jointly controlled entities a notable factor. Cash spent on investment properties and units developed for sale also act to increase gearing as such assets do not contribute to the asset base. On a like for like basis, the result would move the Group into the upper quartile in the year.
- **Interest cover** has reduced from 219% to 192%, which would move the Group from above to below the median in the sector. Our operating surplus is comparable, increasing by less than 1%, in the context of a 17% increase in net interest costs.
- **Social housing cost per unit** has increased to £3,405 and by 3% against an increasing operating cost of social units of 6%, reflecting continued investment in the business. The delivery of 515 properties across social tenures, less disposals, increased social units owned and managed by 452, an increase of 2%. The increase would see the Group occupy the median position in the sector.
- **Operating margins** – both reflect investment in the business and despite these increased costs and reductions in margins, would still place Radian around the upper quartile relative to other providers.

2. Strategic Report

Value for Money (continued)

New Homes

We continue to be challenged to increase the supply of new homes by our regulator whilst still delivering value for money in the process. We added a total of 668 units in 2018/19, 303 of which were for social and affordable rent, 212 were affordable home ownership properties, 128 for market rent and 25 for market sale.

Having established an internal construction capability with Radian Build, it was clear we could deliver more homes for less money whilst also improving the quality of the homes being delivered. We will also be able to provide more flexibility and support to customers and potentially provide opportunities for training and employment going forward.

In 2018/19, Radian Build completed 22 properties, all of which were developed for retention in the Group. The units were across two sites; six units for shared ownership were completed at Grove Tavern and a total of 16 units – 12 for shared ownership and four for affordable rent – were completed at Fair Oak Road.

Tenancy Fraud and Anti-Money Laundering

We take tenancy fraud very seriously as there aren't enough social housing homes for the people who need them. People committing tenancy fraud are breaking the law, breaching their tenancy agreement and causing even longer waits for those entitled to live in social housing.

Tenancy fraud can take many forms, but the most common forms are:

- **Unlawful subletting** – where the tenant doesn't live in the property, they rent it to someone else.
- **Key selling** - when a tenant sells their keys to someone for a lump sum payment.
- **Wrongly claimed succession** – when someone who is not entitled under the rules tries to take over the tenancy when a tenant dies.
- **Using false information** to gain a social housing property.

We employ a range of measures to tackle tenancy fraud, including encouraging employees and fellow residents to raise concerns when they suspect tenancy fraud may have occurred.

We are also alert to the potential for money laundering, especially in transactions relating to sale of our housing properties and stock. We undertake all reasonable steps to uncover fraud, including identity verification and proof of source of funds before sales proceed.

2. Strategic Report

Modern Slavery and Human Trafficking

We are committed to doing what we can to ensure there is no slavery or human trafficking in our business or our supply chains, to identify high risk areas and take positive action.

Radian mitigates the risk of slavery and human trafficking by:

- Reviewing contracts with existing suppliers. If potentially high-risk contracts are identified these may be reviewed prior to renewal;
- Including an obligation to address the requirements of the Modern Slavery Act in new contracts;
- Updating policies and procedures to take account of the Modern Slavery Act;
- Requiring our Procurement team to complete ethical procurement training provided by the Chartered Institute of Procurement and Supply;
- Making all relevant pre-employment checks prior to employing staff. We use fair and transparent recruitment processes and will ensure the recruitment agencies we work with comply with these requirements in the provision of agency staff;
- Regularly reviewing our employment terms and conditions; and
- Encouraging reporting of serious concerns related to our own activities or supply chain.

Social Matters

Involving communities and empowering residents are vital components of our corporate strategy and are central to the creation of successful, sustainable neighbourhoods. Through partnership and community-driven projects we will improve the environments in which our customers live.

To target our resources effectively, we have identified six community investment zones – regions which face significant socio-economic pressures. These areas are home to nearly half the social properties we own and manage.

Our Housing, Resident Involvement, and Employment, Support and Training teams work in collaboration to provide our customers, and others in the neighbourhoods in which our customers live, with opportunities they may not otherwise have had to improve their lives.

We acknowledge however, that we are operating in a difficult environment. The impact of welfare reform, specifically the roll out of Universal Credit, places additional financial pressure on our customers in the short term and gives rise to issues of affordability in the longer term.

The potential for a rise in anti-social behaviour and crime threatens to undermine the success of the thriving communities we look to create. We also continue to face the challenges of some customers facing food shortages and poor health.

2. Strategic Report

Impact on the Environment

As an organisation with a corporate plan targeting the delivery of 3,500 new homes over a five-year period and employing nearly 900 staff, we cannot ignore our impact on the environment.

In the past, we have taken one-off decisions – such as the installation of nearly 1,000 photovoltaic panels on our homes and offices – to reduce our carbon footprint.

As we revise our strategy and look to move away from traditional Section 106 purchases to self delivery, whether land led or working in partnerships, we automatically reclaim control of the quality of the housing stock we deliver.

We design homes that comfortably exceed the Decent Homes Standard, delivering energy efficient, high quality homes that are fit for purpose.

A home that requires fewer repairs and component replacements is a positive for us as well as our customers.

We will also explore opportunities to redevelop our existing stock, to make greater use of land already built on, or convert commercial property for residential use.

Our employees and contractors are also increasingly encouraged to work flexibly, either from home or regional offices, making use of technology to access systems and remain connected with colleagues.

Where travel is unavoidable – for our trades to undertake repairs, for example – we look to ensure works are scheduled on efficient routes and provide our employees with as modern a fleet of fuel efficient vans as possible.

Statement of Compliance

The Board confirms that this strategic report has been prepared in accordance with the principles set out in the 'Statement of Recommended Practice for registered social housing providers 2014'.

The strategic report was approved by the Board on 31 July 2019 and signed on its behalf by the Chair:



Carol Bode
Chair

3. DIRECTORS' REPORT



3. Directors Report

DIRECTORS' REPORT

The Directors present their report for the year ended 31 March 2019.

Group Combined Board

Group Combined Board Overview

Radian operates via a combined board structure, known as the Group Combined Board, which is formed from the individual boards of all registered providers in the Group. The Group Combined Board takes decisions on behalf of the Group with the support of an effective governance structure and appropriate risk and control frameworks.

Where legally necessary, decisions affecting individual subsidiaries are formally enacted by the individual boards. It is made clear within reports and meetings which board is responsible for the decisions presented so that Group Combined Board members can fulfil their duties to act in the best interest of the entity which they represent.

Insurance policies in place indemnify Board Members and officers against liability when acting for the Group.

The Chair, Group Chief Executive, and Chair of the Audit and Risk Committee are common members across all six entity boards. Two distinct sets of Members complete each entity board, their membership determined by the charitable tax status of the entity to ensure protection of interest within the Group.

Board Members are selected through an open competitive process. They contribute a wide range of professional, commercial, and other relevant experience and expertise. An additional Group Combined Board Member was co-opted in February 2019 to lend development and property skills and experience to support delivery of the development programme.

A training and development programme for Group Combined Board Members is in place that includes induction for new Members, as well as tailored sessions on Radian's business activities, strategic thinking, personal development, and sector matters.

Members have opportunities to participate in external training and conferences relevant to their roles.

Group Combined Board Members are remunerated, and the amounts are disclosed in note 8. The Members of the Company are included on page 3.

3. Directors Report

Group Combined Board Members

Carol Bode – Chair

Carol is an experienced Organisation Development professional with significant executive and non-executive Director experience gained across a number of service organisations in the commercial, public and not for profit sectors. Her expertise lies in delivering transformational change, developing Boards and ensuring sound corporate governance structures in complex and growing organisations.

Over the last 14 years, she has specifically developed a portfolio of voluntary and non-executive Director roles, holding positions currently as Chair of Wiltshire Health and Care LLP, Chair of Basingstoke Voluntary Action, and is an associate trainer for NHS Providers. Her previous roles have included being Chair of Hampshire Partnership NHS Foundation Trust, Deputy Chair at The Hillingdon Hospitals NHS Foundation Trust, Independent Chair of Hampshire's Safeguarding Adults Board, as well as being an associate to several management consultancies. She is a serving magistrate in North Hampshire.

3. Directors Report

Group Combined Board Members (continued)

Richard Williams – Vice Chair

Richard was recently the CEO of Rangeford Retirement Developments and Rangeford Care, a developer and operator of Retirement Villages and a Domiciliary Care provider into the various locations. Prior to that he was Managing Director with McCarthy & Stone, where he worked to develop purpose-built accommodation for the over 60s. He has also been a Director with St Andrews Healthcare and Aldi Stores Limited. His earlier roles within Aldi, which included being Property Director, helped to develop his extensive knowledge and experience across a number of business sectors. Richard currently runs a property consultancy, utilising his development and construction experience from both the commercial and residential sectors.



Jayne Beeson

Jayne is a Fellow member of the Royal Institute of Chartered Surveyors with a degree in Quantity Surveying. She has over 35 years' experience in the construction industry working with clients in both the public and private sectors, most recently as a Director of Aecom (formerly Davis Langdon).



Simon Porter

Simon is a qualified Chartered Accountant with over 30 years' experience in the financial sector specialising in audit, transaction support and risk management. He currently has a small portfolio of non-executive roles, including University Hospital Southampton NHS Foundation Trust and Octavia Housing.



Mandy Clarke

Mandy is a Chartered HR professional with over 25 years' international and multi-sector experience. She has undertaken a variety of executive and programme-specific roles for blue chip and large organisations globally, and operates a management consulting business. Mandy is a non-executive Director at GreenSquare Group and at the Association of Independent Professionals and the Self-Employed, and was formerly a trustee and Chair of Wiltshire Air Ambulance. Mandy has a Master of Arts in Human Resource Management and is a qualified programme director. She is a Fellow of the Institute of Directors and a Fellow of the Royal Society of Arts.



Martin Hurst

Martin had 20 years' experience as a Senior Civil Servant including as Senior Advisor to the Prime Minister on environment, housing and planning and as Commercial and Estates Director for Defra, before moving to a portfolio of roles in 2015. Previously Vice Chair of Wandle Housing Association, he served a further five years as a Board Member and as Chair of Development. He is currently Chair of Finance and Treasury at BPHA and Chair of the government's Southern Regional Flood and Coastal Defence Committee. He is also an expert advisor to the ongoing national climate change risk assessment and a trustee and company secretary of the South East Rivers Trust.



3. Directors Report

Group Combined Board Members (continued)

Ashley West

Ashley has enjoyed a successful career in banking and commerce, holding a number of roles including Assistant Finance Director at Schroders and the Continental Bank of Chicago. Over the last 15 years he has built up a portfolio of non-executive roles, including Chair roles at mhs homes and East Thames Group. He is currently Deputy Chair and Chair of the Audit Committee of Dartford Gravesham and Swanley CCG, as well as Chair of Medway Communities Estates Limited.



Gary Orr, Chief Executive

Gary joined as Chief Executive of Radian in October 2018. Gary has worked in the housing industry for over 22 years; formerly CEO of Homes in Sedgemoor, he has also held senior executive positions within regional and national housing organisations. For the last seven years Gary has been Chief Executive of Yarlington Housing Group.



Jane Alderman

Jane is a senior leader who has successfully managed large development programmes in the affordable and market housing sectors. She has extensive professional expertise gained within the area of property development, social housing and regeneration. Jane has held roles with a number of social housing groups. Currently, Jane is a consultant, providing a range of services to clients in the public and private sector, this includes advice on policy and governance and joint ventures. Jane is a Chartered Surveyor and member of the Institute of Housing. She joined Radian Group as a non-executive Board Member in February 2019.



Anne Costain, Director of Finance

Anne started her career at Aon in 1992 and worked for various organisations, qualifying as a Chartered Accountant in 2000 (FCCA). Anne joined De La Rue in 2006 where she held a number of roles, culminating in being appointed Divisional Finance Director for Supply Chain and Currency. Anne joined Radian in August 2012 as Deputy Finance Director, becoming Finance Director (designate) in July 2016 and formally taking over from Andrew Newberry as Finance Director in April 2017. In her role as Deputy Finance Director, Anne has headed up the Finance and Treasury departments, qualifying as a Corporate Treasurer (AMCT) during this time.



3. Directors Report

Executive Board

The Group Combined Board is supported by an Executive Board comprising the Chief Executive and four other Directors. The Executive Board are responsible for day to day operations of all entities in the Group, including the delivery of the corporate strategy.

The Group welcomed a new Chief Executive, Gary Orr, in October 2018 who brings longstanding sector and senior experience to Radian. He will spearhead a wealth of transformation changes focused on reinvestment into new digital platforms through which services, systems and structures will be redesigned to improve the customer experience.

During 2018/19, changes to the directorates in the Group saw the Director of Technical Services assume responsibility for housing and customer services, forming a new Operations directorate.

The previous Director of Housing now leads the newly created Partnerships and Projects directorate. Gary Orr and Anne Costain are members of both the Group Combined Board and Executive Board.

Peter Evans, Executive Director of Operations

Peter has over 30 years' experience in a variety of sectors, including self-employment, consultancy, charitable organisations, construction contracting, the housing sector and the private sector. With over 10 years' experience at Director level in the housing sector, Peter is responsible for housing management, customer services, asset management, and maintenance at Radian.



Ralph Facey, Executive Director of Partnerships & Projects

Ralph joined Radian in January 2005 and has over 20 years' Chief Housing Officer and Executive Director experience. In Birmingham, Ralph coordinated preparations for the transfer of the City Castle Vale estate to a Housing Action Trust and oversaw the formal transfer. After three years spent as Housing Services Manager at Southampton City Council, Ralph became Chief Housing Officer at Gosport and led the service through a period of successful and significant change. Following a series of Executive Director roles, Ralph was appointed as Radian's Group Director of Housing and Customer Services in December 2009. In June 2018 he was appointed Executive Director of Partnerships & Projects and is currently supporting the development of Radian's proposed partnership with Yarlington.



James Pennington, Executive Director of Development

James has extensive experience in the housing sector and has been Executive Director of Development since September 2018. James joined Radian in January 2018 from Thames Valley Housing Association where he was Head of Residential Development, overseeing large development programmes. Prior to this James worked at Barratt Homes, Crest Nicholson and Berkeley Homes.



Executive Service Contracts

The members of the Executive Board are employed on the same terms as other staff, except for a discretionary annual bonus scheme, overseen by the Remuneration and Nominations Committee.

The Group Combined Board is responsible for approving any bonus awards or changes in the Chief Executive's remuneration or contract. Details of the benefits received by Executive Directors are set out on page 62.

The Executive Board Members, including those who are Group Combined Board members, hold no interest in the Group's shares and act within the authority delegated to them by the Group Combined Board under defined terms of reference.

3. Directors Report

Governance and Regulation

Governance

The Group Combined Board is responsible for the strategic direction, plans for oversight of Group performance, and for effective governance across the business. This is achieved with the support of the Executive Board, advisory panels and four formal committees, as listed below, to which certain responsibilities are delegated:

- Audit and Risk Committee.
- Treasury and Investment Committee.
- Remuneration and Nominations Committee.
- Development Programme Review Group.

The Chair of each committee reports regularly to the Group Combined Board, providing assurance on key areas of the committee's terms of reference. An internal review was undertaken in 2018/19 to strengthen oversight of the development programme, provide greater accountability to residents and bring about effective organisational transformational change.

The Group Combined Board has approved and adopted an updated Board Renewal Skills and Values Statement with the support of an independent consultant.

Reports regarding skills and succession have been received by the Remuneration and Nominations Committee and agreement reached on the skills and recruitment required to refresh the Group Combined Board.

The Group Combined Board has considered its own effectiveness through development days that have been facilitated by an external consultant. All non-executive Board Members have participated in an appraisal, the framework for which is being updated for 2019/20.

Group Financial Regulations and Group Standing Orders were updated and re-approved in May 2019. The Group Combined Board and its committees will continue to keep effectiveness under review during 2019/2020.

Regulation

Following an in-depth assessment in December 2017, the Group was assessed as G2/V1 by the Regulator of Social Housing; this rating was re-affirmed during a stability check in December 2018.

Following the implementation of an action plan and a review of the Group's governance arrangements, the Group's rating was restored to G1/V1 by the regulator in March 2019.

Radian's private registered providers operate in accordance with all applicable law and with the Regulatory Framework laid down by the Regulator of Social Housing. Compliance is subject to self-assessment throughout the year. The year end review is presented to the Audit and Risk Committee, mapped against the three lines of defence model. The Board has also reviewed compliance with the Governance and Financial Viability Standard and the Regulatory Framework. The Radian Group Limited Board, as Group parent, certifies that Radian is compliant with the Regulatory Framework, the Economic and Consumer Standards and, specifically, the Governance and Financial Viability Standard.

The Group Combined Board adopts the National Housing Federation Code of Governance 2015 on behalf of the registered provider entities within Radian Group. The Board also adopts the National Housing Federation Code of Conduct 2012 on behalf of Radian Group.

The Group Combined Board expects the Group's Board and committee members, involved residents, employees and contractors, to comply with the Radian Code of Conduct, which is based on a model provided within the National Housing Federation Code of Conduct.

Having conducted an appropriate internal compliance review and received assurance from the Audit and Risk Committee, the Group Combined Board considers that each of the registered provider entities is compliant with the Governance Code and that Radian Group is also compliant with the Code of Conduct.

A statement of compliance is published on Radian's website.

3. Directors Report

Governance and Regulation (continued)

Internal Control and Risk Management

The Group Combined Board acknowledges its ultimate responsibility for establishing and maintaining a group-wide control framework from which each entity board is able to review the effectiveness of those controls. The Group Combined Board recognises that no system of internal control provides absolute assurance nor eliminates all risk. The control framework in place is designed to reduce the risk of failing to achieve business and strategic objectives and to provide reasonable assurance to the Group's Boards. Each Board retains ultimate responsibility for the system of internal control, but delegates responsibility to review the effectiveness of the operation of internal controls to the Audit and Risk Committee.

The Group's internal control framework is designed to give reasonable assurance on the reliability of financial and operational information, the maintenance of proper accounting records, and the safeguarding of assets, all of which are deemed to be integral to the achievement of the Group's strategic objectives.

The Group's internal control framework comprises but is not limited to:

- Group standing orders, incorporating terms of reference for the Group Combined Board, the Audit and Risk Committee, the Treasury and Investment Committee, the Remuneration and Nominations Committee, and Executive Board. These are reviewed at least annually.
- Chief Executive-led annual review of effectiveness of internal controls, and provision of assurance to the Audit and Risk Committee.
- Annual reviews of Board and committee effectiveness.
- Group financial regulations and associated procedures.
- Treasury Strategy.
- Robust appraisal framework to assess new development schemes or land opportunities.
- Executive Board delegated authority to specified limits to approve new development schemes or other significant new business activities.
- Regular reporting on financial performance against Group budget; forecasts and budgets are prepared which allow the Group Combined Board and management to monitor the key financial objectives and monitor progress towards achieving financial plans set for the year and the medium term.
- Regular reporting on Group strategic performance, including value for money metrics that satisfy the requirements of the revised Standard.
- Risk management framework and strategy; management responsibility has been clearly defined for the identification, evaluation, and control of significant risks including financial risk. There is a formal and ongoing process of management review in each area of the Group's activities. The process is coordinated through a regular reporting framework to the Audit and Risk Committee and the Group Combined Board.

3. Directors Report

Governance and Regulation (continued)

- Board assurance framework on business and strategic risks.
- Strategic and operational business planning processes; regular reporting to the Group Combined Board providing assurance on achievement against strategic objectives.
- Regular scanning and consideration of the external environment and its potential or actual impact on the operating environment and strategic direction.
- Regular reviews of compliance with all relevant law and regulatory frameworks.
- Internal and external audit programmes; audit recommendations are tracked and monitored for completion. Corrective action is taken in relation to any significant control issues.
- Overarching Probity Policy in place which covers prevention, detection, and reporting of fraud and the recovery of assets. Fraud, Theft or Bribery Reporting Procedure in place (which includes a Fraud Response Plan providing guidance for investigating suspected fraud incidents). Anti-money Laundering Procedure in place. Regular review of business wide anti-money laundering and Criminal Finances Act risk assessments as well as regular review of declarations of interest. An Internal Audit review this year has included core financial controls. All incidents are reported to the Audit and Risk Committee. A Group wide whistleblowing procedure is in place. The Audit and Risk Committee has reviewed the fraud and other probity registers.
- Other Group policies and procedures, including those used to attract or retain skilled staff; there is a broad framework of policies and procedures with which all employees must comply. This covers segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection. A framework for employees' individual objectives and appraisals supports performance standards.

The Group's internal auditor, who is responsible for providing independent assurance to the Audit and Risk Committee, sets the annual internal audit programme within the context of Group strategic risks. The Audit and Risk Committee reviews the annual internal audit plan and receives the external audit plan. The committee has met with the internal auditor to satisfy itself that the internal control framework has operated effectively.

The Group Combined Board receives additional assurance in the form of a Board Assurance Framework.

Radian's risk management framework benefits from oversight and advice from an external consultant.

The Audit and Risk Committee receives reports in relation to incidents of fraud identified within the year or other reports relating to any significant control weakness should these arise. The Audit and Risk Committee Chair reports to the Group Combined Board following each Audit and Risk Committee meeting.

3. Directors Report

Review of Effectiveness of Internal Control

The Audit and Risk Committee received assurance from the Chief Executive on 17 July 2019 on the effectiveness of internal controls that have operated during 2018/19 and up to the signing of these accounts, via a self assessment process signed off by each Executive Board member.

The Group Combined Board received assurance from the Audit and Risk Committee on 31 July 2019 that the system of internal controls has operated effectively during 2018/19, and that there have been no significant control weaknesses identified or breakdown in internal controls resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

The Audit and Risk Committee received assurance from KPMG's Annual Report on the programme of internal audits conducted in 2018/19 which stated that Radian demonstrated a reasonably strong internal control environment, with the majority of ratings provided being either 'significant assurance' or 'significant assurance with minor improvement opportunities'.

In line with the Financial Reporting Council's Guidance on Audit Committees, the Audit and Risk Committee has carried out a separate exercise to review its independence, performance, and effectiveness, and subsequently has agreed actions to further its effectiveness.

Employees

The Group directly employed an average of 770 full-time equivalent employees during the year (2018: 749), calculated on standard working hours per week for each employee.

The Group shares information on its vision, strategic plan and objectives through briefings from senior management. In February 2019 a staff conference was held, where the Executive Board reflected on the performance of the Group since its formation and communicated their vision for the future of the organisation. Day-to-day operational information is shared with employees in a variety of formats, including vlogs, blogs and e-newsletters.

The Group is committed to providing equal opportunities to its employees, underpinned by a working environment that is inclusive and free from discrimination or harassment. The Group is flexible and considers all reasonable requests from existing and prospective employees in relation to any disability, impairment or change in circumstance.

Disclosure of Information in the Strategic Report

As the funding and capital structure of the Group are inextricably linked to its business model and strategy, such information has been presented within Capital and Treasury Management Section on page 13.

An overview of our developments has been provided on page 17.

3. Directors Report

Post Balance Sheet Events

On 26 April 2019, Radian Group Limited and Yarlington Housing Group jointly announced they were exploring options to form a potential partnership.

Following this announcement and up to the date of this report, the two organisations have engaged in due diligence in preparation for any potential future collaboration.

On the 3 June 2019 the Group, via its subsidiary Radian Developments Limited, was appointed as a member of Linden (Sayers Common) LLP, a jointly controlled entity with Galliford Try Homes Limited, with Linden Limited ceasing to be a member at this time.

Going Concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least 12 months after the date on which the report and the financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

The budget and long-term business plan, which consider the current uncertain economic climate and expected trading conditions, show that the Group will be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

Disclosure of Information to Auditor

At the date when this report is approved each of the Board Members confirm the following:

- So far as each Board Member is aware, there is no relevant audit information needed by the Group's auditor in connection with preparing their report, of which the Group's auditor is unaware.
- Each Board Member has taken all the steps that they ought to have taken as a Board Member to make themselves aware of any relevant audit information needed by the Group's auditor in connection with preparing their report and to establish that the Group's auditor is aware of that information.

External Auditor

BDO LLP has indicated their willingness to continue in office and a resolution to appoint them will be proposed at the forthcoming annual general meeting.

Approval of the Board

The Directors' Report was approved by the Board on 31 July 2019 and signed on its behalf by the Chair:



Carol Bode
Chair

4. STATEMENT OF THE BOARD'S RESPONSIBILITIES



4. Statement of the Board's Responsibilities

STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the strategic report and report of the Board and the financial statements in accordance with applicable law and regulations.

Company law and social housing legislation require the Board Members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the surplus or deficit of the Group and Company for that period.

In preparing these financial statements, the Board Members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and,
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Board Members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for private registered providers of social housing 2015. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Members are responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the board members. The Board Members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

5. AUDITORS REPORT

5

5. Auditors Report

AUDITORS REPORT

Opinion

We have audited the financial statements of Radian Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2019 which comprise the consolidated and company statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of changes in reserves, the consolidated cash flow statement and the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated and Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2019 and of the Group's and Parent Company's surplus for the year then ended;
- The Group and Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and,
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

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

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

5. Auditors Report

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

Profit Recognition on Property Sales

As is evident from the increase in properties for sale year on year as disclosed in note 15, development of mixed-tenure schemes has been a growing part of the Group's activities since the prior year. As a consequence, the allocation of development costs between tenures and units is a significant estimate and included within Critical Judgments, Estimates, and Uncertainty on page 55 under Capitalisation of Property Development Costs. This is because the extent that such costs are considered to relate to properties for resale, including shared ownership, will impact the operating surplus recognised on property sale transactions. Due to the degree of estimation involved in allocating development costs across tenures and units and the impact of this on the reported operating surplus, we consider this to be a significant risk of material misstatement and a key audit matter.

How We Addressed the Key Audit Matter in the Audit

In respect of the allocation of costs to the sample of property sale transactions, we have tested the allocation of costs to tenure types and individual plots within development through procedures including tracing costs to supporting documentation such as surveyor valuations and agreeing floorspace by tenure type used in the calculation to third party appraisal plans. We have then checked that, based on the costs allocated to units as driven by relative floorspace, appropriate costs have been expensed in cost of sales.

Key Observations

During our work, nothing came to our attention to suggest any material misstatement in the recognition of profit on property sales.

Our application of materiality

- Group Financial Statements Materiality: £19,600,000 (2018: £18,300,000).
- Group Specific Materiality: £4,500,000 (2018: £4,700,000).
- Parent Company Financial Statements Materiality: £1,200,000 (2018: £1,300,000).

Our Group materiality has been set at 1.2% of total assets for both the current and prior years on the basis that total assets at each balance sheet date is considered to be a key area of user interest. We have also set a specific materiality at 6% of adjusted operating surplus (consistent with 2018) that is applied to items in the Group statement of comprehensive income that form part of adjusted operating surplus in recognition of this performance measure impacting loan covenant compliance calculations. Operating surplus is adjusted to remove the impact of depreciation, Social Housing Grant amortisation and impairment in arriving at adjusted operating surplus.

There are seven components within the Group, with the component materiality of those components ranging from £23,000 to £8,700,000.

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Performance materiality was set at 75% of the above materiality levels. In setting the level of performance materiality we considered a number of factors including the expected total value of known and likely misstatements based on past experience and other factors. We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £392,000 (2018: £366,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

5. Auditors Report

An Overview of The Scope of Our Audit

The scope of our Group audit was established by obtaining an understanding of the Group, including its control environment, and assessing the risks of material misstatement. We obtained an understanding of the entity-level controls of the Group as a whole which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy. All components are considered significant components and the financial information of all is subject to a full-scope ISA audit by BDO LLP.

Extent to Which The Audit is Capable of Detecting Irregularities, Including Fraud

The extent to which the audit is capable of detecting irregularities is affected by the inherent difficulty in detecting irregularities, the effectiveness of the entity's controls, and the nature, timing and extent of the audit procedures performed. Irregularities that result from fraud usually are inherently more difficult to detect than irregularities that result from error.

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Company's compliance with laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, the Housing and Regeneration Act 2008 and other laws and regulations applicable to a registered social housing provider in England. We also considered the risks of non-compliance with the other requirements imposed by the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. Our tests included agreeing the financial statement disclosures to underlying supporting documentation, enquiries of the Board and of management and enquiries of third parties, where information from that third party has been used by the Association in the preparation of the financial statements.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. As in all of our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a risk of material misstatement due to fraud.

Other Information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the strategic report and the report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and,
- The strategic report and the report of the Board have been prepared in accordance with applicable legal requirements.

5. Auditors Report

Matters on Which We are Required to Report by Exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the report of the Board.

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

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

Responsibilities of the Board

As explained more fully in the statement of the Board's responsibilities, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other Matters

Following the recommendation of the audit committee, we were appointed by the Board on 1 February 2017 to audit the financial statements for the year ending 31 March 2017 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ending 31 March 2017 to 31 March 2019.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

5. Auditors Report

Use of our report

This report is made solely to the Parent Company's Members, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.



Philip Cliftlands (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom

BDO LLP is a limited liability partnership registered in England and Wales
(with registered number OC305127).

6. FINANCIAL STATEMENTS AND NOTES



6. Financial Statements and Notes

GROUP STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

		2019	2018
	Note	£'000	£'000
Turnover	3	167,714	161,676
Cost of sales	3	(24,975)	(25,023)
Operating costs	3	(84,303)	(78,289)
Surplus from disposal of fixed assets	3	5,628	5,539
Operating surplus		64,064	63,903
Finance income	4	2,760	1,049
Finance costs	5	(35,946)	(30,701)
Fair value movement on financial instruments	17	(50)	(111)
Fair value movement on investment properties	12	974	1,086
Share of (deficit)/surplus in jointly controlled entities	14	(327)	249
Surplus on ordinary activities before tax	6	31,475	35,475
Tax (charge)/credit for the year	7	(278)	121
Surplus on ordinary activities after tax		31,197	35,596
Other comprehensive income			
Actuarial losses on defined benefit pension schemes	23	(650)	(1,915)
Total comprehensive income		30,547	33,681

All activities derive from continuing operations.
The notes on pages 48 to 90 form part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2019

		2019	2018
	Note	£'000	£'000
Turnover		-	-
Operating costs		-	-
Operating surplus		-	-
Finance income	4	2,983	2,781
Finance costs	5	(2,983)	(2,781)
Surplus on ordinary activities before and after tax		-	-
Other comprehensive income			
Actuarial loss on defined benefit pension scheme		-	-
Total comprehensive income		-	-

All activities derive from continuing operations.
The notes on pages 48 to 90 form part of these financial statements.

6. Financial Statements and Notes

GROUP STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		2019	2018
	Note	£'000	£'000
Fixed assets			
Housing properties	10	1,285,136	1,229,467
Other fixed assets	11	13,359	13,824
Investment properties	12	62,035	69,798
HomeBuy loans	13	40,046	43,767
Investments	14	2,135	2,562
		1,402,711	1,359,418
Current assets			
Properties for sale	15	21,158	17,647
Inventories	16	670	395
Receivables	17	60,659	15,806
Cash and cash equivalents		162,983	185,481
		245,470	219,329
Payables: amounts due within one year	18	(48,080)	(48,316)
Net current assets		197,390	171,013
Total assets less current liabilities		1,600,101	1,530,431

		2019	2018
	Note	£'000	£'000
Payables: amounts due after one year	19	(878,456)	(836,297)
Deferred capital grant due after one year	20	(403,025)	(403,684)
HomeBuy grant		(32,643)	(35,583)
Deferred tax	22	(880)	(602)
Pension liability	23	(32,020)	(31,735)
Net assets		253,077	222,530
Capital and reserves			
Revenue reserve		253,077	222,530
Group funds		253,077	222,530

The notes on pages 48 to 90 form part of these financial statements.

The consolidated financial statements of Radian Group Limited, company number 03482228, on pages 43 to 90 were approved by the Board and authorised for issue on 31 July 2019 and signed on its behalf by:



Carol Bode,
Chair

6. Financial Statements and Notes

COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

		2019	2018
	Note	£'000	£'000
Fixed assets			
Investments	14	51	50
		51	50
Current assets			
Receivables			
Amounts due within one year	17	3,424	3,797
Amounts due after one year	17	94,241	97,029
Cash		5,720	3,332
		103,385	104,158
Payables: amounts due within one year	18	(11,669)	(9,653)
Net current assets		91,716	94,505
Total assets less current liabilities		91,767	94,555
Payables: amounts due after one year	19	(94,242)	(97,028)
Net liabilities		(2,473)	(2,473)
Capital and reserves			
Revenue reserve		(2,473)	(2,473)
Company deficit		(2,473)	(2,473)

The notes on pages 48 to 90 form part of these financial statements.

The financial statements of Radian Group Limited, company number 03482228, on pages 43 to 83 were approved by the Board and authorised for issue on 31 July 2019 and signed on its behalf by:



Carol Bode
Chair

6. Financial Statements and Notes

GROUP & COMPANY STATEMENT OF CHANGES IN RESERVES

	GROUP					COMPANY
	Revenue reserve	Restricted reserve	Total excluding non-controlling interests	Non-controlling interests	Total including non-controlling interests	Revenue reserve
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2017	186,863	287	187,150	1,986	189,136	(2,473)
Surplus on ordinary activities after tax	35,347	-	35,347	249	35,596	-
Actuarial losses on defined benefit pension schemes	(1,915)	-	(1,915)	-	(1,915)	-
Transfer out of restricted reserve	-	(287)	(287)	-	(287)	-
At 31 March 2018	220,295	-	220,295	2,235	222,530	(2,473)
Surplus on ordinary activities after tax	31,524	-	31,524	(327)	31,197	-
Actuarial losses on defined benefit pension schemes	(650)	-	(650)	-	(650)	-
At 31 March 2019	251,169	-	251,169	1,908	253,077	(2,473)

The notes on pages 48 to 90 form part of these financial statements.

6. Financial Statements and Notes

GROUP STATEMENT OF CASH FLOWS

Year ended 31 March 2019

	2019	Restated 2018
	£'000	£'000
Operating surplus	64,064	63,903
Depreciation, amortisation and impairments	13,741	11,203
Provisions and other	(3,692)	(276)
Pension expense less cash contribution	(239)	107
Increase in inventories	(274)	(33)
Increase in receivables and prepayments	(6,225)	1,031
Increase in payables and accruals	(2,275)	959
Cost of sales on stock disposal	33,597	35,735
Cost of properties developed for sale	(19,172)	(26,708)
	15,461	22,018
Net cash inflow from operating activities	79,525	85,921
Cash flows from investing activities		
Purchase of other fixed assets	(1,143)	(2,305)
Payments to acquire and develop housing properties	(70,788)	(98,613)
Distributions from jointly controlled entities	100	50
Social Housing Grant received	1,774	4,183
Cash outflow from investing activities	(70,057)	(96,685)

	2019	Restated 2018
	£'000	£'000
Cash flow from financing activities		
Finance income	2,760	830
Finance costs	(33,745)	(30,641)
Loan repayments	(6,467)	(6,504)
Cash inflow from financing including premiums on issue	46,844	157,426
Cash outflow from loans to jointly controlled entities	(41,358)	-
Cash inflow from financing activities	(31,966)	121,111
Net change in cash and cash equivalents	(22,498)	110,347
Opening cash as at 1 April	185,481	75,134
Closing cash as at 31 March	162,983	185,481

The prior year has been restated to include the cost of properties developed for sale within operating activities, previously included within investing activities.

The notes on pages 48 to 93 form part of these financial statements.

6. Financial Statements and Notes

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2019

1. LEGAL STATUS

The parent company, Radian Group Limited, is a company limited by guarantee incorporated in the United Kingdom under the Companies Act 2006. The Company is also registered with the Regulator of Social Housing as a social housing provider.

2. ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Group and Company have been prepared in accordance with applicable law and UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing Statement of Recommended Practice (SORP) 2014 for registered social housing providers and comply with the Accounting Direction for private registered providers of social housing 2015. The financial statements are presented in pounds sterling and have been prepared on the historical cost basis except for a modification to amortised cost or a fair value basis for certain financial instruments and investment properties, as specified in the accounting policies below.

Going Concern

The financial statements have been prepared on a going concern basis, details of which can be found in the Directors' Report on page 33.

The Company has net liabilities as at the reporting date but could obtain loans or distributions from other Group companies with positive reserves if required.

Disclosure Exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the disclosure exemption under FRS 102 paragraph 1.12(b) in not preparing a Statement of Cash Flows on the basis that this is included in the consolidated financial statements.

Consolidation

The Group financial statements consolidate the financial statements of the parent company and all its subsidiaries at 31 March 2019. Intercompany transactions are eliminated on consolidation.

Radian Group Limited is the ultimate parent and has taken advantage of the exemption contained in FRS 102 not to disclose transactions or balances with entities which form part of the Group and which are also registered providers. Transactions with subsidiaries and jointly controlled entities which are not registered providers regulated by the Regulation Committee of the Regulator of Social Housing as disclosed in note 27.

Operating Segments

Segmental information is disclosed in note 3. Information about income, expenditure and assets attributable to material operating segments are presented based on the nature and function of housing assets held by the Group rather than geographic location. As permitted by FRS 102 paragraph 1.5, this is appropriate based on the similarity of the services provided, the nature of the risks associated, the type and class of customer, and the nature of the regulatory environment across all geographical locations in which the Group operates.

Management do not routinely receive segmental information disaggregated by geographical location.

6. Financial Statements and Notes

2. ACCOUNTING POLICIES (continued)

Jointly Controlled Entities

Jointly controlled entities are those where the Group holds a significant equity interest but has no overall control.

In the consolidated financial statements interests in jointly controlled entities are accounted for using the equity method of accounting, under which the equity investment is initially recognised at the transaction price and is subsequently adjusted to reflect the Group's share of the surplus or deficit.

Turnover

Turnover represents rental and service charge income (net of void losses), fee income and revenue grant receivable, proceeds from market and first tranche sales, other income, and the amortisation of capital grant.

Rental and service charge income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids.

Income from market and first tranche sales is recognised at the point of legal completion of the sale.

Other income is recognised as receivable on the delivery of services provided. Deferred Capital Grant is released over the life of the asset structure in accordance with FRS 102.

Cost of Sales

Cost of sales relates to market and first tranche sales and represents those costs, including direct overheads and other incidental costs, incurred during development, construction, and marketing of those properties.

On market sales, the cost of sales represents the full construction cost of the unit sold.

On first tranche transactions, the percentage of equity purchased determines the percentage of total unit costs recognised in the Statement of Comprehensive Income.

Help to Buy

Turnover is recognised in relation to Help to Buy on two distinct bases. A fixed quarterly fee for the operation of the contract is recognised as income on a straight-line basis each month, in addition to a fixed fee per case, recognised at the point of completion. The contract for the provision of services is subject to periodic renewal.

Revenue Grant

The Group receives grants in respect of revenue expenditure and these are credited as appropriate to income in the same period as the expenditure to which they relate.

Service Charge Income and Expenditure

Where service charge income is identifiable it is recorded separately to rental income. Where service charge income is not identifiable it is recorded within rental income.

Income is predominantly variable, and charges will therefore include an adjustment for the under or over recovery from previous years and will be adjusted for under or over recovery in the current year. Until these balances are returned to or recovered from our tenants they are held as payables or receivables on the Statement of Financial Position.

Service charge expenditure is disclosed separately and includes the cost of all direct services provided, in addition to an allowance for management costs. Expenditure will also include costs of services provided that are not recoverable from tenants.

6. Financial Statements and Notes

2. ACCOUNTING POLICIES (continued)

Surplus/(Deficit) from Disposal of Fixed Assets

Other asset sales are recognised within surplus from disposal of fixed assets.

Staircasing events include both partial and final transactions, where the purchaser increases or fully acquires the equity in their property. Final staircasing events on houses will involve the disposal of the freehold, whereas on flats, the Group will retain the freehold on the property, reclassifying the unit as a leasehold unit in note 3.

The surplus on sales under the Right to Buy and Right to Acquire legislation is the difference between the proceeds received and the carrying value of the properties, subject to any third-party agreements relating back to Large Scale Voluntary Transfers of housing stock.

The surplus recognised on the sale of other housing properties is the difference between the proceeds received and the carrying value of the property.

The surplus recognised on redemptions of HomeBuy loans is derived from the market value of the equity holding in the property at the point of sale, less the original loan amount, any provision and any associated grant.

The surplus recognised on the sale of other fixed assets is the difference between the proceeds received and the carrying value of the asset.

Repairs and Maintenance

The Group capitalises items of expenditure on housing properties if they result in an enhancement to the economic benefits from the property or if they replace an identifiable component.

Works to existing properties which do not meet the above criteria are charged to the Statement of Comprehensive Income.

Finance Income

Interest is earned from cash and cash equivalents, loans made to other entities in the Group, loans made to jointly controlled entities and interest charged on HomeBuy loans.

Finance Costs

Interest costs, issue costs, premiums, and discounts are charged to finance costs over the term of debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Included within finance costs are ongoing servicing fees of loans and borrowings, which are charged to the Statement of Comprehensive Income over the review cycle of each facility.

Value Added Tax (VAT)

The Company is part of the Radian Group Limited VAT group. As a large proportion of its income is rent, which is exempt for VAT purposes, the Group is subject to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input VAT recovered is credited to the Statement of Comprehensive Income.

Pensions

The Group's pension arrangements comprise four defined benefit schemes and a defined contribution scheme. For the defined contribution scheme, the amount charged to income and expenditure in respect of pension costs is the employer contribution payable in the year.

For defined benefit schemes, the amounts charged to staff costs within operating costs are those arising from employee services rendered during the period, benefit changes and settlements. The net interest cost on the net defined benefit liabilities is included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets are recognised immediately in other comprehensive income.

Defined benefit schemes are funded with assets of the scheme held separately from those of the Group and administered by The Pensions Trust or local government. Pension scheme assets are measured at fair value and liabilities on an actuarial basis using the projected unit method. Actuarial valuations are updated at each reporting date and full actuarial valuations are obtained at least triennially.

The funded defined benefit scheme is in deficit and a funding arrangement is in place. The net present value of the deficit reduction contributions payable under the agreement is recognised on the Statement of Financial Position and the unwinding of the discount rate is recognised as a finance cost.

6. Financial Statements and Notes

2. ACCOUNTING POLICIES (continued)

Tax

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

Fixed Assets - Housing Properties

Housing properties are held at cost less accumulated depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration costs. Interest costs are not capitalised.

The carrying value of housing properties is split between the land, structure and major components which require periodic replacement.

For affordable home ownership properties, the amount retained in housing properties is the cost of unsold equity (if the first tranche sale has completed) or 60% of the total unit cost (if the first tranche sale is yet to complete).

Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties upon practical completion.

Land

Land acquired or donated to the Group will be accounted for depending on its intended use.

Land acquired for the provision of social housing, or where no specific intended use exists, will be treated as a fixed asset. When land is held for speculative purposes, for capital gain, or a commercial rental return it will be accounted for as an investment property.

6. Financial Statements and Notes

2. ACCOUNTING POLICIES (continued)

Depreciation

Freehold Buildings and Components

Depreciation is charged on a straight-line basis over the estimated useful economic life of components on the following annual rates:

- Structure
 - Sheltered housing – 50 years
 - All other tenures – 100 years
- Boilers – 15 years
- Kitchens – 20 years
- Photovoltaics – 20 years
- Bathrooms – 30 years
- Heating – 30 years
- Windows – 30 years

Freehold land and investment properties are not depreciated.

When components are replaced, the carrying value of existing components is charged to the Statement of Comprehensive Income at the point of disposal.

Other Fixed Assets

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

- Freehold premises – 50 years
- Office equipment – 3 to 5 years
- Office furniture and development equipment – 10 years
- Motor vehicles, yard plant and machinery – 4 years

Investment Properties

Investment properties are commercial properties, housing properties let at market rates or properties held for investment potential or capital appreciation.

Investment properties are measured at cost on acquisition or initial recognition and subsequently revalued to their market value at least annually with gains and losses recognised in the Statement of Comprehensive Income. Details of the advisers from whom values are obtained and the basis of valuation adopted are included in note 12.

Investments in HomeBuy Loans

The HomeBuy scheme, now closed to new entrants, was a programme of home ownership where loans were advanced by the Group to purchasers of property. The programme was funded through a combination of government grant and the Group's own funds. The loan advanced to the purchaser and the amount of grant received are both recorded at cost, less provision for bad debts.

The Group has a fixed charge on the property entitling it to a share of the proceeds on the sale of the property. Any capital loss realised on redemption of the loan is initially offset against the government grant, which is held as a long-term liability.

Valuation of Investments

Investments in associates and subsidiaries are accounted for using the cost model in the Company financial statements.

Properties Held for Sale

All unsold market sale and affordable home ownership properties are classed as current assets at the reporting date and are valued at the lower of cost or estimated selling price less costs to complete and sell. Deficits on schemes are recognised as soon as they are foreseen. On affordable home ownership properties where the first tranche sale has yet to complete, 40% of each units' cost will be recognised as a current asset. Property held for sale comprises both completed properties and property in the course of construction.

6. Financial Statements and Notes

2. ACCOUNTING POLICIES (continued)

Inventories

Inventory represents materials and replacement components held prior to use in repair works. Items are held at the lower of cost and net realisable value and periodic stock counts ensure that damaged and obsolete items are identified and written off.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits, and short-term investments with an original maturity date of three months or less.

Cash and cash equivalents also includes cash in sinking fund accounts to which the Group has access on behalf of the beneficiaries of the account.

Provisions

The Group recognises provisions in respect of liabilities of uncertain timing or amounts. Provisions are made for specific and quantifiable liabilities, measured at the best estimate of expenditure and only where probable that it is required to settle a legal or constructive obligation that existed at the reporting date.

Receivables and Payables

Receivables and payables with no stated interest rate, and receivable and payable within one year, are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income within operating income and expense.

Recoverable Amount of Rental and Other Trade Receivables

The Group estimates the recoverable amount of receivables and provides for the balance based on the value and class of the debt.

Receivable balances are reviewed quarterly to determine recoverability; balances deemed irrecoverable are subsequently written off.

Financial Instruments

Financial instruments are recognised when the Group or Company becomes a party to the contractual provisions of the instrument and are classified according to their substance.

Deferred and Recycled Capital Grant

Deferred Capital Grant, predominantly Social Housing Grant, is initially recognised at fair value as a long-term liability and is amortised to the Statement of Comprehensive Income as turnover over the life of the structure of housing properties, except for grant received in respect of HomeBuy loans.

Upon disposal of an asset which has deferred capital grant allocated to it, the cost of the grant is transferred to the Recycled Capital Grant Fund until the grant is reinvested in a replacement property or repaid, reflecting the existing obligation under the Social Housing Grant funding regime. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within liabilities is released to the Statement of Comprehensive Income to cost of sales.

Deferred Tax

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax relating to investment properties that are measured at fair value is recognised using the tax rates and allowances that apply to the sale of the assets. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted at the reporting date that are expected to apply to the reversal of the timing difference.

Deferred tax liabilities are presented on the Statement of Financial Position and deferred tax assets within receivables. Deferred tax assets and liabilities are offset only if the Company or Group has a legally enforceable right to set off current tax assets against current tax liabilities.

6. Financial Statements and Notes

2. ACCOUNTING POLICIES (continued)

Financial Assets and Liabilities

Loans and Borrowings

The Group's loans and borrowings meet the definition of, and are classified as, basic financial instruments under FRS 102. These instruments are initially recorded at the transaction price. They are subsequently recorded at amortised costs using the effective interest method.

Gilt Holdings

The Group holds UK government gilts within certain liquidity funds and has elected to designate these at fair value through profit or loss under FRS 102 paragraph 11.14 (b).

Leases

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks or rewards of ownership of the leased assets to the entity. All other leases are classified as operating leases.

Rentals under operating leases are accounted for on a straight-line basis over the lease term even if the payments (where the Group is the lessee) and receipts (where the Group is the lessor) are not made or received on that basis.

The Group has no finance lease commitments.

Sinking Funds

Sinking funds comprise leasehold sinking funds and scheme provisions.

Leasehold sinking funds are unspent amounts collected from leaseholders for major repairs on leasehold schemes, plus any interest received, and are included in payables.

Scheme provisions are scheme funds set aside for major repairs and are also included in payables.

6. Financial Statements and Notes

2. ACCOUNTING POLICIES (continued)

Critical Judgements, Estimates, and Uncertainty

Preparation of the financial statements requires management to make the following significant judgements and estimates:

Impairment Review

At each reporting date the Group assesses whether an indicator of impairment exists. If such an indicator exists assets affected are subject to an impairment review, and the recoverable amount of the asset or cash generating unit is estimated. An impairment loss occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount.

Classification of Loans with Embedded Interest Rate Swaps

We hold loans which carry a variable rate of interest. In some cases, our interest charges have been fixed by the inclusion of embedded interest rate swaps in these agreements for part or the full term of the loan. These loans could be repaid early, and fixes could be broken. This would involve paying a premium to lenders or the lenders paying a discount to us depending on the prevailing interest rate as there are two-way break clauses in our loan agreements.

Considering the requirements and criteria set out in FRS 102, and given our intention and forecasted ability to hold all of these loans to maturity, we consider classification of the loans as 'basic' to be appropriate and recognition at amortised cost to be a fair representation of our liabilities.

Provisioning for Investments in HomeBuy Loans

The Group has provided for investments in HomeBuy loans given its vulnerability to foreclosure and losses on the sale of secured properties. Provisioning involves judgement around redemption rates, failure rates, and changes in property prices.

Defined Benefit Pension Obligations

Financial and actuarial assumptions underlying accounting estimates of the Group's defined benefit obligations are informed by actuarial advice, based on best estimates according to scheme duration, and applied consistently across accounting periods.

Capitalisation of Property Development Costs

The estimate of anticipated costs to complete a development scheme is determined by suitably qualified professionals.

Judgement is involved in determining the appropriate allocation of costs relating to affordable home ownership between current and fixed assets, dependent upon the equity anticipated to be purchased in the first tranche.

Fair Value Measurement

The Group uses external professional advisers to determine the fair value of financial instruments and investment properties. Whilst the fair value of financial instruments is based on quoted prices, investment properties are valued according to the methodologies and assumptions applied by the adviser.

6. Financial Statements and Notes

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS

	Group									
	2019					2018				
	Turnover	Cost of sales	Operating costs	Surplus from disposal of fixed assets	Operating surplus / (deficit)	Turnover	Cost of sales	Operating costs	Surplus from disposal of fixed assets	Operating surplus/ (deficit)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings	122,098	-	(77,260)	-	44,838	120,220	-	(73,000)	-	47,220
Other social housing activities										
Development administration	-	-	(525)	-	(525)	-	-	(457)	-	(457)
First tranche affordable home ownership sales	24,562	(17,544)	(1,232)	-	5,786	18,981	(12,400)	(1,081)	-	5,500
Surplus from disposal of fixed assets	-	-	-	5,628	5,628	-	-	-	5,539	5,539
Help to Buy agency	3,934	-	(1,631)	-	2,303	2,368	-	(1,190)	-	1,178
Other social	1,476	-	(1,232)	-	244	1,078	-	(770)	-	308
Total other social housing activities	29,972	(17,544)	(4,620)	5,628	13,436	22,427	(12,400)	(3,498)	5,539	12,068
Non-social housing activities										
Market rent properties	3,055	-	(1,489)	-	1,566	2,120	-	(1,063)	-	1,057
Market sales	10,904	(7,431)	-	-	3,473	15,125	(12,623)	-	-	2,502
Other non-social	1,685	-	(934)	-	751	1,784	-	(728)	-	1,056
Total non-social housing activities	15,644	(7,431)	(2,423)	-	5,790	19,029	(12,623)	(1,791)	-	4,615
Total	167,714	(24,975)	(84,303)	5,628	64,064	161,676	(25,023)	(78,289)	5,539	63,903

6. Financial Statements and Notes

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	Group									
	2019					2018				
	General needs housing	Supported/ housing for older people	Affordable home ownership	Other social housing	Total	General needs housing	Supported / housing for older people	Affordable home ownership	Other social housing	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover										
Rent receivable net of identifiable service charges (net of voids)	89,034	8,862	5,263	9,585	112,744	87,996	8,788	4,553	9,125	110,462
Service charge income	2,350	1,193	1,097	37	4,677	2,674	1,371	1,123	36	5,204
Net rental income	91,384	10,055	6,360	9,622	117,421	90,670	10,159	5,676	9,161	115,666
Amortisation of capital grant	3,271	1,085	317	4	4,677	3,177	1,044	329	4	4,554
Net turnover from social housing lettings	94,655	11,140	6,677	9,626	122,098	93,847	11,203	6,005	9,165	120,220
Operating costs										
Management	(21,254)	(2,415)	(2,926)	(1,793)	(28,388)	(20,575)	(2,378)	(2,652)	(1,678)	(27,283)
Service charge costs	(4,752)	(540)	(654)	(401)	(6,347)	(4,837)	(559)	(624)	(394)	(6,414)
Routine maintenance	(10,478)	(1,191)	-	(884)	(12,553)	(9,842)	(1,138)	-	(803)	(11,783)
Planned maintenance	(4,166)	(473)	-	(352)	(4,991)	(3,284)	(380)	-	(268)	(3,932)
Major repairs expenditure	(6,684)	(759)	-	(564)	(8,007)	(7,260)	(839)	-	(592)	(8,691)
Bad debts	(87)	(10)	(12)	(7)	(116)	(190)	(22)	(24)	(15)	(251)
Other costs	77	8	10	7	102	497	60	63	40	660
Depreciation of housing properties	(12,400)	(1,377)	(798)	(1,658)	(16,233)	(12,020)	(1,131)	(679)	(1,635)	(15,465)
Loss on disposal of housing components	(588)	(67)	-	(72)	(727)	(467)	(196)	-	(83)	(746)
Impairment reversals	-	-	-	-	-	905	-	-	-	905
Operating expenditure on social housing lettings	(60,332)	(6,824)	(4,380)	(5,724)	(77,260)	(57,073)	(6,583)	(3,916)	(5,428)	(73,000)
Operating surplus on social housing lettings	34,323	4,316	2,297	3,902	44,838	36,774	4,620	2,089	3,737	47,220
Void losses	(455)	(142)	(5)	(93)	(695)	(426)	(140)	-	(65)	(631)

6. Financial Statements and Notes

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

Group (2019)						
	Staircasing	Right to Buy	Other housing sales	HomeBuy redemptions	Other fixed assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sale proceeds	7,457	1,127	632	5,123	30	14,369
Less: cost of sales	(4,065)	(318)	(521)	(3,837)	-	(8,741)
Surplus from disposal of fixed assets	3,392	809	111	1,286	30	5,628

Group (2018)						
	Staircasing	Right to Buy	Other housing sales	HomeBuy redemptions	Other fixed assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sale proceeds	6,348	956	976	6,616	61	14,957
Less: cost of sales	(3,650)	(205)	(652)	(4,872)	(39)	(9,418)
Surplus from disposal of fixed assets	2,698	751	324	1,744	22	5,539

6. Financial Statements and Notes

3. TURNOVER, COST OF SALES, OPERATING COSTS, SURPLUS FROM DISPOSAL OF FIXED ASSETS AND OPERATING SURPLUS (continued)

	Group	
	2019	2018
	Number	Number
HOUSING PROPERTIES		
Owned and managed		
Social		
Social rent general needs housing	12,531	12,535
Affordable rent general needs housing	2,271	2,034
Supported / housing for older people	1,560	1,562
Affordable home ownership	2,038	1,878
Care homes	122	122
Other social housing	1,249	1,188
	19,771	19,319
Non-social		
Market rent housing	387	258
	20,158	19,577
Owned and not managed		
Leasehold housing	1,175	1,147
Market sale	2	21
	1,177	1,168
Managed for others not owned		
Properties managed for others	654	656
	21,989	21,401
Investments		
HomeBuy loans	1,046	1,143
Total	23,035	22,544

	Group	
	2019	2018
	Number	Number
NON-HOUSING PROPERTIES		
Owned		
Garages	1,986	1,986
Allotments	16	16
Shops/commercial	43	43
Other	27	27
Total	2,072	2,072
Total units	25,107	24,616
Properties under construction	1,141	1,354

Leasehold housing represents those units where the freehold has been retained.

6. Financial Statements and Notes

4. FINANCE INCOME

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest receivable from cash and cash equivalents	1,192	383	-	-
Interest receivable from intercompany loans	-	-	2,937	2,781
Loans and borrowings servicing fees recharge income	-	-	46	-
HomeBuy interest	420	444	-	-
Interest from jointly controlled entities loan notes	1,148	222	-	-
	2,760	1,049	2,983	2,781

5. FINANCE COSTS

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest costs on loans and borrowings	34,721	29,558	2,937	2,781
Servicing fees of loans and borrowings	369	347	46	-
	35,090	29,905	2,983	2,781
Interest on Recycled Capital Grant Fund	122	93	-	-
Interest on pension scheme liabilities	734	703	-	-
	35,946	30,701	2,983	2,781

6. Financial Statements and Notes

6. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2019	2018
	£'000	£'000
Surplus on ordinary activities before tax is stated after charging/(crediting)		
Depreciation of fixed assets	17,837	16,662
Impairment reversals	-	(905)
Operating lease expense		
Land and buildings	89	103
Office equipment, computers and motor vehicles	-	2
Fees payable to the Company's auditor for the audit of the:		
Financial statements of the Company	13	9
Financial statements of the Company's subsidiaries	94	90
Total audit fees	107	99
Other amounts receivable by the auditor and their associates (excluding VAT) in respect of:		
Audit related assurance services	6	6
Total non-audit fees	6	6
Total audit and non-audit fees	113	105

7. TAX

	2019	2018
	£'000	£'000
Deferred tax		
Timing differences, origination and reversal	433	(73)
Adjustment in respect of earlier years	(155)	(48)
Tax charge/(credit) for the year	278	(121)
Total tax reconciliation		
Surplus on ordinary activities before tax	31,475	35,475
Tax on surplus on ordinary activities at 19% (2018: 19%)	5,980	6,740
Effects of:		
Expenses not deductible for tax purposes	1,246	643
Prior year adjustments	(155)	(48)
Movement in unrecognised deferred tax	420	932
Non-taxable charitable activities	(6,300)	(7,839)
Movement in deferred tax due to differences in tax rates	(913)	(549)
Total tax charge/(credit)	278	(121)

6. Financial Statements and Notes

8. DIRECTORS' EMOLUMENTS

The Directors are defined as the members of the Group Combined and Executive Boards. Key Management Personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly.

Shown below are the aggregate emoluments (including pensions and benefits in kind, excluding compensation for loss of office) paid by the Group and the Company to:

	Group	
	2019	2018
	£'000	£'000
The Executive Board (excluding those paid to third parties)	739	707
Third parties in respect of Directors' services	115	229
Board Members	88	91
Key Management Personnel excluding Directors	1,333	1,373
	2,275	2,400
Compensation for loss of Directors' offices, by nature of:		
Payments in lieu of notice	-	135
Termination	-	155
	-	290
	2,275	2,690
Emoluments payable to the highest paid Director (excluding pension contributions)	151	154

During the period ended 31 March 2019 there were four Directors within pension schemes in which the Group participates and three were in defined benefit schemes. Their outstanding contributions, which were accrued, as at 31 March 2019 totalled £3k (2018: £4k).

6. Financial Statements and Notes

8. DIRECTORS' EMOLUMENTS (continued)

The members of the Group Combined Board, including details of the other roles they perform on behalf of the Group, are shown below:

Name	Appointed	Resigned	Annual fee	ARC	Committees		
					TIC	RNC	DPRG
Carol Bode (C)	01/07/14		£23,000			M	
Ashley West	16/03/17		£9,000	M		M	
<i>Beverley Anne Costain</i>	01/10/17		N/A		M		M
Jayne Beeson	01/09/11		£9,000	M			
Jonathan Martin Hurst	16/03/17		£11,500	M	C		
Mandy Clarke	01/09/13		£11,500	M		C	
<i>Michael Sweeney</i>	18/08/17	15/10/18	N/A		M		
Richard Williams	01/10/16		£11,500		M	M	
Simon Porter	01/04/14		£11,500	C	M		
<i>John Gary Orr</i>	15/10/18		N/A		M		C
Jane Alderman	01/02/19		£9,000				

C: Chair, M: Member, Italics: Executive Board member

Committees: ARC – Audit and Risk, TIC – Treasury and Investment, RNC – Remunerations and Nominations, DPRG – Development Programme Review Group

Board Members received emoluments during the year totalling £88k (2018: £91k). Board expenses of £12k (2018: £6k) were incurred in the year.

Members of the Executive Board receive no remuneration directly for their role as a Director for the entities in the Group. It is not possible to disaggregate Group Combined Board members' remuneration in respect of services performed on behalf of the constituent group entities.

The members of Radian Group Limited, including details of the other roles they perform on behalf of the constituent group entities, are shown below:

Name	Appointed	Resigned	Annual fee	ARC	Committees		
					TIC	RNC	DPRG
Carol Bode (C)	01/07/14		£23,000			M	
Jonathan Martin Hurst	16/03/17		£11,500	M	C		
Mandy Clarke	01/09/13		£11,500	M		C	
<i>Michael Sweeney</i>	18/08/17	15/10/18	N/A		M		
Richard Williams	01/10/16		£11,500		M	M	
Simon Porter	01/04/14		£11,500	C	M		
<i>John Gary Orr</i>	15/10/18		N/A		M		C
Jane Alderman	01/02/19		£9,000				

C: Chair, M: Member, Italics: Executive Board member

Committees: ARC – Audit and Risk, TIC – Treasury and Investment, RNC – Remunerations and Nominations, DPRG – Development Programme Review Group

Members of the Executive Board receive no remuneration directly for their role as a Director for the company. It is not possible to disaggregate Radian Group Limited Board Members' remuneration in respect of services performed on behalf of the constituent group entities.

6. Financial Statements and Notes

9. STAFF COSTS

The average number of employees expressed as full-time equivalents (calculated on standard working hours per week for each employee) during the year was as follows:

	Group	
	2019	2018
	FTE	FTE
Housing services and central services staff	396	379
Maintenance staff	303	284
Development and home ownership staff	71	86
	770	749

	Group	
	2019	2018
	£'000	£'000
Staff costs (for the above employees)		
Wages and salaries	25,915	25,901
Social security costs	2,540	2,537
Pension costs	3,276	3,346
	31,731	31,784

With effect from 1 April 2017 all employees of the Company had transferred to The Swaythling Housing Society Limited.

The Group has the following number of full time equivalent staff with remuneration (including compensation for loss of office and pension contributions) of £60,000 or more, shown in bands of £10,000:

	Group	
	2019	2018
	FTE	FTE
Salary banding		
£60,000 - £69,999	20	13
£70,000 - £79,999	6	12
£80,000 - £89,999	4	5
£90,000 - £99,999	6	5
£100,000 - £109,999	1	2
£110,000 - £119,999	3	1
£120,000 - £129,999	1	1
£130,000 - £139,999	1	1
£140,000 - £149,999	-	1
£150,000 - £159,999	2	2
£160,000 - £169,999	-	2
£170,000 - £179,999	1	-
£240,000 - £249,999	-	1
£290,000 - £299,999	-	1
	45	47

6. Financial Statements and Notes

10. HOUSING PROPERTIES

	Completed properties			Properties in course of construction			
	Social housing lettings properties	Affordable home ownership properties	Total completed housing properties	Social housing lettings properties	Affordable home ownership properties	Total housing properties in course of construction	Total housing properties
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2018	1,234,204	121,855	1,356,059	19,881	20,768	40,649	1,396,708
Additions	444	(97)	347	40,086	27,038	67,124	67,471
Additions - works to existing properties	5,352	-	5,352	-	-	-	5,352
Transferred into management	52,761	24,488	77,249	(52,761)	(24,488)	(77,249)	-
Transfers across tenures	(158)	84	(74)	6,802	(1,052)	5,750	5,676
Disposals and demolitions	(3,937)	(4,102)	(8,039)	-	-	-	(8,039)
Net movement to current assets	-	(1,289)	(1,289)	-	-	-	(1,289)
At 31 March 2019	1,288,666	140,939	1,429,605	14,008	22,266	36,274	1,465,879
Accumulated depreciation							
At 1 April 2018	(161,506)	(5,735)	(167,241)	-	-	-	(167,241)
Charge for the year	(15,439)	(794)	(16,233)	-	-	-	(16,233)
Transfers across tenures	18	(9)	9	-	-	-	9
Disposals and demolitions	2,471	251	2,722	-	-	-	2,722
At 31 March 2019	(174,456)	(6,287)	(180,742)	-	-	-	(180,743)
Net book value							
At 31 March 2019	1,114,210	134,652	1,248,862	14,008	22,266	36,274	1,285,136
At 31 March 2018	1,072,698	116,120	1,188,818	19,881	20,768	40,649	1,229,467

6. Financial Statements and Notes

10. HOUSING PROPERTIES (continued)

Property valuation

Social housing land and buildings are shown at historic cost. The value of social housing properties as determined by the Existing Use Valuation – Social Housing method at 31 March 2019 was £1,525.3m (2018: £1,325.6m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

Expenditure on works to existing housing properties

	Group	
	2019	2018
	£'000	£'000
Amounts capitalised	5,352	4,732
Amounts charged to Statement of Comprehensive Income	8,076	8,691

Security

The Group had housing property with a net book value of £774.3m pledged as security at 31 March 2019 (2018: £712.2m).

6. Financial Statements and Notes

11. OTHER FIXED ASSETS

	Freehold land and premises	Leasehold land and premises	Computers, fixtures and fittings	Vehicles, plant and equipment	Total other fixed assets
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	14,218	217	2,518	4,680	21,633
Additions	297	-	309	534	1,140
Disposals and demolitions	-	(127)	-	(310)	(437)
At 31 March 2019	14,515	90	2,827	4,904	22,336
Accumulated depreciation					
At 1 April 2018	(2,132)	(217)	(2,091)	(3,369)	(7,809)
Charge for the year	(663)	-	(256)	(686)	(1,605)
Disposals and demolitions	-	127	-	310	437
At 31 March 2019	(2,795)	(90)	(2,347)	(3,745)	(8,977)
Net book value					
At 31 March 2019	11,720	-	480	1,159	13,359
At 31 March 2018	12,086	-	427	1,311	13,824

6. Financial Statements and Notes

12. INVESTMENT PROPERTIES

	Completed investment properties	Investment properties in course of construction	Total investment properties
	£'000	£'000	£'000
Value			
At 1 April 2018	32,312	37,486	69,798
Additions	-	3,370	3,370
Transfers across tenures	16	(12,123)	(12,107)
Transferred into management	27,761	(27,761)	-
Revaluation surplus	974	-	974
At 31 March 2019	61,063	972	62,035

Property valuation

Completed investment properties are shown at market value of £61.1m (2018: £32.3m), defined as MV-T (market value tenanted) at the reporting date by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

If the investment properties had not been revalued, they would have been included at the following amounts:

	2019	2018
	£'000	£'000
Cost	54,515	26,746
Depreciation	(2,723)	(2,591)
Net book value	51,792	24,155

13. HOMEBUY LOANS

	2019	2018
	£'000	£'000
HomeBuy loans	40,948	44,747
Accrued HomeBuy interest	34	36
HomeBuy loan provision	(936)	(1,016)
	40,046	43,767

HomeBuy loans are secured by way of an equity charge over the property purchased by the recipient of the loan.

We have received £32.6m of grant (2018: £35.6m) in respect of the HomeBuy loans in issue. The grants will be recycled on redemption of the loans.

6. Financial Statements and Notes

14. INVESTMENTS

Group

The Group, through its subsidiary Windsor and District Housing Association Limited, has 333 solely held shares and 333 jointly held shares in Affinity (Reading) Holdings Limited alongside Southern Housing Group. In turn, Affinity (Reading) Holdings Limited owns 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply, refurbish, manage and maintain part of Reading Borough Council's housing inventory until 2034.

The Group, through its subsidiary Windsor and District Housing Association Limited, is also in partnership with Southern Housing Group to deliver housing and community development services for the estate under the PFI contract via Affinity Housing Services.

The Group, through its subsidiary Radian Developments Limited has invested in Thakeham Pease Pottage LLP, a jointly controlled entity with Thakeham Homes Limited. The partnership was formed to develop a site at Pease Pottage in West Sussex, delivering over 600 new homes, a school, hospice, café and community spaces. Radian Developments Limited purchased 50% of Thakeham Pease Pottage LLP from Thakeham Homes (Pease Pottage) Limited on 28 September 2018.

The Group, through its subsidiary The Swaythling Housing Society Limited, has a 26% interest in Aspect Building Communities Limited, a company limited by guarantee. Aspect was formed to bring forward housing developments to increase housing supply and boost the local economy by working in partnership with local organisations.

We are a co-investor alongside another registered provider and two local authorities who all contribute to the annual overheads. No investment value is held at the reporting date as it is deemed irrecoverable.

The Group's investment through its subsidiary, The Swaythling Housing Society Limited, in Parity Trust is not considered to be recoverable and was fully impaired in 2015.

The share of deficit in jointly controlled entities on the Statement of Comprehensive Income of £327k (2018: surplus of £249k) reflects the movement in the investments and the £100k (2018: £50k) distribution received in the year.

	Affinity (Reading) Holdings Limited	Affinity Housing Services	Thakeham Pease Pottage LLP	Total investments
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2018	2,463	99	-	2,562
Movement in year	72	19	(518)	(427)
At 31 March 2019	2,535	118	(518)	2,135

Company

In 2011/12, the Company subscribed for the whole of the share capital of Radian Capital plc, a subsidiary set up to raise funds through the bond markets to extend to other members of the Group. The Company holds 50,000 £1 shares of which £12,500 has been paid.

In 2018/19, the Company subscribed for the whole of the share capital of Radian Developments Limited, a subsidiary set up to deliver joint venture projects. The Company holds 1,000 £1 shares which have been fully paid.

The Company also owns one £1 share in each of the following entities: Drum Housing Association Limited, Portal Housing Association Limited, Windsor and District Housing Association Limited, The Swaythling Housing Society Limited and Oriel Housing Limited. As the Company exercises control of these entities through its ability to appoint and remove Board Members, they are subsidiaries. Further details of the Company's subsidiaries and interests are provided in note 28.

6. Financial Statements and Notes

15. PROPERTIES FOR SALE

	Completed properties			Properties in course of construction			Total properties for sale
	Market sale properties	Affordable home ownership properties	Total completed properties	Market sale properties	Affordable home ownership properties	Total in course of construction properties	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2018	5,324	4,406	9,730	1,363	6,554	7,917	17,647
Additions	-	-	-	2,378	18,313	20,691	20,691
Completed in year	2,132	16,606	18,738	(2,132)	(16,606)	(18,738)	-
Net movement from housing properties	-	1,289	1,289	-	-	-	1,289
Cost of properties sold	(7,402)	(17,490)	(24,892)	-	-	-	(24,892)
Reclassifications	-	50	50	(217)	6,590	6,373	6,423
At 31 March 2019	54	4,861	4,915	1,392	14,851	16,243	21,158

16. INVENTORIES

During the year, inventories to the value of £2.5m (2018: £2.0m) were expensed in the Statement of Comprehensive Income. There was no provision made against inventories (2018: £nil).

6. Financial Statements and Notes

17. RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Gross arrears of rent and service charges				
Social	3,996	3,994	-	-
Non-social	427	312	-	-
	4,423	4,306	-	-
Bad debt provision	(1,519)	(1,600)	-	-
Net tenant arrears	2,904	2,706	-	-
Social housing grant receivable	-	342	-	-
Short-term non-liquid assets	6,155	6,129	-	-
Trade receivables	3,271	1,920	-	-
Intercompany loans	-	-	2,788	3,369
Other receivables and prepayments	4,908	2,920	636	428
Amounts due within one year	17,238	14,017	3,424	3,797
Loan notes due from jointly controlled entities	42,795	1,436	-	-
Interest bearing balance due from jointly controlled entities	606	333	-	-
Other receivables and prepayments	20	20	-	-
Intercompany loans	-	-	94,241	97,029
Amounts due after one year	43,421	1,789	94,241	97,029
	60,659	15,806	97,665	100,826

Short-term non-liquid assets comprise gilts and cash held in liquidity funds.

Investment	Nominal value	Fair value		Interest rate	Expiry date
		2019	2018		
	£'000	£'000	£'000		
UK Government gilt holding	1,019	1,182	1,247	8.00%	2021
UK Government gilt holding	600	937	922	4.75%	2038
	1,619	2,119	2,169		

The fair value movement on gilts of £50k has been debited to the Statement of Comprehensive Income in the year.

6. Financial Statements and Notes

18. PAYABLES: AMOUNTS DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and borrowings	12,406	12,400	2,932	3,561
Trade payables	5,090	8,946	-	-
Deferred income	4,625	4,102	-	-
Amounts owed to Group undertakings	-	-	8,724	5,940
Other tax and social security payable	682	623	-	-
Other payables	6,104	3,234	(25)	114
Accruals	10,588	11,204	-	-
Contract retentions	2,072	864	-	-
Right to Buy profit share agreement	1,988	2,364	-	-
Deferred capital grant due within one year	4,525	4,579	-	-
Called up share capital	-	-	38	38
	48,080	48,316	11,669	9,653

Whilst amounts owed to Group undertakings are repayable within one year, it is unlikely that the obligation to repay the debt within one year will be enforced.

19. PAYABLES: AMOUNTS DUE AFTER ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and borrowings	860,208	818,402	94,242	97,028
Recycled Capital Grant Fund	15,726	14,472	-	-
Other payables	17	21	-	-
Contract retentions	2,481	3,378	-	-
Deposits repayable	24	24	-	-
	878,456	836,297	94,242	97,028

6. Financial Statements and Notes

19. PAYABLES: AMOUNTS DUE AFTER ONE YEAR (continued)

Loans and borrowings are secured by fixed mortgages over housing properties and are repayable or will be released to the Statement of Comprehensive Income as follows:

	GROUP							
	2019				2018			
	Bank loans	Bonds	HCA loans	Total	Bank loans	Bonds	HCA loans	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
In multiple instalments								
One year or less	5,488	407	-	5,895	6,069	397	-	6,466
One to two years	7,065	443	-	7,508	3,738	408	-	4,146
Two to five years	27,596	1,574	-	29,170	27,011	1,448	-	28,459
Five years or more	397,080	43,774	-	440,854	406,480	44,343	-	450,823
	437,229	46,198	-	483,427	443,298	46,596	-	489,894
In a single instalment								
Two to five years	-	12,000	-	12,000	-	-	-	-
Five years or more	-	341,550	572	342,122	-	309,800	572	310,372
	-	353,550	572	354,122	-	309,800	572	310,372
	437,229	399,748	572	837,549	443,298	356,396	572	800,266

The prior year comparative has been restated to show the capital repayment profile for all loans and borrowings.
The total value of all loans and borrowings includes a further £35.1m of capitalised fees and premiums.

6. Financial Statements and Notes

19. PAYABLES: AMOUNTS DUE AFTER ONE YEAR (continued)

	Company	
	2019	2018
	Bank loans	Bank loans
	£'000	£'000
In multiple instalments		
One year or less	2,788	3,369
One to two years	1,965	1,038
Two to five years	12,296	11,711
Five years or more	79,980	84,279
	97,029	100,397

The fair value of our own-named bond liability as at 31 March 2019 was £356.7m (31 March 2018: £261.8m).

The bonds have been allocated to the Level 1 fair value hierarchy. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

A summary of the interest rates charged on loans and borrowings is included within the Capital and Treasury Management section, commencing on page 13.

6. Financial Statements and Notes

20. DEFERRED CAPITAL GRANT

	Completed	In course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 April 2018	450,507	12,129	462,636
Inputs			
Received in year	-	1,954	1,954
Transferred from Recycled Capital Grant Fund	-	3,370	3,370
Transferred into management	12,729	-	12,729
Outputs			
Recycled on disposal	(1,518)	-	(1,518)
Transferred into management	-	(12,729)	(12,729)
At 31 March 2019	461,718	4,724	466,442
Accumulated amortisation			
At 1 April 2018	(54,373)	-	(54,373)
Released on disposal	158	-	158
Charge for the year	(4,677)	-	(4,677)
At 31 March 2019	(58,892)	-	(58,892)
Amortised deferred capital grant			
At 31 March 2019	402,826	4,724	407,550
At 31 March 2018	396,134	12,129	408,263

Deferred capital grant will be recognised in the Statement of Comprehensive Income as follows:

	Completed	In course of construction	Total
	£'000	£'000	£'000
Deferred capital grant due within one year	4,525	-	4,525
Deferred capital grant due after one year	398,301	4,724	403,025
	402,826	4,724	407,550

6. Financial Statements and Notes

21. RECYCLED CAPITAL GRANT FUND

	Group
	£'000
At 1 April 2018	14,472
Net inputs to fund	
Grants recycled	4,502
Interest accrued	122
Recycling of grant	
New build	(3,370)
At 31 March 2019	15,726

22. DEFERRED TAX

	Group
	£'000
At 1 April 2018	602
Charged to Statement of Comprehensive Income	278
At 31 March 2019	880

	2019	2018
	£'000	£'000
Deferred tax arising in relation to revalued assets	950	559
Tax losses available	788	(745)
Other timing differences	(858)	788
Provision for deferred tax	880	602

Deferred tax assets and liabilities are offset only where the Group has a legally enforceable right to do so and where the assets and liabilities relate to taxes levied by the same tax authority on the same taxable entity within the Group.

It is not anticipated that there will be any significant reversal of the deferred tax liability in the next 12 months.

An asset of £0.8m (2018: £0.7m) has not been recognised in respect of losses and other timing differences. The asset would be recovered if there were sufficient and suitable surpluses in the future.

6. Financial Statements and Notes

23. PENSIONS

Defined Contribution Schemes

The Pensions Trust Flexible Retirement Plan

The accounting charge represents the Group's contributions to the plan for the year and amounted to £1.3m (2018: £814k). There were outstanding contributions as at 31 March 2019 of £123k (2018: £79k).

Defined Benefit Schemes

The Group, through its subsidiaries, participates in the following schemes:

- Radian Group Pension Scheme (RGPS);
- The Pensions Trust Growth Plan (GP);
- Hampshire County Council Pension Fund (HPF); and,
- The Royal County of Berkshire Pension Fund (RCB).

At the reporting date the schemes across the Group were funded as follows:

	2019	2018
	£'000	£'000
RGPS defined benefit pension deficit	18,249	16,989
GP defined benefit obligation	22	31
HPF defined benefit deficit	6,947	7,385
RCB defined benefit deficit	6,802	7,330
	32,020	31,735

Radian Group Pension Scheme (RGPS)

On 1 October 2012 all employers within the Group established RGPS, a separate pension scheme administered by The Pensions Trust. At the same time employers in the Group withdrew from the Social Housing Pension Scheme (SHPS) and discharged those liabilities which were not transferred to RGPS. RGPS has the following defined benefit structures for its active members:

- 1/60th Final Salary; and,
- 1/60th CARE (Career Average Revalued Earnings)

RGPS is now closed to new members for all employers within the Group though the Group has retained the ability to admit new members at its discretion.

A full actuarial valuation was carried out at 30 September 2016 and updated to 31 March 2018 by an independent qualified actuary. The valuation showed a deficit of £17.2m which the Group has agreed with the Trustee to aim to eliminate over a period of eight years from 1 April 2018. To this end the Group has paid a lump sum of £796k during the year (2018: £1.0m) and continued to make monthly contributions of 34.6% of members' earnings until 31 March 2019.

6. Financial Statements and Notes

23. PENSIONS (continued)

Defined Benefit Schemes (continued)

Radian Group Pension Scheme (RGPS) (continued)

Main financial assumptions adopted for FRS 102 purposes:

	2019	2018
	%	%
RPI inflation	3.3	3.2
CPI inflation	2.3	2.2
Salary increases	3.3	3.2
Discount rate	2.4	2.6

Post retirement mortality assumptions:

	Males	Females
Retiring today	22.1	23.9
Retiring in 20 years	23.5	25.1

The Pensions Trust Growth Plan (GP)

The Swaythling Housing Society Limited participates in GP, a funded multi-employer defined benefit pension scheme that is not contracted out of the state scheme. It is not possible to obtain sufficient information to account for the GP as a defined benefit scheme.

As the scheme is in deficit, and we have agreed to a deficit funding arrangement, the Society recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using a discount rate of 1.39% (2018: 1.71%). The unwinding of the discount rate is recognised as a finance cost.

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

The latest actuarial valuation was carried out by an independent qualified actuary as at 30 September 2017 and reported a deficit of £131.5m with a funding level of 86%. Additional employer contributions are required over ten years to cover the past service deficit. The additional contributions required from the Society from 1 April 2019 are £4k per annum, increasing by 3% per annum compound.

6. Financial Statements and Notes

23. PENSIONS (continued)

Defined Benefit Schemes (continued)

The Pensions Trust Growth Plan (GP) (continued)

Movements in the pension obligation:

	2019	2018
	£'000	£'000
Opening pension obligation	31	35
Interest cost	0	0
Deficit contributions paid	(4)	(4)
Actuarial losses	(5)	0
Closing defined benefit obligation	22	31

Statement of Comprehensive Income:

	2019	2018
	£'000	£'000
Amounts charged to other finance costs		
Interest cost	0	0
Analysis of amounts recognised in other comprehensive income		
Actuarial losses	(5)	0

Hampshire County Council Pension Fund (HPF)

Drum Housing Association Limited participates in a Local Government Pension Scheme, HPF; a multi-employer defined benefit scheme whose deficit can be separately identified.

A full actuarial valuation of HPF was carried out at 31 March 2016 and updated for FRS 102 purposes to 31 March 2019 by an independent qualified actuary. The valuation results show a funding deficit of £5.4m and a funding level of 60.3%. The agreed employer's contribution rate will remain at 31.5% of gross pay from 2018/19 onwards. To contribute to the fund shortfall the Group must pay a capital contribution amount for past service contributions over a recovery period of ten years. These additional contributions have been set at £597k from 2019/20, increased from £577k in 2018/19 as set by the previous valuation. Capital contributions will increase by 3.5% per year from 2018/19 in line with the actuarial salary increase assumptions adopted in the 2016 funding valuation.

Main financial assumptions adopted for FRS 102 purposes:

	2019	2018
	%	%
RPI inflation	3.9	3.8
Salary increases	3.7	3.6
Pension increases (CPI inflation)	2.7	2.7
Discount rate	2.1	2.2

6. Financial Statements and Notes

23. PENSIONS (continued)

Defined Benefit Schemes (continued)

Hampshire County Council Pension Fund (HPF) (continued)

Post retirement mortality assumptions:

	Males	Females
Member aged 65 at accounting date	24.1	27.3
Member aged 45 at accounting date	26.3	29.5

Royal County of Berkshire Pension Fund (RCB)

Windsor and District Housing Association Limited participates in RCB, a multi-employer defined benefit pension scheme where the deficit or surplus can be separately identified. A full actuarial valuation of RCB was carried out at 31 March 2016 and updated for FRS 102 purposes to 31 March 2019 by an independent qualified actuary. The valuation results showed a funding deficit of £2.0m and a funding level of 68%. Contributions in 2018/19 remained at 25.7% (2017/18: 25.7%) of pensionable pay to improve the funding level. Radian Group has adopted a strategy of reducing its pension cessation risk by consolidating its pension obligations over a number of years. On 1 April 2016 the Association took on the RCB pension obligations of Radian Support Limited, receiving consideration of £1.4m in respect of the estimated cessation liability at the point in the future when the last member dies or there is an agreement to settle the liability.

Main financial assumptions adopted for FRS 102 purposes:

	2019	2018
	%	%
Discount rate	2.1	2.2
Pension increases (CPI inflation)	2.8	2.7
Salary increases	4.3	4.2

Post retirement mortality assumptions:

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 95%. These base tables are then projected using the CMI 2015 Model, allowing for a long-term rate of improvement of 1.5% per annum.

	Males	Females
Retiring today	22.0	24.0
Retiring in 20 years	23.7	25.8

6. Financial Statements and Notes

23. PENSIONS (continued)

Defined Benefit Schemes (continued)

The assets in the Group's schemes at 31 March 2019 were:

	RGPS	HPF	RCB	Total
	£'000	£'000	£'000	£'000
Equities	48,634	7,066	2,729	58,429
Government Bonds	-	2,655	-	2,655
Corporate Bonds	27,695	608	807	29,110
Property	1,875	889	746	3,510
Infrastructure	-	-	506	506
Cash	-	269	427	696
Alternative assets	139	211	161	511
Total market values of assets	78,343	11,698	5,376	95,417

The assets in the Group's schemes at 31 March 2018 were:

	RGPS	HPF	RCB	Total
	£'000	£'000	£'000	£'000
Equities	46,825	6,494	2,516	55,835
Government Bonds	-	2,458	-	2,458
Corporate Bonds	23,905	104	788	24,797
Property	2,404	727	675	3,806
Cash	-	270	773	1,043
Alternative assets	1,205	322	497	2,024
Total market values of assets	74,339	10,375	5,249	89,963

6. Financial Statements and Notes

23. PENSIONS (continued)

Defined Benefit Schemes (continued)

The Group's obligations in respect of its defined benefits retirement schemes are set out below:

	RGPS		HPF		RCB		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	78,343	74,339	11,698	10,375	5,376	5,249	95,417	89,963
Present value of defined benefit obligation	(96,592)	(91,328)	(18,645)	(17,760)	(12,178)	(12,579)	(127,415)	(121,667)
Group share of deficit in the scheme	(18,249)	(16,989)	(6,947)	(7,385)	(6,802)	(7,330)	(31,998)	(31,704)
Movements in the fair value of scheme assets								
Opening fair value of scheme assets	74,339	69,841	10,375	9,850	5,249	5,419	89,963	85,110
Interest income on scheme assets	1,924	1,863	232	219	112	116	2,268	2,198
Actuarial gains	2,756	1,742	789	86	342	37	3,887	1,865
Expenses	(107)	-	-	-	(3)	(3)	(110)	(3)
Contributions from employers	2,011	2,003	683	698	15	9	2,709	2,710
Contributions from scheme members	17	771	28	38	2	2	47	811
Benefits paid	(2,597)	(1,881)	(409)	(516)	(341)	(331)	(3,347)	(2,728)
Closing fair value of scheme assets	78,343	74,339	11,698	10,375	5,376	5,249	(95,417)	89,963
Movements in the present value of defined benefit obligations								
Opening defined benefit obligation	91,328	84,679	17,760	16,790	12,579	12,616	121,667	114,085
Service cost	1,230	2,397	258	210	17	18	1,505	2,625
Expenses	-	204	-	-	-	-	-	204
Interest cost	2,341	2,263	387	360	273	274	3,001	2,897
Actuarial losses/(gains)	4,273	2,895	621	880	(352)	-	4,542	3,775
Benefits paid	(2,597)	(1,881)	(409)	(520)	(341)	(331)	(3,347)	(2,732)
Contributions by scheme members	17	771	28	40	2	2	47	813
Closing defined benefit obligation	96,592	91,328	18,645	17,760	12,178	12,579	127,415	121,667

6. Financial Statements and Notes

23. PENSIONS (continued)

Defined Benefit Schemes (continued)

Statement of Comprehensive Income	RGPS		HPF		RCB		GP		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Analysis of amounts charged to operating surplus:										
Current service costs	1,230	2,397	258	210	17	18	-	-	1,505	2,625
Expenses	107	204	-	-	3	3	-	-	110	207
Amounts charged to other finance costs:										
Net finance charge	417	400	155	145	161	158	1	0	734	703

Analysis of amounts recognised in other comprehensive income:

	RGPS		HPF		RCB		GP		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	2,756	1,742	789	86	342	37	-	-	3,887	1,865
Changes in financial assumptions underlying the present value of the scheme liabilities	(4,582)	(2,895)	-	-	(384)	-	-	-	(4,966)	(2,895)
Experience gains/(losses) arising on the scheme liabilities	309	-	(621)	(885)	-	-	-	-	(312)	(885)
Other actuarial gains	-	-	-	-	736	-	5	-	741	-
Actuarial (losses)/gains on pension schemes	(1,517)	(1,153)	168	(799)	694	37	5	-	(650)	(1,915)

A deferred tax asset has not been recognised in respect of the RGPS and RCB deficits in the taxable Group entities as there is insufficient evidence that the asset will be recovered. The amount of asset that has not been recognised in respect of the Group's pension deficits is £3.8m (2017: £3.8m). The asset would be recovered if there were sufficient and suitable surpluses in the future.

6. Financial Statements and Notes

24. CAPITAL AND OTHER COMMITMENTS

	2019	2018
	£'000	£'000
Capital expenditure commitments were as follows		
In contract	108,321	112,987
Approved but not contracted	15,345	12,652
Total capital commitments	123,666	125,639
Other commitments	43,421	35,042
Total commitments	167,087	160,681

Capital commitments represent expenditure on housing properties, other fixed assets, and investment properties not provided for in the financial statements. Other commitments represent expenditure on properties being developed for sale.

Commitments will be financed by cash and cash equivalents (£163.0m at 31 March 2019). Since the reporting date we have also received £46.8m of cash relating to deferred payments on previously sold tranches of the 2049 bond.

25. OPERATING LEASES

The Group total future minimum lease payments under non-cancellable operating leases are as follows:

	Buildings	
	2019	2018
	£'000	£'000
Amounts payable as lessee		
Not later than one year	138	55
Later than one year but not later than five years	310	96
Later than five years	42	-
	490	151

The receipts which the Group is committed to receive in the next year under operating leases are as follows:

	Commercial properties		Leases with partnership agencies		Tenancy leases	
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts receivable as lessor						
Not later than one year	117	122	1,117	1,189	38,388	32,819
Later than one year but not later than five years	169	148	3,112	3,432	97,374	87,704
Later than five years	136	285	1,253	1,464	13,988	14,937
	422	555	5,482	6,085	149,750	135,460

Where a tenancy lease has no fixed end date, it has been assumed that the Group is committed to receive one month's rent, equal to the default notice period on tenancy agreements.

6. Financial Statements and Notes

26. FINANCIAL INSTRUMENTS

	Group				Company	
	At fair value		At historic or amortised cost		At historic or amortised cost	
	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
HomeBuy loans	-	-	40,983	44,783	-	-
Investments	-	-	2,136	2,562	51	50
Receivables	2,119	2,169	55,131	12,297	97,029	100,398
Cash and cash equivalents	-	-	162,983	185,481	5,720	3,332
	2,119	2,169	261,233	245,123	102,800	103,780
Financial liabilities						
Payables: amounts due within one year	-	-	(36,945)	(38,281)	(11,487)	(9,461)
Payables: amounts due after one year	-	-	(878,439)	(811,674)	(94,241)	(97,028)
Deferred Capital Grant due after one year	-	-	(403,025)	(403,684)	-	-
HomeBuy grant	-	-	(32,643)	(35,583)	-	-
Pension liability	-	-	(32,020)	(31,735)	-	-
	-	-	(1,383,072)	(1,320,957)	(105,728)	(106,489)
	2019	2018				
	£'000	£'000				
Fair value losses						
On current asset listed investments	(50)	(111)				

6. Financial Statements and Notes

27. RELATED PARTY TRANSACTIONS

Group

Pension Schemes

All defined benefit schemes in which the employees of the Group participate are deemed to be related parties. Full disclosure on these can be found in note 23.

Loans

During the year, two (2018: four) employees determined to be Key Management Personnel had loans with the Group. In the year, new loans of £4,375 were issued and £3,947 of repayments were made. As of 31 March 2019, the outstanding value of the remaining loans was £4,143 (2018: £3,717).

Loans are unsecured, repayable in monthly instalments and do not carry interest. There are no provisions for uncollectible receivables.

Transactions with Other Entities or Jointly Controlled Entities

The Group has taken advantage of the exemption contained in FRS 102 paragraph 33.1A not to disclose transactions or balances between entities which are wholly owned by the Group.

The Accounting Direction for Social Housing requires registered providers to disclose transactions and balances with the following non-regulated entities which are wholly owned by the Group.

- Radian Support Limited;
- Radian Capital plc;
- Swaythling Assured Homes plc; and,
- Radian Developments Limited.

6. Financial Statements and Notes

27. RELATED PARTY TRANSACTIONS (continued)

The following transactions and balances are shown prior to any Group level consolidation.

	2019	2018
	£'000	£'000
Transactions		
Income		
The Swaythling Housing Society's donation received from Radian Support	100	-
Portal Housing Association's interest received from Radian Capital relating to holding of 2042 bond	630	630
Portal Housing Association's donation received from Radian Support	-	1,151
Portal Housing Association's interest received from Thakeham Pease Pottage	902	-
Windsor and District Housing Association's professional services charge to Affinity Housing Services	25	25
Windsor and District Housing Association's Directors' fees charged to Affinity (Reading)	55	55
Windsor and District Housing Association's Directors' interest from loan notes issued to Affinity (Reading) Holdings	246	222
	1,958	2,083
Expenditure		
Loans and borrowings servicing fees charged by Radian Capital to Portal Housing Association in relation to intercompany loans	(94)	(97)
Interest charged by Radian Capital to Portal Housing Association in relation to intercompany loans	-	11,525
	(94)	11,428
Investments		
Purchase of shares in Radian Developments by Radian Group	1	-
Payables		
Portal Housing Association's receipt of 2049 deferred cash from Radian Capital	(43,750)	(43,750)
Receivables		
Thakeham Pease Pottage's drawdown of loans from Portal Housing Association	41,396	-

6. Financial Statements and Notes

27. RELATED PARTY TRANSACTIONS (continued)

	2019	2018
	£'000	£'000
Balances		
Receivables		
Portal Housing Association's holding of Radian Capital's 2042 bond	10,500	10,500
Amounts due from Affinity Housing Services to Windsor and District Housing Association	15	30
Amounts due from Affinity (Reading) Holdings to Windsor and District Housing Association	1,877	1,769
Amounts due from Affinity (Reading) to Windsor and District Housing Association	33	33
Amounts due from Radian Capital to Portal Housing Association relating to Portal Housing Association's holding of the 2042 bond	-	53
Amounts due from Thakeham Pease Pottage to Portal Housing Association in relation to loans	32,587	-
Amounts due from Thakeham Pease Pottage to Portal Housing Association in relation to unpaid interest on loans	165	-
	45,177	12,385
Payables		
Radian Group's unpaid shares in Radian Capital	(38)	(38)
Intercompany loans from Radian Capital to Portal Housing Association	(261,250)	(217,500)
	(261,288)	(217,538)

6. Financial Statements and Notes

27. RELATED PARTY TRANSACTIONS (continued)

Company

The Company has taken advantage of the exemption contained in FRS 102 paragraph 33.1A not to disclose transactions or balances with entities which are wholly owned by the Group.

This is the case except for transactions or balances with the following Group subsidiaries:

- Radian Support Limited;
- Radian Capital plc;
- Swaythling Assured Homes plc; and,
- Radian Developments Limited.

These entities are not regulated by the Regulator of Social Housing and the Accounting Direction for Social Housing requires registered providers to disclose transactions and balances with non-regulated related parties which are wholly owned by the Group.

Transactions and balances with subsidiaries are eliminated in the Group financial statements. The following transactions and balances are shown from the perspective of the Company.

	2019	2018
	£'000	£'000
Balances		
Unpaid shares in Radian Capital plc	(38)	(38)

6. Financial Statements and Notes

28. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Radian Group Limited is the ultimate parent company. Radian Group Limited is limited by guarantee and therefore has no shareholders. Radian Group Limited shares a registered office with all subsidiaries at Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD.

Below is a list of all entities which make up the Group.

Type	Subsidiary	Registration status	Holding
Registered Providers	The Swaythling Housing Society Limited	Registered Society	100%
	Windsor and District Housing Association Limited	Registered Society	100%
	Oriel Housing Limited	Registered Society	100%
	Portal Housing Association Limited	Charitable Registered Society	100%
	Drum Housing Association Limited	Charitable Registered Society	100%
Development Company	Radian Developments Limited	Limited Company	100%
Funding Vehicle	Radian Capital plc	Public limited company	100%
Dormant Companies	Swaythling Assured Homes plc	Public limited company	100%
	Radian Care and Support Limited	Limited by guarantee	100%
	Radian Housing Limited	Limited by guarantee	100%
	Radian Living Limited	Limited by guarantee	100%
	Wayfarer Limited	Limited company	100%
Jointly Controlled Entities	Affinity (Reading) Holdings Limited	Limited company	50%
	Affinity (Reading) Limited	Limited company	50%
	Affinity Housing Services	Unincorporated	50%
	Thakeham Pease Pottage LLP	Limited liability partnership	50%