RADIAN
where people flourish

Annual Report and Financial Statements

Year Ended 31 March 2018

Company Registration No: 03482228
Homes and Communities Agency No: L4172

General Information

Board of Management

Carol Bode
Chair

Jonathan Martin Hurst

Mandy Clarke

Michael Sweeney
Appointed 18/08/17

Richard Williams

Simon Porter

Secretary

Malcolm Rule

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Auditor

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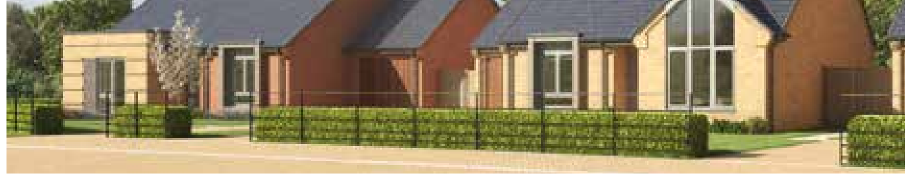


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Highlights

Introduction from the Chair

There's never a quiet year in housing, and this year has been no exception. It has continued to be a year of both economic and political uncertainty, and we know that our business strategy must respond to the challenging environment we find ourselves in.

Over the last year the Board took a number of active steps to make changes to our business in order to better position ourselves for the future. As a result we are in a period of transition and are embracing a significant transformation programme that we will continue to develop and deliver over the coming year. We explored the opportunity of a partnership and considered options that could help deliver additional benefits to our residents and the local communities that we serve; however, upon reflection, we decided that we have a strong future as an independent organisation and are in a robust position to deliver our priorities.

Introduction from the Chair Continued

We have continued to deliver homes of a variety of tenures across the south of England, and we remain committed to doing everything we can to provide more high-quality homes for more people. Our financial strength continues to give us options to build more homes and continue investing in our local communities, and we remain committed to reviewing our efficiencies as a business, putting value for money at the heart of everything we do.

We are responding positively to the government's challenge to deliver more homes and we welcomed the government's announcement in October that it will provide an extra £2bn for affordable housing as it will support us, and others in our sector, in our drive to build more homes. We all have a common goal – to help solve the housing crisis – and as it continues to deepen we need to combine our efforts to address the issues at hand and raise its importance at all levels.

In early 2018 we saw the completion of our In Depth Assessment by the Regulator of Social Housing. We were assessed at V1 for financial viability and G2 for governance. Whilst both assessments are compliant ratings we were disappointed to be assessed at G2, but recognise the need to further develop the reporting and monitoring of our development programme and other associated matters. However, we were pleased that our management systems and internal controls across the organisation were recognised as good. We were grateful for the regulator's input and have every confidence in our plans to return to G1 status in the near future.

Our approach to the coming year is an ambitious one. We have launched our five-year Corporate Strategy 2018-2023 with a focus on investing in developing thriving communities that improve our residents' prosperity and wellbeing over the long term. Our mission will continue to be about offering a variety of rental and home ownership products and services to meet customer, community, and housing need.

This will build on the work that we have carried out successfully in recent years, helping to tackle the ongoing housing crisis whilst continuing to develop healthy communities that give our customers the ability to maintain their independence.

I continue to be proud of all that we do to help and support our current and future customers. Whether that be by enhancing the services we currently offer or building more homes for the people that need them, it will all prove pivotal in supporting our local communities. We would not be in the position we are today without the support and dedication of all our staff, our current and past group combined board and executive board members, as well as the support we receive from our residents and tenants. I would like to personally thank them all for their continued commitment and support to Radian's future.

CarolAnnBode

Carol Bode
Chair

Radian at a Glance

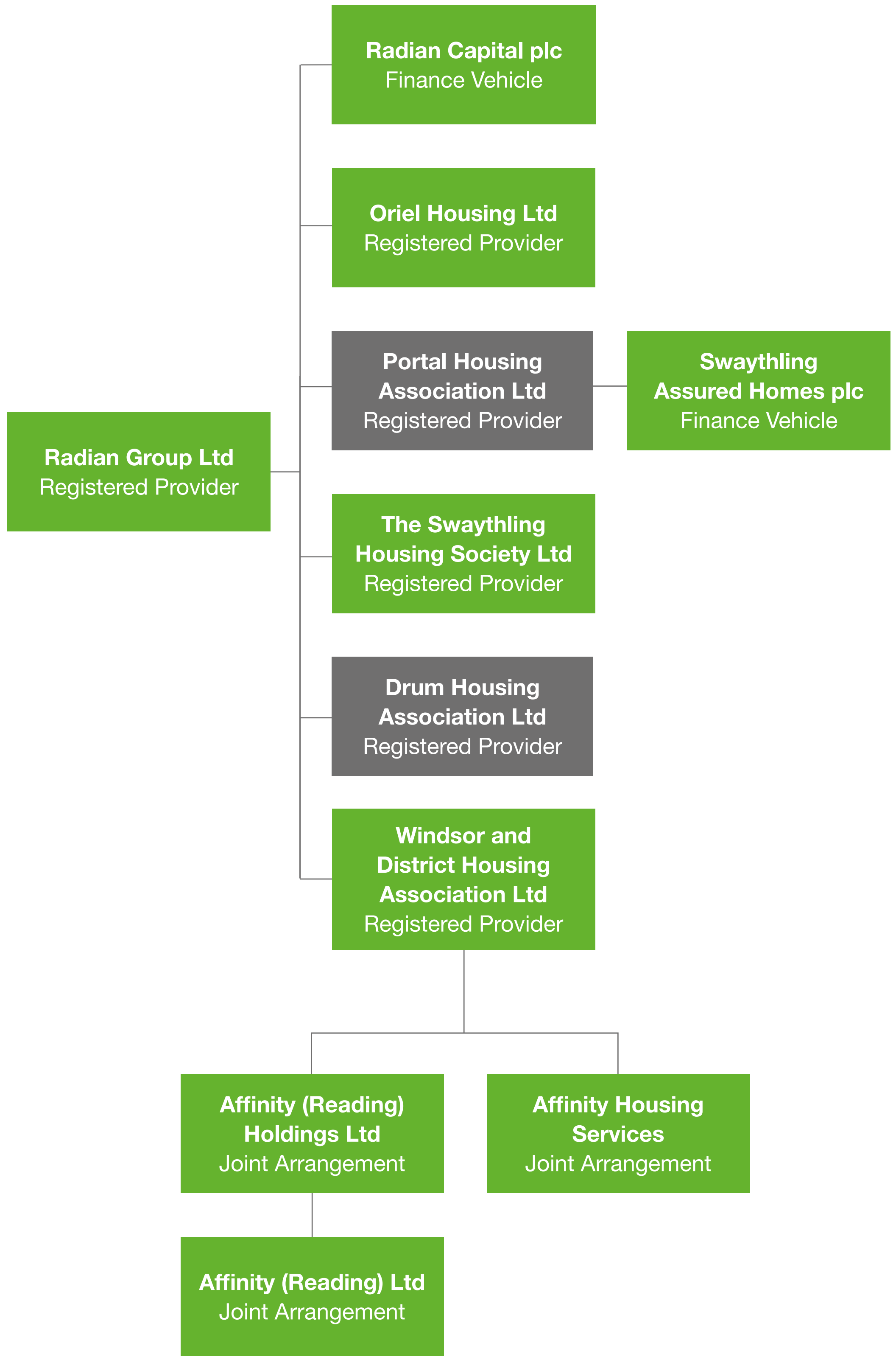
Radian is an award winning provider of over 19,000 social and affordable rented homes across eight counties. We also offer properties for market sale, market rent and affordable home ownership.

A company with a heart, we invest in our social enterprise schemes providing employment, support, and training to our customers and communities.

We strive to create conditions where our residents, communities, and staff can excel. We aim for brilliance in all of the services that we offer, and our financial strength allows us to invest in working with our local partners to help us all meet our strategic objectives.

Radian continues to promote an agenda of growth to provide more homes and opportunities to meet housing needs in our local communities. As part of this commitment, Radian continues to promote sustainable and well designed homes and communities. This has been recognised by the wider industry through a number of significant design and sustainability awards for our new developments, whilst resident satisfaction has risen year on year.

Our Group Structure



Key

- Non-charitable tax status
- Charitable tax status

Strategic Report

Business Overview

Radian Group Limited is a company limited by guarantee and regulated by the Regulator of Social Housing as a registered provider and is the parent company of the six principal entities which make up the Radian Group.

The Group is ranked inside the top 40 providers nationally in terms of units managed, turnover, and surplus generation, with a registered head office in Eastleigh and offices in Petersfield, Windsor, Slough, and Ringwood.

The Swaythling Housing Society Limited, Windsor and District Housing Association Limited, Oriel Housing Limited, Drum Housing Association Limited and Portal Housing Association Limited are all fellow registered providers, Drum Housing Association Limited and Portal Housing Association Limited having been granted charitable tax status. Oriel Housing Limited undertakes development activities under contracts with fellow Group members.

In addition to the six principal entities outlined above, the Group owns a finance vehicle, Radian Capital plc, which issues own-named bonds to raise finance in the capital markets, the proceeds of which are utilised across the Group.

The Group owns, manages, and/or has an investment in 24,616 properties (2017: 24,241) across 33 local authority areas. During the year we added 562 properties (2017: 418) in aggregate including 57 market sale units, which represents a new income stream for the Group in the year. After property sales and loan redemptions our stock holding increased by 375 units.

Of the 19,577 housing properties (2017: 19,034) the Group owns and manages, 74% (2017: 75%) are general needs accommodation predominantly for families or the elderly. The remaining units are primarily spread over supported and other social housing, affordable home ownership, and market rent units.

The Group has housing properties with a depreciated cost of £1,230m (2017: £1,176m), a number of which were acquired by way of Large Scale Voluntary Transfers from local authorities.

The Group is financed by a combination of revenue reserves, long-term loan facilities, bond finance, and social housing grant received from government. The registered providers in the Group operate with the intention of generating surpluses which are reinvested in the Group to support our social purpose in delivering more homes and services for customers.

The Group employed an average of 749 full time equivalent employees during the year (2017: 863), calculated on standard working hours per week for each employee.

Performance Highlights

	Continuing operations 2018	Continuing operations 2017	Restated 2016
	£'000	£'000	£'000
Statement of Comprehensive Income			
Turnover	161,676	135,113	129,388
Cost of sales	(25,023)	(6,260)	(4,586)
Operating costs	(78,319)	(73,770)	(81,114)
Surplus from disposal of fixed assets	5,539	4,919	4,679
Operating surplus	**63,873**	**60,002**	**48,367**
Finance income	2,040	1,341	(926)
Finance costs	(31,692)	(28,550)	(26,553)
Fair value movement on financial instruments	(111)	(19)	(46)
Fair value movement on investment properties	1,086	2,103	1,047
Share of surplus in joint ventures	249	228	263
Surplus on ordinary activities before tax	**35,445**	**35,105**	**22,152**
Tax credit/(charge) for the year	121	(91)	803
Surplus on ordinary activities after tax	**35,566**	**35,014**	**22,955**
Other comprehensive income	(1,915)	(7,484)	9,236
Total comprehensive income	**33,651**	**27,530**	**32,191**

Performance Highlights Continued

	Continuing operations 2018	Continuing operations 2017	Restated 2016
	£'000	£'000	£'000
Statement of Financial Position			
Housing properties at cost less depreciation	1,229,467	1,175,970	1,137,356
Other fixed assets	13,824	13,347	13,686
Investment properties	69,798	44,439	27,524
HomeBuy loans	43,767	48,247	54,257
Investments	2,562	2,363	2,285
Net current assets	171,013	139,537	21,970
	1,530,431	**1,423,903**	**1,257,078**
Long-term payables and grant	1,275,564	1,205,034	1,070,963
Other long-term liabilities	32,337	29,733	23,782
Reserves	222,530	189,136	162,333
	1,530,431	**1,423,903**	**1,257,078**

During the year, turnover increased by 20% driven by £14.8m sales of market sale units at Quebec Park. Our operating surplus increased by £3.9m to £63.9m with operating margin falling from 44% to 40% as market sales achieved a margin of 16%, compared to ongoing social housing lettings which returned 39%.

Surpluses before tax increased from £35.1m to £35.4m despite higher interest costs but our net margin fell from 26% to 22% again as a result of lower margins on market sales.

Operating costs have increased in the year as a result of professional fees incurred during partnership negotiations and restructuring activities which commenced following the decision to remain an independent organisation. Staff related costs are £2.1m higher than the prior year driven by £0.9m of additional costs in relation to our ongoing defined benefit pension arrangements and £1.4m spent on temporary staff, £0.6m higher than 2016/17.

Our balance sheet remains healthy, with an additional £92.0m invested in our social stock and a further £25.3m in our market rent units. This investment is supported by a net increase in long-term payables and grant of £70.5m. During the year the Group received the latest cash instalment of our deferred 2049 bond (£43.8m nominal, £46.9m receipts) and contracted for Facility B of Affordable Housing Finance plc's bond (£26.5m nominal, £30.4m receipts). The Group also secured the £82.7m of funds previously contracted for in Facility A (nominal £73.3m) contributing to £185.5m of cash being available to the Group at the reporting date.

The Group results will be subject to fluctuation in the coming years as operating surpluses will be impacted by the timing of property sales. Market rent units are valued against the market annually and our future surpluses before tax will be impacted as existing stock is revalued and as new stock is measured at fair value for the first time.

Our Performance

We monitor our operations every month on a group-wide basis by a range of key performance indicators (KPIs) that together form our integrated performance review. These measures are aligned to the strategic objectives that were in place during the year.

With the introduction by the Regulator of Social Housing of sector-wide Value for Money (VfM) KPIs, we have revised the content of our internal KPIs to avoid duplication. Our VfM KPIs have been presented in our VfM Statement on **page 35.**

Area	KPI	2018	2018 Target	2017
Strategic				
Growth	Overall number of homes owned and/or in management	21,401	21,187	20,774
Transform new home delivery	Number of Radian Build homes completed (cumulative)	41	42	29
Transform customer service	Overall customer satisfaction (tenants)	91.0%	87.0%	87.5%
	Overall customer satisfaction (owners)	71.0%	70.0%	74.3%
Transform our people	Employee engagement	85.0%	85.0%	85.0%
	Earnings before interest and tax per employee	£87.0k	£74.6k	£76.0k
Governance and financial viability	Debt net of cash to all rental revenue	5.2	6.5	5.6
	Lettings interest cover	1.6	1.6	2.0
	Achievement of business plan level growth	9 years	9 years	9 years
Operational - Commercial				
Financial performance	Surplus on ordinary activities before tax	£35.5m	£24.0m	£34.7m
	Operating surplus	£63.9m	£52.6m	£59.6m
	Covenant compliance	100.0%	100.0%	100.0%
Commercial business streams	Net return on market rent investment (ROI)	4.0%	3.8%	5.8%
New business/ investment appraisal	Development programme operating within the business model and delegation to the Executive Development Panel by the Group Combined Board	2,618 units @ £30.8k (£80.6m)	3,446 units @ £33.8k (£116.5m)	2,140 units @ £33.6k (£71.9m)

Our Performance
Continued

Area	KPI	2018	2018 Target	2017
Operational – Customers				
Customer satisfaction, customer access and complaints	% of digital customer contacts with the customer service centre	30.0%	21.0%	26.7%
Global income collection	Annualised income collection	100.2%	100.0%	100.3%
Void management	Rent loss due to voids	0.57%	0.50%	0.65%
Operational – Property				
Asset management	% of dwellings with current gas safety certificate	100.0%	100.0%	100.0%
	Compliance with government's decent homes standard	100.0%	100.0%	100.0%
	Repairs completed right first time	94.4%	94.0%	94.7%
Development (all annual)	Pipeline land - plots in contract	71	100	114
	Pipeline - units in contract	829	750	848
	Pipeline - units started on site	608	700	742
	Units completed	562	560	418
Operational – People				
Health and safety	No. of RIDDOR reports (per 100 employees)	1.1	0.0	1.4
	Absence levels due to work related incidents (of all sickness)	0.3%	1.0%	0.5%
Human resources	Sickness absence – short term	2.6%	3.5%	3.8%
	Sickness absence – long term	1.9%		
	Voluntary turnover	11.0%	10.0%	9.7%
Learning and development	Attendance to mandatory learning	91.0%	95.0%	92.0%

The KPIs for 2018 underline the strong performance of the business in the year, despite a challenging environment.

Our Performance
Continued

Our increased borrowings have not materially impacted our viability ratios, with debt net of cash to all rental revenue lower than both target and the prior year although increased borrowing costs have seen our interest cover – the number of times surplus from rental income can cover interest costs – fall to 1.6 in the year. Despite this reduction we retain significant headroom across all covenants which have been stress tested in full in our business plans.

Our income collection has remained strong as arrears of rent and service charges have reduced year on year at the reporting date. Void losses on social lettings have also reduced, reflecting the consistent performance of our asset management of existing units.

In line with our strategy to continue to grow the business, we have over 1,400 units in contract or started at the reporting date. This is slightly below our target of 1,450 and the total of 1,590 as at 31 March 2017 and represents a persistent challenge to the business; ensuring we can purchase new land to develop or purchase new units via Section 106 agreements.

Our Vision and Corporate Strategy

In our Vision 2025 we set out our goal for Radian to have a broad customer base, a sophisticated understanding of their requirements, and a focus on efficient, modern service delivery, making it the most trusted housing brand for customers and partners across the South of England.

In light of significant changes in both our internal and external operating environments during 2017/18, the Group Combined Board considered a partnership opportunity with A2Dominion, but after careful consideration we concluded that we have the strength and ambition to achieve our goals of delivering great communities by remaining independent.

We have reviewed our digital fitness, agreeing a road map for delivery which will see significant investment in our IT infrastructure. We have enabled an innovation process encouraging our staff and customers to put forward ideas for improvement and have redesigned our programme management approach as part of our transformation plan.

We continue to be challenged to increase the supply of new homes by our regulator, delivering value for money in the process.

These events led us to refresh our vision; what we want to become, and strategy; how this will be achieved, as we set about 'Realising Our Potential' by 2023.

We will build to tackle the housing crisis, providing new homes across a variety of tenures and price points to meet changing needs in the sector. In doing so we will foster thriving communities and reinvest our surpluses to enhance the service offering and wellbeing within these communities, doing so effectively and efficiently.

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.

Across these four factors, success would mean:

- **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; and
- **People -** We will be a high-performing, results-orientated business led by strong and modern leadership. All of 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 in order 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 which determines the amount of risk the Group is willing to take in different business areas in order to achieve its aims.

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 all the business areas update the Operational Risk Register. These risk registers record the controls and mitigations against each risk, the risk owner responsible, and what assurances are in place against those controls.

Action plans to introduce new controls or improve on existing mitigations are implemented where necessary and tracked at subsequent workshops.

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.

The Executive Board receive headline risks at each of their monthly meetings, with reports on the top ranking operational risks 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 Strategic Risk Register at each regular quarterly meeting.

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

Principal Risks and Uncertainties
Continued

Strategic Success Factor	Risk Area	Controls and Actions
Community	• Radian's valued relationships with local authority partners and stakeholders are reduced or diminished and we are unable to engage them in new ways of working.	• Mapping of our stakeholder relationships and contacts across the business, close liaison with local authorities, and maintenance of preferred partner status; and • Dedicated public affairs advisor and engagement with local members of parliament, councillors, and officers through stakeholder newsletters and events.
Customer	• Radian is unable to deliver a successful digital transformation.	• Digital transformation programme with high-level implementation plan; • Robust methodology for portfolio, programme, and project management in place, with additional project management resource appointed; • Regular consultation on the plans with our Residents' Panel and Resident Scrutiny Group; and • Prioritisation of the services our customers ask to be delivered digitally, via surveys and focus groups.
Property	• Market conditions are not in line with assumptions and financial modelling; • Lack of available land; and • Inability to fund development programme.	• Experienced in-house land team and director of development in post; • Continual review of market intelligence; • Investment appraisals for all new schemes; • Financial modelling of long-term forecast and business plan coupled with cash requirements, and shorter term cash forecast modelled with development input; • Treasury policy requiring committed funding to be available to meet contractual obligations; and • Maximisation of housing stock available for securing debts.

Principal Risks and Uncertainties
Continued

Strategic Success Factor	Risk Area	Controls and actions
People	• We are unable to recruit, develop or retain the skills necessary to deliver our objectives.	• Predictive recruitment process implemented; • Talent management programme in place; and • Ongoing skills matching and gap analysis.

Capital and Treasury Management

Introduction

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 also prioritises a lack of reliance on any single counterparty whether through cash holdings or available facilities.

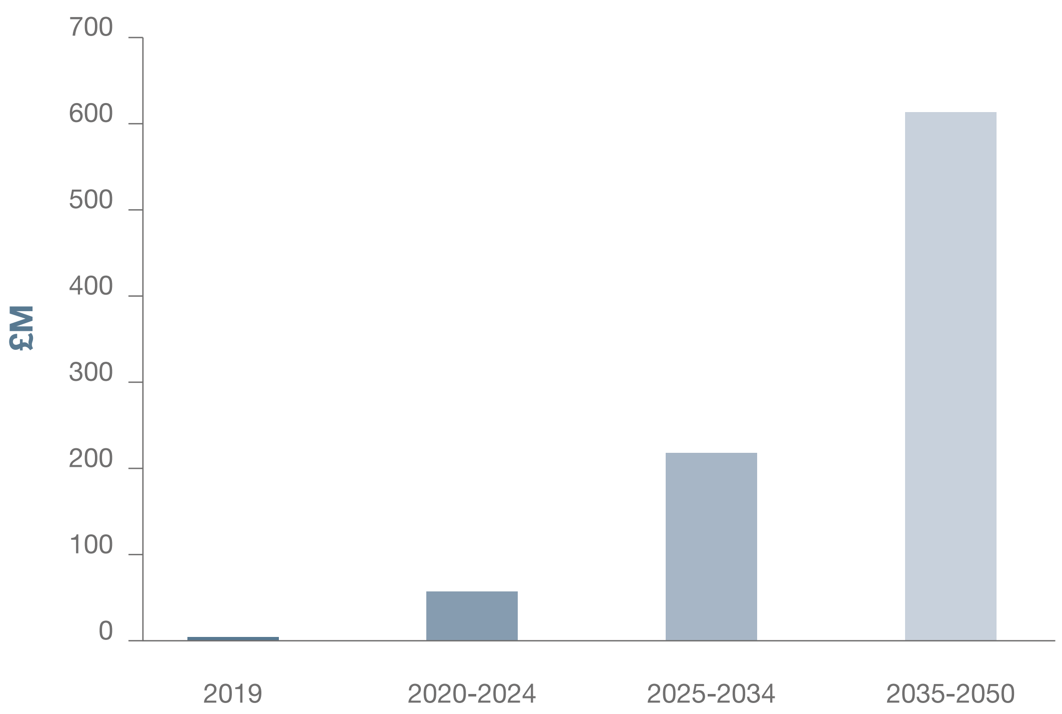
Capital structure

At 31 March 2018 Group borrowings amounted to £800.3m nominal (2017: £736.5m) of which £4.0m (2017: £6.5m) is due to be paid within the next year.

In December 2017 the Group secured additional funding when it sold £26.5m of its retained Affordable Housing Finance plc bond at a premium of £3.9m.

The following graph outlines our debt repayment profile:

Debt Repayment Profile



Includes £87.5m of 2049 subscribed bonds for which the cash had not been received at 31 March 2018.

Capital and Treasury Management
Continued

Own-named bonds

All of 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; and
- **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 a further £25m received in May 2017. At the reporting date a further two instalments of £25m were due in May 2018 and 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 a further £12.5m received in May 2017. At the reporting date a further two instalments of £12.5m were due in May 2018 and 2019. A further £25m was sold in June 2016 and nominal proceeds of £6.25m were received in June 2016 and May 2017. At the reporting date a further two instalments of £6.25m were due in May 2018 and 2019. In all cases the purchasers have contracted to make these future payments.

Other loans and borrowings

The Group has participated in a number of 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 11.5%. 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 HCA 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 into 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, due 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

Capital and Treasury Management
Continued

Risks Continued

- **Currency risk** is not applicable as the Group borrows and lends only in sterling.

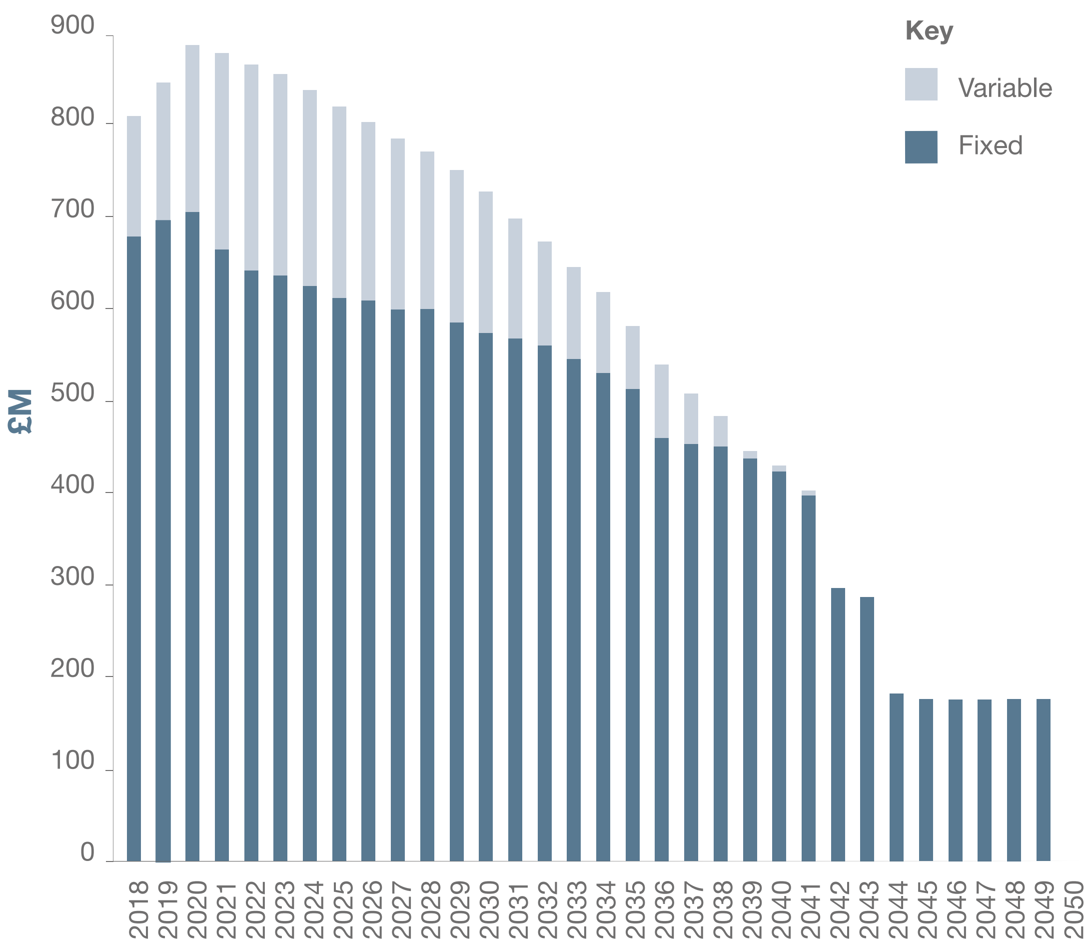
Interest rate management

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.

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

Total debt of £800.3m at 31 March 2018 consisted of 83% fixed and 17% variable rate debt. Of our 83% fixed rate debt, £307.8m was made up of embedded interest rate swaps running for all or part of the loan term and £356.4m was fixed interest bonds. There are no options in our portfolio.

Fixed and Floating Debt



Includes £87.5m of 2049 subscribed bonds for which the cash had not been received at 31 March 2018.

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 Board. There were no breaches of financial covenants during the year.

Surplus assets for future debt security

As at 31 March 2018 the Group had over 3,000 unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise over £172.1m of future new debt on an asset cover ratio of 105% for Existing Use Value as Social Housing (EUV-SH) properties and 115% for Market Value - Tenanted (MV-T) properties.

Per our current development programme, we also expect to complete 735 properties in the period to 31 March 2019.

Future funding options

As at 31 March 2018, the Group had £279.2m of available funds. This comprised £185.5m of immediately available cash and cash equivalents and £87.5m nominal of deferred bond proceeds due to be received by May 2019. This is sufficient to fund the Group over the 36 months from the date of this report. It will cover all committed and pipeline developments including the affordable rent programme.

Our Stock Profile

An overview of the stock we hold and its geographical location (determined by local authorities with at least 50 units):

	Social rent general needs housing	Affordable rent general needs housing	Supported / housing for older people	Affordable home ownership	Other social housing	Care homes	Market rent housing	Leased housing	Total
Basingstoke and Deane Borough Council	53	6	5	35	107	-	-	1	**207**
Borough of Poole	289	17	19	52	6	-	-	6	**389**
Bournemouth Borough Council	168	8	16	24	3	-	9	2	**230**
Bracknell Forest Borough Council	141	6	64	36	27	-	-	4	**278**
Chichester District Council	48	80	-	19	3	-	-	-	**150**
East Hampshire District Council	3,540	567	644	280	142	-	2	243	**5,418**
Eastleigh Borough Council	888	98	114	240	74	12	16	67	**1,509**
Fareham Borough Council	156	109	3	48	53	-	-	1	**370**
Gosport Borough Council	40	6	5	22	134	-	-	2	**209**
Guildford Borough Council	60	2	-	20	-	-	-	23	**105**
Havant Borough Council	35	60	-	54	89	-	-	1	**239**
New Forest District Council	670	48	1	140	48	6	-	16	**929**
Portsmouth City Council	486	131	-	73	102	-	48	19	**859**
Reading Borough Council	30	28	17	19	44	17	-	11	**166**
Royal Borough of Windsor and Maidenhead	2,605	169	427	29	36	62	14	490	**3,832**
Rushmoor Borough Council	75	9	-	50	25	6	-	1	**166**
Slough Borough Council	333	31	3	-	29	-	-	7	**403**
Southampton City Council	1,822	188	218	325	143	-	149	227	**3,072**
Test Valley Borough Council	210	32	-	93	78	-	16	5	**434**
Wiltshire Council	484	298	6	174	1	-	4	4	**971**
Winchester City Council	310	80	-	84	8	-	-	9	**491**
Wycombe District Council	57	21	-	33	-	-	-	8	**119**
Other local authorities	35	40	20	28	36	19	-	-	**178**
	12,535	**2,034**	**1,562**	**1,878**	**1,188**	**122**	**258**	**1,147**	**20,724**

Our Developments

Berry Court, Bournemouth

Completion:
September 2018

Local Authority:
Bournemouth Borough Council

Developer:
The Swaythling Housing Society Limited

Contractor:
Bournemouth Development Company

Tenure:
Market rent

Homes:
113

Berry Court is the flagship development for Radian's SMART brand. The development is situated in the centre of Bournemouth and offers one, two and three bedroom apartments as well as duplexes, all for market rent. The first tenants are due to move into the development in September 2018.

Our Developments
Continued

Hammerley Farm, Horton Heath, Eastleigh

Completion:
June 2019 - March 2020

Local Authority:
Eastleigh Borough Council

Developer:
Foreman Homes

Contractor:
Foreman Homes

Client:
Windsor and District Housing Association Limited

Tenure:
Affordable home ownership and affordable rent

Homes:
37

The development is split in two phases, with phase one on site and phase two currently in the process of obtaining planning permission. The development ranges from one bedroom apartments to five bedroom detached houses.

The Willows, West End, Southampton

Completion:
July 2018 - December 2019

Local Authority:
Eastleigh Borough Council

Developer:
The Swaythling Housing Society Limited

Contractor:
Drew Smith (part of Galliford Try)

Tenure:
Market sale, affordable home ownership, affordable rent and market rent

Homes:
98

This development is an example of a collaborative partnership between Radian and Eastleigh Borough Council delivering a range of mixed tenure units. The site will include two, three and four bedroom houses and bungalows in West End, situated between Southampton and Eastleigh.

Our Developments
Continued

Ashton Walk, Woolston,
Southampton

Completion:
March 2018 - August 2019

Local Authority:
Southampton City Council

Developer:
The Swaythling Housing Society Limited

Contractor:
Hampshire Homes

Tenure:
Market sale, affordable home ownership, affordable rent and rent to buy

Homes:
50

A mixture of three and four bedroom homes are being built on the former Woolston School site located close to rail links on the outskirts of Southampton. The site delivers a number of market sale units to cross subsidise other affordable tenured homes.

Potters Mews, Farnborough,
East Hampshire

Completion:
January 2018

Local Authority:
Rushmoor Borough Council

Developer:
The Swaythling Housing Society Limited

Tenure:
Affordable home ownership

Contractor:
Radian Build (Oriel Housing Limited)

Homes:
10

Situated near to Farnborough town centre, the Potters Mews development was built by our in-house developer Radian Build and consists of 10 two and three bedroom affordable home ownership units.

Our Developments
Continued

Fen Meadow, Nursling,
Southampton

Completion:
June 2017 - April 2022

Local Authority:
Test Valley Borough Council

Developer:
Bloor Homes

Contractor:
Bloor Homes

Clients:
The Swaythling Housing Society Limited and Drum Housing Association Limited

Tenure:
Affordable home ownership and affordable rent

Homes:
130

Ranging from one to four bedroom apartments and houses, units are being delivered across 11 phases. Currently on phase three, the development is an example of an ongoing long-term project where Radian can expect completions to begin in the medium term.

Kennet Island,
Reading

Completion:
May 2017

Local Authority:
Reading Borough Council

Developer:
St James (part of the Berkeley Group)

Contractor:
St James (part of the Berkeley Group)

Client:
Windsor and District Housing Association Limited

Tenure:
Rent to buy

Homes:
27

Our one and two bedroom apartments are situated within an urban village, which includes its own piazza with licensed bar and café. The rent to buy tenure enables tenants to rent at a discount, and provides the option to buy in the future.

Our Developments
Continued

Quebec Park, Bordon,
East Hampshire

Completion:
November 2016 - June 2018

Local Authority:
East Hampshire District Council

Developer:
The Swaythling Housing Society Limited

Contractor:
Drew Smith (Part of Galliford Try)

Tenure:
Market sale, affordable home ownership and affordable rent

Homes:
100

Quebec Park is situated on land formerly owned by the Ministry of Defence and was purchased as part of a wider public initiative to redevelop Bordon. The development consists of 65 market sale units, with the remaining units spread across affordable home ownership and affordable rented properties and includes an enterprise hub and community café.

Bader Heights, Tangmere,
Chichester

Completion:
October 2016 - April 2018

Local Authority:
Chichester District Council

Developer:
Miller Homes

Contractor:
Miller Homes

Client:
Drum Housing Association Limited

Tenure:
Affordable home ownership and affordable rent

Homes:
64

This development of two, three and four bedroom houses is situated less than half a mile from the A27 on the edge of the South Downs National Park in the Saxon town of Tangmere.

Value for Money

Value for Money (VfM) – an integral part of our business

We aim to provide quality services that represent value for money. In order to fulfil our regulatory obligations we publish our VfM statement on our website every September. The statement provides full details of our performance, cost of and return on assets, VfM delivered to date, and our future plans.

Our website also contains our VfM Strategy 2016-20 which was a vital component of our Vision 2025 and remains an integral part of our Corporate Strategy 2018-23, which is outlined on page 20.

Regulatory updates

In April 2018, the Regulator of Social Housing published their Regulating the Standards document. The foreword to this document outlines enhanced VfM requirements and in particular the need for registered providers to demonstrate that:

- Overall, optimal benefit is derived from resources and assets in the delivery of their strategic objectives;
- Providers undertake rigorous appraisal of options for improving their VfM performance and have a robust approach to decision making;
- VfM is achieved across all providers' operations and that where investment is made in non-social housing activity proper consideration is given as to whether this activity generates returns that are proportionate to the risks involved; and
- Providers report on a suite of VfM metrics (these now replace the former requirement to publish a VfM self-assessment) and that they clearly explain plans to address areas of under-performance.

The new VfM standard sets the expectation that VfM should be a key strategic objective for providers that has a clear focus on outcomes. The Regulator of Social Housing will seek assurance that registered providers have agreed a strategic approach to achieving value for money in fulfilling their objectives.

HouseMark

We continue to compare the cost and quality of our services through HouseMark against a peer group of 23 organisations each with over 7,500 homes in Outer London, the South East and South West.

Full details of our 2016/17 performance can be found within our VfM statement, the VfM section of our website, and within the quarterly 'How are we Performing' reports to customers.

Value for Money
Continued

Performance summary – March 2018

In September 2017 the Homes and Communities Agency released proposals to the sector outlining a common set of KPIs that all registered providers would be required to publish. These were finalised in April 2018. A total of nine metrics across seven indicators will enable future comparison across registered providers' performance in delivering VfM.

[1] The basis for calculation of all metrics has been determined by guidance issued by the Regulator of Social Housing in their publication 'Value for Money Metrics – Technical note feedback and response' in April 2018.

Reinvestment

Development of new properties plus works to existing properties / housing properties at cost [1]

March 2018
5.16%

March 2017
4.29%

Ref:1

New supply delivered - social

New social units added / social units at period end [1]

March 2018
2.61%

March 2017
2.18%

Ref:2a

New supply delivered - non-social

New non-social units added / total units at period end [1]

March 2018
0.27%

March 2017
0.04%

Ref:2b

Gearing

Total borrowings less cash / housing properties at cost [1]

March 2018
44%

March 2017
50%

Ref:3

Interest cover

Operating surplus, (excluding surplus on disposal of fixed assets) plus finance income plus depreciation less capitalised major repairs less grant amortisation / finance costs less interest on defined benefit pension schemes

March 2018
219%

March 2017
222%

Ref:4

Headline social housing cost per unit

Management costs plus service charge costs plus all maintenance costs plus major repairs (expensed plus capitalised) plus other costs / social units at period end [1]

March 2018
£3,311

March 2017
£3,307

Ref:5

Operating margin (social housing lettings only)

Operating surplus (social housing lettings only) / turnover from social housing lettings [1]

March 2018
39%

March 2017
44%

Ref:6a

Operating margin (excluding surplus on disposal of fixed assets)

Operating surplus (excluding surplus from disposal of fixed assets) / total turnover

March 2018
36%

March 2017
40%

Ref:6b

Return on capital investment

Operating surplus less share of surplus in joint ventures / total assets less current liabilities [1]

March 2018
4.20%

March 2017
4.20%

Ref:7

Value for Money
Continued

Overview of year-on-year performance

Indicators which have shown a notable variance year on year have been outlined below:

- **Reinvestment** in new and existing properties has increased by 25% in cash terms compared to the prior year, up to £71m with 93% of these funds spent on new properties;
- **New supply of non-social units** has increased notably, largely due to market sales at Quebec Park where 43 units were sold in the year and 21 units handed over prior to the reporting date;
- **Gearing** has fallen by 6% owing to the fact that net borrowings have fallen from £661m to £615m, with the increase in borrowing offset by a £110m increase in cash balances. Properties held at cost have increased by 5% to £1,397m; and
- **Operating margins** from social housing lettings and in total (excluding disposals of fixed assets) have both reduced from 44% to 39% and 40% to 36% respectively. Operating costs within the business have increased and suppressed both margins and whilst the introduction of market sales in the year have made positive contributions (£2.5m), they have done so at lower margins. Surpluses from social lettings (83%) and other social activities (53%) compare to 16% on market sale units.

Headline social housing cost per unit

The headline social housing cost per unit has previously been published following the submission by registered providers of annual Financial Viability Assessment returns, from which the regulator has produced Global Accounts for the sector.

In 2016/17 Radian's cost per unit as published in the Global Accounts was £3,001 which was between the lower quartile of £2,932 and the median of £3,298. The revised methodology as issued in April 2018 has seen material changes to the denominator in the calculation, specifically requiring the exclusion of leasehold units from the number of social units.

On a like-for-like basis Radian's cost per unit would have increased to £3,307 in 2016/17, although we would expect an increase to the sector quartiles after fellow registered providers had made the relevant adjustments.

In 2017/18 Radian's cost per unit has increased by 0.1% to £3,311, primarily as a result of additional overheads in the Group relative to the number of new social units added. Social stock has increased on a net basis across social and affordable rent (273) and affordable home ownership (145) tenures in particular.

New homes

2018 saw us develop a total of 562 homes, 304 of which were for social and affordable rent, 201 were affordable home ownership properties and 57 for market sale.

The objective of our development strategy is to develop 3,500 new homes over the next five years. This will be a mixed tenure programme including increased numbers of affordable home ownership properties, supported by a range of other products. We will fund this through income from sales, grant funding, the deferred payments on our 2049 bond, and our retained reserves, combined with a strategy to reduce build costs.

We will achieve this saving through innovative partnership working and by developing more schemes on land that we have acquired ourselves as outlined in our Corporate Strategy 2018-23. This includes growing our in-house construction service Radian Build to deliver 150 homes per annum by 2021. During the year Radian Build delivered 12 homes.

Value for Money
Continued

Managing our assets

In general, there is high demand for our assets which are in good condition and perform well both in terms of their financial return and their social benefit. Our relatively compact geographical spread balances the efficiency benefits of concentration with the risks of over concentration. We focus on consolidating stock through development to meet demand in our existing geographical areas.

We have a programme of asset management where we consider our stock and identify properties that are unconstrained by planning conditions, stock transfer covenants or other restrictions. This has shown how our contribution from low performing assets might be improved through change of use or tenure or disposal when the properties next become empty. This led to four properties being sold in the year, generating funds of £662k.

We had audits of planned maintenance and stock condition data which were favourable. The stock condition methodology was found to be robust meaning we are able to target our planned works programmes accurately thus ensuring we invest in the right areas at the right time.

In addition a review of our photovoltaic (solar) panels over the last five years showed we had generated £1.6m of income and performed above average Standard Assessment Procedure (SAP) 90% of the time meaning residents' energy bills have been cheaper as a result.

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 26 July 2018 and signed on its behalf by the chair:

CarolAnnBode

Carol Bode
Chair

Board Report

Group Combined Board

The Group Combined Board meets at least quarterly to consider all aspects of strategy, performance and compliance for the Group as a whole. It is made up of nine members, including Radian's chief executive and director of finance and IT.

Carol Bode
Chair (July 2014)
Carol is an experienced organisation development professional operating for 30 years in the retail, financial services, and service sectors. Over the last 12 years she has developed a portfolio of non-executive director roles within the housing, health, and voluntary sectors. Previous roles have included chair of Hampshire Partnership NHS Foundation Trust, deputy chair of The Hillingdon Hospitals NHS Foundation Trust, independent chair of Hampshire's Safeguarding Adults Board, as well as being an associate to several management consultancies providing board level effectiveness, governance, and development reviews. Carol is currently the chair of Wiltshire Health and Care LLP, chair of Basingstoke Voluntary Action, and a serving magistrate in North Hampshire.

Richard Williams
Vice Chair (September 2013)
Richard was recently the chief executive of Rangeford Retirement Developments and Rangeford Care, a developer and operator of retirement villages and a domiciliary care provider. Prior to that he was a 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. He currently runs a property consultancy, utilising his development and construction experience from both the commercial and residential sectors.

Jayne Beeson
(September 2011)
Jayne is a Fellow member of RICS 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).

Group Combined Board Continued

Simon Porter
(April 2014)
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
(September 2013)
Mandy is a chartered HR professional with over 25 years international and multi-sector experience. She has undertaken a number of senior and executive roles globally, and operates a management consulting business. Mandy is a non-executive director at GreenSquare Group and at IPSE (the Association of Independent Professionals and the Self Employed). Mandy was formerly the chair of Wiltshire Air Ambulance.

Martin Hurst
(March 2017)
Martin is a professional economist with 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 a government department. 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.

Group Combined Board Continued

Ashley West
(March 2017)

Ashley has enjoyed a successful career in banking and commerce, holding a number of roles including 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.

Mick Sweeney,
Chief Executive (July 2017)

Mick has been in the housing sector all his working life, starting in 1976 as a graduate trainee at the Housing Corporation. From there he moved to Sanctuary Housing as project manager, overseeing developments in London and East Anglia. He later joined Community Housing Association as development manager, progressing to chief executive and, following its merger with Toynbee Housing Association, subsequently became chief executive of the newly created One Housing Group. He took up the position of interim chief executive at Radian in July 2017.

Anne Costain,
Director of Finance and IT (October 2017)

Anne is a chartered accountant and qualified corporate treasurer. Starting her career at Aon, she has worked in a number of organisations including De La Rue as divisional finance director. She joined Radian in August 2012 as deputy finance director, formally taking on the role of finance and IT director in April 2017.

Executive Board

Mick Sweeney and Anne Costain are members of both the Group Combined Board and Executive Board. Anne Costain has been a member of the Executive Board since August 2016.

Peter Evans,
Director of Technical Services (October 2005)

Peter is a qualified surveyor and has been working in construction for over 30 years, gaining experience in a variety of roles and sectors. Before Radian, he worked for the National Trust as an historic building surveyor, winning two Chartered Institute of Builders Awards in both contractual and technology studies. As director of technical services at Radian he is responsible for asset management, maintenance, and facilities management.

Ralph Facey,
Director of Housing and Customer Services (January 2005)

Ralph has over 30 years housing experience in a range of different organisations, 19 years of which have been at chief housing officer or director level. Before joining Radian, Ralph oversaw the formal transfer of the Castle Vale estate in Birmingham to a Housing Action Trust and worked in a range of leadership roles in four local authorities. Ralph was appointed as group director of housing and customer services in December 2009 and is a member of the Chartered Institute of Housing.

Alan Williams,
Director of Development (October 2017 - April 2018)

Alan joined the Group on a short-term basis in October 2017 as director of development, being replaced by James Pennington as acting director of development in April 2018.

Report of the Board

The Board presents its annual report and the audited financial statements for the year ended 31 March 2018.

Principal Activities

Radian Group Limited is a registered provider with the Regulator of Social Housing. The Company is the non stock owning parent of the Radian Group.

The Group aims to provide high quality homes and services to help improve people's lives and sustain the communities in which they live. Group surpluses are reinvested to provide new homes, positively responding to the government's challenge to build more homes across all tenures.

Board Members and Executive Board Members

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 as a whole. Where necessary, decisions affecting individual subsidiaries are formally enacted by the individual entity boards.

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.

Group combined board members and executive board members are set out on **pages 42 to 45.** Board members are drawn from a wide background and contribute a range of professional, commercial, and other relevant experience and expertise. During 2017/18 there were a number of changes to the Executive Board as three long standing members, including the chief executive, stood down.

Permanent and interim appointments were made to perform duties on a day-to-day basis and help prepare Radian for the new Corporate Strategy 2018-23.

Insurance policies in place indemnify board members and officers against liability when acting for Radian.

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 Board under defined terms of reference. The executive board members act on behalf of all Group entities.

Executive Service Contracts

Three members of the Executive Board are employed on the same terms as other staff, with the exception of a discretionary annual bonus scheme, overseen by the Remuneration and Nominations Committee. These executive board members are members of the Radian Group Pension Scheme (RGPS) and they participate in the RGPS on the same terms as all other employee members.

The other members of the Executive Board as at 31 March 2018 were interim appointees whose terms of contract were agreed at the time of engagement. The Group Combined Board is responsible for approving any bonus awards or changes in the chief executive's compensation or contract.

Details of the benefits received by executive board members, including those who have been engaged on an interim basis, are set out on **page 90**.

Governance and Regulation

Governance

The Group Combined Board is responsible for Radian's strategic direction and for effective governance across the business. This is achieved either directly or by delegating specified responsibilities to three main committees:

- Audit and Risk Committee;
- Treasury and Investment Committee; and
- Remuneration and Nominations Committee.

The chair of each committee reports regularly to the Group Combined Board, providing assurance on key areas of the committee's terms of reference.

Responsibility is delegated to the Executive Board to manage the business, including the delivery of the Group's development strategy, subject to authority limits. The terms of reference for the Executive Board have been revised in the year, further simplifying governance arrangements and strengthening their accountability to the Group Combined Board.

The Group Combined Board has responsibility for Group financial performance, but delegates management of the Group's treasury function to the Treasury and Investment Committee.

KPIs linked to delivery of the corporate strategy are monitored by the Executive Board and are reported regularly to the Group Combined Board. A comprehensive risk management framework operates, overseen by senior management, and the Group Combined Board receives regular reporting on business and strategic risks. An assurance framework relating to business risks is in place and a similar framework for assurance against strategic risks is in development.

With the support of an independent consultant, a Governance Health Check was conducted in the year, reviewing the implementation of the Governance Effectiveness Review conducted in 2016/17. Minor improvements have been made to the terms of reference of the Audit and Risk Committee, the Treasury and Investment Committee, and the Remuneration and Nominations Committee. Group Financial Regulations and Group Standing Orders were updated and reapproved within the year. The Group Combined Board and its committees will continue to keep effectiveness under review during 2018/19.

Regulation

Radian operates in accordance with all applicable law and with the Regulatory Framework laid down by the Regulator of Social Housing. The Audit and Risk Committee has reviewed compliance with the Regulatory Framework and in light of this the Radian Group Limited Board, as Group parent, certifies that Radian is compliant with the Regulatory Framework and, specifically, the Governance and Financial Viability Standard.

All entities within the Group adopt the National Housing Federation (NHF) Code of Conduct 2012, with which board members, employees, involved residents and contractors are expected to comply. Each registered provider in the Group has also adopted the NHF Code of Governance 2015 and has received assurance from the Audit and Risk Committee, following an appropriate year end review, that Radian is fully compliant with both the Code of Conduct and the Code of Governance. A statement of compliance is published on Radian's website.

Following an In Depth Assessment carried out by the Regulator of Social Housing in December 2017, Radian's regulatory rating for governance and viability was assessed as G2/V1. Although Radian remains compliant, an action plan has been agreed in consultation with the regulator and we are confident introducing the improvements identified will enable Radian to regain its previous rating of G1/V1.

Resident and Customer Involvement

Radian is firmly committed to placing residents and customers at the heart of the business, and to hearing from residents as part of our aim to improve standards and service. This is formally facilitated via a Resident Scrutiny Group and a Residents' Panel, which evaluate services and customer satisfaction, making recommendations to the Executive Board.

Various other methods of involvement, including 'Your Voice'; a digital consultation forum, and the Community Safety Panel, enable residents to help shape our services.

Complaints

A complaints policy is in place which is clear and accessible to all residents via our website.

Health, Safety and Wellbeing

Radian's health and safety management system is well established and monitored by a team of chartered safety and health practitioners. Arrangements are in place through the implementation of policies, procedures and safe working practices, to protect residents, employees and others from harm.

Regular reports are issued to the Audit and Risk Committee as assurance that Radian is compliant with the Health and Safety at Work Act 1974. The Audit and Risk Committee chair holds the responsibility to draw to the attention of the Board any health and safety matters of particular concern or interest.

The Health and Safety Committee attended by employee representatives meets quarterly to receive information on performance, together with policy and procedure updates, information on accidents and incidents in the workplace, and for the purpose of formal consultation and exchange of information.

A programme of regular health and safety related training is available, including opportunities for board members to refresh their knowledge on the responsibilities for all matters relating to health and safety.

Fire Safety

Fire safety is managed through a programme of fire risk assessments for all our residential blocks and commercial premises. Radian works in partnership with a Primary Authority to obtain access to assured advice for compliance with the Regulatory Reform (Fire Safety) Order 2005.

Following the tragic events at Grenfell Tower in June 2017, Radian responded in a swift and decisive manner to ensure the safety of our residents and provide reassurance. We own and manage seven buildings over the 18 metre threshold which required additional safety checks at the Department of Communities and Local Government's request. Checks confirmed that no block over 18 metres in height contained the Aluminium Composite Material (ACM) cladding used at Grenfell Tower. Although not required we also reviewed buildings of five storeys and one block was found to have partial ACM cladding. The property was deemed safe following inspection by the fire service and the local authority, who gave positive feedback regarding our approach to fire safety and risk. We continue to engage with residents on fire safety and provide them with advice and assurance.

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

Internal Control and Risk Management
Continued

responsibility to review the effectiveness of the operation of internal controls to the Audit and Risk Committee.

Radian'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.

Radian'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;
- Annual reviews of board and committee effectiveness;
- Group financial regulations and associated procedures;
- Treasury strategy;
- Executive Board delegated authority to specified limits to approve new development schemes or other significant new business activities;
- Robust appraisal framework to assess new development schemes or land opportunities;
- 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;
- 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;
- 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;
- Quarterly and annual 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;
- Fraud prevention policy and response plan are in place and all incidents are reported to the Audit and Risk Committee. The policy covers prevention, detection, and reporting of fraud and the recovery of assets. A Group whistleblowing policy is in place and there are controls to mitigate the risk of bribery and money laundering. 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; and

Internal Control and Risk Management
Continued

- Chief executive led annual review of effectiveness of internal controls, reporting to the Audit and Risk Committee.

Radian'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 business risks at each meeting, ensuring that appropriate mitigations are in place or actions identified to improve risk controls. The Group Combined Board monitors strategic risks and 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 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 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.

Review of Effectiveness of Internal Control

The Audit and Risk Committee has received assurance from the chief executive on his annual review of the effectiveness of the system of internal controls that have operated during 2017/18 and up to the signing of these accounts, via a self assessment process signed off by each executive board member.

The Group Combined Board has received assurance from the Audit and Risk Committee that the system of internal controls has operated effectively during 2017/18, 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 has received assurance from the internal auditor's Annual Report on the programme of internal audits conducted in 2017/18, with the internal auditor concluding that Radian demonstrated a reasonably strong internal control environment.

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 shares information on its vision, strategic plan and objectives through briefings from senior management. Day-to-day operational information is shared with employees in a variety of formats, including 'buzz briefings' and internal e-newsletters and communications.

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.

Post Balance Sheet Events

There have been no events since the reporting date that the Board considers have had a significant effect on the Group's financial position.

Radian Support Limited, a former provider of care and support services which ceased trading in 2016/17, was formally liquidated on 17 July 2018.

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 Group's budget and business plan, which take into account 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 company's auditor in connection with preparing their report, of which the company's auditor is unaware; and
- 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 company's auditor in connection with preparing their report and to establish that the company's auditor is aware of that information.

External Auditor

A resolution to appoint BDO LLP will be proposed at the forthcoming annual general meeting.

BDO LLP has indicated their willingness to continue in office and a resolution to reappoint them for the coming year will be proposed at the annual general meeting.

The Board Report was approved by the Board on 26 July 2018 and signed on its behalf by the chair:

Carol Bode
Chair

Statement of the Board's Responsibilities

Statement of the Board's Responsibilities

The Board is responsible for preparing the report and the financial statements in accordance with applicable law and Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

Company and registered provider legislation in the United Kingdom requires the Board to prepare financial statements for each reporting period which give a true and fair view of the state of affairs of the Group and Company at the end of the year and of the surplus or deficit of the Group and Company for the year then ended.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and accounting estimates that are reasonable and prudent;
- Follow applicable United Kingdom Accounting Standards and the Housing SORP 2014: Statement of Recommended Practice subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group and Company will continue in business; and
- Prepare a board report and a strategic report which comply with the requirements of the Companies Act 2006.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company and enable it to ensure that the financial statements comply with the Housing SORP 2014, the Accounting Direction for Social Housing in England from April 2015, the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. It is 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 is responsible for ensuring that the Report of the Board is prepared in accordance with the Housing SORP 2014.

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

Independent Auditor's Report to the Members of Radian Group Limited

Independent Auditor's Report to the Members of Radian Group Limited

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 2018 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 Statement of Cash Flows 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 2018 and of the Group's and Parent Company's surplus for the year then ended;
- The Group and the 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.

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.

We have determined that there are no key audit matters to communicate in our report.

Our Application of Materiality

Group Financial Statements Materiality:

£18,900,000

(2017: £17,500,000).

Group Specific Materiality:

£4,400,000

(2017: £4,000,000).

Parent Company Financial Statements Materiality:

£1,300,000

(2017: £1,300,000).

Independent Auditor's Report to the Members of Radian Group Limited Continued

Our Application of Materiality Continued

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 is considered to be a key performance indicator for stakeholders assessing the performance of the Group. We have also set a specific materiality at 6% of adjusted operating surplus (consistent with 2017) 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 £24,000 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 £366,000 (2017: £350,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

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.

All components are considered significant components and the financial information of all is subject to a full-scope ISA audit by BDO LLP.

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.

Independent Auditor's Report to the Members of Radian Group Limited Continued

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

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 board report.

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; or
- The Board members were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Board report and from the requirement to prepare a strategic report.

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.

Independent Auditor's Report to the Members of Radian Group Limited
Continued

Use of Our Report

This report is made solely to the Parent Company's board 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 board 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 board members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

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).

2018 Financial Statements

Group Statement of Comprehensive Income Year Ended 31 March 2018

		2018			2017		
		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	161,676	-	**161,676**	135,113	2,157	**137,270**
Cost of sales	3	(25,023)	-	**(25,023)**	(6,260)	-	**(6,260)**
Operating costs	3	(78,319)	30	**(78,289)**	(73,770)	(2,580)	**(76,350)**
Surplus from disposal of fixed assets	3	5,539	-	**5,539**	4,919	-	**4,919**
Operating surplus/(deficit)	**3**	**63,873**	**30**	**63,903**	**60,002**	**(423)**	**59,579**
Finance income	4	2,040	-	**2,040**	1,341	-	**1,341**
Finance costs	5	(31,692)	-	**(31,692)**	(28,550)	(5)	**(28,555)**
Fair value movement on financial instruments	27	(111)	-	**(111)**	(19)	-	**(19)**
Fair value movement on investment properties		1,086	-	**1,086**	2,103	-	**2,103**
Share of surplus in joint ventures		249	-	**249**	228	-	**228**
Surplus/(deficit) on ordinary activities before tax	**6**	**35,445**	**30**	**35,475**	**35,105**	**(428)**	**34,677**
Tax credit/(charge) for the year	7	121	-	**121**	(91)	-	**(91)**
Surplus/(deficit) on ordinary activities after tax		**35,566**	**30**	**35,596**	**35,014**	**(428)**	**34,586**
Other comprehensive income							
Actuarial losses on defined benefit pension schemes	25	(1,915)	-	**(1,915)**	(7,484)	(299)	**(7,783)**
Total comprehensive income/(expense)		**33,651**	**30**	**33,681**	**27,530**	**(727)**	**26,803**

The notes **on pages 75 to 132** form part of these financial statements.

Company Statement of Comprehensive Income Year Ended 31 March 2018

		2018	2017
	Note	£'000	£'000
Turnover		-	536
Operating costs		-	892
Operating surplus		**-**	**1,428**
Finance income	4	2,781	2,858
Finance costs	5	(2,781)	(2,872)
Surplus on ordinary activities before and after tax		**-**	**1,414**
Other comprehensive income			
Actuarial loss on defined benefit pension scheme		-	(767)
Total comprehensive income		**-**	**647**

All activities derive from continuing operations.
The notes **on pages 75 to 132** form part of these financial statements.

Group Statement of Financial Position as at 31 March 2018

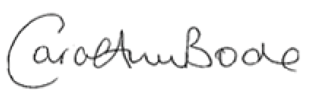
		2018	2017
	Note	£'000	£'000
Fixed assets			
Housing properties	10	1,229,467	1,175,970
Other fixed assets	11	13,824	13,347
Investment properties	12	69,798	44,439
HomeBuy loans	13	43,767	48,247
Investments	14	2,562	2,363
		1,359,418	**1,284,366**

Group Statement of Financial Position as at 31 March 2018
Continued

		2018	2017
	Note	£'000	£'000
Current assets			
Properties for sale	15	17,647	15,395
Inventories	16	395	362
Receivables	17	15,806	96,813
Cash and cash equivalents		185,481	75,134
		219,329	**187,704**
Payables: amounts due within one year	18	(48,316)	(48,167)
Net current assets		**171,013**	**139,537**
Total assets less current liabilities		**1,530,431**	**1,423,903**
Payables: amounts due after one year	19	(836,297)	(765,151)
Deferred capital grant due after one year	20	(403,684)	(400,150)
HomeBuy grant		(35,583)	(39,733)
Deferred tax	23	(602)	(723)
Pension liability	24	(31,735)	(29,010)
Net assets		**222,530**	**189,136**
Capital and reserves			
Restricted reserve		-	287
Revenue reserve		222,530	188,849
Group funds		**222,530**	**189,136**

The notes **on pages 75 to 132** form part of these financial statements.

The consolidated financial statements of Radian Group Limited, registered society number 03482228, **on pages 66 to 132** were approved by the Board and authorised for issue on 26 July 2018 and signed on its behalf by:



Carol Bode
Chair

Company Statement of Financial Position as at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Investments	14	50	50
		50	**50**
Current assets			
Receivables			
amounts due within one year	17	3,797	5,010
amounts due after one year	17	97,029	100,398
Cash		3,332	1,796
		104,158	**107,204**
Payables: amounts due within one year	18	(9,615)	(9,292)
Net current assets		**94,543**	**97,912**
Total assets less current liabilities		**94,593**	**97,962**
Payables: amounts due after one year	19	(97,066)	(100,435)
Net assets		**(2,473)**	**(2,473)**
Capital and reserves			
Revenue reserve		(2,473)	(2,473)
Company deficit		**(2,473)**	**(2,473)**

The notes **on pages 75 to 132** form part of these financial statements.

The financial statements of Radian Group Limited, registered society number 03482228, **on pages 66 to 132** were approved by the Board and authorised for issue on 26 July 2017 and signed on its behalf by:

Carol Bode

Carol Bode
Chair

Group Statement of Changes in Reserves

	Revenue reserve	Restricted reserve	Total excluding non-controlling interests	Non-controlling interests	Total including non-controlling interests
	£'000	£'000	£'000	£'000	£'000
At 1 April 2016	**160,288**	**287**	**160,575**	**1,758**	**162,333**
Surplus on ordinary activities after tax	34,358	-	**34,358**	228	**34,586**
Actuarial losses on defined benefit pension schemes	(7,783)	-	**(7,783)**	-	**(7,783)**
At 31 March 2017	**186,863**	**287**	**187,150**	**1,986**	**189,136**
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**

The notes **on pages 75 to 132** form part of these financial statements.

Company Statement of Changes in Reserves

	Revenue reserve
	£'000
At 1 April 2016	**(3,120)**
Surplus on ordinary activities after tax	1,414
Actuarial loss on defined benefit pension scheme	(767)
At 31 March 2017	**(2,473)**
Result on ordinary activities after tax	-
At 31 March 2018	**(2,473)**

Group Statement of Cash Flows Year Ended 31 March 2018

	2018	2017
	£'000	£'000
Operating surplus	**63,903**	**59,579**
Depreciation, amortisation and impairments	11,203	9,687
Provisions and other	(276)	(1,204)
Pension expense less cash contribution	107	(2,625)
Increase in inventories	(33)	(58)
Increase in receivables and prepayments	1,031	6,446
Increase in payables and accruals	959	22,032
Cost of sales on disposal of fixed assets	35,735	10,853
	48,726	**45,131**
Net cash inflow from operating activities	**112,629**	**104,710**
Cash flows from investing activities		
Purchase of other fixed assets	(2,305)	(722)
Payments to acquire and develop housing properties	(125,321)	(86,258)
Distributions from joint venture	50	150
Social Housing Grant received	4,183	582
Cash outflow from investing activities	**(123,393)**	**(86,248)**
Cash flow from financing activities		
Finance income	830	1,152
Finance costs	(30,641)	(27,853)
Loan repayments	(6,504)	(16,312)
Cash inflow from financing including premiums on issue	157,426	45,830
Cash inflow from financing activities	**121,111**	**2,817**
Net change in cash and cash equivalents	110,347	21,279
Opening cash as at 1 April	**75,134**	**53,855**
Closing cash as at 31 March	**185,481**	**75,134**

The notes **on pages 75 to 132** form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 March 2018

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 UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice 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 **Board Report on page 40.**

Discontinued Operations

The discontinued operations in the year relate to Radian Support Limited; a former provider of care and support services which ceased trading in 2016/17 and was formally liquidated on 17 July 2018.

Disclosure Exemptions

In preparing the separate financial statements of the parent company advantage has been taken of the following disclosure exemptions under FRS 102 paragraph 1.12(b) on the basis that they are included in the consolidated financial statements:

- Statement of cash flows;
- Remuneration of key management personnel; and
- Detailed financial instruments disclosures.

Consolidation

The Group financial statements consolidate the financial statements of the parent company and all of its subsidiaries at 31 March 2018. Intercompany balances, surpluses, and deficits 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. This is the case except for intercompany transactions with subsidiaries and joint ventures which are not registered providers regulated by the Regulation Committee of the Regulator of Social Housing (see note 28).

Operating Segments

Segmental information is disclosed in note 3 and as part of the analysis of housing properties in note 10. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographic location. As permitted by IFRS 8 this is appropriate on the basis of 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 of the geographical locations in which the Group operates. Management do not routinely receive segmental information disaggregated by geographical location.

Jointly Controlled Entities

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 profit or loss.

Valuation of Investments

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

Turnover

Turnover represents rental and service charge income (net of void losses), fee income and revenue grant receivable, and proceeds from first tranche and market sales. Turnover also includes the amortisation of capital grant in accordance with FRS 102.

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 first tranche and market 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.

Help to Buy Agency

Turnover is recognised in relation to Help to Buy services 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.

Service Charges

Our service charges are predominantly variable. The charges will include an allowance for the surplus or deficit from previous years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge in subsequent years. Until these are returned or recovered they are held as creditors or debtors.

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. The amount of grant recorded as income will be less than or equal to the expenditure incurred, depending on the particulars of the scheme.

Cost of Sales

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

Value Added Tax (VAT)

The Group is VAT registered, but a large proportion of its income, namely rent, is exempt for VAT purposes and thus gives rise 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.

Cyclical Repairs and Maintenance

The actual costs of cyclical repairs and maintenance are charged to the Statement of Comprehensive Income as incurred.

Finance Costs

Finance costs, issue costs, premiums, and discounts are charged to income and expenditure 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.

Pensions

The Group's pension arrangements comprise three defined benefit schemes, a defined contribution scheme, and a funded defined benefit 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.

Pensions
Continued

For defined benefit schemes the amounts charged to operating costs are the costs arising from employee services rendered during the period, benefit changes and settlements. They are included within staff costs. 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 in respect of the Local Government Pension Schemes. Pension scheme assets are measured at fair value and liabilities on an actuarial basis using the projected unit method. Actuarial valuations are obtained at least triennially and are updated at each reporting date.

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.

Tax

Current tax is recognised for the amount of income 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.

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.

Fixed Assets - Housing Properties

Housing properties are held at cost less depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration costs. We do not capitalise interest costs. Housing properties are split between the structure and major components which require periodic replacement. Replacement or restoration of such major components is capitalised and depreciated over the average estimated useful life. Housing properties in the course of construction are held at cost and are not depreciated. They are transferred to completed properties when handed over for letting or sale.

Affordable home ownership properties are split proportionately between fixed and current assets based on the proportion of the share of equity sold in the first tranche. The element of a property anticipated to be sold as a first tranche sale is recognised as a current asset and the remainder as a fixed asset.

Land

Land acquired or donated to the Group will be accounted for depending on its intended use. Where the land is to be used for the provision of social housing, or where no specific intended use exists, it 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.

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

2. **Accounting Policies**
Continued

Depreciation

Freehold buildings and components

Depreciation is provided to write off the cost to estimated residual value on a straight line basis over the estimated useful economic life of assets at the following annual rates:

- Structure – 100 years;
- Boilers – 15 years;
- Kitchens – 20 years;
- Photovoltaics – 20 years;
- Bathroom – 30 years;
- Heating – 30 years;
- Windows – 30 years; and
- Sheltered housing – 50 years.

Other fixed assets

Depreciation is charged on a straight line basis over the expected useful 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; and
- Motor vehicles, yard plant and machinery – 4 years.

Leasehold property depreciation is charged on a straight line basis over the period of the lease.

Impairment

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 (the higher of value in use, fair value less costs to sell, or value in use; service potential). Value in use; service potential, is represented by depreciated replacement cost which is the lower of rebuild cost and the estimated price of an asset with equivalent service potential on the open market, adjusted for depreciation. In practice, depreciated replacement cost is the rebuild cost given the lack of data available on equivalent assets in the open market.

An impairment loss occurs when the carrying amount of an asset or cash generating unit exceeds its recoverable amount. This impairment loss is charged and disclosed as a separate line within operating expenditure where it is considered to be material.

Affordable Home Ownership Transactions

First tranche sales are recognised within turnover and cost of sales based on the percentage of equity purchased and subsequent staircasing events are recognised within surplus on disposal of fixed assets.

Market Sales

Completed properties and properties under construction are valued at the lower of cost or estimated selling price less costs to complete and sell. Cost comprises materials, direct labour, and direct development overheads. Deficits on schemes are recognised as soon as they are foreseen.

All unsold market sale units are classed as current assets at the reporting date.

Sales under Right to Buy and Right to Acquire

Surpluses and deficits arising from the disposal of properties under the Right to Buy and Right to Acquire legislation are included within the surplus on sale of fixed assets on the face of the Statement of Comprehensive Income. The surpluses or deficits are the difference between the proceeds received and the carrying value of the properties, subject to any third party agreements.

Investments in HomeBuy Loans

The HomeBuy scheme, now closed to new entrants, was a program of low-cost ownership where loans were advanced by the Group to purchasers of property. The program was funded through a combination of government grant and the Group's own funds. The Group has the benefit of 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. HomeBuy loans are stated at the amount advanced less provision for bad debts.

Properties for Sale

Affordable home ownership first tranche and market sale units, both completed and under construction, are carried on the Statement of Financial Position at the lower of cost and net realisable value. Cost comprises materials, direct labour, and direct development overheads.

Investment Properties

Investment properties are commercial properties and other properties not held for social benefit or use in the business but instead held for investment potential or capital appreciation. Investment properties are measured at cost on acquisition or initial recognition and subsequently revalued at the year end with changes recognised in income and expenditure. Details of the valuers and the basis of valuation adopted are included in note 12.

Deferred Capital Grant

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

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 in operating income.

Recoverable Amount of Rental and Other Trade Receivables

The Group estimates the recoverable amount of rental and other receivables and impairs the debtor based on the value and class of the debt.

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.

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.

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 para 11.14 (b).

Leases

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

The Group has no finance lease commitments and all of its leases are classified as operating leases. Whether the Group is the lessee or lessor rentals under operating leases are charged on a straight line basis over the lease term even if the payments are not made on such a basis.

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

Restricted Reserves

Restricted reserves represent a share of East Hampshire District Council Right to Buy receipts for specified projects. The reserve is utilised when suitable works are identified and approval is obtained and treated as a subsidy against the gross cost of works.

Critical Judgments, Estimates, and Uncertainty

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

Impairment review

Estimates have been made in the impairment review of our housing properties, as outlined in our policy on **page 79.**

Classification of loans with embedded interest rates 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.

In light of 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 judgment 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.

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

2. **Accounting Policies** Continued

Critical Judgments, Estimates, and Uncertainty Continued

Capitalisation of property development costs

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

Judgment is involved in determining the appropriate allocation of costs relating to affordable home ownership between current and fixed assets. It is estimated that 40% of the value of affordable home ownership property will be sold at first tranche based on historic trends.

Fair value measurement

The Group uses external professional advisers to determine the fair value of financial instruments and investment properties. The fair value of financial instruments is based on quoted prices and investment properties are valued using a yield methodology based on market rent values discounted to present value and with reference to sales activity in the local area.

3. Turnover, Cost of Sales, Operating Costs, Surplus From Disposal of Fixed Assets and Operating Surplus

	2018					Restated 2017				
	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	**120,220**	**-**	**(73,000)**	**-**	**47,220**	**118,941**	**-**	**(66,341)**	**-**	**52,600**
Other social housing activities										
Development administration	-	-	(457)	-	**(457)**	-	-	(1,814)	-	**(1,814)**
First tranche affordable home ownership sales	18,981	(12,400)	(1,081)	-	**5,500**	10,723	(6,260)	(2,257)	-	**2,206**
Surplus from disposal of fixed assets	-	-	-	5,539	**5,539**	-	-	-	4,919	**4,919**
Help to Buy agency	2,368	-	(1,190)	-	**1,178**	1,894	-	(1,291)	-	**603**
Other social	1,078	-	(770)	-	**308**	48	-	(331)	-	**(283)**
Total other social housing activities	**22,427**	**(12,400)**	**(3,498)**	**5,539**	**12,068**	**12,665**	**(6,260)**	**(5,693)**	**4,919**	**5,631**
Non-social housing activities										
Market rent properties	2,120	-	(1,063)	-	**1,057**	2,159	-	(721)	-	**1,438**
Market sales	15,125	(12,623)	-	-	**2,502**	-	-	-	-	**-**
Other non-social	1,784	-	(728)	-	**1,056**	3,505	-	(3,595)	-	**(90)**
Total non-social housing activities	**19,029**	**(12,623)**	**(1,791)**	**-**	**4,615**	**5,664**	**-**	**(4,316)**	**-**	**1,348**
Total	**161,676**	**(25,023)**	**(78,289)**	**5,539**	**63,903**	**137,270**	**(6,260)**	**(76,350)**	**4,919**	**59,579**

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

3. **Turnover, Cost of Sales, Operating Costs, Surplus from Disposal of Fixed Assets and Operating Surplus** Continued

	2018					2017				
	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)	87,996	8,788	4,553	9,125	**110,462**	87,700	8,911	4,124	8,842	**109,577**
Service charge income	2,674	1,371	1,123	36	**5,204**	2,463	1,418	978	42	**4,901**
Net rental income	**90,670**	**10,159**	**5,676**	**9,161**	**115,666**	**90,163**	**10,329**	**5,102**	**8,884**	**114,478**
Amortisation of capital grant	3,177	1,044	329	4	**4,554**	4,149	-	314	-	**4,463**
Net turnover from social housing lettings	**93,847**	**11,203**	**6,005**	**9,165**	**120,220**	**94,312**	**10,329**	**5,416**	**8,884**	**118,941**
Operating costs										
Management	(20,575)	(2,378)	(2,652)	(1,678)	**(27,283)**	(17,931)	(1,962)	(2,173)	(1,510)	**(23,576)**
Service charge costs	(4,837)	(559)	(624)	(394)	**(6,414)**	(4,167)	(458)	(505)	(353)	**(5,483)**
Routine maintenance	(9,842)	(1,138)	-	(803)	**(11,783)**	(10,177)	(1,116)	-	(860)	**(12,153)**
Planned maintenance	(3,284)	(380)	-	(268)	**(3,932)**	(3,333)	(367)	-	(283)	**(3,983)**
Major repairs expenditure	(7,260)	(839)	-	(592)	**(8,691)**	(7,271)	(801)	-	(618)	**(8,690)**
Bad debts	(190)	(22)	(24)	(15)	**(251)**	(214)	(23)	(26)	(18)	**(281)**
Other costs	497	60	63	40	**660**	1,120	123	136	95	**1,474**
Depreciation of housing properties	(12,020)	(1,131)	(679)	(1,635)	**(15,465)**	(11,058)	(1,135)	(666)	(1,551)	**(14,410)**
Loss on disposal of housing components	(467)	(196)	-	(83)	**(746)**	(472)	(33)	-	(55)	**(560)**
Impairment reversals	905	-	-	-	**905**	1,321	-	-	-	**1,321**
Operating expenditure on social housing lettings	**(57,073)**	**(6,583)**	**(3,916)**	**(5,428)**	**(73,000)**	**(52,182)**	**(5,772)**	**(3,234)**	**(5,153)**	**(66,341)**
Operating surplus on social housing lettings	**36,774**	**4,620**	**2,089**	**3,737**	**47,220**	**42,130**	**4,557**	**2,182**	**3,731**	**52,600**
Void losses	(426)	(140)	-	(65)	**(631)**	(502)	(141)	-	(102)	**(745)**

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

3. **Turnover, Cost of Sales, Operating Costs, Surplus from Disposal of Fixed Assets and Operating Surplus** Continued

	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**

	2017					
	Staircasing	Right to Buy	Other housing sales	HomeBuy redemptions	Other fixed assets	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sale proceeds	6,280	1,935	1,606	7,987	-	**17,808**
Less: cost of sales	(3,707)	(251)	(1,578)	(6,238)	(1,115)	**(12,889)**
Surplus/(deficit) from disposal of fixed assets	**2,573**	**1,684**	**28**	**1,749**	**(1,115)**	**4,919**

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

3. Turnover, Cost of Sales, Operating Costs, Surplus from Disposal of Fixed Assets and Operating Surplus Continued

Housing Properties

	2018 Number	Restated 2017 Number
Owned and managed		
Social		
Social rent general needs housing	12,535	12,551
Affordable rent general needs housing	2,034	1,745
Supported / housing and housing for older people	1,562	1,537
Affordable home ownership	1,878	1,733
Care homes	122	33
Other social housing	1,188	1,147
	19,319	**18,746**
Non-social		
Market rent housing	258	257
	258	**257**
	19,577	**19,003**
Owned and not managed		
Leased housing	1,147	1,106
Market sale	21	8
	1,168	**1,114**
Total	**20,745**	**20,117**
Managed for others not owned		
Properties managed for others	656	657
	656	**657**
Total	**21,401**	**20,774**

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

3. Turnover, Cost of Sales, Operating Costs, Surplus from Disposal of Fixed Assets and Operating Surplus Continued

Total Housing Properties in 2018

21,401

Total Housing Properties in 2017

20,774

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

3. Turnover, Cost of Sales, Operating Costs, Surplus from Disposal of Fixed Assets and Operating Surplus Continued

Non-Housing Properties

	2018 Number	Restated 2017 Number
Owned		
Garages	1,986	2,078
Allotments	16	16
Shops / commercial	43	34
Other	27	55
	2,072	**2,183**
Investments		
HomeBuy loans	1,143	1,284
	1,143	**1,284**
Total	**3,215**	**3,467**
Total Units	**24,616**	**24,241**
Properties under construction	1,354	1,082

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

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

4. Finance Income

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest receivable from cash and cash equivalents	383	446	-	-
Interest receivable from intercompany loans	-	-	2,781	2,858
HomeBuy interest	444	483	-	-
Bond premium amortised	991	390	-	-
Interest from joint venture loan notes	222	22	-	-
	2,040	**1,341**	**2,781**	**2,858**

5. Finance Costs

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
On housing loans at amortised cost				
Interest costs	19,647	19,015	2,781	2,853
Loan arrangement fees and associated costs	200	167	-	9
	19,847	**19,182**	**2,781**	**2,862**
On bond debt				
Interest costs	10,900	8,484	-	-
Bond discount amortised	2	(8)	-	-
Loan arrangement fees and associated costs	147	155	-	-
	11,049	**8,631**	**-**	**-**
Interest on Recycled Capital Grant Fund	93	40	-	-
Interest on pension scheme liabilities	703	702	-	10
	31,692	**28,555**	**2,781**	**2,872**

6. Surplus on Ordinary Activities Before Tax

	2018	2017
	£'000	£'000
Surplus on ordinary activities before tax is stated after charging/(crediting)		
Depreciation of fixed assets	16,662	15,471
Impairment reversals	(905)	(1,321)
Operating lease expense		
Temporary social housing	-	9
Land and buildings	103	143
Office equipment, computers and motor vehicles	2	29
Fees payable to the Company's auditor for the audit of the		
Company's financial statements	9	9
Financial statements of the Company's subsidiaries	90	88
Total audit fees	**99**	**97**
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	**105**	**103**

7. Tax

	2018	2017
	£'000	£'000
Deferred tax		
Timing differences, origination and reversal	(73)	173
Adjustment in respect of earlier years	(48)	(82)
Total deferred tax	**(121)**	**91**
Tax (credit)/charge for the year	**(121)**	**91**

	2018	2017
	£'000	£'000
Total tax reconciliation		
Surplus on ordinary activities before tax	35,474	34,677
Tax on surplus on ordinary activities at 19% (2017: 20%)	6,740	6,935
Effects of		
Expenses not deductible for tax purposes	643	711
Prior year adjustments	(48)	(82)
Movement in unrecognised deferred tax	932	592
Non-taxable charitable activities	(7,839)	(8,088)
Movement in deferred tax due to differences in tax rates	(549)	23
Total tax (credit)/charge	**(121)**	**91**

8. Directors' Emoluments

The directors are defined as the board members and the Executive Board. Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity either directly or indirectly.

Below are shown the aggregate emoluments (including pensions and benefits in kind but not compensation for loss of office) paid by the Group and the Company to:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
The Executive Board (excluding those paid to third parties)	707	1,198	-	472
Third parties in respect of directors' services	229	-	-	-
Board members	91	92	-	18
Key management personnel excluding directors	1,373	839	-	-
	2,400	**2,129**	**-**	**490**
Compensation for loss of directors' offices, by nature of				
Payments in lieu of notice	135	35	-	-
Termination	155	44	-	-
	290	**79**	**-**	**-**
	2,690	**2,208**	**-**	**490**
Emoluments payable to the highest paid director (including pension contributions and benefits in kind)	**155**	**211**	**-**	**123**

During the prior year the directors who were previously remunerated by the Company were transferred to The Swaythling Housing Society Limited and there was no remuneration from the Company in the period ended 31 March 2018.

There was compensation in the period paid to two directors for loss of office. The increase in directors' emoluments within the Group is largely attributable to the staff turnover within the Executive Board during the year. The outgoing chief executive received total remunerations from the Group of £314k (2017: £211k), including £17k of pension contributions (2017: £20k). The outgoing chief executive is an ordinary member of the Final Salary Scheme with a 1/60th accrual rate benefit structure of the Radian Group Pension Scheme with the same conditions of membership as all other employees within that non-contributory benefit structure of the scheme. Full details of the scheme funding are disclosed in note 24. The outgoing chief executive has no pension arrangements to which the Group contributes, other than those relating to the Scheme.

The interim chief executive is currently not a member through Radian Group Limited of any of the pension schemes in which the Group participates. During the period ended 31 March 2018 there were seven directors within pension schemes in which the Group participates and all were in defined benefit schemes. Their outstanding contributions, which were accrued, as at 31 March 2018 totalled £4k.

It is not possible to disaggregate board members' remuneration in respect of services performed on behalf of the constituent group entities. Their annual fees are detailed below:

Board Member	Annual Fees
Carol Bode (Chair)	£23,000
Jonathan Martin Hurst	£11,500
Mandy Clarke	£11,500
Richard Williams	£11,500
Simon Porter	£11,500
Ashley West	£9,000
Jayne Beeson	£9,000

8. Directors' Emoluments
Continued

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

	Appointed	Resigned	Audit and Risk Committee	Treasury and Investment Committee	Remuneration and Nominations Committee
Carol Bode (C)	01/07/14				M
Jonathan Martin Hurst	16/03/17			C	M
Lindsay Todd	*01/10/11*	*18/08/17*			
Mandy Clarke (SID)	01/09/13		M		C
Michael Sweeney	*18/08/17*			*M*	
Richard Williams (VC)	01/10/16			M	M
Simon Porter	01/04/14		C	M	M

C: Chair, VC: Vice Chair, SID: Senior Independent Auditor, M: Member,
Italics: Executive Director

Mick Sweeney is a member of the Executive Board and therefore does not receive a fee for his role on the Board of the Company. The other members are remunerated in aggregate for their work across all the entities' boards. Their annual fees are detailed above.

8. Directors' Emoluments
Continued

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

	Appointed	Resigned	Audit and Risk Committee	Treasury and Investment Committee	Remuneration and Nominations Committee
Carol Bode (C)	01/07/14				M
Ashley West	16/03/17		M		M
Beverley Anne Costain	*01/10/17*			*M*	
Bridget Phelps	01/10/16	31/07/17			
Jayne Beeson	01/09/11		M		M
Jonathan Martin Hurst	16/03/17			C	M
Lindsay Todd	*01/10/11*	*18/08/17*			
Mandy Clarke	01/09/13		M		C
Mark Ralf	01/09/10	30/09/17			
Michael Sweeney	*18/08/17*			*M*	
Richard Williams	01/10/16			M	M
Simon Porter	01/04/14		C	M	M

C: Chair, M: Member, *Italics: Executive Director*

Members of the boards of the other entities are disclosed within those entities.

9. Staff Costs

The average number of employees (including directors – as defined in previous note) expressed as full time equivalents (calculated on standard working hours per week for each employee) during the year was as follows:

	Group		Company	
	2018	2017	2018	2017
	FTE	FTE	FTE	FTE
Housing services and central services staff	379	380	-	2
Care staff	-	112	-	0
Maintenance staff	284	277	-	1
Development and home ownership staff	86	94	-	1
	749	**863**	**-**	**4**

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Staff costs (for the above employees)				
Wages and salaries	25,901	28,329	-	405
Social security costs	2,537	2,598	-	46
Pension costs	3,346	2,646	-	25
	31,784	**33,573**	**-**	**476**

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 excluding pension contributions) of £60,000 or more, shown in bands of £10,000.

	Group	
	2018	2017
Salary banding	FTE	FTE
£60,000 - £69,999	11	10
£70,000 - £79,999	8	4
£80,000 - £89,999	5	7
£90,000 - £99,999	5	4
£110,000 - £119,999	-	1
£120,000 - £129,999	1	2
£130,000 - £139,999	2	1
£140,000 - £149,999	1	3
£150,000 - £159,999	1	-
£160,000 - £169,999	1	-
£190,000 - £199,999	-	1
£240,000 - £249,999	1	-
£290,000 - £299,999	1	-
	37	**33**

In relation to the 2017 comparative the increase in full time equivalent staff and the addition of higher bands is due to turnover within the Executive Board.

The Company had no employees in the year.

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 2017	1,186,974	104,506	**1,291,480**	28,203	10,700	**38,903**	**1,330,383**
Additions	1,372	12	**1,384**	36,097	49,788	**85,885**	**87,269**
Additions - works to existing properties	4,732	-	**4,732**	-	-	**-**	**4,732**
Transferred into management	45,003	22,314	**67,317**	(45,003)	(22,314)	**(67,317)**	**-**
Impairment reversals	908	-	**908**	-	-	**-**	**908**
Transfers across tenures	(304)	143	**(161)**	584	(17)	**567**	**406**
Disposals and demolitions	(4,481)	(3,749)	**(8,230)**	-	-	**-**	**(8,230)**
Net movement to current assets	-	(1,371)	**(1,371)**	-	(17,389)	**(17,389)**	**(18,760)**
At 31 March 2018	**1,234,204**	**121,855**	**1,356,059**	**19,881**	**20,768**	**40,649**	**1,396,708**
Accumulated depreciation							
At 1 April 2017	(149,165)	(5,248)	**(154,413)**	-	-	**-**	**(154,413)**
Charge for the year	(14,785)	(680)	**(15,465)**	-	-	**-**	**(15,465)**
Transfers across tenures	14	-	**14**	-	-	**-**	**14**
Impairment reversals	(3)	-	**(3)**	-	-	**-**	**(3)**
Disposals and demolitions	2,433	193	**2,626**	-	-	**-**	**2,626**
At 31 March 2018	**(161,506)**	**(5,735)**	**(167,241)**	**-**	**-**	**-**	**(167,241)**
Net book value							
At 31 March 2018	**1,072,698**	**116,120**	**1,188,818**	**19,881**	**20,768**	**40,649**	**1,229,467**
At 31 March 2017	**1,037,809**	**99,258**	**1,137,067**	**28,203**	**10,700**	**38,903**	**1,175,970**

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

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 2018 was £1,325.6m (2017: £1,237.0m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

Expenditure on works to existing housing properties

	Group	
	2018	2017
	£'000	£'000
Amounts capitalised	4,732	5,229
Amounts charged to Statement of Comprehensive Income	8,691	10,000

Security

The Group had housing property with a net book value of £712.2m pledged as security at 31 March 2018 (2017: £552.5m).

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

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 2017	13,352	217	2,252	4,364	**20,185**
Additions	364	-	267	582	**1,213**
Disposals and demolitions	(138)	-	(1)	(266)	**(405)**
Transfers across tenures	640	-	-	-	**640**
At 31 March 2018	**14,218**	**217**	**2,518**	**4,680**	**21,633**
Accumulated depreciation					
At 1 April 2017	(1,726)	(217)	(1,884)	(3,011)	**(6,838)**
Charge for the year	(406)	-	(208)	(583)	**(1,197)**
Disposals and demolitions	-	-	1	225	**226**
At 31 March 2018	**(2,132)**	**(217)**	**(2,091)**	**(3,369)**	**(7,809)**
Net book value					
At 31 March 2018	**12,086**	**-**	**427**	**1,311**	**13,824**
At 31 March 2017	**11,626**	**-**	**368**	**1,353**	**13,347**

12. Investment Properties

	Completed investment properties	Investment properties in course of construction	Total investment properties
	£'000	£'000	£'000
Value			
At 1 April 2017	29,793	14,646	**44,439**
Additions	-	25,333	**25,333**
Transfers across tenures	(493)	(567)	**(1,060)**
Transferred into management	1,926	(1,926)	**-**
Revaluation surplus	1,086	-	**1,086**
At 31 March 2018	**32,312**	**37,486**	**69,798**

Property valuation

Completed investment properties are shown at market value of £32.3m (2017: £29.8m), 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:

	2018	2017
	£'000	£'000
Cost	26,746	24,787
Depreciation	(2,591)	(2,327)
Net book value	**24,155**	**22,460**

13. HomeBuy Loans

	2018	2017
	£'000	£'000
HomeBuy loans	44,747	49,308
Accrued HomeBuy interest	36	39
HomeBuy loan provision	(1,016)	(1,100)
	43,767	**48,247**

We have received £35.6m of grant (2017: £39.7m) in respect of the HomeBuy loans in issue. The grants will be recycled on redemption of the loans.

14. Investments

Group

The Group, through its subsidiary The Swaythling Housing Society Limited, has a 26% interest in Aspect Building Communities Limited (Aspect), a company limited by guarantee. We are a co-investor alongside another registered provider and two local authorities. 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 contribute to the annual overheads of Aspect. This investment is immediately written off as it is deemed to be irrecoverable and we therefore hold £nil investment in Aspect at the reporting date.

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 Group, through its subsidiary Windsor and District Housing Association Limited, has a joint venture investment in 333 solely held shares and 333 jointly held shares (2017: same) in Affinity (Reading) Holdings Limited:

Equity holding: Ordinary
Country of registration: England
Proportion held: 33.3% held solely, 33.3% held jointly
Principal activity: Holds 100% of the share capital of Affinity (Reading) Limited which is the operator of a PFI contract to supply, refurbish, manage and maintain part of Reading Borough Council's housing inventory.

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 and has accounted for its 50% share in Affinity Housing Services as a jointly controlled entity according to FRS 102.

The share of surplus in joint ventures on the Statement of Comprehensive Income of £249k (2017: £228k) reflects the movement in the investments and the £50k (2017: £150k) distribution received in the year.

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

14. **Investments**
Continued

	Affinity (Reading) Holdings Limited	Affinity Housing Services	Total investments
	£'000	£'000	£'000
Cost			
At 1 April 2017	2,347	16	**2,363**
Movement in year	116	83	**199**
At 31 March 2018	**2,463**	**99**	**2,562**

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.

The Company also owns one £1 share in each of the following entities: Drum Housing Association Limited, Portal Housing Association Limited, Radian Support 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 29.

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

15. Properties for Sale

	Group	
	2018	2017
	£'000	£'000
Affordable home ownership schemes		
Properties under construction	6,554	4,551
Completed properties	4,406	830
	10,960	**5,381**
Market sale schemes		
Properties under construction	1,363	7,902
Completed properties	5,324	2,112
	6,687	**10,014**
	17,647	**15,395**

16. Inventories

During the year inventories to the value of £2.0m (2017: £2.0m) were expensed in the Statement of Comprehensive Income. There was no provision made against inventories (2017: £nil).

Notes to the
Financial Statements
for the Year Ended
31 March 2018
Continued

17. Receivables

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Gross arrears of rent and service charges	4,306	4,485	-	-
Bad debt provision	(1,600)	(1,601)	-	-
Net tenant arrears	**2,706**	**2,884**	**-**	**-**
Social housing grant receivable	342	1,260	-	-
Short-term non-liquid assets	6,129	85,525	-	-
Staff loans	115	133	-	-
Trade receivables	1,920	1,832	-	190
Intercompany loans	-	-	3,369	3,459
Other receivables and prepayments	2,805	3,557	428	1,361
Amounts due within one year	**14,017**	**95,191**	**3,797**	**5,010**
Loan notes due from joint venture	1,436	1,436	-	-
Interest bearing balance due from joint venture	333	186	-	-
Other receivables and prepayments	20	-	-	-
Intercompany loans	-	-	97,029	100,398
Amounts due after one year	**1,789**	**1,622**	**97,029**	**100,398**
	15,806	**96,813**	**100,826**	**105,408**

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

Investment	Nominal value	Fair value		Interest rate	Expiry date
		2018	2017		
	£'000	£'000	£'000		
UK Government Gilt Holding	1,019	1,247	1,347	8.00%	2021
UK Government Gilt Holding	600	922	932	4.75%	2038
	1,619	**2,169**	**2,279**		

The fair value movement on gilts of £110k has been debited to the Statement of Comprehensive Income in the year.

Notes to the
Financial Statements
for the Year Ended
31 March 2018
Continued

18. Payables: Amounts Due Within One Year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings	7,417	7,299	3,369	3,459
Trade payables	8,946	14,898	-	134
Deferred income	4,102	4,692	-	-
Amounts owed to Group undertakings	-	-	5,940	5 ,433
Other tax and social security payable	623	641	-	-
Other payables	3,234	4,024	114	51
Accruals	11,204	4,256	-	-
Contract retentions	864	1,570	-	-
Interest due and payable	4,983	3,949	192	215
Right to Buy profit share agreement	2,364	2,292	-	-
Deferred capital grant due within one year	4,579	4,546	-	-
	48,316	**48,167**	**9,615**	**9,292**

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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings	818,402	749,061	97,028	100,397
Recycled Capital Grant Fund	14,472	13,816	-	-
Other payables	21	-	-	-
Disposals Proceeds Fund	-	159	-	-
Contract retentions	3,378	2,091	-	-
Deposits repayable	24	24	-	-
Called up share capital	-	-	38	38
	836,297	**765,151**	**97,066**	**100,435**

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

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							
	2018				2017			
	Bank loans	Bonds	HCA loans	Total	Bank loans	Bonds	HCA loans	Total
In multiple instalments								
One year or less	6,068	432	-	**6,500**	6,157	380	-	**6,537**
One to two years	3,736	442	-	**4,178**	3,567	410	-	**3,977**
Two to five years	27,003	1,553	-	**28,556**	24,045	1,437	-	**25,482**
Five years or more	406,433	44,809	-	**451,242**	415,625	45,363	-	**460,988**
	443,240	**47,236**	**-**	**490,476**	**449,394**	**47,590**	**-**	**496,984**
In a single instalment								
One year or less	-	917	-	**917**	-	762	-	**762**
One to two years	-	991	-	**991**	-	747	-	**747**
Two to five years	-	2,969	-	**2,969**	-	2,245	-	**2,245**
Five years or more	-	329,894	572	**330,466**	-	255,050	572	**255,622**
	-	**334,771**	**572**	**335,343**	**-**	**258,804**	**572**	**259,376**
	443,240	**382,007**	**572**	**825,819**	**449,394**	**306,394**	**572**	**756,360**

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

19. **Payables: Amounts Due After One Year**
Continued

	Company	
	2018	2017
	Bank loans	Bank loans
	£'000	£'000
In multiple instalments in		
One year or less	3,369	3,459
One to two years	1,038	869
Two to five years	11,711	11,153
Five years or more	84,279	88,375
	100,397	**103,856**

The fair value of our own-named bond liability as at 31 March 2018 was £261.8m (31 March 2017: £228.8m).

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.

20. Deferred Capital Grant Due After One Year

	Completed	In course of construction	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	**444,180**	**5,898**	**450,078**
Inputs			
Received in year	-	4,183	**4,183**
Transferred from Recycled Capital Grant Fund	-	5,112	**5,112**
Transferred from Disposals Proceeds Fund	-	159	**159**
Transferred into management	3,223	-	**3,223**
Outputs			
Net movement to payables due within one year	(34)	-	**(34)**
Recycled on disposal	(1,441)	-	**(1,441)**
Transferred into management	-	(3,223)	**(3,223)**
At 31 March 2018	**445,928**	**12,129**	**458,057**
Accumulated amortisation			
At 1 April 2017	**(49,928)**	**-**	**(49,928)**
Released on disposal	109	-	**109**
Charge for the year	(4,554)	-	**(4,554)**
At 31 March 2018	**(54,373)**	**-**	**(54,373)**
Amortised deferred capital grant due after one year			
At 31 March 2018	**391,555**	**12,129**	**403,684**
At 31 March 2017	**394,252**	**5,898**	**400,150**

21. Recycled Capital Grant Fund

	Group
	£'000
At 1 April 2017	13,816
Net inputs to fund	
Grants recycled	5,906
Interest accrued	93
Recycling of grant	
New build	(5,343)
At 31 March 2018	**14,472**

22. Disposals Proceeds Fund

	Group
	£'000
At 1 April 2017	159
Net inputs to fund:	
Interest accrued	0
Recycling of grant:	
New build	(159)
At 31 March 2018	**-**

Pursuant to The Housing and Planning Act 2016, no new proceeds were added to the fund from 7 April 2017. The fund was fully utilised during the period hence the fund will no longer be operated.

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

23. Deferred Tax

	Deferred tax
	£'000
At 1 April 2017	723
Charged to Statement of Comprehensive Income	(121)
At 31 March 2018	**602**

	2018	2017
	£'000	£'000
Deferred tax arising in relation to revalued assets	559	580
Tax losses available	(745)	(691)
Other timing differences	788	834
Provision for deferred tax	**602**	**723**

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 £0.7m (2017: £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.

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

24. 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 £814k (2017: £745k). There were outstanding contributions as at 31 March 2018 of £79k (2017: £63k).

Defined Benefit Schemes

The Group, through its subsidiaries, participates in a number of 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).

	2018	2017
	£'000	£'000
RGPS defined benefit pension deficit	16,989	14,838
Growth Plan defined benefit obligation	31	35
HPF defined benefit deficit	7,385	6,940
RCB defined benefit deficit	7,330	7,197
	31,735	**29,010**

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 Radian Group though the Group has retained the ability to admit new members at its discretion.

Employers continued to make monthly contributions of 23.2% of members' earnings until 31 March 2018 and

The Swaythling Housing Society Limited made a lump sum payment of £1.0m during the year (2017: £1.8m).

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 £1.0m during the year (2017: £3.2m). The Group has agreed to pay 34.6% of pensionable earnings less members' contributions in respect of the cost of accruing benefits.

Main financial assumptions adopted for FRS 102 purposes:

	2018	2017
	%	%
RPI inflation	3.2	3.3
CPI inflation	2.2	2.3
Salary increases	3.2	4.3
Discount rate	2.6	2.7

Post retirement mortality assumptions:

	Males	Females
Retiring today	22.5	24.2
Retiring in 20 years	23.9	25.4

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 1.71% (2017: 1.32%). The unwinding of the discount rate is recognised as a finance cost.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company 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 2014 and reported a deficit of £177m with a funding level of 82%. Additional employer contributions are required over ten years to cover the past service deficit. The additional contributions required from the Group from 1 April 2018 are £4k per annum, increasing by 3% per annum compound.

Movements in the pension obligation:

	2018	2017
	£'000	£'000
Opening pension obligation	35	37
Interest cost	0	1
Deficit contributions paid	(4)	(4)
Actuarial losses	0	1
Closing defined benefit obligation	**31**	**35**

Statement of Comprehensive Income:

	2018	2017
	£'000	£'000
Amounts charged to other finance costs		
Interest cost	**0**	**1**
Analysis of amounts recognised in other comprehensive income		
Actuarial losses	**0**	**1**

Hampshire County Council Pension Fund (HCC)

The Drum Housing Association Limited participates in 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 2018 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 in 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 £577k from 2018/19, increased from £557k in 2017/18 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.

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

24. **Pensions** Continued

Hampshire County Council Pension Fund (HCC) Continued

Main financial assumptions adopted for FRS 102 purposes:

	2018	2017
	%	%
RPI inflation	3.8	3.8
Salary increases	3.6	3.1
Pension increases (CPI inflation)	2.7	2.7
Discount rate	2.2	2.2

Post retirement mortality assumptions:

	Males	Females
Member aged 65 at accounting date	24.1	27.2
Member aged 45 at accounting date	26.2	29.4

Royal County of Berkshire Pension Fund (RCB)

The 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 2017 by an independent qualified actuary. The valuation results showed a funding deficit of £2.0m and a funding level of 68%. Contributions increased in 2017/18 to 25.7% (2016/17: 23.7%) 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:

	2018	2017
	%	%
Discount rate	2.2	2.2
Pension increases (CPI inflation)	2.7	2.7
Salary increases	4.2	4.2

Notes to the Financial Statements for the Year Ended 31 March 2018 Continued

Hampshire County Council Pension Fund (HCC) Continued

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	23.1	25.2
Retiring in 20 years	25.3	27.5

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

	Radian Group Pension Scheme	Hampshire Council Pension Scheme	Royal County of Berkshire Pension Fund	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**

The assets in the Group's schemes at 31 March 2017 were:

	Radian Group Pension Scheme	Hampshire Council Pension Scheme	Royal County of Berkshire Pension Fund	Total
	£'000	£'000	£'000	£'000
Equities	44,833	5,940	2,655	**53,428**
Government bonds	-	2,482	-	**2,482**
Corporate bonds	19,933	138	811	**20,882**
Property	2,221	640	750	**3,611**
Cash	-	335	571	**906**
Alternative assets	2,854	315	632	**3,801**
Total market values of assets	**69,841**	**9,850**	**5,419**	**85,110**

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

24. **Pensions**
Continued

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

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Royal County of Berkshire Pension Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value of scheme assets	74,339	69,841	10,375	9,850	5,249	5,419	**89,963**	**85,110**
Present value of defined benefit obligation	(91,328)	(84,679)	(17,760)	(16,790)	(12,579)	(12,616)	**(121,667)**	**(114,085)**
Group share of deficit in the scheme	**(16,989)**	**(14,838)**	**(7,385)**	**(6,940)**	**(7,330)**	**(7,197)**	**(31,704)**	**(28,975)**
Movements in the fair value of scheme assets								
Opening fair value of scheme assets	69,841	52,859	9,850	8,290	5,419	4,427	**85,110**	**65,576**
Interest income on scheme assets	1,863	1,917	219	250	116	124	**2,198**	**2,291**
Actuarial gains	1,742	11,246	86	1,370	37	1,402	**1,865**	**14,018**
Expenses	-	-	-	-	(3)	(3)	**(3)**	**(3)**
Contributions from employers	2,003	4,452	698	130	9	12	**2,710**	**4,594**
Contributions from scheme members	771	882	38	40	2	4	**811**	**926**
Benefits paid	(1,881)	(1,515)	(516)	(230)	(331)	(378)	**(2,728)**	**(2,123)**
Settlement on transfer of member	-	-	-	-	-	(169)	**-**	**(169)**
Closing fair value of scheme assets	**74,339**	**69,841**	**10,375**	**9,850**	**5,249**	**5,419**	**89,963**	**85,110**
Movements in the present value of defined benefit obligations								
Opening defined benefit obligation	84,679	63,361	16,790	14,210	12,616	11,118	**114,085**	**88,689**
Service cost	2,397	1,735	210	160	18	24	**2,625**	**1,919**
Expenses	204	179	-	-	-	-	**204**	**179**
Interest cost	2,263	2,239	360	420	274	323	**2,897**	**2,982**
Actuarial gains	2,895	17,798	880	2,190	-	1,812	**3,775**	**21,800**
Benefits paid	(1,881)	(1,515)	(520)	(230)	(331)	(378)	**(2,732)**	**(2,123)**
Contributions by scheme members	771	882	40	40	2	4	**813**	**926**
Liabilities extinguished on transfer of member	-	-	-	-	-	(287)	**-**	**(287)**
Closing defined benefit obligation	**91,328**	**84,679**	**17,760**	**16,790**	**12,579**	**12,616**	**121,667**	**114,085**

Statement of Comprehensive Income:

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Royal County of Berkshire Pension Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Analysis of amounts charged/(credited) to operating surplus:								
Current service costs	2,397	1,735	210	160	18	24	**2,625**	**1,919**
Settlement on transfer of member	-	-	-	-	-	(118)	**-**	**(118)**
Expenses	204	179	-	-	3	3	**207**	**182**
Amounts charged to other finance costs:								
Net finance charge	400	322	140	170	158	199	**698**	**691**

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Royal County of Berkshire Pension Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Analysis of amounts recognised in other comprehensive income:								
Actual return less expected return on pension scheme assets	1,742	11,246	86	1,370	37	509	**1,865**	**13,125**
Changes in financial assumptions underlying the present value of the scheme liabilities	(2,895)	(17,798)	-	-	-	(2,284)	**(2,895)**	**(20,082)**
Experience (losses)/gains arising on the scheme liabilities	-	-	(885)	(2,190)	-	472	**(885)**	**(1,718)**
Other actuarial gains	-	-	-	-	-	893	**-**	**893**
Actuarial (losses)/gains on pension schemes	**(1,153)**	**(6,552)**	**(799)**	**(820)**	**37**	**(410)**	**(1,915)**	**(7,782)**

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.

25. Capital Commitments

	2018	2017
	£'000	£'000
Capital expenditure commitments were as follows		
Capital new build expenditure contracted but not provided for in the financial statements	145,161	119,127
Capital new build expenditure authorised but not contracted	15,520	42,953
Total capital commitments	**160,681**	**162,080**

Relating to the Group the above represents authorised or contracted, but not provided for in the financial statements, expenditure on housing properties, other fixed assets, and investment properties.

Our capital commitments across our registered providers that are developing will be financed by cash and cash equivalents (£185.5m at 31 March 2018).

Since the reporting date we have also received £46.8m of cash relating to deferred payments on previously sold tranches of the 2049 bond.

26. Operating Leases

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

	Buildings		Other	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts payable as lessee				
Not later than one year	55	71	-	3
Later than one year and not later than five years	96	147	-	-
Later than five years	-	3	-	-
	151	**221**	**-**	**3**

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	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Amounts receivable as lessor						
Not later than one year	122	125	1,189	1,017	32,819	27,969
Later than one year and not later than five years	148	229	3,432	3,653	87,704	68,165
Later than five years	285	237	1,464	6,273	14,937	11,027
	555	**591**	**6,085**	**10,943**	**135,460**	**107,161**

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.

27. Financial Instruments

	Group				Company	
	At fair value		At historic or amortised cost		At historic or amortised cost	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets						
HomeBuy loans	-	-	44,783	49,347	-	-
Investments	-	-	2,562	2,363	50	50
Receivables	2,169	2,280	12,412	92,577	100,398	104,047
Cash and cash equivalents	-	-	185,481	75,134	3,332	1,796
	2,169	**2,280**	**245,238**	**219,421**	**103,780**	**105,893**

Financial liabilities						
Payables: amounts due within one year	-	-	(43,271)	(42,680)	(9,616)	(9,292)
Payables: amounts due after one year	-	-	(811,672)	(746,081)	(97,067)	(100,435)
Deferred capital grant due after one year	-	-	(403,684)	(400,150)	-	-
HomeBuy grant	-	-	(35,583)	(39,733)	-	-
Restricted reserve	-	-	-	(287)	-	-
			(1,294,210)	**(1,228,931)**	**(106,683)**	**(109,727)**

	2018	2017
	£'000	£'000
Fair value losses		
On current asset listed investments	(111)	(19)
Impairment reversals		
On unlisted equity instruments measured at amortised cost less impairment	-	11

28. 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 24.

Resident Board Members

No board members were resident of a property owned by the Group during the year (2017: two) and therefore no rent was received from board members during the year (2017: £6,484).

Loans

During the year, four (2017: two) employees determined to be key management personnel had loans with the Group. As at 31 March 2018, two of the loans had been repaid in full and the outstanding value of the remaining loans was £3,717 (2017: £nil).

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 Operations

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

This is the case except for transactions or balances between registered providers and the following Group subsidiaries:

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

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. Transactions with the joint ventures are not eliminated in the Group financial statements.

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

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

28. **Related Party Transactions**
Continued

	2018	2017
	£'000	£'000
Transactions		
Income		
The Swaythling Housing Society Limited's management charge received from Radian Support Limited	-	101
Portal Housing Association Limited's interest received from Radian Capital plc relating to holding of 2042 bond	630	760
Portal Housing Association Limited's donation received from Radian Support Limited	1,151	-
Windsor and District Housing Association Limited's management recharge to Radian Support Limited	-	113
Windsor and District Housing Association Limited's professional services charge to Affinity Housing Services	25	25
Windsor and District Housing Association Limited's director's fees charged to Affinity (Reading) Limited	55	55
Windsor and District Housing Association Limited's interest from loan notes issued to Affinity (Reading) Holdings Limited	222	22
	2,083	**1,076**
Expenditure		
Fees charged by Radian Capital plc to Portal Housing Association Limited in relation to intercompany loans	(97)	(170)
Interest charged by Radian Capital plc to Portal Housing Association Limited in relation to intercompany loans	(11,525)	(9,259)
	(11,622)	**(9,429)**
Payables		
Portal Housing Association Limited's receipt of 2049 deferred cash from Radian Capital plc (nominal)	(43,750)	(42,250)
Balances		
Receivables		
Portal Housing Association Limited's holding of Radian Capital plc's 2042 bond (nominal)	10,500	10,500
Amounts due from Affinity Housing Services to Windsor and District Housing Association Limited	30	30
Amounts due from Affinity (Reading) Holdings Limited to Windsor and District Housing Association Limited	1,769	1,621
Amounts due from Affinity (Reading) Limited to Windsor and District Housing Association Limited	33	33
	12,332	**12,184**

Notes to the Financial Statements for the Year Ended 31 March 2018
Continued

28. **Related Party Transactions**
Continued

	2018	2017
	£'000	£'000
Payables		
Radian Group Limited's unpaid shares in Radian Capital plc	(38)	(38)
Intercompany loans from Radian Capital plc (nominal) to Portal Housing Association Limited	(217,500)	(173,750)
	(217,538)	**(173,788)**

Company

The Company has taken advantage of the exemption contained in FRS 102 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; and
- Swaythling Assured Homes plc.

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.

	2018	2017
	£'000	£'000
Balances		
Unpaid shares in Radian Capital plc	**(38)**	**(38)**

29. 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%
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%
Joint Arrangements			
	Affinity (Reading) Holdings Limited	Limited company	50%
	Affinity (Reading) Limited	Limited company	50%
	Affinity Housing Services	Unincorporated	50%

Want Further Information?

If you have any questions about this information, please call us on **0300 123 1 567**

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