

**Registered Society No: 28635R**  
**Homes and Communities Agency: LH4163**

**PORTAL HOUSING ASSOCIATION LIMITED**

**Annual Report and Financial Statements**

**Year Ended 31 March 2017**

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PORTAL HOUSING ASSOCIATION LIMITED

**GENERAL INFORMATION**

**BOARD OF MANAGEMENT**

Carol Bode	Chair – appointed 01/10/2016
Simon Porter	
Mark Ralf	
Lindsay Todd	
Jayne Beeson	Appointed 01/10/2016
Bridget Phelps	Appointed 01/10/2016
Ashley West	Appointed 16/03/2017

**SECRETARY**

Malcolm Rule

**REGISTERED OFFICE**

Collins House  
Bishopstoke Road  
Eastleigh  
Hampshire  
SO50 6AD

**BANKERS**

Lloyds Bank  
High Street  
Southampton  
SO14 2DF

**AUDITOR**

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

## INTRODUCTION FROM THE CHAIR

Since proudly becoming Chair of Portal Housing Association Limited in October 2016 we have been through a period of significant change. Perhaps most notable is the British electorate's decision to leave the European Union. We are mindful of the impact that political decisions have on our area of work and how changes within the economy will affect our residents and customers. However, we remain confident that we are in a strong position to work through such conditions as and when they arise, by working on a rolling strategy that enables us to adapt quickly and efficiently.

Despite the challenges we have faced, it has been another successful year for Portal Housing Association Limited. Yet we know that continuing with business as usual is not an option. The need for innovation is a constant. This will help us to continue delivering efficiencies and securing competitive funding for growth.

Radian's Vision 2025 remains at the heart of what we do and is where we aspire to be. A new 2017-20 Strategic Plan has been launched to give staff an understanding of the bigger picture and the roles they play individually and collectively in delivering the Plan. Empowering our people with the ability to innovate, to share and critique ideas and to engage in our Vision is key to our success.

There is an ever-growing need to supply more homes across our regions and we will continue to increase the number of homes that we manage. We are keen to identify public or private land that could be available for development. This may include larger sites with strategic opportunities that may not be suitable for short-term investors. Our development programme of property for both rent and sale is key to the success of our future.

Following the tragic events at Grenfell Tower, we have been and will continue to be in regular contact with our residents to address any concerns they may have and to provide fire safety advice and guidance. Following an internal investigation, it was established that none of our developments are of sufficient height to be considered high risk. We will continue to undertake a proactive and robust range of measures to ensure that our homes across our geography are safe and to reduce the risk of harm from fire.

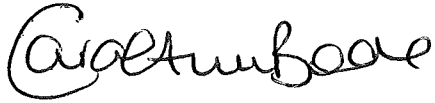
At the end of 2016/17 the Association owned and managed (through its managing agent) 2,820 (2016: 2,509) homes across the South and South West of England. The increase in stock was generated by intragroup purchases from The Swaythling Housing Society Limited (279 units) and Windsor and District Housing Association Limited (56 units) less disposals.

During the year, Radian delivered a total of 418 (2016: 229) new homes. The new homes we provide are of a high quality, built to the highest energy efficient standards and have sustainable designs.

In July 2017, Lindsay Todd announced that he will be stepping down as Chief Executive of Radian Group as of 31 August 2017. Lindsay has steered the organisation through a period of immense growth and change, including a successful three-way merger, creating an organisation six times larger than when he joined, set against a backdrop of constantly shifting sector landscapes. Lindsay leaves Radian in a strong financial position. The Board and Executive Members are grateful to him for all he has accomplished during his time at Radian.

**INTRODUCTION FROM THE CHAIR (continued)**

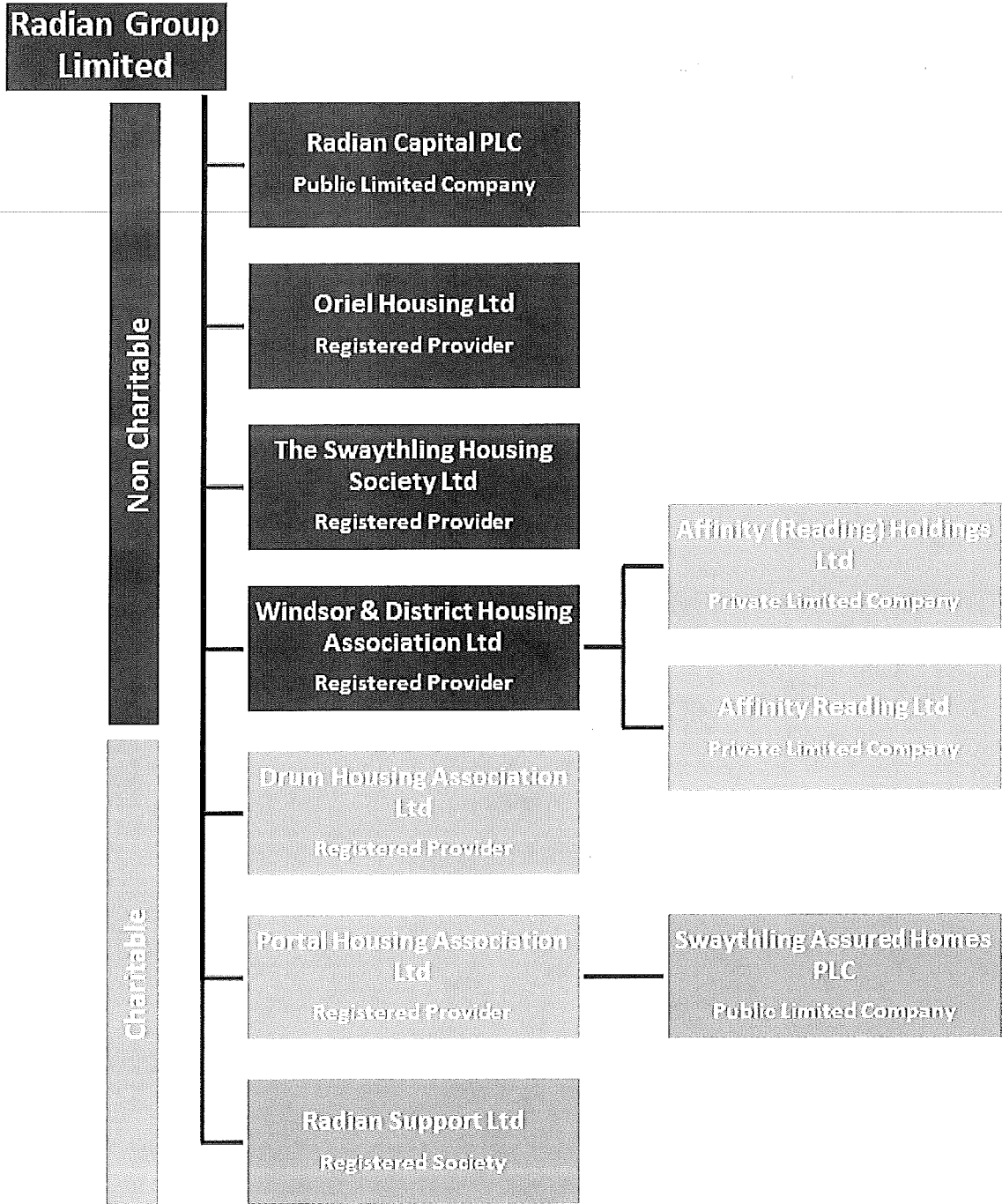
As we head into a new financial year, I would like to express my sincere thanks to everyone that has contributed to the growth and strength of Portal Housing Association Limited. Our ability to continue developing new homes in the current climate is testament to the efforts put in by those passionate about making a difference to our communities. I look forward to seeing what the next year will bring.

A handwritten signature in black ink, appearing to read "Carol Bode". The signature is written in a cursive, flowing style.

**Carol Bode**  
Chair

**OUR PRINCIPAL ENTITIES**

Radian Group Limited, the Group’s parent entity, is a company limited by guarantee and regulated by the Homes and Communities Agency as a Registered Provider. It does not own any housing stock and the Group’s activities take place within the Group’s registered provider subsidiaries.



## **OUR EXECUTIVE TEAM**

### **Lindsay Todd – Chief Executive**

Lindsay is a chartered surveyor who has held housing and development roles in housing associations in the North and the Midlands, as well as with a private rent housing company. He was Chief Executive of Oriel Group, one of Radian's founding partners, and became Radian's Chief Executive when it was formed in 2006. He is a member of the South East Regional Council of the Confederation of British Industry and Royal Institute of Chartered Surveyors Housing Supply Group. In July 2017, Lindsay announced that he will be stepping down as Chief Executive of Radian Group as of 31 August 2017.

### **Andrew Newberry – Former Director of Finance and IT**

Andrew qualified as a chartered accountant in 1979 whilst working for an international practice in England. After two years' further experience with them in Africa he returned to England and moved into commerce. This gave him experience at a senior level in a range of activities including construction, property development, property maintenance and leasing.

Andrew joined The Swaythling Housing Society Limited as Director of Finance in 1996, taking responsibility for finance, IT and company secretary matters and became Director of Finance of Radian Group at its inception. He is a member of the National Housing Federation (NHF) Financial Policy Advisory Group and the Housing Statement of Recommended Practice (SORP) Working Party. Andrew retired from Radian at the end of April 2017.

### **Beverley Anne Costain - Director of Finance and IT**

Anne started her career at Aon in 1992 and worked for various organisations, qualifying as a Chartered Accountant in 2000 (ACCA). Anne joined De La Rue in 2006 where she held a number of roles, culminating in being appointed Divisional Finance Director for Supply Chain and Currency.

Anne joined Radian Group in August 2012 as Deputy Finance Director, becoming Finance Director (designate) in July 2016 and formally taking over from Andrew Newberry as Finance Director upon his retirement. In her role as Deputy Finance Director, Anne has headed up the Finance and Treasury departments, qualifying as a Corporate Treasurer (AMCT) during this time.

### **Andrea Smith – Former Director of Development and New Business**

Andrea joined The Swaythling Housing Society Limited, one of Radian's founding entities, in July 1998 and has therefore been with Radian since its inception. A chartered architect, Andrea's early career was spent in private practice.

Passionate about property and design and proud of Radian's track record of developing award-winning schemes, Andrea is a Board Member of Dorset Local Enterprise Partnership (LEP) and was chair of the NHF Delivering Great Homes Group and a member of its South East Standing Board until 31 March 2017. Andrea retired from Radian at the end of April 2017.

**OUR EXECUTIVE TEAM (continued)**

**Peter Evans - Director of Technical Services**

Peter has been working in construction for over 30 years gaining experience in a variety of roles including self employment, contracting, private sector consultancy, charitable organisations and the housing sector.

After leaving the production side of the construction industry in 1997 he qualified as a surveyor and subsequently joined the National Trust as an historic building surveyor working in Oxfordshire. In the same year he won two Chartered Institute of Builders Awards in Contractual and Technology studies. As Director of Technical Services he is responsible for asset management, maintenance and facilities management. He assumed responsibility for Radian's development function on Andrea Smith's retirement.

**Ralph Facey - Director of Housing and Customer Services**

Ralph joined Radian in January 2005 and has over 25 years' housing management experience gained in a range of different organisations. In Birmingham, Ralph co-ordinated preparations for the transfer of the City Castle Vale estate to a Housing Action Trust and oversaw the formal transfer. After three years spent as Housing Services Manager at Southampton City Council, Ralph became Chief Housing Officer at Gosport and led the service through a period of successful and significant change.

In January 2005 Ralph took over responsibility for The Swaythling Housing Society Limited's preparations for the July 2005 Audit Commission inspection, which resulted in a good service and excellent prospects for improvement judgment. Ralph was appointed as Director of Housing and Customer Services in December 2009 and is also a member of the Chartered Institute of Housing.

**Isabelle Simon-Evans - Director of Corporate Services**

Isabelle joined Radian in February 2010 following a career across the private, public and not-for-profit sectors and has experience of strategic restructuring and outsourcing as well as integrating cultures after mergers. Isabelle was formerly Director of People, Procurement and Organisational Development with The Children's Society and a Board Member and Chair of the remuneration committee for a housing association specialising in services for people with learning disabilities and mental health issues.

Starting her career in sales and marketing, Isabelle developed operational experience in running services for vulnerable adults and registering and inspecting residential care. She is a fellow of the Institute of Personnel and Development and has had experience as a magistrate in the youth and adult courts.



## **BOARD REPORT**

The Board presents its annual report and the audited financial statements for the year ended 31 March 2017.

### **Principal Activities**

Portal Housing Association Limited (the Association) is a charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014 and a registered provider of social housing. It is a subsidiary of Radian Group Limited (the Group). The Association has one subsidiary, Swaythling Assured Homes plc. Its principal activity is to provide high quality homes and services which help improve people's lives and sustain the communities in which they live.

### **Corporate Governance Statement**

As a subsidiary of Radian Group Limited, the Association's affairs are overseen by the Group Combined Board which is formed of Board Members from across the Group's entities with each Board Member representing their respective entity or entities.

This ensures that each entity's interests are protected. Intercompany transactions are also governed by Group policy to protect the interests of individual entities.

### **Board Members of Portal Housing Association Limited**

The current Board Members of the Association are set out on page 1. The Board Members are drawn from a wide background bringing together professional, commercial and other relevant experience. There have been no appointments to, or resignations from, the Board after the year end and in the period up to the date of signing this report.

Recommendations from a review of Radian's formal governance structure and governance effectiveness, led by the Group Combined Board, were implemented from 1 October 2016. The objectives were to achieve best practice in decision making and excellence in governance whilst continuing to meet statutory and regulatory requirements. The review encompassed the Group's legal entity structure, the role and composition of the Group Combined Board, its Committees and their skills and expertise, resident involvement, the terms of reference for the Executive Board and the overall effectiveness of the governance structure.

Following this review a new Housing, Assets and Customer Services Panel was established to best serve residents' interests and two former resident Board Members were transferred to lend their expertise to the governance of the housing management service. On 16 March 2017, two new Board Members were appointed to various subsidiaries across the Group thus further strengthening the Group Combined Board. One of these, Ashley West, joined the Board of Portal Housing Association Limited on the same date.

Board Membership of Portal Housing Association Limited, including changes that have taken place during the year, is set out below.

PORTAL HOUSING ASSOCIATION LIMITED

**BOARD REPORT (continued)**

**Board Members of Portal Housing Association Limited (continued)**

Name	Committee, Panel and Other Roles	Movements in Year	
		Joined	Left
Carol Bode	Member of Remuneration and Nominations Committee	01/10/16	
Lindsay Todd	Chief Executive Officer Member of Treasury and Investment Committee Chair of Executive Development Panel		
Simon Porter	Chair of Audit and Risk Committee Member of Treasury and Investment Committee and Remuneration and Nominations Committee		
Mark Ralf	Chair of Treasury and Investment Committee and Member of Audit and Risk Committee and Remuneration and Nominations Committee		
Mandy Clarke	Senior Independent Director Chair of Remuneration and Nominations Committee Member of Audit and Risk Committee		1/10/16
Michael Collis	Resident Board Member		1/10/16
Colin Hessey	Resident Board Member		1/10/16
Oliver Graham	Chair of Treasury and Investment Committee Member of New Business Committee (disbanded) and Audit and Risk Committee		15/12/16
Bridget Phelps	Member of Audit and Risk Committee and Remuneration and Nominations Committee	01/10/16	
Jayne Beeson	Member of Audit and Risk Committee and Remuneration and Nominations Committee	01/10/16	
Ashley West	Member of Audit and Risk Committee and Remuneration and Nominations Committee	16/03/17	

**The Group Combined Board Composition and Remuneration**

"CH"/"VC" denotes Chair/Vice Chair; "x" denotes Membership of a Board	Group Combined Board						Other	Annual fees <sup>1</sup>
	Non-Charitable				Charitable		Radian Support	
	Radian	Windsor	Swaything	Oriel	Drum	Portal		
Carol Bode	CH	CH	CH	CH	CH	CH		£23,000
Lindsay Todd <sup>4</sup>	x	x	x	x	x	x	x	n/a
Simon Porter	x	x	x	x	x	x		£11,500 <sup>2</sup>
Mandy Clarke	x	x	x	x				£11,500 <sup>2</sup>
Richard Williams	VC	x	x	x				£11,500 <sup>2</sup>
Martin Hurst	x	x	x	x				£9,000
Ashley West					x	x		£9,000
Mark Ralf <sup>5</sup>					x	x	VC	£11,500 <sup>2</sup>
Bridget Phelps <sup>6</sup>					x	x	CH	£9,000
Jayne Beeson					x	x		£9,000
Brian Pirie							x	£0 <sup>3</sup>

**BOARD REPORT (continued)**

**The Group Combined Board Composition and Remuneration (continued)**

The table above sets out how the Board Members of the Society and the Board Members of its fellow Group subsidiaries form the Group Combined Board.

<sup>1</sup> Fees are payable to Board Members in accordance with Group policy.

<sup>2</sup> The roles of Group Vice Chair, Senior Independent Director and Committee Chair receive a supplementary fee paid for by the Group.

<sup>3</sup> Fee waived at the request of Board member.

<sup>4</sup> Lindsay Todd has announced that he will be stepping down as Chief Executive of Radian Group as of 31 August 2017.

<sup>5</sup> Mark Ralf has notified us of his intention to give up his Board commitments at the end of September 2017.

<sup>6</sup> Bridget Phelps has notified us of her intention to give up her Board commitments at the end of her current term of office at the end of July 2017.

The Group Combined Board delegates certain governance responsibilities to Group Committees which have their own approved terms of reference. Management of daily operations is delegated to the Executive Board.

Information regarding the composition of the Board Committees is available on our website ([www.radian.co.uk](http://www.radian.co.uk)). The major committees supporting the Group Combined Board during the year were:

***Audit and Risk Committee***

The Audit and Risk Committee is responsible for the oversight of:

- Internal and external audit;
- The effectiveness of internal controls and risk identification and mitigation; and
- Reviewing financial performance and the financial statements.

***Remuneration and Nominations Committee***

The Remuneration and Nominations Committee has delegated responsibility for:

- Executive and Board appointments, pay and succession planning; and
- Board performance review process.

***Treasury and Investment Committee***

The Treasury and Investment Committee is responsible for the oversight of:

- The structure of funding arrangements;
- Raising new finance and liquidity management;
- Loan portfolio risk management;
- Management of the security portfolio;
- Budget and business plans; and
- Reviewing the Group pension investment strategy.

## **BOARD REPORT (continued)**

### **Executive Board and Service Contracts**

The Executive Board are set out on pages 5 to 6. The Executives hold no beneficial interest in the Group's shares and act within the authority delegated by the Group Combined Board under defined terms of reference.

The Executives are employed on similar terms to other staff, except for an entitlement to car allowances and health care insurance. The Chief Executive is provided with a company car.

The Executive Directors are members of the Radian Group Pension Scheme (RGPS) and they participate in the sections of the Scheme on the same terms as all other employee members of those sections. The Group contributes to all sections of the Scheme on behalf of its employees.

Group insurance policies, together with an additional NHF Certificate of Liability Insurance, indemnify Board Members and Officers against liability when acting for the Group or relevant subsidiaries.

### **Resident Involvement**

The Group actively encourages residents' involvement in decision making.

- The Housing, Assets and Customer Services Panel allows residents to review performance and service delivery and monitor outcomes;
- A resident scrutiny group evaluates Radian's services and makes recommendations to the Executive Board;
- The Panel uses a combination of face-to-face and online meetings to develop local initiatives and improve customer satisfaction; and
- Various other forums and panels including the Health and Wellbeing Forum and Community Safety Panel enable residents to help shape our services.

### **Governance and Regulation**

The Group's operations are carried out in accordance with the Housing Acts and other applicable law. The Group Combined Board adopts the NHF Code of Conduct 2012 on behalf of the Group and the NHF Code of Governance 2015 on behalf of the RP entities within the Group.

Compliance with the HCA's Regulatory Framework is monitored by the Audit and Risk Committee which provides assurance to the Board. The Board certifies that the Group is compliant with all regulatory standards and, specifically, the Governance and Financial Viability Standard. The HCA reconfirmed Radian's regulatory rating for governance and viability as G1 and V1 respectively in December 2016.

The Group Combined Board expects the Group's Board and Committee members, involved residents, staff and contractors, to comply with the Radian Code of Conduct, which is based on a model provided within the NHF Code of Conduct. Having conducted an appropriate internal compliance review, the Group Combined Board considers that each of the RP entities is fully compliant with both the Governance Code and the Code of Conduct.

A statement of compliance is published on Radian's public website and all Group Boards consider their effectiveness annually.

## **BOARD REPORT (continued)**

### **Internal Control and Risk Management**

As part of its remit to oversee Group affairs, the Group Combined Board acknowledges its ultimate responsibility for establishing and maintaining a Group-wide system of internal control that is appropriate to the various business environments in which it operates and for reviewing the effectiveness of those controls. These controls are designed to give reasonable assurance in respect of the:

- Reliability of financial and operational information used within the Group or for publication;
- Maintenance of proper accounting records;
- Safeguarding of assets against unauthorised use or disposal; and
- Management of risks against the achievement of Group strategic and business objectives.

The Group Combined Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. In meeting its responsibilities, the Group Combined Board has adopted a risk-based approach to internal controls that are embedded within the normal management and governance processes. This approach, consistent with past practice, includes the regular evaluation of the nature and extent of risks to which the Group is exposed and in regularly scanning the external environment.

The process adopted by the Group Combined Board to review the effectiveness of our internal controls and the key elements of our control framework includes:

#### ***Identification and evaluation of key risks***

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. 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 by the Audit and Risk Committee and the Group Combined Board. The Executive Board regularly considers reports on the significant risks facing the Group and the Director of Corporate Services reports to the Group Combined Board on any significant changes affecting key risks. In addition, the Treasury and Investment Committee continually reviews financial risk and advises the Board accordingly. The Board formally reviews strategic and financial risk at least once every year.

#### ***Monitoring and corrective action***

A process of Group-wide control self-assessment culminating in an annual self-assessment sign off by the Executive Board and regular management reporting on control issues provides assurance to the Group's Boards. This includes a formal procedure for ensuring that corrective action is taken in relation to any significant control issues. The Group uses an outsourced internal audit function to monitor internal controls and identify any weaknesses.

#### ***Control environment and control procedures***

The Group Combined Board has responsibility for a defined range of issues covering Group strategy, performance, finance and compliance. There are clearly defined levels of responsibility and delegated authority.

There is a broad framework of policies and procedures with which all employees must comply and which covers areas such as 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 appraisal supports achievement of good standards of performance.

**BOARD REPORT (continued)**

**Internal Control and Risk Management (continued)**

***Information and financial reporting systems***

Forecasts and budgets are prepared which allow the Board and Management to monitor the key financial objectives and progress towards achieving financial plans set for the year and the medium term. Regular management accounts and reports on financial performance, together with KPIs for service standards and progress against operational plans are prepared, providing regular up-to-date financial and other information with significant variances investigated and reported as appropriate.

***Audit and Risk Committee***

The Audit and Risk Committee reviews the annual internal and external plans and reports and meets with the auditors to satisfy themselves that the internal control systems are operating effectively. The Audit and Risk Committee reviews the major risks at every meeting. In turn, the Committee Chair reports to the Group Combined Board at each of their meetings.

***Fraud, bribery, money laundering and whistleblowing***

A Group-wide fraud prevention policy and response plan are in place and all incidents are reported to the Audit and Risk Committee and recorded in a register which is reviewed annually. The policy covers prevention, detection and reporting of fraud and the recovery of assets. The Audit and Risk Committee has reviewed the fraud register on behalf of the Group Combined Board. A Group whistleblowing policy is in place and there are controls to mitigate the risk of bribery and money laundering.

The internal control framework and the risk management process are subject to periodic review by internal auditors who are responsible for providing independent assurance to the Audit and Risk Committee which in turn reports to the Group Combined Board.

**Review of Effectiveness of Internal Control**

The Group's Boards and KPMG, our internal auditors, confirm the effectiveness of our internal control systems to manage the achievement of the Group's objectives for the 12 months ended 31 March 2017.

**Health, Safety and Wellbeing**

The Group has detailed health, safety and wellbeing policies and procedures which are managed to protect our employees, visitors, contractors, residents and members of the public from harm. We also provide staff with training and education on health, safety and wellbeing matters.

There is quarterly KPI reporting on safety management compliance to the Audit and Risk Committee and to the Group Combined Board.

**BOARD REPORT (continued)**

**Going Concern**

After making enquiries, the Board has a reasonable expectation that the Association 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 Association's budget and business plan, which take into account the current uncertain economic climate and expected trading conditions, show that it will be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.


**Auditor**

In the case of each of the persons who are Members of the Association at the date when this report is approved:

- So far as each of the Members is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the Association's auditor is unaware; and
- Each of the Members has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information (as defined) and to establish that the Association's auditor is aware of that information.

A resolution to appoint BDO LLP will be proposed at the forthcoming Annual General Meeting.

The Board Report was approved by the Board on 27 July 2017 and signed on its behalf by the Chair.



**Carol Bode**  
Chair

## STRATEGIC REPORT

### Our Business Model

The Association's principal activity is the provision, management and maintenance of quality, cost-effective accommodation for people in housing need. Housing properties are let at rents that are affordable to tenants who are appropriate beneficiaries of a charitable organisation.

All of the Association's housing inventory is managed by The Swaythling Housing Society Limited which is the managing agent for the majority of Radian Group's housing inventory.

The Association owns (or has an investment in) and manages (through its managing agent) 2,821 (restated 2016: 2,510) properties excluding HomeBuy loans in 32 local authority areas predominantly in Hampshire, Surrey, West Sussex and Wiltshire. 34% (2016: 35%) of the properties are concentrated in Southampton. It has been subject to a programme of repair and all of the homes we own have been maintained to a good standard.

Of the 2,821 housing properties (restated 2016: 2,510), 84% (2016: 82%) of the homes are social rent general needs and affordable rent general needs accommodation and a further 5% (2016: 5%) are social rent supported housing and housing for older people. The balance is other social housing.

The Association has no employees (2016: none). Operations for the Association are run from Portal's head office in Eastleigh.

The Association measures its performance primarily by monitoring the KPIs set by the Group Combined Board which are scrutinised by the Housing, Assets and Customer Services Panel and the Residents Council. We have a combination of financial and operational targets for performance in areas that include rent arrears, rent losses from voids and bad debts, customer satisfaction and repairs. Our performance is subject to regulation by the HCA and our loan covenants are agreed with our lenders.

### Future Developments

The Group's collective strategy is to secure opportunities and funding to enable us to develop more homes in our chosen markets within target areas. We plan to build at a rate which does not threaten our financial viability and are currently planning to deliver an average of 600 new homes a year.

Under our current structure the majority of new homes will be built by the non-charitable RPs, financed by sales of existing homes to Portal Housing Association Limited. The Group will finance purchases of homes through cash reserves and bond issues.

Under the Government's rent reduction policy announced in July 2015, we were required to reduce the majority of our rents by 1% in each of the subsequent four years. To mitigate the impact of this reduced income we have identified cost savings of £12m to be achieved by 2019/20, which is the last year of the rent reduction. As a result, our projections show that we will continue to improve our operating margins throughout the period of rent reduction.

We forecast business performance and remodel our business plan twice a year or more often if there are significant changes in our regulatory and economic environment. We review the underlying assumptions regularly to ensure that they are appropriate.



## **STRATEGIC REPORT (continued)**

### **Future Developments (continued)**

We stress test the model to assess the financial impact of the following major risks to the organisation:

- Further rent reductions using a number of multi-variate scenarios to test our sensitivity to these;
- Increased voids and arrears in light of welfare reforms;
- Increases in inflation and interest rates; and
- Increased exposure to market sales and a fall in the percentage of first tranche sales.

The business models and stress testing are reviewed, along with mitigating actions to ensure that we can continue to develop new homes.

The future impact of Voluntary Right to Buy has been considered as the programme will initially generate a positive inflow of cash. We are considering how we will overcome the future challenge of replenishing diminishing stock.

### **Our Vision and Strategic Goals**

Our day-to-day activities are underpinned by a clear understanding of what we want Radian to be in the future as outlined in our 'Vision 2025'.

Customers - Our customers in 2025 tell us that we provide great homes they want to live in. We aim:

- To have a broad customer base;
- To truly understand our customers' needs and requirements;
- For our customers to benefit from the development of our digital offer;
- For our customers to be able to build equity in their homes; and
- For our market rent customers to continue to enjoy the flexibility of renting as a long-term option.

Partners - Our partners in 2025 tell us that we are great to work with and add value. We aim:

- To work with our partners to build homes of all tenures;
- For our employees to drive our business success through innovation, flexibility and commitment to customer satisfaction and be partners in everything we do;
- To have strong relationships with all regional stakeholders;
- To have successfully merged with others; and
- To bring expertise and clarity to our partnerships.

Homes - Our homes in 2025 are distinctive and sought after. We aim:

- To double our size;
- To complete 2,000 new homes in 2025 including 300 outright new builds;
- To offer a range of tenures across all of our homes;
- To own or manage a large stock of market rent homes;
- To retain 75% of our homes as social rent homes;
- To provide low-cost rented products;
- For our homes to be distinctive, sought after and tailored to our different customers and markets;
- To continue to modernise our older homes;
- To ensure that most of our new homes will be built by us on land we purchase for development;
- For our new homes to be energy efficient and smarter; and

## STRATEGIC REPORT (continued)

### Our Vision and Strategic Goals – Homes (continued)

- To ensure that Affordable Home Ownership will constitute a much larger proportion of our management portfolio.

*Services* - Our services in 2025 are rated by customers to be best in class. We aim:

- To have a clear focus on an efficient modern, digital service delivery;
- To provide locally-based services that in turn create successful, prosperous and vibrant communities;
- To facilitate customers mobility by helping them move home or by improving their current homes;
- For all our services to be associated with quality; and
- To be digitally accessible, enabling increased self-service for our customers.

*Geography* - Our geography in 2025 will have extended across the South. We aim:

- To extend our activities from west of the M25 and M40 to east of the M5 and south of a line from Oxford to Gloucester; and
- To continue to strengthen our offer locally for customers and partners.

### Strategic Plan 2017-20

This Vision will be delivered by the achievement of our internal strategic objectives which focus on the next three years but are updated annually to remain relevant to the business. The Strategic Plan is interlinked with a transformation plan which has four success factors:

*Customer* - Our customers tell us that we provide great homes they want to live in and our services are highly rated:

- Redefined standards of service and customer relationships for all tenures and markets;
- Digital and mobile technology to enhance customer experience and reduce service costs;
- New online customer services; and
- Top-quartile customer satisfaction and income collection sustained while also increasing turnover and reducing our costs.

*Property* - Our homes are sought after and our partners tell us that we are great to work with and add value with our:

- New in-house estate management service for mixed tenure schemes;
- SMART. portfolio management service for corporate investors;
- Established Radian Build property development contractor;
- New homes that are connected, serviced more easily and which are more efficient;
- Better homes which are developed more cheaply due to competitively priced construction and land supply which will include using modular construction solutions;
- Wide range of homes and choice of tenure across an extended geography in accordance with agreed targets for profit and yield; and
- Asset management assumptions which favour stock retention.

*People* - We are talented and Radian is a great place to work with:

- Engaged people who deliver the change we need to succeed and continue to improve;
- A modernised approach to manage and recognise performance; and
- Appropriate change initiation and management.

**STRATEGIC REPORT (continued)**

**Strategic Plan 2017-20 (continued)**

*Commercial* - We are efficient and we generate surpluses which are reinvested in new products and services with:

- An updated merger strategy which we plan to have implemented;
- Competitive funding secured for growth beyond 2020;
- A brand known for quality;
- Clear about the financial contribution of each part of Radian; and
- We will have reviewed, simplified and established slicker processes to improve decision making and improve business intelligence.

**Principal Risks and Uncertainties**

Radian has a published risk management framework which sets out how corporate risk is considered, assessed and mitigated through the organisation’s hierarchy, from project level, to senior management and the Executive and Group Combined Boards.

Radian’s Risk Manager meets with our senior management in each business area at least three times a year to review the risk register of operational and strategic risks. A consistent approach is applied in regard to scoring risks before and after mitigating actions are taken, new controls are implemented and tracked until they are operating effectively. The results of our risk reviews are reported to Radian’s Audit and Risk Committee three times per year and top-level strategic risks are reported and reviewed by the Group Combined Board.

The following is a summary of the principal risks identified:

<b>Nature of risk</b>	<b>Impact</b>	<b>Mitigations include</b>
IT systems fail, are compromised or are subjected to unauthorised use or malicious attacks with potential for reputational damage	Disruption to Radian's business caused by major disaster, hardware or communications failure and/or power, air conditioning or other facilities-related issues. Viruses, phishing or malware attacks, unauthorised users or inappropriate use by staff causing failure of IT systems, impacting revenue collection, integrity and security of data, service delivery or customer confidence.	Extensive network security in place including Cisco firewalls, anti-virus, endpoint security, enhanced network management, purpose built corporate datacentre with offsite failover and backup services, cloud-based filtering for email and web, encryption and management of all mobile devices and two-factor authentication for remote users. Other controls include documented change management, planned upgrades with robust testing, appropriate maintenance and support contracts, effective supplier relationships, systems and service management with ITIL trained staff and up-to-date business continuity and disaster recovery plans which are tested regularly.
Failure to deliver our planned development programme	Failure to deliver the planned development programme, to achieve compliance with agreed standards or within planned resources.	Rigorous development control processes with effective management oversight of programme delivery. Proactive project management with Executive and Group Combined Board oversight.

**STRATEGIC REPORT (continued)**

Nature of risk	Impact	Mitigations include
Transformation programme	Loss of business focus during implementation of our transformation programme and failure to adopt appropriate behaviours to implement change and innovate. Disengagement of staff and/or reputational damage due to poor communication of changes.	Oversight of Radian's transformation programme by a steering committee comprising non executive and executive members. It is delivered by a dedicated director who works closely with the Learning and Development Team. A new induction programme is in place together with a change management toolkit. Staff at all levels play an active role in the transformation process. A strong communications team is in place to support transformation communication.
Changes in legislation or regulation jeopardise our cash flow	Changes in rent regulation, welfare benefits or accounting standards jeopardise cash flow and cost saving measures.	Senior finance staff maintain awareness of sector change with advice from auditors and other sector experts. Assessment of the impact of changes using modelling and regular forecasting and analysis of financial outturn. Increased staffing within the Housing Income Team are helping to address these increased pressures. Stress testing of our business plan has considered the impact of further rent cuts beyond 2020 and has identified mitigating actions.
Breach of HCA funding conditions	Inability to use government funding as a result of failure to meet milestones or inadequate oversight of projects and programmes.	Rigorous development control processes with effective management oversight of programme delivery. Quarterly meetings are held between our development consortium and the HCA monitor the progress of our development programme.
Relationships with key stakeholders	Missed opportunities or diminished reputation due to failure to maintain a strong and positive relationship with key stakeholders including local and national government.	Radian liaises with local authorities, is a member of key NHF working groups and engages with other consortium partners to try and influence government agenda.
Increased arrears and lost revenue due to changes in government policy	Failure to achieve top quartile performance for percentage net rent collection.	Radian has a rolling action plan to manage our response to welfare reform and the introduction of Universal Credit. It is reviewed monthly and updated regularly to reflect the progress of its rollout. We have appointed a dedicated officer and have reviewed internal procedures to minimise the risks around under-occupation and affordability for residents, particularly when considering new development schemes. We have organised awareness campaigns to ensure residents are aware of the changes and our Employment, Support and Training (EST) Team continue to take referrals for those looking to be supported into work.

**STRATEGIC REPORT (continued)**

Nature of risk	Impact	Mitigations include
Radian Build becomes inefficient as a result of insufficient and untimely land supply	Insufficient workflow prevents the recovery of overhead costs resulting in financial loss.	Radian Build schemes are sourced by our land Supply Team and are currently priced in advance on a prime cost contract basis backed by competitive procurement. The Executive Board monitors Radian Build's progress against our business plan.

**Budgets and Business Plans**

The members of the Group Combined Board ensure that the Group's subsidiaries act in their own interest while also contributing positively to the results of the Group as a whole.

**Financial Performance**

Our budget strategy requires the business:

- To increase its operating margin for housing annually which in turn increases its capacity to obtain additional funding to build an average of 600 new homes a year; and
- To ensure that the main trading entities within the Group achieve a surplus before tax.

**Growth**

The business aims to grow by adding more homes at a rate which sustains its financial viability. Aside from developments that are earmarked specifically for sale, our default strategy is to 'build and hold' property for a period of 30 years.

**Capital and Treasury Management**

The Group is financed by a combination of revenue reserves, long-term loan facilities, bond finance and Social Housing Grant received from Government.

Radian has a Group-wide 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 loan facilities capable of immediate drawdown to cover the next six months' forecast cash requirement. The Group must also have sufficient cash and committed loan facilities, though not necessarily capable of immediate drawdown, to cover the higher of committed development spend and the next 18 months forecast cash requirement. The policy also prioritises a lack of reliance on any one counterparty, whether through cash holdings or available facilities.

**Financial Review**

Turnover has increased 8% to £16.4m from £15.2m as a result of a £1.2m increase in turnover from social housing lettings. The first of four annual 1.0% rent decreases were applied to the applicable tenancies from 1 April 2016 in accordance with government policy.

The target for the year was to keep rent losses from voids in line with the previous year. During the year the Association's rent losses have fallen from 0.4% to 0.3%. Overall rent arrears at the reporting date have fallen from 2.8% to 2.0%.

**STRATEGIC REPORT (continued)**

**Financial Review (continued)**

Operating costs and cost of sales have remained flat at £8.6m. Finance costs have increased by 26% to £11.1m as a result of the increase in Radian Capital 2049 bond proceeds which are on-lent to the Association.

***Fixed Assets and Funding***

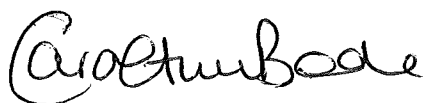
The Association's investment in fixed assets has risen to £335.9m (restated 2016: £283.4m). The fixed asset investment is funded by £206.6m of loans and borrowings (restated 2016: £161.7m), £13.2m of deferred capital grant (2016: £13.3m) and £184.6m of revenue reserves (restated 2016: £152.4m). The Association does not use stand-alone hedging instruments.

At 31 March 2017 the Association owned or had an investment in and managed 2,820 completed housing properties (restated 2016: 2,509) excluding HomeBuy loans. The Associations properties were carried on the Statement of Financial Position at a net book value of £331.8m (restated 2016: £279.4m).

The Board appointed professional valuers to value the Association's completed housing properties as at 31 March 2017 and at that date the value of the housing properties on an existing use valuation - social housing basis was £199.6m (2016: £175.5m).

<b><i>Financial Key Performance Indicators</i></b>		<b>Restated</b>
	<b>2017</b>	<b>2016</b>
Turnover (£'m)	16.4	15.2
Turnover from Social Housing as % of total revenue	100%	100%
Surplus from Social Housing lettings as % of finance costs	71%	75%
Operating margin	49%	43%
Net margin	196%	108%
Debt (net of cash) as % of total assets (net of cash)	43%	46%
Debt as a multiple of revenue	12.6	10.6

The Strategic Report was approved by the Board on 27 July 2017 and signed on its behalf by the Chair.



**Carol Bode**  
Chair

## 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. That statement provides full details of our performance, cost, return on assets, VfM delivered to date and our future plans. Our website also contains our VfM strategy 2016-20 which is a vital component of our Vision 2025.

As part of their annual global accounts review, the HCA track the cost performance of Registered Providers, excluding any income collected, against the sector median. Radian's total cost per unit in 2015/16 was £3,880 against a sector median of £3,550 and a top quartile of £4,430. To ensure that our cost base remains appropriate in light of unprecedented welfare reform, the Group Combined Board carried out a VfM 'zero based budget' review during the year.

This process identified £12m of financial over-performance against our 2015/16 budget as a baseline. We expect to deliver this improvement in our surpluses by March 2020. Each department will contribute by reducing overheads and service costs and by creating efficiencies through greater collaboration and innovation. The 2016/17 budget incorporated planned VfM savings of £4.9m towards the 2020 target of £12m.

2016/17 saw a range of VfM activity, for example:

- A series of changes to the structure of our housing management function which resulted in improved income collection and a 14% saving in costs, which equated to £2.3m;
- A review of our void management approach which reduced cost and void loss and improved overall void turnaround time; and
- A range of reviews to reduce our overheads which included restructuring our finance and corporate services functions.

### Housing Management Performance

Radian's net rent arrears reached their lowest ever position of 1.5% (Portal: 2.0%) at 31 March 2017, in spite of welfare reform. The Group's income collection remained very strong at 100.3%. Our Group void loss improved to 0.67% and was 0.34% for the Association.

We secured HouseMark accreditation for the high quality of our response to anti-social behaviour, our domestic abuse service and our Customer Service Centre approach.

### Service Satisfaction

Customer satisfaction continued to improve in 2016/17 in spite of cost savings. Our residents in rental accommodation reported top-quartile satisfaction and home owners' satisfaction was in the top ten percent.

- Our customer's overall satisfaction with Radian increased from 83% in 2014/15 to 86% in 2016/17. The Group's Net Promoter Score, which is an external customer experience benchmark, increased nine points from 15 to 24 in the year.
- Tenant satisfaction with our landlord service increased from 87% in 2014/15 to 88% in 2016/17. The Group's Net Promoter Score has risen from 24 to 29 in the last year; and

**VALUE FOR MONEY (continued)**

**Service Satisfaction (continued)**

- Home owners' satisfaction scores have improved significantly since 2014/15 which reflects our investment in this service in recent years. Satisfaction with the overall landlord service increased from 69% in 2014/15 to 74% in 2016/17. The Group's Net Promoter Score improved from -22 to -2 over the course of the year. Our affordable home ownership satisfaction results are the highest among our peers.

**Our Community Investment Offer**

Our community investment programme centres on activities that will sustain our revenue stream and minimise long-term management costs. We focus on neighbourhoods that need intensive work and run projects and initiatives aimed at improving wellbeing in socially isolated areas that are most affected by welfare reform.

Radian's Employment Support and Training programme supports residents to gain employment and access training opportunities. We offer residents practical help to write CVs and gain interview and presentation skills. We also work with them to boost their confidence and self esteem.

Since April 2012 Radian's Group wide Employment Support and Training programme has helped 531 people into employment and given 1,658 people access to training opportunities.

In 2016/17 the Association has focused on hard to reach customers at risk of welfare reform:

- 11 individuals have been supported into employment;
- 12 individuals have been given training opportunities; and
- 26 individuals have been coached to prepare CVs.

**Measuring our return on assets**

We measure our financial return on our own interest in our social housing assets after deducting government grant and loans. It has improved from 2.6% in 2015/16 to 2.7% in 2016/17. This measure takes into account that a large proportion of our investment has been borrowed from lenders. Our investment is the reserves that we have accumulated over the years by retaining our surpluses. Our return will fall as interest rates rise and our borrowing costs increase.



## STATEMENT OF THE BOARD'S RESPONSIBILITIES

The Board is responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Registered Society law 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 Association at the end of the reporting period and of the surplus or deficit of the Association 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 Statement of Recommended Practice (SORP) 2014, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing SORP 2014, the Accounting Direction for Social Housing in England from April 2015 and the Housing and Regeneration Act 2008. It is also responsible for safeguarding the assets of the Association 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 PORTAL HOUSING ASSOCIATION LIMITED**

We have audited the financial statements of Portal Housing Association Limited for the year ended 31 March 2017 which comprise the association statement of comprehensive income, the association statement of financial position, the association statement of changes in reserves and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's Members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's Members as a body for our audit work, for this report or for the opinions we have formed.

### ***Respective responsibilities of the Board and auditors***

As explained more fully in the statement of board member responsibilities, the Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### ***Scope of the audit of the financial statements***

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### ***Opinion on financial statements***

In our opinion the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31 March 2017 and of the Association's surplus for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PORTAL HOUSING ASSOCIATION LIMITED  
(continued)**

***Matters on which we are required to report by exception***

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- The information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- Adequate accounting records have not been kept by the Association; or
- A satisfactory system of control has not been maintained over transactions; or
- The Association's financial statements are not in agreement with the accounting records and returns; or
- We have not received all the information and explanations we require for our audit.



BDO LLP, statutory auditor  
Gatwick, West Sussex  
United Kingdom  
3 August 2017

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

PORTAL HOUSING ASSOCIATION LIMITED

**STATEMENT OF COMPREHENSIVE INCOME**  
**Year ended 31 March 2017**

	Note	2017 £'000	Restated 2016 £'000
Turnover	3	16,448	15,192
Cost of sales	3	-	(14)
Operating costs	3	(8,591)	(8,587)
Surplus/(deficit) from disposal of fixed assets	3	125	(14)
<b>Operating surplus</b>	<b>3</b>	<b>7,982</b>	<b>6,577</b>
Finance income	4	1,532	1,544
Finance costs	5	(11,061)	(8,838)
Fair value movement on financial instruments	24	780	(1,083)
Gift Aid	7	33,000	18,200
<b>Surplus on ordinary activities before and after taxation</b>	<b>6</b>	<b>32,233</b>	<b>16,400</b>

See relevant notes to the financial statements for details of restatement of 2016 comparatives.

All activities derive from continuing operations.

The notes on pages 29 to 50 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION**  
As at 31 March 2017

	Note	2017 £'000	Restated 2016 £'000
<b>Fixed assets</b>			
Housing properties	10	331,847	279,440
HomeBuy loans	11	358	421
Investments	12	4,023	4,000
		<b>336,228</b>	<b>283,861</b>
<b>Current assets</b>			
Properties for sale	13	1,640	-
Receivables: Due within one year	14	2,457	3,072
Receivables: Due after more than one year	14	6,700	-
Cash	15	49,536	14,142
Short term investments	15	15,409	32,020
		<b>75,742</b>	<b>49,234</b>
Payables: Amounts falling due within one year	16	(6,994)	(5,040)
		<b>68,748</b>	<b>44,194</b>
		<b>404,976</b>	<b>328,055</b>
Payables: Amounts falling due after more than one year	17	(207,115)	(162,316)
Deferred capital grant due after more than one year	18	(13,226)	(13,337)
		<b>184,635</b>	<b>152,402</b>
<b>Capital and reserves</b>			
Share capital	21	0	0
Revenue reserve		184,635	152,402
		<b>184,635</b>	<b>152,402</b>

See relevant notes to the financial statements for details of restatement of 2016 comparatives.

The notes on pages 29 to 50 form part of these financial statements.

The financial statements of Portal Housing Association Limited, Registered Society number 28635R, on pages 26 to 50, were authorised and approved for issue by the Board on 27 July 2017 and signed on its behalf by:



**Carol Bode**  
Chair



**Simon Porter**  
Board Member



**Malcolm Rule**  
Secretary

PORTAL HOUSING ASSOCIATION LIMITED

**STATEMENT OF CHANGES IN RESERVES**

	Share capital £'000	Restated Revenue reserve £'000	Total £'000
At 1 April 2015	0	136,002	<b>136,002</b>
Surplus on ordinary activities for the year	-	16,400	<b>16,400</b>
At 31 March 2016	0	152,402	<b>152,402</b>
Surplus on ordinary activities for the year	-	32,233	<b>32,233</b>
Shares issued during the year	0	-	<b>0</b>
Shares cancelled during the year	0	-	<b>0</b>
<b>At 31 March 2017</b>	<b>0</b>	<b>184,635</b>	<b>184,635</b>

The notes on pages 29 to 50 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017**

**1. LEGAL STATUS**

The Association is registered with the Financial Conduct Authority as a charitable society under the Co-operative and Community Benefits Societies Act 2014 and is registered with the HCA as a social housing provider.

**2. ACCOUNTING POLICIES**

The following accounting policies have been applied consistently in the current and in the prior year comparatives in dealing with items which are considered material in relation to the Association's financial statements.

**Basis of preparation**

The financial statements of the Association 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. This is the second year in which the financial statements have been prepared under FRS 102. The financial statements are presented in pounds sterling and have been prepared on the historical cost basis except for a modification to a fair value basis for certain financial instruments.

**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 13.

**Disclosure exemptions**

The Association has taken advantage of the following disclosure exemptions under FRS 102 paragraph 1.12(b) on the basis that they are included in the consolidated financial statements of the ultimate parent company, Radian Group Limited:

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

**Investments**

Investments in subsidiaries are accounted for using the cost model.

**Related parties**

As a subsidiary of its parent, Radian Group Limited, whose results and balances are included in the consolidated financial statements, the Association has not disclosed transactions or balances with entities which form part of the Group and which are also Registered Providers.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Turnover**

Turnover represents rental and service charge income (net of void losses), fee income and revenue grant receivable. Turnover also includes the amortisation of capital grant in accordance with FRS 102. Deferred capital grant is released over the life of the asset structure. Rental income is recognised from the point when properties become available for letting, net of any voids. Other income is recognised as receivable on the delivery of services provided.

**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. Until these are returned or recovered they are held as creditors or debtors.

**Value Added Tax (VAT)**

The Association 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 shown in the statement of comprehensive income.

**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. On disposal of the assets, deferred capital 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.

**Donated land**

Land donated by local authorities and others for social rent usage is added to the fixed asset register at zero cost.

**Cyclical repairs and maintenance**

The actual costs of cyclical repairs and maintenance are charged to the statement of comprehensive income as incurred.

**Properties for sale**

Properties for sale are valued at the lower of cost and estimated selling price less costs to complete and sell and are classified as current assets.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Fixed assets - Housing properties**

Housing properties are held at cost less depreciation. Cost includes acquisition expenditure, development costs and directly attributable administration 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.

**HomeBuy**

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.

**Financial instruments**

Financial instruments are recognised when the Association becomes a party to the contractual provisions of the instrument and are classified according to their substance. For the deferred elements of the Radian Capital 2049 bonds, the recognition trigger is when security is in place and the funds are received by the issuer, Radian Capital plc, and on-lent to the Association.

**Financial assets and liabilities**

All are initially measured at transaction price, including transaction costs, unless those financial assets are classified as fair value through profit or loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction. Fair value measurement applies to the Association's investment in a listed bond and gilts. Under FRS 102, if an arrangement is a financing transaction, the financial asset or liability should be measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

The Association's loans and bonds 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 historic cost as the difference between historic cost and amortised cost is not material.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Financial assets and liabilities (continued)**

Where instruments are classified as payable or receivable within one year they are measured at an undiscounted amount of the cash expected to be paid or received within one year.

Financial assets are only derecognised when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Association transfers to another party substantially all of the risks and rewards of ownership of the financial asset or, c) the Association, despite having retained some but not all significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are only derecognised when the obligation specified in the contract is discharged, cancelled or expires.

**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 social housing properties affected by the rent reduction - see our impairment policy.

***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 for mixed tenure developments and the subsequent allocation of costs relating to affordable home ownership between current and fixed assets.

***Intercompany recharges***

The allocation of management expenditure to providers within the Group is determined by a range of factors including the number of homes under management and the level of the organisation's development activity.

***Fair value measurement***

The Association uses external professional advisers to determine the fair value of financial instruments. The fair value of financial instruments is based on quoted prices.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (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
- 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
- Motor vehicles, yard plant and machinery – 4 years

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

**Impairment**

At each reporting date the Association 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 and 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 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.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

**2. ACCOUNTING POLICIES (continued)**

**Taxation**

Due to its charitable objects the Association benefits from exemptions afforded by tax legislation and is not liable to corporation tax.

**Finance costs**

Finance costs 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. Issue costs, premiums and discounts are capitalised and amortised over the life of the associated financial instrument.

**Leases**

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

All of the Association's leases are classified as operating leases. Whether the Association 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017		2016		Restated 2016				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus/(deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Deficit from disposal of fixed assets £'000	Operating surplus/(deficit) £'000
Social housing lettings	16,434	-	(8,595)	7,839	15,190	-	(8,588)	-	6,602
<b>Other social housing activities</b>									
Non-rent bad debts	-	-	-	-	-	-	1	-	1
Cesspool emptying	4	-	-	4	2	-	-	-	2
First tranche affordable home ownership sales	-	-	-	-	-	(14)	-	-	(14)
Surplus/(deficit) from disposal of fixed assets	-	-	-	125	-	-	-	(14)	(14)
<b>Total other social housing activities</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>2</b>	<b>(14)</b>	<b>1</b>	<b>(14)</b>	<b>(25)</b>
<b>Non-social housing activities</b>									
Other	10	-	(19)	(9)	-	-	-	-	-
Impairment of investments	-	-	23	23	-	-	-	-	-
<b>Total non-social housing activities</b>	<b>10</b>	<b>-</b>	<b>4</b>	<b>14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>16,448</b>	<b>-</b>	<b>(8,591)</b>	<b>7,982</b>	<b>15,192</b>	<b>(14)</b>	<b>(8,587)</b>	<b>(14)</b>	<b>6,577</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017				Total £'000	Total £'000	Restated 2016
	General needs housing £'000	Supported housing and housing for older people £'000	Affordable home ownership £'000	Other social housing £'000			
<b>Turnover</b>							
Rent receivable net of identifiable service charges (net of voids)	12,382	740	1	2,635	15,758	14,576	
Service charge income	453	83	1	2	539	474	
<b>Net rental income</b>	<b>12,835</b>	<b>823</b>	<b>2</b>	<b>2,637</b>	<b>16,297</b>	<b>15,050</b>	
Amortisation of capital grant	137	-	-	-	137	140	
<b>Net turnover from social housing lettings</b>	<b>12,972</b>	<b>823</b>	<b>2</b>	<b>2,637</b>	<b>16,434</b>	<b>15,190</b>	
<b>Operating expenditure</b>							
Management	(2,038)	(116)	(1)	(275)	(2,430)	(2,283)	
Service charge costs	(206)	(12)	-	(28)	(246)	(253)	
Routine maintenance	(1,255)	(72)	-	(169)	(1,496)	(1,658)	
Planned maintenance	(503)	(29)	-	(68)	(600)	(464)	
Major repairs expenditure	(1,051)	(60)	-	(142)	(1,253)	(982)	
Bad debts	(61)	(3)	-	(8)	(72)	(101)	
Depreciation of housing properties	(2,129)	(98)	-	(354)	(2,581)	(2,840)	
Loss on disposal of housing components	(121)	(7)	-	(17)	(145)	-	
Other costs	191	11	-	26	228	(7)	
<b>Operating expenditure on social housing lettings</b>	<b>(7,173)</b>	<b>(386)</b>	<b>(1)</b>	<b>(1,035)</b>	<b>(8,595)</b>	<b>(8,588)</b>	
<b>Operating surplus on social housing lettings</b>	<b>5,799</b>	<b>437</b>	<b>1</b>	<b>1,602</b>	<b>7,839</b>	<b>6,602</b>	
Void losses	(41)	(10)	-	(10)	(61)	(76)	

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

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

The 2016 Turnover comparative has been restated to include £140k of Amortisation of capital grant which was previously disclosed within Other social housing activities.

The 2016 Planned maintenance comparative has been restated to reflect a net adjustment of £45k of central service recharges which is now disclosed within Major repairs expenditure.

The 2016 Depreciation comparative has been restated to reflect an adjustment of £282k correcting the split of the value of housing properties transferred to the Association between land and main structure and the subsequent reduction in the accumulated depreciation charge.

**Surplus/(deficit) from disposal of fixed assets**

	2017			Restated 2016	
	Right to buy £'000	Other housing sales £'000	HomeBuy redemptions £'000	Total £'000	Total £'000
Sale proceeds	197	128	282	607	609
Less: cost of sales	(182)	(119)	(181)	(482)	(623)
<b>Net surplus/(deficit) from disposal of fixed assets</b>	<b>15</b>	<b>9</b>	<b>101</b>	<b>125</b>	<b>(14)</b>

The 2016 Sale proceeds and Less: cost of sales comparative has been restated by £441k to reflect a correction of the accounting for the sale of a piece of land to another Group entity.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

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

	2017 Number	Restated 2016 Number
Social rent general needs housing	2,189	1,895
Affordable rent general needs housing	174	168
Social rent supported housing and housing for older people	130	134
Affordable home ownership	1	1
Care homes	5	5
Other social housing	319	305
Social leased housing	2	1
<b>Housing properties in management</b>	<b>2,820</b>	<b>2,509</b>
Non-housing Properties in Management	1	1
<b>Total properties in management</b>	<b>2,821</b>	<b>2,510</b>
HomeBuy loans	29	35
<b>Total properties managed or invested</b>	<b>2,850</b>	<b>2,545</b>
<b>Properties under construction</b>	<b>100</b>	<b>-</b>

The 2016 Social leased housing comparative has been restated to exclude one property for which the Association does not own the freehold.

## 4. FINANCE INCOME

	2017 £'000	2016 £'000
Interest receivable from bank and building society deposits	1,034	1,566
Interest receivable from intercompany loans	63	-
HomeBuy interest receivable/(payable)	24	(182)
Bond premium amortised	411	160
	<b>1,532</b>	<b>1,544</b>

The HomeBuy interest receivable comparative includes a reversal of previous interest received of £0.2m.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 5. FINANCE COSTS

	2017 £'000	2016 £'000
<b>On housing loans at amortised cost</b>		
Interest costs	1,553	1,556
Loan arrangement fees and associated costs	26	106
Bond discount amortised	5	7
<b>On intercompany loan at amortised cost</b>		
Interest costs	9,259	7,125
Loan arrangement fees and associated costs	183	44
Loss on disposal of bonds	35	-
	<b>11,061</b>	<b>8,838</b>

## 6. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2017 £'000	2016 £'000
<b>Surplus on ordinary activities before taxation is stated after charging/(crediting):</b>		
Gift Aid	(33,000)	(18,200)
Depreciation of fixed assets	2,581	3,122
<b>The analysis of auditor's remuneration is as follows:</b>		
Fees payable (excluding VAT) to the Association's auditor for the audit of the Association's annual financial statements	17	3
<b>Total audit fees</b>	<b>17</b>	<b>3</b>
Fees payable (excluding VAT) to the Association's auditor in respect of other services	2	1
<b>Total non-audit fees</b>	<b>2</b>	<b>1</b>

## 7. GIFT AID

The Association received £23.0m (2016: £11.2m) in gift aid from The Swaythling Housing Society Limited and £10.0m (2016: £7.0m) in gift aid from Windsor and District Housing Association Limited.

## 8. TAXATION

Portal Housing Association Limited has charitable objectives and is an exempt charity within the definition of section 506 of the Income and Corporation Taxes Act 1988 and is therefore not liable to taxation on income or capital gains applied to its charitable purposes.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 9. DIRECTORS' EMOLUMENTS

Board Members and the Executive Board are paid by other Group entities. It is not possible to disaggregate their remuneration in respect of services performed on behalf of Portal Housing Association Limited and services to other Group entities. Board fees of £9,479 (2016: £8,625) payable to one Board Member acting on behalf of the Association and other Group entities are donated to a charity, at his request.

The remuneration of the Chief Executive is disclosed in the financial statements of The Swaythling Housing Society Limited. The Chief Executive is an ordinary member of the Final Salary Scheme with a 1/60th accrual rate benefit structure of RGPS with the same conditions of membership as all other employees within that contributory benefit structure of the Scheme.

## 10. HOUSING PROPERTIES

	Social housing lettings properties £'000	Affordable home ownership properties £'000	Total housing properties £'000
<b>Cost</b>			
At 1 April 2016 (restated)	288,883	65	288,948
Additions - works to existing properties	985	-	985
Additions	219	-	219
Intragroup transfers	54,229	-	54,229
Disposals and demolitions	(714)	-	(714)
<b>At 31 March 2017</b>	<b>343,602</b>	<b>65</b>	<b>343,667</b>
<b>Accumulated depreciation</b>			
At 1 April 2016 (restated)	(9,508)	-	(9,508)
Charge for the year	(2,581)	-	(2,581)
Disposals and demolitions	269	-	269
<b>At 31 March 2017</b>	<b>(11,820)</b>	<b>-</b>	<b>(11,820)</b>
<b>Net book value</b>			
<b>At 31 March 2017</b>	<b>331,782</b>	<b>65</b>	<b>331,847</b>
<b>At 31 March 2016 (restated)</b>	<b>279,375</b>	<b>65</b>	<b>279,440</b>

The 2016 Social housing lettings properties Cost and Accumulated depreciation comparatives have been restated to reflect £4,765k previously disclosed within Accumulated depreciation and now disclosed within Cost relating to components transferred as part of intragroup property sales.

The 2016 Social housing lettings properties Accumulated depreciation comparative has been restated to reflect £962k of historic over-depreciation of walls.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (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 2017 was £199.6m (2016: £175.5m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

Expenditure on works to existing properties:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Amounts capitalised	985	1,086
Amounts charged to Statement of Comprehensive Income	1,253	937

The Association had property with a net book value of £288.8m pledged as security at 31 March 2017 (2016: £188.0m).

**11. HOMEBUY LOANS**

	<b>2017</b>	<b>Restated</b>
	<b>£'000</b>	<b>2016</b>
		<b>£'000</b>
HomeBuy loans	356	421
Accrued HomeBuy interest	2	-
	<b>358</b>	<b>421</b>

The 2016 HomeBuy loans comparative has been restated to reflect the fact that on acquisition from The Swaythling Housing Society Limited, the acquisition price should have been reduced by the value of the grant.

**12. INVESTMENTS**

Portal Housing Association Limited has beneficial ownership of 100% of the ordinary shares in Swaythling Assured Homes plc. Swaythling Assured Homes plc did not trade during the year.

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Investments in subsidiaries	<b>4,023</b>	<b>4,000</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 13. PROPERTIES FOR SALE

	2017 £'000	Restated 2016 £'000
<b>Social housing lettings schemes</b>		
Properties under construction	984	-
<b>Affordable home ownership schemes</b>		
Properties under construction	656	-
	<b>1,640</b>	<b>-</b>

The 2016 Properties for sale comparative has been restated to reflect the sale of a £497k asset which was sold to another Group entity before the end of 2016.

## 14. RECEIVABLES

	2017 £'000	Restated 2016 £'000
Gross arrears of rent and service charges	920	1,058
Bad debt provision	(333)	(336)
<b>Net tenant arrears</b>	<b>587</b>	<b>722</b>
Short term non-liquid assets	1,719	2,247
Trade receivables	63	-
Other receivables and prepayments	88	103
<b>Amounts due within one year</b>	<b>2,457</b>	<b>3,072</b>
Intercompany loans	6,700	-
<b>Amounts due after one year</b>	<b>6,700</b>	<b>-</b>
	<b>9,157</b>	<b>3,072</b>

The 2016 Gross arrears of rent and service charges comparative has been restated to reflect a £326k adjustment relating to deferred income which is now disclosed within Payables: Amounts falling due within one year.

The 2016 Short term non-liquid assets comparative has been restated to reflect £515k deposits held on account as security for a bond issue which were previously disclosed as Short term investments.

Short term non-liquid assets are assets held as loan security and comprise of gilts and deposits held on account.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 14. RECEIVABLES (continued)

	Nominal value £	Fair value £	Interest rate	Expiry date
UK Government Gilt Holding	599,966	932,287	4.75%	2038
UK Government Gilt Holding	296,200	391,604	8.00%	2021
		<u>1,323,981</u>		

## 15. CASH AND SHORT TERM INVESTMENTS

	2017 £'000	Restated 2016 £'000
<b>Short term investments</b>		
Bond investments	15,409	32,020
Cash at bank and in hand	49,536	14,142
	<u>64,945</u>	<u>46,162</u>

The 2016 Short term investments comparative has been restated to reflect a £2,000k instant access money market investment which is now disclosed within cash above and £515k of deposits held on account as security for a bond issue which is now classed as Short term non-liquid assets within note 14. In addition, a correction to the closing carrying value of the bond investments as at 31 March 2016 of £1,076k has been reflected within opening reserves in note 27.

Investment classification	Nominal value £	Fair value £	Interest rate	Expiry date
Radian Capital 2042 Bond	10,500,000	15,408,539	6.00%	2042

## 16. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 £'000	Restated 2016 £'000
Loans and borrowings	83	39
Amounts owed to Group undertakings	5,563	3,397
Deferred income	325	326
Trade payables	63	142
Rent and service charges received in advance	335	446
Interest due and payable	297	301
Unamortised fees and net premiums	30	20
Deferred capital grant falling due within one year	138	163
Accruals	44	90
Other payables	116	116
	<u>6,994</u>	<u>5,040</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

**16. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)**

The 2016 Amounts owed to Group undertakings comparative has been restated by £497k to correct the accounting entries for a plot of land sold to another Group entity.

The 2016 Deferred income comparative has been restated to reflect £326k of Deferred income previously disclosed within Receivables: Gross arrears of rent and service charges.

The 2016 Unamortised fees and net premiums comparative has been restated to reflect £20k previously disclosed within Unamortised fees and net premiums in note Payables: amounts falling due after one year.

The 2016 Accruals comparative has been restated to reflect £90k previously disclosed within Other payables.

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.

**17. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017	Restated 2016
	£'000	£'000
Loans and borrowings	206,469	161,619
Recycled capital grant fund (see note 19)	56	40
Disposals proceeds fund (see note 20)	-	-
Unamortised fees and net premiums	590	657
	<b>207,115</b>	<b>162,316</b>

The 2016 Loans and borrowings comparative has been restated to reflect the aggregation of the Intercompany loan from Radian Capital of £131,500k and Housing loans falling due after more than one year of £25,354k. £4,765k relating to intercompany loans from Radian Capital plc has been reclassified from Unamortised fees and net premiums to Loans and borrowings.

The 2016 Unamortised fees and net premiums comparative has been restated to reflect the movement to Unamortised fees and net premiums within Payables: Amounts falling due within one year of £20k relating to amounts to be amortised within one year.

The 2016 Social housing grant comparative of £13,337k has been disclosed separately on the face of the statement of financial position as Deferred capital grant falling due after more than one year.

Loans and borrowings are secured by a combination of fixed mortgages over housing properties and fixed charges over bank accounts.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 17. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

The loans and borrowings are repayable as follows:

	2017			Restated 2016		
	Bonds	Inter company loans	Total	Bonds	Inter company loans	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>In multiple instalments</b>						
one year or less	83	-	83	39	-	39
one to two years	90	-	90	83	-	83
two to five years	318	-	318	294	-	294
five years or more	3,869	30,000	33,869	3,977	30,000	33,977
	<b>4,360</b>	<b>30,000</b>	<b>34,360</b>	<b>4,393</b>	<b>30,000</b>	<b>34,393</b>
<b>In a single instalment</b>						
five years or more	21,000	151,192	172,192	21,000	106,265	127,265
	<b>25,360</b>	<b>181,192</b>	<b>206,552</b>	<b>25,393</b>	<b>136,265</b>	<b>161,658</b>

The 2016 loans and borrowings repayment schedule comparative has been restated to reflect the movement from Unamortised fees and net premiums of £4,765k relating to intercompany loans from Radian Capital plc and the correction of the split of loans and borrowings by single and multiple instalments and between the repayment ageing bands.

The Association has issued various bonds which are repayable in both single and multiple instalments and are subject to fixed nominal rates of interest of between 5.1% and 8.1%. The Association has three intercompany loans with Radian Capital plc which are repayable in both single and multiple instalments and are subject to fixed nominal rates of interest of between 4.6% and 6.0%.

**Interest rate risk**

Interest rate risk is the risk that the Association is unable to service its loans and borrowings due to rises in interest rates. The Association manages interest rate risk through the requirements laid out in the Group Treasury policy.

**Liquidity risk**

Liquidity risk is the risk that the Association is unable to service its loans and borrowings or meet repayment liabilities as they fall due, due to insufficient cash. The Association manages liquidity risk through the requirements laid out in the Group Treasury policy.

**Counterparty credit risk**

Counterparty credit risk is the risk that the Association is required to repay funding early due to failure of counterparties. The Association manages counterparty credit risk by regularly monitoring and reviewing the credit rating of counterparties through the requirements laid out in the Group Treasury policy.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 17. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

*Market risk*

Market risk is the risk that the Association is unable to refinance loans and borrowings at a similar rate as they mature. The Association manages market risk by modelling the impact of interest rate rises in its long-term forecast and identifying mitigating actions.

## 18. DEFERRED CAPITAL GRANT FALLING DUE AFTER MORE THAN ONE YEAR

	£'000
<b>Cost</b>	
At 1 April 2016	13,677
<b>Inputs</b>	
Net movement to payables due within one year	25
<b>At 31 March 2017</b>	<u>13,702</u>
<b>Accumulated amortisation</b>	
At 1 April 2016	(340)
Released on disposal	1
Charge for the year	(137)
<b>At 31 March 2017</b>	<u>(476)</u>
<b>Amortised deferred capital grant falling due after more than one year</b>	
<b>At 31 March 2017</b>	<u>13,226</u>
<b>At 31 March 2016</b>	<u>13,337</u>

## 19. RECYCLED CAPITAL GRANT FUND

	Recycled capital grant fund £'000
At 1 April 2016	40
<b>Net inputs to fund:</b>	
Grants recycled	49
<b>Recycling of grant:</b>	
Transfer to other Group members	(33)
<b>At 31 March 2017</b>	<u>56</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 20. DISPOSAL PROCEEDS FUND

	Disposals proceeds fund £'000
At 1 April 2016	-
<b>Net inputs to fund:</b>	
Grants recycled	76
<b>Recycling of grant:</b>	
Transfer to other Group members	(76)
<b>At 31 March 2017</b>	<b>-</b>

Pursuant to The Housing and Planning Act 2016, the disposals proceeds fund will be fully utilised in 2018 with all future inputs going to the recycled capital grant fund. This fund will therefore have a zero balance in future years.

## 21. SHARE CAPITAL

	2017	2016
	£	£
Issued and fully paid at 1 April	8	8
Shares issued during the year	4	-
Shares cancelled during the year	(4)	-
<b>Shares issued and fully paid at 31 March</b>	<b>8</b>	<b>8</b>

The share capital of the Association consists of shares with a nominal value of £1 each which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests.

## 22. CAPITAL COMMITMENTS

	2017	2016
	£'000	£'000
<b>Capital expenditure commitments were as follows:</b>		
Capital new build expenditure contracted but not provided for in the financial statements	15,250	-
Capital new build expenditure authorised but not contracted	429	-
	<b>15,679</b>	<b>-</b>

The above represents authorised or contracted but not provided for in the financial statements expenditure on housing properties. As at the reporting date there was no material other fixed asset expenditure either authorised or contracted but not provided for in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 23. OPERATING LEASES

The Association is not committed to receive any payments under finance leases.

The total receipts which the Association is committed to receive under operating leases are as follows:

	Leases with Partnership Agencies		Tenancy leases	
	2017 £'000	2016 £'000	2017 £'000	Restated 2016 £'000
<b>Leases which expire:</b>				
Not later than one year	97	247	5,022	4,322
Later than one year and not later than five years	237	899	13,215	10,245
More than five years	-	190	2,192	1,912
	<b>334</b>	<b>1,336</b>	<b>20,429</b>	<b>16,479</b>

The 2016 Tenancy Leases comparative has been restated to reflect a change from recognising future minimum lease income for leases that have no end date from 35 years to one month in line with default notice periods.

## 24. FINANCIAL INSTRUMENTS

	At fair value		At historic or amortised cost	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Financial assets</b>				
Investments in HomeBuy loans	-	-	358	421
Investments in subsidiaries	-	-	4,023	4,000
Short term investment in bonds	15,409	32,020	-	-
Cash and cash equivalents	-	-	49,536	14,142
Short term liquid assets	1,324	1,286	395	961
Intercompany loan	-	-	6,700	-
Receivables	-	-	738	825
	<b>16,733</b>	<b>33,306</b>	<b>61,750</b>	<b>20,349</b>
<b>Financial liabilities</b>				
Trade and other payables			1,374	1,624
Amounts owed to Group undertakings			5,563	3,397
Loans and borrowings including unamortised net premiums			207,172	162,335
			<b>214,109</b>	<b>167,356</b>
			<b>2017</b>	<b>2016</b>
			<b>£'000</b>	<b>£'000</b>
<b>Fair value gains/(losses)</b>				
On current asset listed investments			<b>780</b>	<b>(1,083)</b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

**25. RELATED PARTY TRANSACTIONS****Resident Board Members**

During the year one (2016: one) Board Member was a resident of a property owned by the Association. Rent received from the Board Member during the year amounted to £3,630 (2016: £7,260).

As a result of the restructuring of boards and committees, the resident resigned from the Board with effect from 30 September 2016 and as such ceased to be a related party from this date. There were therefore no amounts outstanding at 31 March 2017 (2016: £35 outstanding).

**Transactions with other Group members**

The Association, a subsidiary of Radian Group Limited, has taken advantage of the exemption contained in FRS 102 33.1A not to disclose transactions or balances with entities which form part of the Group.

This is the case except for intragroup transactions with the following subsidiaries and transactions with the following joint ventures:

- Radian Support Limited;
- Radian Capital plc;
- Swaythling Assured Homes plc;
- Affinity (Reading) Holdings Limited; and
- Affinity (reading) Limited.

These entities are not regulated by the Regulation Committee of the HCA and the Accounting Direction for Social Housing requires Registered Providers to disclose transactions with non-regulated Group members. Dormant subsidiary Swaythling Assured Homes plc was also a non-regulated subsidiary but there were no transactions with regulated Group members during the year.

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

The following transactions are shown from the perspective of the Association and relate to Radian Capital plc and Swaythling Assured Homes plc.

	<b>2017</b>	<b>Restated</b>
	<b>£'000</b>	<b>2016</b>
		<b>£'000</b>
<b>Income</b>		
Bond premium amortised	251	20
<b>Expenditure</b>		
Interest on loans, loan arrangement and amortisation of discounts	9,442	7,169
<b>Receivables</b>		
Bonds held at Fair Value	15,409	32,020
<b>Payables</b>		
Loans Repayable	185,192	140,265

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017 (continued)

## 25. RELATED PARTY TRANSACTIONS (continued)

## Bond Security

The Swaythling Housing Society Limited has pledged 104 properties (2016: 169) as security for borrowings by the Association through a Bond due to be repaid in May 2042. At the end of the year the value of these properties, on an existing use basis, was £6.6m (2016: £12.0m).

## 26. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 March 2017 the Association's ultimate parent and ultimate controlling party was Radian Group Limited, a company limited by guarantee and incorporated in England.

Radian Group is a Registered Provider and is the parent of both the largest and smallest Group into which the Association is consolidated.

Group financial statements can be obtained from Radian Group Limited, Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD.

## 27. RESTATED REVENUE RESERVE

This reconciliation sets out the effects on the Association's revenue reserves of correcting prior year errors.

## 1) Investment in 2042 Radian Capital bond

The investment incorrectly included premium already reflected in the fair value.

## 2) Depreciation

The split of the value of housing properties transferred to the Association between land and main structure has been corrected, reducing the accumulated depreciation charge.

	31 March 2016 £'000	1 April 2015 £'000
Original revenue reserves	152,516	136,398
Adjustment due to correction of 2042 bond premium amortisation	(1,076)	(1,076)
Adjustment due to correction of main structure depreciation	962	680
<b>Restated revenue reserves</b>	<b>152,402</b>	<b>136,002</b>
		<b>31 March 2016 £'000</b>
<b>Restated surplus for the year ended 31 March 2016</b>		
Original surplus on ordinary activities before tax		16,118
Adjustment due to correction of main structure depreciation		282
<b>Restated surplus on ordinary activities before tax</b>		<b>16,400</b>