

RADIAN CAPITAL PLC

Annual Report and Financial Statements

Year ended 31 March 2016

# RADIAN CAPITAL PLC

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

### CONTENTS

	Officers and professional advisers	1
Strategic Report	Principal activities	2
	Business review	2
	Key performance indicators	2
	Future outlook	2
	Principal risks and uncertainties	2 - 3
Directors' Report	Dividends	4
	Going concern	4
	Directors	4
	Auditor	4
	Statement of the Directors' responsibilities	5
	Independent auditor's report	6-7
The Financial Statements	Statement of Comprehensive Income	8
	Statement of Financial Position	9
	Statement of Changes in Equity	10
	Notes to the financial statements	11-17

RADIAN CAPITAL PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Andrew Newberry      Chair  
Andrea Smith  
Lindsay Todd

COMPANY SECRETARY

Andrew Newberry

REGISTERED OFFICE

Collins House  
Bishopstoke Road  
Eastleigh  
Hampshire  
SO50 6AD

BANKERS

Lloyds Bank  
25 Gresham Street  
London  
EC2V 7HN

AUDITOR

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Global House  
High Street  
Crawley  
RH10 1DL

# RADIAN CAPITAL PLC

## STRATEGIC REPORT

The Board present their annual report and audited financial statements of Radian Capital Plc ("the Company") for the year ended 31 March 2016.

### PRINCIPAL ACTIVITIES

The Company was formed on 22 December 2011, for the purpose of issuing bonds and lending the proceeds of these to other members of the Radian Group ("the Group").

### BUSINESS REVIEW

In July 2015, the Company sold £50m of 2049 retained deferred bonds at a premium of £7.1m. £0.6 was received immediately, with £13.7m due in May 2016 and further three instalments of £14.3m receivable in May 2017, 2018 and 2019. The investor has contracted to make the payments. Funds from all issues have been on-lent to Portal Housing Association Limited ("Portal") on like terms.

### KEY PERFORMANCE INDICATORS

External advisors assist us in benchmarking the pricing of our bond issues and sales against the bond markets and issues by other Registered Providers. The pricing achieved is a reflection of the Company's performance. The Company does not consider any other performance indicators to be relevant to managing the business.

### FUTURE OUTLOOK

The Company and Group, as a whole, has sufficient funds for its current needs, and has the retained bonds available for sale to enable further investment.

### PRINCIPAL RISKS AND UNCERTAINTIES

The Group is committed to effective business risk management. The main risks that may prevent the Group achieving its objectives are considered and reviewed quarterly by the senior management team and the Group Audit Committee as part of the corporate planning process. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are reported to the Board quarterly together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The Group has identified the major risks to successful achievement of its objectives as at 31 March 2016 and these are considered below.

#### Financial risk management objectives and policies

The Group's Board and committees are responsible for the management of funds and control of associated risks. The activities of the Company are governed by the Group Board and the Board of the Company.

#### *Liquidity risk*

A principal risk facing the Company relates to the availability of funding from financial institutions.

Of the £400m bonds issued to date by the Company, £95m remain in reserve under custodian agreements. The risk that the remaining reserve bonds cannot be sold is mitigated by a constant open channel of discussion with all lenders and treasury advisers. Regular meetings are held with banks and treasury advisers to keep the Company informed of market appetite.

Where we have issued bonds which are part paid and the proceeds are yet to be settled, the purchaser has signed a binding agreement to pay the remaining instalments on the due date.

#### *Cash flow risk*

Interest bearing assets and liabilities are held at a fixed rate to ensure certainty of cash flows.

#### *Interest rate risk*

The Company borrows on a fixed rate basis and on-lends these funds on a similar fixed rate basis. As such the Company does not bear any interest rate risk. Financial risk management is discussed further in note 11.

RADIAN CAPITAL PLC

STRATEGIC REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

*Credit risk*

All of the Company's capital market financial proceeds are immediately on-lent to Portal which represents the only credit risk to the Company. The mitigation of this risk is discussed in note 11.

The Strategic Report was approved by the Board on 28 July 2016 and signed on its behalf by:



A Newbery

Director

## RADIAN CAPITAL PLC

### DIRECTORS' REPORT

The directors present their report for the Company for the year ended 31 March 2016.

#### DIVIDENDS

The directors do not recommend the payment of a dividend (2015: £nil).

#### GOING CONCERN

In its consideration of going concern, the directors have considered the recoverability of the Company's debtor balances and are confident that these are recoverable. The debtors are Registered Providers within the Group.

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

#### DIRECTORS

The directors who held office throughout the year and to the date of signing this report were:

Andrew Newberry (Chair)  
Andrea Smith  
Lindsay Todd

#### AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware;
- the director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors on 28 July 2016 and signed on behalf of the Board:



Andrew Newberry  
Director

## RADIAN CAPITAL PLC

### STATEMENT OF THE DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- follow applicable UK Accounting Standards, 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RADIAN CAPITAL PLC

We have audited the financial statements of Radian Capital plc for the year ended 31 March 2016 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and the related notes 1 to 17. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

As explained more fully in the Statement of the Directors' Responsibilities, the directors 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 Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2016 and of its result 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 Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

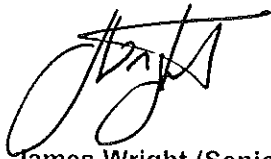


## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF RADIAN CAPITAL PLC (continued)

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



James Wright (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Crawley, United Kingdom

28 July 2016

# RADIAN CAPITAL PLC

## STATEMENT OF COMPREHENSIVE INCOME Year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Finance income	3	7,724	7,350
Finance costs	4	(7,724)	(7,350)
<b>RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	-	-
Tax on result on ordinary activities	5	-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>-</u>	<u>-</u>

The above results relate entirely to continuing operations.

The notes on pages 11 to 17 form part of these financial statements.

RADIAN CAPITAL PLC

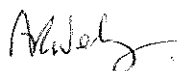
STATEMENT OF FINANCIAL POSITION  
As at 31 March 2016

	Note	2016 £'000	2015 £'000
<b>CURRENT ASSETS</b>			
Receivables	8	136,340	135,888
Cash at bank and in hand	9	12	12
		<u>136,352</u>	<u>135,900</u>
<b>PAYABLES: amounts falling due within one year</b>			
	10	<u>(1,567)</u>	<u>(1,476)</u>
<b>NET CURRENT ASSETS</b>			
		134,785	134,424
<b>PAYABLES: amounts falling due after more than one year</b>			
	11	<u>(134,735)</u>	<u>(134,374)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>50</u>	<u>50</u>
<b>EQUITY</b>			
Called up share capital	13	50	50
Profit and loss account		-	-
<b>SHAREHOLDER'S FUNDS</b>			
		<u>50</u>	<u>50</u>

The notes on pages 11 to 17 form part of these financial statements.

The financial statements of Radian Capital plc, registered number 07890812, were approved by the Board of Directors and authorised for issue on 28 July 2016.

Signed on behalf of the Board of Directors:



Andrew Newberry

Director

RADIAN CAPITAL PLC

STATEMENT OF CHANGES IN EQUITY  
As at 31 March 2016

	Called up Share Capital £'000	Revenue reserve £'000	Total £'000
At 1 April 2014	50	-	50
Total comprehensive income for the year	-	-	-
At 1 April 2015	<u>50</u>	<u>-</u>	<u>50</u>
Total comprehensive income for the year	-	-	-
At 31 March 2016	<u><u>50</u></u>	<u><u>-</u></u>	<u><u>50</u></u>

NOTES TO THE FINANCIAL STATEMENTS  
As at 31 March 2016

1. ACCOUNTING POLICIES

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

**Accounting convention and presentation of financial information**

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention except for the modification to amortised cost for certain financial instruments as specified in the accounting policies below.

This is the first year in which the financial statements have been prepared under FRS 102.

**Going concern**

The financial statements have been prepared on a going concern basis, details of which can be found in the Directors' Report on page 4.

**Cash flow**

Under FRS 102 paragraph 1.12(b), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent includes the Company in its own consolidated financial statements.

**Related parties**

As the Company is a wholly owned subsidiary of the Group, it has taken advantage of the disclosure exemption available to fellow subsidiaries, associates and joint ventures in accordance with the terms of paragraph 33.1A of FRS 102. As a wholly owned subsidiary of a member of the Group, the Company has not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Radian Group Limited, within which this Company is included, can be obtained from Radian Group Limited, Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD.

**Turnover**

The Company did not generate any income during the period. It received interest from other group entities.

**Taxation**

The charge for taxation is based on the surplus for the year and takes into account deferred taxation. Deferred tax is provided for on differences between the treatment of certain items of accounting and taxation purposes. It is accounted for to the extent that a liability or asset is expected to be payable or recoverable in the foreseeable future.

**Financial instruments**

Financial instruments are recognised when the Company 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 Company.

*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 and loss, which are initially measured at fair value, unless the arrangement constitutes a financing transaction. If an arrangement is a financing transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset when there exists a legally enforceable right to set off the recognised amounts and the Company intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
As at 31 March 2016

1. ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

*Financial assets and liabilities (continued)*

Basic instruments that are classified as payable or receivable within one year on initial recognition are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

All of our debt instruments are classified as basic under FRS 102 and subsequent measurement is at amortised cost using the effective interest method.

Financial assets are only derecognised when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset or, c) the Company, 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.

*Investments*

Investments in shares are measured at fair value through profit and loss or where fair value cannot be measured reliably, at cost less impairment.

In the statement of financial position, investments in subsidiaries and associates are measured at cost less impairment.

*Fair value measurement*

The best evidence of fair value is a quoted price for an identical asset in an active market. Where quoted prices are not available, the price of a recent transaction for an identical asset provides evidence of value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place.

**Critical judgements, estimates and uncertainty**

Preparation of the financial statements often requires management to make significant judgements and estimates. We have not made any critical judgements or estimates in preparing the Company's financial statements and there are no particular uncertainties.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
As at 31 March 2016

2. RESULT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2016 £'000	2015 £'000
The analysis of auditor's remuneration is as follows:		
Fees payable (excluding VAT) to the Company's auditor for the audit of the Company's annual financial statements	10	9
Total audit fees	<u>10</u>	<u>9</u>

The audit fees of £10k were borne by another Group company (2015: £9k).  
There were no non-audit fees in the year (2015: nil).

3. FINANCE INCOME

	2016 £'000	2015 £'000
Interest receivable from group undertakings	7,454	7,297
Issue costs amortised	50	49
Bond premium amortised	220	4
	<u>7,724</u>	<u>7,350</u>

4. FINANCE COSTS

	2016 £'000	2015 £'000
Interest payable on bonds	7,454	7,297
Loan arrangement fees and associated costs	50	49
Bond discount amortised	220	4
	<u>7,724</u>	<u>7,350</u>

5. TAXATION

	2016 £'000	2015 £'000
Taxation		
United Kingdom corporation tax at 20% (2015: 21%)	-	-
	<u>-</u>	<u>-</u>

6. DIRECTORS' EMOLUMENTS

None of the directors received any emoluments during the year or preceding period.

It is not possible to disaggregate the directors' remuneration in respect of services performed on behalf of the Company, and services to other Group companies. The directors are executive directors of Group entities and their remuneration is disclosed in the Group financial statements.

RADIAN CAPITAL PLC

NOTES TO THE FINANCIAL STATEMENTS (continued)  
As at 31 March 2016

7. STAFF COSTS

The Company does not have any employees.

8. RECEIVABLES

	2016 £'000	2015 £'000
<i>Due within one year</i>		
Unamortised net premium on issue due from Group undertaking	38	182
<i>Due after more than one year</i>		
Called up share capital not paid due from Group undertaking	37	37
Amounts owed by Group undertaking	<u>136,265</u>	<u>135,669</u>
	<u>136,340</u>	<u>135,888</u>

9. CASH AT BANK AND IN HAND

	2016 £'000	2015 £'000
Cash at bank and in hand	<u>12</u>	<u>12</u>
	<u>12</u>	<u>12</u>

10. PAYABLES: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Amounts owed to Group undertaking	572	495
Interest due and payable	991	981
Other payables and accruals	4	-
	<u>1,567</u>	<u>1,476</u>



NOTES TO THE FINANCIAL STATEMENTS (continued)  
As at 31 March 2016

11. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016 £'000	2015 £'000
Bonds	131,500	131,000
Unamortised fees and net premium	3,235	3,374
	<u>134,735</u>	<u>134,374</u>

**Bonds**

In 2011/12 the Company issued £100m of 6% 2042 bonds including £25m of reserve bonds, the proceeds of which were on-lent to Portal, a member of the Group. During 2012/13 the Company issued £2m of the reserve bonds to investors, again on-lending the proceeds to Portal. In September 2013 the remaining £23m reserve bond was sold to investors at a premium of £5.0m and the proceeds were again on-lent to Portal.

In May 2014 the Company issued £200m of part paid bonds 2049 at an interest rate of 5.029% of which £100m were sold to investors. £1m was paid at issue, and a further instalment of £24m is due on the second anniversary of issue, and further instalments of £25m are receivable on the third, fourth and fifth anniversaries. The investor has contracted to make these payments. On that day, the Company also issued £100m of 4.622% 2044 bonds, which amortise in five annual instalments on the 26<sup>th</sup>, 27<sup>th</sup>, 28<sup>th</sup>, 29<sup>th</sup> and 30<sup>th</sup> anniversaries. £30m were subscribed for by investors, whilst £70m were retained.

In July 2015, the Group sold £50m of retained bonds 2049 at a premium of £7.1m, £0.6m was received immediately, with £13.7m due in May 2016 and three further instalments of £14.3m receivable in May 2017, 2018 and 2019 respectively. The investor has contracted to make these payments. Funds from all issues have been on-lent to Portal on like terms.

See also note 16 for details of events after the end of the reporting period.

These are repayable as follows:

	2016 £'000	2015 £'000
Repayable by instalments	30,000	30,000
Not repayable by instalments	101,500	101,000
	<u>131,500</u>	<u>131,000</u>

The fair value of the bond liability as at 31 March 2016 was £198,282k (2015: £199,431k) including future receipts and payments on the £148.5m deferred element of the 2049 bond.

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

**Financial risk management**

***Risk management objectives and policies***

The Group Board and committees are responsible for the management of funds and control of associated risks. The activities of the Company are governed by the Group Board and the Board of the Company.

***Interest rate risk***

The Company currently borrows on a fixed rate basis from the capital market and then on-lends these funds to Portal on a similar fixed rate basis. As such, the Company does not bear any interest rate risk, apart from the underlying credit risk to Portal, which is discussed below.

**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**As at 31 March 2016**

**11. PAYABLES: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)**

**Financial risk management (continued)**

*Credit risk*

All of the Company's capital market financing proceeds are immediately on-lent to Portal, which represents the only credit risk to the Company. The credit risk is mitigated through a number of factors, including the housing security which had been pledged under loan to Portal.

The overall creditworthiness of the Group, which includes the Company and Portal, benefits from a strong A1 credit rating from Moody's Investor Services.

**12. FINANCIAL INSTRUMENTS**

The carrying value of the Company's financial assets and liabilities are summarised by category as follows:

	2016 £'000	2015 £'000
<b>Financial assets</b>		
Debt instruments measured at amortised cost		
- Unamortised net premium on issue (Note 8)	38	182
- Amounts owed by Group undertaking (Note 8)	136,265	135,669
	<u>136,303</u>	<u>135,851</u>
<b>Financial liabilities</b>		
Measured at amortised cost		
- Bonds and related unamortised fees (Note 11)	131,500	131,000
- Unamortised fees and net premium (Note 11)	3,235	3,374
	<u>134,735</u>	<u>134,374</u>

**13. SHARE CAPITAL**

	2016 £'000	2015 £'000
Allotted, called up and fully paid	13	13
Allotted not paid	37	37
	<u>50</u>	<u>50</u>
50,000 ordinary shares of of £1 each		

The company was incorporated on 22 December 2011 with an authorised share capital of £50,000, of which £12,500 was fully paid

**14. RELATED PARTY TRANSACTIONS**

The Company, a wholly owned subsidiary of the Group, has taken advantage of the disclosure exemption available to fellow subsidiaries in accordance with the terms of paragraph 33.1A of FRS 102. As a wholly owned subsidiary of a member of the Group, the Company has not disclosed transactions or balances with entities which form part of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)  
As at 31 March 2016

15. ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

At 31 March 2016 the Company's ultimate parent and ultimate controlling party was Radian Group Limited, a company limited by guarantee and incorporated in England.

The Group is the parent of both the largest and smallest Group into which the Company is consolidated. Group financial statements can be obtained from Radian Group Limited, Collins House, Bishopstoke Road, Eastleigh, Hampshire, SO50 6AD.

16. EVENTS AFTER THE END OF THE REPORTING PERIOD

In May 2016 the Company sold £25m of the part paid 2049 bonds to an investor at a premium of £5.2m. 25% of the proceeds were received on sale, with 25% being receivable in May 2017, 2018 and 2019. The investor has contracted to make these payments, and the funds will be on-lent to the Portal.

17. TRANSITION TO FRS 102

The Company has adopted FRS 102 for the year ended 31 March 2016.

Financial instruments

Under FRS 102, financial instruments and loans, which constitute financing transactions can either be classified as basic or complex. Our variable rate loans, bonds and fixed rate debt instruments are all basic in nature and continue to be held at amortised cost.

Where intra group loans are not at a market rate of interest, these would be required to be held at amortised cost. If the loan is at a market rate of interest, no adjustment is required. Our intra group loans are both at a market rate of interest and, therefore, the carrying value of these does not require adjustment under FRS 102.

Since no prior year balances have been restated on transition to FRS 102, there is no reconciliation between the opening balance sheet, the prior year comparative and 31 March 2016.

