Registered Society No: 28156R
Homes and Communities Agency No: LH4090

DRUM HOUSING ASSOCIATION LIMITED

Annual Report and Financial Statements

Year Ended 31 March 2018

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GENERAL INFORMATION

BOARD OF MANAGEMENT

Carol Bode	Chair
Ashley West	
Beverley Anne Costain	Appointed 01/10/17
Jayne Beeson	
Michael Sweeney	Appointed 18/08/17
Simon Porter	

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Malcolm Rule

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HIGHLIGHTS

Introduction from the Chair

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

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

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

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

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

Our approach to the coming year is an ambitious one. We have launched our five-year Corporate Strategy 2018-2023 with a focus on investing in developing thriving communities that improve our residents' prosperity and wellbeing over the long term. Our mission will continue to be about offering a variety of rental and home ownership products and services to meet customer, community, and housing need. This will build on the work that we have carried out successfully in recent years, helping to tackle the ongoing housing crisis whilst continuing to develop healthy communities that give our customers the ability to maintain their independence.

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

HIGHLIGHTS (continued)

Radian at a Glance

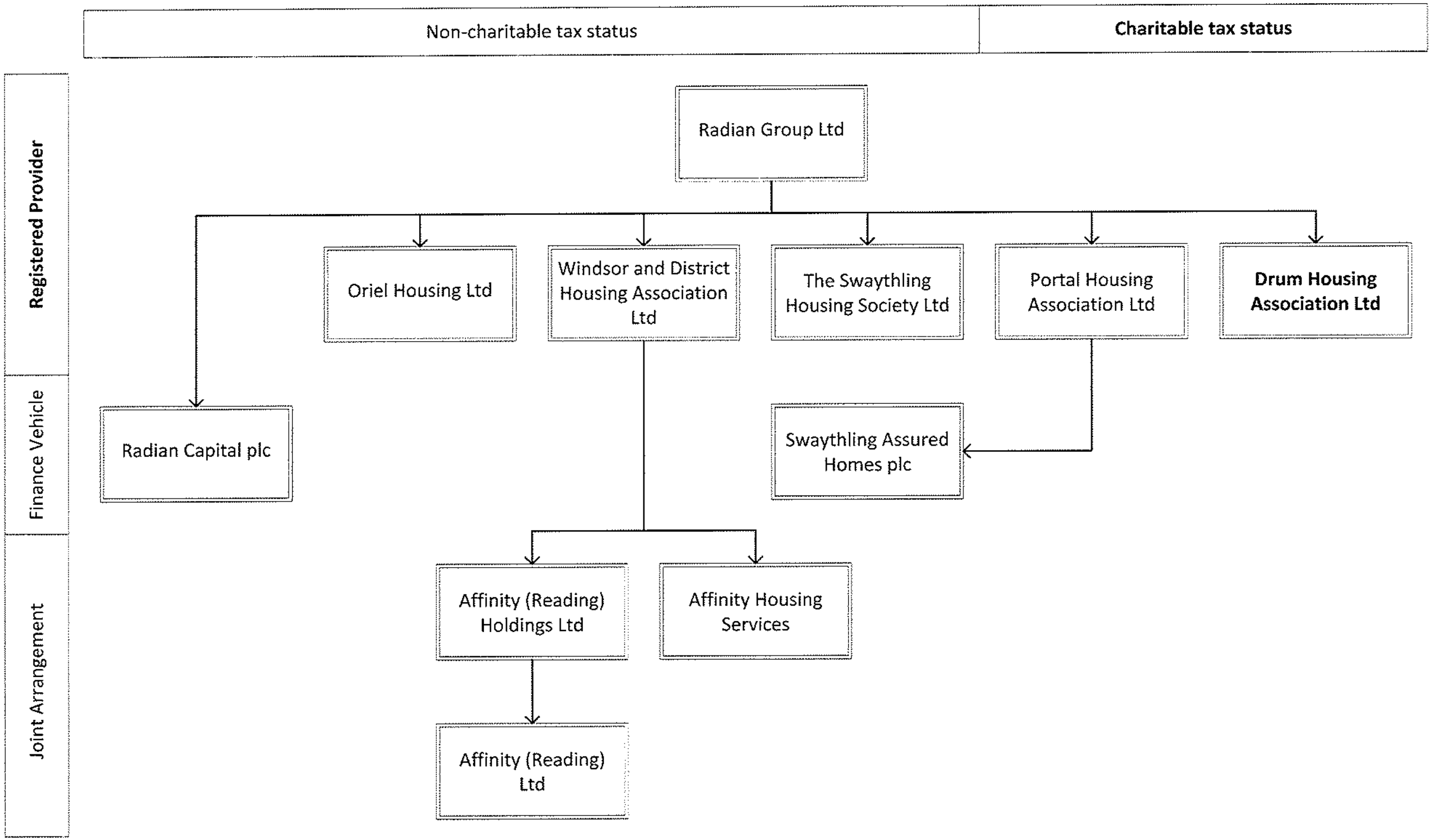
Drum Housing Association Limited is a member of the Radian Group, an award winning provider of over 19,000 social and affordable rented homes across eight counties. We also offer properties for market sale, market rent and affordable home ownership. A company with a heart, we invest in our social enterprise schemes providing employment, support, and training to our customers and communities.

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

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

HIGHLIGHTS (continued)

Our Group Structure



STRATEGIC REPORT

Business Overview

Drum Housing Association Limited is regulated by the Regulator of Social Housing as a registered provider and is a member of the Radian Group. The Association has also been granted charitable tax status.

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

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

The Association owns, manages and/or has an investment in 5,943 properties (2017: 5,733) across 16 local authority areas. During the year we added 213 properties (2017: 170) in aggregate. After property sales our stock holding increased by 202 units.

Of the 5,694 housing properties (2017: 5,490) the Association owns and manages, 79% (2017: 79%) are general needs accommodation predominantly for families or the elderly. The remaining units are primarily spread over supported and other social housing and affordable home ownership units.

The Association has housing properties with a depreciated cost of £290.3m (2017: £271.7m), a number of which were acquired by way of a Large Scale Voluntary Transfer from East Hampshire District Council.

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

The Association directly employed an average of 29 full time equivalent employees during the year (2017: 36), calculated on standard working hours per week for each employee.

STRATEGIC REPORT (continued)

Performance Highlights

	2018	2017	Restated 2016
Statement of Comprehensive Income	**£'000**	**£'000**	**£'000**
Turnover	42,773	39,051	35,179
Cost of sales	(4,140)	(2,940)	(998)
Operating costs	(22,454)	(21,641)	(22,987)
Surplus from disposal of fixed assets	511	563	96
Operating surplus	**16,690**	**15,033**	**11,290**
Finance income	212	50	17
Finance costs	(5,954)	(5,375)	(5,206)
Fair value movement on investment properties	23	23	55
Surplus on ordinary activities before and after tax	**10,971**	**9,731**	**6,156**
Other comprehensive income	(637)	(1,082)	2,265
Total comprehensive income	**10,334**	**8,649**	**8,421**
Statement of Financial Position			
Housing properties at cost less depreciation	290,345	271,724	251,488
Other fixed assets	1,394	1,412	1,424
Investment properties	446	423	399
Net current assets	28,094	30,559	9,487
	320,279	**304,118**	**262,798**
Long-term payables and grant	247,340	241,622	210,275
Other long-term liabilities	8,375	7,979	6,655
Reserves	64,564	54,517	45,868
	320,279	**304,118**	**262,798**

During the year, turnover increased by 10%, driven by an additional £1.5m of first tranche sales compared to 2016/17, with turnover from social lettings increasing by £0.7m. Our operating surplus increased by £1.7m to £16.7m, increasing our operating margin from 38% to 39% as cost of sales for first tranche sales increased by £1.2m.

Surpluses before and after tax increased from £9.7m to £11.0m increasing net margins from 25% to 26%, despite an 11% increase in finance costs.

Operating costs have increased in the year as a result of professional fees incurred during partnership negotiations and restructuring activities which commenced following the decision to remain an independent organisation.

STRATEGIC REPORT (continued)

Performance Highlights (continued)

During the year the Association secured additional funding by selling £5.5m of its retained Affordable Housing Finance plc bond at a premium of £0.8m. The Association was also able to access the funds previously contracted for in Facility A (£21.0m nominal, £24.1m receipts).

Our balance sheet remains healthy, with £26.6m invested in our social stock during the year, whilst long-term payables and grant have increased by 2% to £247.3m as a result of the Affordable Housing Finance plc's receipts noted above.

Our Performance

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

With the introduction by the Regulator of Social Housing of sector-wide Value for Money (VfM) KPIs, we have revised the content of our internal KPIs to avoid duplication. Our VfM KPIs have been presented in our VfM Statement on page 16.

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

STRATEGIC REPORT (continued)

Our Performance (continued)

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

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

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

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

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

STRATEGIC REPORT (continued)

Our Vision and Corporate Strategy

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

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

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

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

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

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

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

Across these four factors, success would mean:

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

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties

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

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

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

At the workshops each risk is scored based on a calibrated and consistent scale of impact and likelihood, both before and after the controls are in place, giving a clear understanding of the residual risk.

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

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

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties (continued)

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

STRATEGIC REPORT (continued)

Capital and Treasury Management

Introduction

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

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

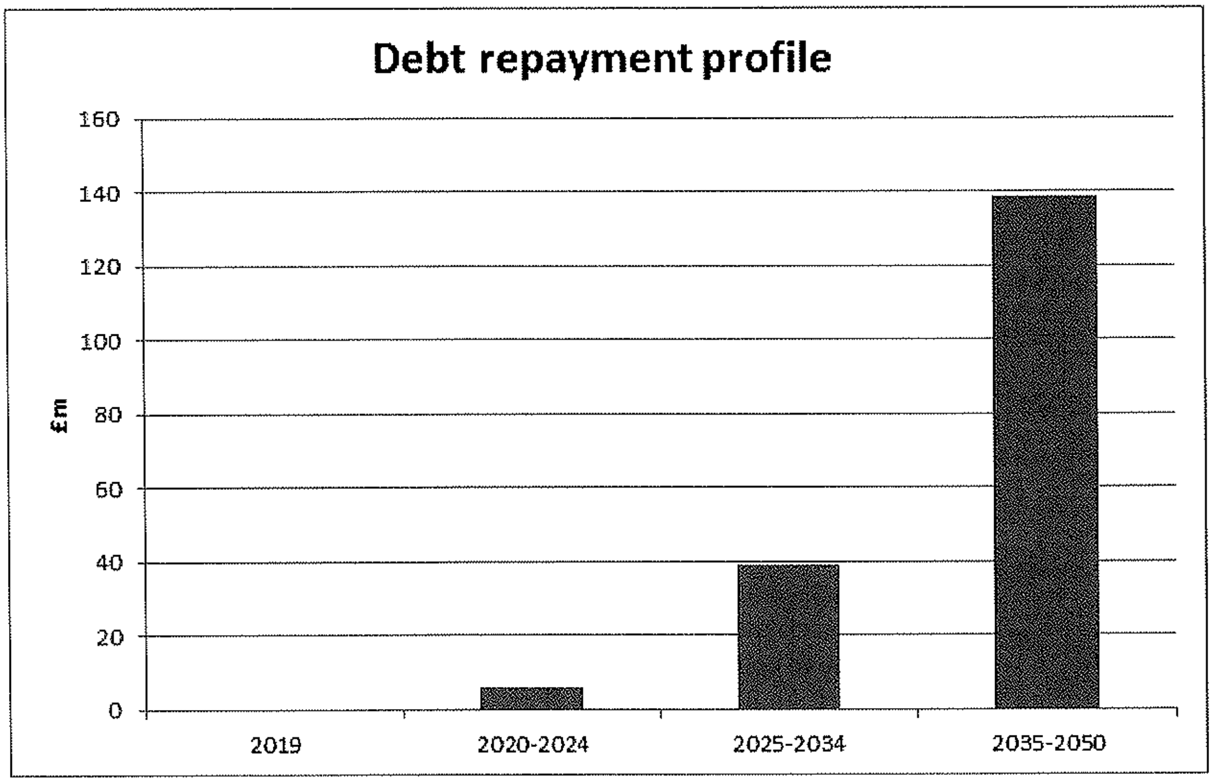
The Group must also have sufficient cash and committed financing facilities, though not necessarily capable of immediate drawdown, to cover the higher of committed development spend or forecast cash requirement over the next 18 months. The policy also prioritises a lack of reliance on any single counterparty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

Capital structure

At 31 March 2018 the Association's borrowings amounted to £183.7m nominal (2017: £178.2m) with no repayments due within the next year.

During the year the Association secured additional funding by selling £5.5m of its retained Affordable Housing Finance plc bond at a premium of £0.8m.

The following graph outlines our debt repayment profile:



STRATEGIC REPORT (continued)

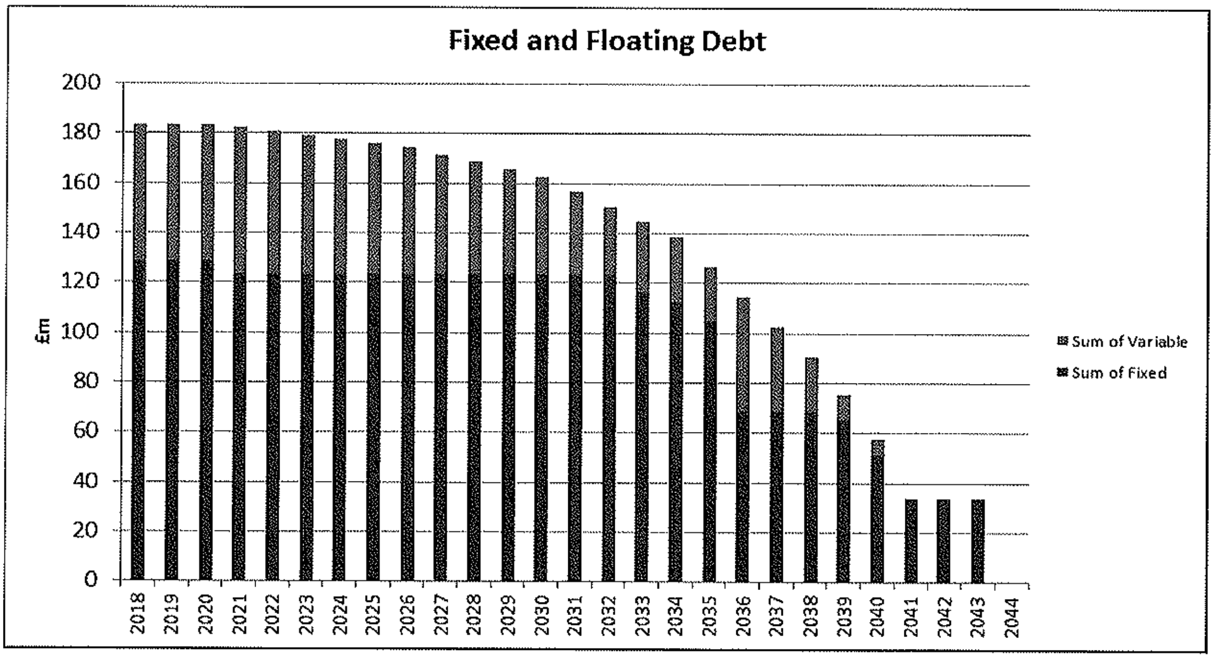
Capital and Treasury Management (continued)

Risks

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

Interest rate management

The Association's borrowings consist of a fixed rate bond and a bank loan at both a fixed and floating rate of interest. The bank loan has embedded interest rate swaps that run for all or part of the loan term.



STRATEGIC REPORT (continued)

Capital and Treasury Management (continued)

Interest rate management (continued)

Total debt of £183.7m at 31 March 2018 consisted of 70% fixed and 30% variable rate debt. Of our 70% fixed rate debt, £95.0m was made up of embedded interest rate swaps running for all or part of the loan term and £33.7m was the fixed interest bond. There are no options in our portfolio.

Financial loan covenant compliance

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

Surplus assets for future debt security

As at 31 March 2018 the Association had over 800 unsecured completed housing properties not required for charging to existing debt facilities. These are sufficient to raise approximately £46.5m of future new debt on an asset cover ratio of 105% for Existing Use Value as Social Housing (EUV-SH) properties.

Per our current development programme, we expect to complete 82 properties in the period to 31 March 2019.

Future funding options

As at 31 March 2018, the Association had £27.7m of available funds. This is sufficient to fund the Association over the 36 months from the date of this report. It will cover all committed and pipeline developments including the affordable rent programme.

STRATEGIC REPORT (continued)

Our Stock Profile

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

	Social rent general needs housing	**Affordable rent general needs housing**	**Supported / housing for older people**	**Affordable home ownership**	**Other social housing**	**Market rent housing**	**Leased housing**	**Total**
Chichester District Council	48	49	-	14	-	-	-	**111**
East Hampshire District Council	3,458	455	636	181	131	2	239	**5,102**
Gosport Borough Council	40	6	5	19	36	-	2	**108**
Portsmouth City Council	199	37	-	53	40	-	8	**337**
Other local authorities	83	115	3	52	32	-	-	**285**
	3,828	**662**	**644**	**319**	**239**	**2**	**249**	**5,943**

STRATEGIC REPORT (continued)

Value for Money

The Group assesses its performance in relation to Value for Money (VfM) at a Group level rather than on an entity by entity basis. Due to the nature of the operations in the Group focussing on the results of any one entity could provide misleading information and this has therefore been consciously avoided.

An assessment of our VfM as per our consolidated Group financial statements has been provided below.

Value for Money – an integral part of our business

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

Our website also contains our VfM Strategy 2016-20 which was a vital component of our Vision 2025 and remains an integral part of our Corporate Strategy 2018-23, which is outlined on page 9.

Regulatory updates

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

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

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

HouseMark

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

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

STRATEGIC REPORT (continued)

Value for Money (continued)

Performance summary – March 2018

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

Ref	KPI	Basis [1]	2018	2017
1	Reinvestment	Development of new properties plus works to existing properties / housing properties at cost	5.16%	4.29%
2a	New supply delivered – social	New social units added / social units at period end	2.61%	2.18%
2b	New supply delivered – non-social	New non-social units added / total units at period end	0.27%	0.04%
3	Gearing	Total borrowings less cash / housing properties at cost	44%	50%
4	Interest cover	Operating surplus (excluding surplus on disposal of fixed assets) plus finance income plus depreciation less capitalised major repairs less grant amortisation / finance costs less interest on defined benefit pension schemes	219%	222%
5	Headline social housing cost per unit	Management costs plus service charge costs plus all maintenance costs plus major repairs (expensed plus capitalised) plus other costs / social units at period end	£3,311	£3,307
6a	Operating margin (social housing lettings only)	Operating surplus (social housing lettings only) / turnover from social housing lettings	39%	44%
6b	Operating margin (excluding surplus on disposal of fixed assets)	Operating surplus (excluding surplus from disposal of fixed assets) / total turnover	36%	40%
7	Return on capital investment	Operating surplus less share of surplus in joint ventures / total assets less current liabilities	4.20%	4.20%

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

Overview of year-on-year Performance

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

- **Reinvestment** in new and existing properties has increased by 25% in cash terms compared to the prior year, up to £71m with 93% of these funds spent on new properties;
- **New supply of non-social units** has increased notably, largely due to market sales at Quebec Park where 43 units were sold in the year and 21 units handed over prior to the reporting date;

STRATEGIC REPORT (continued)

Value for Money (continued)

Overview of year-on-year performance (continued)

- **Gearing** has fallen by 6% owing to the fact that net borrowings have fallen from £661m to £615m, with the increase in borrowing offset by a £110m increase in cash balances. Properties held at cost have increased by 5% to £1,397m; and
- **Operating margins** from social housing lettings and in total (excluding disposals of fixed assets) have both reduced from 44% to 39% and 40% to 36% respectively. Operating costs within the business have increased and supressed both margins and whilst the introduction of market sales in the year have made positive contributions (£2.5m), they have done so at lower margins. Surpluses from social lettings (83%) and other social activities (53%) compare to 16% on market sale units.

Headline social housing cost per unit

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

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

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

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

New homes

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

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

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

STRATEGIC REPORT (continued)

Value for Money (continued)

Managing our assets

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

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

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

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

Statement of Compliance

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

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

Carol Bode

Carol Bode
Chair

BOARD REPORT

Group Combined Board

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

Carol Bode – Chair (July 2014)

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

Richard Williams – Vice Chair (September 2013)

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

Jayne Beeson (September 2011)

Jayne is a Fellow member of RICS with a degree in quantity surveying. She has over 35 years experience in the construction industry working with clients in both the public and private sectors, most recently as a director of Aecom (formerly Davis Langdon).

Simon Porter (April 2014)

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

BOARD REPORT (continued)

Group Combined Board (continued)

Mandy Clarke (September 2013)

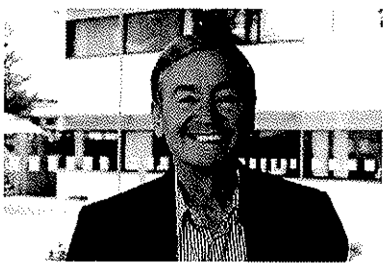
Mandy is a chartered HR professional with over 25 years' international and multi-sector experience. She has undertaken a number of senior and executive roles globally, and operates a management consulting business. Mandy is a non-executive director at GreenSquare Group and at IPSE (the Association of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

Martin Hurst (March 2017)

Martin is a professional economist with 20 years' experience as a senior civil servant including as senior advisor to the prime minister on environment, housing and planning and as commercial and estates director for a government department. Previously vice chair of Wandle Housing Association, he served a further five years as a board member and as chair of development. He is currently chair of finance and treasury at BPHA and chair of the government's Southern Regional Flood and Coastal Defence Committee.

Ashley West (March 2017)

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



Mick Sweeney, Chief Executive (July 2017)

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

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

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

BOARD REPORT (continued)

Executive Board

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

Peter Evans, Director of Technical Services (October 2005)

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

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

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

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

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

BOARD REPORT (continued)

Report of the Board

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

Principal Activities

Drum Housing Association Limited is a registered provider with the Regulator of Social Housing. The Association owns and manages its own stock.

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

Board Members and Executive Board Members

Radian operates via a combined board structure, known as the Group Combined Board, which is formed from the individual boards of all registered providers in the Group. The Group Combined Board takes decisions on behalf of the Group as a whole. Where necessary, decisions affecting individual subsidiaries are formally enacted by the individual entity boards.

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

Group combined board members and executive board members are set out on pages 20 to 22. Board members are drawn from a wide background and contribute a range of professional, commercial, and other relevant experience and expertise. During 2017/18 there were a number of changes to the Executive Board as three long standing members, including the chief executive, stood down. Permanent and interim appointments were made to perform duties on a day-to-day basis and help prepare Radian for the new Corporate Strategy 2018-23.

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

The executive board members, including those who are group combined board members, hold no interest in the Group's shares and act within the authority delegated to them by the Board under defined terms of reference. The executive board members act on behalf of all Group entities.

Executive Service Contracts

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

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

BOARD REPORT (continued)

Executive Service Contracts (continued)

Details of the benefits received by executive directors, including those who have been engaged on an interim basis, are set out on page 49.

Governance and Regulation

Governance

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

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

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

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

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

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

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

Regulation

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

BOARD REPORT (continued)

Governance and Regulation (continued)

Regulation (continued)

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

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

Resident and Customer Involvement

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

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

Complaints

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

Health, Safety and Wellbeing

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

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

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

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

BOARD REPORT (continued)

Fire Safety

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

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

Internal Control and Risk Management

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

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

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

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

BOARD REPORT (continued)

Internal Control and Risk Management (continued)

- Board assurance framework on business and strategic risks;
- Strategic and operational business planning processes; regular reporting to the Group Combined Board providing assurance on achievement against strategic objectives;
- Quarterly and annual reviews of compliance with all relevant law and regulatory frameworks;
- Internal and external audit programmes; audit recommendations are tracked and monitored for completion. Corrective action is taken in relation to any significant control issues;
- Fraud prevention policy and response plan are in place and all incidents are reported to the Audit and Risk Committee. The policy covers prevention, detection, and reporting of fraud and the recovery of assets. A Group whistleblowing policy is in place and there are controls to mitigate the risk of bribery and money laundering. The Audit and Risk Committee has reviewed the fraud and other probity registers;
- Other Group policies and procedures, including those used to attract or retain skilled staff; there is a broad framework of policies and procedures with which all employees must comply. This covers segregation of duties, accounting, treasury management, health and safety, data and asset protection, and fraud prevention and detection. A framework for employees' individual objectives and appraisals supports performance standards; and
- Chief executive led annual review of effectiveness of internal controls, reporting to the Audit and Risk Committee.

Radian's internal auditor, who is responsible for providing independent assurance to the Audit and Risk Committee, sets the annual internal audit programme within the context of Group strategic risks. The Audit and Risk Committee reviews business risks at each meeting, ensuring that appropriate mitigations are in place or actions identified to improve risk controls. The Group Combined Board monitors strategic risks and receives additional assurance in the form of a Board Assurance Framework. Radian's risk management framework benefits from oversight and advice from an external consultant.

The Audit and Risk Committee reviews the annual internal audit plan and receives the external audit plan. The committee has met with the internal auditor to satisfy itself that the internal control framework has operated effectively.

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

Review of Effectiveness of Internal Control

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

The Group Combined Board has received assurance from the Audit and Risk Committee that the system of internal controls has operated effectively during 2017/18, and that there have been no significant control weaknesses identified or breakdown in internal controls resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

BOARD REPORT (continued)

Review of Effectiveness of Internal Control (continued)

The Audit and Risk Committee has received assurance from the internal auditor's Annual Report on the programme of internal audits conducted in 2017-18, with the internal auditor concluding that Radian demonstrated a reasonably strong internal control environment.

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

Employees

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

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

Post Balance Sheet Events

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

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 Group's budget and business plan, which take into account the current uncertain economic climate and expected trading conditions, show that the Group will be able to operate within its current facilities and comply with its banking covenants for the foreseeable future.

Disclosure of Information to Auditor

At the date when this report is approved each of the board members confirm the following:

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

BOARD REPORT (continued)

External Auditor

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

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

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

Carol Bode
Chair

STATEMENT OF THE BOARD'S RESPONSIBILITIES

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

Company and registered provider legislation in the United Kingdom requires the Board to prepare financial statements for each reporting period which give a true and fair view of the state of affairs of the Association at the end of the year 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 Housing SORP 2014: Statement of Recommended Practice subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business; and
- Prepare a board report and a strategic report which comply with the requirements of the Companies Act 2006.

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

Opinion

We have audited the financial statements of Drum Housing Association Limited ('the Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31 March 2018 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 properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

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

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

Other Information

The board members are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

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

Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

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 by the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the statement of board responsibilities set out on page 30, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board members are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Use of Our Report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Philip Cliftlands (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom

30 July 2018

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

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	42,773	39,051
Cost of sales	3	(4,140)	(2,940)
Operating costs	3	(22,454)	(21,641)
Surplus from disposal of fixed assets	3	511	563
Operating surplus	**3**	**16,690**	**15,033**
Finance income	4	212	50
Finance costs	5	(5,954)	(5,375)
Fair value movement on investment properties		23	23
Surplus on ordinary activities before and after tax		**10,971**	**9,731**
Other comprehensive income			
Actuarial losses on defined benefit pension schemes	19	(637)	(1,082)
Total comprehensive income		**10,334**	**8,649**

All activities derive from continuing operations.

The notes on pages 37 to 64 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Note	2018 £'000	2017 £'000
Fixed assets			
Housing properties	10	290,345	271,724
Other fixed assets	11	1,394	1,412
Investment properties	12	446	423
		292,185	**273,559**
Current assets			
Properties for sale	13	556	1,715
Receivables	14	4,898	32,779
Cash and cash equivalents		27,701	1,651
		33,155	**36,145**
Payables: amounts due within one year	15	(5,061)	(5,586)
Net current assets		**28,094**	**30,559**
Total assets less current liabilities		**320,279**	**304,118**
Payables: amounts due after one year	16	(188,252)	(182,107)
Deferred capital grant due after one year	17	(59,088)	(59,515)
Pension liability	19	(8,375)	(7,979)
Net assets		**64,564**	**54,517**
Capital and reserves			
Share capital	20	0	0
Restricted reserve		-	287
Revenue reserve		64,564	54,230
Association's funds		**64,564**	**54,517**

The notes on pages 37 to 64 form part of these financial statements.

The financial statements of Drum Housing Association Limited, registered society number 28156R on pages 34 to 64, were approved by the Board and authorised for issue on 26 July 2018 and signed on its behalf by:

Carol Bode
Chair

Simon Porter
Board Member

Malcolm Rule
Secretary

STATEMENT OF CHANGES IN RESERVES

	Share capital £'000	Revenue reserve £'000	Restricted reserve £'000	Total £'000
At 1 April 2016	**0**	**45,581**	**287**	**45,868**
Surplus on ordinary activities after tax	-	9,731	-	**9,731**
Actuarial losses on defined benefit pension schemes	-	(1,082)	-	**(1,082)**
Shares issued during the year	0	-	-	**0**
Shares cancelled during the year	0	-	-	**0**
At 31 March 2017	**0**	**54,230**	**287**	**54,517**
Surplus on ordinary activities after tax	-	10,971	-	**10,971**
Actuarial losses on defined benefit pension schemes	-	(637)	-	**(637)**
Transfer out of restricted reserve	-	-	(287)	**(287)**
Shares cancelled during the year	0	-	-	**0**
At 31 March 2018	**0**	**64,564**	**-**	**64,564**

The notes on pages 37 to 64 form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. LEGAL STATUS

The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Society Act 2014 and is also registered with the Regulator of Social Housing as a social housing provider.

2. ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the 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. The financial statements are presented in pounds sterling and have been prepared on the historical cost basis except for a modification to amortised cost or a fair value basis for certain financial instruments and investment properties, as specified in the accounting policies below.

Going Concern

The financial statements have been prepared on a going concern basis, details of which can be found in the Board Report on page 28.

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:

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

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.

Operating Segments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2. ACCOUNTING POLICIES (continued)

Turnover

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

Rental and service charge income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales is recognised at the point of legal completion of the sale. Other income is recognised as receivable on the delivery of services provided.

Deferred capital grant is released over the life of the asset structure.

Service Charges

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

Revenue Grant

The Association receives grants in respect of revenue expenditure and these are credited as appropriate to income in the same period as the expenditure to which they relate. The amount of grant recorded as income will be less than or equal to the expenditure incurred, depending on the particulars of the scheme.

Cost of Sales

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

Value Added Tax (VAT)

The 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 credited to the Statement of Comprehensive Income.

Cyclical Repairs and Maintenance

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2. ACCOUNTING POLICIES (continued)

Finance Costs

Finance costs, issue costs, premiums, and discounts are charged to income and expenditure over the term of debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Pensions

The Association's pension arrangements comprise two active defined benefit schemes and a defined contribution scheme.

For the defined contribution scheme the amount charged to income and expenditure in respect of pension costs is the employer contribution payable in the year.

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

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

Tax

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

Fixed Assets - Housing Properties

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

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

2. ACCOUNTING POLICIES (continued)

Land

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

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 asset

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2. ACCOUNTING POLICIES (continued)

Affordable Home Ownership Transactions

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

Sales under Right to Buy and Right to Acquire

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

Properties for Sale

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

Investment Properties

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

Deferred Capital Grant

Deferred capital grant, predominantly social housing grant, is initially recognised at fair value as a long-term liability and is released as turnover in the Statement of Comprehensive Income over the life of the structure of housing properties. Upon disposal of an asset which has deferred capital grant allocated to it, the cost of the grant is transferred to the Recycled Capital Grant Fund until the grant is reinvested in a replacement property or repaid, reflecting the existing obligation under the social housing grant funding regime. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released to the Statement of Comprehensive Income.

Receivables and Payables

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

Recoverable Amount of Rental and Other Trade Receivables

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

2. ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits, and short-term investments with an original maturity date of three months or less. Cash and cash equivalents also includes cash in sinking fund accounts to which the Association has access on behalf of the beneficiaries of the account.

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.

Financial Assets and Liabilities

Loans and borrowings

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

Leases

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

The Association has no finance lease commitments and all of its 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.

Sinking Funds

Sinking funds comprise leasehold sinking funds and scheme provisions. Leasehold sinking funds are unspent amounts collected from leaseholders for major repairs on leasehold schemes, and any interest received, and are included in payables. Scheme provisions are scheme funds set aside for major repairs and are also included in payables.

Restricted Reserves

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

2. ACCOUNTING POLICIES (continued)

Critical Judgments, Estimates, and Uncertainty

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

Impairment review

Estimates have been made in the impairment review of our housing properties, as outlined in our policy on page 40.

Classification of loans with embedded interest rate swaps

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

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

Defined benefit pension obligations

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

Capitalisation of property development costs

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

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

Fair value measurement

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

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 development activity.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	2018					Restated 2017				
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus from disposal of fixed assets £'000	Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Surplus from disposal of fixed assets £'000	Operating surplus/ (deficit) £'000
Social housing lettings	34,355	-	(20,906)	-	**13,449**	33,637	-	(21,312)	-	**12,325**
Other social housing activities										
Development administration	-	-	90	-	**90**	-	-	(19)	-	**(19)**
Intercompany recharges	929	-	(929)	-	-	-	-	-	-	-
First tranche affordable home ownership sales	6,794	(4,140)	(136)	-	**2,518**	5,262	(2,940)	(5)	-	**2,317**
Surplus from disposal of fixed assets	-	-	-	511	**511**	-	-	-	563	**563**
Other social	462	-	(429)	-	**33**	44	-	(215)	-	**(171)**
Total other social housing activities	**8,185**	**(4,140)**	**(1,404)**	**511**	**3,152**	**5,306**	**(2,940)**	**(239)**	**563**	**2,690**
Non-social housing activities										
Market rent properties	22	-	(5)	-	**17**	21	-	(5)	-	**16**
Other non-social	211	-	(139)	-	**72**	87	-	(85)	-	**2**
Total non-social housing activities	**233**	**-**	**(144)**	-	**89**	**108**	-	**(90)**	**-**	**18**
Total	**42,773**	**(4,140)**	**(22,454)**	**511**	**16,690**	**39,051**	**(2,940)**	**(21,641)**	**563**	**15,033**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	2018					2017				
	General needs housing £'000	Supported / housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000	General needs housing £'000	Supported / housing for older people £'000	Affordable home ownership £'000	Other social housing £'000	Total £'000
Turnover										
Rent receivable net of identifiable service charges (net of voids)	26,622	3,378	823	1,695	**32,518**	26,159	3,413	626	1,713	**31,911**
Service charge income	447	521	187	16	**1,171**	372	531	146	16	**1,065**
Net rental income	**27,069**	**3,899**	**1,010**	**1,711**	33,689	**26,531**	**3,944**	**772**	**1,729**	32,976
Amortisation of capital grant	600	26	36	4	**666**	624	-	37	-	**661**
Net turnover from social housing lettings	**27,669**	**3,925**	**1,046**	**1,715**	34,355	**27,155**	**3,944**	**809**	**1,729**	33,637
Operating costs										
Management	(6,484)	(930)	(461)	(345)	**(8,220)**	(7,349)	(1,083)	(451)	(427)	**(9,310)**
Service charge costs	(1,004)	(144)	(71)	(53)	**(1,272)**	(939)	(138)	(58)	(55)	**(1,190)**
Routine maintenance	(3,077)	(441)	-	(164)	**(3,682)**	(2,833)	(416)	-	(165)	**(3,414)**
Planned maintenance	(1,007)	(144)	-	(54)	**(1,205)**	(974)	(142)	-	(57)	**(1,173)**
Major repairs expenditure	(1,977)	(284)	-	(105)	**(2,366)**	(2,806)	(414)	-	(163)	**(3,383)**
Bad debts	(14)	(2)	(1)	(1)	**(18)**	(44)	(7)	(3)	(3)	**(57)**
Other costs	67	10	5	4	**86**	(85)	(16)	(7)	(6)	**(114)**
Depreciation of housing properties	(3,340)	(388)	(118)	(312)	**(4,158)**	(3,053)	(366)	(100)	(296)	**(3,815)**
Loss on disposal of housing components	(178)	(172)		(24)	**(374)**	(158)	(11)	-	(8)	**(177)**
Impairment reversals	303	-	-	-	**303**	1,321	-	-	-	**1,321**
Operating expenditure on social housing lettings	**(16,711)**	**(2,495)**	**(646)**	**(1,054)**	(20,906)	**(16,920)**	**(2,593)**	**(619)**	**(1,180)**	(21,312)
Operating surplus on social housing lettings	**10,958**	**1,430**	**400**	**661**	13,449	**10,235**	**1,351**	**190**	**549**	12,325
Void losses	(120)	(77)	-	(16)	**(213)**	(156)	(69)	-	(16)	**(241)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	2018					
	Staircasing £'000	Right to Buy £'000	Other housing sales £'000	HomeBuy redemptions £'000	Other fixed assets £'000	Total £'000
Sale proceeds	933	99	82	127	-	**1,241**
Less: cost of sales	(618)	(56)	(56)	-	-	**(730)**
Surplus from disposal of fixed assets	**315**	**43**	**26**	**127**	**-**	**511**

	2017					
	Staircasing £'000	Right to Buy £'000	Other housing sales £'000	HomeBuy redemptions £'000	Other fixed assets £'000	Total £'000
Sale proceeds	879	95	513	-	-	**1,487**
Less: cost of sales	(534)	(42)	(324)	-	(24)	**(924)**
Surplus/(deficit) from disposal of fixed assets	**345**	**53**	**189**	**-**	**(24)**	**563**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

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

	2018 Number	2017 Number
HOUSING PROPERTIES		
Owned and managed		
Social		
Social rent general needs housing	3,828	3,827
Affordable rent general needs housing	662	505
Supported / housing for older people	644	638
Affordable home ownership	319	266
Other social housing	239	252
	5,692	**5,488**
Non-social		
Market rent housing	2	2
	2	**2**
	5,694	**5,490**
Owned and not managed		
Leasehold housing	249	243
	249	**243**
Total	**5,943**	**5,733**
NON-HOUSING PROPERTIES		
Owned		
Garages	880	888
Shops / commercial	12	12
Other	2	2
	894	**902**
Total Units	**6,837**	**6,635**
Properties under construction	*369*	*164*

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

4. FINANCE INCOME

	2018 £'000	2017 £'000
Interest receivable from cash and cash equivalents	62	14
Bond premium amortised	150	36
	212	**50**

5. FINANCE COSTS

	2018 £'000	2017 £'000
On housing loans at amortised cost		
Interest costs	5,725	5,080
Loan arrangement fees and associated costs	56	92
	5,781	**5,172**
Interest on pension scheme liabilities	173	203
	5,954	**5,375**

6. SURPLUS ON ORDINARY ACTIVITIES BEFORE TAX

	2018 £'000	2017 £'000
Surplus on ordinary activities before tax is stated after charging/(crediting)		
Depreciation of fixed assets	4,234	3,887
Impairment reversal on housing properties	(303)	(1,321)
Operating lease rental		
Temporary social housing	-	9
Land and buildings	27	25
The analysis of auditor's remuneration is as follows		
Fees payable (excluding VAT) to the Association's auditor for the audit of the Association's annual financial statements	17	17
Fees payable (excluding VAT) to the Association's auditor in respect of other services	2	2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

7. TAX

Due to its charitable status the Association benefits from various exemptions from tax afforded by tax legislation and is therefore not liable to corporation tax on income and gains go within these exemptions.

8. DIRECTORS' EMOLUMENTS

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

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

	2018	**2017**
	£'000	**£'000**
Board members	12	12
Key management personnel excluding directors	122	107
	134	**119**
Emoluments payable to the highest paid director (including pension contributions and benefits in kind)	12	9

No members of the Executive Board are paid by Drum Housing Association Limited. They are all paid by The Swaythling Housing Society Limited and details of their remuneration are disclosed within the Group accounts. It is not possible to disaggregate directors' remuneration in respect of services performed on behalf of Drum Housing Association Limited and services to other Group entities.

Board members paid by the Association received emoluments during the year totalling £12k (2017: £12k). Board expenses of £1k (2017: £1k) were incurred in the year.

None of the directors paid by the Association have received remuneration in excess of £60,000.

It is not possible to disaggregate board members' remuneration in respect of services performed on behalf of the constituent Group entities. Their annual fees are disclosed within the Group accounts. The board members of Drum Housing Association Limited, including details of the other roles they perform on behalf of the constituent Group entities, are shown on the following table:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

8. DIRECTORS' EMOLUMENTS (continued)

	Appointed	Resigned	Audit and Risk Committee	Treasury and Investment Committee	Remuneration and Nominations Committee
Carol Bode (C)	01/10/16				M
Ashley West	16/03/17		M		M
Beverley Anne Costain	*01/10/17*			*M*	
Bridget Phelps	01/10/16	31/07/17			
Jayne Beeson	01/09/11		M		M
Lindsay Todd	*15/12/16*	*18/08/17*			
Michael Sweeney	*18/08/17*			*M*	
Mark Ralf	01/10/16	30/09/17			
Simon Porter	25/09/14		C	M	M

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

9. STAFF COSTS

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

	2018 FTE	2017 FTE
Housing and central services staff	27	32
Maintenance staff	2	3
Development and home ownership staff	-	1
	29	**36**

	2018 £'000	2017 £'000
Staff costs (for the above employees)		
Wages and salaries	1,079	1,755
Social security costs	106	161
Pension costs	287	279
	1,472	**2,195**

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

	2018 £'000	2017 £'000
£60,000 - £69,999	2	2
£90,000 - £99,999	1	1
	3	**3**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

10. HOUSING PROPERTIES

	Completed properties			Properties in course of construction			
	Social housing lettings properties £'000	Affordable home ownership properties £'000	Total completed housing properties £'000	Social housing lettings properties in course of construction £'000	Affordable home ownership properties in course of construction £'000	Total housing properties in course of construction £'000	Total housing properties £'000
Cost							
At 1 April 2017	286,652	17,251	**303,903**	8,992	3,558	**12,550**	**316,453**
Additions	1,267	-	**1,267**	16,505	6,856	**23,361**	**24,628**
Additions - works to existing properties	1,951	-	**1,951**	-	-	**-**	**1,951**
Transferred into management	21,050	6,126	**27,176**	(21,050)	(6,126)	**(27,176)**	**-**
Disposals and demolitions	(1,743)	(634)	**(2,377)**	-	-	**-**	**(2,377)**
Intercompany transfers	-	-	**-**	126	-	**126**	**126**
Impairment reversals	306	-	**306**	-	-	**-**	**306**
Net movement to current assets	-	(632)	**(632)**	-	(2,370)	**(2,370)**	**(3,002)**
At 31 March 2018	**309,483**	**22,111**	**331,594**	**4,573**	**1,918**	**6,491**	**338,085**
Accumulated depreciation							
At 1 April 2017	(43,954)	(775)	**(44,729)**	-	-	**-**	**(44,729)**
Charge for the year	(4,040)	(118)	**(4,158)**	-	-	**-**	**(4,158)**
Disposals and demolitions	1,114	36	**1,150**	-	-	**-**	**1,150**
Impairment reversals	(3)	-	**(3)**	-	-	**-**	**(3)**
At 31 March 2018	**(46,883)**	**(857)**	**(47,740)**	**-**	**-**	**-**	**(47,740)**
Net book value							
At 31 March 2018	**262,600**	**21,254**	**283,854**	**4,573**	**1,918**	**6,491**	**290,345**
At 31 March 2017	**242,698**	**16,476**	**259,174**	**8,992**	**3,558**	**12,550**	**271,724**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

10. HOUSING PROPERTIES (continued)

Property valuation

Social housing land and buildings are shown at historic cost. The value of social housing properties as determined by the 'Existing Use Valuation – Social Housing' method at 31 March 2018 was £350.8m (2017: £311.9m). The valuation was carried out by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

Expenditure on works to existing housing properties

	2018 £'000	2017 £'000
Amounts capitalised	1,951	2,041
Amounts charged to the Statement of Comprehensive Income	2,366	3,768

Security

The Association had property with a net book value of £152.1m pledged as security at 31 March 2018 (2017: £84.5m).

11. OTHER FIXED ASSETS

	Freehold land and premises £'000	Vehicles, plant and equipment £'000	Computers, fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2017	1,784	715	171	**2,670**
Additions	-	58	-	**58**
Disposals and demolitions	-	(1)	-	**(1)**
At 31 March 2018	**1,784**	**772**	**171**	**2,727**
Accumulated depreciation				
At 1 April 2017	(558)	(617)	(83)	**(1,258)**
Charge for the year	(30)	(29)	(17)	**(76)**
Disposals and demolitions	-	1	-	**1**
At 31 March 2018	**(588)**	**(645)**	**(100)**	**(1,333)**
Net book value				
At 31 March 2018	**1,196**	**127**	**71**	**1,394**
At 31 March 2017	**1,226**	**98**	**88**	**1,412**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

12. INVESTMENT PROPERTIES

	Completed investment properties £'000
Value	
At 1 April 2017	423
Revaluation surplus	23
At 31 March 2018	**446**

Completed investment properties are shown at market value of £0.4m (2017: £0.4m), defined as MV-T (market value tenanted) at the reporting date by Jones Lang LaSalle (RICS), 30 Warwick Street, London, W1B 5NH.

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

	2018 £'000	2017 £'000
Cost	309	309
Depreciation	(57)	(54)
Net book value	**252**	**255**

13. PROPERTIES FOR SALE

	2018 £'000	2017 £'000
Affordable home ownership schemes		
Properties under construction	208	1,601
Completed properties	348	114
	556	**1,715**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

14. RECEIVABLES

	2018 £'000	2017 £'000
Gross arrears of rent and service charges	927	872
Bad debt provision	(193)	(310)
Net tenant arrears	**734**	**562**
Trade receivables	164	44
Staff loans	1	-
Amounts due from Group undertakings	2,998	299
Short-term non-liquid assets	978	31,687
Other receivables and prepayments	23	187
	4,898	**32,779**

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

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

15. PAYABLES: AMOUNTS DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Other tax and social security payable	26	40
Trade payables	745	1,904
Interest due and payable	464	444
Right to buy profit share agreement	632	283
Other payables	446	376
Deferred income	1,013	1,065
Accruals	862	565
Contract retentions	38	103
Loans and borrowings	165	136
Deferred capital grant due within one year	670	670
	5,061	**5,586**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

16. PAYABLES: AMOUNTS DUE AFTER ONE YEAR

	2018 £'000	2017 £'000
Loans and borrowings	187,482	181,447
Contract retentions	770	660
Recycled Capital Grant Fund	-	-
	188,252	**182,107**

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

	2018			2017		
	Bank loan £'000	Bond £'000	Total £'000	Bank loan £'000	Bond £'000	Total £'000
In multiple instalments						
One year or less	(3)	-	**(3)**	(3)	-	**(3)**
One to two years	(3)	-	**(3)**	(3)	-	**(3)**
Two to five years	4,492	-	**4,492**	2,992	-	**2,992**
Five years or more	145,454	-	**145,454**	146,951	-	**146,951**
	149,940	**-**	**149,940**	**149,937**	**-**	**149,937**
In a single instalment						
One year or less	-	167	**167**	-	139	**139**
One to two years	-	167	**167**	-	136	**136**
Two to five years	-	492	**492**	-	407	**407**
Five years or more	-	36,880	**36,880**	-	30,964	**30,964**
	-	**37,707**	**37,707**	**-**	**31,646**	**31,646**
	149,940	**37,707**	**187,647**	**149,937**	**31,646**	**181,583**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

17. DEFERRED CAPITAL GRANT DUE AFTER ONE YEAR

	Completed £'000	In course of construction £'000	Total £'000
Cost			
At 1 April 2017	66,013	450	**66,463**
Inputs			
Received in year	-	327	**327**
Transferred from Recycled Capital Grant Fund	-	35	**35**
Transferred into management	743	-	**743**
Outputs			
Recycled on disposal	(139)	-	**(139)**
Transferred into management	-	(743)	**(743)**
At 31 March 2018	**66,617**	**69**	**66,686**
Accumulated amortisation			
At 1 April 2017	(6,948)	-	**(6,948)**
Released on disposal	15	-	**15**
Charge for the year	(665)	-	**(665)**
At 31 March 2018	**(7,598)**	**-**	**(7,598)**
Amortised deferred capital grant due after one year			
At 31 March 2018	**59,019**	**69**	**59,088**
At 31 March 2017	**59,065**	**450**	**59,515**

The Recycled Capital Grant Fund for the Group is held centrally within The Swaythling Housing Society Limited hence transfers from the Recycled Capital Grant Fund will not agree to the Association's Recycled Capital Grant Fund note.

18. RECYCLED CAPITAL GRANT FUND

	Recycled Capital Grant Fund £'000
At 1 April 2017	-
Net inputs to fund:	
Grants recycled	139
Recycling of grant:	
Transfer to other Group members	(139)
At 31 March 2018	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. PENSIONS

The Pensions Trust Flexible Retirement Plan (FRP)

The Association participates in a defined contribution scheme administered by The Pensions Trust. The accounting charge represents the Association's contributions to the plan for the year and amounted to £13k (2017: £17k). There were outstanding contributions as at 31 March 18 of £1k (2017: £2k).

Radian Group Pension Scheme (RGPS)

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

- $^{1}/_{60}{}^{th}$ Final Salary; and
- $^{1}/_{60}{}^{th}$ CARE (Career Average Revalued Earnings)

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

Employers continued to make monthly contributions of 23.2% of members' earnings until 31 March 2018 and The Swaythling Housing Society Limited made a lump sum payment of £1.0m during the year (2017: £1.8m).

A full actuarial valuation was carried out at 30 September 2016 and updated to 31 March 2018 by an independent qualified actuary. The valuation showed a deficit of £17.2m which the Group has agreed with the Trustee to aim to eliminate over a period of eight years from 1 April 2018. To this end the Group has paid a lump sum of £1.0m during the year (2017: £3.2m) of which the Association paid £nil (2017: £nil). The Group has agreed to pay 34.6% of pensionable earnings less members' contributions in respect of the cost of accruing benefits.

Main financial assumptions adopted for FRS 102 purposes:

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

Post retirement mortality assumptions:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. PENSIONS (continued)

Hampshire County Council Pension Fund (HCC)

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

A full actuarial valuation of HPF was carried out at 31 March 2016 and updated for FRS 102 purposes to 31 March 2018 by an independent qualified actuary. The valuation results show a funding deficit of £5.4m and a funding level of 60.3%. The agreed employer's contribution rate will remain at 31.5% of gross pay from 2018/19 onwards. To contribute to the fund shortfall the Group must pay a capital contribution amount for past service contributions over a recovery period of ten years. These additional contributions have been set at £577k from 2018/19, increased from £557k in 2017/18 as set by the previous valuation. Capital contributions will increase by 3.5% per year from 2018/19 in line with the actuarial salary increase assumptions adopted in the 2016 funding valuation.

Main financial assumptions adopted for FRS 102 purposes:

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

Post retirement mortality assumptions:

Mortality assumptions are rarely updated between triennial valuations. Those used here are consistent with the 31 March 2016 valuation, are based on the recent mortality experience of members, and allow for expected future mortality improvements. Sample life expectancies at age 65 resulting from these assumptions are shown below:

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. PENSIONS (continued)

At 31 March 2018 the assets in the schemes which the Association participates in were:

	Radian Group Pension Scheme £'000	Hampshire Council Pension Fund £'000	Total £'000
Equities	2,730	6,497	**9,227**
Government bonds	-	2,460	**2,460**
Corporate bonds	1,394	104	**1,498**
Property	140	727	**867**
Cash	-	270	**270**
Alternative assets	70	322	**392**
Total market values of assets	**4,334**	**10,380**	**14,714**

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

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fair value of scheme assets	4,334	4,889	10,375	9,850	**14,709**	**14,739**
Present value of defined benefit obligation	(5,324)	(5,928)	(17,760)	(16,790)	**(23,084)**	**(22,718)**
Association's share of deficit in the scheme	**(990)**	**(1,039)**	**(7,385)**	**(6,940)**	**(8,375)**	**(7,979)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. PENSIONS (continued)

Movements in the fair value of scheme assets:

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Opening fair value of scheme assets	4,889	3,700	9,850	8,290	**14,739**	**11,990**
Interest income on scheme assets	130	134	220	250	**350**	**384**
Actuarial (losses)/gains	(640)	993	90	1,370	**(550)**	**2,363**
Contributions from employers	48	95	700	130	**748**	**225**
Contributions from scheme members	39	73	40	40	**79**	**113**
Benefits paid	(132)	(106)	(520)	(230)	**(652)**	**(336)**
Closing fair value of scheme assets	**4,334**	**4,889**	**10,380**	**9,850**	**14,714**	**14,739**

Movements in the present value of defined benefit obligations:

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Opening defined benefit obligation	5,928	4,435	16,790	14,210	**22,718**	**18,645**
Service cost	119	102	210	160	**329**	**262**
Interest cost	158	156	360	420	**518**	**576**
Expenses	14	13	-	-	**14**	**13**
Actuarial (gains)/losses	(802)	1,255	880	2,190	**78**	**3,445**
Benefits paid net of transfers in	(132)	(106)	(520)	(230)	**(652)**	**(336)**
Contributions by scheme members	39	73	40	40	**79**	**113**
Closing defined benefit obligation	**5,324**	**5,928**	**17,760**	**16,790**	**23,084**	**22,718**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

19. PENSIONS (continued)

Analysis of amounts charged to operating surplus:

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Current service costs	119	102	210	160	**329**	**262**
Expenses	14	13	-	-	**14**	**13**
	133	**115**	**210**	**160**	**343**	**275**
Amounts charged to other finance costs						
Net finance charge	28	22	140	170	168	192

Statement of Comprehensive Income:

Analysis of amount recognised in Other Comprehensive Income:

	Radian Group Pension Scheme		Hampshire Council Pension Fund		Total	
	2018	2017	2018	2017	2018	2017
	£'000	£'000	£'000	£'000	£'000	£'000
Actual return less expected return on pension scheme assets	(640)	993	86	1,370	**(554)**	**2,363**
Changes in financial assumptions underlying the present value of the scheme liabilities	802	(1,255)	-	-	**802**	**(1,255)**
Experience losses arising on the scheme liabilities	-	-	(885)	(2,190)	**(885)**	**(2,190)**
Actuarial gains/(losses) on pension schemes	**162**	**(262)**	**(799)**	**(820)**	**(637)**	**(1,082)**

20. SHARE CAPITAL

	2018	2017
	£	£
Shares of £1 each		
Issued and fully paid at 1 April	7	7
Shares issued during the year	-	4
Shares cancelled during the year	(2)	(4)
Shares issued and fully paid at 31 March	**5**	**7**

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. On ceasing to be a shareholder, the relevant share is cancelled and the amount paid thereon becomes the property of the Association. Therefore, all shareholdings relate to non-equity interests.

21. CAPITAL COMMITMENTS

	2018	2017
	£'000	£'000
Capital expenditure commitments were as follows		
Capital new build expenditure contracted but not provided for in the financial statements	40,147	10,326
Capital new build expenditure authorised but not contracted	11,161	20,033
	51,308	**30,359**

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

Our capital commitments will be financed by cash and cash equivalents (£27.7m at 31 March 2018). Additional funds will continue to be generated from operations (approximately £1.0m each month).

22. OPERATING LEASES

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

	Land and Buildings		Other	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Amounts payable as lessee				
Not later than one year	13	29	-	2
Later than one year and not later than five years	-	13	-	-
Later than five years	-	-	-	-
	13	**42**	**-**	**2**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

22. OPERATING LEASES (continued)

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

	Tenancy Leases	
	2018	2017
	£'000	£'000
Amounts receivable as lessor		
Not later than one year	8,951	6,756
Later than one year and not later than five years	25,038	14,388
Later than five years	5,676	2,852
	39,665	**23,996**

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

23. FINANCIAL INSTRUMENTS

	At historic or amortised cost	
	2018	2017
	£'000	£'000
Financial assets		
Receivables	5,068	32,902
Cash and cash equivalents	27,701	1,651
	32,769	**34,553**
Financial liabilities		
Payables: amounts due within one year	(3,883)	(4,385)
Payables: amounts due after one year	(184,471)	(178,860)
Deferred capital grant due after one year	(59,088)	(59,515)
Share capital	0	0
Restricted reserve	-	(287)
	(247,442)	**(243,047)**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018 (continued)

24. RELATED PARTY TRANSACTIONS

Pension Schemes

The Radian Group Pension Scheme and the Hampshire County Council Pension Fund are considered to be related parties and full disclosure of these schemes is given in note 19.

Transactions with Other Entities or Jointly Controlled Operations

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 are wholly owned by the Group.

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

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

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

Transactions and balances with subsidiaries are eliminated in the Group financial statements.

There were no such transactions during the year or balances at the reporting date.

25. 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 Limited 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.