

Charity No. 1113331
Company No. 5319765

COMMONWEAL HOUSING LIMITED
(a company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

Commonweal Housing Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2015

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Commonweal Housing Limited

REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2015

LEGAL AND ADMINISTRATIVE DETAILS

Company registration number:	5319765
Charity registration number:	1113331
Principal address:	Unit 311, The Blackfriars Foundry 156 Blackfriars Road London SE1 8EN
Registered office:	2 Babmaes Street London SW1Y 6HD
Directors and Trustees:	Fiona Mactaggart MP (Chair) Steve Douglas Sir John Mactaggart Bt. Gary Medazoumian FCA Robert Nadler Laurence Newman Jane Slowey CBE
Secretary:	Gary Medazoumian FCA
Bankers:	Barclays Bank plc 7 th Floor, 180 Oxford Street London BX3 2BB
Solicitors	Bircham Dyson Bell 50 Broadway London SW1H 0BL
Auditors:	haysmacintyre 26 Red Lion Square London WC1R 4AG

Commonweal Housing Limited

REPORT OF THE TRUSTEES For the year ended 31 December 2015

INTRODUCTION

The Trustees, who act as directors for the purposes of the company law, present their report and financial statements for the year ended 31 December 2015.

Commonweal Housing is a housing based *Action Learning* charity. We have a *track record of working collaboratively* with expert service delivery partners enabling and facilitating them to develop, establish and pilot new and innovative housing based solutions for those that have experienced different forms of social injustice.

We aim to *capture the learning from our pilot projects* and to help our project partners to disseminate *the lessons learnt* to encourage and *facilitate replication of successful models* maximising the impact and beneficiaries. We maintain a *focus on the quality of the learning* we distil as well as the innovation and new solutions we hope to deliver.

We aim to maximise the benefits and to record the impact our work has in three key areas – Impact upon:

- **People** – the beneficiaries and clients assisted by the projects we support
- **Partners** – the positive impact of providing service delivery partners the opportunity to develop and test new models and new services
- **Policy** – the key aim through capturing and sharing the learning from the pilot projects we support is to help secure policy and operational change making sure lessons learned shape future delivery maximising impact for others

We are further developing our *reputation as innovators and leaders in the field of housing backed social investment*. We have been successful at providing attractive investment propositions to charitable Trusts, Foundations and others seeking mission related and social investment opportunities. Commonweal continues to work with organisations such as Big Society Capital and Social Finance to share our experiences

OBJECTIVES AND ACTIVITIES

The Charity's core objects are the provision of housing for those who are in conditions of need and the advancement of education and training in particular (but without limitation) in relation to housing need.

We deliver these objects by providing via a lease bespoke and appropriate housing to specialist front line service delivery partners enabling them to test new models or service and support to various client groups in pilot projects. Commonweal supports our partners to capture the learning from pilot projects and to share that learning with others. The objective is captured in the charity's strap line, which was once again reaffirmed by Trustees in 2015, Commonweal seeks to identify and deliver *housing solutions to social injustice*

ACHIEVEMENTS AND PERFORMANCE

In 2015 these objectives were fulfilled by undertaking the following projects:-

- **Re-Unite** – our flagship project delivering a successful housing and support programme that meets the needs of mothers who would be homeless upon leaving prison, enabling them to be reunited with their children and supporting the household to live positive lives. In 2014 we outsourced the day to day coordination and running of the model and support to the network of 12 different Re-Unite projects around the country to a partnership of Women's Breakout and Anawim – two leading organisations in the support of women in the criminal justice system. In 2015 we started the consideration of how best Commonweal can exit from the project once our original 10 year project agreement and property leases start to expire in 2017.
- **The Chrysalis Project** – an initiative providing transitional accommodation for female former street based prostitutes, supporting their successful move-on from hostel accommodation. The project received a positive independent evaluation in 2012. In 2015 we commissioned new research to explore

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REPORT OF THE TRUSTEES

For the year ended 31 December 2015

the policy and operational landscape two years on from our last report. Commonweal continues to support front line organisations seeking to support women existing prostitution.

- *The Peer Landlord Project* - a supportive shared housing model providing a framework for peer mentoring and support between clients. Working initially with two different client groups – single homeless people and also with younger people 16-25 year olds who have experienced periods of homelessness or unstable accommodation. The project aims to provide clients with the skills, confidence and experience to find and maintain tenancies in the real world of rooms in private sector shared housing. Working with our external evaluators at the University of York Commonweal is supporting our project partners to progress the development of the model in a phase 2 pilot; learning the lessons and refining an eventual model capable of wider replication.
- *Miscarriages of Justice Accommodation Support Project* – Although this is no longer an ongoing action learning project Commonweal continues to lobby and campaign about the social injustice especially around lack of direct housing support for those who are in housing need or homeless as a result of being the victim of a miscarriage of justice. In 2015 we commissioned the London School of Economics on a new ‘Call To Action’ report highlighting a number of policy changes sought – not least to consideration of the vulnerability of such individuals under the homelessness legislation. Commonweal continues to work with the CAB and the Miscarriages of Justice Support Service to seek to redress this lack of consideration and support for these individuals.
- *No Recourse to Public Funds* – In 2015 we delivered the first four homes to our partners, Praxis Community Projects. This vital new project is aimed at meeting the accommodation and support needs of those facing destitution with no recourse to public funds within the asylum system. The innovative cross-subsidy nature of the model has attracted interest from a range of other migrant support organisations and the likes of the JRF. In 2015 we appointed an excellent external evaluation team of three independent consultants who together bring a wealth of knowledge and expertise in the field.
- *Social Investment* – As noted above, in 2015 we have been using funds from our second social investment deal to acquire new houses for our NRPF project. During the year we have also engaged in more detailed discussion with potential investors for our next project with Quaker Social Action – more details below). I am delighted to say that two of our current investors are also considering engaging with us again whilst at the same time we are attracting interest from some of the major new players in the field of social investment. We aim to conclude our next deal, subject to appropriate approvals, in 2016.
- *New project development* – In 2015 we have taken steps to identify and develop our next projects that will, subject to final Board sign-off, come to fruition and be delivered in 2016. We are working with Elmbridge Rentstart in Surrey enabling the development of their *Freedom2Work: Buying the Future* project aimed at easing the transition from benefits to employment in high cost private rented sector. This new project will see Commonweal providing revenue support to the organisation enabling them to better use their existing PRS portfolio managed on behalf of local charities and private landlords.

Commonweal also aim to commence a new property acquisition project with partners Quaker Social Action seeking to support a housing pathway to independent living for *young adult carers*. The project will work with some of the estimated 240,000 young people aged 18-24 in the UK, 25% of whom, due to their unpaid and frequently under acknowledged caring for parents or siblings, are likely to be not in education, employment or training – almost twice the cohort average. In 2015 Commonweal has been developing both the project with QSA and lining up new social investment funding of circa £2M.

- *Feasibility Studies* – For the first time in 2015 Commonweal has used some of its resources to support feasibility studies by others as a pre-cursor to clarifying a social injustice where there may be a possible housing based solution. Our first such activity in this field was supporting Stonewall Housing to enable them to undertake a detailed studying the housing needs of older LGBT people. The final report is due in 2016.
- *Non-project stock* – In 2015 Commonweal continued with its policy of temporarily renting out surplus

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For the year ended 31 December 2015

non-project properties where they may be needed for future projects and where there is no immediate need or benefit in disposal. This is in accordance with our investment strategy approved by Trustees in 2015. In 2015 Commonweal had one flat let in the private rented sector and two on a short term lease arrangement with Thames Reach. We continue to keep our property portfolio under close review

- *Ongoing organisational learning* – as an action learning charity we are as determined to ensure that the organisation itself continually reflects and learns on how projects are delivered and develop so as to maximise our impact; amending our own actions and processes as required going forward. To support the charity in this aim in 2015 we embarked on a Learning Partnership with IVAR (the Institute for Voluntary Action Research).

The Trustees of Commonweal Housing wish to put on record again their thanks and gratitude to the Directors of Grove End Housing for their continued generous financial support for the charity. Specifically Trustees acknowledge the ongoing support of GEHL via recent Deeds of Covenant providing medium term certainty on future funding to the charity. Such support continues to be vital in enabling the delivery of Commonweal's future business plans and in securing further capital and investment funding.

The Trustees also gratefully acknowledge the generous donation received in 2015 from the Bircham Dyson Bell Charitable Trust.

FINANCIAL REVIEW

The Trustees consider the results as disclosed on the following pages to be satisfactory but are looking to expand the range of sources from which we secure income during the current year.

Core revenue funding for the Charity continues to come from our principal benefactor Grove End Housing Limited in addition Commonweal receives rental income on its residential property portfolio. Additional revenue income is received from social investors who contribute towards the refurbishment costs and acquisition fees for the purchase of new project properties.

In 2015 GEHL revenue funding accounted for 73.4% of cash income (2014 84%); rental income grew to 19.6% due to the increased property portfolio in 2015 (2014 16%).

PUBLIC BENEFIT STATEMENT

The Board confirm that they have complied with the duty in the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission. Further information regarding the Charity's activities, public benefit and impact are presented in its Annual Impact Review, which is available on its website. <http://www.commonwealhousing.org.uk/>.

RISK MANAGEMENT AND PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have assessed the major risks to which the Charity is exposed and are satisfied that systems are in place to mitigate exposure and consequences of key risks. The Trustees receive updates to key risks at each Board meeting.

In 2015 Trustees identified four 'mission critical' risk areas. The controls and mitigations of these will be subject to in depth reports to Trustees over the course of 2016. In general these 'mission critical' risk areas are around not achieving or maximising impact through replication of lessons learnt from pilot projects. In other words failing to achieve the second part of Commonweal's ambitions of sharing knowledge arising from pilot projects to influence and shape replication and enable others to assist more people facing social injustice.

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The wider risk matrix regularly reviewed by Trustees covers other specific operation, financial and reputational risks relating to the delivery of the pilot projects.

The core strategic risks are set out below:

Core Strategic Risk Areas	Controls and Mitigation
Failure to adequately understand the issues and project areas and most effective evaluation.	Detailed due diligence and early research. Use of Advisory Panel. Regular liaison with Trustees throughout development phase. Taking third party soundings. Membership of appropriate networks and interest groups.
Failure to secure replication for projects	Commissioning leading expert evaluators, focus on replication from earliest communication with project partners. Increasing expertise and understanding of replicating role model solutions. Increased understanding of different forms of replication relevant for different projects.
Failure to maximise learning from evaluation contracts including original project size being too small and not providing critical mass	Monitoring evaluation contracts. Having capturing learning at the heart of all engagements with project and evaluation partners. Close consideration of appropriate project size during initial detailed due diligence and research phase.
Dilution of delivery upon replication	Detailed and robust replication agreements, use of £20K seed corn grant funding to increase leverage for Commonweal in monitoring and requiring performance. Production of viable project replication manuals and capturing of learning from pilot projects.

RESERVES POLICY

It is the policy of the Charity to maintain a proportion of its reserves in a readily realisable form to ensure that its core activity could continue during a period of unforeseen difficulty. The Trustees consider readily realisable reserves to be the amount of reserves that are easily converted into cash without the need to dispose any of its properties.

The Trustees assess the required level of reserves on an annual basis alongside its operating budget. This assessment takes into account the risks associated with each stream of income and expenditure varying from budget, its planned activity level, commitments to repay the loans secured on its properties and the need to keep sufficient bank balances to be able to manage the day-to-day fluctuations of receipts and payments.

In December 2015 the reserves policy was reviewed by the Trustees and based on its 2016 operating budget and cash flows, a readily available reserve figure of a minimum of £75K was agreed to be necessary.

Details of the Charity's reserves, which are all unrestricted, is provided in note 13 of the financial statements. The Property Fund, represented by the functional assets of the Charity, can only be realised by disposing the Charity's freehold and long leasehold properties.

PLANS FOR FUTURE PERIODS

The charity is celebrating its 10th Anniversary in 2016 and will be restating its ambitions to effectively do more of the same over the coming years. This includes the implementation of the new projects *Freedom2Work* with Elmbridge Rentstart and *Young Adult Carers* with Quaker Social Action.

Commonweal is taking forward the Peer Landlord model with our investor and delivery partners in to a Phase II programme to seek to establish a replicable model of mediated shared housing. The support for women exiting

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prostitution will also move in to a new phase with the transfer of the Chrysalis flats from St. Mungo's to Solace Women's Aid as they seek to replicate the approach.

Commonweal remains on the lookout for new potential projects and areas of social injustice where housing may be part of the solution, launching a *Starter for 10* competition providing the winner with funding for a new feasibility study from which may emerge future Commonweal action learning projects.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The Charity is a charitable company limited by guarantee and a registered charity. It is governed by its Memorandum and Articles of Association (as amended). These provide for one third of the Trustees to retire at each Annual General Meeting. The minimum number as set out in the Memorandum and Articles of Association is three and the quorum is set at two Trustees.

No new Trustees joined the Board in 2015. The Board has set out a skills matrix identifying the core skills, knowledge and competencies felt to be necessary to provide suitable oversight, governance and guidance to the charity. The Trustees self assess against those skills. Any recruitment to vacancies on the Board or decisions to expand the number of Trustees will initially be considered against this skills matrix.

The Charity has in place a program for the induction and training of new Trustees.

The Board is the administrative and governing body and meets five times a year, ensuring and monitoring that the Charity is performing well, is solvent and complies with all its obligations.

ORGANISATIONAL STRUCTURE AND DECISION-MAKING

The Board is responsible for the policy and strategy of the Charity, ensuring the long-term sustainability of the organisation along with its financial and legal probity.

The Chief Executive, Ashley Horsey, is responsible for implementing policies and strategies approved by the Board and for progressing organisational objectives and leading operational delivery by the staff team.

The Board has established a Remuneration Committee that meets not less than once per annum in the autumn as part of the budget preparation cycle. The Remuneration Committee recommends any changes to pay / remuneration for staff to the Board for their December budget-setting meeting for the forthcoming year.

TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charity and of its incoming resources and application of resources, including its net income and expenditure for the year.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Charity will continue in operation.

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The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

AUDITORS

A resolution proposing the reappointment of, haysmacintyre will be put to the next Annual General Meeting.

ON BEHALF OF THE BOARD OF TRUSTEES


G S MEDAZOUMIAN FCA
Secretary

13 June 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF COMMONWEAL HOUSING LIMITED

We have audited the financial statements of Commonweal Housing Ltd for the year ended 31 December 2015 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 6, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2015 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.; or
- the trustees were not entitled to take advantage of the small companies exemption in preparing the Trustees' Annual Report incorporating the Strategic Report.



Murtaza Jessa

Senior statutory auditor

for and on behalf of haysmacintyre, Statutory Auditor

13 June 2016.

26 Red Lion Square
London
WC1R 4AG

Commonweal Housing Limited

STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account) For the year ended 31 December 2015

	Note	2015 £	2014 £
Income and endowments from:			
Donation and legacies	2	623,474	673,291
Donated assets	3	172,500	-
Charitable activity - rental income		166,494	128,450
Other income – investors refurbishment contribution		59,430	-
Total		<u>1,021,898</u>	<u>801,741</u>
Expenditure on			
Charitable activities	4	805,711	646,130
Total		<u>805,711</u>	<u>646,130</u>
Net income before fair value adjustments		216,187	155,611
Fair value adjustments	11	(77,678)	(171,726)
Net income/(expenditure)		<u>138,509</u>	<u>(16,115)</u>
Gains on revaluation of fixed assets	7	121,959	301,501
Net movement in funds		<u>260,468</u>	<u>285,386</u>
Funds brought forward		5,142,902	4,857,516
Funds carried forward		<u>5,403,370</u>	<u>5,142,902</u>

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

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BALANCE SHEET

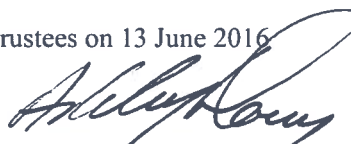
As at 31 December 2015

	Notes	2015 £	2014 £
Fixed assets			
Tangible assets	7	8,407,605	6,386,252
Unlisted investment	8	1	1
		<u>8,407,606</u>	<u>6,386,253</u>
Current assets			
Debtors – due within one year	9	328,084	331,467
– due after more than one year	9	613,840	885,420
Cash at bank and in hand		324,799	110,244
		<u>1,266,723</u>	<u>1,327,131</u>
Current liabilities			
Creditors: amounts falling due within one year	10	(899,559)	(187,681)
Net current assets		<u>367,164</u>	<u>1,139,450</u>
Total assets less current liabilities		<u>8,774,770</u>	<u>7,525,703</u>
Creditors: amounts due more than one year			
Loan Notes	11	(2,757,560)	(1,597,381)
Deferred income	12	(613,840)	(785,420)
Net assets		<u>5,403,370</u>	<u>5,142,902</u>
Income funds			
Unrestricted funds:	13		
- Designated Property Fund		4,953,355	4,788,424
- Designated project fund		25,000	25,000
- General Fund		425,015	329,478
Total funds		<u>5,403,370</u>	<u>5,142,902</u>

The accounts were approved and authorised for by the Board of Trustees on 13 June 2016 and signed on their behalf by



F MACTAGGART MP
Chair of the Board of Trustees



A HORSEY
Chief Executive



G S MEDAZOUMIAN
Secretary

Commonweal Housing Limited

CASH FLOW STATEMENT For the year ended 31 December 2015

	2015 £	2014 £
Net movement in funds	260,468	285,386
Deduct: revaluation of fixed assets	(121,959)	(301,501)
Deduct: donated assets	(172,500)	
Add: fair value adjustment	77,678	171,726
Add: depreciation	148,946	118,329
Decrease/(increase) in debtors	274,963	(696,250)
Increase in creditors (excluding loans)	15,188	55,911
(Decrease) increase in long term deferred income	(171,580)	428,720
Net cash provided by operating activities	<u>311,204</u>	<u>62,321</u>
Cash flows from investing activities		
Cash paid in respect of tangible fixed assets	(1,179,150)	-
	<u>(1,179,150)</u>	<u>-</u>
Cash flows from financing activities		
New loan notes drawn down	<u>1,082,501</u>	<u>-</u>
Increase in cash and cash equivalents in the year	214,555	62,321
Cash and cash equivalents at the start of the year	<u>110,244</u>	<u>47,923</u>
Total cash and cash equivalents at the end of the year	<u><u>324,799</u></u>	<u><u>110,244</u></u>
<i>Analysis of cash and cash equivalents:</i>		
Bank balances	<u>324,799</u>	<u>110,244</u>

The notes numbered 1 to 14 form part of these financial statements.

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PRINCIPAL ACCOUNTING POLICIES AND KEYS SOURCES OF ESTIMATION UNCERTAINTY

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), and with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The charity meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

In preparing the financial statements, the Trustees have considered whether in applying the accounting policies required by FRS102 and the Charities SORP the restatement of comparative items was required. As the date of transition, it was necessary under FRS 102 to restate the amounts owed under loan notes at fair value. In addition, the Trustees have elected to revalue the properties financed by the loans notes on an ongoing basis. The reconciliations below are provided in accordance with the requirements of FRS102.

Funds as previously stated at 1 January 2014	4,833,091
Fair valuation of loans	(40,655)
Fair valuation of socially funded fixed assets	65,080
Funds as restated at 1 January 2014	<u>4,857,516</u>

Net movement in funds for 2014 as previously stated	156,913
Fair valuation of loans	(171,726)
Fair valuation of socially funded fixed assets	300,199
Additional depreciation provided	(1,302)
Additional gain eliminating the above depreciation	1,302
Net movement in funds for 2014 as restated	<u>285,386</u>

Summary

Funds as previously stated at 1 January 2014	4,833,091
Result for 2014 as previously stated	156,913
Total adjustments on implementation of FRS102	152,898
Funds at 31 December 2014 as restated	<u>5,142,902</u>

The Trustees consider that the principal areas of estimation uncertainty in preparing these accounts are the fair valuation of loan notes and of socially funded investment property.

GOING CONCERN

A going concern basis has been adopted in the preparation of the financial statements. Taking into account the reserves position of the charity and the anticipated future results the Trustees do not consider that the appropriateness of this basis is subject to any material uncertainty.

INCOME

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

Properties transferred to the charity by way of gift are recognised at fair value at the date of transfer.

Commonweal Housing Limited

PRINCIPAL ACCOUNTING POLICIES AND KEYS SOURCES OF ESTIMATION UNCERTAINTY

EXPENDITURE

All expenditure relates to charitable activities and includes direct costs, indirect support costs and governance costs. Governance costs, which are the statutory and organisational costs of operating the charity as a legal entity.

PENSION CONTRIBUTIONS

Contributions in respect of personal pension schemes are included in the statement of financial activities for the year in which they are payable to the scheme.

FIXED ASSETS AND DEPRECIATION

Assets with a useful economic life exceeding one year are initially recognised at costs where they are purchased or a fair value at the time of transfer in respect of assets where they are donated. The fair value of such assets is treated as a deemed cost.

Property assets acquired with finance provided by social investors are restated at their fair value at the balance sheet date. The fair value is determined by the Trustees with reference to desktop valuation data. Whilst this treatment is not obligatory under FRS102 FRS 102, the Trustees consider it necessary fairly to present the financial position of charity when taken in conjunction with the treatment of loan notes outlined below.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:-

Freehold and long leasehold properties	- on a straight-line basis over 50 years
Computer and other equipment	- 20% per annum on a straight-line basis

Expenditure on refurbishment works and associated costs on making the charity's freehold and leasehold properties project ready is written-off as incurred.

LOAN NOTES

Loan notes represent finance obtained from Social Investors. The Social Investors' return include not only a market rate of interest but an additional final payment equal to 75% of the gain made on disposal of the related property. Accordingly, the Trustees consider the loan notes to be complex financial instruments which are valued at fair value at the balance sheet date with the fair value adjustment in each year treated as part of income and expenditure.

FUNDS

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure, which meets these criteria, is charged to the fund.

Unrestricted funds are donations and other income received or generated and are expendable at the discretion of the Trustees in furtherance of the charity's objectives.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

LEASED ASSETS

Rentals payable under operating leases are charged against income on a straight-line basis over the period of the lease.

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

2. DONATIONS AND LEGACIES

	2015 £	2014 £
Donations		
Grove End Housing	621,280	671,280
Other charitable donations	2,194	2,011
	<u>623,474</u>	<u>673,291</u>

The donation from Grove End Housing includes £171,280 (2014: £171,280) of covenanted income.

3. DONATED ASSETS

Donated assets comprised the transfer of one property, by way of gift, from Grove End Housing.

4. EXPENDITURE

	Staff costs £	Other costs £	Total 2015 £	Total 2014 £
Charitable Activities				
Direct and support costs	192,282	607,535	799,817	639,746
Governance costs	-	5,894	5,894	6,384
	<u>192,282</u>	<u>613,429</u>	<u>805,711</u>	<u>646,130</u>

Direct and support costs represent the cost of provision of the core activities of the charity of delivering housing solutions and understanding housing needs including the associated support costs to deliver these activities.

Governance costs relate to the direct costs associated with the effective governance of the charity. These include audit fees £5,200 (2014: £5,130), Company Secretarial £26 (2014: £13) and Trustee Liability Insurance £668 (2013: £1,241).

Net income for the year is stated after charging depreciation of £148,946 (2014: £118,329).

5. STAFF COSTS AND EMOLUMENTS

	2015 £	2014 £
Wages and salaries	160,186	149,485
Pension contributions	14,406	11,701
Social security costs	17,690	14,452
	<u>192,282</u>	<u>175,638</u>

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

5.	STAFF COSTS AND EMOLUMENTS (cont'd)	2015 No.	2014 No.
	Particulars of employees:		
	The average number of employees during the year, calculated on the basis of full-time equivalents, was as follows:		
	Chief Executive	1	1
	Replication/Comms Officer	2	2
	Administrative staff	1	2
		4	5
		4	5

One employee received remuneration (excluding employer pension contributions) in the range £80,000-£90,000 during the year (2014: one in the range £80,000-£90,000). The Trustees consider that the Key Senior Management Personnel of the charity comprised the Chief Executive only whose total remuneration including all benefits was £95,301 (2014: £90,486).

6. PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

No Trustee or person with a family or business connection with a Trustee received remuneration in the year directly or indirectly, or had any expenses reimbursed (2014: nil).

7 TANGIBLE FIXED ASSETS

	Land & Buildings £	Computer & other equipment £	Total £
Cost			
At 1 January 2015 as previously stated	6,186,379	7,277	6,193,656
Revaluation on adoption of FRS102	366,581	-	366,581
Additions	2,048,340	-	2,048,340
Revaluation	121,959	-	121,959
At 31 December 2015	8,723,259	7,277	8,730,538
Depreciation			
At 1 January 2015 as previously stated	165,851	6,832	172,683
Adjustment on adoption of FRS102	1,302	-	1,302
Charge for the year	148,501	445	148,946
At 31 December 2015	315,654	7,277	322,931
Net book value			
At 31 December 2015	8,407,605	-	8,407,605
At 31 December 2014 as restated	6,385,807	445	6,386,252
At 31 December 2014 as previously stated	6,020,528	445	6,020,973

The net book value includes £2,051,881 in respect of long leasehold properties (2014: £2,047,140)

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

8. UNLISTED INVESTMENT

The unlisted investment of £1 represents the charity's interest in the share capital of its wholly-owned subsidiary undertaking, Re-Unite Limited. The subsidiary is registered in England and Wales and has not traded since it was incorporated on 28 October 2009.

9. DEBTORS AND PREPAYMENTS	2015	2014
	£	£
<u>Amounts due within one year:</u>		
Amount due from Grove End Housing	112,500	125,000
Prepayments and accrued income	44,304	35,187
Deed of Covenant (note 12)	171,280	171,280
Total due within one year	<u>328,084</u>	<u>331,467</u>
<u>Amounts due after more than one year</u>		
Deed of Covenant (note 12)	613,840	885,420
	<u>941,924</u>	<u>1,216,887</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2015	2014
	£	£
Amount due to Grove End Housing	-	180
Other creditors	20,003	3,279
Social security costs	5,230	4,846
Accruals and deferred income (see note 12)	874,326	179,376
	<u>899,559</u>	<u>187,681</u>

11. LOAN NOTES

In 2013 the charity issued fixed rate loan notes to the value of £1,385,000 maturing in 2019 at a coupon rate of 4.32% secured on six properties purchased with this funding. At 31 December 2014, the charity had drawn down the full sum of £1,385,000 against these loan notes (2014: £1,385,000). A further £1,082,501 maturing in 2022 was also obtained in 2015.

The loan notes bear an interest rate of 4.32% which the Trustees consider to be a market rate. In addition, final payments are due which are contingent on the gain made on the disposal of property which require a fair value adjustment to be made. The value shown on the balance is inclusive of a cumulative fair value adjustment increasing the liability shown by £290,059 over the cash value previously drawn down (2014: increased liability of £212,381).

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

11. LOAN NOTES (cont'd)

The movements are illustrated by the table below.

	2015 £	2014 £
Loan notes at transaction value at the start of the year	1,385,000	1,385,000
New loan notes drawn down	1,082,501	-
Loan notes at transaction value at the end of the year	<u>2,467,501</u>	<u>1,385,000</u>
Fair value adjustment at 1 January 2014	40,655	40,655
Fair value adjustment at 31 December 2014	171,726	171,726
Fair value adjustment at 31 December 2015	77,678	
Loan notes at fair value at the end of the year	<u><u>2,757,560</u></u>	<u><u>1,597,381</u></u>

12. DEFERRED INCOME

At 31 December 2015, the charity had deferred income in respect of two Deed of Covenants (2014: two) entered into by Grove End Housing in favour of the charity a) for the total sum of £498,960 payable in seven equal annual instalments of £71,280 from 1 January 2013 and b) for the total sum of £700,000 payable in seven equal annual instalments of £100,000 from 2 October 2014.

Deferred income of £613,840 related to the Deeds of Covenant is due after one year with the balance of deferred income of £171,280 included within the accruals and deferred income shown in note 10 above.

13. UNRESTRICTED FUNDS

	Balance at 1 January 2015 £	Income/ gains £	Expenditure/ Losses £	Transfer between funds £	Balance at 31 December 2015 £
Designated Funds:					
Property Fund	4,788,424	-	-	164,931	4,953,355
Project fund	25,000	-	-	-	25,000
General Fund	329,478	1,143,857	(883,389)	(164,931)	425,015
	<u>5,142,902</u>	<u>1,143,857</u>	<u>(883,389)</u>	<u>-</u>	<u>5,403,370</u>

The Property Fund represents the total amount (at cost less depreciation) invested in donated freehold and long leasehold land and buildings used for the functional purposes of the charity.

The Project Fund represents monies set aside to enable the charity to pay its quarterly yield payments under the terms of its second social investment project.

The General Fund represents undesignated monies retained to provide the working capital to enable the charity to carry out its activities as a provider of housing solutions to social injustice

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2015

14. RELATED PARTIES

Three of the Trustees of the charity, Sir John A Mactaggart and Messrs Laurence Newman and Gary Medazoumian, are members of Grove End Housing Limited (GEHL), a Registered Society registered under the Co-operative and Community Benefit Societies Act 2014.

Due to the nature of the charity's operations, transactions have taken place with GEHL at arm's length on normal trading terms which, under Financial Reporting Standard Number 8, require disclosure in the charity's accounts.

The following related party transactions occurred between the charity and GEHL during the year:

- (a) GEHL donated the sum of £621,280 (2014: £671,280) to the charity to fund its charitable activities.
- (b) GEHL transferred, by way of gift, the ownership of one property (2014: 16) with a total market value of £172,500 (2014: nil).

At 31 December 2015, there was an amount due from Commonweal to GEHL of £nil (2014: £180) and from GEHL to Commonweal the total sum of £897,620 (2014: £1,181,700) of which £785,120 (2014: £1,056,700) is represented by two Deeds of Covenants.