

Charity No. 1113331
Company No. 5319765

COMMONWEAL HOUSING LIMITED
(a company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2018

Commonweal Housing Limited

REPORT AND FINANCIAL STATEMENTS For the year ended 31 December 2018

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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

Honorary President: Sir John Mactaggart Bt

Directors and Trustees: Rt. Hon Fiona Mactaggart (Chair)
Steve Douglas
Gary Medazoumian FCA
Laurence Newman (resigned 18.6.18)
Jack Mactaggart
Prof. Jonathan Portes
Russ Edwards
Sarah Jackson OBE (appointed 12.3.18)
Becky Rice (appointed 17.9.18)

Secretary: Gary Medazoumian FCA

Bankers: Barclays Bank plc
7th Floor,
180 Oxford Street
London BX3 2BB

Solicitors: Bircham Dyson Bell
50 Broadway
London SW1H 0BL

Auditors: haysmacintyre
10 Queen Street Place
London
EC4R 1AG

REPORT OF THE TRUSTEES

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 2018.

Commonweal Housing is an independent charity working to investigate, pilot and champion housing-based solutions to social injustice.

Using our charitable resources, we provide experts and partner organisations with the opportunity to investigate, trial, pilot and test new approaches and new service models designed to enhance housing equality and justice.

We remain grateful to the Directors of Grove End Housing, a not for profit property company, who remain our principal benefactors. We are proud of our history and our lineage as part of the wider philanthropic heritage of the Mactaggart family.

This independent funding and independent governance allow us to investigate social injustices and housing solutions that may otherwise be overlooked.

Independently evaluating each of our projects we share our experiences, using this learning to inspire new thinking. Through the wider adoption and adaptation by others of what works and sharing the lessons from what doesn't, we influence changes in policy and practice

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. We support our partners from the very beginning, so we can learn, develop and adjust ideas to make them as effective, relevant and impactful as possible.

Recently Commonweal has diversified and expanded delivery of its charitable activities beyond its original core housing provision model. We are committed to an ongoing programme of funding small-scale early stage research and feasibility studies enabling partners to better understand the nature, scale or possible housing responses to new perceived areas of social injustice. We will also consider opportunities for small-scale direct social investment where this will help meet our charitable objectives.

Our strap line 'housing solutions to social injustice' is backed by a vision of:

- ***Helping partnerships through property;***
- ***Achieving leadership through learning;***
- ***Delivering real change through collaboration and***
- ***Tackling injustice through innovation***

ACHIEVEMENTS AND PERFORMANCE

For Commonweal 2018 was a year of new opportunities, churn and change. We ended our relationship with Catch 22 who chose to exit the Peer Landlord project after 7 years; we concluded the hand back of former project properties from Housing for Women housing association and successfully passed them on to Solace Women's Aid for the delivery of the Rhea project supporting women fleeing domestic abuse. We have further developed our temporary housing pods in partnership with architects Reed Watts that grew from the industry wide design competition we ran in 2017. In 2018 the Pods scoped the prestigious 24 Housing Innovation of the Year Award; also, being runner up in the Homeless Link annual awards. We ended the year with more than 20 pods in situ or planned in three different locations providing an alternative to the streets.

In 2018 we also formally ended our successful 3-year Learning Partnership with IVAR and thank them for their help and support in formalising with us our action learning model and project framework.

This year we also formally launched the Jane Slowey Memorial Bursaries in partnership with the University of Birmingham, in commemoration of our much-missed Trustee, Jane who died in 2017. This annual bursary will support up to three final year students in the school of social policy who are undertaking dissertations around the broad themes of housing and social injustice.

The last year has also seen the publication of a number of reports emerging from short term research and feasibility studies funded by Commonweal. These include the LivShare report highlighting design opportunities for new build modular shared houses schemes; research from Abode Impact on the housing needs and aspirations of wheelchair users; and research published by Brighton Women's Centre looking at the housing needs and current lack of provision for rough sleeping couples. All three of these reports received extensive coverage in the press and social media.

Internally we have had a period of staff change with maternity cover and a new communications and policy team. The latter overseeing the redesign of our website. In the autumn, we held a seminar entitled Housing Helps sharing with a wider audience the work we do and how we work in partnership with front line organisations. The seminar also acted as the launch for our latest new ideas competition that closes in early 2019; the winners of which will receive £10,000 of research funding. The Commonweal pods emerged from the last such competition we ran to celebrate our tenth anniversary back in 2016.

In 2018 we also welcomed two new Trustees to the Board, Sarah Jackson OBE in March (as noted in last year's report) and, later in the year, Becky Rice. The additional vacancy on the Board arose following the resignation after eight years as a Trustee of Laurence Newman. We thank Laurence for all his help and support over these years and are delighted he will remain interested in the work of Commonweal as he continues in his role as Chairman of Grove End Housing.

The key activities and projects for the year are set out below: -

Longer Term property-based action learning project

- *The Amari Project* – established in 2016 with Solace Women's Aid, Amari has grown steadily since then as we have recycled a number of 1 bed flats in to this project with 10 flats now in use at the end of 2018. Amari provides transitional accommodation for women escaping sexual exploitation - such as former street-based prostitutes or victims of trafficking - and builds upon key replication from the previous Chrysalis project. The independent evaluation of and key learning from the project, funded by Commonweal, is due to be published in early 2019
- *The Peer Landlord Project* – the original pilot projects are starting to draw to a close. Catch 22 exited in 2018 as previously noted, and three of the current seven Thames Reach houses are due to be sold to repay the original social investment in 2019 as per the original investment agreement. However, we will continue to share the learning from the project with the aim of replicating of the supportive shared housing

approaches. We published the document *Making the Case* in 2018 written by leading housing policy experts John Perry and Heather Petch highlighting the importance of considering shared housing options for certain cohorts in housing need in the current market. We are continuing to work with organisations such as Crisis, Shelter, Centre Point and Homeless Link to share learning. Findings are also set to be included in a recommendation report by a regional think tank for a local authority looking at housing options for young people. We are excited at the prospect of recycling some of the former Catch 22 houses with DePaul helping them to expand their shared housing provision.

- *No Recourse to Public Funds* – 2018 saw the continued development and learning from this important project meeting the accommodation and support needs of those facing destitution with no recourse to public funds within the asylum system in addition to families with children who would otherwise be homeless. Our excellent project partners, Praxis Community Projects were one of the Guardian newspapers' nominated charities for their 2018 Christmas Appeal, a fantastic accolade. In addition, the NRPF project was a finalist in the very prestigious UN backed World Habitat Awards in 2018. The final evaluation report from this pilot project will be published in early 2019. We are already working with organisations such as the No Accommodation network (NACCOM) to share the learning across their network of migrant and refugee support organisations and Praxis' project manager will be speaking about the project at European Federation of National Organisations Working with the Homeless' conference at the end of January 2019.
- *Freedom2Work: Buying the Future* – 2018 was year three of Commonweal's 5-year revenue support enabling our project partners Elmbridge Rentstart to use part of their existing PRS portfolio, managed on behalf of local charities and private landlords, to support individuals moving from benefits to employment in high cost private rented sector. This innovative support programme helps people develop a savings culture initially intending to ease the financial jolt that frequently occurs when taking up employment. The project evaluation is being undertaken by a team lead by Professor Jo Richardson from De Montfort University – the second interim report was published in 2018. In 2018 Elmbridge Rentstart were also the chosen charity for the new Mayor of Elmbridge Borough Council's term of office – again successfully helping to raise their profile locally.
- *Move on Up* – started in 2017 this exciting new young adult carers project, delivered by Quaker Social Action provides an available housing option for those young adults who are seeking their initial steps to independence away from the family home where they were providing carer services to a parent or siblings. This innovative model is being evaluated by the Learning & Work Institute who themselves are sector leaders in championing the needs young adult carers especially in education and employment. Unfortunately, one flat originally purchased for this project has proved to be unsuitable and has been handed back to Commonweal. We are liaising with the social investors who funded this original acquisition on options going forward. However, we are able to replace this property with one of the recycled former C22 houses in north London.
- *The Rhea project* – a second project established with Solace Women's Aid this time in partnership with LB Southwark. This important new project utilises the housing stock released with the end of the Re-Unite property partnership with Housing for Women. Rhea provides short term temporary family homes to women and their children fleeing domestic violence where traditional refuge or similar accommodation may not be available or appropriate such as if the family includes an older male child. In 2018 Commonweal commissioned the evaluation of this important initiative, this will report in early 2020.
- *Action Foundation* – as reported last year Commonweal are a patient capital investor having provided loan funding on a 10-year interest bearing arrangement to, Action Foundation based in Newcastle Upon Tyne. Action Foundation are a migrant and refugee support organisation that has a long and successful track record of providing accommodation. The work of Action Foundation is closely aligned with Commonweal's own NRPF project with AF providing information and data to our evaluators. Action Foundation are also leading members of NACCOM.
- *The Commonweal & Reed Watts Pods* – 2018 saw the idea of a flat pack temporary housing shelter move from design concept first to full-size prototype and latterly to deployment now in three different night shelters and winter shelters. The award-winning pods are designed as a way to provide privacy and dignity for people staying in temporary, dormitory-style accommodation. They offer a way to move

beyond rows of mattresses on the floor to something that provides a bit more human dignity and sense of self-worth to those who stay in them. Commonweal are clear that the pods offer an alternative for short term and emergency use only (days and weeks) if such accommodation starts to be used for weeks and months, we do not feel this is the right response and may cause unintended social injustices. By the end of 2018 we have agreed the formal intellectual property agreements and licensing arrangements with Reed Watts architects who we would like to thank for their energy, enthusiasm and support for this initiative over the year. Commonweal has commissioned independent evaluation of the new pod installations. This will report in 2019.

Feasibility Studies

- *Couples First* – this report was published in 2018 by Brighton Women’s Centre. BWC had commissioned Homeless Link to research the injustices faced by and current provision for rough sleeping couples across Sussex and the south coast. The report and the issue were also the subject of very well attended workshops at two national conferences, which have subsequently led to Brighton Women’s Centre being invited to speak at two other forums, one national and one regional. The research findings also achieved coverage in two national publications. Commonweal are working with BWC to consider what role we may play in driving forward some of the recommendations from the report especially around production of a good practice guide for those single sex services who to date have struggled to adequately support mixed sex couples.
- *Non-resident parents* – the small-scale piece of research undertaken by Cambridge University and published in 2017 was the subject of a round table meeting in 2018 where leading academics, practitioners, housing providers and advocates came together to discuss the findings and the way forward to better meet the needs of this client group. Unless there are other major developments arising from those that attended that roundtable meeting with Commonweal, at this stage we will not be taking this forward for a longer-term action learning pilot.
- *LivShare* – The feasibility study and design options for this new form of modular purpose-built new build shared housing was published in 2018 and received good coverage across the housing and architecture press. Commonweal continues to work with the consultant who first brought this idea to us, Andy Redfearn and will continue to promote the idea of housing developers, landowners and local authorities considering such new forms of housing provision. Andy hopes to launch a pilot LivShare project this year, and Commonweal will support him to do this where possible and appropriate.
- *Abode Impact: wheelchair accessible housing* – Commonweal supported Abode Impact to undertake demand side research and surveys of wheelchair users to inform their specialist housing social investment fund aimed at increasing the supply of accessible homes that are genuinely available to those that need them in the private rented sector. The report was published in the late summer and again secured significant media coverage, also featured in workshops at a number of national housing conferences.

Other activity

- *Non-project stock* – As at the end of 2018 Commonweal retains one flat let in the private rented sector pending consideration of possible project use. We continue to keep our property portfolio under close review.
- *Learning Partnership* – As noted 2018 saw the ending of our planned 3-year relationship with colleagues from IVAR (the Institute for Voluntary Action Research). We are delighted that the former IVAR associate who was Commonweal’s main link during this period, Leila Baker, has agreed to become a member of the charity’s informal Advisory Panel – providing a sounding board and information resource to the Chief Executive and other staff when considering new project ideas.

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.

REPORT OF THE TRUSTEES

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.

In 2018 GEHL revenue funding accounted for 67% of cash income (2017 63%); rental income grew to 31% due to the increased property portfolio in 2018 (2017 27%).

In 2018 we received hand back of 6 houses previously used by Catch 22 for the Peer Landlord project, unfortunately we have had to incur significant costs in returning these houses to a suitable condition for them to be recycled to another project uses. This substantial refurbishment cost represents a major proportion of the increased charitable activities spend in the year.

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 consider and review the core strategic and operational risks facing the charity at every quarterly Board meeting including the controls and mitigations in place to address or ameliorate these risks and note any new information from the Executive.

As at December 2018 the Board feel that there are 5 core corporate strategic risks that were, they to materialize would seriously call in to question the charity's effectiveness or ongoing role i.e. if we were getting these wrong, we would fundamentally not be delivering our charitable aims and objectives:

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 appropriate and meaningful replication for projects - failure to ensure learning has impact	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. Detailed and robust replication agreements, use of £20K seed corn grant funding to increase leverage for Commonweal in monitoring and requiring performance where appropriate
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.

REPORT OF THE TRUSTEES

Failure to adequately describe Commonweal succinctly and clearly thus missing opportunities to influence key decision makers or missing funding opportunities	New ' <i>elevator pitch</i> ' and revised branding and image in place. New website providing main shop window Enhanced comms and policy engagement activity with enhanced in-house team.
Failure to adequately manage and oversee portfolio of projects - ensuring delivery by all parties of expected / required actions and activities. Key to Commonweal's message is our expertise and experience in delivering a range of projects. Failure to do so could incur significant reputational as well as possible financial costs.	Increased staffing capacity planned for 2019 to ensure greater ability to track contract compliance across all partners. Greater clarification and understanding of what 'working with Commonweal means'.

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 2017 The Trustees agreed a planned deficit budget for 2018 with a view that further planned deficit budgets may be approved in future years, where general reserves of the charity allow, ensuring the charitable funds held are being appropriately used this included consideration of potential further the mission related investment expenditure however none took place in 2018.

In December 2018 the reserves policy was reviewed by the Trustees and based on its 2019 operating budget and cash flows, a readily available reserve figure of a minimum of £125K was agreed to be necessary. A Further £25K is designated as a Project Fund which represents monies set aside to enable the charity to pay from the General Fund its quarterly yield payments under the terms of its second social investment project. £40K is designated for a revenue support grant we committed our project partners Elmbridge Rent start for the Freedom 2Work Project.

As at 31st December the Charity's total reserves stood at £5.0M (2017: £5.4M) as set out in detail in note 13. Of this total figure 91.1% (2017: 87.6%) is included in the Designated Property Fund, represented by the functional assets of the Charity, which can only be realised by disposing the Charity's freehold and long leasehold properties.

Commonweal Trustees regularly consider options available to it to utilise its general reserves to further the charity's aims and objective. This has in the past (and may do so again in the future where suitable schemes are identified) included undertaking direct mission related investment.

PLANS FOR FUTURE PERIODS

Key priority over 2019 is to conclude the refinancing and retention of 3 of the Peer Landlord social investment funded properties. As at December 2018 we have a formal offer of funding available from another social investment funder of terms that are attractive to the charity. It is anticipated this deal will be completed in Q1 2019 subject to completion of appropriate due diligence, and receipt by Trustees of appropriate legal and financial adviser confirmation. In addition, Commonweal will be ensuring a good ending of the remaining properties from this first social investment deal. The current investment term expires in July 2019.

REPORT OF THE TRUSTEES

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.

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.

After recruiting two new Trustees in 2018 there are no immediate plans for further recruitment in 2019, however this remains under regular review depending upon the requirements of the charity and assessment 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.

Trustee liability insurance is in place as set out in note 3.

REPORT OF THE TRUSTEES

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.

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

11 March 2019

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COMMONWEAL HOUSING LIMITED

Opinion

We have audited the financial statements of Commonweal Housing Limited for the year-ended 31 December 2018 which comprise the Statement of Financial Activities, the Balance Sheet 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 charitable company's affairs as at 31 December 2018 and of the charitable company's net movement in funds, including the 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.

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 charitable company 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.

Responsibilities of trustees for the financial statements

As explained more fully in the trustees' responsibilities statement set out on page 5, 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, and for such internal control as the trustees 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 trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE COMMONWEAL HOUSING LIMITED

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report (which includes the directors' report prepared for the purposes of company law) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception


In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report (which incorporates the directors' report).

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

- adequate accounting records have not been kept by the charitable company; or
- the charitable company 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 prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Use of our report

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 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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.


Murtaza Jessa (Senior Statutory Auditor)
For and on behalf of haysmacintyre, Statutory Auditors

10 Queen Street Place
London
EC4R 1AY

28 MARCH 2019.

Commonweal Housing Limited

STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account)

For the year ended 31 December 2018

	Note	2018 £	2017 £
Income and endowments from:			
Donation and legacies	2	571,280	598,450
Charitable activity - rental income		269,735	241,812
Other income		13,888	61,938
Investment income		1,750	1,167
Total		<u>856,653</u>	<u>903,367</u>
Expenditure on			
Charitable activities	3	1,104,548	1,035,091
Total		<u>1,104,548</u>	<u>1,035,091</u>
Net expenditure before fair value adjustments		(247,895)	(131,724)
Fair value adjustments	12	36,349	(49,060)
Net expenditure		<u>(211,546)</u>	<u>(180,784)</u>
Loss on revaluation of fixed assets	7	(164,964)	(5,001)
Net movement in funds		(376,510)	(185,785)
Funds brought forward		5,420,305	5,606,090
Funds carried forward		<u>5,043,795</u>	<u>5,420,305</u>

The notes numbered 1 to 15 form part of these financial statements.

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

Commonweal Housing Limited

BALANCE SHEET

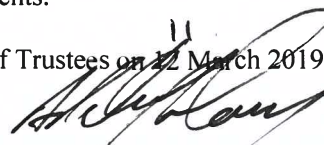
As at 31 December 2018


	Notes	2018 £	2017 £
Fixed assets			
Tangible assets	6	8,648,705	11,032,164
Programme related investment	8	72,917	71,167
Other unlisted investment	9	1	1
		<u>8,721,623</u>	<u>11,103,332</u>
Current assets			
Fixed assets held for sale	7	2,125,000	-
Debtors – due within one year	10	99,728	407,817
– due after more than one year	10	100,000	271,280
Cash at bank and in hand		593,584	392,171
		<u>2,918,312</u>	<u>1,071,268</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(243,713)	(265,519)
Loan notes – due with one year	7	(1,940,000)	-
		<u>734,599</u>	<u>805,749</u>
Net current assets		<u>9,456,222</u>	<u>11,909,081</u>
Total assets less current liabilities			
		<u>9,456,222</u>	<u>11,909,081</u>
Creditors: amounts due more than one year			
Loan Notes - due after one year	12	(4,241,147)	(6,217,496)
Deferred income	13	(171,280)	(271,280)
		<u>5,043,795</u>	<u>5,420,305</u>
Net assets		<u>5,043,795</u>	<u>5,420,305</u>
Income funds			
Unrestricted funds:			
- Designated Property Fund	14	4,592,559	4,814,668
- Designated project fund		65,000	95,000
- General Fund		386,236	510,637
		<u>5,043,795</u>	<u>5,420,305</u>
Total funds		<u>5,043,795</u>	<u>5,420,305</u>

The notes numbered 1 to 15 form part of these financial statements.

The accounts were approved and authorised for by the Board of Trustees on 22 March 2019 and signed on their behalf by


F MACTAGGART
Chair of the Board of Trustees


A HORSEY
Chief Executive


G S ZOUMIAN
Secretary

Commonweal Housing Limited

PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

	2018	2017
	£	£
Net movement in funds	(376,510)	(185,785)
Deduct: investment income	(1,750)	(1,167)
Add revaluation of fixed assets	164,965	5,001
Deduct: fair value adjustment	(36,349)	49,060
Add: depreciation	93,494	93,494
Decrease in debtors	479,369	107,427
Decrease in creditors (excluding loans)	(21,806)	63,689
Decrease in long term deferred income	<u>(100,000)</u>	<u>(171,280)</u>
Net cash provided by operating activities	<u>201,413</u>	<u>(39,561)</u>
Cash flows from investing activities		
Investment in programme related activity	-	(70,000)
Cash paid in respect of tangible fixed assets	-	(1,972,965)
	<u>-</u>	<u>(2,042,965)</u>
Cash flows from financing activities		
New loan notes drawn down	<u>-</u>	<u>1,945,000</u>
Increase in cash and cash equivalents in the year	201,413	(137,526)
Cash and cash equivalents at the start of the year	<u>392,171</u>	<u>529,697</u>
Total cash and cash equivalents at the end of the year	<u><u>593,584</u></u>	<u><u>392,171</u></u>
<i>Analysis of cash and cash equivalents:</i>		
Bank balances	<u><u>593,584</u></u>	<u><u>392,171</u></u>

The notes numbered 1 to 15 form part of these financial statements.

Commonweal Housing Limited

PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

NOTE 1 – ACCOUNTING POLICIES

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).

ENTITY STATUS

Commonweal Housing Limited is a charitable company limited by guarantee and meet the definition of a public benefit entity as defined by FRS102. Further details of its company and charity registration are given on page 3.

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.

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 a year after acquisition. The fair value is determined by the Trustees with reference to desktop valuation data. Whilst this treatment is not obligatory under FRS102, the Trustees consider it necessary to present the financial position of charity when taken in conjunction with the treatment of loan notes outlined below.

Commonweal Housing Limited

PRINCIPAL ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

- | | |
|--|--|
| A) Freehold and long leasehold buildings held at deemed cost | - on a straight-line basis over 50 years |
| B) Socially funded freehold and leasehold buildings | - not depreciated |
| C) 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.

PROGRAMME RELATED INVESTMENTS

Programme related investments are stated at transaction value less any provision for impairment required. In accordance with the Charities SORP they are not restated at fair value.

LOAN NOTES

Loan notes represent finance obtained from Social Investors. The Social Investors' return includes not only a market rate of interest but an additional final payment equal to an agreed percentage 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.

2. DONATIONS AND LEGACIES

	2018 £	2017 £
Donations		
Grove End Housing	571,280	571,280
Other donations	-	27,170
	<u>571,280</u>	<u>598,450</u>

The donation from Grove End Housing includes £171,280 (2017: £171,280) of covenanted income.

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

3. EXPENDITURE

	Staff costs £	Other costs £	Total 2018 £	Total 2017 £
Charitable Activities				
Direct and support costs	282,637	812,135	1,094,772	1,023,669
Governance costs	-	9,776	9,776	11,422
	<u>282,637</u>	<u>821,911</u>	<u>1,104,548</u>	<u>1,035,091</u>

Direct and support costs represent the cost of provision of the core activities of the charity: delivering housing solutions and understanding housing needs including the associated support costs to deliver these activities. The £812,135 under other costs above relates to the charities main core activities: a) Property and Property related project costs £433,345 (53.35%), b) Feasibility Studies and Grants to partners £68,100 (8.39%), c) Learning and Sharing £126,764 (15.61%) and d) Office related operational costs £183,926 (22.65%).

Governance costs relate to the direct costs associated with the effective governance of the charity. These include audit fees £9,600 (2017: £11,220), Company Secretarial £26 (2017: £52) and Trustee Liability Insurance £150 (2017: £150).

Net income for the year is stated after charging depreciation of £93,494 (2017: £93,494).

4. STAFF COSTS AND EMOLUMENTS

	2018 £	2017 £
Wages and salaries	239,502	233,153
Pension contributions	27,498	18,459
Social security costs	15,637	21,856
	<u>282,637</u>	<u>273,468</u>

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

4.	STAFF COSTS AND EMOLUMENTS (cont'd)	2018 No.	2017 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
	Project and Communications Staff	4	3
	Finance and Administrative staff (FTE:1; 2017: 2)	1	2
		6	6
		6	6

One employee received remuneration (excluding employer pension contributions) in the range of £90,000-£100,000 during the year (2017: 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 £113,845 (2017: £107,945).

5. 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 (2017: nil).

6. TANGIBLE FIXED ASSETS

	Land & Buildings £	Computer & other equipment £	Total £
Cost or Valuation			
At 1 January 2018	11,540,125	7,277	11,547,402
Transfer to assets held for sale	(2,125,000)	-	(2,125,000)
Revaluation	(164,965)	-	(164,965)
At 31 December 2018	9,250,160	7,277	9,257,437
Depreciation			
At 1 January 2018	507,961	7,277	515,238
Charge for the year	93,494	-	93,494
At 31 December 2018	601,455	7,277	608,732
Net book value			
At 31 December 2018	8,648,705	-	8,648,705
At 31 December 2017	11,032,164	-	11,032,164

The net book value includes £2,039,133 in respect of long leasehold properties (2017: £2,084,761)

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

7. CURRENT ASSETS AND LIABILITIES

The Social investment deal for the six Peer Landlord properties reaches maturity in July 2019. This means, Commonweal has to repay Social investors the initial loan value of £1,385,000, plus 75% of the asset sale value (based on market value at the point of sale) of these properties.

The cost of these assets with their fair value adjustments totalling £2,125,000 is transferred from the general Fixed Assets to current assets due with one year and is shown as – “Transfer to assets held for sale” in note 6.

The corresponding Loan notes amount of £1,940,000 is also transferred to current liabilities and shown as – “Loan notes – due with one year”. Further information is provided in note 12.

8. PROGRAMME RELATED INVESTMENT

In 2017 Commonweal provided in pursuance of its charitable objects loan funding of £70,000 on a 10-year interest bearing arrangement to Action Foundation a registered charity based in Newcastle Upon Tyne with a 2.5% fixed interest on outstanding balances. The loan is secured on property.

9. 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.

10.	DEBTORS AND PREPAYMENTS	2018	2017
		£	£
	<u>Amounts due within one year:</u>		
	Amount due from Grove End Housing	-	200,000
	Prepayments and accrued income	99,728	36,537
	Deed of Covenant (note 13)	-	171,280
	Total due within one year	<u>99,728</u>	<u>407,817</u>
	<u>Amounts due after more than one year</u>		
	Deed of Covenant (note 13)	100,000	271,280
		<u>299,728</u>	<u>679,097</u>
11.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2018	2017
		£	£
	Other creditors	10,607	79,000
	Social security costs	6,701	7,139
	Accruals and deferred income (see note 13)	226,406	179,380
		<u>243,714</u>	<u>265,519</u>

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

12. LOAN NOTES

In 2013 the charity issued fixed rate loan notes to the value of £1,385,000 maturing in 2019 secured on six properties purchased with this funding, with full drawdown in 2014. A further tranche of loan notes to support our No Recourse to Public Funds (NRPF) project maturing in 2022 was obtained starting in 2015 with full draw down completed in 2016 totalling £2,238,576. In 2017, a third tranche of loan notes for the value of £1,945,000 was obtained to purchase four properties to support our young adult carers project - Move on Up - being delivered by Quaker Social Action. This project matures in 2023.

The above loan notes bear an interest rate of 4.32% fixed for the Peer Landlord and NRPF projects and 3.75% CPI linked for the Move on Up QSA project, 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 a value adjustment to be made. The cumulative movements on the loan notes are illustrated below

	2018 £	2017 £
Loan notes at transaction value		
At the beginning of the year	5,568,5776	3,623,576
New loan notes in the year	-	1,945,000
At the end of the year	<u>5,568,576</u>	<u>5,568,576</u>
Fair value adjustments		
At the beginning of the year		
Arising in the year	648,920 (36,349)	599,860 49,060
At the end of the year	<u>612,571</u>	<u>648,920</u>
Loan notes at fair value	<u>6,181,147</u>	<u>6,217,496</u>
Due within one year	1,940,000	-
-Due after one year	4,241,147	6,217,496
	<u>6,181,147</u>	<u>6,217,496</u>

13. DEFERRED INCOME

At 31 December 2018, the charity had deferred income in respect of two Deed of Covenants (2017: 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 £171,280 relates to the Deeds of Covenant is due after one year with the balance of deferred income of £100,000 included within the accruals and deferred income shown in note 10 above.

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2018

14. UNRESTRICTED FUNDS

	Balance at 1 January 2018 £	Income c£	Expenditure / Losses £	Transfer between funds £	Balance at 31 December 2018 £
Designated Funds:					
Property Fund	4,814,668	-	(58,458)	36,349	4,592,559
Project funds					
Yield payments	25,000	-		25,000	25,000
Elmbridge Rentstart	70,000	-	(25,000)	(30,000)	40,000
General Fund	510,637	856,653	(966,054)	(15,000)	386,236
	<u>5,420,305</u>	<u>856,653</u>	<u>(1,249,512)</u>	<u>16,349</u>	<u>5,043,795</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. It also includes provision for future funding commitments made by the charity to support the Elmbridge Rentstart Freedom2Work project. Commonweal has agreed to provide revenue support to this project for 5 years starting in 2016 ending in 2020.

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

15. RELATED PARTIES

Two of the Trustees of the charity 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 transaction occurred between the charity and GEHL during the year:

- (a) GEHL donated the sum of £571,280 (2017: £571,280) to the charity to fund its charitable activities.

At 31 December 2018, there was an amount due from GEHL to Commonweal the total sum of £271,280 (2017: £642,560).

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

**The following pages do not form part of the statutory financial statements and
are for the information of the Trustees only.**

Commonweal Housing Limited

DETAILED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2018

INCOME	2018	2017
Voluntary income	£	£
GEHL - Gift Aid	400,000	400,000
GEHL - Deed of Covenants	171,280	171,280
Other income	15,638	27,170
	<u>586,918</u>	<u>598,450</u>
Rental income		
Re-Unite South London Project	1,282	30,592
Chrysalis Project/Amari & Rhea	93,345	48,865
Peer Landlord Projects	67,229	83,650
PRAXS NRPF	63,929	63,926
QSA Move on Up Project	32,933	-
Private rented sector	11,017	14,779
	<u>269,735</u>	<u>241,812</u>
Other income		
Investor contribution on refurbishment	-	63,105
Total income	<u>856,653</u>	<u>903,367</u>
EXPENDITURE		
Project Expenditure		
Property costs (Inc. refurbishment costs on handover)	188,209	251,934
Feasibility cost to partners	21,600	11,475
Depreciation and Amortisation of leases	93,668	93,494
Social investment consultancy	-	-
Re-Unite Replication Costs	-	-
Project Revenue support	46,500	40,000
Evaluators	94,213	44,882
Dissemination and publication	6,736	2,689
Legal and professional	-	78
Yield on secured loan notes	215,136	184,195
Events (Starter for Ten design competition)	<u>25,815</u>	<u>3,000</u>
	<u>691,877</u>	<u>631,747</u>
Chief Executive's Office		
CEO and staff salary	239,502	233,153
Pension contributions	27,498	18,459
Social security costs	15,637	21,856
Recruitment costs	13,360	9,975
Travel and conferences	6,285	6,017
Freelance/Retainer Fee	30,000	30,000
Serviced office accommodation (Inc. telecoms)	34,346	31,757
IT Support and maintenance	10,586	9,896
Printing, Postage and Stationery	2,241	3,345

Commonweal Housing Limited

DETAILED STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2018

	2018	2017
	£	£
Insurance	891	891
Subscriptions, magazines etc	3,885	2,494
Miscellaneous	934	2,874
	<u>385,165</u>	<u>370,717</u>
Support and Administration		
Consultancy and professional fees	-	5,753
Accounting and Payroll software	2,807	2,299
Web Design and consultancy (incl. Annual review & publicity material)	14,923	2,520
	<u>17,730</u>	<u>10,572</u>
Governance		
Audit fee	9,600	11,220
Company secretarial	26	52
Trustee Liability Insurance	150	150
	<u>9,776</u>	<u>11,422</u>
Total expenditure	<u>1,104,548</u>	<u>1,035,091</u>
Net expenditure/surplus before fair value adjustments and revaluations	<u>(247,896)</u>	<u>(131,724)</u>
