

Charity No. 1113331
Company No. 5319765

COMMONWEAL HOUSING LIMITED
(a company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

Commonweal Housing Limited

REPORT AND FINANCIAL STATEMENTS

For the year ended 31 December 2017

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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 Jane Slowey CBE (deceased 7.10.17) Jack Mactaggart Prof. Jonathan Portes (appointed 13.3.17) Russ Edwards (appointed 13.3.17) Sarah Jackson OBE (appointed 12.3.18)
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 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 2017.

Commonweal Housing is a housing-based *Action Learning* charity. We have a *track record of working collaboratively* with expert service delivery partners enabling and assisting 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 encourage and facilitate the replication of successful models building on this learning to maximising the impact and beneficiaries.

As an important priority, we aim to ensure our learning has influence. We are therefore increasingly engaging with Parliamentarians and policy makers to ensure that policy or regulatory barriers to replication are highlighted and solutions identified.

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.

Over the last two years Commonweal has diversified and expanded delivery of its charitable activities beyond its original core housing provision model. It has established a programme of funding small scale early stage research and feasibility studies enabling partners to better understand the nature, scale or responses to new perceived areas of social injustice where housing might potentially be part of the longer-term solution. We will also consider opportunities for small scale direct social investment where this will help meet our charitable objectives.

Commonweal's overall objective is captured in the charity's strap line seeking to identify and deliver *housing solutions to social injustice*

This strap line has been backed up by vision of:

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

ACHIEVEMENTS AND PERFORMANCE

2017 was another successful year for Commonweal – concluding our latest social investment deal bringing in over £2M of new investment including two new investor partners. This funding enabled the purchase of an additional 4 properties for our latest action learning pilot project – Move on Up delivered by Quaker Social Action. This new shared housing model provides accommodation and support for young adult carers – an often-overlooked group whose life chances can be severely limited without assistance on the road to independence.

As indicated in last year's Trustee's Report, Commonweal was able to utilise some of its funds in a direct social investment of its own. Commonweal provided support via an interest-bearing loan to Action Foundation a Newcastle based charity helping them to purchase a property, building up an asset base for the organisation and much needed accommodation for new refugees and those currently with no recourse to public funds.

In the summer we ran a very well received design competition engaging the architecture and design community to find new Temporary Housing Solutions meeting the needs of those living in tent encampments and other rough sleepers. The competition attracted entrants from around the World. We hope to bring the winning design to reality in 2018.

We have stepped up to the mark being more proactive in engaging with Parliamentarians across parties and both Houses to promote the lessons from our various projects – not least the policy recommendations arising from our 10 year and final review of our flagship Re-Unite project.

In October we celebrated with our principle benefactor, Grove End Housing, their 50th Anniversary using the occasion to launch our latest 2016/17 Annual Impact Review.

In 2017 we also welcomed two new Trustees to the Board, Prof Jonathan Portes and Russ Edwards. We are fortunate to have their skills and experience on our Board. Sadly in 2017 we lost our long-standing Trustee, Jane Slowey CBE who died in October. Her loss is keenly felt. The Board is pleased to have appointed Sarah Jackson OBE as a new Trustee in early 2018 to help fill this vacancy.

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

Longer Term property-based action learning project

- *Re-Unite* – our direct engagement with what has been our flagship project over our first decade came to an end in 2017 with the hand back of the remaining properties from Housing for Women. However, our activity to promote the issues and injustices suffered by mothers in the criminal justice system and especially their children will continue. In 2017 we published our 10 Year Review of the project which was launched at a well-attended seminar in September. Through a series of Parliamentary Questions, the issues and recommendations from the report have been raised in both the Commons and the Lords. Commonweal will continue to add our voice to those frontline organisations and specialists seeking to support mothers and families affected by imprisonment.
- *The Amari Project* – established in 2016 with Solace Women's Aid this project has grown steadily over 2017 as the portfolio of 1 bed former Chrysalis flats have been recycled with 9 flats being used by the end of 2017 with further expansion planned in 2018. Amari provides transitional accommodation for women escaping sexual exploitation including but not exclusively former street-based prostitutes and builds upon key replication from the previous Chrysalis project. Commonweal is also supporting independent evaluation of this project.

- *The Peer Landlord Project* - a supportive shared housing model providing a framework for peer mentoring and support between clients is now our longest running project. 2017 saw us ramping up our activity to raise the profile of this important form of affordable housing across the country working with organisations such as Crisis, Shelter, Centre Point and Homeless Link. Commonweal is in discussions with others seeking to replicate the model elsewhere for particular client groups – especially meeting the housing needs of those young people leaving the care system. We are particularly excited about the opportunities developing from our work with TACT and their work in Peterborough. 2018 will be an important year to ensure the extensive learning from our pilot projects in London can be successfully built upon.
- *No Recourse to Public Funds* – 2017 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. The second interim internal evaluation report was produced by our team of sector leading evaluators. The evaluation was enhanced by additional finance consultancy support part funded via the Esmée Fairbairn Foundation Grants Plus programme – for which Commonweal and our delivery partners, Praxis Community Projects are very grateful. By the end of 2017 over 100 people had been housed by the project.
- *Freedom2Work: Buying the Future* – 2017 represented year two 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 easing the financial jolt that frequently occurs when taking up employment. The project is being evaluated by colleagues at De Montfort University – the first interim report was published in 2017.
- *Move on Up* – this exciting new project, delivered by Quaker Social Action commenced in 2017 with Commonweal securing over £2M of new social investment funding which was quickly deployed in acquiring 4 three-bedroom properties in inner east London very close to the QSA offices enabling their staff to provide close support to the new project’s residents. The project aims to provide 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.
- *The Rhea project* – a second new 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 notably if the family includes an older male child.
- *Action Foundation* – delivering an ambition outlined by the Board in 2016 Commonweal undertook its own first direct social investment deal in 2017, seeking new and innovative ways of utilising our charitable resources to help test and develop new housing solutions to social injustice. Commonweal has provided loan funding on a 10-year interest bearing arrangement to a small independent charity, 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. To date, however, this has been entirely via the use of homes leased or let from private landlords. The funding together with others from a small number of local charities has enabled Action Foundation to buy a property themselves helping to build up their own asset base which will eventually provide greater stability and financial options for the charity in the future. The work of Action Foundation is closely aligned with Commonweal’s own NRPF project with AF providing information and data to our evaluators.

Feasibility Studies

- *Starter for 10* – The research report from the winning entry from our 2016 10th Anniversary competition was published in 2017. Thames Reach commissioned research looking at the phenomenon of tent encampments of mainly east European economic migrants, frequently working the cash in hand black market economy springing up on public land, blighting areas of outer London. This fascinating research looked at the drivers as well as options and alternatives – seeking to avoid the use of such unsafe, unsanitary, unhealthy living conditions as well as addressing the blight and impact upon local communities. The research spawned further action from Commonweal in 2017: a new design competition to come up with ideas for new forms of temporary housing that could be deployed within existing empty buildings, providing basic cheap accommodation that would be an acceptable alternative to those currently living in tents. This design competition, supported by leading design journals and websites, attracted entries from architects and designers from the UK, Europe and America. The winning design as selected by our independent judging panel was from Reed Watts, a London based architecture practice. Commonweal has worked with Reed Watts since the competition to further develop their design taking in feedback from colleagues across the homelessness sector as well as Commonweal's own Advisory Panel. We aim to deploy some prototypes of the winning design in emergency winter shelters in early 2018 to then review and consider whether a larger scale pilot is appropriate.
- *Couples First* – throughout 2017 Commonweal provided funding to Brighton Women's Centre that has enabled them to commission Homeless Link to research the injustices faced by and current provision for rough sleeping couples across Sussex and the south coast. There was a view that current services were poorly equipped to deal with the needs of couples which runs the risk of entrenching such partnerships on the streets or breaking them up. This research will finish and be published in 2018.
- *Non-resident parents* – the small-scale piece of research undertaken by Cambridge University looked at the issues facing non-resident parents especially those who through financial constraints are living in shared housing. Specifically looking at the implications of this upon their ability to provide appropriate support and input for their children where they have shared custody arrangements. This research has thrown up some interesting policy issues around definitions of childhood poverty and use of Discretionary Housing Payments (DHP) by local authorities that Commonweal has sought to highlight but at this stage we will not be taking this forward for a longer-term action learning pilot.
- *LivShare* – Commonweal has supported a feasibility study in to this new form of modular purpose-built new build shared housing. We are working with the design and development team behind the influential Y-Cube modular housing project. Support for LivShare is one of the strands in our activity to grow opportunities for replication of our supportive shared housing model – Peer Landlord.

Other activity

- *Non-project stock* – In 2017 Commonweal continued with its policy of temporarily renting out surplus non-project properties, pending their re-use for charitable purposes, 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 2017 Commonweal had one flat let in the private rented sector. Two units previously let on a short-term lease arrangement with Thames Reach have been returned and reused for the Amari project. We continue to keep our property portfolio under close review.
- *Learning Partnership* – 2017 saw the continuation of our exciting relationship with colleagues from IVAR (the Institute for Voluntary Action Research). They have assisted us in reviewing key elements of the work we do helping us to review and learn lessons to improve our delivery of such aspects as replication, commissioning and maximising the benefits of external evaluations and engagement with social investors. It has been agreed that it is appropriate for this relationship to come to an end by the end of 2018 by which time the practices and ideas developed with IVAR will be fully embedded in to Commonweal's day to day activities and approaches.

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.

The Trustees also gratefully acknowledge the generous grant support for our research and evaluation programmes received in 2017 from the Kurt & Magda Stern Foundation and the Esmée Fairbairn Foundation.

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. 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 2017 GEHL revenue funding accounted for 63% of cash income (2016 70%); rental income grew to 27% due to the increased property portfolio in 2017 (2016 22%).

In 2017 we procured and refurbished four new properties in delivery of our latest action learning project, Move On Up, being delivered in partnership with Quaker Social Action. The costs associated with this are reflected in these accounts and represent the majority of increased charitable spend in 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 receive updates to key risks at each Board meeting.

In 2017 Trustees reviewed and reaffirmed the charity's 'mission critical' risk areas. In reviewing these the Trustees added a further (fifth) 'mission critical' risk, described as: *"failure to adequately describe Commonweal succinctly and clearly thus missing opportunities to influence key decision makers or missing funding opportunities"*. This reflects the core risk themes around not achieving or maximising impact through replication of lessons learnt from pilot projects.

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

REPORT OF THE TRUSTEES

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 where appropriate. Production of viable project replication plans and capturing of learning from pilot projects.
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> ' developed through workshops with staff, Trustees and key partners such as IVAR. Enhanced comms and policy engagement activity with dedicated in-house post.

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 2016 The Trustees agreed a planned deficit budget for 2017 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 the mission related investment expenditure in 2017.

In December 2017 the reserves policy was reviewed by the Trustees and based on its 2018 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. £70K is designated for a revenue support grant we committed our project partners Elmbridge Rent start for the Freedom 2Work Project.

REPORT OF THE TRUSTEES

As at 31st December the Charity's total reserves stood at £5.4M (2016: £5.6M) as set out in detail in note 13. Of this total figure 87.6% (2016: 89.1%) 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 2018 is to ensure a clear and agreed plan is in place for a good ending of the first social investment deal – used to purchase properties for the Peer Landlord project. The current investment term expires in July 2019. This is seen by the Board as good management that will allow the charity to maintain funding options going forward.

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.

As previously noted, this year we lost our long-standing Trustee, Jane Slowey CBE who died in October. The Chair and the rest of the Board of Trustees along with the staff wish formally to put on record their sympathy and condolences to Jane's family and friends who will feel her loss even more acutely than Commonweal. The Board will seek to mark Jane's contribution to the work of the charity in a suitable way in 2018.

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.

The Board will be appointing at least one new Trustee in 2018 and are considering such appointment along with any possible future decisions to expand the number of Trustees 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.

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
12 March 2018

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 2017 which comprise the Statement of Financial Activities, the Balances Sheet, the Cash Flow Statement 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).

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.

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 2017 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 charity 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 11, 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

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

- 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.

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:

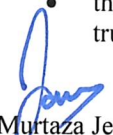
- the information given in the Trustees' Annual Report (which the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report (which incorporates the directors' report) has been prepared in accordance 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 strategic report and 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 take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.]


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

12 March 2018

10 Queen Street Place
London
EC4R 1AY

Commonweal Housing Limited

STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account)

For the year ended 31 December 2017

	Note	2017 £	2016 £
Income and endowments from:			
Donation and legacies	2	598,450	642,703
Charitable activity - rental income		241,812	195,085
Other income – refurbishment		61,938	49,487
Investment income		1,167	
Total		<u>903,367</u>	<u>887,275</u>
Expenditure on			
Charitable activities	3	1,035,091	824,612
Total		<u>1,035,091</u>	<u>824,612</u>
Net expenditure/income before fair value adjustments		(131,724)	62,663
Fair value adjustments	12	(49,060)	(309,800)
Net expenditure		<u>(180,784)</u>	<u>(247,137)</u>
(Loss)/gain on revaluation of fixed assets	7	(5,001)	449,857
Net movement in funds		(185,785)	202,720
Funds brought forward		5,606,090	5,403,370
Funds carried forward		<u>5,420,305</u>	<u>5,606,090</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 2017

	Notes	2017 £	2016 £
Fixed assets			
Tangible assets	7	11,032,164	9,157,695
Programme related investment	8	71,167	
Other unlisted investment	9	1	1
		<u>11,103,332</u>	<u>9,157,696</u>
Current assets			
Debtors – due within one year	10	407,817	343,963
– due after more than one year	10	271,280	442,560
Cash at bank and in hand		392,171	529,697
		<u>1,071,268</u>	<u>1,316,220</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(265,519)	(201,830)
Net current assets		<u>805,749</u>	<u>1,114,390</u>
Total assets less current liabilities		<u>11,909,081</u>	<u>10,272,086</u>
Creditors: amounts due more than one year			
Loan Notes	12	(6,217,496)	(4,223,436)
Deferred income	13	(271,280)	(442,560)
Net assets		<u>5,420,305</u>	<u>5,606,090</u>
Income funds			
Unrestricted funds:	14		
- Designated Property Fund		4,814,668	4,934,259
- Designated project fund		95,000	135,000
- General Fund		510,637	536,831
Total funds		<u>5,420,305</u>	<u>5,606,090</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 12 March 2018 and signed on their behalf by


F MACTAGGART
Chair of the Board of Trustees


G S MEDAZOUMIAN
Secretary


A HORSEY
Chief Executive

Commonweal Housing Limited

CASH FLOW STATEMENT

For the year ended 31 December 2017

	2017 £	2016 £
Net movement in funds	(185,785)	202,720
Deduct: investment income	(1,167)	
Add/(deduct): revaluation of fixed assets	5,001	(449,857)
Add: fair value adjustment	49,060	309,800
Add: depreciation	93,494	98,810
Decrease in debtors	107,427	155,401
Increase/(decrease) in creditors (excluding loans)	63,689	(697,729)
(Decrease) in long term deferred income	(171,280)	(171,280)
Net cash provided by operating activities	<u>(39,561)</u>	<u>(552,135)</u>
Cash flows from investing activities		
Investment in programme related activity	(70,000)	
Cash paid in respect of tangible fixed assets	(1,972,965)	(399,043)
	<u>(2,042,965)</u>	<u>(399,043)</u>
Cash flows from financing activities		
New loan notes drawn down	<u>1,945,000</u>	<u>1,156,076</u>
Increase in cash and cash equivalents in the year	(137,526)	204,898
Cash and cash equivalents at the start of the year	<u>529,697</u>	<u>324,799</u>
Total cash and cash equivalents at the end of the year	<u><u>392,171</u></u>	<u><u>529,697</u></u>
<i>Analysis of cash and cash equivalents:</i>		
Bank balances	<u><u>392,171</u></u>	<u><u>529,697</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.

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

2. DONATIONS AND LEGACIES

	2017 £	2016 £
Donations		
Grove End Housing	571,280	621,280
Other charitable donations	27,170	21,423
	<u>598,450</u>	<u>642,703</u>

The donation from Grove End Housing includes £171,280 (2016: £171,280) of covenanted income. Other charitable donations in 2017 included support from Esmée Fairbairn and The Kurt and Magda Stern Foundations.

3. EXPENDITURE

	Staff costs £	Other costs £	Total 2017 £	Total 2016 £
Charitable Activities				
Direct and support costs	273,468	750,201	1,023,669	816,609
Governance costs	-	11,422	11,422	8,003
	<u>273,468</u>	<u>761,623</u>	<u>1,035,091</u>	<u>824,612</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 £11,220 (2016: £7,192), Company Secretarial £52 (2016: £23) and Trustee Liability Insurance £150 (2016: £789).

Net income for the year is stated after charging depreciation of £93,494 (2016: £98,810).

4. STAFF COSTS AND EMOLUMENTS

	2017 £	2016 £
Wages and salaries	233,153	180,038
Pension contributions	18,459	14,915
Social security costs	21,856	14,901
	<u>273,468</u>	<u>209,854</u>

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

5.	STAFF COSTS AND EMOLUMENTS (cont'd)	2017 No.	2016 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	3	3
	Finance and Administrative staff (FTE: 1.5; 2016: 1)	2	1
		<u>6</u>	<u>5</u>

One employee received remuneration (excluding employer pension contributions) in the range of £80,000-£90,000 during the year (2016: 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 £107,945 (2015: £102,950).

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 (2016: nil).

7 TANGIBLE FIXED ASSETS

	Land & Buildings £	Computer & other equipment £	Total £
Cost or Valuation			
At 1 January 2017	9,572,160	7,277	9,579,437
Additions	1,972,966	-	1,972,966
Revaluation	(5001)	-	(5001)
At 31 December 2017	<u>11,540,125</u>	<u>7,277</u>	<u>11,547,402</u>
Depreciation			
At 1 January 2017	414,466	7,277	421,743
Charge for the year	93,494		93,494
Fully depreciated	<u>507,960</u>	<u>7,277</u>	<u>515,237</u>
At 31 December 2017			
Net book value			
At 31 December 2017	<u>11,032,165</u>	<u>-</u>	<u>11,032,165</u>
At 31 December 2016	<u>9,157,694</u>	<u>-</u>	<u>9,157,694</u>

The net book value includes £2,084,761 in respect of long leasehold properties (2016: £2,130,392)

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2017

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	2017 £	2016 £
	<u>Amounts due within one year:</u>		
	Amount due from Grove End Housing	200,000	112,500
	Prepayments and accrued income	36,537	60,183
	Deed of Covenant (note 12)	171,280	171,280
	Total due within one year	<u>407,817</u>	<u>343,963</u>
	<u>Amounts due after more than one year</u>		
	Deed of Covenant (note 12)	271,280	442,560
		<u>679,097</u>	<u>786,523</u>
		=====	=====
11.	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2017 £	2016 £
	Other creditors	79,000	15,982
	Social security costs	7,139	4,288
	Accruals and deferred income (see note 12)	179,380	181,560
		<u>265,519</u>	<u>201,830</u>
		=====	=====

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 value adjustment to be made. The cumulative movements on the loan notes are illustrated below.

	2017 £	2016 £
Loan notes at transaction value		
At the beginning of the year	3,623,576	2,467,500
New loan notes in the year	1,945,000	1,156,076
At the end of the year	<u>5,568,576</u>	<u>3,623,576</u>
Fair value adjustments		
At the beginning of the year		
Arising in the year	599,860 49,060	290,060 309,800
At the end of the year	<u>648,920</u>	<u>599,860</u>
Loan notes at fair value	<u>6,217,496</u>	<u>4,223,436</u>

13. DEFERRED INCOME

At 31 December 2017, the charity had deferred income in respect of two Deed of Covenants (2016: 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 £271,280 relates 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.

14. UNRESTRICTED FUNDS

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

	Balance at 1 January 2017 £	Income/ gains £	Expenditure/ Losses £	Transfer between funds £	Balance at 31 December 2017 £
Designated Funds:					
Property Fund	4,934,259	-	(93,494)	(26,097)	4,814,668
Project funds					
Yield payments	25,000	-	(25,000)	25,000	25,000
Elmbridge Rentstart	110,00	-		(40,000)	70,000
General Fund	536,831	903,367	(916,597)	(12,964)	510,637
	<u>5,606,090</u>	<u>903,367</u>	<u>(1,035,091)</u>	<u>(54,061)</u>	<u>5,420,305</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 (2016: £621,280) to the charity to fund its charitable activities.

At 31 December 2017, there was an amount due from GEHL to Commonweal the total sum of £642,560 (2016: £555,060).

Commonweal Housing Limited

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2017

**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 2017

INCOME		
	2017	2016
Voluntary income	£	£
GEHL - Gift Aid	400,000	450,000
GEHL - Deed of Covenants	171,280	171,280
Other donations	27,170	21,423
	<u>598,450</u>	<u>642,703</u>
Rental income		
Re-Unite South London Project	30,592	22,526
Chrysalis Project/Amari & Rhea	48,865	23,692
Peer Landlord Projects	83,650	63,333
PRAXS NRPF	63,926	52,969
Private rented sector	14,779	32,565
	<u>241,812</u>	<u>195,085</u>
Other income		
Investor contribution on refurbishment	63,105	49,487
Total income	<u>903,367</u>	<u>887,275</u>
EXPENDITURE		
Project Expenditure		
Property costs (Inc. refurbishment costs on new properties)	251,934	145,056
Feasibility cost to partners	11,475	10,000
Depreciation and Amortisation of leases	93,494	98,810
Social investment consultancy	-	2,034
Re-Unite Replication Costs	-	21,492
Project Revenue support	40,000	65,000
Evaluators	44,882	24,094
Dissemination and publication	2,689	1,100
Legal and professional	78	6,840
Yield on secured loan notes	184,195	144,963
Events (Starter for Ten design competition)	3,000	4,531
	<u>631,747</u>	<u>533,920</u>
Chief Executive's Office		
CEO and staff salary	233,153	180,038
Pension contributions	18,459	14,915
Social security costs	21,856	14,901
Recruitment costs	9,975	3,196
Travel and conferences	6,017	1,452
Freelance/Retainer Fee	30,000	-
Serviced office accommodation (Inc. telecoms)	31,757	29,803
IT Support and maintenance	9,896	2,380
Printing, Postage and Stationery	3,345	4,133

Commonweal Housing Limited

DETAILED STATEMENT OF FINANCIAL ACTIVITIES For the year ended 31 December 2017

	2017 £	2016 £
Insurance	891	319
Subscriptions, magazines etc	2,494	2,222
Miscellaneous	2,874	3,123
	<u>370,717</u>	<u>256,482</u>
Support and Administration		
Consultancy and professional fees	5,753	18,462
Accounting software and support	2,299	6,648
Web Design and consultancy (incl. Annual review & publicity material)	2,520	1,097
	<u>10,572</u>	<u>26,207</u>
Governance		
Audit fee	11,220	7,191
Company secretarial	52	23
Trustee Liability Insurance	150	789
	<u>11,422</u>	<u>8,003</u>
Total expenditure	<u>1,035,091</u>	<u>824,612</u>
Net expenditure/surplus before fair value adjustments and revaluations	<u>(131,724)</u>	<u>62,663</u>