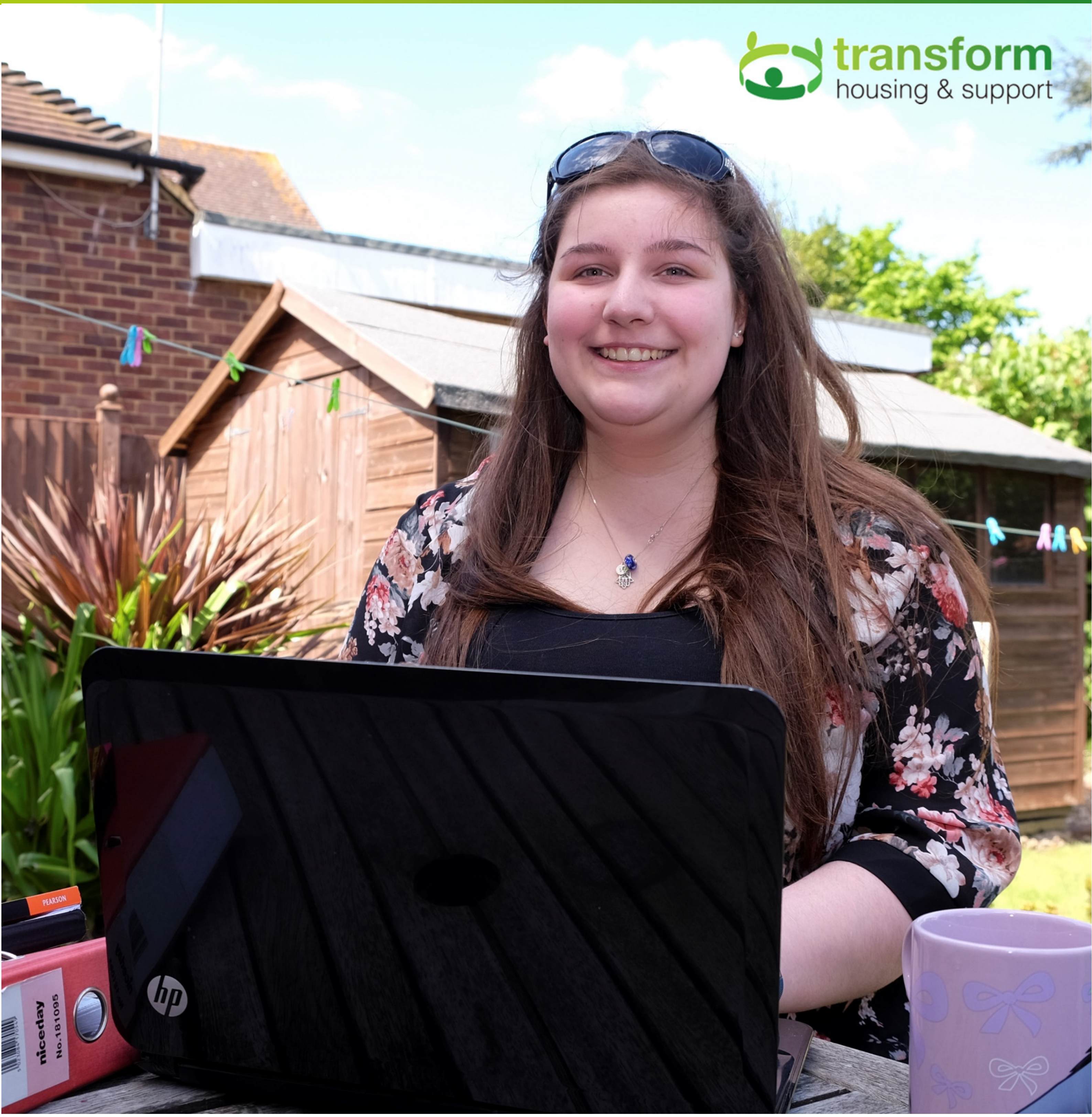


Financial statements

For the year to 31 March 2017

Contents

Company details

Company name	Transform Housing & Support
Company number	01057984
Charity number	264133
CQC reference	1-27563641790
Registered Provider number	H2452
Registered office	Bradmere House Brook Way Leatherhead Surrey KT22 7NA

Contact details

Telephone	01372 387100
Email	info@transformhousing.org.uk
Website	www.transformhousing.org.uk

Advisors

External auditors

Nexia Smith & Williamson
25 Moorgate, London EC2R 6AY

Internal auditors

TIAA Ltd
Business Support Centre, 53-55 Gosport Business Centre, Aerodrome Road, Gosport, Hampshire PO13 0FQ

Bankers

Barclays Bank PLC
1 Churchill Place, Canary Wharf, London E14 5HP

Solicitors

Devonshires
30 Finsbury Circus, London EC2M 7DT

Our people

Royal Patron

HRH The Countess of Wessex GCVO

Patrons

The Rt Hon Baroness Bottomley of Nettlestone
JP DL

Professor Patrick J Dowling
CBE DL FREng FRS

Nick Ephgrave QPM
Chief Constable, Surrey Police
(Appointed October 2016)

David Hypher OBE DL BSc

Dame Penelope Keith DBE DL

Professor G Q Max Lu FAA FTSE FRSC FIChemE
President and Vice-Chancellor, University of Surrey
(Appointed August 2016)

Michael More-Molyneux DL
HM Lord-Lieutenant of Surrey

Sir Richard Stilgoe OBE DL

The Rt Revd Andrew Watson
Bishop of Guildford

Ambassadors

Dame Elizabeth Anson DBE JP DL

Debbie Drury BA

Greg Melly (Appointed August 2016)

Lesley Myles MBE JP DL MA

Bernard Stevens FCA FCMA

Sally Varah DL

Paul Wates FRICS

Cllr Fiona White

Directors

David Turner Hon DSc FRICS
Chairman (to March 2017)

Mark Austen FCMA
Chairman (from April 2017)

Robert Mills BA (Hons) MCIH
Deputy Chairman (from September 2016)

Jane Bolton BA (Hons) FCIH

Amanda Colman BCom

Christopher Deacon BSc (Hons) MSc

Stephen Drury MA (Resigned April 2017)

Sally Dubery (appointed October 2016)

Lee Harris

Nicke Harrison (appointed October 2016)

Elizabeth Kennedy FCIPD

Edward Moseley (appointed October 2016)

Christopher Relleen BSc FCA

Jane Williams FCIPD Cert IOD AIOL

Executive Team

Paul Mitchell BA (Hons) ACA
Chief Executive

Martin Bellinger
Chief Executive of Cherchefelle HA (up to merger);
Deputy Chief Executive (Retired February 2017)

Andrea Cannon BA (Hons) FCIH
Director of Client Strategy & Delivery

Ratna Sukumaran ACMA
Director of Finance, Company Secretary

Carol Borwick
Head of Fundraising and Communications
(Appointed September 2016)

Strategic report

Executive summary

Transform enjoyed a very good year to 31 March 2017 and made significant achievements in helping more and more people. The year was very eventful including a completed merger with another leading provider of housing in Surrey. This has strengthened our position in housing and support and also added homecare services to our portfolio. There were, however, challenges with a difficult and worsening external environment for supported housing.

Achievements and performance

The key highlights of the year

Merger – this has been an important milestone in the history of Transform, merging with Cherchefelle Housing Association Ltd on 31 October 2016.

Impact of merger – increased operating capacity: £1 million cost savings expected over the next five years.

Helping more and more people – we have helped 2,157 clients, up significantly on last year, 60% due to the merger, and 22% due to growth in new housing for homeless people and families. As a result of the merger, new clients include people receiving homecare services and individuals in supported housing.

Meeting more challenging needs – we are witnessing changing circumstances for the housing related support clients with much higher needs on average than a year or two ago, with many needing help to address chaotic lifestyles, drug and alcohol misuse, poor mental health and factors associated with homelessness.

Client outcomes – we have made a huge positive impact on the lives of our vulnerable clients under difficult circumstances. Our survey shows that 100% of them feel happier and are now in settled lives. In 96% of cases our service has a lasting impact even one year after they leave.

A resilient financial performance – the merged organisation was able to deliver a good financial performance amidst the huge organisational change. The overall surplus (excluding the exceptional donation of assets) of £321k (4% net margin) is good and improves financial viability, despite challenging economic conditions for supported housing providers. The results exceed our loan covenant requirements.

Development programme – we completed four development schemes during the year bringing 21 units into housing management. We have a further three schemes in the pipeline, with 17 units to be delivered in early 2017/18. We invested £1.2m during the year in our development programme.

Client Satisfaction: Our 2017 Client Satisfaction Survey results show:

96% of clients are satisfied with the quality of service

(2016: 97.4%)

98% of clients are satisfied with advice and support

(2016: 99.2%)

95% of clients are satisfied with the quality of care

(2016: 95%)

Introduction

Transform Housing & Support provides specialist accommodation and support services for homeless and vulnerable people in Surrey and the surrounding areas. We have helped our clients to improve their lives for over 45 years.

Transform is registered with the Charity Commission and with the Homes and Communities Agency as a provider of housing. The legal name of the company was changed from Surrey Community Development Trust to **Transform Housing & Support** (the operating name used since 2011) on 29 March 2017 following a Special General Meeting on 13 March 2017, and was duly registered with the regulators. Transform has also registered with the Care Quality Commission as a result of the merger.

The Boards of Transform Housing & Support and Cherchefelle Housing Association Ltd saw a synergy between the two organisations and agreed to amalgamate into one merged entity. The merger was approved by the two Boards in May 2016 and concluded on 31 October 2016. The following table shows the impact on our operating capabilities that the merger has had, alongside significant growth in homelessness services.

Before		After
6.6	**Annual Turnover (£m)**	9.2
34	**Property Assets (£m)**	42
1,184	**People helped**	2,256 *
89	**Staff (full time equivalent)**	172

* Estimated number on an annual basis

Objectives

Since the merger the Board and the Senior Management team have revised the purpose and strategic objectives and have agreed an updated strategic plan. The purpose and objectives are as follows:

Our **purpose** is to help people to live independent and fulfilling lives.
Our **headline objective** is to be the leading provider of supported housing and homecare in Surrey and surrounding areas, helping more and more people to lead independent and fulfilling lives.

Our **strategic priorities** are:

- **Impact** – continually strive for better outcomes for clients
- **Sustainable growth** – help more people year on year
- **Financial viability** – broaden our funding base across the public sector, other institutions and individuals
- **Value for money** – drive efficiency and improve service quality
- **Innovation** – introduce new, cost-effective services that complement existing activities

Governance

Board

Transform's Board comprised 11 directors at the point of the merger, increasing to 14 when three directors joined from Cherchefelle. One Director resigned from the Board in April 2017.

David Turner kindly extended his term as Chairman for an extra six months to provide continuity through the merger process, stepping down from this role on 31 March 2017. The Board appointed Mark Austen to take on this role 1 April 2017. David continues as a director.

The Board members are drawn from a range of backgrounds; their details are shown on page 4 of the financial statements. The Board met seven times in addition to a strategy evening, and received regular updates regarding the progress of the merger throughout the year.

Each director is also a trustee and is appointed for a three year term, at the end of which they can make themselves available for re-election. The maximum consecutive term of office is nine years. The Board periodically carries out a 'skills audit' and new appointments are made to match the gaps identified in the audit. Full induction and training is provided for new directors. The Board carries out annual appraisals of all directors and also evaluates the effectiveness of the Board regularly.

As part of the merger business case, the Boards of both merged organisations agreed to strengthen governance by adding two new committees to supplement Transform's existing committee structure, with a People Committee and a Quality of Care Committee. A Nominations Committee meets from time to time to ensure Board effectiveness and to appoint key personnel. The following committees have been modified or set up with each having comprehensive terms of reference to assist the Board.

Finance & Audit Committee

The Finance & Audit Committee oversees the finance function, the internal and external audit activities, risk management and the internal control framework. The Committee met four times during the year. The Committee gains internal assurance through the appropriate internal control systems and external assurance from the internal and external audit processes.

Fundraising Committee

The Fundraising Committee supports the Board in giving greater emphasise to fundraising, and has supported the Executive Team with the development of a new fundraising strategy linked closely with need and looking at the basis for growth. This Committee met twice during the year 2016-17.

Quality of Care Committee

Following the merger, Transform inherited the homecare activity from Cherchefelle and formed this committee to focus on the quality of the care service delivery and to ensure compliance with Care Quality Commission expectations. The committee met once since the merger up to the year end.

People Committee

Following the merger, the People Committee was set up to support the Board on human resources issues, given the growth of staffing numbers. A particular focus has been on recruitment and retention, and remuneration. The committee met twice post-merger until the year end.

Executive Team

The Board delegates the day to day management of the operations of Transform to the Chief Executive, who is supported by the Executive Team members. Martin Bellinger was appointed Deputy Chief Executive at the point of merger, having previously led Cherchefelle as Chief Executive, but as part of his long terms plans he retired in February 2017. Details of the Executive team are shown on page 4 of the financial statements.

Code of governance

Transform adopted the 2015 update of the National Housing Federation's Code of Governance in May 2015.

Operating environment

Alongside other care and supported housing providers, we continue to face a cocktail of financial pressures.

- Reduction in social housing rents by 1% for three years from April 2017.
- Capping of social housing rents to Local Housing Allowance from April 2019. The government has also proposed to make 'top-up funding' available for supported housing, but the green paper has been delayed because of the general election. The DWP/CLG Select Committee recommendation is that Government should revisit its proposals. Thus the uncertainty on the issue of future funding of supported housing will remain for some time.
- Pressure on housing related support income from local authorities as they face funding cuts from central government. We anticipate significant budget cuts from Surrey County Council from 2018/19, including decommissioning of some services; we anticipate knowing the details by the end of September 2017.
- Pressure on care funding has been well publicised. Structural change is needed to allow for the recruitment of staff in a full employment market and with pressures of increases in the living wage over the coming years. There appears to be greater realism with commissioners which gives some hope and encouragement for Transform to expect some extra funding for care. We re-tendered for the Surrey homecare contract in June 2017 at a reasonable recovery rate but outcomes of this will not be known until August 2017.

Our medium term business plan incorporates the above uncertainties and the Board have reviewed our action plans to mitigate the above risks.

Financial review

During the year Cherchefelle's Board transferred all the company assets and liabilities as at 31 October 2016 to Transform, through a process of a 'transfer of engagement'. This was accounted for using acquisition accounting on a fair value basis, generating a donation of £4.026 million shown as an exceptional item in the Statement of Comprehensive Income.

The Statement of Comprehensive Income on page 21 shows a surplus before exceptional items of £314k for the year from normal operations, excluding the donation on merger (2016: £549,000). The results cover Transform's activities for the first seven months on a standalone basis plus five months as an enlarged organisation. The care activity funding shortfall had a diluting effect on the overall operating margin for the year. We have undertaken the integration of systems and process systematically since the merger to ensure a smooth transition for our staff and clients. The parallel running of systems for finance and human resources slightly increased our operating costs, but for a short duration. The integration process is to be concluded in the first half of 2017/18.

Treasury management

Our treasury management strategy ensures that there is adequate loan funding available to support our future committed and aspirational development programme. The excess cash balances are invested appropriately in short and medium term bank deposits to ensure that we have a balance between 'liquidity' and 'maximising investment income'. At the year-end we had £10.1 million bank borrowing and £1.1 million cash with the cash invested securely in short term bank deposits. Our treasury management position is regularly reported to the Finance & Audit Committee and to the Board.

At the time of the merger, the two organisations both had Barclays Bank PLC as the single lender. With the lender's consent for the merger, we arranged two new short term (three year) loan facilities with Barclays to refinance Cherchefelle's borrowing and to fund our future development programme. The different facilities with Barclays are shown below:

Facility A – this is the original Transform facility, with an outstanding balance of £7.65 million at the year end and with an agreed repayment programme to be fully paid by March 2037.

Facility B – new facility arranged to incorporate Cherchefelle's borrowing. The outstanding balance at the year-end was £2.5 million; this is a three year facility with full repayment at maturity by November 2019.

Facility C – new facility arranged at the time of the merger; £4 million to fund our development programme and with full repayment at maturity by November 2019.

We have £4 million undrawn at the year end from **Facility C** which, according to our business plan, is able to fund our development programme for the next two years. We will engage with potential lenders in the next twelve months.

Transform's five year performance is shown below.

Five year financial summary					
	Under FRS 102			Under old UK GAAP	
Statement of Comprehensive Income	**2016/17 £000s**	**2015/16 £000s**	**2014/15 £000s**	**2013/14 £000s**	**2012/13 £000s**
Turnover	7,473	6,565	6,316	6,405	6,597
Operating costs	(6,804)	(5,691)	(5,430)	(5,411)	(5,891)
Operating surplus	669	874	886	994	706
Surplus on property disposal	-	-	161	-	-
Net interest cost	(355)	(325)	(311)	(332)	(316)
Surplus before exceptional items	314	549	736	662	390
Exceptional item – gift from merger	4,026	-	-	-	-
Surplus for the year	4,340	549	736	662	390
Statement of Financial Position					
Property assets (net book value)	41,857	33,731	31,031	31,252	30,518
Net current assets	296	965	2,845	3,040	3,494
	42,153	34,696	33,876	34,292	34,012
Loans and long term liabilities	22,542	19,425	19,154	21,714	22,095
Reserves	19,611	15,271	14,722	12,578	11,917
	42,153	34,696	33,876	34,292	34,012
Number of housing units	827	616	590	599	604
Number of clients managed	2,157	1,184	1,045	1,117	1,035
Performance Indicators					
Operating margin	9%	13%	14%	16%	11%
Net margin (excluding exceptional gift)	4%	8%	12%	10%	6%
Interest cover	220%	274%	343%	288%	197%
Gearing	31%	28%	31%	35%	38%
Voids	8%	8%	6%	7%	6%
Debt per unit (£000's)	27	32	32	36	37
Reserve per unit (£000's)	24	25	25	21	20

Client outcomes

During the year we helped 2,157 clients to improve their quality of life and to meet their desired outcomes. These numbers have increased significantly due to the merger and fit with our headline objective of helping more and more people. Our support and care helps people to address the issues they face, gain life skills, and improve their health and wellbeing, whilst building up confidence. During the year 472 clients in our housing related support services moved on and of these 80% moved on in a planned way, a very positive achievement in view of the high levels of need of those accepted into our services.

During the year, against a backdrop of on-going financial constraints, our priority has been to continue to provide high quality accommodation, care and support to our clients. In our supported housing, most people are of working age, and have faced severe financial strictures as a result of cuts to benefits and a sanctions regime which is a struggle for those who find it difficult to find and retain employment, for example as a result of mental ill health. A key role of our frontline staff is supporting people to make a fresh start in their lives, to be able to sustain independent living and to make a positive contribution to their communities.

Our care services provide person-centred homecare to help people to live independently, with dignity and with a good quality of life. These services assist people with areas of their daily life that they find difficult. This may be as a result of illness, disability, getting older or coping with a crisis in their life. The wishes of each individual client are central to what we do. We respect people's needs and preferences and we seek to offer choices about how these can be met. Our care teams work with each client to develop their support plan, to improve their quality of life and ensure they get the best from their care.

Our 2017 **Client Satisfaction Survey** showed:

- 93% of clients were satisfied or very satisfied with the **quality of our housing**
- 98% were satisfied or very satisfied with the **quality of the support** that we provide
- 97% felt happier since receiving Transform's services.

Our 2017 **Support Clients' Exit Questionnaire** showed that

- 100% of clients are happier now and are in secure lives
- 98% are able to cope with life challenges
- 96% are more independent.
- 93% being confident.

Our **Long Term Outcome Monitoring** (of former clients) carried out in November 2016, approximately **one year** after they left our service showed that:

- 92% of the skills and abilities developed through the support provided by Transform had been successfully maintained once they had moved on
- 96% continued to identify improvements in their happiness, security, confidence, community involvement, independence and self-respect
- 96% were still living in settled accommodation
- 100% felt that the support that they had received from Transform helped them to improve their general quality of life.

Our **Quality of Care survey** carried out by Cherchefelle in June 2016 showed:

- 100% of people have an up-to-date care plan, which was developed with them
- 95% of people felt that the care plan will achieve their desired outcome
- 37% rated our service as outstanding and further 61% rated it as good and require no further modification.

Value for money

Our value for money approach

We have developed a value for money strategy to ensure that we achieve optimum use of our key resources (people, resources, properties) and to deliver the best possible outcome for our clients, maximising client satisfaction and optimising performance, leading to improved business viability.

Our strategic approach ensures that value for money is fully embedded across the organisation and strategic objectives cascade from the Board, the Executive and Senior Management teams to the frontline staff through service plans, team plans and individual plans.

Our approach to value for money is as follows:

- improving our performance and outcomes
- increasing client satisfaction
- managing down the cost of our services.

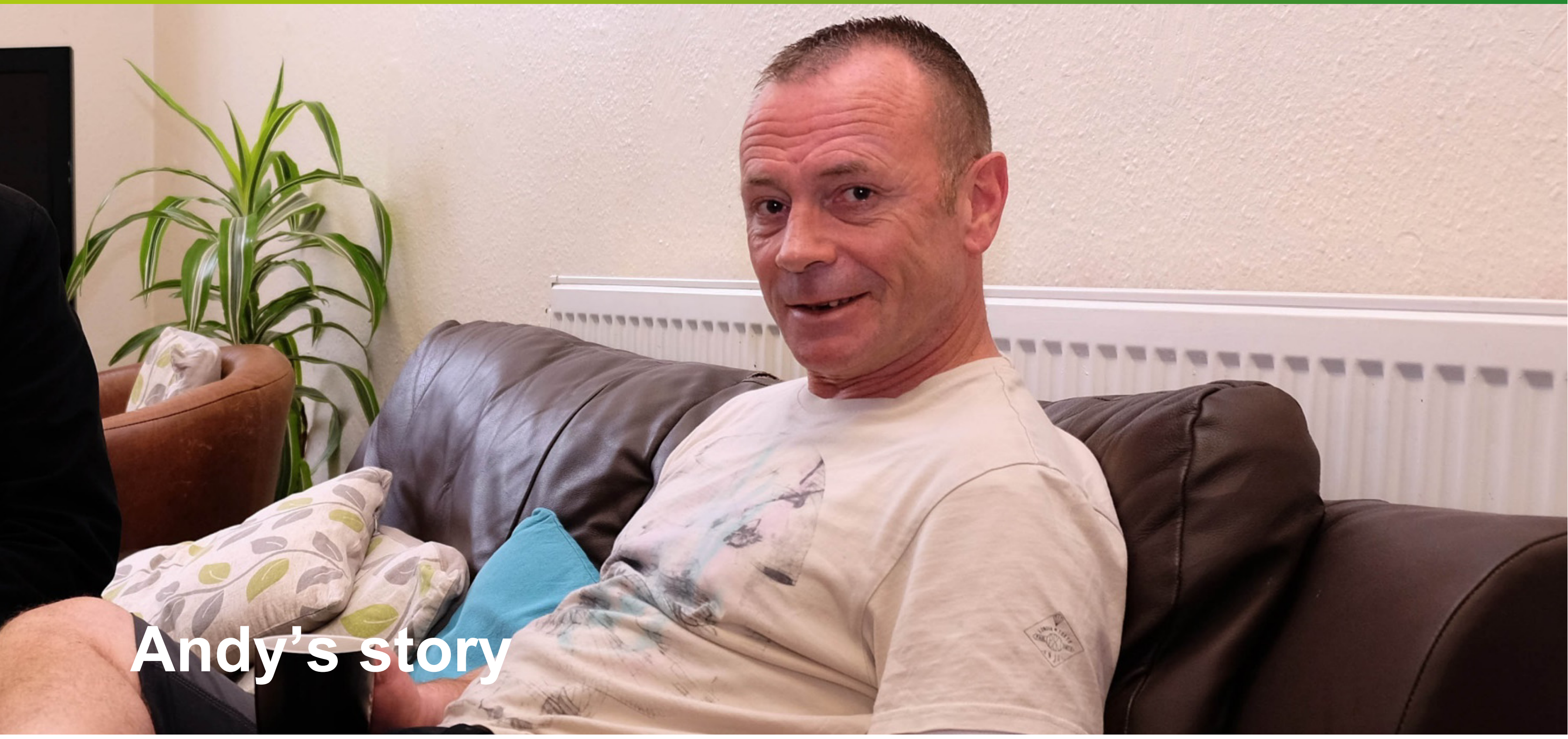
Client surveys are carried out each year to ensure that our service delivery is consistent and meets client requirements. The outcomes that we delivered and the client satisfaction rates are shown above.

In line with the latest thinking in the sector, we have developed a business scorecard for Transform covering five key areas – business health, operating efficiency, outcomes, asset management and development capabilities. This can be seen in our detailed value for money self-assessment. This shows that our unit operating cost is £181 per week, and this is benchmarked internally and externally, showing good value for money.

Our value for money delivery is reviewed by the Executive team and the Board and a detailed value for money self-assessment is published on our website **www.transformhousing.org.uk**.

The following summarises our self-assessment for 2017:

- Client outcomes have been excellent despite the increasingly difficult operating environment and increased client needs.
- Our unit operating costs of £181 per week (2016: £181 per week) and compares well against HCA's benchmark of similar supported housing providers at £269 per week.
- Our return on our property assets was 4.2% (2016: 5.2%).
- The value for money gain achieved for 2016/17 was £230k representing 3.4% of the annual operating costs.
- Future value for money gain expectations is 3% of the annual operating costs.
- The merger is expected to deliver £1 million of savings in operating costs over five years and the potential of delivering additional 43 development units.



Andy's story

Life was very very chaotic. When I came out of rehab, I tried to get my life sorted. I stayed abstinent for three months and I started a relationship; I felt like I had a life again.

Eventually I ended up substituting drugs with alcohol. Drinking had never been an issue, but I got mixed up with the wrong people. I started taking drugs again, and was offending to pay for my addiction. The more I drank, the more my depression and anxiety got worse, my life just fell apart. I eventually ended up moving in with my mum. I knew it wasn't a permanent fix and in the end I got kicked out with nowhere to go. I was struggling to get help but then someone told me to try Transform. I moved into a Transform dry house with another client and I started to regain life skills. I couldn't cook but she showed me how – she's a lovely cook! Our friendship blossomed – I've never had a friend in recovery.

I then moved onto a Transform property in Reigate. The change was difficult to deal with but I like it here. I've started cycling with a friend I met at AA. I like going to Brighton – I take my bike down along the seafront, it's not so much recovery focused then, it's just relaxed.

I'm not afraid to say I'm an alcoholic and an addict. A big part of my recovery has been attending AA. In fact my AA sponsor is another Transform client who has been in recovery for a number of years. I saw how well he was doing and I asked him once if it could be that good for me he told me it could, and he was right.

Now I'm looking at how I can give back. I applied for a volunteer position helping people who are being released from prison, and I've been accepted! It's something I wanted to do when I left rehab. I knew it wasn't the right time for me then, but it is now.

I'm feeling more optimistic and life seems clearer. I think going through my recovery with Transform has given me the ability to look at things in a different light.

Risk management

There have been a number of changes in our operating environment such as the housing related support budget cuts, LHA cap, welfare reforms and with the merger we have entered the homecare market with significant underfunding accompanied by living wage challenges. We have also had regulatory changes – with the HCA's deregulation, the Charity Commission acting as fundraising regulator and with new responsibilities for the homecare activity being subject to oversight by the Care Quality Commission (CQC).

The Board reviewed our risk management process and the risk register showing the significant risks facing the organisation. The key risks facing Transform at the year-end were:

- Government policies – the effects of support budget cuts, care funding short fall, rent cut, LHA Cap. These are some of the continuing uncertainties that we are managing.
- Over-reliance on a single local authority – we are tendering for care and support contracts outside Surrey and also diversifying our activities.
- Re-tender risk – we have re-tendered for the Surrey homecare activity and will be re-tendering for housing related support contracts for Surrey and Wokingham in the next few months.
- Reputational risk arising from any safeguarding incidence or any other significant breach.
- Recruitment and retention of key staff.

Transform's Executive team and the Board have taken an active role in working with the National Housing Federation (NHF) to explain to the government the impact of the proposed LHA cap on supported housing. We have also been actively lobbying of our case with local authority commissioners and the NHF. It is expected that the local authority funding on housing related support will suffer significant cuts from 2017/18 onwards. This, combined with the uncertain impact of the LHA cap, will significantly affect the level of surpluses that can be achieved. We have developed mitigation plans; the Board has reviewed these and is comfortable with achieving the desired effect. Transform continues to seek to be innovative and further diversify to find ways of helping those who desperately need housing and support. Our aim is to help more and more people but on a basis that is sustainable.

As a result of the recent dreadful fire at Grenfell Tower we have undertaken a detailed fire risk assessment of our property portfolio. While Transform has no high rise buildings and cladding, we have commissioned a review to be reported back to the Board to be available by the time of signing the accounts in August 2017.

Fundraising activities

Over the course of 2016/17, Transform's voluntary income amounted to £188k – a substantial but small proportion of the organisation's total turnover. All donations, like all monies invested in fundraising activities, were directed either to facilitating or accelerating capital projects, or to directly enhancing the lives of our clients through additional support.

It is our accounting policy that charitable donations are only recognised as income when the grant conditions are fulfilled and on capital projects when they are completed.

The time is now right for Transform to place a new and greater emphasis on fundraising. A new fundraising strategy was implemented from April 2017 clearly defining the initiatives for which

Transform needs to raise money. Focusing on need, and how the funds will be most effectively and efficiently raised, we expect this to deliver a significant increase in voluntary income during 2017/18, and have budgeted £355k in cash terms.

Funds generated	
	£000's
Fundraising cash generated	**188**
Fundraising cost	
Salary costs	(70)
Other related costs	(25)
	(95)
Net fundraising contributions	93
Return on Investments (ROI)	*2.0*
Fundraising Cost Ratio	*50%*

Allocation of funds		
	£000's	**£000's**
Capital projects		
Heathfield Road – Hersham	17	
Pear Tree Manor – Wallington	18	
Leatherhead property	45	
Building Chances campaign	15	
	95	
For specific client groups / projects	29	
Winter shelter scheme	30	
	59	
Total restricted funds		154
Unrestricted funds		16
Gifts in kind		18
Total		**188**

With the Government's funding policy for minimal capital grants towards new property developments, it makes the development schemes financially unviable without some key fundraising injection. Therefore the fundraising activities play a vital role for Transform in the delivery of new development schemes that are otherwise not possible.

In all this, it is vital to make clear to potential donors why Transform deserves to receive donations when its turnover, net assets and surplus would indicate otherwise. Central to our case is a responsible and purposeful approach to the use of fundraising budgets. **Every £1 donated is allocated directly to our growth and development needs.**

Our fundraising costs are accounted for as part of overall business expenditure. We are mindful of the cost of generating voluntary income and the ratio that exists between these and the amounts raised. We intend to maintain control of these whilst increasing our funds, thus improving this ratio.

We fully understand the need for a 'return on investment' – the ultimate return on investment is, of course, a better life for Transform's clients.

We are committed to protecting our donors and the public, including vulnerable people, from any unreasonably intrusive or persistent fundraising approaches and will not apply any undue pressure on them to donate. Staff are able to deal gently and with extreme care with actual and potential donors, protecting our charity's reputation and values. We will work with some gentle persuasion but do not use any external professional fundraising services.

We have a process in place to deal with complaints and are pleased to confirm that we have not had any related to fundraising during the financial year. We have a Fundraising Committee, which oversees our fundraising activities on behalf of the Board.

To provide reassurance to our donors and supporters, and to demonstrate our compliance with the new regulation for fundraising activities, we will register with the Fundraising Regulator during 2017/18. We are currently registered with the Charity Commission, and based on our 2014 Charity Commission Return; our fundraising costs were below the £100k threshold for the fundraising levy. However, we plan to voluntarily register in 2017 as a 'non fundraising levy payer' paying £50 registration. We are already adopting fundraising standards recommended by the Fundraising Regulator and will use their badge on all future fundraising communications.

Reserve policy

Our balance sheet as at the year-end shows a strong reserve position of £19.6 million, providing good financial viability and is viewed favourably by our lenders. The summary below shows the funding of the overall business; the reserves are fully invested in our property assets.

Funding		Assets	
	£million		**£million**
Grants (long term)	11.9	Property Assets	41.8
Bank loan	9.8	Working Capital	0.3
Reserves	19.6	Pension liability	(0.8)
Total funding	**41.3**	Total assets	**41.3**

As mentioned in our treasury policy the undrawn loan facility and the surplus generates the additional funding for development and growth. Our strategy is for cautious expansion and we therefore aim to hold sufficient reserves to be able to support future borrowings.

Public benefit entity

Transform's aims, objectives and activities demonstrate public benefit, as defined by the Charity Commission. The Board ensures that all our planned activities meet the aims that we have set. Our work helps those on the margins of society to overcome difficulties they face in their lives, such as issues resulting from breakdown in relationships, debt, poor mental health, offending behaviour or substance misuse. All of our work is undertaken to further our charitable purpose of public benefit.

Future Strategy

Whilst the external climate is challenging, Transform is focussed on helping more and more people. There are several areas that present growth opportunities as we respond to the growing need for housing, support and care. We have seen a big increase in temporary accommodation and in two boroughs we are now helping dozens of families – just two years ago we were not doing this at all. So we will expand where needed to help homeless individuals and families, together with those who are vulnerable and under 35 caught up in the benefits changes. We will expand our work with offenders, and look innovatively as opportunities arise to develop new housing and consider the use of new funding models to provide impact, value for money and sustainable services.

Internal control

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal controls and for annually reviewing its effectiveness.

The system of internal control is designed to manage, rather than to eliminate, the risk of failure to achieve the business objectives, and to provide reasonable assurance against material mis-statement or loss.

The process of identifying, evaluating and managing significant risks facing the organisation is on-going and has been in place throughout the period commencing 1 April 2016 up to the date of the report in the financial statements.

The key elements of the framework include:

- Board-approved terms of reference and delegated authority to the Finance & Audit Committee.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Good strategic and business planning processes with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff including regular supervision and appraisals.
- Established authorisation and appraisal procedures for new initiatives and development projects.
- Strong treasury management policies and practices reviewed by the Finance & Audit Committee and regular external validation by auditors.
- Regular Board reporting on key objectives, targets and client outcomes.
- Board had comfort during the year by the internal audit programme carried out by the internal auditors TIAA.
- Board-approved and well communicated whistle-blowing policy and anti-corruption and bribery policy, dealing with the reporting of any actual or suspected fraud.
- Regular monitoring of loan covenants and the requirements for new loan facilities.

The fraud register is maintained and is inspected by the internal auditors and we have regular fraud updates of any such occurrence to the Finance & Audit Committee. During the year there were no incidents of fraud. With the increasing incidence of cyber fraud we have reviewed the controls around this and also have obtained cyber essentials certificate which recognises good practice in the industry. The Internal Audit Partner from TIAA attends the Finance & Audit Committee meeting every year, providing assurance to the Committee and Board.

Statement of responsibilities of the Board

The Board is responsible for the preparation of the strategic report and the financial statements in accordance with the applicable law and regulations.

Company law requires the Board to prepare financial statements each year. Under the law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards as reflected in FRS 102 and applicable laws). Under Company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the statement of affairs and profit or loss of the company. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and apply them consistently.
- Make adjustments and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recognised Practice (SORP) by Registered Housing Providers Update 2014 have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In so far as each of the directors is aware:

- There is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information, including the company's website.

Statement of compliance

The Executives have provided evidence to the Board on the compliance with the various regulatory requirements such as the HCA's Governance and Financial Viability Standard, the Companies Act, the Charity Commission and the Care Quality Commission requirements and the Health & Safety regulations. We confirm compliance with the fundraising regulations in accordance with the Charity (Social Investment and Protection) Act 2016. The Board is therefore able to confirm its compliance with the above requirements.

External auditors

Nexia Smith & Williamson were appointed as external Auditors at our Annual General Meeting on 29 September 2016. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting on 28 September 2017.

By Order of the Board

Mark Austen
Chairman
1 August 2017

Nexia Smith & Williamson
Report of the independent auditors to the members of Transform Housing & Support

We have audited the financial statements of Transform Housing & Support for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash flows, and the related Notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 18, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 March 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been properly prepared in accordance with the requirements of the Companies Act 2006; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and The Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other matter 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 Board Report for the financial year for which the financial statements are prepared is consistent with those financial statements; and

- the Board Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Board Report.

The matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

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

Jonathan Pryor

Jonathan Pryor
Senior Statutory Auditor
for and on behalf of
Nexia Smith & Williamson
Statutory Auditors
Chartered Accountants
25 Moorgate
London WC2R 6AY

August 2017

Statement of Comprehensive Income for year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover before exceptional item	3	7,473	6,565
Operating expenditure	3	(6,804)	(5,691)
Operating surplus		669	874
Interest receivable	7	13	22
Interest and other financing costs	8	(368)	(347)
Actuarial (loss)/gain in respect of a pension scheme		-	-
Surplus before exceptional item		314	549
Exceptional item: Donation of Cherchefelle net assets	24	4,026	-
Total Comprehensive Income for the year	9	4,340	549

The financial statements on pages 21 to 40 were approved and authorised for issue by the Board of Directors on 1 August 2017 and were signed on its behalf by the following officers:

Mark Austen
Chairman

Christopher Relleen
Chairman of the Finance & Audit Committee

Ratna Sukumaran
Company Secretary

The notes on page 25 to 40 form part of these financial statements.

Statement of changes in reserves for year ended 31 March 2017

	Notes	Revenue Reserve £000's	Restricted Reserves £000's	Total £000's
Balance at 31 March 2015		14,606	116	14,722
Surplus from Statement of Comprehensive Income for the year		549	-	549
Transfer between reserves		13	(13)	-
Balance at 31 March 2016		15,168	103	15,271
Surplus from Statement of Comprehensive Income for the year		4,340	-	4,340
Transfer between reserves		(9)	9	-
Balance at 31 March 2017		19,499	112	19,611

Statement of financial position as at 31 March 2017

	Note	2017 £000's	2016 £000's
Fixed assets			
Property, plant & equipment	10	41,857	33,731
Current assets			
Trade and other debtors	11	758	497
Cash and cash equivalents	12	1,138	2,023
		1,896	2,520
Creditors: amounts falling due within one year	13	(1,600)	(1,555)
Net current assets		296	965
Total assets less current liabilities		42,153	34,696
Less: Creditors – amounts falling due after more than one year	14	(22,259)	(19,425)
Defined benefit pension liability	26	(267)	-
Other Provisions for liabilities and charges	18	(16)	-
Total net assets		19,611	15,271
Capital and reserves:			
General reserves		19,499	15,168
Restricted reserves		112	103
		19,611	15,271

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Mark Austen
Chairman

Christopher Relleen
Chairman of the Finance & Audit Committee

Ratna Sukumaran
Company Secretary

The notes on pages 25 to 40 form part of these financial statements.

Statement of cash flows for the year ended 31 March 2017

	Note	2017 £'000	£'000	2016 £'000	£'000
Net cash generated from operating activities	23		684		1,823
Cash flow from Investing Activities					
Purchase of tangible fixed assets		(1,180)		(3,208)	
Grants received		229		418	
Interest received		13		22	
Net cash used in investing activities			(938)		(2,768)
Cash flow from Financing activities					
Interest paid		(361)		(347)	
Repayment of borrowings		(270)		(270)	
Net cash used in financing activities			(631)		(617)
Net change in cash and cash equivalents			(885)		(1,562)
Cash and cash equivalents at:					
Beginning of the year			2,023		3,585
End of the year			1,138		2,023

Notes to the financial statements

1. Legal status

Transform Housing & Support is a company limited by guarantee, incorporated in England under the Companies Act 2006, registered number 1057984, is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing (Registered number H2452), and is a registered charity (Registered Number 264133). The principal activity of the company is the provision of support and housing to vulnerable clients.

The company changed its name during the year from Surrey Community Development Trust to Transform Housing & Support on 29 March 2017. The registered office is Bradmere House, Brook Way, Leatherhead, Surrey KT22 7NA.

2. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland, and the Statement of Recommended Practice for registered social housing providers, Housing SORP 2014. Transform's objectives are to provide housing, support and an improved wellbeing for our vulnerable clients and therefore can be considered as a Public Benefit Entity (PBE). In accordance with FRS 102 (3.3 A), the company is a public benefit entity that has applied the "PBE" prefixed paragraphs.

The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting and are presented in sterling (£'000s).

The Company's financial statements have been prepared in compliance with FRS 102 and we have therefore revised our accounting policies and estimates to be compliant with FRS 102.

Going concern

The company has adequate long term debt facilities in place and regularly reviews the medium term cash flow; the Board is satisfied that it has adequate resources to continue in operation for the foreseeable future and therefore we consider it appropriate to continue adopting the going concern basis in preparing the financial statements.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the balance sheet date and the amounts reported for revenues and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

a) **Impairment of housing properties**: During the year two schemes have had higher levels of voids. It has been agreed with London Borough of Sutton (LBS) to use these two schemes for temporary accommodation housing homeless families in Sutton. LBS have provided £150k grant to modify the property to suit this type of accommodation, and Transform is in the process of obtaining planning permission and making the necessary adaptations. Once the works are completed it will be occupied. We have carried out an impairment review and there is no impairment provision required
b) **Local Housing Allowances**: In the spending review, the Chancellor outlined plans to cap the amount of rent that housing benefit will cover in the social housing sector to the Local Housing Allowance (LHA). In September 2016, the government announced a new funding model for Supported Housing, with top-up funding made available from the local authorities. Further government consultation on this is expected soon. We believe that, if the government's current proposals are implemented, this will not significantly impact Transform's financial viability.

Other key sources of estimation uncertainty

a) **Transfer of Engagement**: on 31 October 2016 Cherchefelle agreed to transfer all their assets and liabilities to Transform through a process of a transfer of engagement. This was treated as an acquisition within Transform and the fair value of the net assets was shown as a gift. In determining the fair value, the key assets and liabilities were independently assessed, using professional valuations of property assets by Savills and of the SHPS pension deficit by First Actuarial. Savills were provided with our best estimates of the remaining useful life of the property assets, who have verified this and carried out a valuation. The gross property values were treated as a cost in the asset register and therefore for future depreciation calculations. The grants related to the properties were taken into reserves and held as contingent liabilities. It has been estimated that 40% of the property values are attributed to the land and the remainder to the structure of the property. These assumptions impact the property depreciation charge for the year.
b) **SHPS Defined Benefit liability**: Transform's share of the deficit from the SHPS DB scheme as at 31 October 2016 was estimated by our actuarial advisors, First Actuarial, to be £849k. They have also reviewed the market conditions such as the gilt yields, investment returns, inflation and longevity and agreed that Transform's share of the liability would not have materially changed in the five months to March 2017.

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grants, support grants and care income from local authorities and charitable donations, measured at the value of the consideration received or receivable.

Rental and service charge income – this represents the rental and service charge income receivable for the year, net of any voids. The rental and service charge income from properties developed during the year is recognised from the point at which these properties reach practical completion or are otherwise available for letting.

Housing related support income – income is recognised as it falls due under the contractual agreements. The 'block subsidy' housing related support income is classed as social housing income and 'block gross' income as other social housing income in the Statement of Comprehensive Income.

Charitable donations – grants and donations from charitable trusts and voluntary sources for the development of property or for the acquisition of other tangible fixed assets are treated as income. Income is recognised on any significant pledges, only after the grant conditions are fulfilled.

Donation of Cherchefelle's net assets – when an entity donates its assets and liabilities to Transform, the donated assets and liabilities are recognised at their fair value. Any excess of the net fair value of assets and liabilities donated over costs incurred is then recorded as an exceptional income within the Statement of Comprehensive Income.

Financial instruments

Financial instruments cover the financial assets and liabilities shown in the Statement of Financial Position. According to Section 11 of FRS 102, financial instruments are classified as either basic financial instruments or non-basic financial instruments.

Transform's significant financial liability is the bank loan and this is classed as a basic financial instrument, measured at amortised cost. The values are similar to those previously shown with no significant adjustments. Any payment arrangements entered into with tenants are also classed as basic instruments and need to be measured at their present value. Our assessment shows that Transform has a limited number of such agreements at the year end and these are not considered to be material. Transform does not have any other financial instruments falling into the category of financing transactions.

Housing properties and depreciation

Housing properties are properties held for the provision of social housing or otherwise to provide social benefit. Housing properties are principally properties available for rent and stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring the land and building, development costs, and the interest cost capitalised during the development period. Housing properties under construction are stated at cost and are not depreciated. Donated land and other assets are included within costs at fair value, at the time of the transfer.

Depreciation is charged over the estimated useful lives of the structure and components of freehold from the time is first let and leasehold properties or the unexpired period of leasehold properties when this is shorter. No depreciation is charged on freehold land. Depreciation is charged on a straight-line basis. Depreciation is charged on qualifying fixed assets based on the following estimated useful lives:

Components identified within housing properties:	
Structure	100 years
Roofs	70 years
Flat roofs	15 years
Windows	30 years
Kitchens	15-20 years
Bathrooms	25-30 years
Boilers	15 years
Other fixed assets:	
Furniture and fittings	7 years
Office equipment	7 years
Office fittings	10 years
Computer equipment and software	3 years

Impairment of housing properties

For the purposes of impairment assessments, housing properties are grouped together into schemes, each scheme typically comprising one or more buildings in an immediate locality, and each building consisting of one or more accommodation units. Schemes are typically developed or acquired as one block of units.

At each statement of financial position date, housing schemes are assessed to determine if there are any indicators that the scheme may be impaired in value; if there are such indicators of impairment, then a comparison of the scheme's carrying value is compared to its recoverable amount is undertaken. Any excess over the recoverable amount is recognised as an impairment loss and charged as expenditure in the Statement of Comprehensive Income; the carrying value is then reduced appropriately.

The recoverable amount of the scheme is the higher of its fair value less costs to sell and its value in use. Value in Use (VIU) for housing schemes, which are able to be let in the current condition and which are fulfilling the social purpose for which they were acquired, is referred to as Value in Use Service Potential (VIU-SP) and this can be measured using the 'depreciated replacement cost' (DRC) valuation basis.

The DRC basis considers either the cost of purchasing an equivalent property on the open market (based on the sale prices for similar properties in or near same location), or the rebuilding cost of structures and components based on current building costs, using either current building contracts or market data (being primarily construction indices) applied to the relevant building size and type. For other schemes, value in use is defined as the net present value of the future cash flows generated from the scheme before interest cost.

Works to existing housing properties

Works to existing properties which replace a component and work resulting in an increase in net rental income over the lives of the properties thereby enhancing the economic benefit of the assets, are capitalised as improvements and depreciated.

When a component forming part of a housing property reaches the end of its useful life and is replaced, the original component is treated as a disposal and its replacement is capitalised. Any residual value of the original component is written off as a loss on disposal.

Government grants

Government grants include grants receivable from the Homes & Communities Agency (HCA), local authorities, and other government organisations. Government grants received for housing properties are treated as deferred income and recognised in turnover over the estimated useful life of the housing property structure, under the accrual model.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate, once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received. Grants due from government organisations or received in advance are included as current liabilities.

Government grants released on the sale of the property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and are included in the balance sheet in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specific future performance conditions is recognised as revenue when the grant proceeds are received. A grant that imposes specific future performance related conditions on the company is only recognised when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and the rewards of ownership of the leased asset. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at their fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding lease liability is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated in the same way as owned assets.

Rental payable under operating leases is charged to income and expenditure on a straight line basis over the lease term. With regard to lease incentives, the aggregate benefits of the lease incentive are recognised as a reduction in expenses recognised over the term of the lease.

Cash and cash equivalents

This includes all forms of cash and includes cash in hand, deposits repayable on demand, overdraft repayable on demand and short term deposits (including deposits with maturities longer than three months, but can be withdrawn, with loss of interest) held with various banks, that can be withdrawn without disrupting the business and are readily convertible to a known amount of cash at the year end at or close to the carrying values. These cash balances are used in our cash flow statements and future cash projections.

Interest payable

Interest costs are capitalised on borrowing to finance the development of qualifying assets to the extent that it accrues in respect of the period of the development. Other interest payable is charged to the Statement of Comprehensive Income.

Pension

Transform participates in the group personal pension scheme operated by Aviva Group (Friends Life) and the SHPS defined contributions scheme. These are defined contribution schemes and the charge to the Statement of Comprehensive Income represents the employer's contributions payable for the accounting period.

Cherchefelle had participated in the Social Housing Pension Scheme multi-employer defined benefit scheme (with only one active member at the time of transfer, who subsequently retired before the year-end). This arrangement was transferred across to Transform through the process of transfer of engagement on amalgamation. The scheme actuary of SHPS has advised that it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers. Therefore in accordance with FRS 102 this is accounted for as a defined contribution scheme. Where the scheme and the employer has entered into an agreement that determines how the employer will fund the deficit. A liability for the present value of contributions payable under that agreement is recognised in the financial statements.

Provision for liabilities

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company is required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation, at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Transform recognises a provision to cover the annual leave accrued by employees as a result of service rendered in the current period, and which employees are entitled to carry forward and use within the next twelve months. The provision is measured at the cost of salary, national insurance and pension contributions payable for the period of absence.

Recycling of capital grants

Where the Social Housing grant is recycled, the grant is credited to the fund which appears as a creditor until used for further development. Where the recycled grant is known to be repayable, it is shown as creditors within one year.

Value Added Tax

Transform is not registered for Value Added Tax and VAT is accounted for as a cost to the organisation within the respective expenditure heading.

Reserves

Reserves comprise the revenue reserve balance and a restricted reserve. Transform established a restricted reserve to hold grants and donations given for specific schemes or activities. These will be matched with relevant expenditure when incurred in the future.

3. Particulars of turnover, operating expenditure and operating surplus

2017	Note	Turnover	Operating expenditure	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing lettings	4	4,336	3,233	1,103
Other social housing activities				
Housing related support income		2,471	2,831	(360)
Home based care		384	532	(148)
Charitable donations		144	96	48
Other income		138	112	26
		7,473	6,804	669

2016	Note	Turnover	Operating expenditure	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing lettings	4	3,874	2,907	967
Other social housing activities				
Housing related support contract income		2,278	2,544	(266)
Charitable donations		264	92	172
Other income		149	148	1
		6,565	5,691	874

4. Particulars of turnover and operating expenditure from social housing lettings

	Note	2017	2016
Rents receivable net of identifiable service charges		3,050	2,708
Charges for housing related support services		51	53
Service charges income		1,076	850
Amortised Government grants		159	263
Turnover from social housing lettings	3	4,336	3,874
Operating Expenditure:			
Service charge costs		890	803
Management		524	364
Routine maintenance		415	448
Planned maintenance		164	112
Bad debts		84	74
Property lease charges		246	193
Depreciation of housing properties		472	453
Other costs		438	460
Operating expenditure on social housing lettings	3	3,233	2,907
Operating surplus on social housing lettings		1,103	967
Void losses		(401)	(331)

All of Transform's activities relate to providing housing, care and support.

5. Directors' emoluments and expenses

For the purpose of this note, the Directors are defined as the Board members and the members of the Executive Team as shown on page 4. None of the Board members received any emoluments.

	2017	2016
	£'000	**£'000**
Aggregate emoluments and expenses payable to key management personnel:		
Executive Team	296	237
The highest paid Executive:		
Emoluments	82	82
Pension contributions	7	7

The Executive team (as shown in page 4) represent the key management personnel under FRS 102 and their aggregate emoluments are shown above.

The Chief Executive was also the highest paid director, and his pension arrangements are similar to those of other staff – a money-purchase pension scheme with no additional benefits.

6. Employee information

The average number of full-time employees (FTEs) of Transform (based on a standard working week of 39 hours):	**2017**	**2016**
	Number	Number
Care, housing and support staff	83	69
Administration staff	19	15
Maintenance staff	5	5
	107	89

The amalgamation with Cherchefelle occurred at the end of October 2016. The last five months of the year had a higher head count and therefore the average staff numbers reflect this. At 31 March 2017 Transform had 172 FTEs.

Staff costs for the above persons:	**2017**	**2016**
		Restated
	£'000	**£'000**
Wages and salaries	3,139	2,575
Social security costs	219	203
Other pension costs	104	100
	3,462	2,878

The number of full time equivalent staff who received remuneration above £60k is shown in the following bands:

	2017	**2016**
More than £60,000 but not more than £70,000	-	1
More than £70,000 but not more than £80,000	2	1
More than £80,000 but not more than £90,000	1	1

7. Interest receivable

	2017 £'000	2016 £'000
Interest from bank deposits	13	22

8. Interest and financing costs

	2017 £'000	2016 £'000
Interest payable on bank loans	381	359
Interest capitalised on properties under construction	(13)	(12)
Interest un-wound on SHPS	7	-
	368	347

During the year, we capitalised £13k of interest cost on housing properties under construction (2016: £12k).

9. Surplus for the year

	2017 £'000	2016 Restated £'000
The operating surplus is arrived at after charging:		
Depreciation of housing properties	472	453
Depreciation of other tangible fixed assets	85	53
Operating lease rentals:		
Land and buildings	306	286
Other leases	36	36
Auditors' remuneration (excluding VAT):		
Audit fees	9	8
Other services	4	11

10. Property, plant and equipment

	Housing properties £'000	Properties under construction £'000	Total housing properties £'000	Furniture and equipment £'000	Total £'000
Cost					
At 1 April 2016	36,510	1,892	38,402	608	39,010
Additions	441	588	1,029	150	1,179
Schemes completed	2,480	(2,480)	-	-	-
Properties donated by Cherchefelle	7,490	-	7,490	15	7,505
Disposals	(70)	-	(70)	-	(70)
At 31 March 2017	46,851	-	46,851	773	47,624
Depreciation					
At 1 April 2016	4,847	-	4,847	432	5,279
Charges for the period	472	-	472	85	557
Disposals	(69)	-	(69)	-	(69)
At 31 March 2017	5,250		5,250	517	5,767
Net book value					
At 31 March 2017	41,601	-	41,601	256	41,857
At 31 March 2016)	31,663	1,892	33,555	176	33,731

The Camperdown scheme, which was under construction at 31 March 2016, was completed during the year and was therefore transferred to housing properties. The properties donated by Cherchefelle during the year were revalued at fair value (EUV–SH basis). These values are stated at cost and are being depreciated over the remaining useful lives.

The additions shown under completed housing properties of £441k (2016: £250k) relate to the cost of replacing property components during the year.

Housing properties book value, net of depreciation, comprises:

	2017 £'000	2016 £'000
Freehold land and buildings	36,191	29,641
Long leasehold land and buildings	3,501	3,405
Short leasehold land and buildings	1,909	509
	41,601	33,555

11. Debtors

	2017 £'000	2016 £'000
Due within one year		
Rent and service charges receivable	258	211
Less: Provision for bad and doubtful debts	(139)	(95)
	119	116
Other debtors	435	261
Prepayments and accrued income	204	120
	758	497

12. Cash and cash equivalents

	2017 £'000	2016 £'000
Cash in bank and in hand	1,138	2,023

The cash balances include deposits to meet Transform's future working capital requirements.

13. Creditors: Amounts falling due within one year

	Note	2017 £'000	2016 £'000
Housing loans		270	270
Deferred grant income	15	160	165
Trade creditors		340	273
Loan interest due		61	57
Rent and service charges received in advance		46	24
Past service deficit contribution payable under SHPS	26	39	-
Recycled Capital Grant fund	17	14	14
Capital accruals and retentions		46	269
Other creditors		406	284
Other taxation and social security		102	76
Other accruals and deferred income		116	123
		1,600	1,555

14. Creditors: Amounts falling due after more than one year

	Note	2017 £'000	2016 £'000
Housing loans	16	9,858	7,644
SHPS past service deficit liability fair value		544	-
Deferred Grant income	15	11,857	11,781
		22,259	19,425

15. Deferred grant income

	2017 £'000	2016 £'000
Balance at 1 April	11,946	11,392
Grant received in the year	229	663
Grant transferred from/(to) RCGF	-	154
Released to Statement of Comprehensive Income	(158)	(263)
Balance at 31 March	12,017	11,946
Deferred Income to be released to the Statement of Comprehensive Income		
Amount to be released in **less than1 year**	160	165
Amount to be released in **more than 1 year**	11,857	11,781
	12,017	11,946

The above summary excludes any grant liabilities transferred from Cherchefelle Housing Association which is a contingent liability as shown in note 25.

16. Housing loan debt analysis

	2017 £'000	2016 £'000
Due within **one year**	270	270
Due after **more than one year**		
Loan	9,880	7,650
Less: issue costs	(22)	(6)
	10,128	7,914

The existing facility of £7,650k with Barclays Bank plc expires in March 2037. The facility requires an annual repayment of £270k, increasing to £360k from 31 March 2023 and £450k from 31 March 2028, with the remainder to be repaid on March 2037. There are a number of fixed rate tranches with varying interest rates ranging from 1.92% to 6.2% with varying maturity dates, when they revert to variable interest rates linked to the LIBOR rate.

At the time of the amalgamation, Transform arranged a new facility with Barclays to absorb Cherchefelle's outstanding loan balance with Barclays of £2.5m. A further revolver facility for £4m was arranged, and is still waiting to be drawn to fund the future development programme.

The above three loan facilities are secured by a fixed charge on a selected property portfolio. However, there are a number of other properties that are free from this charge, and can be charged in the future, to cover further borrowing, if required.

17. Recycled capital grant fund

	2017 £'000	2016 £'000
At 1 April	14	168
Grant recycled	-	14
Withdrawals	-	(168)
	14	14

18. Provisions for liabilities and charges

	2017 £'000	2016 £'000
Balance at 1 April	-	7
Movement	16	(7)
Balance at 31 March	16	-

The above provision was transferred from Cherchefelle and is to cover the cost of office dilapidations for the Mill Street office.

19. Financial commitments

Capital expenditure commitments are as follows:

	2017 £'000	2016 £'000
Expenditure contracted but not provided for in the accounts	-	863
Expenditure authorised by the Board but not yet contracted	1,078	1,828
	1,078	2,691

The above commitments can be funded by a combination of cash deposits (£1m) and the undrawn loan facilities.

Leasing commitments
The future minimum lease payments are set out below.

	2017 Property £'000	2017 Others £'000	2016 restated Property £'000	2016 restated Others £'000
Within one year	444	14	307	19
Between one and five years	1,126	17	803	17
	1,570	31	1,110	36

20. Related party transactions

The members of the Board and Senior Management Team are considered related parties as defined by FRS 102. Transform retains a register of members' interests. We can confirm that only two transactions require disclosure, as shown below:

- The spouse of a member of the Senior Management Team is a commercial director and shareholder in UK Telecom, which has a contract with Transform to provide a telephone landlines service and the management. The contract has been in place for a number of years with an annual contract value of £32k pa.
- One Board member was the Chief Executive of Crawley Borough Council until February 2017 when he became Executive Director (Economy, Infrastructure and Environment) at West Sussex County Council. Transform is currently tendering for Extra Care contracts with West Sussex County Council, and also receives payments which are not material for services provided to Crawley Borough Council and to West Sussex County Council. The Board member excluded himself from any Board discussions and decisions for these tenders.

21. Social housing units

The number of housing units under management at the end of the period:

	2017	2016
Owned and managed	754	551
Not owned but managed	73	65
	827	616

22. Taxation status

Transform is a registered charity and as such is exempt from taxation on its charitable activities.

23. Notes to the statement of cash flow

	2017 £'000	2016 £'000
Surplus for the year	**4,340**	**549**
Adjustments for non-cash items		
Depreciation of tangible fixed assets	557	506
Net assets on merger donation at fair value	(4,262)	-
Amortisation of loan arrangement fee	2	2
	637	1,057
Movements in working capital		
Increase/(decrease) in debtors	(33)	501
Increase/(decrease) in creditors	(116)	210
Decrease in provision for dilapidation	16	(7)
	504	1,761
Adjustments for investing or financing activities		
Government grants amortised in the year	(158)	(263)
Arrangement fee for new loan facility	(10)	-
Interest payable	361	347
Interest received	(13)	(22)
Net cash generated from operating activities	**684**	**1,823**

24. Donation of Cherchefelle's net assets

Cherchefelle transferred its assets and liabilities as at 31 October 2016 to Transform through a process of transfer of engagement. The table below sets out the net book values of the identifiable assets and the fair value to Transform.

	Book Value £'000	Restatement to fair value £'000	Fair value to Transform £'000
Housing property	4,235	3,255	7,490
Debtors	281	(53)	228
Other Assets	16	(1)	15
Short term liabilities	(85)	(38)	(123)
SHPS pension DB scheme liability	(305)	(544)	(849)
Bank loans	(2,496)	(4)	(2,500)
	1,646	2,615	4,261
Less: Merger costs			(235)
Net Gift			4,026

25. Contingent liabilities

The contingent liabilities relates to liabilities where there is a possible but uncertain obligation to repay social housing grant of around £6.4m in the future. Actual repayment is contingent upon future disposal of housing properties for which the grant was received.

26. Social Housing Pension Scheme

Cherchefelle Housing Association participated in this scheme and through the transfer of engagement this liability was passed on to Transform. The Social Housing Pension Scheme is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefits scheme in the UK. It is not possible for Transform to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore Transform accounts for the scheme as a defined contribution scheme.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123million, liabilities of £4,446million and a deficit of £1.323million.

Transform has agreed to a deficit funding arrangement and recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relate to the deficit. The present value is calculated using the discount rate detailed in the disclosures by SHPS. The unwinding of the discount rate is recognised as a finance cost.

Present value of provision

	2017 £'000	2016 £'000
Present value of provision	**306**	**328**

Reconciliation of opening and closing provisions		
Provision at start of period	328	251
Unwinding of the discount factor (interest expense)	7	5
Deficit contribution paid	(38)	(28)
Re-measurements – impact of any change in assumptions	9	(2)
Re-measurements – amendments to the contribution schedule	-	102
Fair value adjustment (as shown in Note 14)	544	-
Provision at end of period	850	328

Income and expenditure impact	2017 £'000	2016 £'000
Interest expense	7	5
Re-measurements – impact of any change in assumptions	9	(2)
Re-measurements – amendments to the contribution schedule	-	102

Assumptions	2017 % per annum	2016 % per annum
Rate of discount	1.33	2.06

The discount rates shown above are equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.