



Financial statements

For the year to 31 March 2018

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Company details

Company name	Transform Housing & Support		
Company number	01057984		
Charity number	264133		
CQC reference	1-2756361790		
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

Transform Housing & Support is supported by a number of high-profile volunteers, including our Patrons and Ambassadors. We highly value the support they provide.

Royal Patron

HRH The Countess of Wessex GCVO

Patrons

The Rt Hon Baroness Bottomley of Nettlestone
JP DL

Michael More-Molyneux DL
HM Lord-Lieutenant of Surrey

Professor Patrick J Dowling
CBE DL FEng FRS

Nick Ephgrave QPM
Chief Constable, Surrey Police

David Hypher OBE DL BSc

Dame Penelope Keith DBE DL

Elizabeth Kennedy FCIPD
(appointed January 2018)

Prof. G Q Max Lu FAA FTSE FRSC FICHEM DL
President and Vice-Chancellor, University of Surrey

Sir Richard Stilgoe OBE DL

Sally Varah MBE DL
(appointed January 2018)

The Rt Revd Andrew Watson
Bishop of Guildford

Ambassadors

Dame Elizabeth Anson DBE JP DL

Martin Bellinger
(appointed January 2018)

His Honour Christopher Critchlow DL
(appointed February 2018)

Debbie Drury BA
(retired September 2017)

Desmond McCann BA FCA
(appointed January 2018)

David McNulty PhD
(appointed May 2018)

Greg Melly

Lesley Myles MBE JP DL MA

The Hon Mrs Lavinia Sealy
(appointed March 2018)

Bernard Stevens FCA FCMA

Lady Elizabeth Toulson CBE DL
(appointed February 2018)

Paul Wates FRICS

Cllr Fiona White

Malcom Young FRICS
(appointed March 2018)

Directors

Mark Austen FCMA
Chairman

Jane Bolton BA (Hons) FCIH

Christopher Deacon BSc (Hons) MSc

Lee Harris

Elizabeth Kennedy FCIPD
(retired September 2017)

Christopher Relleen BSc FCA

Jane Williams FCIPD Cert IOD AIOL
(retired September 2017)

Robert Mills BA (Hons) MCIH
Deputy Chairman

Amanda Colman BCom

Sally Dubery

Nicke Harrison BA MA

Edward Moseley

David Turner DSc FRICS

Stephen Drury
(retired April 2017)

Executive Team

Paul Mitchell BA (Hons) ACA
Chief Executive
(retired August 2018)

Carol Borwick
Head of Fundraising and Communications

Ratna Sukumaran ACMA
Director of Finance and Company Secretary

Lawrence Santcross
Chief Executive
(appointed August 2018)

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

Strategic report

Executive summary

Having overcome numerous challenges, notably as government budgets for housing and support continue to shrink, Transform can look back on a successful year to 31 March 2018. The valuable and diverse capital we hold – **people, property, resources and our reputation** – has played a substantial role in achieving vital continuity and enabling positive change.

This financial statement shows the first full year of our operation since the merger with Cherchefelle Housing Association in October 2016. Our post merger integration process had progressed well, with some aspects to be completed in the coming few months. However we have delivered the cost savings promised in the first year.

Over the year, **2,126 people** have benefited from our supported housing and care services. One of Transform's **great strengths is the influence** it has built up over nearly half a century in the supported housing sector.

Our recent **success in the housing related support tenders** means that we are able to help more and more people in the coming years.

During the year we have **expanded our property portfolio** by opening four new schemes, providing 21 units of accommodation.

This expansion has been achieved in **partnership** with a number of district and borough councils.

Until the summer of 2015, Transform did not offer **temporary accommodation** for homeless families or individuals. The growth in this service has now led to further provision of additional units for this short-term accommodation for our clients.

Transform **values its staff** highly, and an increased focus on remuneration, recruitment and retention of staff and has already started to pay dividends. Transform also places a great deal of emphasis on our values which staff are expected to uphold – **respect, empowerment, responsibility and excellence**.

All the above factors have played a role in producing a **robust financial performance** for the year. The turnover for the year of £9.2 million generated a healthy overall surplus £667,000, and, excluding the surplus on property disposals, the underlying surplus was £464,000 (5% net margin). This exceeded our budget expectations and strengthened Transform's financial viability.

Transform's services continue to deliver excellent outcomes and satisfaction for clients.

97.3%

of clients were satisfied with the housing they received



99.6%

of clients were satisfied with the support provided



100%

of clients were satisfied with the care and support they received



93%

of clients feel more independent



Introduction

Transform has helped to improve the lives of over 20,000 people since 1970. We provide specialist accommodation and support services for homeless and vulnerable people in Surrey and the surrounding areas. In addition we provide care and supported living services through our Transform Homecare brand.

Transform is registered with four regulators: with the Regulator of Social Housing as a housing provider; with the Charity Commission and the Fundraising Regulator as a charity; and with the Care Quality Commission (CQC) as a homecare provider.

Objectives

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

Our purpose is to help people live independent and fulfilling lives



Governance

Board

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.

Transform's Board comprised 14 Directors at the start of the year. One Director resigned from the Board in April 2017, and two Directors retired from the Board in September 2017.

The Board members are drawn from a range of backgrounds; their details are shown on page 5 of the financial statements. The Board met six times during the year.

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 regularly evaluates the effectiveness of the Board regularly. The following committees operate under comprehensive terms of reference to assist the Board.

Finance & Audit Committee: oversees the finance function, the internal and external audit activities, risk management and the internal control framework. The Committee gains internal assurance through the appropriate internal control systems and external assurance from the internal and external audit processes. The Committee met four times during 2017/18.

Quality of Care Committee: focuses on the quality of the care service delivery and on ensuring compliance with CQC expectations. The Committee met four times during 2017/18.

People Committee: supports the Board on human resources issues, particularly in view of the growth of staff numbers. A specific focus has been placed on remuneration, recruitment and retention. The Committee met three times during 2017/18.

Fundraising Committee: supports the Board in giving greater emphasis to fundraising. It supports the Executive Team with the development and review of the fundraising strategy which is linked closely with need and planning for growth. The Committee met four times during 2017/18.

Nominations Committee: supports the Board in its consideration of leadership needs for Transform. Its main focus this year has been to oversee the recruitment of a new Chief Executive, as the current Chief Executive, Paul Mitchell, is retiring in August 2018. The Committee held four meetings during 2017/18, besides undertaking shortlisting and interviews for a new Chief Executive.

Executive Team

The Board delegates the day-to-day operational management of Transform to the Chief Executive, who is supported by the Executive Team members. Details of the Executive Team are shown on page 5 of the financial statements.

Code of Governance

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

Operating environment

Along with the other providers of supported housing and care, we operate in a challenging environment. This can be summarised as a reduction in income with an increase in our operating costs.

Rental income is being reduced by 1% from 1 April 2017 to March 2020 each year for three years. Housing related support income faces continual budget cuts from local authorities and some support contracts are extended without any increases, even though providers tender with inflation included.

The funding uncertainty on housing costs for the short-term support continues, though the government had recently scrapped the proposed cap on the local housing allowance for supported housing.

Care has been significantly underfunded – some of the rates have not increased for a number of years and have not kept up with the cost increases. Care providers are unable to operate safely at such low rates and a significant number have handed back contracts, with some exiting the care service completely.

Increases in Transform's operating costs are further contributing to the financial pressures, similar to the experiences of most providers. Our staff costs for housing and care, as well as property maintenance, have increased as a result of a static job market with little or no unemployment in

Surrey; this in turn impacts our recruitment. The apprenticeship levy and the increases in the national living wage, especially for care workers and sleep-in workers, have all contributed to increases in operating costs. Most of our non-staff-related costs have seen inflationary increases, while our income has been static or even in decline. Property maintenance costs are similarly affected by the cost of health & safety, and fire regulations.

This reduction in income levels combined with increasing costs results in a continual erosion of our operating margins and we are forced to find operational costs savings year by years in order to stand still.

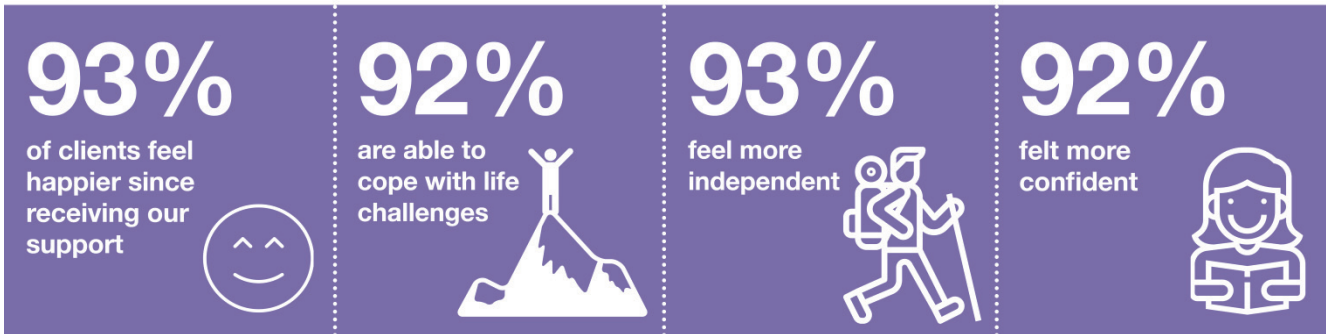
Achievements and performance for the year

Client outcomes and satisfaction

We helped 2,126 people to improve their quality of life and to meet their desired outcomes. These numbers are broadly similar to last year. We aspire however to help 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 their confidence. During the year, 224 clients receiving housing related support services moved on: of these, 81% moved on in a planned way. This is a very positive achievement in view of the high levels of need of people accepted into our services.

Exit questionnaire 2017/18



Against a backdrop of ongoing financial constraints, our priority has been to continue to provide high quality accommodation, support and care to our clients.

In our supported housing, most people are of working age and have faced severe financial challenges, not only as a consequence of cuts to benefits but also of the systems and processes by which benefits are claimed.

A key role for our frontline staff is to support people in making a fresh start in their lives, so they can sustain independent living and make a positive contribution to their communities.

Long term outcomes November 2017



Our care services provide person-centred homecare to help people live independently, with dignity and with a good quality of life. These services assist people with aspects 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 in how best to satisfy them. 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.

Quality of care survey September 2017



Client satisfaction survey June 2018



Development programme

We have been working on a number of development initiatives. Some have been completed during the year and others will continue into 2018/19.

During the year we opened four schemes, adding 21 housing units. This included the purchase of two houses, one used as young people's accommodation, and the other as a pilot with Mole Valley District Council for the accommodation of those under 35 years.

In collaboration with Epsom & Ewell Borough Council we have leased a property consisting of nine flats as temporary accommodation for homeless families. In addition, we leased a house from Runnymede Borough Council to provide accommodation for people under 35 years.

We have been working with PA Housing to acquire a further three properties to be used for homeless people. The purchase was completed just after year end in April 2018 and the properties will be brought into management in due course.

We have been working with the London Borough of Sutton to remodel two of our properties for use as temporary accommodation. This work was in progress at the year end and is expected to be completed in late summer 2018.

Contract negotiations and tenders

We have reconfigured our services to match significant reductions in funding from Surrey County Council Adults Social Care from April 2018. Whilst this is disappointing for clients who are no longer provided with a service, it does give Transform and its remaining clients the funding certainty until 31 March 2020.

Starting in October 2017, we also took part in a tendering exercise for young people's services funded by Surrey County Council. While the outcome was not confirmed until after the year end, we have now secured funding until the spring of 2021. We were also pleased to learn that Wokingham Borough Council has reviewed our service and confirmed funding for two years to January 2020.

During the summer of 2017 we participated in a Surrey County Council tender for care services securing much fairer funding. This gives us certainty on rates until mid-October 2020. In early 2018 we also tendered for an Extra Care Service put forward by Surrey County Council: after the year end we were awarded a four-year contract that commences in early September 2018. These developments contribute to our aim of securing financial viability for our care services.

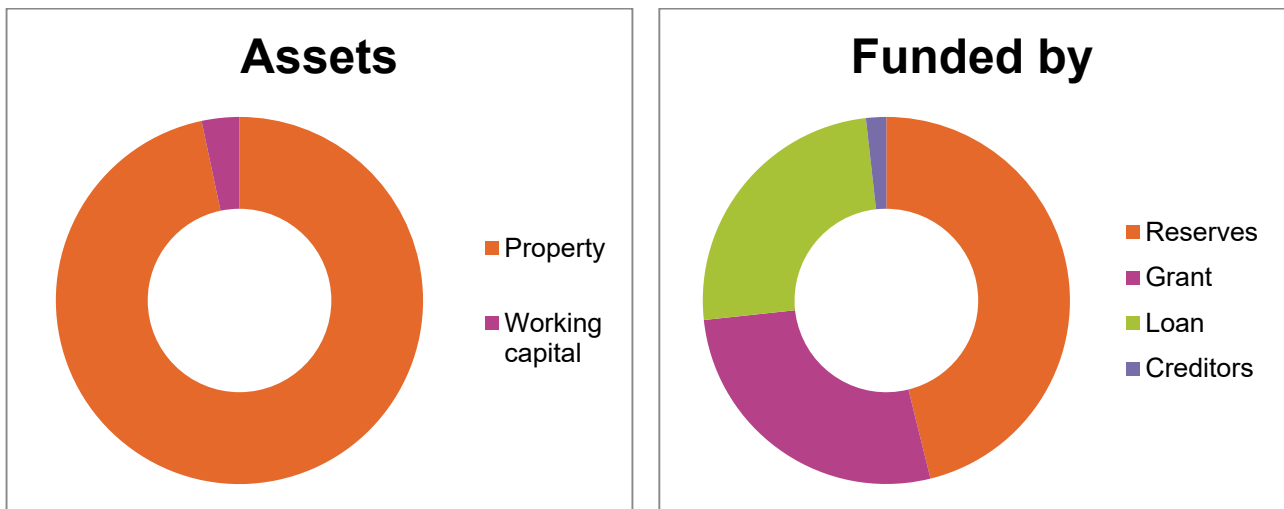
From Transform's perspective, we have now achieved a favourable contract position, providing certainty on the future funding for our housing related support and our care income. This is especially positive in view of many years in which it only proved possible to secure funding for a period of 12 months or less.

Financial review

We have enjoyed a financially positive year generating a surplus of £667,000. Excluding exceptional items relating to an insurance claim, (see Note 9 on page 37), the underlying surplus was £464,000 (2017: £321,000). This represents a 5% net margin which has increased during the year.

There were noticeable improvements in the income levels as these results include the full year effect following the Cherchefelle Housing Association merger, concluded at the end of October 2016. Increased rental income (due to additional housing units handed over during the year) and from the increased care rates secured from Surrey County Council enhanced our position further.

This improved income level enabled us to absorb the growth in salary costs arising from increased salary rates, the impact of a higher national living wage and also the apprenticeship levy.



Our assets are predominantly property assets and are stated at historic cost in our statement of financial position.

Our recent professional valuation of the cost of rebuilding our property portfolio was £65 million. The market value of these properties we estimate to be around £100 million. Our properties are used to provide suitable accommodation for the homeless and vulnerable people we support. As the pie chart above shows, the assets are well financed by secured funding. These properties generate secure long-term rental income. This strengthens our financial position enabling the Board to make long-term plans. The surplus from our operations is re-invested in further properties, enabling us to help more people.

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 year end we had £10.8 million in bank borrowing, and £1.1 million in cash, which was securely invested in short-term bank deposits. We have a £3 million loan facility undrawn which is adequate to meet our development needs in the next two years.

Out of our £14 million loan facility, £6.5 million matures on 1 November 2019 and we will be looking to refinance and secure a replacement facility by then. Our treasury management position is regularly reported to the Finance & Audit Committee and to the Board.

Transform's five-year performance is shown below.

Five year financial summary					
Statement of comprehensive income	2017/18	2016/17	2015/16	2014/15	2013/14
	£000s	£000s	£000s	£000s	£000s
Turnover	9,272	7,473	6,565	6,316	6,405
Operating costs	(8,256)	(6,804)	(5,691)	(5,269)	(5,411)
Operating surplus	1,016	669	874	1,047	994
Net interest cost	(349)	(348)	(325)	(311)	(332)
Surplus before exceptional items	667	321	549	736	662
Exceptional item – gift from merger		4,026			
Surplus for the year	667	4,347	549	736	662
Statement of Financial Position					
Property assets (net book value)	42,062	41,857	33,731	31,031	31,252
Net current assets	1,441	387	965	2,845	3,040
	43,503	42,244	34,696	33,876	34,292
Loans and long term liabilities	23,134	22,542	19,425	19,154	21,714
Reserves	20,369	19,702	15,271	14,722	12,578
	43,503	42,244	34,696	33,876	34,292
Our property and client numbers					
Number of housing units	848	827	616	590	599
Number of clients helped	2,126	2,157	1,177	1,045	1,117
Performance indicators					
Operating margin	11%	9%	13%	17%	16%
Net margin	7%	4%	8%	12%	10%

Note: the figures for 2013/14 to 2015/16 have not been adjusted for £84,000 of wrongly charged bank interest (as per Note 25).



Value for money

Our approach

Our strategy is to ensure that we achieve optimum use of the valuable and diverse capital (people, resources, properties and our reputation) we hold. Our approach to value for money (VFM) is as follows:

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

We carry out annual client surveys and continually monitor our performance. This provides assurance that there is both consistency in our service and delivery which meets clients' requirements. In line with the requirements of the Registered Social Housing's (RSH) new Value for Money Standard and the Code of Practice, the outcomes that we delivered and the client satisfaction rates achieved are shown in the matrix on page 15.

Our strategic approach ensures that VFM is fully embedded across the organisation. Transform's strategic objectives are cascaded from the Board to the Executive Team, the Senior Management Team and to frontline staff through service plans, team and individual plans.

Value for Money matrix						
	Key	Target	2017/18	2016/17	Global accounts 2017	
Financial viability matrix						
1	Operating margin	●	11.0%	11.0%	9.0%	30.0%
2	Interest cover (EBITDA MRI ratio)	●	3.7	4.1	3.1	1.7
3	Gearing ratio (net asset basis)	●	26%	26%	24%	50%
Efficiency matrix						
4	Social housing cost per unit (£000's)	●	£10.5	£10.0	£9.0	£11.0
5	Return on capital employed (ROCE)	●	4%	5%	6%	5%
Growth matrix						
6	New supply delivered %	●	1%	1%	1%	
7	Reinvestment %	●	2%	2%	3%	
Outcomes delivered						
8	Average number of clients helped	●	2,100	2,126	2,157	
9	Planned move on %	●	75%	81%	80%	
10	Client satisfaction					
	Housing	●	95.0%	97.3%	93.0%	
	Support	●	95.0%	99.6%	98.0%	
	Care	●	95.0%	100.0%	95.0%	

Key: ● Target achieved
● Target not achieved

We deliver excellent outcomes for our clients and this is reflected in the results of the client satisfaction survey. Our operational performance exceeds our targets and ranks well compared to similar providers in the sector. As a niche housing, support and care provider in Surrey, our average annual social housing unit cost is £10,100 per annum. This is well within the RSH's expectation for supported housing providers, which ranges between £8,000 and £14,000 per annum.

Our VFM approach during the year, realised VFM gains of £208,000 (2017: £250,000), representing 2.5% of our operating costs. These gains were realised mainly from housing related support contract value reduction (£110,000), rent cuts (£40,000) and central office cost savings (£51,000). These costs are not one-off and will continue into the future years and are addition to the recurring savings from the previous years. It should be noted that these values do not take account the increases in social value through higher wellbeing and client satisfaction levels.

Our delivery of VFM is reviewed by the Executive Team and the Board, and a detailed VFM self-assessment is published on our website www.transformhousing.org.uk.

Tina's story

Tina always drank heavily. But for many years she was still able to function and hold down a job. Sadly, however, she suffered two bereavements in quick succession; first her mother and then her long-term partner died. Tina's drinking really escalated and soon she was caught in a spiral of drinking as a way of avoiding dealing with her feelings of loss. At the same time, Tina's drinking meant that she was entirely dependent on others doing things for her, "I wasn't capable of looking after myself – I always had people looking after me." Struggling to cope, Tina moved out of her council property and instead went to live with an old friend. The friendship, however, was a co-dependent one; Tina would supply the money and her friend would go and buy the alcohol. When eventually the money ran out, her friend told her she had to leave. With no other accommodation available, in January 2017 at the age of 58, Tina found herself street homeless.



Tina spent a total of six weeks living on the streets. Despite the kindness of members of the public and the local Church, Tina's alcohol use, in combination with her homelessness, started to seriously affect her health. She temporarily lost the use of her legs and she couldn't stop vomiting. She called an ambulance and was admitted to hospital; "I honestly didn't think I would make it. If I hadn't been hospitalised I would have been dead I am sure." Tina spent a total of 14 days recovering in hospital. During this time she was detoxed from alcohol and she made the decision to stop drinking for good. With the help of the local drug and alcohol service, Tina was referred to Transform's Winter Shelter in Staines and in February 2017 she moved in.

To Tina's surprise, she loved her time at Transform's Winter Shelter; "I got my strength from them. People there encouraged me every day – they were such nice people. I started to get my confidence there." After four weeks at the shelter, Tina felt ready to move on to more settled accommodation and so Transform arranged for her to spend a trial period in one of our dry houses for people in recovery from drug and alcohol dependency. The trial went well and she has now been living in her the house for over 14 months and has been totally abstinent from alcohol for 16 months. During this time Tina has worked tremendously hard to rebuild her life. Years of addiction meant that she lacked the confidence to tackle practical challenges such as sorting out her finances, paying bills or using public transport. With the support of Transform staff, she has gradually developed her independence and is now able to tackle these tasks herself. As her Transform Keyworker, Lucy, explained; "Tina has put in a lot of hard work to maintain her abstinence from alcohol. She has really wanted a better life for herself. Every time Tina comes up against a setback she doesn't dwell on it – she just picks herself up and gets on with it."

Tina has now made a new set of friends at the charity shop where she volunteers two days a week and has also started part-time paid employment as a cleaner at a local school. Tina is thoroughly enjoying the independence and freedom that recovery from addiction has given her. For Tina, the housing and support from Transform has been crucial; "People would be lost without these houses. You can't put a price on them – they are invaluable."

Risk management

The Board, which is responsible for the risk management process, has identified key risks and uncertainties, and agreed the related mitigation plans as detailed below.

Risk	Comments	Mitigations
Government regulation	Local authority budget cuts on support funding, care funding, 1% rent cuts, and the uncertainty on the future funding on supported housing.	Operating cost efficiency savings help us manage these cuts. The majority of the support and care funding is now secured for three years.
Over reliance on a single local authority	Income from Surrey County Council represents nearly 90% of the support funding and around 65% of the care income.	We are aspiring to tender for services from other funders. We are also planning to expand into the private payers care market.
Retender risk	We retendered for both the housing related support and care funding from Surrey County Council.	We have been successful in retaining both contracts.
Reputational risk	This could arise from a major safeguarding issue, visible reduction in quality of service or loss of sensitive data.	We have ongoing regulatory reviews, effective staff recruitment practices (including DBS checks) and robust staff training in place.
Staff recruitment and retention	Staff vacancies reduce our capacity to deliver a consistent quality of service.	Near full employment in Surrey and adjacent areas is challenging. Our regular salary benchmarking helps us to take steps to improve staff retention and our targeted advertising through social media should improve recruitment.

Any emerging risks are considered by the Executive Team, updated and reviewed by the Board. All risks are reviewed by the Finance & Audit Committee and updates are provided to the Board.

Following the dreadful fire at Grenfell Tower, we have undertaken a detailed Fire Risk Assessment (FRA) on our property portfolio; the recommendations are being implemented in a planned manner.

We have spent nearly £100,000 on planned improvements recommended by the FRAs during 2017/18 and have budgeted a similar spend for the next two years. We are committed to ensuring our accommodation is safe and secure for our clients.



Fundraising statement

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 existing 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.

To provide reassurance to our donors and supporters, and to demonstrate our compliance with the new regulation for fundraising activities, we have registered with the Fundraising Regulator. We have adopted the regulator's Code of Fundraising Practice, and are compliant with the standard. We use the Fundraising Regulator's logo on all fundraising communications.

Transform has not yet received any requests to remove or suppress donor data from the regulator's Fundraising Preference Service. 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 carried out an internal review and have no evidence of non-compliance with the Fundraising Regulator's standards, as required by the Charities (Protection and Social Investment) Act 2016.

Reserve policy

Our Statement of Financial Position shows reserves of £20.4 million (2017: £19.7m), a strong financial position that is viewed favourably by our lenders. These reserves are fully invested in our properties. The Board's aim is to hold around six months' operating expenses in reserves and we are compliant.

We hold around £1.4 million (2017: 0.3m) in net working capital. This, along with the undrawn loan facility of £3 million, provides the necessary cushion against adverse eventualities.

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 our set objectives. Our work helps those on the margins of society to overcome the difficulties they face in their lives. This can include issues resulting from relationship breakdown, 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 continues to focus on helping more and more people. There are several areas that present growth opportunities as we respond to the increasing need for housing, support and care.

Temporary accommodation

We have seen a substantial increase in the need for temporary accommodation, and in two boroughs alone, we are now helping dozens of families. Just two years ago we were not providing this service at all. Two additional borough councils have made enquiries, seeking our assistance to set up similar temporary accommodation schemes. They are willing to provide capital grants for us to purchase the necessary properties. This fits both our purpose and our experience. It also ensures that we can help many families who find themselves in challenging situations, often through no fault of their own.

Housing related support

We will expand where needed to help homeless individuals and families, together with those who are vulnerable and under 35 years old who are caught up in the benefits changes. We are also expanding our work with offenders.

We will look at opportunities as they arise to develop new and innovative housing solutions. We will also consider the use of new funding models to provide impact, VFM and sustainable services.

Homecare services

Now that we have secured increased funding for homecare from Surrey County Council, we are expanding this service to both local authority and privately-funded customers. Our ambitions have been restricted somewhat by our difficulties in recruiting new care staff but we are investing in social media to boost our recruitment. We also have successfully tendered an Extra Care service (which provides a 24 hour staff cover) in Spelthorne which will be transferred to Transform in September 2018, growing our care operations.

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 surplus or deficit 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 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. They ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Transform's website.

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 misstatement or loss.

The process of identifying, evaluating and managing significant risks facing the organisation is ongoing. It has been in place from 1 April 2017 to the date of board approval (2 August 2018).

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.
- The internal audit programme carried out by the internal auditors TIAA provided confidence to the Board.
- 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. We reported to the committee a minor incidence of a cash loss and on the back of this the internal auditors had reviewed the controls around the cash handling and are comfortable. 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 compliance

Transform has undertaken an assessment of compliance with the governance and financial viability standard as required by the Accounting Direction 2015. Board can confirm that no evidence of non-compliance has been identified since the last report. In preparing the strategic report the Board has followed the principles set out in the Statement of Recommended Practice for Registered Social Landlords (SORP 2014).

External auditors

Nexia Smith & Williamson were appointed as external Auditors at our Annual General Meeting on 28 September 2017. A resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting on 27 September 2018.

By Order of the Board


Mark Austen

Chairman

2 August 2018

Nexia Smith & Williamson

Report of the independent auditors to the members of Transform Housing & Support

Opinion

We have audited the financial statements of Transform Housing & Support (the 'Association') for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash flows and the 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the Financial Statements, other than the financial statements and our auditor's report thereon. The Board Members are responsible for the other information. 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.

Opinion 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 strategic report (incorporating the Board Members' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report (incorporating the Board Members' report) have 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 Association and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report (incorporating the Board Members' report).

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board Members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Board Members

As explained more fully in the Statement of Board's Responsibilities set out on page 20, the Board Members are the directors of the Association for the purposes of company law. The Board Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

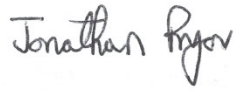
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

Use of our report

This report is made solely to the association'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 association's members those matters we are required to state to them in an auditor's report and

for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.



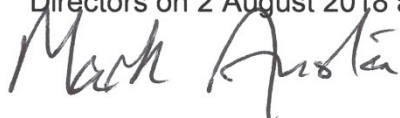
Jonathan Pryor
Senior Statutory Auditor
for and on behalf of
Nexia Smith & Williamson
Statutory Auditors
Chartered Accountants
25 Moorgate
London WC2R 6AY

3 September 2018

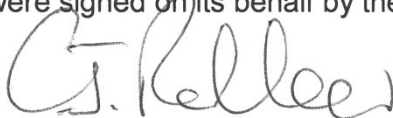
Statement of Comprehensive Income for year ended 31 March 2018

	Note	2018 £'000	Restated 2017 £'000
Turnover before exceptional item	3	9,272	7,473
Operating expenditure	3	(8,459)	(6,804)
Gain on disposal of property, plant and equipment	9	203	-
Operating surplus		<u>1,016</u>	<u>669</u>
Interest receivable	7	3	13
Interest and other financing costs	8	(352)	(361)
Surplus before exceptional item		<u>667</u>	<u>321</u>
Exceptional item: Donation of Cherchefelle Housing Association net assets		-	4,026
Total Comprehensive Income for the year		<u><u>667</u></u>	<u><u>4,347</u></u>

The financial statements on pages 25 to 43 were approved and authorised for issue by the Board of Directors on 2 August 2018 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 29 to 43 form part of these financial statements.
The reasons and the impact of the restatement are given in note 23.

Statement of changes in reserves for year ended 31 March 2018

	Notes	Revenue Reserve	Restricted Reserves	Total
		£000's	£000's	£000's
Balance at 31 March 2016				
as previously reported		15,168	103	15,271
Prior year adjustment	25	<u>84</u>	<u>-</u>	<u>84</u>
At 1 April 2017 as restated		<u>15,252</u>	<u>103</u>	<u>15,355</u>
Surplus from Statement of Comprehensive Income for the year				
- As originally stated		4,340	-	4,340
- Prior year adjustment		7	-	7
Transfer between reserves		<u>(9)</u>	<u>9</u>	<u>-</u>
Balance at 31 March 2017		<u>19,590</u>	<u>112</u>	<u>19,702</u>
Surplus from Statement of Comprehensive Income for the year		667	-	667
Transfer between reserves		<u>(17)</u>	<u>17</u>	<u>-</u>
Balance at 31 March 2018		<u><u>20,240</u></u>	<u><u>129</u></u>	<u><u>20,369</u></u>


Statement of financial position as at 31 March 2018

	Note	2018 £000's	Restated 2017 £000's
Fixed assets			
Property, plant & equipment	11	<u>42,062</u>	<u>41,857</u>
Current assets			
Trade and other debtors	12	1,142	849
Cash and cash equivalents	13	<u>1,988</u>	<u>1,138</u>
		3,130	1,987
Creditors: amounts falling due within one year	14	<u>(1,689)</u>	<u>(1,599)</u>
Net current assets		<u>1,441</u>	<u>388</u>
Total assets less current liabilities		43,503	42,245
Less: Creditors – amounts falling due after more than one year	15	(22,574)	(21,983)
Defined benefit pension liability	24	(544)	(544)
Other Provisions for liabilities and charges	19	(16)	(16)
Total net assets		<u>20,369</u>	<u>19,702</u>
Capital and reserves:			
General reserves		20,240	19,590
Restricted reserves		<u>129</u>	<u>112</u>
		<u>20,369</u>	<u>19,702</u>

The financial statements on pages 29 to 43 were approved and authorised for issue by the Board of Directors on 2 August 2018 and were signed on its behalf by the following officers:



Mark Austen
Chairman



Christopher Relleen
Chairman of the Finance &
Audit Committee



Ratna Sukumaran
Finance Director and Company
Secretary

The notes on pages 29 to 43 form part of these financial statements.
The reasons and impact of the restatement are given in Note 23

Statement of cash flows for the year ended 31 March 2018

	Note	2018 £'000	£'000	Restated 2017 £'000	£'000
Net cash generated from operating activities	22		1,229		691
Cash flow from Investing Activities					
Purchase of tangible fixed assets		(956)		(1,180)	
Proceeds from sales of fixed assets		23		-	
Grants received		173		229	
Interest received		3		13	
Net cash used in investing activities			(757)		(938)
Cash flow from Financing activities					
Interest paid		(352)		(368)	
Further borrowing		1,000		-	
Repayment of borrowings		(270)		(270)	
Net cash used in financing activities			378		(638)
Net change in cash and cash equivalents			850		(885)
Cash and cash equivalents at:					
Beginning of the year			1,138		2,023
End of the year			1,988		1,138

Notes to the financial statements

1. Legal status

Transform Housing & Support is a company limited by guarantee (registered number 01057984), registered with the Homes and Communities Agency (H2452), and the Charity Commission (264133). The principal activity of the company is the provision of support and housing to vulnerable clients.

2. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

Basis of accounting

The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015. 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.

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 consider it appropriate to continue adopting the going concern basis in preparing the financial statements.

Significant management judgements

The following are management judgements in applying the accounting policies for the association that have the most significant effect on the amounts recognised in the financial statements.

- a) **Impairment of housing properties:** Two schemes in the London Borough of Sutton (LBS), namely 8/10 Throwley way and Camperdown, have become vacant. The LBS has proposed to use these two schemes for temporary accommodation, housing for homeless families within Sutton. LBS have provided £197k and £150k of grant respectively to modify these properties so that they suit this type of client group, and accordingly, the necessary planning permission has been obtained. However, during construction, further requirements of the building specifications, have led to project delays and costs. Management have carried out an impairment review on the two properties and concluded that there was no impairment provision required.
- b) **Disposal of a property:** Transform entered into a sale agreement with a property developer on one of the properties, Aarons Hill in Godalming for £850k with expected legal completion by March 2019. Our accounting policy recognises the disposal transaction on legal completion and therefore the expected gain has not impacted this year's surplus on the disposal.

Other key sources of estimation uncertainty

Transform makes estimates and assumptions concerning the future. The resulting accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustments to the carrying amount of the assets and liabilities within the next financial statements are listed below:

- a) **Property damage and the insurance settlement:** During the year two properties – Horsham Road in Dorking and Hooley Lane in Redhill were damaged, by fire and water leakages, respectively. These damages were covered within our property insurance

policy. Our insurance claims for this damage have been accepted, and we are negotiating the settlement figure with the loss adjusters. The claim estimates have been used in the financial statements to generate a surplus on disposing of the damaged property components. (see Note 9)

- a) **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 £850k. In anticipation of the changes in the accounting treatment to recognise the full pension deficit in the financial statements in the near future, we have disclosed the above estimated deficit in two elements, a fair value of future deficit contributions of £306k and the acquired deficit of £544k. We have as at March 2018, re-evaluated the fair value of the future deficit contributions to be £266k and retained the acquired deficit at the same value, making the total deficit liability recognised in the financial statements of £810k.

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 net assets – In a merger or otherwise, 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. The property disposals are recognised in the financial statements only when the legal completion for the transaction is concluded, realising any surplus or deficit on the disposal.

Depreciation is charged over the estimated useful lives of the structure and components of freehold property from the time are 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 building facilities	10 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, market value less grant obligations, or 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.

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 deposits repayable on demand, overdraft repayable on demand and short term deposits held with various banks. 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 Housing Association 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. At the date of the amalgamation, the share of the estimated deficit was recognised as a liability. On an ongoing basis 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, other than the initial recognition of the deficit on amalgamation. The scheme and the employer have entered into an agreement that determines how the employer will fund the deficit and the liability for the present value of the contributions payable under that agreement is recognised in the financial statements as a creditor and offsets the estimated scheme deficit.

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

2018	Note	Turnover	Operating expenditure	Operating surplus/ (deficit)
		£'000	£'000	£'000
Social housing lettings	4	5,297	(4,161)	1,136
Other social housing activities				
Housing related support income		2,818	(3,002)	(184)
Home based care		922	(1,108)	(186)
Charitable donations		172	(141)	31
Other income		63	(47)	16
		<u>9,272</u>	<u>(8,459)</u>	<u>813</u>
2017				
		£'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
		<u>7,473</u>	<u>(6,804)</u>	<u>669</u>

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

	Note	2018	2017
Rents receivable net of identifiable service charges		3,672	3,050
Charges for housing related support services		52	51
Service charges income		1,412	1,077
Amortised Government grants		161	158
Turnover from social housing lettings	3	<u>5,297</u>	<u>4,336</u>
Operating Expenditure:			
Service charge costs		1,071	890
Management		867	524
Routine maintenance		413	415
Planned maintenance		172	164
Bad debts		87	84
Property lease charges		345	246
Depreciation of housing properties		616	472
Other costs		590	438
Operating expenditure on social housing lettings	3	<u>4,161</u>	<u>3,233</u>
Operating surplus on social housing lettings		<u>1,136</u>	<u>1,103</u>
Void losses		<u>(367)</u>	<u>(401)</u>

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 5. None of the Board members received any emoluments.

	2018	2017
	£'000	£'000
Aggregate emoluments and expenses payable to key management personnel:		
Executive Team	297	296
The highest paid Executive:		
Emoluments	83	82
Pension contributions	7	7

The Executive team 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 employees employed (FTEs)	2018	2017
	Number	Number
Care, housing and support staff	116	83
Administration staff	21	19
Maintenance staff	6	5
	<u>143</u>	<u>107</u>

The number of full time employees is calculated based on a 37.5 hour working week.

Staff costs for the above persons:	2018	2017
	£'000	£'000
Wages and salaries	3,652	3,139
Social security costs	296	219
Other pension costs	108	104
	<u>4,056</u>	<u>3,462</u>

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

	2018	2017
More than £70,000 but not more than £80,000	2	2
More than £80,000 but not more than £90,000	1	1

7. Interest receivable

	2018	2017
	£'000	£'000
Interest from bank deposits	<u>3</u>	<u>13</u>

8. Interest and financing costs

	2018	Restated
	£'000	2017
		£'000
Interest payable on bank loans	349	367
Interest capitalised on properties under construction	-	(13)
Interest un-wound on SHPS	3	7
	<u>352</u>	<u>361</u>

During the year, no interest costs were capitalised on the re-modelling works on housing properties. (2017: £13k).

9. Surplus on disposal of property plant and equipment

	2018	2017
	£'000	£'000
Disposal Proceeds from insurance claim	243	-
Carrying cost	(40)	-
	<u>203</u>	<u>-</u>

During the year, two properties were damaged, one by fire and another by a water leakage and both were covered by separate insurance claims. The estimated claim values for the damaged property components have been recognised and this realises a significant surplus over the existing book values. The cost of restating the building and the cost of modification will be capitalised and depreciated.

10. Surplus for the year

	2018	2017
	£'000	£'000
The operating surplus is arrived at after charging:		
Depreciation of housing properties	616	472
Depreciation of other tangible fixed assets	95	85
Surplus on disposal of property plant and equipment	203	-
Operating lease rentals:		
Land and buildings	438	306
Other leases	30	36
Auditors' remuneration (excluding VAT):		
Audit fees	11	9
Other services	1	4

11. 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 2017	46,851	-	46,851	773	47,624
Additions	596	-	596	82	678
Works to existing properties	278	-	278	-	278
Disposals	(85)	-	(85)	-	(85)
At 31 March 2018	<u>47,640</u>	<u>-</u>	<u>47,640</u>	<u>855</u>	<u>48,495</u>
Depreciation					
At 1 April 2017	5,250	-	5,250	517	5,767
Charges for the period	616	-	616	95	711
Disposals	(45)	-	(45)	-	(45)
At 31 March 2018	<u>5,821</u>	<u>-</u>	<u>5,821</u>	<u>612</u>	<u>6,433</u>
Net book value					
At 31 March 2018	<u>41,819</u>	<u>-</u>	<u>41,819</u>	<u>243</u>	<u>42,062</u>
At 31 March 2017	<u>41,601</u>	<u>-</u>	<u>41,601</u>	<u>256</u>	<u>41,857</u>

The additions shown under completed housing properties of £596k (2017: £441k) relate to the cost of replacing property components and include £70k of fire safety related cost.

Housing properties book value, net of depreciation, comprises:

	2018 £'000	2017 £'000
Freehold land and buildings	36,553	36,191
Long leasehold land and buildings	3,468	3,501
Short leasehold land and buildings	1,798	1,909
	<u>41,819</u>	<u>41,601</u>

12. Debtors

	2018 £'000	2017 £'000
Due within one year		
Rent and service charges receivable	252	258
Less: Provision for bad and doubtful debts	(151)	(139)
	101	119
Trade debtors	404	370
Other debtors	479	156
Prepayments and accrued income	158	204
	<u>1,142</u>	<u>849</u>

13. Cash and cash equivalents

	2018 £'000	2017 £'000
Cash in bank and in hand	<u>1,988</u>	<u>1,138</u>

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

14. Creditors: Amounts falling due within one year

	Note	2018	2017
		£'000	£'000
Housing loans	17	270	270
Deferred grant income	16	176	160
Trade creditors		334	340
Loan interest due		68	61
Rent and service charges received in advance		59	46
Past service deficit contribution payable under SHPS	24	39	38
Recycled Capital Grant fund	18	116	14
Capital accruals and retentions		-	46
Other creditors		434	406
Other taxation and social security		81	102
Other accruals and deferred income		112	116
		<u>1,689</u>	<u>1,599</u>

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

	Note	2018	Restated 2017
		£'000	£'000
Housing loans	17	10,595	9,858
Past service deficit contribution payable under SHPS	24	227	268
Deferred Grant income	16	<u>11,752</u>	<u>11,857</u>
		<u>22,574</u>	<u>21,983</u>

16. Deferred grant income

	2018	2017
	£'000	£'000
Balance at 1 April	12,017	11,946
Grant received in the year	173	229
Grant transferred to RCGF	(102)	-
Released to Statement of Comprehensive Income	<u>(161)</u>	<u>(158)</u>
Balance at 31 March	<u>11,927</u>	<u>12,017</u>

Deferred Income to be released to the Statement of Comprehensive Income

Amount to be released in less than 1 year	176	160
Amount to be released in more than 1 year	<u>11,752</u>	<u>11,857</u>
	<u>11,928</u>	<u>12,017</u>

The above summary excludes grants transferred from Cherchefelle Housing Association and grants which have been de-recognised as explained in note 27.

17. Housing loan debt analysis

	2018 £'000	2017 £'000
Due within one year	270	270
Due after more than one year		
Loan	10,610	9,880
Less: issue costs	<u>(15)</u>	<u>(22)</u>
	<u>10,595</u>	<u>9,858</u>
	<u><u>10,865</u></u>	<u><u>10,128</u></u>

The existing facility of £7,380k 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 2.9% to 5.9% with varying maturity dates, when they revert to variable interest rates linked to the LIBOR rate.

In October 2016, Transform arranged a further £6.5m facility that matures on November 2019 and which will be refinanced over the coming year. We are satisfied these current facilities are adequate to fund our development programme in the next three years.

The above 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.

18. Recycled capital grant fund

	2018 £'000	2017 £'000
Balance at 1 April	14	14
Grant recycled	<u>102</u>	<u>-</u>
Balance at 31 March	<u><u>116</u></u>	<u><u>14</u></u>

19. Provisions for liabilities and charges

	2018 £'000	2017 £'000
Balance at 1 April	16	-
Movement	<u>-</u>	<u>16</u>
Balance at 31 March	<u><u>16</u></u>	<u><u>16</u></u>

The above provision is to cover the cost of office dilapidations for the Mill Street office.

20. Financial and other commitments

Capital expenditure commitments are as follows:

	2018 £'000	2017 £'000
Expenditure authorised by the Board but not yet contracted	<u>1,724</u>	<u>1,078</u>
	<u><u>1,724</u></u>	<u><u>1,078</u></u>

The above commitments can be funded by a combination of grant (£300k), fundraising (£150k) and the remainder by the cash deposits and the undrawn loan facilities.

We have entered into a sale agreement with a property developer, regarding one of the properties at Aarons Hill in Godalming, with legal completion by March 2019, the sales proceeds will be £850k.

Leasing commitments

The future minimum lease payments are set out below.

	2018 Property £'000	2018 Others £'000	2017 Property £'000	2017 Others £'000
Within one year	472	30	444	14
Between one and five years	1,097	34	1,126	17
	<u>1,569</u>	<u>64</u>	<u>1,570</u>	<u>31</u>

21. Social housing units

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

	2018	2017
Owned and managed	766	754
Not owned but managed	82	73
	<u>848</u>	<u>827</u>

22. Notes to the statement of cash flow

	2018 £'000	Restated 2017 £'000
Surplus for the year	667	4,347
Adjustments for non-cash items		
Surplus on disposal of property plant and equipment	(203)	-
Depreciation of tangible fixed assets	711	557
Net assets on merger donation at fair value	-	(4,262)
Amortisation of loan arrangement fee	7	2
	<u>1,182</u>	<u>644</u>
Movements in working capital		
Increase/(decrease) in debtors	(90)	(33)
Increase/(decrease) in creditors	(51)	(116)
Decrease in provision for dilapidation	-	16
	<u>1,041</u>	<u>511</u>
Adjustments for investing or financing activities		
Government grants amortised in the year	(161)	(158)
Arrangement fee for new loan facility	-	(10)
Interest payable	352	361
Interest received	(3)	(13)
Net cash generated from operating activities	<u>1,229</u>	<u>691</u>

23. Prior Year adjustments

During the year we were made aware by Barclays Bank that there had been an error in the loan interest calculations, since the loan facility was setup in 2007. This had resulted in a refund of £91k of back dated loan interest charges, of which £84k relates to periods up to 31 March 2016

and £7k relates to the year ended 31 March 2017; we have adjusted the opening reserves accordingly.

24. 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 (SHPS) is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefits scheme in the UK. On a recurring basis, 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, save that in the case of the pension obligation acquired from Cherchefelle an estimate at the data of the acquisition of the excess deficit over the present value agreed contributions to remedy the deficit has been recorded as the liability. This amounts to £544k.

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

	2018	2017
	£'000	£'000
Agreed contributions- within one year	39	38
- Due after more than one year	227	268
Acquired pension deficit	544	544
Present value of provision	<u>810</u>	<u>850</u>

Reconciliation of opening and closing provisions

Provision at start of period	850	328
Unwinding of the discount factor (interest expense)	3	7
Deficit contribution paid	(39)	(38)
Re-measurements – impact of any change in assumptions	(4)	9
Fair value adjustment	-	544
Provision at end of period	<u>810</u>	<u>850</u>

	2018	2017
	£'000	£'000
Income and expenditure impact		
Interest expense	3	7
Re-measurements – impact of any change in assumptions	4	(9)

Assumptions	2018	2017
	% per annum	% per annum
Rate of discount	1.72	1.33

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.

25. Fundraising activities

We receive fundraising income mainly from charitable trusts and corporates and our performance on a “cash basis” is summarised below:

	2018	2017
	£'000	£'000
Fundraising cash generated		
Fundraising cash	174	188
Fundraising costs		
Salary costs	115	70
Other costs	24	25
	<u>139</u>	<u>95</u>
Net fundraising contributions	35	93
Return on Investment (ROI)	3.0	2.0
Fundraising Cost Ratio	80%	51%
Allocation of Funds		
Capital Projects		
Wallington, Sutton	5	-
Leatherhead, Surrey	15	-
Hersham, Surrey	-	17
Wallington, Sutton	-	18
Leatherhead, Surrey	-	45
Town centre, Sutton	7	0
Farnham, Surrey	7	0
Spelthorne, Surrey	25	0
Building Chances campaign	5	15
	<u>64</u>	<u>95</u>
Revenue projects		
For specific client groups/projects	53	29
Winter Shelter project	7	30
	<u>60</u>	<u>59</u>
Restricted funds allocated	124	154
Unrestricted funds allocated	6	16
Gifts in kind	44	18
Total Fundraising Cash allocation	<u>174</u>	<u>188</u>

Based on our accounting policy, fundraising income is recognised in our financial statements only after the grant conditions fulfilled.

The fundraising cash received has reduced during the year, mainly due to staff vacancies within the fundraising team in the beginning of the year. Though these were filled subsequently, this had significantly impacted our fundraising capabilities for the year.

The changes in the team had resulted in increased staff costs, but the full impact of our increased capabilities has not been realised yet. This is reflected in our key fundraising performance measures shown above. The fundraising cost ratio is expected to improve significantly in the next few years.

26. 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 provided a telephone landlines service to Transform for a number of years with an annual contract value of £31k. During the year we undertook a competitive tender process for a unified communication contract, and appointed Wavenet Ltd as the new provider, working with UK Telecom and the new annual contract value is £24k.
- One Board member works as an Executive Director at West Sussex County Council. Transform has performed small and non-material contracts for West Sussex County Council for a number of years.

27. Grant liability de-recognised

At the time of the merger with Cherchefelle Housing Association, we de-recognised around £6.4m of grant liability from our Statement of financial Position. If the related properties were to be disposed in the future, the respective grant liabilities become repayable.

28. Taxation status

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