



**THE RICHMOND FELLOWSHIP  
REPORT AND ACCOUNTS**

for the year ended

**31 MARCH 2017**

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## RF GROUP BOARD MEMBERS AND ADVISERS

### BOARD MEMBERS

Helen Edwards Chair (Appointed 1 April 2016)  
Barbara Deacon-Hedges (Resigned 7 October 2016)  
Stephanie de la Haye  
David Brindle Vice Chair  
Geoffrey Bland  
Albert Fletcher (Appointed 1 April 2017)  
Anne Tansi Harper  
Michael Holland  
David Millard (Resigned 31 March 2017)  
Peter Molyneux  
Alan Powell

### Executive Directors

Derek Caren - Group Chief Executive  
Raj Lakhani - Group Director of Finance and Deputy Chief Executive  
Grazina Berry - Group Director of Performance, Quality and Innovation  
Angela Williams - Group Director of People and Organisational Development  
(Resigned 30 June 2017)  
Mary Wishart - Group Director of Business Development

### SOLICITORS

Bates, Wells and Braithwaite LLP  
10 Queen Street Place  
London  
EC4R 1BE

### BANKERS

Lloyds Bank Plc  
4<sup>th</sup> Floor  
25 Gresham Street  
London EC2V 7HN

### INDEPENDENT AUDITOR

Nexia Smith and Williamson  
Statutory Auditors  
Chartered Accountants  
25 Moorgate  
London EC2R 6AY

### REGISTERED OFFICE

80 Holloway Road  
London N7 8JG

### COMPANY REGISTRATION

662712

### CHARITY NUMBER

200453

### REGISTERED PROVIDER OF SOCIAL HOUSING

H2025

### WEBSITES

[www.recoveryfocus.org.uk](http://www.recoveryfocus.org.uk)  
[www.richmondfellowship.org.uk](http://www.richmondfellowship.org.uk)

## Statement from the Chair and Group Chief Executive

Welcome to the Trustees Annual Report 2017. The aim of this report is to provide you with key updates relating to our Group's strategic direction, our financial performance, the work we are undertaking to ensure quality in the delivery of our services and how we are working alongside the individuals we support to ensure they are actively involved in shaping their own personal recovery journey.

At 31st March 2017, the parent, Richmond Fellowship (RF) has a single subsidiary Aquarius Action Projects (Aquarius) as a result of a substantial re-structure of the group during the year. The Group is now collectively known as Recovery Focus. The most significant aim of Recovery Focus is to put individual recovery at the heart of everything we do. RF and Aquarius are both national organisations that offer a long and proud history of delivering support services to individuals living with or experiencing issues relating to mental ill health, addictions and domestic violence.

We believe that by coming together to form Recovery Focus, we can combine our experience and expertise to truly inspire individual recovery nationwide. Over the past year, we have already started to see the benefits of the Recovery Focus partnership approach.

Recovery Focus has set out four strategic priorities for the next three years. They are:

- We will do more to put people at the heart of everything we do, involving the people we support in the development of our services and investing in our staff team
- We will broaden the range of support we offer and expand into new areas of service provision
- We will grow our influence and develop relationships with leading universities to develop research and help influence policy
- We will aim to grow our organisation through organic growth and merger opportunities.

The strategic priorities we have set are ambitious not least because we recognise the ongoing challenges facing the wider health and social care sector. While we are committed to growth and development, we are also working tirelessly to ensure we retain key services to provide continuity for people we support and our dedicated staff teams.

We recognise that to deliver these priorities, quality and innovation must underpin all of the services we provide. We are committed to ensuring our services are the best possible for people we support and that our staff team are committed to delivering quality in all aspects. We're investing substantial amounts into the development and upkeep of our properties and have a range of exciting projects going on throughout the year to ensure our service models are contemporary and our recovery pathways are accessible and relevant for the people we support. Our commitment to quality can not only be seen in the positive Care Quality Commission reports that we receive, but we also hear it from those individuals that we support. Their voice matters to us and that is exemplified in our Working Together Charter.

The Working Together Charter is a Group commitment to work alongside people we support as equal partners in their recovery. People using our services play an active part in their recovery with access and influence over their support plans and the support they receive. We also value the experience and ideas of people we support and actively involve them in the development of our service as well as in our board level decisions.

Recovery Focus is dedicated and committed to inspiring individual recovery nationwide. Close collaboration between partners has helped to bring about new learning and new ideas to the support we provide, ultimately benefiting the people we support.

But our vision doesn't end there. In 2017 and beyond, we remain committed to sharing our knowledge and ideas at conferences, forums and through establishing new partnerships with universities, NHS Trusts and other key stakeholders, to create even better services for the future.



Helen Edwards  
Chair



Derek Caren  
Group Chief Executive

27 July 2017



## REPORT OF THE GROUP BOARD

The Board of Richmond Fellowship ("RF") presents its annual report (incorporating the strategic report) and accounts for the year ended 31 March 2017. This report is prepared in compliance with the Charities Act 2011 and the Companies Act 2006. The strategic report prepared in accordance with the Companies Act 2006 is set out under the headings 'Our activities and services', 'Review of the year' and key performance indicators' and 'Principal risks and uncertainties'.

Our group currently comprises Richmond Fellowship (RF) and Aquarius Action Projects (Aquarius) (together, "Recovery Focus"). The group board is a unitary board comprising up to 15 directors under Articles of Association that were varied by General Meeting on 26th October 2016.

During the year, the activities and net assets of three other group partners, 2Care, Croftlands Trust and CAN (The County of Northampton Council on Addiction) were transferred into to RF and Aquarius on the recommendation of their respective boards. These three organisations have subsequently been struck off.

Both RF and Aquarius are registered charities and additionally RF is a registered provider of social housing, providing over 900 homes across England

### STRATEGY AND BUSINESS MODEL

The group works towards a vision of a society that values everyone suffering from mental ill health, addictions and domestic violence. That means challenging stigma and creating opportunities for people to find purpose and fulfilment in their local communities. At Recovery Focus we want to inspire individual recovery.

We believe that with the right support, recovery (however an individual chooses to define it) is achievable for everyone. We don't give up on people and work with them as equal partners to help them realise their ambitions.

### OUR ACTIVITIES AND SERVICES

The principal activity of the group is the provision of individually tailored support across our range of services from community based crisis care to support for family and carers.

Our services cover varying levels of need across the following areas:

- Crisis Care – supporting those in crisis as an alternative to police custody or admission to acute hospital services
- Residential recovery – around the clock support, often as a step down from hospital
- Supported living – supporting the development of independent living skills, providing this in accommodation we provide or in people's own homes
- Community-based services and peer support networks – tackling social isolation, accessing social networks, promoting personal confidence and resilience and engaging in everyday mainstream activities. Peer supporters are now an integral part of supporting self-belief, achieving personal goals and helping clients advocate for themselves
- Employment support – helping people stay in or return to paid employment, voluntary work or training and supporting employers to improve workplace well-being
- Carer and family support – working with families, carers and broader social networks to aid positive recovery and outcomes

Both RF and Aquarius are registered charities and additionally RF is a registered provider of social housing, providing over 900 homes across England which break down as follows:

- |  |     |
|--|-----|
| • RF owned and managed:                    | 387 |
| • RF owned but managed by other providers: | 19  |
| • RF managed on behalf of providers:       | 568 |

The group continues to develop its capacity and expertise to improve quality standards and the volume of available support going forward and thereby increase the number of beneficiaries.

We also want our services to be easy to access. We support commissioners to maximise local opportunities. Post referral, a new client's needs and aspirations are put at the heart of their personal recovery plan.

### REVIEW OF THE YEAR AND KEY PERFORMANCE INDICATORS

10,510 (2016 - 10,615) clients used Recovery Focus services in 2016/17, each with a personalised care plan. 84% of clients made planned exits from our services in the past year having been empowered in their recovery to the point where they felt able to move on.

A detailed review of our care pathways is underway with those using our services working alongside our skilled staff and expert advisers to use our evidence base (alongside similar evidence published by our peers) to build the most effective and inclusive service possible. Because every needless loss of life is a tragedy for everyone involved, during 2017 we have put a particular focus on suicide prevention.

During 2017, we had a number of tendering successes. In particular our new Crisis House model has been well received and is generating significant new business. We also had some difficult tendering losses during the year, with each company within the group having to deal with transferring valued staff members outside the organisation.

In assessing our own success in making recovery a reality we have looked in particular at the following indicators, seeking to deliver improvements year on year:

Activity indicators	2017	2016
Number of CQC registered services not meeting all core standards	1	2
Service utilisation compared to contract	89%	86%
Referral to treatment time of >3 weeks for treatment services	2.5%	3.4%
<b>Satisfaction indicators</b>		
Client satisfaction with their ability to influence their recovery plan	89%	85%
% clients scoring positive or stabilised in their recovery journey outcomes	98%	76%
% of client exits planned	84%	72%
% of clients feeling supported to access education, employment or training	74%	79%
% of clients satisfied with the quality of their accommodation	87%	90%

For the financial year ended 31 March 2017, the group achieved operational turnover of £46.0m down from £50.7m in 2016; this reduction arose from tender losses and significant contract renegotiations exceeding the gains in income achieved in the year from new work. The group's net assets have increased slightly to £39.7m from £39.6m in 2016.

Recovery Focus has pursued investment opportunities to acquire new properties, divest properties no longer fit for purpose and funded refurbishments of existing premises. In parallel, we have adopted four key enabling initiatives all of which require investment. These are: Working Together, Digital, Research and Environmental Sustainability.

We are well equipped to face the future as is reflected in the group's results over recent years which are summarised as follows:

£m	2017	2016	2015	2014	2013
Turnover	46.0	50.7	46.5	38.6	33.4
Operating surplus (exc. adjustments due to acquisitions and actuarial values on pension funds)	-0.5	0.0	0.2	0.1	-0.3
Cash and investments	19.9	23.6	23.1	17.6	19.5
Group net assets	39.7	39.6	36.6	35.2	28.8
Capital investment	2.1	3.6	1.5	1.9	0.7
Representing % of opening cash balance	11%	16%	9%	10%	3%

Operating surplus is a key financial metric as the group needs to generate surpluses to remain financially viable in the long term. A loss was incurred in 2017 largely as a result of restructuring costs and the loss of contracts reducing our core income.

## PRINCIPAL RISKS AND UNCERTAINTIES

Reduced public spending coupled with inflationary pressures (including the impact of the National Living Wage) are squeezing margins significantly. This position is likely to continue for the foreseeable future and the group has set itself challenging targets in relation to reducing overheads, improving productivity and developing new ways of delivering services. Moving to performance/evidence based contracts additionally does not guarantee income even where full costs of the service remain. This also challenges viability.

Managing client risk and health and safety related issues with ever more complex clients (in ageing and more pressured environments), is a constant challenge. The group has in place a robust programme of assessments to ensure that the health and safety duties and obligations in our premises are being met and regular peer and more formal service reviews take place to ensure that client risk is being closely managed (including clients' own funds and medication).

To ensure that we remain a viable and sustainable in the longer-term, competitive edge and growth are important to the group's aspirations. We believe that with a broader service choice and a stronger geographical presence, we can offer our service pathways to more people whilst seeking to keep overheads in check. If we do not adequately tackle the management of overheads in proportion to the business, we will lose competitive advantage, risking our whole business model going forward. We are also very aware that in the current commissioning climate we know that this is an aspiration also pursued by many of our peers.

Commissioner needs continue to evolve quickly but not necessarily in a consistent way from commissioner to commissioner. Clinical Commissioning Groups (CCGs) continue to have a different perspective compared to local authorities. In a competitive and resource tight environment we need to offer clear and simple solutions, with evidence for success, to both emerging and long-standing issues. We are committed to working closely with commissioners to bring innovative ideas to the table but will inevitably need to focus on the most effective, viable and scalable developments. This will ensure that we minimise the risk of being distracted from our core business and increasing levels of abortive cost overheads.

Like many of our peers in the sector, our principal people resource risk is high levels of turnover. Arising from uncertainties relating to Brexit in some of our geographical areas this may worsen yet further. We continue to stay close to the management of this risk and the new innovations and initiatives being introduced to ensure that we can continue to deliver quality services for the users of our services.

The board has given due consideration to the major risks and is satisfied that systems or procedures are established in order to manage those risks. More detail is given in the statement of the group board on internal controls assurance and internal financial controls.

## FINANCIAL RISK MANAGEMENT

The group seeks to minimise its exposure to risks arising from financial instruments where possible. The most significant risk that the group faces is credit risk from its bank balances; it also faces market risk from its listed investments and liquidity risk from its trade debtors (as the trade debtors are, by value, mostly due from the Government in one form or another, credit risk is not considered to be significant).

The group's liquidity position remains strong but arising from the consolidation of the number of legally separate partners in the group, consolidating cash balances will give us far more scope to improve returns as more of the funds across the group will be able to be investment with a longer term horizon.

The group has cash reserves broadly equivalent to 430 days of payroll and under the existing group investment policy we aim for a mix of 75% liquid (and short term deposit) and 25% in listed investments. Currently investments are split between Schroder's charity multi-asset fund and CCLA-COIF ethical fund (relatively low risk funds), both portfolios engaging only with opportunities which can demonstrate high ethical standards. The higher average return on listed investments does, to an extent, mitigate against upward movements in inflation.

There is no loan book in place anywhere across Recovery Focus. As such, covenants, gearing and securitisation are not currently issues for the group. If the group was to expand significantly this position might need to change but we would have ample time to prepare for such an event.

Debt levels fluctuate quite widely but in overall terms are not showing a worrying trend. However the level of old debt, in common with many of our peers, has become more challenging in recent years.

The continued investment programmes are likely to result in the cash reserves reducing further, though changes in our property portfolio may result in sales proceeds funding part of this work. Given the depressed rates of return for cash balances, it is expected that the returns achievable under this strategy will be a far more beneficial use of reserves.

## LOOKING AHEAD

Recovery Focus has agreed four strategic priorities for the next three years:

- do more to put people at the heart of everything we do
- broaden the range of support we offer and expand into new areas of service provision
- grow our influence and develop relationships with research bodies
- grow in size through organic growth and merger opportunities



For 2018, we have agreed that the improvements to key enablers to deliver these priorities will be:

- ❖ Stronger together – working more closely as a group with common aims and values whilst additionally speaking with other similar organisations who might like to join the group.
- ❖ Delivering digitally – progress our root and branch overhaul of how we incorporate technology into our pathways and ways of working, both on the front line and across our support services.
- ❖ Reviewing outcomes and core quality standards – re-visit our evidence base of the effectiveness of our core care pathways working with people using our services to re-vision them
- ❖ Value engineering and investing for the future – to overhaul our group strategies for procurement, IT infrastructure and asset management to prioritise investment by maximum benefit whilst seeking to deliver economies of scale across the group by market testing

We intend to work collaboratively from the front-line through to the group board to achieve our objectives.

## **DIVERSITY, SOCIAL RESPONSIBILITY and the ENVIRONMENT**

Steered by the voice of the users of our services and as a charitable business, we take our role of being socially responsible very seriously. One of our core values is a commitment to social inclusion which we can't achieve unless we embrace, reflect and celebrate the diversity of the communities we serve.

Our commitment to equality, diversity and inclusion issues is a golden thread that runs through our organisation culture as well as our policy and process documentation. Our workforce is a very strong reflection of the diversity of the people we support but we monitor this closely. In accordance with our peers during 2016 we issued a statement on anti-slavery measures and adopted this as a group policy to ensure we have taken every possible measure to comply with new laws and guidelines.

We analyse diversity trends, track all protected characteristics, culminating in an in-depth annual report to our board. This intelligence helps guide us and informs priority actions. The board's People Committee takes an on-going interest in over-seeing equality of access to services, development opportunities and that the workforce is a good reflection of the diversity profile of those in receipt of our services.

As well as an Investor in Diversity (accredited for the first time during 2017), we currently hold Investors in People Silver standard, EFQM (European Foundation for Quality Management) commitment to excellence (due for re-accreditation in 2017) and other quality indicators.

As a socially responsible organisation we are inclusive (we are a Mindful Employer, recruiting individuals with lived experience of the conditions we work with) both as a service provider and employer. We have policies in place to ensure we give full and fair consideration to applications to work within our group from people with disabilities giving fair regard to their ability and experience. We additionally provide employee-centred training to ensure that each member of our workforce is supported to succeed. Special considerations are made for employees who become disabled whilst employed by any group company.

We also aim to contribute to the communities where our services are located, thereby supporting the integration of those using our services into these communities.

As a learning organisation we actively engage with experts and peers to pursue research and innovation opportunities to make continual improvements to our service offer and develop new services to reach out and more actively reflect local need. We have expanded our work around domestic violence as we felt that this was a key area where services locally available were not fully meeting demand. Being socially responsible is "our business" and we take this responsibility very seriously.

In addition, we recently achieved ISO 14001 (Environmental Management Standard) for our headquarters building, an initiative very much lobbied for by people using our services and our workforce. Across the supply chain we seek to procure sustainably and have recently introduced a set of measures across all of our premises to evidence our improvements and to achieve our goals of reducing our carbon footprint. A good example is the programme under way to put LED lighting in communal areas across our owned property portfolio and in certain cases, our leased premises.

## **OUR PEOPLE**

The cornerstone to delivering great services is our workforce. Many of the group's risks sit with our workforce to manage on a moment by moment basis. As well as being properly rewarded, Recovery Focus wants its teams to be responsive, well-trained and well-supported.

In 2017, we prioritised improvements to deliver core induction within a shorter time frame and give clearer, more consistent leadership across the organisation. We also increased training and communication around recognising, dealing with and supporting workplace stress - a key challenge for our group in common with many of our peers. Much of the investment in our four 2017 enabler initiatives supports our workforce to fulfil their roles more effectively than is currently possible.



We regularly provide information on financial and economic factors affecting the group, to all of our staff. We consult on matters of concern to them as employees and we use that feedback in making decisions which may affect their interests. RF and Aquarius separately have a staff council which has a schedule of meetings with management to feedback on-going issues that are being progressed. In addition, staff satisfaction surveys are conducted bi-annually.

During the year we paid particular attention to the following indicators:

Activity indicators	2017	2016
% days lost arising from sickness	5.5%	6.5%
% of voluntary turnover in the past 12 months	24%	22%
% workforce from BAME backgrounds compared to client %	+0.4%	+0.3%
% of workforce completing mandatory training during probation	95%	72%
Satisfaction indicators (using bi-annual responses) in RF	2016/7	2014/5
% workforce who would recommend RF as a good place to work	59%	59%
% workforce who believe their service delivers a high quality service to those they support	88%	88%
% workforce who consider they are well informed about the organisation	64%	61%

The ability of the workforce to influence our strategies, policies and our business direction is important to us and both Richmond Fellowship and Aquarius operate a Staff Council for regular formal discussion. Richmond Fellowship has a long-standing trade union recognition agreement with UNITE and has a formally constituted Joint Negotiation Committee (JNC) for matters relating to pay.

## VALUE FOR MONEY

### Return on assets and investments and use of reserves

Resources are increasingly scarce and we are working hard to 'sweat' our assets where possible (without putting them under severe strain). This includes divesting non-fit-for-purpose properties, re- and co-locating some operational and back office teams and upgrading infrastructure that will allow staff to better deliver for the needs of those using our services. The involvement of staff and users of our services pays significant dividend in being able to improve the quality, effectiveness and efficiency of services and we continue to make sure that frameworks are in place to yield a greater contribution by investing in these programmes. The benefits from these investments will be different on a case by case basis (each will have its own business case) and are likely to long-term but our aim is to put a larger proportion of our business on a sustainable footing.

We have a strong physical asset base across the RF group and it is entirely unencumbered at present as we have been able to fund investment programmes, both on property and other initiatives, from existing cash reserves. Holding significant cash balances offers a poor yield so we modestly and carefully have increased our physical asset portfolio, be that in property or technology, to ensure our properties are fit for purpose and our staff and clients are supported by available technology which allows more effective ways of working. We closely assess cost/benefit but where the advantages to those we support are clear, we invest to improve. We also have a disciplined approach to ensure we either dispose of properties that do not fit with our current and likely needs and recycle the funds or lease to a 3rd party if this option meets our strategic aims.

We have also got a robust strategy for improving our social and environmental responsibilities involving investment, partly devised by those we support across the group who wish to see us as a responsible provider.

We have also invested in parts of our back office (aiming to release £0.5m within two years across the group) and where these are located (allowing us to release premises). We plan to take this further with a Transformation Project for support service functions to simplify processes, improve IT support in these functions and to allow less human interaction with data flows. This is likely to yield savings but there will be more significant benefits in terms of controls assurances and efficiencies in front-line services in their administration responsibilities.

This focus on divesting, acquiring and re-investing or assets (notably properties) is a large element of our drive to use our charitable reserves more pro-actively, ensuring that improvements for our beneficiaries are the key deliverable. We have set up two Crisis House services during the year entirely funded from reserves. Our Crisis pathway has been well received and we have embedded on-going evaluation of outcomes and impact on beneficiaries to be assured that our business cases are being met.

In 2017 we acquired 2 new properties at a total value of £0.8m. We did not dispose of a property during 2017 itself but at 31 March 2017 we were actively marketing four properties on the open market (existing and no longer required properties) receipts from which based on current valuation reports, will realise in excess of £1m.

### Procurement

As previously highlighted, the large scale supply of goods and services is procured group-wide to maximise economies of scale, though during 2017 there were no significant new contracts let as we focused on bedding-in of new arrangements made in 2016, notably including:

- ❖ supply of agency staff
- ❖ provision of gas and electricity at all locations
- ❖ supply of stationery products
- ❖ legal services (conveyancing and premises related advice)
- ❖ VOIP telephony, including maintenance and management and the integration of networks

A significant programme is planned for 2018, covering IT networks, including support and printing infrastructure. The aim of the programme will be to deliver recurrent savings in overheads exceeding £100k.

As part of the existing intra-group arrangements, corporate services (e.g. insurances, company legal, conveyancing, internal and external audit, banking and investment services etc.) are procured by Richmond Fellowship on behalf of the group.

Increasingly the group is focused on achieving significant economies of scale on items that are generic to our operations across the group (e.g. utilities, agency services, recruitment, mobile communications, IT technical support, stationery, etc.) but there are also instances for small local jobs, where the best interests of both clients and the community are served by using local specialist providers. Quality is of course an important criterion in this decision and it is not an exclusively price driven approach.

We aim to use smarter procurement to deliver savings both in terms of routine supplies of goods and services for the group but also for specific and significant pieces of non-recurrent work. A new group policy and procurement strategy will be developed in 2018. This will ensure that a structured group procurement framework is in place with an agreed pipeline for those supply contracts where there remains further scope to improve operational efficiency and deliver savings.

We have reviewed our tendering approach during the year and made small adjustments to improve the potential for driving better value for money in parallel with improving governance in this important area. This is critical as whilst economies of scale releasing recurrent savings are prioritised, significant non-recurrent expenditure remains under close scrutiny.

### Better ways of working

As has already been flagged, we currently have a Transformation Project under way to deliver better ways of working throughout the organisation. Some of these improvements have financial benefits and some merely make the services provided more effective.

This is building on the work done in RF over recent years to overhaul management spans at every level and changes to the company reward structure. Once the impact of these changes has released its full value, a further saving of £0.5m across the organisation should be achieved in total. Aquarius currently retains its own terms and conditions of service and pay/reward structures but has also undertaken similar type exercises to structure themselves more efficiently which has also resulted in savings and efficiency improvements in both overheads and front-line service delivery. In addition some of their added value programmes have attracted extra short-term funding, reducing the draw on reserves where these are service development initiatives.

### Scrutiny

Decisions on the use of resources are made within a simplified group schedule of delegations which was revised in February 2017. Most scrutiny at board level takes place in the board committees which during 2017 took on bigger agendas and more delegated authority. Each committee ensures that delivering value for money remains a key priority and that resource is squarely focused on frontline delivery to maximise benefit. In delivering these services, we work alongside sector and other peers to benchmark both performance and how we are collectively rising to the challenges presented by both the marketplace and the wider environment. Despite competition in the sector, we are often working with the same issues in delivering for the people we each support.

Value for money scrutiny in the group takes place at every level of the organisation. Local and regional scrutiny ensures that services are delivering upon obligations to clients and stakeholders but also within the agreed budget. Local management works alongside support functions to extract a level of value for money in delivering services that improves the chances of securing their futures for the longer-term, which is good news for clients, staff and commissioners alike.

## STRUCTURE and GOVERNANCE

The legal structure of the group is outlined earlier in this document. RF has been declared as a "Person with Significant Control" over Aquarius (as RF has the right to appoint or remove directors) with Companies House.

Richmond Fellowship's objects as they appear in the Articles are:

*to provide a home and community life for the Fellowship's Beneficiaries;*

*to provide care, assistance and treatment to the Fellowship's Beneficiaries;*

*to advance the education of the public in all aspects of the treatment and care of the Fellowship's Beneficiaries; and*

*to advance other exclusively charitable purposes.*

*"The Fellowship's Beneficiaries" mean any person who*

*has mental or physical health problems;*

*has a learning disability;*

*has problems with alcohol or substance abuse.*

The Group Board is a unitary board comprising up to 5 executive directors and up to 10 non-executives. For any vote, the number of non-executives present must exceed executives. The current and 31<sup>st</sup> March 2017 composition of the Group Board is laid out at the beginning of this document. New board directors are taken through a tailored induction on joining and all board members are provided with appropriate training as needed..

Group standing orders were put in place at the beginning of 2017 for group partners to adopt as guiding principles to underpin the Articles and the intra-group Procedure Agreements in place. Concurrently the scheme of delegations was also updated.

Separate Codes of Conduct for all staff, Directors and Members and GLT members were also created. Other new group policies to be rolled out in early 2017/18 include: anti-money laundering, conflicts of interest, external requests for information, fraud and whistleblowing. The Group Board also adopted a group-wide statement on anti-slavery and human trafficking.

## REGULATION AND COMPLIANCE

The group complies with the requirements of the Homes and Communities Agency, the Charity Commission and Companies House, seeking consent, filing returns and publishing accounts as required. Compliance updates go to each meeting of the Audit and Assurance committee of the board.

Many of our care services are registered with and subject to inspection by the Care Quality Commission.

### Statement on Public Benefit

The purpose of the group is laid out in the charitable objects above. Prospective users of services across the group are usually referred to the provider organisation by a psychiatrist, general practitioner or other health care professional. Day care and other non-residential services are provided free of charge at the point of delivery. Rent and any other charges for housing, residential care and nursing homes are usually covered by a range of housing and other benefits. The Group Board has given due regard to the Charity Commission's guidance on providing public benefit in its decision-making and considers that all group activities provide public benefit.

### Statement of Accountability

The Group Board accepts the obligation to account for its actions in an open manner to people who use our services across the whole group and other stakeholders, to its regulators and commissioners and to the wider public. The Group Board also accepts the obligation to ensure that group companies deliver the standards of probity required by law, by its regulators and appropriate to its position in the community. Recovery Focus seeks to achieve a high level of corporate social responsibility subject to its overriding duty to fulfil its charitable objects and to use its charitable resources for that purpose.

In addition to putting people who use our services at the centre of everything we do, the Group Board has approved an updated communications strategy based around our new Recovery Focus identity. This includes the build of a new and evolving website to develop our social media presence, an annual review for commissioners and other stakeholders, an annual report to our tenants and to develop a higher profile within the sector.

#### Statement of Compliance Certified compliance with the HCA's governance and viability standard

The Group Board re-considered the HCA's governance and viability standards as part of the work of the Audit and Assurance Committee in July 2017, reviewing our progress and activities during 2016/17. The viability standard additionally requires adherence to the value for money standard. The committee concluded that the group is compliant.

#### Statement of Compliance with the NHF Code of Governance

The Homes and Communities Agency's Governance and Financial Viability Standard effective at 31 March 2017 requires compliance with an "appropriate code of governance, giving reasons for the choice and explaining areas of non-compliance". RF has chosen the NHF Code of Governance, which in turn requires compliance with the NHF Code of Excellence in Conduct. The Audit and Assurance Committee, acting for the Group Board re-considered the Code as part of the work of the Audit and Assurance Committee in July 2017 (which also considered the required HCA standards) and has subsequently approved the following statement of compliance:

*"Richmond Fellowship is a member of the National Housing Federation (NHF) and endorses the NHF Code. The Code is an integral part of RF's agreement for services with its non-executive directors. RF is compliant with (or taking steps to achieve compliance) all requirements of the Code that are relevant to it as a small, specialist registered provider of social housing and registered charity. The RF Group has rigorous governance arrangements which are audited regularly by our engaged firm of internal auditors and meet the reporting requirements of the Homes and Communities Agency and the Charity Commission."*

The specific area of non-compliance with the Code is explained as follows:

#### Requirement

(B4) Boards should have at least five members and no more than twelve, including any co-optees and any executive board members.

#### Reason for non-compliance

To meet the demands of our changing group, the Group Board comprised 14 members in total (with the Articles allowing 15) as at 31 March 2017. This includes 5 executive directors as RF has a unitary board.

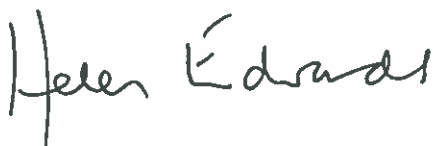
The non-compliance is likely to be addressed as part of the on-going group structure review which it is intended to complete before the end of 2017.

As part of its annual appraisal process, the Board has concluded that the business case for payment of non-executive group board members, approved by the Housing Corporation in 2008, remains valid as to both the benefit to RF of such payments and their current level, which has not increased since its introduction.

#### Disclosure of Information to the auditors

The Group Board confirms that, in fulfilling their duties as directors, they have taken all the necessary steps in order to make themselves aware of any information relevant to the audit and to establish that the auditor is made aware of that information and, so far as the directors are aware, there is no relevant audit information which has not been brought to the attention of the auditor.

Approved by the Board and signed on its behalf by



H Edwards, Chair of the Board

27 July 2017



## STATEMENT OF THE RESPONSIBILITIES OF THE GROUP BOARD IN RESPECT OF THE ACCOUNTS

The Group Board directors are responsible for preparing the report of the Group Board, incorporating the strategic report and the accounts in accordance with applicable law, regulations and associated guidance and good practice.

Company and housing law require the Group Board to prepare consolidated accounts for each financial year in accordance with UK Generally Accepted Accounting Practice (UK Accounting Standards and applicable law) including FRS102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland". Under company and housing law, the Group Board members must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the group and of the surplus or deficit of the charity for that period.

In preparing these accounts, the Group Board directors are required to:

- i Select suitable accounting policies and then apply them consistently
- ii Make judgements and estimates that are reasonable and prudent
- iii State whether applicable UK Accounting Standards have been followed, subject to any material departure disclosed and explained in the financial statements
- iv Prepare the financial statements on the going concern basis unless it is inappropriate to presume that Richmond Fellowship will continue in business

The board directors are also responsible for keeping adequate accounting records that are sufficient to show and explain all transactions and disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and have due regard to Charity Commission guidance. They are also responsible for safeguarding the assets of the group and by taking reasonable steps for the prevention and detection of fraud and other irregularities.

## STATEMENT OF THE GROUP BOARD ON INTERNAL CONTROLS ASSURANCE AND INTERNAL FINANCIAL CONTROLS

The Group Board is responsible for controls assurance across the whole group and reviewing their effectiveness. The directors recognise that such systems can provide only reasonable, not absolute, assurance against material misstatement or loss.

The Group Board acknowledges its ultimate responsibility for ensuring that systems of controls and risk management are in place throughout and the appropriate culture is predominant in the group's business environments within which we operate.

Directors exercise considerable care and attention to monitor the on-going evaluation and management of risk across the group and policies are in place to this effect. The Group Board is continuing to evolve but takes seriously its remit and is making on-going improvements to ensure that risk management and control is systematic, on-going and regularly refreshed.

### Board Members and Meetings

The Group Board met formally 8 times during the year 2017 in addition to two strategic away days. Directors' attendance at these meetings was 87%. We aim for over 90% but two non-executives required exceptional leave of absence (one at the start of the year and one at the end). If these two absences are excluded the attendance would have been 94%. A full list of Board Members is listed on page 1.

Remuneration made to Board Members in 2017:

G Bland	£5,000
D Brindle	£8,000
B Deacon-Hedges	£2,500
H Edwards	£12,500
T Harper	£5,000
S de la Haye	£5,000
M Holland	£5,000
D Millard	£5,000
P Molyneux	£5,000
A Powell	£8,000

As part of its annual process, the board has concluded that the business case for payment of non-executive group board member, approved by the Housing Corporation in 2008, remains valid as to both the benefit to RF of such payments and their current level, which has not increased since its introduction.

### Matters reserved for the Group Board

The Group Board has delegated only limited powers to its six committees, namely the Audit and Assurance, Business and Finance, People, Quality and Performance, Working Together and Remuneration Committees and also to executive directors, reserving certain responsibilities and decisions for itself, specifically:

- Management structure, organisation and essential governance
- Objects, values and corporate strategy
- Annual budget setting
- Key additional controls as specified in the newly updated standing orders and scheme of delegations

The Business and Finance Committee of the board is new with responsibility for scrutinising Business Development activity, property and infrastructure investment proposals and treasury management.

Where delegations exist, material or significant decisions or weaknesses identified are communicated to the Group Board at the next meeting unless a more urgent briefing is required. Each committee operates within terms of reference approved by the Group Board and these are regularly reviewed (the last review being in April 2017). Voting members of the committees are non-executive directors only. Each committee is entitled to appoint one or more independent members and whilst not able to vote, the independent members contribute significantly to the assurance framework, being experts in their field.

The Group Board must in accordance with its Articles, constitute a Board Nomination Panel in order to (as and when necessary) advise on the recruitment, remuneration and performance of non-executive directors.

**The Group Board is committed to:**

- Maintaining competence and integrity both personally and in respect of the management and employees and establishing and clearly communicating values;
- Establishing an environment of control consciousness and responsibility for managers and employees through written codes of conduct, formal standards of discipline and performance appraisal;
- Ensuring appropriate organisational structures within which the business and its associated risks can be planned, executed, controlled and monitored;
- Ensuring an appropriate scheme of delegations is in place which has regard to acceptable levels of risk;
- Maintaining financial reporting that is compliant with generally accepted accounting practices and standards;
- Establishing quality assurance reporting systems supported by appropriate procedures in place;
- Maintaining reporting systems to ensure that compliance is monitored and action taken to improve or change systems and procedures;
- Embedding a pro-active risk management culture into the organisation

**Identification and evaluation of risks and control objectives**

The Group Board directors, working with the Group Leadership Team (GLT) (comprising group executive directors, the RF business managing directors and the chief executive of Aquarius) and the directors of the Aquarius Board have separately and collectively given substantial consideration to the major risks to which the group is exposed. As part of this shared responsibility, all parent and subsidiary directors and the GLT jointly satisfy themselves that systems or procedures are in place in order to manage these risks.

**Information**

Performance, quality and financial indicators are in place to provide information to allow management to monitor the key business and financial activities, risks, statutory responsibilities, progress towards financial objectives and to identify matters which require intervention. Technology is in place to support this responsibility alongside effective policies and procedures which are regularly reviewed. Each partner has in place a fraud policy and a whistleblowing policy.

Across the group each partner generally has its own policies and procedures but increasingly group policies are being adopted allowing individual partners to:

- adopt the group policy in full;
- adopt the group policy but supplement this with more specific company policy;
- adopt the group policy but provide detailed procedures applicable only to the individual partner to ensure the policy can be effectively delivered.

Procedures are maintained by each partner within the group with a planned programme of review and updating in response to changes in statutory and other requirements. Some procedures differ from partner to partner given that care models differ materially.

The financial control procedures also differ between partners but by 31 March 2017, financial management and control was being delivered by RF on behalf of all group partners thereby creating more consistency.

**Monitoring and corrective action**

The parent and subsidiary boards require regular exception reports are available for scrutiny. These reports focus on compliance detailing the internal controls which identify weaknesses and non-compliance in order to take swift corrective action. These reports also cover the need to change procedures and systems to meet statutory and regulatory requirements. This work is supplemented by the work of appointed Internal Auditors.

The Audit and Assurance Committee acts to review the annual accounts – both the consolidated accounts and the company accounts for each partner. As part of this process, the Committee receives regular update reports on internal control matters from the internal and external auditors and agrees annual programmes of work across the group by both internal and external audit teams based on risk evaluation of the annual plans.

The group has a quarterly forecasting process in place to ensure that significant changes to the business, arising through tendering, legislation, national policy, economic indicators or any other external factors with a significant impact on the business. Where margins or returns are under threat, outline plans are drawn up to make sure any negative effects can be mitigated and positive changes can be maximised for the greatest good.

KPI dashboards exist at every level of the organisation, together with local and consolidated management accounts, all produced monthly. This supports those responsible for delivery to monitor how any targeted actions are impacting performance.

The Group Board scrutinises results through a board overview with more detailed “drill-down” scrutiny on key indicators going to the relevant committees which have their own focus and areas of expertise.

Management follow the same process with the GLT reviewing headline indicators and feeding back issues after the local scrutiny of frontline performance, has been reviewed.

Robust controls mechanisms are vital, but so is the supporting training and publicity to deliver processes that work in practice and are applied consistently. Controls must be clear and work effectively. A new group-wide process for assessing current risks within the group was put in place in 2016. The aim of this revision was to clarify how to ensure that the relevant risks are managed at the most relevant level within the organisation, without overlap or duplication.

A revised process was also agreed for the group to flag and escalate incidents likely to be resource intensive to resolve. The aim here was to achieve consistency most notably on serious incidents which might be notifiable to our regulators. Two matters were drawn to the attention of the regulators in 2017. The regulators were satisfied and the matters are now closed.

The group puts all individuals in any form of direct contact with people we support through the disclosure and barring service (DBS) records. The reports received have highly controlled access arrangements and are destroyed. Nonetheless, where issues are flagged, a detailed risk assessment takes place and high level authority is required to proceed (or not).

As well as having a number of external accreditations across the group as a good cross-check on the effectiveness of our processes and controls, we also use client and staff feedback which can be informally presented ideas, challenges from the Staff Council or indeed matters raised under the Whistleblowing Policy. Alongside these opportunities for more informal assurances we additionally undertake our annual survey of those using our services and staff satisfaction surveys (bi-annually). The results received through this process generate a formal action plan which is reported to and approved by the relevant Board.





## INDEPENDENT AUDITOR'S REPORT TO THE BOARD AND MEMBERS OF RICHMOND FELLOWSHIP

We have audited the financial statements of Richmond Fellowship for the year ended 31 March 2017 which comprise the Group and Company Statement of Comprehensive Income, the Group and Company Statement of Financial Position, the Group and Company Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes 1 to 33. 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 Richmond Fellowship's board, as a body, in accordance with Section 151 of the Charities Act 2011 and regulations made under Section 154 of the Charities Act 2011, and to Richmond Fellowship's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and Section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to Richmond Fellowship's board and 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 Richmond Fellowship, Richmond Fellowship's board as a body and Richmond Fellowship's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of the Board and Auditor

As explained more fully in the statement of responsibilities of the board in respect of the accounts, the board members (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and Section 151 of the Charities Act 2011 and report to you in accordance with those acts. 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 the 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](http://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 group's and parent company's affairs as at 31 March 2017 and of their surplus 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 the Charities Act 2011;
- 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.



**INDEPENDENT AUDITOR'S REPORT TO THE BOARD AND MEMBERS OF RICHMOND FELLOWSHIP (continued)**

**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 Report of the Board, incorporating the strategic report, for the financial year for which the financial statements are prepared is consistent with those financial statements; and
- the Report of the Board, incorporating the strategic 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 identified no material misstatements in the Report of the Board, incorporating the strategic report.

**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, the Charities Act 2011 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;
- adequate and sufficient accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

A handwritten signature in cursive script that reads 'Jacqueline Oakes'.

Jacqueline Oakes  
Senior Statutory Auditor, for and on behalf of  
Nexia Smith & Williamson  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London  
EC2R 6AY

27 September 2017

**STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 March 2017**

	Note	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
<b>Turnover</b>					
Turnover from the provision of goods and services	4	45,955	38,862	50,670	32,465
Fair value of incoming net assets on charity combination		-	-	2,713	-
Net assets of group subsidiaries transferred to parent entity	7	-	8,205	-	-
		<u>45,955</u>	<u>47,067</u>	<u>53,383</u>	<u>32,465</u>
<b>Operating expenditure</b>		(46,446)	(39,389)	(51,245)	(32,422)
<b>Other operating (costs)/income</b>					
(Deficit) / surplus on the disposal of housing properties and property, plant and equipment		(19)	(14)	498	351
<b>Operating (deficit) / surplus</b>					
From the provision of goods and services		(510)	(541)	(77)	394
From charity combination		-	-	2,713	-
From net assets of group subsidiaries transferred to parent undertaking		-	8,205	-	-
		<u>(510)</u>	<u>7,664</u>	<u>2,636</u>	<u>394</u>
Movement in the fair value of investments		411	412	(147)	(110)
Interest receivable and finance income	11	258	253	225	157
Interest and financing costs	12	-	-	(11)	(3)
<b>Surplus for the financial year</b>		<u>159</u>	<u>8,329</u>	<u>2,703</u>	<u>438</u>
<b>OTHER COMPREHENSIVE INCOME</b>					
Re-measurement of net pension scheme asset	10	(50)	(50)	309	-
<b>Total comprehensive income for the Year</b>		<u>109</u>	<u>8,279</u>	<u>3,012</u>	<u>438</u>

The Statement of Comprehensive Income was approved and authorised for issue by the Board on 27 July 2017.



Director



Director

**STATEMENT OF FINANCIAL POSITION as at 31 March 2017 COMPANY NUMBER 662712**

	Note	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
<b>Fixed assets</b>					
Property, plant and equipment					
Housing and other properties used for social provision	14	21,624	19,704	20,569	16,052
Other property, plant and equipment	15	4,418	3,787	4,480	3,459
Intangible assets	16	-	-	-	-
Post-employment benefits	10	875	875	901	-
		<u>26,917</u>	<u>24,366</u>	<u>25,950</u>	<u>19,511</u>
<b>Current assets</b>					
Inventories	17	67	67	86	67
Trade and other receivables	18	5,179	4,571	3,731	2,990
Investments	19	8,427	8,427	8,217	6,430
Cash and cash equivalents		11,449	7,802	15,381	8,329
		<u>25,122</u>	<u>20,867</u>	<u>27,415</u>	<u>17,816</u>
<b>Creditors: amounts falling due within one year</b>	20	(3,299)	(2,845)	(4,643)	(3,986)
<b>Net current assets</b>		<u>21,823</u>	<u>18,022</u>	<u>22,772</u>	<u>13,831</u>
<b>Total assets less current liabilities</b>		<u>48,740</u>	<u>42,388</u>	<u>48,722</u>	<u>33,341</u>
<b>Creditors: amounts falling due after more than one year</b>	21	(9,069)	(9,060)	(9,160)	(8,292)
<b>Total net assets</b>		<u>39,671</u>	<u>33,328</u>	<u>39,562</u>	<u>25,049</u>
<b>Funds</b>					
Restricted funds	25	8,184	3,858	8,393	393
Unrestricted Funds					
General unrestricted funds		28,561	26,726	28,947	24,541
Designated funds	26	1,641	1,457	1,269	115
Revaluation reserve		410	412	52	-
Pension reserve		875	875	901	-
<b>Total reserves</b>		<u>39,671</u>	<u>33,328</u>	<u>39,562</u>	<u>25,049</u>

The accounts were approved and authorised for issue by the Board on 27 July 2017.



Director



Director



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017**

	Unrestricted funds					Total £000
	Restricted funds £000	General Unrestricted funds £000	Designated funds £000	Revaluation reserve £000	Pension reserve £000	
Balance at 1 April 2015	6,188	27,053	1,600	1,128	581	36,550
Surplus for the year	-	2,703	-	-	-	2,703
Other comprehensive income	-	-	-	-	309	309
<b>Total comprehensive income</b>	<b>6,188</b>	<b>29,756</b>	<b>1,600</b>	<b>1,128</b>	<b>890</b>	<b>39,562</b>
Transfers (Note 24)	2,205	(809)	(331)	(1,076)	11	-
<b>Balance at 31 March 2016</b>	<b>8,393</b>	<b>28,947</b>	<b>1,269</b>	<b>52</b>	<b>901</b>	<b>39,562</b>
Surplus for the year	-	159	-	-	-	159
Other comprehensive income	-	-	-	-	(50)	(50)
<b>Total comprehensive income</b>	<b>-</b>	<b>159</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>109</b>
Transfers (Note 24)	(209)	(545)	372	358	24	-
<b>Balance at 31 March 2017</b>	<b>8,184</b>	<b>28,561</b>	<b>1,641</b>	<b>410</b>	<b>875</b>	<b>39,671</b>

**COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 31 March 2017**

	£000	£000	£000	£000	£000	£000
Balance at 1 April 2015	300	23,874	397	40	-	24,611
Surplus for the year	-	548	-	(110)	-	438
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>300</b>	<b>24,422</b>	<b>397</b>	<b>(70)</b>	<b>-</b>	<b>25,049</b>
Transfers (Note 24)	93	119	(282)	70	-	-
<b>Balance at 31 March 2016</b>	<b>393</b>	<b>24,541</b>	<b>115</b>	<b>-</b>	<b>-</b>	<b>25,049</b>
Surplus for the year	-	8,329	-	-	-	8,329
Other comprehensive income	-	-	-	-	(50)	(50)
<b>Total comprehensive income</b>	<b>-</b>	<b>8,329</b>	<b>-</b>	<b>-</b>	<b>(50)</b>	<b>8,279</b>
Transfers (Note 24)	3,465	(6,144)	1,342	412	925	-
<b>Balance at 31 March 2017</b>	<b>3,858</b>	<b>26,726</b>	<b>1,457</b>	<b>412</b>	<b>875</b>	<b>33,328</b>

**CONSOLIDATED CASH FLOW STATEMENT for the Year Ended 31 March 2017**

	Note	Group 2017 £000	Group 2016 £000
<b>Net cash used in operating activities</b>	33	(2,306)	1,667
<b>Cashflow from investing activities</b>			
Acquisition and development of housing properties and properties used for service provision		(1,459)	(2,901)
Sale of housing properties		-	809
Sale of other property, plant and equipment		8	11
Purchase of other property, plant and equipment		(600)	(807)
Purchase of investments		-	(1,500)
Investment income received		68	72
Interest received		157	135
Cash balances acquired with subsidiaries		-	1,707
<b>Net cash used in investing activities</b>		<u>(1,826)</u>	<u>(2,474)</u>
<b>Cashflow from financing activities</b>			
Interest paid		-	(11)
Repayment of loan		-	(5)
<b>Net cash used in financing activities</b>		<u>-</u>	<u>(16)</u>
<b>Net decrease in cash and cash equivalents</b>		(4,132)	(823)
Cash and cash equivalents at the beginning of the year		20,581	21,404
Cash and cash equivalents at the end of the year		16,449	20,581
<b>Cash and cash equivalents at the end of the year comprise:</b>			
Cash at bank and in hand		11,449	15,381
Short term bank deposits		5,000	5,200
<b>Total</b>		<u>16,449</u>	<u>20,581</u>

## NOTES TO THE ACCOUNTS for the year ended 31 March 2017

### 1. Status

Richmond Fellowship ("the company") is a private company limited by guarantee and is incorporated in England; the registered office address is 80 Holloway Road, London, N7 8JG. The company is a registered charity (number 200453) and is also registered as a private provider of social housing with the Homes and Communities Agency (number H2025).

In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member. The number of members as at 31 March 2017 was 20 (2016 – 21).

Details of the principal activity of the company are given in the accompanying narrative reporting.

### 2. Accounting policies

#### Basis of preparation

These financial statements are the first annual financial statements of the group prepared in accordance with The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), the Statement of Recommended Practice for social housing providers published in September 2014 and The Accounting Direction for private registered providers of social housing 2015. The financial statements are also prepared in accordance with the Companies Act 2006 and the Housing and Regeneration Act 2008. The consolidated financial statements are additionally prepared in accordance with the Charities Act 2011. The September 2015 amendments to FRS 102 have been used in preparing these financial statements.

The company is a public benefit entity and the group is a public benefit group, as defined by FRS 102.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets in accordance with the group's accounting policies.

#### Going concern

The financial statements have been prepared on the going concern basis as, after making enquiries, the Board has reasonable assurance that the company has adequate resources to continue in operational existence for the foreseeable future.

#### Disclosure exemptions for qualifying entities under FRS 102

The company is a qualifying entity as defined by FRS 102 and, as such, has taken advantage of the exemption from presenting a statement of company cash flows on the grounds that the relevant information is included within the consolidated information presented within these financial statements.

#### Basis of consolidation

The group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In the case of subsidiaries which are charitable companies limited by guarantee, that control exists by virtue of the company being the sole member of each of the subsidiaries thereby being able to appoint the trustees of those entities.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

Any entities which either become, or cease being, subsidiary undertakings during the year are included up to, or from, the dates of change of control, respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Intra-group business transfers are treated as group reconstructions and incoming assets and liabilities are recognised at their original book values. Any gain or loss arising is recognised in the statement of comprehensive income.

## 2. Accounting policies (continued)

### Business combinations

The acquisition method, as applied to public benefit groups, is used to account for a combination with a new subsidiary.

The acquisition method requires that the new subsidiary's assets and liabilities be initially recognised at their fair value. Where the nature of the combination is in substance a gift, the fair value of the gifted assets and liabilities is recognised as a gain or loss in the statement of comprehensive income in the year of the transaction, with all costs directly relating to the combination being expensed. For combinations which are in the nature of acquisitions, the excess of the fair value and directly attributable costs of the purchase consideration over the fair values of net assets and liabilities acquired is recognised as goodwill.

On transition to FRS102 the group and company took the exemption available to not restate acquisitions affected before transition date of 1 April 2014.

### Managed properties

Income and expenditure relating to housing properties managed by the group are recognised in the statement of comprehensive income where the group is exposed to a significant proportion of the risks associated with the properties.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents rental income receivable; fees from local authorities and other funders for the provision of services; grant income from the Homes and Communities Agency and other bodies, income from fundraising activities and amounts receivable for goods sold. All such amounts are stated excluding VAT where this has been applied.

Income is recognised as follows:

- Rental Income – on a time apportioned basis
- Service Income – as the services are provided
- Donations – when the group has entitlement, the donation can be measured reliably and receipt is probable
- Revenue grants – in the same period as the expenditure to which they relate
- Government capital grants - recognised using the accruals model and initially deferred and then credited to revenue on a straight line basis over the expected life of the asset which they have funded
- Other capital grants – recognised using the performance model, with recognition being when the group has entitlement, the donation can be measured reliably and receipt is probable

Donated assets and services which would otherwise have been purchased are included at the estimated expenditure which has been avoided as a result of the gift. Other donated assets and services are recognised at the fair value of the asset or service received.

Donations received for funding capital assets are recognised as revenue in the statement of comprehensive income when the recognition criteria above are met. If the related properties are disposed of, or cease to be used for the approved purpose, the donations may become repayable in which case the liability is recognised when the related asset is disposed of or when it ceases to be used for the approved purpose.

### Employee benefits

The group provides a range of benefits to employees, including paid holiday arrangements and defined benefit and defined contribution pension plans.

#### Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. Termination payments are recognised when an obligation to the relevant employees is created, which is usually when the intention to terminate employment is communicated to those employees.

#### Defined contribution pension plan

The group operates a defined contribution plan, whereby the group pays fixed contributions into a separate entity. Once the contributions have been paid the group has no further payment obligations. The contributions are recognised as an expense in the period to which they relate. Amounts not paid are shown in accruals in the statement of financial position. The assets of the plan are held separately from the group in independently administered funds.



## 2. Accounting policies (continued)

### State plan

The group is an admitted body to the NHS Pension Scheme, a multi-employer defined benefit pension scheme. The group has no on-going liability to this scheme other than to pay contributions as they fall due and this plan is accounted for as a defined contribution plan.

### Defined benefit pension plan

The group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration.

The asset recognised in the statement of financial position in respect of the defined benefit plan is the fair value of the plan assets at the reporting date less the present value of the defined benefit obligation at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Re-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in operating expenditure in the statement of comprehensive income as employee costs comprises the increase in pension benefit liability arising from employee service during the period and the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the statement of comprehensive income as 'Finance expense'.

### **Operating leases**

Rentals payable under operating leases, where substantially all the risks and rewards of ownership remain with the lessor, are charged to operating expenses in the statement of comprehensive income on a straight line basis over the life of the lease.

Incentives received to enter into an operating lease are credited to the profit and loss account, to reduce the lease expense, on a straight-line basis over the period of the lease.

### **Value Added Tax**

The group is registered for VAT and the balances shown in these accounts exclude VAT where applicable. Irrecoverable input VAT is expensed as incurred and is analysed in line with the underlying expense to which it relates.

### **Taxation**

Most entities within the group are registered charities and are able to obtain relief from corporation tax, provided that they operate within certain charitable exemptions, including applying all income to charitable purposes. Since these conditions have been fulfilled, these entities do not recognise provisions for taxation.

Provision is made for direct and deferred tax in respect of non-charitable subsidiaries; currently, the activities of non-charitable subsidiaries are immaterial to the group.

### **Housing and other properties used for social purposes**

Housing and other properties used for social purposes are properties which are held to provide residential accommodation, nursing homes or day care centres.

These properties are stated at cost less accumulated depreciation and any recognised impairment loss. The cost of the properties is the purchase price together with those costs that are directly attributable to acquisition and construction up to the date of completion.

Properties in the course of construction are not depreciated.

## 2. Accounting policies (continued)

Depreciation is charged on major components so as to write down the cost of the components to their estimated residual value on a straight line basis over their estimated useful lives as follows:

Freehold Land	-	indefinite	Structure	-	100 years
Pitched Roof	-	60 years	Flat Roof	-	20 years
Windows	-	40 years	Boilers	-	15 years
Bathrooms	-	20 years	Kitchens	-	15 years
Wiring	-	30 years	Fire Systems	-	10 years

Subsequent expenditure which relates to either the replacement of previously capitalised components or the enhancement of such components which results in incremental future benefits, is capitalised and the carrying amount of any replaced component or part component is derecognised.

Any other expenditure incurred in respect of repairs is charged to operating expenses in the statement of comprehensive income.

### Other tangible fixed assets

Other fixed assets are stated at cost less depreciation. Depreciation is charged on a straight line basis over the expected economic lives of the assets at the following annual rates:

Office premises	1%
Motor vehicles	25%
Plant & machinery	25%
Furniture	25%
Computer infrastructure, IT & other office equipment	33.3%

### Intangible fixed assets

Intangible assets solely arise on entity combinations and comprise goodwill arising on acquisitions and intangible assets of incoming subsidiaries which meet the FRS 102 recognition criteria.

Intangible assets are stated at cost to the group less accumulated amortisation and accumulated impairment losses; the cost to the group is the fair value of the intangible assets arising on acquisition.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Goodwill – 10 years
- Acquired customer relationships – over the life of the relevant contracts
- Acquired brands – 10 years

Amortisation is charged to operating expenditure in the statement of comprehensive income.

Where factors, such as changes in market price, indicate that the residual value or useful life of an intangible asset have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired. Any impairment loss is recognised in operating expenditure in the statement of comprehensive income.

Goodwill impairment losses are never reversed. Where impairment losses for other intangible assets are subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in operating expenses in the statement of comprehensive income.

### Investments in subsidiary undertakings

Investments in a subsidiary company are held at cost less accumulated impairment losses.

### Inventories

Inventories are stated at cost less provision for impairment losses.

### Impairment of non-financial assets

## 2. Accounting policies (continued)

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

### Assets not used for social purposes

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of the combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

### Assets used for social purposes, including housing and other properties

For the purposes of impairment assessments, housing and other properties used for social purposes are assessed on a property by property basis.

At each statement of financial position date, the properties are assessed to determine if there are indicators that the property may be impaired in value; if there are such indicators of impairment, then a comparison of the property's carrying value to its recoverable amount is undertaken. Any excess is over the recoverable amount is recognised as an impairment loss and charged as operating expenses in the statement of comprehensive income; the carrying value is reduced appropriately.

The recoverable amount of a property is the higher of its fair value less costs to sell and its value in use. Value in use for properties which are able to be used in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. For other schemes, value in use is defined as the net present value of the future cash flows before interest generated from the scheme.

When an impairment loss is subsequently reversed, the carrying amount of the property is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in operating expenses in the statement of comprehensive income.

### **Current asset investments**

Investments are stated at market value and any changes in the valuation are recognised in the statement of comprehensive income.

### **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand and bank deposits and other highly liquid investments which have a maturity of three months or less.

In certain cases the group and its employees assist individuals to manage their money in their bank accounts. These bank accounts do not relate to the group and are therefore not dealt with in these financial statements.

### **Government grants (social housing grants)**

Government grants are recognised when there is reasonable assurance that the group will receive the grant and be able to comply with the terms of the grant. Grants are classified as either relating to assets or as relating to revenue.



## 2. Accounting policies (continued)

Grants relating to assets are accounted for using the accrual model and are recognised as revenue in the statement of comprehensive income over the period of the estimated life of the relevant asset to which it relates as follows:

- Grants relating to whole properties – over the useful life of the structure
- Grants relating to components – over the useful life of the relevant components

Grants relating to assets are derecognised when the asset to which they relate is derecognised.

Grants which relate to revenue are accounted for using the performance model and are recognised in the statement of comprehensive income as the associated costs to which the grant relates is recognised.

Any grants which are received but are not recognised are disclosed as liabilities.

Grant relating to a property which is sold is derecognised and disclosed as a liability.

### Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the group becomes a party to the contractual provisions of the instrument.

The group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Trade and other debtors and creditors, including rent arrears and rent paid in advance, are classified as basic financial instruments and measured at initial recognition at transaction price. Such debtors and creditors are subsequently measured at amortised cost using the effective interest rate method, save that amounts expected to be settled within 12 months are not discounted. An impairment provision is established when there is objective evidence that the group will not be able to collect all amounts due.

Cash and cash equivalents and longer term bank deposits are classified as basic financial instruments and are initially recognised at their transaction price and subsequently at amortised cost.

Interest bearing bank and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the counter-party, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

## 3. Key sources of estimation uncertainty and judgements

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make judgements and estimates that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the statement of financial position date and the reported amounts of revenues and expenses during the reporting period.

### (a) Critical judgements

In preparing the financial statements, the following judgements which have, or could have, a material impact on the financial statements were made:

#### *Identification of housing property components*

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.

#### *Housing property impairments*

Recoverable amounts are based on either future cash flows or, for assets held for their service potential, depreciated replacement cost. The assessment of whether an asset is held for its service potential is a matter of judgement and in making that judgement the Board considers the current use of the asset and the expected future use of the asset. If the asset is unable to be let in its current condition or is not being used for a social purpose, either now or in the foreseeable future, it is assessed as not being held for its service potential.

Recoverable amounts for assets held for their service potential is assessed as the depreciated replacement cost which is the lower of (a) the cost of purchasing an equivalent property on the open market; and (b) the land cost plus the rebuilding cost of the structure and components. The group has no history of acquiring or selling properties from or to other registered providers and the Board considers that there is no active market.



**3. Key sources of estimation uncertainty and judgements (continued)**

**(b) Key accounting estimates and assumptions**

*Estimation of revenue*

Income from the provision of services is recognised as the services are provided. In most cases, the services are provided in accordance with the funding agreement, but in a minority of cases, the funder may contend that the services haven't been fully provided and retrospectively demand that a proportion of the invoiced income be refunded. Estimates are therefore necessary as to the extent to which invoiced income may be repayable.

*Defined benefit pension scheme liabilities*

The cost of defined benefit pension scheme benefits and the present value of the obligation are estimated based on a number of assumptions which reflect past experience and future expectations. Key estimates include life expectancy, salary increases, the discount rate on corporate bonds and, for the current service cost, the expected return on scheme assets. The estimated discount rate on corporate bonds has been reduced from 3.7% to 2.7% in the year; the impact of this, and other assumptions, is to increase the estimate of the net present value of the liabilities by £1.2 million.

*Useful lives*

Depreciation of assets is calculated based on the cost and the estimated useful lives of the assets. The expected useful lives for housing property components is estimated based on the expected replacement frequency used for asset management purposes.

*Impairments of housing and other properties held social purposes*

The cost of purchasing an equivalent property on the open market is estimated based on the sales prices for similar properties in or near the same location.

The rebuilding cost of structures and components is based on the current build costs obtained from market data (being primarily construction indices) applied to the relevant building size and type.

*Rent arrears and other debtors*

Provision is made for rent arrears where there is objective evidence concerning recoverability. This is an estimate based on past experience, the current level and age profile of the arrears / debtors, and the specific circumstances relating to a particular rent arrear or debt.

**Carrying values**

The carrying amount of the assets and liabilities affected by the above judgements and estimates are set out in the following notes.

4. Particulars of turnover, operating expenditure and operating surplus / (deficit)

Group	2017			2016		
	Turnover £000	Operating expenditure £000	Operating surplus (deficit) £000	Turnover £000	Operating expenditure £000	Operating surplus (deficit) £000
Social housing lettings (note 5)	24,570	23,621	949	24,821	23,895	926
Other social housing activities						
Charges for support services	1,993	2,132	(139)	2,028	2,301	(273)
	<b>26,563</b>	<b>25,753</b>	<b>810</b>	<b>26,849</b>	<b>26,196</b>	<b>653</b>
Activities other than social housing activities						
Registered nursing home lettings	1,425	1,675	(250)	1,527	1,763	(236)
Community based services	6,295	7,179	(884)	6,520	6,999	(479)
Employment services	4,054	4,282	(228)	4,706	5,060	(354)
Drug and alcohol services	4,919	4,886	33	9,032	9,540	(508)
Family and counselling services	1,286	1,335	(49)	803	758	45
Housing management	1,044	958	86	1,034	734	300
Other	369	378	(9)	199	195	4
Fair value of incoming net assets on charity combinations	-	-	-	2,713	-	2,713
	<b>19,392</b>	<b>20,693</b>	<b>(1,301)</b>	<b>26,534</b>	<b>25,049</b>	<b>1,485</b>
<b>Total</b>	<b>45,955</b>	<b>46,446</b>	<b>(491)</b>	<b>53,383</b>	<b>51,245</b>	<b>2,138</b>
(Deficit) / surplus on disposals of fixed assets			(19)			498
<b>Operating (deficit) / surplus</b>			<b>(510)</b>			<b>2,636</b>

4. Particulars of turnover, operating expenditure and operating surplus / (deficit) (continued)

Company	2017			2016		
	Turnover £000	Operating expenditure £000	Operating surplus (deficit) £000	Turnover £000	Operating expenditure £000	Operating surplus (deficit) £000
Social housing lettings (note 5)	23,802	22,849	953	18,576	17,732	844
Other social housing activities						
Charges for support services	1,991	2,132	(141)	1,883	2,105	(222)
	<b>25,793</b>	<b>24,981</b>	<b>812</b>	<b>20,459</b>	<b>19,837</b>	<b>622</b>
Activities other than social housing activities						
Registered nursing home lettings	1,425	1,675	(250)	1,527	1,763	(236)
Community based services	6,234	7,080	(846)	5,333	5,613	(280)
Employment services	4,047	4,270	(223)	4,670	4,997	(327)
Family and counselling services	243	370	(127)	103	79	24
Housing management	794	684	110	526	287	239
Other	326	329	(3)	(153)	(154)	1
Net assets of group subsidiaries transferred to parent entity	8,205	-	8,205	-	-	-
	<b>21,274</b>	<b>14,408</b>	<b>6,866</b>	<b>12,006</b>	<b>12,585</b>	<b>(579)</b>
<b>Total</b>	<b>47,067</b>	<b>39,389</b>	<b>7,678</b>	<b>32,465</b>	<b>32,422</b>	<b>43</b>
(Deficit) / surplus on disposals of fixed assets			(14)			351
<b>Operating (deficit) / surplus</b>			<b>7,664</b>			<b>394</b>

5. Particulars of income and expenditure from social housing lettings

Group	2017			2016		
	Supported housing	Residential care	Total	Supported housing	Residential care	Total
	£000	£000	£000	£000	£000	£000
<b>Income</b>						
Rent receivable net of service charges	3,366	15	3,381	3,331	1	3,332
Service charge income	2,794	-	2,794	2,871	-	2,871
	<b>6,160</b>	<b>15</b>	<b>6,175</b>	<b>6,202</b>	<b>1</b>	<b>6,203</b>
<b>Government grants taken to income</b>						
Supporting people	4,161	1,028	5,189	5,617	1,213	6,830
Amortisation of government grants	68	10	78	77	10	87
Other revenue grants	7,777	5,350	13,127	6,286	5,414	11,700
Non-Government grants	1	-	1	1	-	1
<b>Turnover from social housing lettings</b>	<b>18,167</b>	<b>6,403</b>	<b>24,570</b>	<b>18,183</b>	<b>6,638</b>	<b>24,821</b>
<b>Operating expenditure</b>						
Housing management	778	-	778	793	-	793
Service charge costs	960	497	1,457	962	467	1,429
Care and support	12,822	5,384	18,206	12,196	5,742	17,938
Routine maintenance	320	122	442	350	154	504
Planned maintenance	97	41	138	180	53	233
Major repairs expenditure	53	18	71	131	82	213
Bad debts	43	(48)	(5)	139	19	158
Property lease charges	2,111	163	2,274	2,161	236	2,397
Depreciation of housing properties	184	76	260	180	50	230
<b>Operating expenditure on social housing lettings</b>	<b>17,368</b>	<b>6,253</b>	<b>23,621</b>	<b>17,092</b>	<b>6,803</b>	<b>23,895</b>
<b>Surplus / (deficit) on social housing (as per note 4)</b>	<b>799</b>	<b>150</b>	<b>949</b>	<b>1,091</b>	<b>(165)</b>	<b>926</b>
<b>Void losses from (deducted from rent above)</b>	<b>716</b>	<b>-</b>	<b>716</b>	<b>713</b>	<b>-</b>	<b>713</b>



5. Particulars of income and expenditure from social housing lettings (continued)

Company	2017			2016		
	Supported housing £000	Residential care £000	Total £000	Supported housing £000	Residential care £000	Total £000
<b>Income</b>						
Rent receivable net of service charges	3,316	17	3,333	3,016	-	3,016
Service charge Income	2,742	-	2,742	2,546	-	2,546
	<b>6,058</b>	<b>17</b>	<b>6,075</b>	<b>5,562</b>	<b>-</b>	<b>5,562</b>
<b>Government grants taken to income</b>						
Supporting people	4,012	837	4,849	4,734	-	4,734
Amortisation of government grants	68	10	78	77	-	77
Other revenue grants	7,706	5,093	12,799	6,053	2,149	8,202
Non-Government grants	1	-	1	1	-	1
<b>Turnover From social housing lettings</b>	<b>17,845</b>	<b>5,957</b>	<b>23,802</b>	<b>16,427</b>	<b>2,149</b>	<b>18,576</b>
<b>Operating expenditure</b>						
Housing management	778	-	778	749	-	749
Service charge cost	948	456	1,404	881	83	964
Care and support	12,553	5,009	17,562	11,065	1,915	12,980
Routine maintenance	317	117	434	336	37	373
Planned maintenance	97	40	137	165	17	182
Major repairs expenditure	53	18	71	130	25	155
Bad debts	43	(48)	(5)	132	-	132
Property lease charges	2,063	151	2,214	1,855	153	2,008
Depreciation of housing properties	180	74	254	171	18	189
<b>Operating expenditure on social housing lettings</b>	<b>17,032</b>	<b>5,817</b>	<b>22,849</b>	<b>15,484</b>	<b>2,248</b>	<b>17,732</b>
<b>Surplus / (deficit) on social housing lettings (as per note 4)</b>	<b>813</b>	<b>140</b>	<b>953</b>	<b>943</b>	<b>(99)</b>	<b>844</b>
<b>Void losses from (deducted from rent above)</b>	<b>691</b>	<b>-</b>	<b>691</b>	<b>613</b>	<b>-</b>	<b>613</b>

6. Leases

The group lets certain of their housing properties to social housing tenants and to other social landlords.

**Social housing tenancies**

The social housing tenancy agreements are governed by housing law and rents levels are governed by the Government through powers derived from the Housing and Regeneration Act 2008. Housing law sets out various safeguards for tenants, the effect of which is to make gaining possession of the properties in the event of a default by tenant an onerous process requiring Court action by the group. In addition, where a tenant is in default through the failure to pay rent due, the Court, rather than terminating the tenancy, will usually order that the tenant clears the arrears over a number of years by making small weekly payments.

The tenants have no statutory rights or rights under the tenancy agreements to purchase the properties.

**6. Leases (continued)**

**Properties let to other social housing landlords**

RF has a number of properties which are let under non-cancellable operating leases to other social landlords for the provision of social housing. RF will receive the following future rents from such properties:

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Rent due within one year	190	190	170	170
Rent due between one and five years	280	280	420	420
Rent due after five years	-	-	-	-
	<u>470</u>	<u>470</u>	<u>590</u>	<u>590</u>

**7. Net assets of group subsidiaries transferred to parent entity**

	2017 £000
2Care - Transferred 30 <sup>th</sup> April 2016	4,777
CAN - Transferred 30 <sup>th</sup> June 2016	2,693
Croftlands Trust - Transferred 31 <sup>st</sup> May 2016	806
Loss (pre- transfer)	(71)
	<u>8,205</u>

During the year, the activities, assets and liabilities of the former subsidiaries, 2Care, the County of Northampton Action on Addiction (CAN) and Croftlands Trust, were transferred to the company. These transfers were treated as group reconstructions and the assets and liabilities were transferred at their book values.

**8. Key management emoluments**

The emoluments of the directors / key management were as follows:

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
<b>Emoluments (including pension contributions and benefits in kind):</b>				
Executive directors	464	464	541	541
Non-executive directors	61	61	51	51
	<u>525</u>	<u>525</u>	<u>592</u>	<u>592</u>
Employers' national insurance	55	55	55	55
	<u>580</u>	<u>580</u>	<u>647</u>	<u>647</u>
Emoluments of the highest paid director (excluding pension contribution, including benefits in kind)	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>

The Chief Executive is an ordinary member of the group's defined contribution pension scheme. No special terms apply.

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Directors' emoluments, as defined by the Companies Act 2006	<u>495</u>	<u>495</u>	<u>592</u>	<u>592</u>

## 9. Employee information

Average number of employees employed during the year:

Actual	2017		2016	
	Group No	Company No	Group No	Company No
Office staff	121	111	179	143
Service staff	1,210	1,070	1,224	728
	<b>1,331</b>	<b>1,181</b>	<b>1,403</b>	<b>871</b>

Full time equivalents	2017		2016	
	Group No	Company No	Group No	Company No
Office staff	117	108	150	118
Service staff	1,110	991	1,000	639
	<b>1,227</b>	<b>1,099</b>	<b>1,150</b>	<b>757</b>

The full time equivalent number of staff has been derived by reference to estimated hours worked.

Staff costs	2017		2016	
	Group £000	Company £000	Group £000	Company £000
Wages & salaries	27,184	23,470	28,098	18,377
Redundancy costs	386	317	285	195
Social security costs	2,175	1,864	2,282	1,512
Other pension costs	1,016	841	1,052	703
	<b>30,761</b>	<b>26,492</b>	<b>31,717</b>	<b>20,787</b>

The full time equivalent number of staff receiving remuneration (including pension scheme contributions) in the following bands is as follows:

	2017		2016	
	Group No	Company No	Group No	Company No
£120,001 to £130,000	1	1	1	1
£90,001 to £100,000	1	1	1	1
£70,001 to £80,000	3	2	4	2
£60,001 to £70,000	1	1	1	1
	<b>6</b>	<b>5</b>	<b>7</b>	<b>5</b>

Pension costs are analysed as follows:

	2017		2016	
	Group £000	Company £000	Group £000	Company £000
Defined contribution schemes, including contributions to state schemes accounted for as defined contribution pension schemes	954	779	971	703
Defined benefit schemes – current service costs	62	62	81	-
	<b>1,016</b>	<b>841</b>	<b>1,052</b>	<b>703</b>

## 10. Post-employment benefits

### *NHS Pension Scheme*

The group is an admitted body to the NHS Pension Scheme. The group's contribution in 2017 was £49k (2016: £54k) and the total number of employees participating in the scheme was 18 (2016: 21). The group has no on-going employer's liability in respect of this scheme other than to fulfil annual contribution obligations for members whilst they are employed by the group. This scheme is accounted for as a defined contribution scheme as the scheme actuary is unable to provide any details of the notional assets and liabilities attributable to the group. More details regarding the scheme are available from the NHS Pensions website.

### *2Care Pension & Life Assurance Scheme*

2Care operates a defined benefit scheme, the 2Care Pension & Life Assurance Scheme. The assets of the fund are held in a separate trustee administered fund. Contributions to the scheme are assessed with the advice of a qualified actuary on the basis of valuations using the projected unit method. Future employer contributions to the scheme have been agreed as being 26.95% (2016 – 23.05%) of pensionable salaries plus life assurance costs. Future employee contributions have been agreed as 8.45% (2016 – 8.45%) of pensionable salaries. The fund is now closed to new entrants and as a closed scheme it is likely that the future contribution rates will increase.

A comprehensive actuarial valuation of the fund was carried out at 31 March 2016 by an independent actuary and updated at 31 March 2017 by a qualified actuary. Adjustments to the valuation at that date have been made based on the following assumptions:

	2017 % per annum	2016 % per annum
Inflation	3.30	3.20
Salary increases	3.30	3.20
Rate of discount	2.70	3.70
Pension in payment increases - pre 97 accrual	3.30	3.20
Pension in payment increases - post 97 accrual	3.30	3.20
Revaluation rate for deferred pensioners – RPI	3.30	3.20
Revaluation rate for deferred pensioners – CPI	2.30	2.20
Expected return on assets	2.70	3.70
<b>Mortality assumptions:</b>	<b>Years</b>	<b>Years</b>
Longevity at age 65 for current pensioners		
Men	22.2	22.2
Women	24.3	24.2
Longevity at age 65 for future pensioners		
Men	24.0	23.9
Women	26.2	26.1



Reconciliation of scheme assets and liabilities:

	Assets £000	Liabilities £000	Total £000
At 1 April 2016	6,492	(5,591)	901
Benefits paid	(97)	97	-
Employer contributions	53	-	53
Employees contributions	19	(19)	-
Current service cost	-	(62)	(62)
Past service cost	-	-	-
Interest income/(expense)	-	(207)	(207)
Actuarial losses			
Return on plan assets excluding interest income	240	-	240
Actuarial gains and losses	1,404	(1,229)	175
<b>At 31 March 2017</b>	<b>8,111</b>	<b>(7,011)</b>	<b>1,100</b>
Unrecognised surplus			(225)
Net assets at 31 March 2017			<b>875</b>

Amounts recognised in income and expenditure are as follows:

	2017 £000	2016 £000
Current service cost	62	66
Finance income	(33)	(19)
	<b>29</b>	<b>47</b>

Plan assets are invested as follows:

	2017 £000	2016 £000
Equities	2,197	1,798
Bonds	561	485
Diversified Growth Funds	4,350	3,248
Liability Driven Investment	1,000	961
Cash	3	-
	<b>8,111</b>	<b>6,492</b>

**11. Interest receivable and financial income**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Interest receivable	157	152	135	114
Listed investment income	68	68	72	43
Net return on post employment benefits	33	33	18	-
	<u>258</u>	<u>253</u>	<u>225</u>	<u>157</u>

**12. Interest and financing costs**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Recycled capital grant fund interest	-	-	4	3
Loan interest	-	-	7	-
	<u>-</u>	<u>-</u>	<u>11</u>	<u>3</u>

**13. Surplus / (deficit) for the year**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Amortisation of goodwill	-	-	43	-
Impairment of goodwill	-	-	170	-
Depreciation of tangible fixed assets	1,034	957	933	677
Gain on disposal of fixed assets	1	1	563	528
Loss on disposal of fixed assets	(19)	(16)	(65)	(177)
Auditor's remuneration (excluding VAT):				
- Audit of the annual accounts	58	58	59	59
- Audit of subsidiary accounts	9	-	36	-
- Other services	38	-	12	12
Receivables from non-cancellable operating leases	185	185	173	173
Payments under non-cancellable operating leases:				
- Hire of plant & machinery	13	13	106	15
- Other	412	412	1,351	1,145
	<u>412</u>	<u>412</u>	<u>1,351</u>	<u>1,145</u>



15. Other tangible fixed assets

<b>Group</b>	<b>Freehold office premises £000</b>	<b>Leasehold office premises £000</b>	<b>Motor vehicles £000</b>	<b>Fixtures, fittings &amp; equipment £000</b>	<b>Total £000</b>
<b>Cost:</b>					
At 1 April 2016	2,927	1,091	118	5,176	9,312
Additions during the year	51	9	6	597	663
Disposals during the year	-	(66)	(40)	(179)	(285)
<b>At 31 March 2017</b>	<b>2,978</b>	<b>1,034</b>	<b>84</b>	<b>5,594</b>	<b>9,690</b>
<b>Depreciation:</b>					
At 1 April 2016	347	386	108	3,991	4,832
Charge for the year	63	66	6	567	702
Eliminated on disposals	-	(57)	(30)	(175)	(262)
<b>At 31 March 2017</b>	<b>410</b>	<b>395</b>	<b>84</b>	<b>4,383</b>	<b>5,272</b>
<b>Net Book Value:</b>					
<b>At 31 March 2017</b>	<b>2,568</b>	<b>639</b>	<b>-</b>	<b>1,211</b>	<b>4,418</b>
<b>At 31 March 2016</b>	<b>2,580</b>	<b>705</b>	<b>10</b>	<b>1,185</b>	<b>4,480</b>
<b>Company</b>					
<b>Cost:</b>					
At 1 April 2016	2,136	492	54	3,928	6,610
On acquisition	270	17	11	66	364
Additions during the year	-	-	6	597	603
Disposals during the year	-	(48)	(40)	(41)	(129)
<b>At 31 March 2017</b>	<b>2,406</b>	<b>461</b>	<b>31</b>	<b>4,550</b>	<b>7,448</b>
<b>Depreciation:</b>					
At 1 April 2016	253	35	54	2,809	3,151
Charge for the year	29	22	1	577	629
Eliminated on disposals	-	(48)	(30)	(41)	(119)
<b>At 31 March 2017</b>	<b>282</b>	<b>9</b>	<b>25</b>	<b>3,345</b>	<b>3,661</b>
<b>Net Book Value:</b>					
<b>At 31 March 2017</b>	<b>2,124</b>	<b>452</b>	<b>6</b>	<b>1,205</b>	<b>3,787</b>
<b>At 31 March 2016</b>	<b>1,883</b>	<b>457</b>	<b>-</b>	<b>1,119</b>	<b>3,459</b>



**16. Intangible fixed assets**

	Goodwill	Total
Group	£000	£000
<b>Cost:</b>		
At 1 April 2016 and 31 March 2017	526	526
<b>Amortisation and impairment:</b>		
At 1 April 2016 and 31 March 2017	526	526
<b>Net Book Value:</b>		
At 31 March 2017 and 31 March 2016	-	-

**17. Inventories**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Consumables	67	67	86	67

**18. Trade and other receivables**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Residents charges	748	748	919	708
Care contract arrears	3,225	2,262	2,155	1,405
Less: Provision for bad debts	(348)	(348)	(299)	(222)
	3,625	2,662	2,775	1,891
Prepayments & accrued income	1,528	1,447	787	677
Amounts owed by subsidiary undertakings	-	433	-	404
Other debtors	26	29	169	18
	5,179	4,571	3,731	2,990

**19. Current asset investments**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Short term bank deposits	5,000	5,000	5,200	4,500
Investments listed on recognised stock exchange	3,427	3,427	3,017	1,930
	8,427	8,427	8,217	6,430

At the statement of financial position date the average maturity of the deposits was 9 months (2016 12 months). The average interest rate was 0.8% (2016: 1.11%).

Investments listed on a recognised stock exchange comprise Schroder's Charity Multi-asset fund and CCLA-COIF Charities Ethical Investment Fund (Income).

**20. Creditors: Amounts falling due within one year**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Loans	50	50	100	100
Trade creditors	905	795	994	764
Other creditors	375	240	754	594
Amounts owed to subsidiary undertakings	-	-	-	301
Accruals & deferred income	1,194	986	1,489	1,088
Other taxes & social security costs	655	654	563	406
Recycled capital grant fund (Note 22)	-	-	621	621
Government grants (Note 23)	120	120	122	112
	<b>3,299</b>	<b>2,845</b>	<b>4,643</b>	<b>3,986</b>

**21. Creditors: Amounts falling due after more than one year**

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Recycled capital grant fund (Note 22)	27	27	27	27
Government grants (Note 23)	9,042	9,033	9,133	8,265
	<b>9,069</b>	<b>9,060</b>	<b>9,160</b>	<b>8,292</b>

**22. Recycled capital grant fund – group and company**

	2017 HCA £000	2016 HCA £000	2017 GLA £000	2016 GLA £000	2017 Total £000	2016 Total £000
Balance at 1 April 2016	621	618	27	76	648	694
Sale proceeds	-	-	-	27	-	27
Repayments	(623)	-	-	(76)	(623)	(76)
Interest	2	3	-	-	2	3
<b>Balance at 31 March 2017</b>	<b>-</b>	<b>621</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>648</b>
Amounts repayable within one year	-	621	-	-	-	621
Amounts due over 1 year	-	-	27	27	27	27
<b>Total</b>	<b>-</b>	<b>621</b>	<b>27</b>	<b>27</b>	<b>27</b>	<b>648</b>

During 2017 there were repayments to the Homes and Communities Agency (HCA) of £623k relating to £205k for the disposal of the Kingsmoor property, £149k relating to the disposal of the William Street property and £269k relating to the disposal of the Davenport Road property. As at the year end, none of the fund related to disposals which had taken place more than three years previously (2016: £621k).

**23. Government grants**

The government grants received to enable the group to acquire properties for social purposes (social housing grant). Should the properties to which the grants relate cease to be used for social purposes the grants may be repayable in full.

The total grants received by the group in respect of owned property is as follows:

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Grants credited to profit and loss	1,116	1,125	1,023	905
Deferred grants (Notes 20 and 21)	9,162	9,153	9,255	8,376
<b>Balance at 31 March 2017</b>	<b>10,278</b>	<b>10,278</b>	<b>10,278</b>	<b>9,281</b>

## 24. Transfers between reserves

### Group:

Transfers to designated funds from unrestricted general funds of £372k (2016: £331k) is comprised (a) a transfer of £126k to the maintenance fund, being the difference between the prior year fund balance sheet and the cost of works for the 2017 expenditure contained in the 5 year rolling plan; (b) a transfer of £51k being the transfer to the development fund as the net increase in funds set aside for that purpose and (c) £195k being the net increase in the Gwendoline Holder bequest in the year.

The transfer to the pension reserve from the general unrestricted reserve of £24k (2016: £11k) represents the net return on the scheme less current service cost in 2017.

The transfer from the general unrestricted reserves to the revaluation reserve of £358k (2016: £71k) represents the value of funds in the reserve resulting from the performance of the group investment in Multi Asset funds. The transfer to restricted funds is the net movement in restricted funds in the year.

### Company:

The company transfers represent the separate funds received on the group reconstructions in the year end and (b) the equivalent company transfers as described in the group section above.

## 25. Restricted reserves

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Mental illness services to be provided in Cumbria (formerly held by Croftlands Trust)	2,662	2,662	2,727	-
Alcohol, drugs and gambling Services				
- Held by Aquarius Action Projects	4,326	-	2,372	-
- Other (Formerly held by CAN)	758	758	2,856	-
Sundry	16	16	16	-
BIG Lottery	29	29	29	-
Employment services	200	200	200	200
IOW Association for Mental Health	193	193	193	193
<b>Balance at 31 March 2017</b>	<b>8,184</b>	<b>3,858</b>	<b>8,393</b>	<b>393</b>

The reserves formerly held by Croftlands Trust and CAN, and the reserves of Aquarius are restricted as charitable objects of those charities were / are narrower than the objects of the parent company.

The reserves of Croftlands Trust and CAN on the reconstructions were as follows:

- Croftlands Trust £2,662k
- CAN £758k

In addition, 2Care had restricted reserves of £16,000 as at the date of the reconstruction (shown as sundry reserves in the table above).

Employment service contracts where RF, under the terms of the contract, has an obligation to recycle surpluses to another service within the same local authority area.

On 30 September 2015, the trustees of the Isle of Wight Association for Mental Health (company 7739722; charity 1145283) entered into a Deed of Gift for its entire assets, to RF. The Association has had a close association with My Time CIC, a majority controlled subsidiary of RF in its work on the Isle of Wight. The gift is specifically to benefit people on the Isle of Wight who use mental health services and will contribute towards the further development of services locally. The value of the gift was £193,456.12. Having no remaining resources, RF took on responsibility with the trustees of the Association, for the voluntary application to strike-off. The Association was dissolved on 15<sup>th</sup> March 2016.

## 26. Designated reserves

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Maintenance	243	59	117	115
Development	680	680	629	-
R Holder	47	47	47	-
G Holder	671	671	476	-
	<u>1,641</u>	<u>1,457</u>	<u>1,269</u>	<u>115</u>

The funds have been designated for the following purposes:

The maintenance reserve will be utilised to meet the group's / company's five year rolling expenditure plan on major repairs and renewals to its properties held for social purposes. The level of the reserve is set annually and represents those funds required to support the budgeted expenditure required in the first year of the five year rolling plan.

The designated development reserve represents funds set aside for new investment initiatives in services.

The Richard Holder and the Gwendoline Holder funds represent unused donations; the funds are designated for reporting purposes. The movement in the Gwendoline Holder fund of £195k represents the settling of the estate and the receipt of funds by RF.

## 27. Other reserves

The general unrestricted fund represents the accumulated surpluses generated by the group / company since inception, to the extent that they are not represented by other reserves.

The revaluation reserve represents unrealised gains arising on revaluations of investments.

The pension reserve represents the recognised surplus on the assets of the group's defined benefit pension less the pension scheme liabilities.

## 28. Commitments

The group holds housing accommodation, office premises and equipment on non- cancellable operating leases. The group is expected to make the following future minimum lease payments under non cancellation operating leases:

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Within one year	1,278	1,175	1,211	1,162
Two to five years	331	223	768	323
More than five years	11	10	159	10
	<u>1,620</u>	<u>1,408</u>	<u>2,138</u>	<u>1,495</u>

## 29. Capital expenditure in respect of housing and other properties

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
Authorised by the board and contracted for	-	-	-	-
Authorised by the board and not contracted for	2,500	2,500	1,350	1,350

The expenditure is anticipated to be funded from existing cash resources.



### 30. Accommodation in management

The number of the different types of accommodation managed by RF Group at the end of the year was as follows:

Group	2017	2017	2016	2016	2015	2015
	Owned No.	Managed No.	Owned No.	Managed No.	Owned No.	Managed No.
<b>Social housing</b>						
Supported housing	332	531	288	469	226	428
Residential care	40	10	146	10	132	16
<b>Total social housing</b>	<b>372</b>	<b>541</b>	<b>434</b>	<b>479</b>	<b>358</b>	<b>444</b>
<b>Non social housing</b>						
Nursing homes	15	10	15	10	15	10
<b>Total Units in Management</b>	<b>387</b>	<b>551</b>	<b>449</b>	<b>489</b>	<b>373</b>	<b>454</b>

### 31. Financial instruments

	2017 Group £000	2017 Company £000	2016 Group £000	2016 Company £000
As at the year end, the group's financial instruments were as follows:				
Financial assets held at fair value	3,427	3,427	3,017	1,930
Financial assets, other than cash at banks, held at amortised cost	4,546	3,544	3,180	2,527
Financial liabilities measured at amortised cost	(1,771)	(1,036)	(2,485)	(2,436)
Revaluation gains / (losses) on financial assets held at fair value	411	412	(147)	(110)

Interest and other income on the financial assets are detailed in note 11.

### 32. Related party transactions

During the year the following transactions took place between Richmond Fellowship and its subsidiary companies:

Overhead recharges from the charity to / (from):	2017 £000	2016 £000
My Time CIC	-	-
2Care	22	388
CAN	69	88
Croftlands Trust	20	86
Aquarius Action Projects	(22)	-
<b>Total</b>	<b>89</b>	<b>562</b>

All transactions are charged at cost. Such costs are either direct or are apportioned based on estimated staff time. The total overheads subject to apportionment were £6,157k (2016: £5,857k).

**33. Reconciliation of surplus for the year to net cash used in operating activities**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Surplus for the year	159	2,703
Movement on fair value of investments	(411)	(147)
Surplus on the disposal of fixed assets	19	(498)
Net interest received	(258)	(225)
<b>Operating surplus</b>	<b>(491)</b>	<b>2,127</b>
Depreciation and impairment charges	1,023	1,145
Pension net service cost	(4)	8
Negative goodwill recognised as donation	-	(2,713)
(Increase) / decrease in debtors	(1,493)	1,364
(Decrease) in creditors	(1,360)	(245)
Decrease / (increase) in stocks	19	(19)
<b>Net cash (outflow) / inflow from operating activities</b>	<b>(2,306)</b>	<b>1,667</b>