Reall Limited
a company limited by guarantee

Annual Report & Financial Statements
for the year ended 31 March 2018

reall
Real equity for all

Charity registered in England & Wales No. 1017255
Charity registered in Scotland No. SC041976
Company Registration No. 2713841

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Charity and Company Information

Name of Charity	Reall Limited
Charity Registration Number England & Wales Scotland	 1017255 SC041976
Company Registration Number	2713841
Chief Executive	Ian Shapiro
Registered Office & Principal Address of the Charity	8-14 Harnall Row, Coventry, CV1 5DR
Auditors	RSM UK Audit LLP, 2nd Floor, St Philips Point, Temple Row, Birmingham, B2 5AF
Solicitors	*Weil, Gotshal & Manges* – One South Place, London, EC2M 2WG (pro bono) *Devonshires Solicitors* – Salisbury House, London Wall, London, EC2M 5QÝ
Bankers	*The Royal Bank of Scotland plc* – 15 Little Park Street, Coventry, CV1 2RN

Chair's Report for the year ended 31 March 2018

Welcome to our Annual Report and Financial Statements.

Reall's mission to transform the affordable homes market is more critical than ever. In 2017/18 we have managed a complex set of circumstances. Our anchor investors have remained committed to our partnership and mission throughout. Likewise, our African and Asian Partners have continued to steadfastly focus on improving lives for vulnerable people in their communities. The support has enabled Reall to overcome obstacles and consolidate our position as a leading international organisation in affordable housing.

2017/18 was anticipated to be the last full financial year of delivering CLIFF 2b. The Swedish Government through Sida, will provide support for CLIFF 2b until December 2018, whilst the UK Government through DFID, are concluding whether to provide a costed extension to CLIFF 2b or begin CLIFF 3. Our successes over 2017/18 have been constrained by the delay in finalising future financing. Substantial progress in securing new CLIFF investment now provides the platform for and confidence in delivering our mission to transform the affordable homes market in the future.

During this financial year we have made 10 new investments and ensured the delivery of more than 1,200 housing units. This contributes to the 11,000 housing units benefiting 55,000 vulnerable people over the life of CLIFF 2b since 2014. The relative slowdown of activity during this year is in part a result of appropriately cautious disbursements from DFID and Sida. Both investors rightly wanted to ensure that Reall's systems and those of our Partners were ready for additional investment.

As a result, Reall has further strengthened our systems across the portfolio. This includes a consolidation of the 8-step Assurance Framework ensuring robust due diligence throughout the investment cycle, health check visits to several our African and Asian Partners and work to enhance our policies on risk management, fraud and corruption, safeguarding, procurement and staff welfare.

We have reported a surplus of £9.1m before loan impairment and some significant exchange rate losses. Against this we disbursed £7.3m in new loans.

Our focus on deepening our assurance systems and refining our relationship with each Partner positions us well for the future. It will enable us to proceed with additional CLIFF investment support from Sida and DFID and also to continue to prepare the ground for additional investors. This is vital to transform the market for affordable homes, with Reall's model providing evidence to persuade other investors to crowd-in to an under resourced sector.

In February 2018 we welcomed Ian Shapiro as our new Chief Executive to consolidate these changes and lead us into the next phase of growth.

The Board would like to articulate its appreciation to all our long-term supporters both individuals and organisations. We hope this report demonstrates the value of your contributions to delivering change in people's lives across Africa and Asia.

Finally, I would like to thank the Board and the staff for their resilience and quality work over the year. We would not have made this progress without them.

D. C. Orr.

David Orr

Chair

Report of the trustees for the year ended 31 March 2018

The trustees are pleased to present their annual trustees' report together with the financial statements of the charity for the year ended 31 March 2018, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum & Articles of Association and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

On 16 August 2017, the charity formally changed its name from Homeless International to Reall Limited, which had been its trading name since 2015.

Our objects, vision and mission

Reall is established for the relief of poverty with a focus on transforming the affordable homes market. Underpinning this is our vision of "a world in which everyone has access to land, shelter and services". Reall improves urban environments for low income people and communities which breaks the cycle of poverty and reduces aid dependency. Through proving the financial viability of genuinely affordable housing provision, Reall aims to build the evidence to crowd-in other actors including public bodies, investors and deliverers. Reall uses aid in a catalytic way by working with local Partners to develop a locally appropriate sustainable commercial model. This includes recycling funding from occupants to create a pool of funds which will allow an affordable home model that is not reliant on grant aid.

Cities can be engines of economic growth. However, low income people are often unable to benefit. Affordable homes can trigger enormous social and economic development by creating a tangible asset for vulnerable people. This in turn transforms low income people's opportunity to access credit, find employment and live securely. The cumulative impact on communities and resilience is profound. A strong emphasis on Monitoring, Evaluation and Learning enables Reall to be a catalyst for economic and social development. Well designed and delivered affordable homes can provide a tangible asset for vulnerable people which breaks the poverty cycle and creates wider multiplier effects through neighbourhoods, jobs, services, enhanced tax bases, strengthened supply chains, environmentally sensitive solutions and increased security.

The enhanced evidence base Reall builds will help the sector to understand the poverty reduction benefits and commercial viability of affordable homes at a genuinely low price point. The evidence will be widely shared with the aim of crowding-in more actors into this under-resourced sector.

In shaping our policy and objectives both for now and for the future, the trustees have considered the Charity Commission's guidance on public benefit including the guidance "public benefit: running a charity (PB2)". Reall currently relies on grant funding and income from donations and memberships to cover its unrestricted programme operating costs at present, although work is continuing to widen our funding base to reduce our reliance on a very small group of major funders as we move forward.

We welcome the on-going support from our anchor investors, principally the UK's Department for International Development (DFID) and the Swedish government's International Development Agency (Sida). In the medium term we intend to transition to a more diverse funding portfolio. This includes new investors and recycled funds to complement the grant financing from DFID and Sida. In due course, we anticipate our success to also be measured in relation to new financing entering the genuinely affordable homes market, irrespective of whether that funding comes through Reall.

Strategic report

The year ended 31 March 2018 was one of significant change for Reall. Our long-standing Chief Executive, Larry English left us to take up new challenges in July 2017 and his long-term replacement Ian Shapiro did not join us until February 2018. In the interim period, our Director of Finance & Administration, Karen Preece acted as Interim Chief Executive. At the same time, we lost our experienced Director Capital Projects, Joe De Swardt – his role has been filled on an interim basis since then by Jean Teichmann. The Executive Team has now stabilised and is focused on ensuring that Reall is ready for CLIFF 3.

Report of the trustees for the year ended 31 March 2018 (continued)

The process of transition from CLIFF 2b to CLIFF 3 has not been as smooth as we would have liked. The business case for CLIFF 3 was ready to be presented to ministers for approval at DFID when the snap general election was called in May 2017. By the time that a new minister was in place, the Reall leadership changes had taken place and unsurprisingly, both DFID and Sida were cautious about proceeding with new long-term funding agreements. Over the final quarter of the financial year and the first quarter of FY19, DFID have led on a joint in-depth review of our activities and processes before making any decision to commit to CLIFF 3. An anonymous complaint also led to an investigation by the Charity Commission, which is still ongoing at the date of approval of the accounts.

As a result, Reall has begun FY19 in the last period of our already extended agreements with both DFID and Sida. Since the year end, discussions with both have been continuing and we now expect to agree a further 18 month costed extension of CLIFF 2b with DFID effective from 1 July 2018 and further funding from Sida for a minimum of 18 months effective from 1 January 2019.

Achievements and Performance in the year

In the following section, our key areas of activity are broken into the respective parts; CLIFF, Communities, Business Development and Funding, Marketing and Communications to give a picture of the work that has been taking place over the past year.

CLIFF PROGRAMME

Reall has continued to deliver on its mission despite a challenging year on many fronts. There have been numerous successes, some of which are listed below:

- We approved projects to provide an additional 1,270 housing units across 6 partners and 6 different countries. These units will provide housing to an additional 6,350 people. This brings the portfolio total to 21,566 units since 2010. New projects this year include a multi-storey apartment building in Lahore, Pakistan, to provide rental accommodation to 102 female students and young professionals, along with our first housing project in Mozambique, providing 10 showcase units in Beira.
- We also approved the construction of 3,521 basic service units, bringing the CLIFF portfolio to 49,187. These basic service units include water and sanitation to every home, along with a large proportion receiving electricity infrastructure. On top of this, an innovative Decentralised Waste Water Treatment System (DEWATS) was approved in Zimbabwe to serve the homes of 850 co-operative members. This is the first time that DEWATS has been implemented in Zimbabwe, and the project is aiming to serve as a showcase to support advocacy of the technology to government and other housing providers.
- Land totaling 18.5ha has been mobilised across 6 countries, bringing the total mobilised across the programme to 732.5ha.
- Newly approved projects will directly create 1,905 jobs along with an additional 15,240 indirect jobs. This brings the total number created to 32,349 direct jobs since 2010, along with 258,792 indirect jobs.
- Our partners have completed an additional 1,098 housing units, bringing total completions to over 9,000 units. This year's completions have been in South Africa, Pakistan, Kenya, Zimbabwe, Nepal and India.
- We organised 2 Network Meetings in Dubai, which were attended by all partner CEOs. These have focused on ensuring stability across our network during the leadership changes that have taken place at Reall, along with planning for the future, both in terms of Reall's relationship with its partners and the next phase of the CLIFF programme.

Report of the trustees for the year ended 31 March 2018 (continued)

The challenges faced at Reall this year have had a direct impact on funding available to partners. This resulted in a slow-down on future project approvals whilst we further strengthened our systems and processes. Most importantly, this has helped us to ensure that we only approve projects that will provide strong value for money both for our partners' clients and for our funders. The forthcoming year will focus on completing CLIFF 2b and initiating CLIFF 3.

Although delivery figures are lower than previous years, CLIFF did meet its targets across most areas. Lower expectations were set for this year to reflect the reduction in overall funding. Whilst the funding horizon is still not clarified for Reall in the medium term, partners have continued to focus on capacity building activities and completing existing projects. A number of partners have continued to experience financial or governance issues and we have continued to support them through a greater level of grant funding than in the last few years alongside technical support.

Overall, our CLIFF activities for the year have resulted in a cash surplus for the year of £6.8m which will be carried over into the FY19 CLIFF budget.

Communities Programme

This year saw the end of our final Communities projects, with projects in Malawi (5 years, Comic Relief), Sri Lanka (3 years, Commonwealth Foundation), Nepal (2 years, Jersey Overseas Aid) and 2 projects in Kenya (1 year, Jersey Overseas Aid) (1 year, Guernsey Overseas Aid) coming to a close. As a result, disbursements totalled £0.1m, down from £0.5m the previous year. This is the completion of the shift in organisational strategic direction to a focus entirely on the CLIFF programme.

Highlights from the final year of the programme are:

- Supporting partner organisations in 4 countries to provide improved land access, secure tenure and prevention of eviction, new and improved housing, improved access to water and sanitation, training in construction and livelihoods, and hygiene promotion training.
- Projects have reached an additional 16,947 people in Malawi, 927 in Nepal, and 2,693 in Kenya during the past year.
- Projects in Nepal and Kenya focused on providing bio-digester technology to low income communities. This consisted of all toilets in the community being connected by sewer pipes to a bio-digester, which provided clean cooking gas for households and safe treatment of excreta and organic materials.
- 2 of these partners continue to receive Reall support through the CLIFF programme, and the other 2 may transition in the future.

Business Development

A significant proportion of our activity has been dedicated to the development of a CLIFF 3 Business Case for submission to both DFID and Sida.

- We have continued to develop our five-year investment strategy which is an evolution of the current programme, encapsulating our learning around the flexibility of partner structures and enhanced assurance processes as well as seeking to increase the scale of our investments and lengthen our pipeline of investable projects.
- We have introduced a new 8-step assurance framework to bring more clarity to the processes we use to ensure all expenditure is on-mission and represents value for money
- We have reduced our equity holdings in some partners to make room for other investors
- We continue to work with the network as a whole to find ways to amplify our voice and champion the provision of affordable housing globally and to share and publicise best practice wherever we find it.

Report of the trustees for the year ended 31 March 2018 (continued)

Funding, Marketing and Communications

The focus of this year's activity has been on ensuring we are well positioned to attract new investment in a variety of different forms and also on improving our presence in the wider sector.

- We have implemented a new CRM system which now handles both upstream and downstream partner information. This will help to streamline the process of identifying potential new implementing partners as well as support our ongoing communications with existing supporters.
- We have produced of a series of case studies and interviews with our partner CEOs to showcase innovation and best practice within our partner network
- We have been working to simplify the way we communicate our model to ensure that it is easily accessible to investors from outside of the housing or development sectors.

Financial review

The Statement of Financial Activities on page 20 sets out Reall's income and expenditure for the year ended 31 March 2018.

The absence of new agreed funding beyond CLIFF 2b from either DFID or Sida has meant that it has been a difficult year for Reall. Cash flow has been very tight all year, but more importantly, we have had to manage the expectations of our partners about what funds we have been able to provide to them.

March 2018 saw the official end of the extension to our DFID contract with the Sida contract finishing officially in June 2018. We agreed an extension to June 2018 with DFID although as part of this, they reduced the related funding from £4m to £2m. Sida have also agreed an extension to their contract through to December 2018. In doing this they identified a further £1.9m of funds that we can draw down in addition to the £1.3m of funds where the draw down has been delayed. These funds will be drawn down in the latter half of 2018.

The Sida Core funding stream has continued to support our operating costs as well as our work in two key areas:

- developing the operational capacity of our partners to help them to be better governed, more self-sustaining and increasingly ready for local investment
- developing our in-house investment capacity and skills. This latter work should assist in generating additional funding for Reall from impact investors and other similar organisations to reduce our reliance on DFID and Sida in the future.

Many of our partners still require a significant level of support in terms of technical assistance and additional capacity funding to enable them to continue to operate. This, together with a lower level of available funding, has meant that we have advanced a much lower level of new loans compared with last year – at £7.3m, this is 47% down on last year. The new loans that we have advanced have been restricted to a small number of more mature partners. Against that, we have made £309k more capacity grants, which have benefited more partners in this way than we have done for several years. We have seen partners recycle £5.9m of funds in-country this year, however this is also 46% lower than last year reflecting the reduced level of project activity going on within our partners.

Reall advances loans to partners in local currency, which means that our loan portfolio is always subject to swings in exchange rates. We suffered a loss of £7.6m this year, compared with a gain of £2.9m last year. Unlike most of our loan portfolio, the substantial proportion of our loans to our partner in Malawi had been denominated in sterling rather than the local currency. Since this was at odds with our approach with our other partners, the decision was taken during the year to re-denominate these loans into Malawian Kwacha. This resulted in a one-off exchange loss of around £2.5m during the year. In general, local currencies continue to weaken against sterling and the overall loss, although significant, was not unexpected. Once again demonstrating the volatility of these currencies, the first quarter of the FY19 has seen an exchange gain of £1.5m.

Report of the trustees for the year ended 31 March 2018 (continued)

The loan portfolio has once again been subject to a detailed review at the year end to assess its recoverability and therefore value to Reall. This detailed exercise has resulted in a small net reduction in the overall impairment provision of £176k. However there have been some significant changes within the portfolio – with some significant releases (principally Malawi and Nigeria) and some significant new provisions (principally India, Philippines and Nepal). Overall the provision is now 31% of the gross loan book compared with 30% last year – this reflects the fact that the loan book has not changed significantly over the year after taking account of the substantial exchange loss in the year.

In summary, the Reall loan book has changed as follows over the year:

	Gross	**Impairment provision**	**Net**
	£m	**£m**	**£m**
As at 1 April 2017	46.8	(13.9)	32.9
New loans/impairments	7.3	(1.0)	6.3
Net repayments and recycling	(2.2)	-	(2.2)
Exchange loss	(7.6)	-	(7.6)
Impairment provision released	-	1.2	1.2
As at 31 March 2018	**44.3**	**(13.7)**	**30.6**

The trustees recognise that Reall operates in high risk areas where the certainty of achieving the outcomes expected when loans are advanced is far lower than if we were operating in more developed countries. This means that there is also a greater need to recognise significant levels of loan impairment (as shown in these accounts), which can be released when outcomes are achieved.

In addition to provisions for loan impairment, Reall has made a provision of £1.04m against our investment in our South African partner Oakleaf. Oakleaf's operating subsidiary Kuyasa has continued to emerge from the business rescue that took place in FY17, but the process of attracting wider and more substantial working capital funding to underpin its home improvement loan activities has been much slower than expected. As a result, Kuyasa is struggling to expand its level of operations in line with its business plan expectations and it is still currently struggling to cover its operating costs.

The table below sets out an alternative presentation of the income and expenditure arising from Reall's restricted fund activities (principally our CLIFF and Communities programmes). This alternative presentation separates out the key elements of expenditure to highlight the major variables between the current year and the previous year:

	2018	**2017**
	£'000	**£'000**
Income from:		
DFID/Sida/Other	12,100	15,078
Investment	66	17
Total income	**12,166**	**15,095**
Expenditure on:		
Operating costs	(2,366)	(2,452)
Grants	(653)	(735)
Expenditure excluding loan movements	(3,019)	(3,187)
Net income before loan movements	**9,147**	**11,908**
Loans written off	-	(2,467)
Exchange (losses)/gains	(7,710)	2,912
Loan impairment	175	(3,197)
Equity investment impairment	(1,042)	-
Net income as per Statement of Financial Activities	**570**	**9,156**

Report of the trustees for the year ended 31 March 2018 (continued)

Our expenditure on the CLIFF programme has reduced by 28% this year (excluding the impact of exchange gains and losses and other loan movements) – this reflects the overall reduction in our new funding in the year and a reduction in the level of funds therefore available to support the growth and development of our partners. Activity on our Communities programme has also continued to reduce as planned – in particular, grants awarded during the year have fallen by 78% to £113k compared with the previous year.

The Communities Programme is now closed and as at the end of the year, we only had one project still open – although this completed soon after the end of the financial year. We have utilised the designated unrestricted funds amounting to £12,455 as at the start of the year as intended as well as calling down a further £1,040 from our unrestricted funds to close off the projects during the year.

We continue to maintain tight control over our staffing and overhead costs both in total and most especially in terms of what is allocated to unrestricted activities. Staffing and overhead costs overall have increased by 19% although staff numbers overall have remained consistent with last year. This reflects a full year of the costs in relation to our new office accommodation as well as the impact of a 5% increase in all salaries (the first cost of living increase for almost 4 years). The increasing focus of Reall's activities on the CLIFF programme has once again seen the proportion of these costs allocated to unrestricted activities reducing again from 6% to 3%.

Reserves Policy and going concern

Reall's reserves are classified as either "restricted funds" or "unrestricted funds".

Restricted funds comprise grants received, but not yet spent, for specific purposes either as part of the HI Fund (formerly Guarantee Fund and Africa Bond) or in support of CLIFF and the Communities programme. They can be used only for these purposes.

The trustees review the reserve levels of the charity annually. The review encompasses the nature of the income and expenditure streams, the need to match income with commitments and the nature of the reserves. In the opinion of the trustees, the key reserves of the charity are the unrestricted reserves together with the restricted reserves in relation to the CLIFF programme, which now represents almost 100% of the work of the charity. Reserves are held to cover delays in the renewal of key funding streams as well as to provide a cushion for any unexpected emergencies in their operations.

The Board has reviewed its Reserves Policy this year to ensure that it better reflects the way that Reall is now operating. It is now the Board's policy to carry forward, from one year to the next, a sufficient amount in the combined General Unrestricted and CLIFF Restricted Reserves an amount which, in the opinion of the Directors/Trustees will cover the costs of continuing to operate for a period of 12 months in the event of a material decrease or shortfall in Reall's income arising from an end to agreed funding streams for the programme.

On this basis, available reserves can therefore be considered to be as follows:

		2018	**2017**
		£'000	**£'000**
	Total unrestricted reserves	361	383
	Total CLIFF reserves	39,880	39,070
	Total CLIFF and unrestricted reserves	*40,241*	*39,453*
	Total CLIFF loan book	(30,491)	(32,723)
	Available reserves	**9,750**	**6,730**

Report of the trustees for the year ended 31 March 2018 (continued)

The trustees have designated a proportion of the Unrestricted Funds for the following purposes:

- To enable Reall to bridge finance projects to ensure that our partner organisation's work is not unduly affected by delays in agreed funding
- To enable Reall to match fund projects, where this is a donor requirement and where we have not been able to raise the match funding from other sources

Designated Unrestricted Funds as at 31 March 2018 are £nil. The reflects the continuing scaling down of the Communities programme, where the only remaining activity still to be completed at the end of the year is the completion of the evaluation of the final project. This was completed in June 2018.

Donations and Fundraising

Reall is not dependent upon general fundraising and donations to enable it to carry out its core work. As such, it does not campaign for funds either directly or indirectly or use professional fundraisers. Reall still continues to receive small amounts of donations raised by other organisations, who have chosen Reall as a beneficiary of their own charitable activities. In most cases, such funds are treated as general unrestricted funds within the Statement of Financial Activities.

Grants and Investment policy

Reall provides grants to and makes Programme Related Investments in its international partner organisations for work that supports the objects, vision and mission of the charity. The Reall International Policy that was approved by the Board on 18 March 2010 provides a framework for grant giving and investment as well as informing our research, consultancy and advocacy work. In particular, Reall will:

- Provide grants and loans (financial services) to partners for initiatives that have the potential to scale up, attract other funding and influence policy and practice
- Make loans available for partners' initiatives only where other sources of finance are not available or appropriate
- Make grants and loans to partners for initiatives within the context of a broader strategic partnership between Reall and the partner
- Provide grants where a partner is affected by a disaster or emergency which affects the ongoing work of the partner.

Plans for next year

Reall prepares an Operations plan and budget each year, which is approved by the Board in March immediately prior to the start of each financial year. The year to 31 March 2018 has seen Reall in a difficult funding position because there has been no long-term funding in place. Our plan for the year ending 31 March 2019 was therefore based on the available CLIFF funds amounting to £9.2m (£3.2m of new funding and an estimated £6m of funding to be carried over). This carry over of funds has now been confirmed at £6.8m. At the time the budget was set, we anticipated that we would have agreed new funding streams under CLIFF 3, which would cover our operating costs for the final 3 months of FY19. Based on the discussions with both donors we still believe this to be the case.

Report of the trustees for the year ended 31 March 2018 (continued)

Our operations plan for next year is working to the following key objectives:

- To continue to strengthen the internal capacities of Reall - in particular in the area of assurance. Resourcing will be increased to support more extensive assurance work in the UK and especially overseas to demonstrate that funds have been expended and disbursed as intended and in line with our mission.
- Continuing to support our partner network to grow and develop their ability to deliver cost-effective housing with basic services to Bottom of the Pyramid ("BOP") clients.
- Contributing to the development of a robust BOP housing sector in our countries of operation by demonstrating the effectiveness of the Reall model.
- To support the development of access to project finance and housing microfinance for our partners and their clients at a local level in a financially sustainable manner.

Structure, governance and management

Governing document
Reall was incorporated as a company limited by guarantee on 12 May 1992. It is governed by its Articles of Association, as amended by special resolutions, most recently on 16 August 2017.

Reall has three categories of membership; national representative organisations, other organisations and individuals. Membership fees for organisations are based on a sliding scale determined by their size, whilst individual membership is £20 per annum. During the year, we completed an exercise to cleanse our database and remove inactive members. As at 31 March 2018, membership was as follows:

	2018	2017
Organisations	16	57
Individuals	65	97

Appointment of trustees
Reall is governed by a Board who are directors of the company for the purposes of the Companies Act and trustees in charity law ("the Board" or "trustees"). The Board is formed from the membership base and consists of up to 10 members (but no fewer than 8), who are each appointed for a maximum of 6 years (in 3-year terms). The Board are empowered to co-opt further members taking account of the skills needed up to the maximum of 5 board members. The Chair is then elected by the Board. The Board is aware that, as at 31 March 2018, board membership is only seven and that 2 members of the board have served terms of longer than 6 years. This has arisen following the change in the Articles of Association in August 2017 and actions are currently being taken to rectify this position.

Directors and trustees since 1 April 2017:

Name	Specialism	
David Orr	Chair	
Suzanne Forster	Finance	
Professor Alison Brown	International planning	
Steven Geoffrey Troop	Treasury management	
Amy Becker	Finance and business development	
Shantanu Bhagwat	Venture capital and social enterprise	Resigned 13 October 2017 Re-appointed 1 April 2018
Kate Wareing	Overseas development	
Andrew Baum	Property Investment Funding	Resigned 3 July 2017

Report of the trustees for the year ended 31 March 2018 (continued)

Trustee induction and training
All newly appointed trustees follow a standard induction process that includes an initial meeting with the Chief Executive as well as the completion of a skills analysis to establish the specialism that the new member brings to the Board. A formal induction pack provides information on Reall's background and aims, its legal and governance structure and staffing structure. Members receive briefings from staff on relevant changes to legislation and the impact that this has on the activities of the organisation or the way in which they carry out their role.

Organisation
The Board meets formally at least 4 times a year in addition to any formal strategy days and any sub-groups, which may be set up as required. At Board meetings, the trustees agree the broad strategy and areas of activity for the organisation, including the consideration of reserves, risk management policies and performance. A strategy review each autumn involves staff and the Board. Outcomes from this exercise feed into business planning and staff development processes as well as the annual operations plan and budget, which is approved by the Board in March.

The Chief Executive is appointed by the trustees to manage the day-to-day operations of Reall, subject to the direction of the Board and any restrictions set out within the Articles of Association. To facilitate effective operations, the Chief Executive has delegated authority, as set out in the Schedule of Delegated Authority, for all operational matters including finance, employment and operations.

Remuneration
None of the trustees receives any remuneration or other benefit from their work with Reall. They are entitled to receive expenses to reimburse them for the costs of carrying out their role as trustees.

Pay policy for senior staff
The directors consider that the Board, who are the trustees of Reall, and the senior management team (as set out in the table below) comprise the key management personnel in charge of directing and controlling, running and operating Reall on a day to day basis.

Senior Management Team

Ian Shapiro	Chief Executive	Appointed 21 February 2018
Larry English	Chief Executive	Resigned 11 August 2017
Mick Kent	Interim Chief Executive	Appointed 12 August 2017, Resigned 12 October 2017
Karen Preece	Interim Chief Executive	13 October 2017- 20 February 2018
Joe de Swardt	Director Capital Projects	Resigned 30 August 2017
Karen Preece	Director of Finance & Administration	
Patrick Domingos-Tembwa	Director of Funds & Investment	
Emma Harrington	Director of Business Development	
Jean Teichmann	Interim Director Capital Projects	Appointed 22 August 2017
Chris Chappe	Director of Operations	Resigned 31 August 2017

The pay of the senior staff is reviewed regularly following a formal review carried out by external consultants, taking into account benchmarking against similar organisations and the salary market more generally. The remuneration of the senior management team is detailed in note 9 to these accounts.

Report of the trustees for the year ended 31 March 2018 (continued)

Risk management

The Reall Board completed an extensive review of their risk policy and procedures during the year to ensure that it better reflects the way in which Reall works with its partners and how this is integrated with wider corporate risks. This new policy was adopted by the Board on 9 January 2018. This new policy together with a complete refresh of the risks identified and monitored on the corporate risk register has resulted in a significant increase in the level of detail with regard to risk that the Board assesses at every meeting.

The Reall risk map covers the risks within each of the key operating units of the organisation together with wider risks around governance and other economic factors. Each risk is identified with a specific staff member, who has responsibility for monitoring and managing the risk and feeding proposed changes into the review process. Each risk is assessed on the basis of potential impact and the likelihood of the risk occurring to give an overall gross risk score. Mitigating actions and controls are then considered to give an overall net risk score.

The risk map is reviewed in detail by the Senior Management Team on a regular basis before the high-level risk map together with significant and emerging risks is presented to the Board for review at every formal board meeting.

Principal risks and uncertainties
As well as the usual range of operational and business risks, there are several inherent risks that flow from the way in which Reall is funded and from Reall's international work programmes, including the following:

- Funding risk – Reall has not had a long-term funding agreement in place for most of the financial year ended 31 March 2018. Extensions to agreements have been given by both DFID and Sida which enabled Reall to continue to operate without any significant change in its level of operations (and will continue to do so through to 31 December 2018) and unrestricted funding from donations and memberships is very limited. We continue to manage our relationship through regular meetings with DFID and Sida as well as other potential donors.
- Discussions are progressing with both DFID and Sida to secure new CLIFF funding. This funding is expected to deliver in the region of £65m in new funding from both of these donors over the next 5 years, although in the case of DFID, there may be an initial further extension of the CLIFF 2b contract for the first 18 months of this period.
- Funding risk – Reall continues to receive the majority of its funding from DFID and Sida. Until funding from impact and other investors comes on stream, Reall is therefore very reliant on the continuation of DFID and Sida agreements.
- Financial risk – international partner organisations may default on loans (either direct or secured with guarantees provided by Reall). We monitor this through regular partner reviews during the year.
- Foreign exchange risk – our loan portfolio is denominated in a range of currencies across a wide range of countries throughout our operating areas. Reall bears the foreign exchange risk on most of these loans, where in many cases the exchange rate can be very volatile – this means that the impact can be either positive or negative. We monitor rates on a cyclical basis over the year, taking revaluations at year end to the Statement of Financial Activities as part of our restricted funding activities.
- Health & Safety risk – visits to international partner organisations and their sites may put Reall staff at risk.
- Reputational risk – actions taken by Reall's international partners might damage the reputation of Reall UK.

Report of the trustees for the year ended 31 March 2018 (continued)

In addition to the inherent risks, the key risks facing the organisation during the year have included the following:

- Organisational problems have occurred with some of our partner organisations putting programmatic outputs and financial assets at risk and presenting reputational risks for the organisations. We work closely with all of our partner organisations as well as taking legal and professional advice to support our partners through difficult times in order to return them to long-term sustainability.
- Our international partners continue to face challenges in developing their organisational and staffing structures as they build new institutions, often from scratch where there is a limited ready-made supply of qualified staff to draw on. We continue to manage this risk using capacity grants to support operating costs generally and by the provision of technical assistance from Reall UK to partners where appropriate.
- The organisation continues to change and evolve. This means that ongoing cultural and operational change is a way of life which is reflected particularly in our staffing. We continue to ensure that this does not impact on our ability to deliver programmes and support our international partners through targeted recruitment and planned induction and training for new staff and those seeing changes in roles.
- Our general fundraising work is now very limited, and we continue to focus our efforts principally on ensuring that we maintain the level of unrestricted loans that we already have in place.

The Board have considered the major risks to which the organisation is exposed and the systems and processes in place to minimise these risks and consider that they are sufficient to protect the organisation.

Relationships with other organisations

Although, as indicated above, Reall is committed to achieving its objects through partnership with other organisations, other than through its investments in certain companies as set out in note 12, it is not directly connected with any other charities or similar organisations.

Donations in kind

Reall is not dependent upon the services of unpaid volunteers. It has benefited from certain voluntary services, primarily uncharged professional advice and assistance from supporting organisations and individuals. Such donations in kind are not included in the Statement of Financial Activities as they cannot be easily quantified and are not considered to be significant in the context of expenditure generally.

Third Party indemnity provision for directors

Qualifying third party indemnity provision is in place for the benefit of all trustees of the charitable company.

Report of the trustees for the year ended 31 March 2018 (continued)

Trustees' responsibilities in relation to the financial statements

The trustees (who are also the directors of the company for the purposes of company law) are responsible for preparing a trustees' annual report, strategic report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each year which give a true and fair view of the state of affairs of the company and of the incoming resources and application of resources, including income and expenditure, of the company for that period. In preparing the financial statements, the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles of the Charities SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to assume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement as to disclosure to our auditors

In so far as the trustees are aware at the time of approving our trustees' annual report:

- There is no relevant information, being information needed by the auditor in connection with preparing their report, of which the auditor is unaware, and
- The trustees, having made enquiries of fellow directors that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of the information.

On behalf of the board of trustees

D Orr
Chair

13 September 2018

Independent Auditor's Report to the Trustees and Members of Reall Limited

Opinion

We have audited the financial statements of Reall Limited (the 'charitable company') for the year ended 31 March 2018 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with regulations made under those Acts.

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

Conclusions relating to going concern

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

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

Other information

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

Independent Auditor's Report to the Trustees and Members of Reall Limited (continued)

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

Opinions on other matter prescribed by the Companies Act 2006

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

- the information given in the Report of the Trustees and the incorporated Strategic Report prepared for the purposes of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Trustees and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 16, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Trustees and Members of Reall Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made exclusively to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity, its members as a body, and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

Stephanie Warboys (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP, Statutory Auditor

Chartered Accountants
St Philips Point
Temple Row
Birmingham
B2 5AF

5 October 2018

RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Statement of Financial Activities (including Income and Expenditure Account)
For the Year Ended 31 March 2018

	Notes	Unrestricted Funds General £	Designated £	Restricted funds £	2018 Total £	2017 Total £
INCOME FROM:						
Donations and legacies	1	30,136	661	-	30,797	35,960
Other trading activities	1	-	-	(1,911)	(1,911)	120
Charitable activities	1	-	-	12,099,996	12,099,996	15,077,892
Investments	1	230	-	68,307	68,537	17,032
TOTAL INCOME		30,366	661	12,166,392	12,197,419	15,131,004
EXPENDITURE ON:						
Raising funds	5	16,723	-	-	16,723	54,242
Charitable activities	6	35,033	-	11,596,897	11,631,930	5,966,800
TOTAL EXPENDITURE		51,756	-	11,596,897	11,648,653	6,021,042
Net (expenditure)/income		(21,390)	661	569,495	548,766	9,109,962
Transfers between funds	22	(1,040)	(13,116)	14,156	-	-
NET MOVEMENT IN FUNDS		(22,430)	(12,455)	583,651	548,766	9,109,962
RECONCILIATION OF FUNDS:						
Balance brought forward at 1 April 2017		383,250	12,455	39,164,112	39,559,817	30,449,855
BALANCE CARRIED FORWARD AT 31 MARCH 2018	21/22	360,820	-	39,747,763	40,108,583	39,559,817

All income and expenditure is derived from continuing activities.

Balance Sheet as at 31 March 2018

Company registration Number: 2713841

	Note	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Tangible assets	11		899,519		922,618
Investments:					
Joint ventures and associates	12		1,605,701		1,582,723
Programme Related Investments	13		30,632,215		32,878,044
Total fixed assets			33,137,435		35,383,385
Current Assets					
Debtors falling due within one year	14	773,184		446,781	
Debtors falling due after more than one year		454,783		299,589	
Cash at bank and in hand	19	7,347,396		5,332,309	
Total Current Assets		8,579,363		6,078,679	
LIABILITIES					
Creditors falling due within one year	15	(393,686)		(593,890)	
			8,185,677		5,484,789
TOTAL ASSETS LESS CURRENT LIABILITIES			41,323,112		40,868,174
Creditors falling due after more than one year	16		(947,992)		(999,560)
Provision for liabilities	17		(266,537)		(308,797)
NET ASSETS			40,108,583		39,559,817
FUNDS:					
Restricted funds	22		39,747,763		39,164,112
Unrestricted funds					
Unrestricted income funds	21		360,820		395,705
TOTAL CHARITY FUNDS			40,108,583		39,559,817

The notes on pages 23 to 55 form part of these accounts.

The financial statements were approved by the Board of Trustees and authorised for issue on 13 September 2018 and are signed on its behalf by:

David Orr, Chair

Suzanne Forster, Director

Statement of Cash Flows
For the year ended 31 March 2018

	Note	2018	2017
		£	£
Cash flows from operating activities:			
Net cash provided by/(used in) operating activities	18	3,416,867	(2,565,699)
Cash flows used by investing activities			
Bank interest received		64,725	17,032
Purchase of tangible fixed assets		(20,257)	(962,806)
Sale of tangible fixed assets		5,164	-
Purchase of Investments in joint ventures and associates		(1,065,412)	(1,582,723)
		(1,015,780)	(2,528,497)
Cash flows (used in)/provided by financing activities			
Draw down of mortgage loan		-	657,000
Mortgage repayments		(40,949)	(28,744)
Mortgage interest paid		(20,051)	(6,624)
Repayment of HI Fund loans		(325,000)	(50,000)
Issue of new HI Fund and Reall Bond loans		-	43,000
		(386,000)	614,632
Change in cash and cash equivalents in the year		2,015,087	(4,479,564)
Cash and cash equivalents at the beginning of the year	19	5,332,309	9,811,873
Total cash and cash equivalents at the end of the year	19	7,347,396	5,332,309

Accounting Policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

General information

The charity is a company limited by guarantee and has no share capital and is a registered charity at the Charity Commission in England & Wales and the Scottish Charity Regulator (OSCR) in Scotland. The liability of each member in the event of a winding up is limited to £1. The address of the Charity's registered office and principal place of business is 8-14 Harnall Row, Coventry CV1 5DR.

Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Consolidated accounts incorporating the results of the entities in which Reall has an equity stake have not been prepared for the reasons outlined in note 12. The accounts presented are therefore the accounts of Reall Limited as a separate entity.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

Reall meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

Going concern

As at 31 March 2018, the CLIFF 2b programme with DFID had finished. However, during the year, we were able to secure an extension to the end date of the CLIFF 2b programme with Sida through to 31 December 2018, which means that Reall will receive new funding amounting to £3.2m as well as having unspent funds amounting to £6.8m from previous years. This is in line with previous budget expectations and Reall has prepared detailed budgets based on this income stream, which demonstrate that Reall can continue to operate in line with the expectations of both the Board and its partners.

Discussions are advanced with both DFID and Sida for new funding agreements for CLIFF 2b and CLIFF 3 that are expected to commence no later than 1 January 2019. The formal Business case for this funding is supported by detailed 5-year budgets which indicate that Reall can continue to expand its level of operations in line with the Business Case and its updated mission and objectives as set out in the Report of the Trustees.

The detailed budgets that have been prepared both for the remaining months of CLIFF 2b (period to 31 December 2018) and for CLIFF 3 indicate that the charity has sufficient resources to meet its liabilities as they fall due. Based on these budgets and the progress of discussions with both donors, the trustees are satisfied that it remains appropriate to prepare the financial statements on the going concern basis.

Income

Income is recognised when the charity has entitlement to the funds, any conditions of receipt have been met, it is probable that the income will be received, and the amount can be measured reliably.

- Voluntary donations are accounted for in the period in which they are received, or when deemed receivable through prior knowledge.

Accounting Policies (continued)

Income (continued)

- Legacies are accounted for as soon as entitlement, probability of receipt and the amount can be measured reliably.
- Membership fees are accounted for on an accruals basis.
- Investment income is recognised on a receivable basis.
- Grants are recognised when there is a formal agreement in place with the relevant funding organisations. Grants receivable within an accounting period are mainly utilised within that period. Any unutilised grants are reflected in restricted funds carried forward.

Expenditure

Expenditure is recognised as soon as there is a legal or constructive obligation committing the charity to the expenditure. The charity is not registered for VAT and consequently all costs are inclusive of VAT where applicable. Expenditure is classified under the following activity headings:

- Raising funds - include specific campaign and event costs and promotional material.
- Charitable activities - include grants made to international partner organisations to carry out work in line with our objectives. Grants made to partner organisations in respect of the Communities Programme are recognised and paid when the conditions under which the grant was awarded have been fulfilled by the partner organisations. Grants paid in respect of the CLIFF Programme relate to expenses paid on behalf of partner organisations in relation to stakeholder events and capacity building and project support. All other funds advanced to partners under the CLIFF programme are made in the form of loans, which are referred to as Programme Related Investments for the purposes of these accounts.
- Charitable activities also include the direct costs of the Communities and CLIFF Programmes. These direct costs include, for example, monitoring and evaluation, travel, consultancy fees, documentation production and legal fees. Our disbursements of funds in the form of loans to international partner organisations, whilst being for charitable purposes, do not appear under Charitable Activities in the Statement of Financial Activities. These disbursements appear on our balance sheet as Programme Related Investments and are further broken down in Note 13.
- Support costs include staff and general overhead costs as well as direct governance costs. They are apportioned across the various areas of activity both restricted and unrestricted (including the Communities and CLIFF programmes) in the following manner:
  - Salary and related costs (pension, national insurance, etc.) are allocated on a percentage basis according to the amount of time spent in each area.
  - General overhead costs are allocated according to the total proportion of staff time spent in that area.
  - Governance costs include the costs associated with meeting constitutional and statutory requirements. This includes the costs of the annual audit as well as board meetings and other Trustees' expenses.

Fund accounting

General Unrestricted Funds are available for use at the Trustees' discretion in furtherance of the charity's objectives. Designated Unrestricted Funds are set aside at the discretion of the Trustees for specific purposes. Restricted Funds are those donated and restricted for use in a particular area or for specific purposes.

Operating leases

All leases are "operating leases" and the annual rentals are charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The holiday pay year for the charity ends at 31 December each year and employees are entitled to carry forward up to 10 days of any unused entitlement at the end of the calendar year. The cost of any unused entitlement is recognised in the period when the employee's services are received.

Accounting Policies (continued)

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

Taxation

Tax recovered from voluntary income received under gift aid is recognised when the related income is receivable and is allocated to the income category to which the income relates.

Tangible fixed assets

Tangible fixed assets are capitalised at cost and are depreciated over their useful economic lives as follows:

Land	Not depreciated
Buildings	- over 60 years (straight-line)
Computer equipment	- over 2 years (straight-line)
Furniture and fixtures	- 10% reducing balance

Joint ventures and associates

Joint ventures and associates comprise equity shareholdings in international partner organisations in furtherance of our aims. These shareholdings are generally made in sterling and disclosed at cost although the underlying shares are denominated in the relevant local currency.

Investments in these entities are reviewed on an annual basis to ensure that their carrying value reflects the underlying assets and liabilities of each entity. Provisions for impairment are made where necessary and are taken to the Statement of Financial Activities. It is the opinion of the trustees that cost less provision for impairment represents the best estimate of the carrying value of the investments as at the balance sheet date.

Programme Related Investments

Programme Related Investments comprise loans issued to, and equity stakes in, international partner organisations for projects in furtherance of our aims. The majority of these loans or equity stakes are disbursed in the usual functional currency for the relevant partner.

Payments of the principal and any repayments of either principal or interest are initially disclosed in the balance sheet at cost using the exchange rate ruling at the date of the transaction. Exchange rate differences arising at the time of any repayment are taken to Charitable Activities in the Statement of Financial Activities.

Outstanding balances at the year-end are re-translated at the prevailing exchange rate at the balance sheet date, with any further exchange rate gains or losses also taken to the Statement of Financial Activities.

Due to the breadth of our loan portfolio across numerous countries there is the potential for material exchange rate fluctuations which could impact the total valuation of Programme Related Investments both positively and negatively. We monitor this on a cyclical basis throughout the year.

Each year, the Trustees consider the recoverable amount of each outstanding loan and make provisions for impairment based on a formal assessment carried out by management. Provisions for impairment are taken to the Statement of Financial Activities. It is the opinion of the trustees that cost less provision for impairment represents the best estimate of the carrying value of the loans as at the balance sheet date.

Concessionary loans

Concessionary loans comprise programme related investments and HI Fund loans included in creditors. The programme related investments are initially recognised and measured at the amounts disbursed. The carrying amount is adjusted in subsequent years to reflect any repayments and accrued interest and is adjusted, if necessary, for any impairment.

Accounting Policies (continued)

Concessionary loans (continued)

The HI Fund loans are initially recognised and measured at the amount received. The carrying amount is adjusted in subsequent years to reflect any repayments and accrued interest.

Debtors

Other debtors and prepayments are recognised at the settlement amount.

Cash and cash equivalents

Cash and cash equivalents includes cash and short-term liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised when the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

Financial instruments

The charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Pension costs

The charity participates in the Social Housing Pension Scheme (SHPS) which is a multi-employer scheme which provides benefits to some 500 non-associated employers. The charity participates in two separate schemes within SHPS as follows:

Defined Contribution Scheme
This scheme acts as the Auto-Enrolment scheme for the charity and all employees are automatically enrolled in the scheme when they join unless they opt to join the Defined Benefit Scheme. Contributions are charged to the Statement of Financial Activities in the year they are payable.

Defined Benefit Scheme
This scheme is open to any employees who wish to join it.
It is not possible for the charity to obtain sufficient information to enable it to account for this scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme. Contributions payable are charged to the Statement of Financial Activities in the year they are payable.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a "last man standing arrangement". Therefore the charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

After each triennial actuarial valuation, the trustees and participating employers agree that additional contributions will be paid, in combination from all employers, into the scheme each year in order to eliminate any deficit identified at each triennial date. The net present value of these separate additional contributions represents the Pensions Deficit liability that is recognised as a provision in the accounts. The annual agreed deficit payments are then offset against this liability each year.

Critical Accounting Estimates and Areas of Judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The charity makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The Trustees have identified that the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

- Programme related investments – provisions for impairment

  Provisions for impairment are made based on a formal review carried out by management which focuses on a range of factors including compliance with loan repayment terms, delays in project implementation and the organisational and financial stability of the partner as well as external factors such as policy change or political interference. All of our partners are relatively new organisations, and their operations are generally reliant on a small number of key individuals. In general, the Trustees consider that Programme Related Investments have limited realisable value if they are not repaid in accordance with the terms on which the investment was made.

- Equity stakes in partners

  The charity has taken equity stakes in its partner in Nepal because the legislation in that country does not allow the partner to receive loans from the charity. Loans are therefore made in the form of equity stakes. The Trustees consider that the substance of these transactions remains that of a loan investment rather than an equity investment for the reasons disclosed in note 12. The equity stake has therefore been assessed and subjected to impairment using the same accounting policies as other Programme Related Investments.

- Equity stakes in partners and joint ventures and associates – provisions for impairment

  Provisions for impairment are made based on a formal review carried out by management which focuses on the net assets underlying the investment as well as the general financial stability of the partner. In general, the Trustees consider that these equity stakes have limited resale value on the open market if they do not continue to operate in accordance with the basis on which the investment was made.

Notes to the Financial Statements for the year ended 31 March 2018

1 INCOME

	Unrestricted Funds		Restricted Funds	2018	2017
	General	Designated		Total	Total
	£	£	£	£	£
Income from donations and legacies					
Membership fees	11,445	-	-	11,445	4,494
General Donations	17,585	-	-	17,585	25,132
Legacies	1,106	-	-	1,106	5,500
Appeals	-	661	-	661	834
	30,136	661	-	30,797	35,960
Income from other trading activities					
Other	-	-	(1,911)	(1,911)	120
	-	-	(1,911)	(1,911)	120
Investment income (note 4)					
Interest on deposit accounts	230	-	68,307	68,537	17,032
	230	-	68,307	68,537	17,032
Income from charitable activities					
Grants receivable					
Statutory sources (note 2)	-	-	11,171,453	11,171,453	14,058,591
Trusts and foundations (note 3)	-	-	71,150	71,150	179,971
Housing Associations	-	-	-	-	30,000
Interest on CLIFF loans	-	-	856,778	856,778	809,330
Interest on HI loans	-	-	615	615	-
	-	-	12,099,996	12,099,996	15,077,892
TOTAL INCOME	30,366	661	12,166,392	12,197,419	15,131,004

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

1 INCOME (continued)

Alternatively, these income categories may be analysed across Reall's main activities appearing in notes 6-8, as follows:

	2018	2017
	£	£
Communities Programme	57,625	333,862
CLIFF Programme	12,109,545	14,760,038
HI Fund	1,133	713
Other restricted	(1,911)	-
Raising funds	31,027	36,391
	12,197,419	15,131,004

2 STATUTORY GRANTS RECEIVABLE

	2018	2017
	£	£
Communities Fund		
Department for International Development – GPAF – IMP - 079	-	(3,634)
Department for International Development – GPAF – IMP –099	9,697	147,558
Guernsey Overseas Aid Commission	5,273	18,866
Jersey Overseas Aid Commission	(28,572)	(39,601)
CLIFF Fund		
Department for International Development – Private Sector Department	2,000,000	5,623,082
Swedish International Development Co-operative Agency	9,185,055	8,312,320
	11,171,453	14,058,591

3 TRUSTS AND FOUNDATIONS GRANTS RECEIVABLE

	2018	2017
	£	£
Communities Fund		
Comic Relief	67,650	146,590
Other trusts and foundations	3,500	33,381
	71,150	179,971

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

4 INVESTMENT INCOME

Investment income consists of interest received and accrued on deposits with UK banks

	Unrestricted Funds		Restricted Funds	2018 Total	2017 Total
	General	Designated			
	£	£	£	£	£
Interest on deposit accounts					
- CLIFF Fund	-	-	67,712	67,712	15,306
- Communities Fund	-	-	77	77	702
- HI Fund	-	-	518	518	713
- Other	230	-	-	230	311
	230	-	68,307	68,537	17,032

5 EXPENDITURE ON RAISING FUNDS

	Unrestricted Funds		Restricted Funds	2018 Total	2017 Total
	General	Designated			
	£	£	£	£	£
Website costs	-	-	-	-	530
Other fundraising costs	2,662	-	-	2,662	10,605
Support costs (note 9)	14,061	-	-	14,061	43,107
Total cost of raising funds	16,723	-	-	16,723	54,242

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

6 CHARITABLE EXPENDITURE

	Unrestricted Funds General	Designated	Restricted funds	2018 Total	2017 Total
	£	£	£	£	£
Communities Programme					
Grants paid (note 7)	-	-	112,572	112,572	503,461
Monitoring and evaluation costs	-	-	32,541	32,541	47,130
International technical assistance costs and project design costs	-	-	-	-	3,378
Support costs (note 9)	-	-	10,653	10,653	71,782
	-	**-**	**155,766**	**155,766**	**625,751**
CLIFF Programme					
CLIFF – Capital and Operational Grants (note 8)	-	-	541,057	541,057	232,029
CLIFF – Direct operational costs	-	-	856,120	856,120	1,179,854
CLIFF – Cloud Banking Project	-	-	-	-	9,196
CLIFF – Support costs (note 9)	-	-	1,466,790	1,466,790	1,136,254
CLIFF – Exchange rate loss/(gain) on programme related loan and equity investments	-	-	7,709,856	7,709,856	(2,912,288)
CLIFF – Loans written off	-	-	-	-	2,255,945
CLIFF – equity investment impairment	-	-	1,042,434	1,042,434	-
CLIFF – Loan impairment	-	-	(175,524)	(175,524)	3,469,916
	-	**-**	**11,440,733**	**11,440,733**	**5,370,906**
HI Fund					
HI Fund – exchange rate loss/(gain) on loans repaid	-	-	398	398	(1,651)
HI Fund- Loans written off	-	-	-	-	210,795
HI Fund- Loan impairment	-	-	-	-	(272,661)
HI Fund – other costs	-	-	-	-	5,530
	-	**-**	**398**	**398**	**(57,987)**
Other					
Direct – interest payable on Reall Bond	2,784	-	-	2,784	1,826
Direct – governance costs	233	-	-	233	-
Support costs (note 9)	32,016	-	-	32,016	26,304
	35,033	**-**	**-**	**35,033**	**28,130**
	35,033	-	11,596,897	11,631,930	5,966,800

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

6 CHARITABLE EXPENDITURE (continued)

The table below analyses expenditure by programme area:

	Grants paid	Direct operational costs	Support costs	2018	2017
	£	£	£	£	£
Communities Programme	112,572	32,541	10,653	155,766	625,751
CLIFF Programme	541,057	9,432,886	1,466,790	11,440,733	5,370,906
HI Fund	-	398	-	398	(57,987)
Other	-	3,017	32,016	35,033	28,130
	653,629	9,468,842	1,509,459	11,631,930	5,966,800

7 COMMUNITIES PROGRAMME GRANTS

	2018	2017
	£	£
Grants paid:		
Pamoja Trust (Kenya)	-	(3,637)
National Association of Co-operative Housing Unions (Kenya)	(4,860)	-
Dialogue on Shelter for the Homeless in Zimbabwe Trust (Zimbabwe)	4,707	126,767
Centre for Community Initiatives (Tanzania)	4,981	82,697
People's Process on Housing and Poverty (Zambia)	26,149	137,134
SEVANATHA Urban Resource Centre (Sri Lanka)	-	28,179
Centre for Community Organisation and Development (Malawi)	81,595	60,855
LUMANTI Support Group for Shelter (Nepal)	-	71,466
Total grants paid	112,572	503,461
Monitoring and evaluation	32,541	47,130
International technical assistance and project design	-	3,378
Support costs	10,653	71,782
Total cost of Communities programme	155,766	625,751

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

8 CLIFF PROGRAMME GRANTS

	2018	2017
	£	£
Grants paid:		
SPARC Samudaya Nirman Sahayak, Mumbai (India)	2,432	4,705
Linkbuild/Philippine Action for Community-Led Shelter Initiatives, Inc. (Philippines)	19,190	92,925
SEWA Nirman Private Limited (Nepal)	2,301	9,135
National Association of Co-operative Housing Unions (Kenya)	2,474	(27,729)
Sheltersol (Zimbabwe)	79,604	10,162
Enterprise Development Holdings (Malawi)	1,418	-
Development Workshop Angola/Habiterra (Angola)	81,856	6,572
Women Advancement Trust (Tanzania)	119,141	88,813
Millard Fuller Foundation (Nigeria)	3,688	8,099
Enterprise for Housing Development/Uganda Co-operative Alliance (Uganda)	18,693	25,361
Ansaar Management Company (Pakistan)	1,766	7,060
Casa Real (Mozambique)	205,500	-
Oakleaf/Kuyasa Fund (South Africa)	2,994	6,926
Total grants paid	541,057	232,029
CLIFF – Direct operational costs	856,120	1,179,854
CLIFF – Cloud Banking Project	-	9,196
CLIFF – Support costs	1,466,790	1,136,254
CLIFF – Exchange rate loss/(gain) on programme related loan and equity investments	7,709,856	(2,879,016)
CLIFF – other exchange rate gain	-	(33,272)
CLIFF – Loans written off	-	2,255,945
CLIFF – equity investment impairment	1,042,434	-
CLIFF – Loan impairment	(175,524)	3,469,916
Total costs of CLIFF programme	11,440,733	5,370,906

CLIFF capital funds are now given to partners as loans rather than grants and these amounts appear as Programme Related Investments on the balance sheet (note 13). Grants therefore relate principally to expenses paid on behalf of partner organisations in relation to stakeholder events totaling £39,563, capacity building grants totaling £354,491 (to 4 partners) and project grants for new partners and new initiatives totaling £147,003 (to 2 partners).

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

9 SUPPORT COSTS

The total support costs incurred during the year may be analysed as follows:

	Personnel Costs	Office Costs and Depreciation	2018 Total	2017 Total
	£	£	£	£
Charitable expenditure (note 6)				
Communities programme support costs	8,685	1,968	10,653	71,782
CLIFF programme support costs	1,195,533	271,257	1,466,790	1,136,254
Other unrestricted	26,088	5,928	32,016	26,304
	1,230,306	279,153	1,509,459	1,234,340
Raising funds (note 5)				
Support costs	11,467	2,594	14,061	43,107
Total support costs	1,241,773	281,747	1,523,520	1,277,447

Personnel costs include the following:

	2018	2017
	£	£
Salaries and wages	1,101,962	853,366
Employer's social security	99,196	82,532
Pension costs	41,615	41,205
Pension adjustments (note 20)	(1,000)	16,000
	1,111,715	993,103
Consultants and short-term personnel	130,058	-
	1,241,773	993,103

Key Management Personnel are those having authority and responsibility, delegated to them by the trustees, for planning, directing and controlling the activities of the charity. Remuneration for key management personnel, including employer's national insurance contributions and contributions to the pension scheme, amounted to £527,134 (2017: £311,206). During the year, severance payments amounting to £53,750 (2017: £nil) were paid.

The highest paid employees are as follow:

Band (excluding pension contributions)	Number 2018	Number 2017	Pension contributions 2018	Pension contributions 2017
			£	£
£70,000-£79,999	2	1	10,304	5,646
£60,000-£69,999	2	2	6,923	8,697

The average number of employees during the year was 21 (2017: 21).

All directors give of their time freely and no director (or person connected to any trustee) received remuneration in the year. Expenses have been paid to two (2017: two) directors totalling £561 (2017: £549) during the year. This was to cover their travelling expenses incurred in attending meetings of the charity. Directors' Liability Insurance has been paid on behalf of the directors amounting to £590 (2017: £234).

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

10 EXPENDITURE

	2018	2017
	£	£
Expenditure includes charges/(credits) for:		
Auditor's remuneration – audit services	21,000	18,000
Auditor's remuneration – other services	1,800	-
Depreciation	40,774	42,349
(Profit)/Loss on disposal of tangible fixed assets	(2,582)	325
Operating leases – land and buildings	-	19,818
Operating leases – plant and machinery	1,935	7,729

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

11 TANGIBLE FIXED ASSETS

	Land	Buildings	Computer equipment	Furniture & Fixtures	Total
	£	£	£	£	£
Cost					
As at 1 April 2017	240,000	490,000	50,541	217,560	998,101
Additions	-	-	13,253	7,004	20,257
Disposals	-	-	(16,315)	-	(16,315)
As at 31 March 2018	240,000	490,000	47,479	224,564	1,002,043
Depreciation					
As at 1 April 2017	-	8,167	42,918	24,398	75,483
Charge for the year	-	8,166	11,038	21,570	40,774
Disposals	-	-	(13,733)	-	(13,733)
As at 31 March 2018	-	16,333	40,223	45,968	102,524
Net Book Value					
As at 31 March 2018	240,000	473,667	7,256	178,596	899,519
As at 31 March 2017	240,000	481,833	7,623	193,162	922,618

These assets are used for administration and for the direct charitable purposes of the charity. Individual assets are not allocated to specific purposes.
The land and buildings relate to our office premises, which are held under a 999-year lease. The lease will convert to a freehold interest at no further cost at the expiry of 19 years (August 2035) so long as the building continues to be used for the same purpose during that period. The building was purchased with the benefit of a mortgage, which is secured on the building (see note 16). No depreciation is charged on the value allocated to land.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

12 JOINT VENTURES AND ASSOCIATES

	Class of holding	Cost of investment	Proportion held	Aggregate capital and reserves	Results for the period	Nature of business
		£		£	£	
Affordable Housing Solutions (incorporated in Tanzania)	Limited by guarantee	-	33%	(3,389)	(62)	Social rental housing
Lendco (incorporated in Tanzania)	Limited by guarantee	-	50%	-	-	Dormant
Sewa Nirman Private (incorporated in Nepal)	Limited	-	95%	3,576,844	(232,042)	Investment
Sheltersol Holdings (incorporated in Zimbabwe)	Limited	-	49%	(639,187)	(1,870,676)	Investment
Ansaar Management Company (Private) Limited (incorporated in Pakistan)	Limited	203,440	25%	(569,475)	(178,833)	Investment
Immersion Property (PVT) Limited	Limited	1,040,802	49%	722,680	(77,790)	Special purpose Development
Oakleaf Investment Holdings 149 Proprietary Limited (incorporated in South Africa)	Limited	1,403,893	100%	532,220	(357,707)	Investment
Enterprise for Housing Development Uganda Limited (incorporated in Uganda)	Limited	-	49%	(5,015)	(5,015)	Investment
		2,648,135				

Reall has made loans or grants to these companies (except for Lendco, which has never traded) and these are recorded in Charitable Expenditure within the Statement of Financial Activities (grants) or in Programme Related Investments (note 13) (loans).

During the year, Reall made an equity investment in a special purpose development vehicle Immersion Property (PVT) Limited, which was part owned by our partner in Pakistan (Ansaar Management Company (Private) Limited. The company was established to deliver a project in Lahore to provide 964 core units and serviced plots. The development is expected to generate a significant increase in land value over its expected programme (5-7 years) and the Reall Board took the decision to take an equity stake rather than build a profit share into the funding arrangements for the project.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

12 JOINT VENTURES AND ASSOCIATES (continued)

In the case of Sewa, Nepalese law does not allow a Nepali entity to receive repayable loans (as is the usual practice for Reall) from a non-Nepali entity. In order to continue to invest in the Nepali partner, the funds advanced to Sewa have therefore been made in the form of part paid share capital and recorded as such in the books of Sewa. This means that Reall has a 95% equity stake in Sewa and as such it would be expected that the results of Sewa should be consolidated within the accounts of Reall. However, it is the opinion of the trustees, that there are substantial restrictions on our ability to do business in Nepal under our normal terms. It is their view that the substance of the relationship between Reall and Sewa is still one of loan provider/receiver and not one of parent and subsidiary. The results of Sewa have not therefore been consolidated into the accounts of Reall and the amounts advanced have been separately shown as CLIFF: Equity investments within Programme Related Investments. No other cost has been attributed to Reall's holdings in Sewa.

In the case of Oakleaf, Reall invested funds into South Africa as part of the business rescue following the administration of its previous South African partner, The Kuyasa Fund. The terms of the investment were that an Employee Benefit Trust would be established that would take up a majority shareholding in the new company, Oakleaf. As at 31 March 2018, the legal clearances and arrangements for this to be put in place have not been finalised and Reall remains the sole shareholder. The legal process to establish the trust was completed in June 2018. It is the opinion of the Trustees that the 51% shareholding is held for "resale". The results of Oakleaf have not therefore been consolidated into the accounts of Reall.

The movement in joint ventures and associates over the year is as follows:

	2018	2017
Carrying value	£	£
Gross value as at 1 April	1,582,723	-
Additions in year	1,065,412	1,582,723
As at 31 March 2018	2,648,135	1,582,723
Impairment provision in year	(1,042,434)	-
Net value as at 31 March	1,605,701	1,582,723

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

12 JOINT VENTURES AND ASSOCIATES (continued)

At the end of the financial year, we have carried out an impairment review in respect of the carrying value of these investments. Oakleaf and its trading subsidiary Kuyasa have continued to struggle to trade at a break-even position or to grow the level of its operations as fast as anticipated and a provision of £1,042,434 has therefore been made against the carrying value of our investment in Oakleaf. The review did not indicate the need for an impairment provision in respect of other investments in joint ventures and associates, except for Sewa where an impairment provision amounting to £ 2,923,643 has been made within Programme Related Investments (note 13).

The figures for aggregate capital and reserves and results for the period set out in the table in this note on page 37 have been extracted from the most recent unaudited management information available at the date of signing these financial statements – this is as at 31 March 2018 except for Affordable Housing Solutions, when it is as at 31 December 2017.

The Registered addresses of these joint ventures and associates are as follows:

Affordable Housing Solutions	P.O Box 31515, Dar es Salaam, Tanzania
Lendco	P.O Box 31515, Dar es Salaam, Tanzania
Sewa Nirman Private	Ward No 3, Lalitpur Sub-Metropolitan City of Lalitpur District, Nepal
Sheltersol Holdings	50 Bradfield Road, Hillside, Harare, Zimbabwe
Ansaar Management Company	31/10-A, Abu Bakr Block, New Garden Town, Lahore, Pakistan
Immersion Property (PVT) Limited	31/10-A, Abu Bakr Block, New Garden Town, Lahore, Pakistan
Oakleaf Investment Holdings	3 Wrensch Road, Observatory, Cape Town, Western Cape, 7925, South Africa
Enterprise for Housing Development	Uganda Co-operative Alliance Building, Plot 47/49 Nkrumah Road, Kampala, Uganda

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

13 PROGRAMME RELATED INVESTMENTS

	HI Fund	CLIFF Fund	CLIFF: Equity Investments	Total
	£	£	£	£
Gross investments - loans:				
As at 1 April 2017	154,735	40,236,192	6,389,229	46,780,156
New loans advanced during the year	-	7,346,901	-	7,346,901
Net impact of loans recycled	-	217,700	(42,151)	175,549
Loans repaid in cash	(13,416)	(2,364,387)	-	(2,377,803)
Exchange rate losses on translation	(398)	(6,823,242)	(742,360)	(7,566,000)
As at 31 March 2018	140,921	38,613,164	5,604,718	44,358,803
Impairment provisions:				
As at 1 April 2017	-	13,902,112	-	13,902,112
Movement in provisions during the year	-	(3,099,167)	2,923,643	(175,524)
As at 31 March 2018	-	10,802,945	2,923,643	13,726,588
Net investments as at 31 March 2018	140,921	27,810,219	2,681,075	30,632,215
Net investments as at 31 March 2017	154,735	26,334,080	6,389,229	32,878,044

All loans are concessionary loans, with a typical term of 5-7 years. Loans advanced since the end of 2014 have generally been interest bearing at varying rates (generally between 5 and 6%). As at 31 March 2018, 54% (2017: 33%) of the current loan portfolio is interest bearing.

Reall's loans are largely denominated in local currency and all exchange gains and losses are absorbed into/by the HI/CLIFF funding portfolio respectively. We operate in a number of countries with volatile currencies and as such the valuation of our loan portfolio can vary significantly over relatively short time periods. In the first 3 months of the new financial year, the portfolio made an exchange gain of £1,488k compared with the year-end position.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

13 PROGRAMME RELATED INVESTMENTS (continued)

Analysis of gross loans by debt maturity:	2018	2017
	£	£
Amounts payable:		
In one year or less or on demand	13,305,744	20,261,206
In more than one year but not more than two years	9,330,166	8,968,430
In more than two years but not more than five years	13,683,971	11,594,481
In five years or more	8,038,922	5,956,039
	44,358,803	46,780,156

Many loan repayments are recycled into future HI/CLIFF projects respectively rather than being repaid in cash. When this occurs, the amounts are shown as a repayment and a new loan is recorded to reflect the change in purpose of the loan. £5,930,134 of loans were recycled in this way during the current financial year. Reall does not expect to receive all of the repayments due within one year in cash during the year ending 31 March 2019 as they are likely to be recycled into new loans with new maturity dates.

As at the end of the financial year, we have carried out a formal assessment of the recoverability of our loan portfolio based on the performance of the partner in developing their organisational structure and their longer term financial viability as well as their performance in delivering the projects which the loans were advanced to support. This assessment, coupled with a wider assessment of the risks related to operating in the relevant country, underpins the significant impairment provisions that have been made against a substantial portion of Reall's loan portfolio. The level of provision ranges from 10% to 100% depending on the risk assessment for the partner.

Work is ongoing with all of our partners to improve their risk assessments and no loans have been written off in the current year (2017: loans were written off relating to our partner in South Africa (The Kuyasa Fund), which went into administration during the year. Reall received 0.004:1 ZAR in settlement of loans amounting to ZAR 58m, resulting in a write-off of £2,466,740).

14 DEBTORS

	2018	2017
	£	£
Debtors due within one year:		
Prepayments and accrued income	773,366	444,332
Other	3,818	2,449
	777,184	446,781
Debtors due after more than one year:		
Prepayments and accrued income	454,783	299,589
	1,231,967	746,370

Prepayments and accrued income includes £1,197,170 (2017: £692,583) in respect of accrued interest on Programme Related Investment Loans, which will fall due for repayment at the end of the life of the relevant project loan, which can be between the year ending 31 March 2018 and the year ending 31 March 2023.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

15 CREDITORS - amounts falling due within one year

	2018	2017
	£	£
Unpaid supplier invoices	114,438	54,084
Taxation and pension costs outstanding	266	25,264
HI Fund loans repayable (note 16)	28,000	393,000
Reall Bond loans repayable (note 16)	50,000	-
Interest on Reall Bond loans with maturity dates less than one year	2,653	-
Accruals	148,304	72,267
Mortgage liability (note 16)	50,025	49,275
	393,686	593,890

16 CREDITORS: Amounts falling due after more than one year

	2018	2017
	£	£
Mortgage liability		
Amounts payable after more than one year	537,282	578,981
HI Fund loans		
Johnnie Johnson Housing Trust	50,000	50,000
The London Housing Foundation	30,000	-
Magna Housing Group	21,000	21,000
MHS Homes	17,500	17,500
Notting Hill Housing Trust	110,000	110,000
Octavia Housing	20,000	20,000
The Sovereign Housing Group Ltd	10,000	-
Affinity Sutton	100,000	100,000
	358,500	318,500
REALL Bond loans		
EMA Architectural & Design	-	10,000
B3 Living Housing	10,000	10,000
Trent & Dove Housing	10,000	10,000
Other	30,000	70,000
	50,000	100,000
Accrued interest payable		
Reall Bond loans with maturity dates greater than 1 year	2,210	2,079
	947,992	999,560

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

16 CREDITORS: Amounts falling due after more than one year (continued)

Mortgage liability
Movement on Mortgage liability during the year was as follows:

	2018	2017
	£	£
Balance as at 1 April 2017:		
Falling due within less than one year	49,275	-
Falling due after one year	578,981	-
New loans received	-	657,000
Capital repaid	(40,949)	(28,744)
Balance as at 31 March 2018	587,307	628,256

The mortgage, that was taken out in August 2016 and relates to office premises for the charity, is secured on the building. The mortgage was advanced as two loans; £109,500 over a 5-year period with interest rates capped at 1% over base rate for the whole of the term and the second for £547,500 over a 20-year period with interest rates capped at 3% over base rate for the first 10 years of the term. Interest has been charged to the Statement of Financial Activities on a straight-line basis.

Analysis of loan maturity	2018	2017
	£	£
Amounts payable:		
In one year or less or on demand	50,025	49,275
In more than one year but not more than two years	50,026	49,275
In more than two years but not more than five years	114,822	135,050
In five years or more	372,434	394,656
	587,307	628,256

HI/Reall Loans
Movement on HI/Reall loans during the year were as follows:

	2018	2017
	£	£
Balance as at 1 April 2017:		
Falling due within less than one year	393,000	208,000
Falling due after one year	420,579	610,753
New loans received	-	43,000
Loans repaid	(325,000)	(50,000)
Accrued interest payable	2,784	1,826
Balance as at 31 March 2018	491,363	813,579

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

16 CREDITORS: Amounts falling due after more than one year (continued)

The HI loans are not interest bearing and offer a range of maturity dates depending on the wishes of the investor but are generally repayable at the end of their term. Repayment is not due until the end of the agreed loan term.

The REALL Bond offers varying maturity terms (minimum 3 years) depending on the wishes of the investor. Interest is paid at a rate of 3% p.a., payable at maturity, unless the funder chooses to waive its right to interest. As at 31 March 2018, one funder has waived their right to interest amounting to £372 (2017: one funder waived interest amounting to £372).

Analysis of debt maturity	2018	2017
	£	£
Amounts payable:		
In one year or less or on demand	80,653	393,000
In more than one year but not more than two years	161,661	50,000
In more than two years but not more than five years	249,049	370,579
	491,363	813,579

17 PROVISION FOR LIABILITIES

	2018	2017
	£	£
Deficit on defined benefit pension scheme (note 20)	266,537	308,797

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

18 CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES

	2018	2017
	£	£
Net income for the year (as per the Statement of Financial Activities)	548,766	9,109,962
Adjustments for:		
Depreciation	40,774	42,349
(Profit)/Loss on disposal of fixed assets	(2,582)	325
Movement in pension provision	(42,260)	(23,716)
Decrease /(Increase) in debtors	22,802	(21,699)
Increase/(Decrease) in creditors	111,393	(160,139)
Interest receivable	(925,929)	(826,362)
Interest payable	2,784	1,826
Mortgage interest payable	20,051	6,624
CLIFF loan interest receivable	176,641	-
HI Fund loan interest received	615	-
Issue of loans to partner organisations	(7,346,901)	(13,832,304)
Loans to partner organisations written off	-	2,466,740
Conversion of grant to loan	-	(36,416)
Repayment of loans from beneficiaries	2,377,803	390,523
Exchange rate losses/(gains) on Programme Related Investments	7,566,000	(2,880,667)
Equity Investment impairment	1,042,434	-
Programme Related Investment impairment	(175,524)	3,197,255
Cash flows from operating activities	3,416,867	(2,565,699)

19 ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018	2017
	£	£
Cash in hand and at bank	7,347,396	5,332,309
	7,347,396	5,332,309

Cash in hand and at bank includes an amount of £802,234 (2017: £nil) deposited with banks in Nigeria. This cash cannot currently be transferred outside of Nigeria due to legal restrictions.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

20 PENSION COMMITMENTS

The charity participates in two schemes under the Social Housing Pension Scheme ("SHPS") that are managed by The Pensions Trust. The SHPS scheme is a multi-employer scheme which provides benefits to some 500 non-associated employers. One scheme is a Defined Contribution Scheme, that is Reall's designated Auto-Enrolment Scheme and the other scheme is a Defined Benefit Scheme.

Defined Contribution Scheme

This scheme was set up to enable Reall to meet its obligations with regard to auto-enrolment. The assets of this scheme are held separately from those of Reall and are administered separately from the assets of the Reall Defined Benefit Scheme. The pension charge represents contributions payable by Reall to the fund during the year and amounted to £2,727 (2017: £1,332). No contributions were due to the fund as at 31 March 2018.

Defined Benefit Scheme

It is not possible for the charity to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore, it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004, which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, the charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as set out below. All members have agreed to meet their share of the total annual payment on the basis of their share of the overall scheme membership.

Deficit contributions	Period of payment	Total annual payment £m	Payment basis
Tier 1	1 April 2016 to 30 September 2020	40.6	payable monthly and increasing by 4.7% each year on 1 April
Tier 2	1 April 2016 to 30 September 2023	28.6	payable monthly and increasing by 4.7% each year on 1 April
Tier 3	1 April 2016 to 30 September 2026	32.7	payable monthly and increasing by 3.0% each year on 1 April
Tier 4	1 April 2016 to 30 September 2026	31.7	payable monthly and increasing by 3.0% each year on 1 April

Where the scheme is in deficit and where the charity has agreed to a deficit funding arrangement, the charity must recognise a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable by each participating employer under the agreement that relates to the deficit. The present value is calculated using the discount rate set out below. The unwinding of the discount rate is recognised as a finance cost.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

20 PENSION COMMITMENTS (continued)

Assumptions

	2018	2017	2016
	% per annum	% per annum	% per annum
Rate of discount	1.72	1.33	2.06

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

Present values of provision

	2018	2017	2016
	£'000	£'000	£'000
Present value of provision	266	309	332

Reconciliation of opening and closing provisions

Deficit liability provision	2018	2017
	£'000	£'000
At start of year	309	332
Deficit contribution paid	(41)	(39)
Unwinding of discount factor (interest expense)	3	7
Re-measurements - impact of any change in assumptions	(4)	9
Re-measurements - amendments to the contribution schedule	-	-
At end of year	**267**	**309**

Statement of Financial Activities impact

	2018	2017
	£'000	£'000
Interest expense	3	7
Re-measurements – impact of any change in assumptions	(4)	9
Re-measurements – amendments to the contribution schedule	-	-
	(1)	**16**

The following table sets out the deficit contributions agreed between the charity and the scheme as at each year end. The liability that has been recognised in the accounts is the net present value of these contributions payable under the deficit recovery agreement and the unwinding of the discount rate will be reflected as a finance cost in the Statement of Financial Activities.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

20 PENSION COMMITMENTS (continued)

Deficit contributions payable	**2018**	**2017**
Year ending:	**£'000**	**£'000**
1	43	41
2	45	43
3	39	45
4	33	39
5	34	33
6	29	34
7	24	29
8	25	24
9	13	25
10	-	13

21 UNRESTRICTED FUNDS

The unrestricted funds are made up as follows:

	2018	**2017**
	£	£
General Unrestricted Funds	360,820	383,250
Designated Unrestricted Funds	-	12,455
	360,820	395,705

The Trustees have decided to designate a proportion of the organisation's Unrestricted Funds for the following purposes:

1) To respond to emergencies and strategic opportunities
2) To bridge finance projects to ensure that our partner organisations' work is not unduly affected by delays in agreed funding
3) To match fund projects, where this is a donor requirement and where we have not been able to raise the match funding from other sources.

During the year, this fund was utilised for both short term bridging and match funding to a net level of £13,116 representing a transfer to restricted funds. The balance on this fund as at 31 March 2018 is £nil. The reflects the continuing scaling down of the Communities programme, where the only remaining activity still to be completed is the evaluation of the final project. This was completed in June 2018.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

22 RESTRICTED FUNDS

These comprise unexpended grants given for specific use of the HI Fund, CLIFF and Communities Programmes Funds.

	As at 1 April 2017	Income	Expenditure	Transfers between funds	As at 31 March 2018
	£	£	£	£	£
HI Fund	(142,023)	1,133	(398)	-	(141,288)
CLIFF Programme Funds	39,140,454	12,109,545	(11,440,733)	501,065	40,310,331
CLIFF Recycled Funds	70,377	-	-	(501,065)	(430,688)
Communities Programme Funds	93,393	57,625	(155,766)	14,156	9,408
Other	1,911	(1,911)	-	-	-
	39,164,112	12,166,392	(11,596,897)	14,156	39,747,763

	As at 1 April 2016	Income	Expenditure	Transfers between funds	As at 31 March 2017
	£	£	£	£	£
HI Fund	(200,723)	713	57,987	-	(142,023)
CLIFF Programme Funds	29,111,798	14,760,038	(5,370,906)	639,524	39,140,454
CLIFF Recycled Funds	709,901	-	-	(639,524)	70,377
Communities Programme Funds	261,416	333,862	(625,751)	123,866	93,393
Other	1,911	-	-	-	1,911
	29,884,303	15,094,613	(5,938,670)	123,866	39,164,112

22 RESTRICTED FUNDS (continued)

The HI Fund comprises loans, donations, grants and accumulated interest received and held for the purpose of making or guaranteeing loans to Reall's partner organisations. The negative balance on this fund reflects the write-off of loans shown as Programme Related Investments that have been made in the current year and an inter-fund loan has covered this amount. Further details of the basis of these provisions are set out in note 13.

The CLIFF (Community-Led Infrastructure Finance Facility) Programme is funded by DFID, Sida and Reall. Reall co-ordinates CLIFF at the global/central level and development partners co-ordinate CLIFF at the local level in the countries detailed in note 8.

During the year we received CLIFF loan repayments which are to be recycled back into the CLIFF programme. These are presented separately in the table above under the heading CLIFF recycled funds. This separation demonstrates the process by which donor funds previously disbursed as loans to projects are received back from partner organisations through loan repayments and which are then available for subsequent use by Reall on new projects. In the current year, recycled funds have been used to cover further loans to Oakleaf as South Africa is no longer a permitted country for new investment under the CLIFF programme. In addition, a provision for impairment has been made against this investment in South Africa and a compensatory transfer has been made back to CLIFF Funds for CLIFF Recycled Funds for this amount. The negative balance on CLIFF Recycled Funds has arisen as a result of this impairment and an inter-fund loan has covered this amount. Further details of the basis of this provision is set out in note 12.

The Communities Programme Funds comprise grants made to Reall for use on international projects, implemented by our partners (as detailed in note 7), and associated support costs.

Transfers into the Communities Programme funds in the year totalling £14,156 were made from Designated Funds (£13,116) and from Unrestricted Funds (£1,040) in order to provide match funding for projects within the programme.

Other restricted funds reflect the surplus arising on a grant provided by London Housing Foundation to meet the costs of three winners of the Into Africa competition. During the current year, the unspent funds on this grant were returned to the initial funder and there will be no further activity on this fund.

23 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds	Unrestricted Funds	Total Funds
	£	£	£
As at 31 March 2018			
Tangible Fixed Assets	-	899,519	899,519
Programme Related Investments	30,632,215	-	30,632,215
Investments in Joint Ventures and Associates	1,605,701	-	1,605,701
Net Current Assets	8,144,557	41,120	8,185,677
Creditors: amounts falling due after more than one year	(410,710)	(537,282)	(947,992)
Pension provision	(224,000)	(42,537)	(266,537)
Net assets as at 31 March 2018	39,747,763	360,820	40,108,583
As at 31 March 2017			
Tangible Fixed Assets	-	922,618	922,618
Programme Related Investments	32,878,044	-	32,878,044
Investments in Joint Ventures and Associates	1,582,723	-	1,582,723
Net Current Assets	5,388,281	96,508	5,484,789
Creditors: amounts falling due after more than one year	(420,579)	(578,981)	(999,560)
Pension provision	(264,357)	(44,440)	(308,797)
Net assets as at 31 March 2017	39,164,112	395,705	39,559,817

24 MEMBERS OF THE COMPANY

The company is limited by guarantee and thus does not have any issued share capital. Each member guarantees during their membership and for one year after membership ceases, the sum of £1 to the company in the event of a winding up order. Details of members as at 31 March 2018 are included within the Report of the Trustees. Any surplus on winding up is to go to a charity whose objects are of a similar nature.

25 FINANCIAL COMMITMENTS

As at 31 March 2018, the charity had total future minimum lease payments due as follows:

	2018	2017
	Other	Other
	£	£
Payable:		
In less than one year	1,935	1,935
In two to five years	1,451	3,386
	3,386	5,321

26 CONTINGENT LIABILITIES

The charity receives significant income from institutional donors. The charity takes all reasonable steps to ensure it complies with the terms attached to the receipt of all income under funding agreements. However, the trustees recognise that there is a risk that some funding could become repayable if funds are not used in accordance with the terms of funding agreements.

27 POST BALANCE SHEET EVENT

The charity was advised on 18 June 2018 that, following the annual financial risk assessment of members of the SHPS Defined Benefit ("DB") Scheme, Reall has been classed as a "Higher Risk" employer. This means that Reall will be required to cease DB accrual and transfer all members of the DB scheme to an alternative Defined Contribution ("DC") scheme with effect from 1 October 2018. Reall already has a DC scheme within the SHPS arrangement and the affected members will therefore be transferred to a new section of that scheme maintaining the contribution rates that had been used in the DB scheme.

The Reall DB scheme will be frozen as at 30 September 2018. The charity will continue to be responsible for the deficit within the DB scheme in relation to the 8 affected employees. This means that deficit contributions will continue to be paid as set out in note 20 for as long as they remain due.

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

28 RELATED PARTY TRANSACTIONS

The following transactions with joint ventures and associates as detailed in note 12 have taken place as set out below:

	Affordable Housing Solutions £	Sheltersol Holdings £	SEWA Nirman Private £	Ansaar Management Company (Private) £	Oakleaf Investment Holdings 149 Proprietary £	Enterprise for Housing Development Uganda £
2018						
Programme related Investments						
Gross interest free loans	140,921	-	-	-	-	-
Gross interest-bearing loans	-	5,266,678	-	9,802,220	787,425	129,323
Gross equity investments	-	-	5,604,718	-	-	-
Impairment provision	-	(646,714)	(2,923,643)	-	-	(91,868)
Net loans as at 31 March 2018	140,921	4,619,964	2,681,075	9,802,220	787,425	37,455
Interest rate payable	*5%*	*5%*	*4/5%*	*0-5%*	*0/7%*	*0-6%*
Grants						
Non-repayable	-	79,604	2,301	1,766	2,994	18,693
2017						
Programme related Investments						
Gross interest free loans	140,921	-	-	-	-	-
Gross interest-bearing loans	-	1,842,706	-	8,769,032	-	-
Gross equity investments	-	-	6,389,229	-	-	-
Impairment provision	-	(280,394)	-	-	-	-
Net loans as at 31 March 2017	140,921	1,562,312	6,389,229	8,769,032	-	-
Interest rate payable	*5%*	*5%*	*4/5%*	*0-5%*	-	-
Grants						
Non-repayable	-	10,162	9,135	7,060	6,926	25,361

Notes to the Financial Statements for the year ended 31 March 2018 (continued)

29 FINANCIAL INSTRUMENTS

The carrying amount of the charity's financial instruments at 31 March were:

	2018	2017
	£	£
Financial assets:		
Concessionary loans measured at cost less impairment plus accrued interest	31,829,385	33,570,628
Other measured at amortised cost	3,818	2,449
Total	31,833,203	33,573,077
Financial liabilities:		
Concessionary loans measured at cost plus accrued interest	386,500	711,500
Other measured at amortised cost	954,912	856,686
Total	1,341,412	1,568,186

30 Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 March 2017

	Notes	Unrestricted Funds General £	Designated £	Restricted funds £	2017 Total £
INCOME FROM:					
Donations and legacies	1	35,126	834	-	35,960
Other trading activities	1	120	-	-	120
Charitable activities	1	-	-	15,077,892	15,077,892
Investments	1	311	-	16,721	17,032
TOTAL INCOME		35,557	834	15,094,613	15,131,004
EXPENDITURE ON:					
Raising funds	5	54,242	-	-	54,242
Charitable activities	6	28,130	-	5,938,670	5,966,800
TOTAL EXPENDITURE		82,372	-	5,938,670	6,021,042
Net (expenditure)/income		(46,815)	834	9,155,943	9,109,962
Transfers between funds	22	(53,663)	(70,203)	123,866	-
NET MOVEMENT IN FUNDS		(100,478)	(69,369)	9,279,809	9,109,962
RECONCILIATION OF FUNDS:					
Balance brought forward at 1 April 2016		483,728	81,824	29,884,303	30,449,855
BALANCE CARRIED FORWARD AT 31 MARCH 2017	21/22	383,250	12,455	39,164,112	39,559,817