Reall Limited

a company limited by guarantee

Annual Report & Financial Statements

for the year ended 31 March 2019

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

Contents

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 5QY
Bankers	*The Royal Bank of Scotland plc* – 15 Little Park Street, Coventry, CV1 2RN

Chair's Report for the year ended 31 March 2019

Welcome to our Annual Report and Financial Statements.

Reall's mission to build an affordable homes movement to transform the lives of 100 million people in urban Africa and Asia by 2030 is as vital as ever. The pace of urbanisation is unrelenting and there is an opportunity for vulnerable people to gain significantly if we make the right choices. Housing the 1.2 billion children, women and men without somewhere to call home is one of humanity's greatest challenges. It is also one of our greatest opportunities.

2019 is our 30th anniversary. Since 1989 Reall's initiatives have reached over 3.5 million people, including providing 150,000 people with decent and secure homes, and ensuring over 900,000 people have access to effective sanitation.

2018/19 has been a positive year of transition for Reall as an innovator that supports investors in affordable homes, strengthening the systems for our more ambitious goals. Our anchor investors, the Swedish Government through Sida and the UK Government through DFID, have provided steadfast support, guidance and fresh capital. Our network of African and Asian partners have continued to deliver ground breaking, commercially viable solutions for people on low incomes in their communities, whilst our relations with a wide range of collaborating organisations have grown significantly. Increasing our profile as a catalytic organisation with a credible track record of providing much needed solutions in affordable housing has further enhanced our relations internationally.

This financial year has been slower in delivery terms than the norm. Nonetheless, we have approved projects to provide an additional 2,700 homes across 4 different countries and over 6,000 basic service units, benefiting 13,500 people bringing the CLIFF portfolio to around 55,000. This support will directly create 4,000 jobs along with an additional 32,000 indirect jobs in this year alone. Our risk management processes provide robust assurance throughout the investment cycle through the 8-step Assurance Framework. Regular structured engagement with all of our African and Asian partners throughout the year has provided technical and governance support, assurance, training and knowledge exchange in-country and from the UK.

We have reported a surplus of £0.3m (page 9) before loan impairment and exchange rate charges totaling £6.3m. We received £3.2m in new funding this year against which we disbursed £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.

One key part of our evolution has been to strengthen the Board with three members stepping down, following valuable service. We have successfully recruited five high calibre new Board members including a Chair designate for when I step down towards the end of 2019. Complementing the Board enhancements has been a new more transparent and accountable operating structure and enhanced existing capability with 40% new staff.

The Board would like to articulate its appreciation to all our long-term supporters both individuals and organisations. We believe 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. In particular I would personally like to thank Suzanne Forster, Alison Brown and Amy Becker for their enormous contributions to the Board over many years. We would not be here without them.

David Orr

Chair

2 July 2019

Report of the trustees for the year ended 31 March 2019

The trustees are pleased to present their annual trustees' report (including their strategic review) together with the financial statements of the charity for the year ended 31 March 2019, 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).

Our objects, vision and mission

Reall is a UK-based international development organisation that is building an affordable homes movement which will improve the life chances of 100 million people in urban Africa and Asia by 2030. Having operated in the sector for 30 years, Reall's initiatives have reached over 3.5 million people, including providing 150,000 people with decent and secure homes, and ensuring over 900,000 people have access to effective sanitation.

Housing the 1.2 billion children, women and men without somewhere to call home is one of humanity's greatest challenges. It is also one of our greatest opportunities. Affordable homes don't just provide a fundamental human right, they unleash unimaginable human potential and an untapped multibillion-dollar housing market capable of tackling gender inequality, improving health, strengthening climate resilience, increasing access to education and catalysing economic development.

Reall's strategy is to get affordable homes built at scale by targeting investments, generating ideas and championing evidence. This accelerates the flow of capital and the availability of end-user finance, leading to catalytic commercial, economic and socially sustainable change.

Our financial model allows funds to be reused and recycled to help the next community and the one after that. Our track record shows that deploying patient capital can de-risk investments, providing the opportunity for people to own an asset, gain access to formal finance mechanisms, breaking the cycle of poverty and demonstrating a commercially viable solution for people on low incomes.

As an innovator and funder of affordable homes initiatives, our purpose is to create the conditions required to revolutionise the provision of inclusive housing. We do this by working in open collaboration with communities and across the public, private and third sectors.

Together, we develop, refine and share innovative housing models that unlock the political will, capital investment and end user finance needed to create the opportunity for hard-working families to secure a quality, affordable home in a safe and vibrant community. We believe that by using an open-source approach, the best ideas can be adapted and adopted around the world enabling functioning housing markets to be developed at greater speed and scale.

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 at present with limited income from donations and memberships to cover its unrestricted programme operating costs, 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.

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report

After the turbulent previous year, the year ended 31 March 2019 has been challenging but always one that has seen us drive forward together. Since his arrival as Chief Executive in February 2018, Ian Shapiro has led the organisation on a path of self-assessment, external assessment and re-organisation internally that sees Reall in much better shape to meet the challenges of the future in the delivery of our mission.

The process of transition from CLIFF 2b to CLIFF 3 has progressed more slowly than anticipated. We extended our existing agreements with both DFID and Sida during the year to take our funding up to February 2019 and April 2019 respectively. We then agreed further extension funding with DFID to take us to February 2020 and since the year end have signed a new CLIFF 3 4-year agreement with Sida that will take us up to April 2023.

The DFID led in-depth review of our activities and processes that began last year continued throughout the first quarter of the year and resulted in a report that made a series of recommendations about our processes and approach to working with our partners. We have been working to respond to the recommendations and making the necessary changes, where we had not already recognised the gaps and acted on them. DFID will be returning to carry out a follow-up review in September 2019 to assess progress as part of any decision to commit to longer-term CLIFF 3 funding.

The Charity Commission completed their investigation during the year, providing their final report in March 2019. The recommendations contained in the report were helpful and relatively minor, reflecting the findings from an independent governance review and the changes in our governance approach that took place during 2018.

Autumn 2018 saw the roll-out of a new organisation-wide staffing structure, which now reflects the key areas of our business; Investment & Operations (headed up by Patrick Domingos-Tembwa), Market Transformation (headed up by Emma Harrington), Finance & Corporate Services (headed up by Karen Preece and since 7 May 2019 by Michele Pietsch) with the addition of a Director of Corporate Planning (Mark Atterton), who joined us in January 2019. We have completed a substantial round of recruitment to principally strengthen our middle management and our expanded staff complement of 30 at the end of the year are now settled in their new roles.

Achievements and Performance in the year

In the following section, we look at the key elements of the programme (Investment & Operations and Market Transformation) to give a flavour of our work over the past year.

CLIFF PROGRAMME

Investment & Operations

Reall has continued to deliver on its mission despite the challenges, with numerous successes, some of which are listed below:

- We approved projects to provide an additional 2,700 housing units across 5 partners and 4 different countries. These units will provide housing to an additional 13,500 people. This brings the portfolio total to over 24,000 units since 2010. New projects this year include 3 new projects in Pakistan providing 1,300 homes, a 500 unit project in South India, self-build housing projects in Nepal and home upgrading loans in South Africa and India.
- We also approved the construction of over 6,000 basic service units, bringing the CLIFF portfolio to around 55,000. These basic service units include water and sanitation to every home, along with a large proportion receiving electricity infrastructure.
- Land totaling 26.35ha has been mobilised across 4 countries, bringing the total mobilised across the programme to 758.91ha.

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

- Newly approved projects will directly create 4,000 jobs along with an additional 32,000 indirect jobs. This brings the total number created to around 36,000 direct jobs since 2010, along with 290,000 indirect jobs.
- Our partners have completed an additional 573 housing units, bringing total completions to almost 11,000 units. This year's completions have been in India, Nepal, South Africa, Pakistan, Kenya, Mozambique and Zimbabwe.

The extensions to our existing funding contracts with DFID and Sida (rather than new contracts) have meant that we have received a much lower amount (£3.2m) of new funding this year, which has had a direct impact on funding available for partners. This resulted in a continuing slow-down on the number and value of new projects approved. Our much stronger project assessment and evaluation processes have enabled us to manage this during the year.

Whilst delivery figures remain lower than previous years, CLIFF did meet its targets because lower expectations were set for this year to reflect the reduction in overall funding. Whilst the funding horizon is being 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 our ongoing technical support activities.

Market Transformation

A significant proportion of our activity has again been dedicated to the development of a new Business Case for the new funding from both DFID and Sida that are coming on stream in the year ending 31 March 2020.

- 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 strengthen our pipeline of investable projects.
- Our 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. A key component of the process is the new project appraisal, monitoring and evaluation tool, which takes equal account of the viability of the project (in terms of delivery and financials) as well as wider partner financial maturity and operating capabilities. This should ensure a more rounded assessment of whether to proceed with any investment. This new tool is being used to assess the limited number of new projects as well as to monitor existing projects.
- We are reviewing our equity shareholdings to ensure that our stakes continue to represent and create value in these partners.
- 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.

The other focus of this year's activity has again 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.

- The CRM system (Hubspot) that we implemented last year now handles both upstream and downstream partner information and enables us to log and track all enquiries. The focus now is to ensure that relevant staff are trained to effectively utilise the system.
- We have circulated two newsletters during the year and produced a series of case studies and interviews with Reall staff and our partners' CEOs to showcase innovation and best practice within our partner network. We have also participated in various affordable housing events in Asia, Europe and Africa and seized opportunities to showcase our work through presentations, panel discussions and stalls.

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

- We commissioned a strategic review of the effectiveness of our brand during the year with the aim of providing a full suite of new marketing collateral and a new website and social media assets. These went live in May 2019.

Overall, our CLIFF activities for the year have resulted in unspent funds at the end of the year of £3.9m which will be carried over into the FY20 CLIFF budget.

Financial review

The Statement of Financial Activities on page 21 sets out Reall's income and expenditure for the year ended 31 March 2019.

Ongoing discussions without final resolution to secure new long term agreed funding beyond CLIFF 2b from DFID and Sida has meant challenges this year for Reall. Cash flow has been tight all year, and more importantly, we have had to manage the expectations of our partners about what funds we have been able to provide to them.

June 2018 saw the official end of the further extension to our DFID contract and we received no further new funding from them during the year. In March 2019, we agreed a further £5m extension to the CLIFF 2b programme which will take us through to February 2020. With Sida, we continued to deliver the CLIFF 2b contract that had been extended to December 2018. As part of this, we received £3.2m of new funds in October 2018. This contract was then further extended to April 2019, with £3.9m of funds being rolled over into the next financial year as a consequence.

The Core funding element of the Sida contract 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 to support our work to attract new funding from impact investors and other similar organisations to reduce our reliance on DFID and Sida in the future.

Most 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 £3.04m, this is 59% down on last year. The new loans that we have advanced have been restricted to five partners – with 88% of the total going to a single partner (AMC in Pakistan) . Against that, we have made £1,005k of new capacity grants (compared with £541k last year), which have benefited more partners in this way than we have done for several years. We have seen very limited recycling of funds in country or repayment of loans this year – a total of £106k has been repaid, which reflects the much 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 made a gain of £0.5m this year, compared with a loss of £7.7m last year. In general, we have seen ongoing volatility in the local currencies that our partners operate in – we had made a loss in the first 9 months of £1,450k which converted into the £507k gain for the full year. Once again demonstrating the volatility of these currencies, the first two months of 2019/20 has seen an exchange gain of £1.1m.

The loan portfolio has once again been subject to a detailed review at the year end to assess its recoverability and therefore carrying value to Reall. This detailed exercise has resulted in a significant increase in the overall impairment provision of £6,340k offset by a release of £1,265k when our fully provided capacity loan portfolio was converted into grants during the year. This reflects a significant worsening of the risk assessments for many of our partners – in particular Angola, South Africa, Burkina Faso, Ghana and Zimbabwe although there have been some improvements. Overall this means that the impairment provision is now 41% of the gross loan book compared with 31% last year.

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

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

	Gross	Impairment provision	Net
	£m	£m	£m
As at 1 April 2018	44.3	(13.7)	30.6
New loans in year	3.1	-	3.1
New impairment in year	-	(6.5)	(6.5)
Net repayments and recycling in year	(0.1)	-	(0.1)
Exchange gain in year	0.5	-	0.5
Capacity loans converted to grant in year	(1.3)	1.3	-
As at 31 March 2019	**46.5**	**(18.9)**	**27.6**

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 could be released when outcomes are achieved. The catalytic nature of Reall's work ,means that a very low level of impairment would probably indicate an insufficient level of innovation and risk in our operations.

In addition to provisions for loan impairment, Reall has made a further provision of £0.4m against our investment in our South African partner Oakleaf. Oakleaf's operating subsidiary Kuyasa has continued to work to attract new sources of funding but this has not been successful. As a result, Kuyasa is still unable to cover its operating costs and has been trading at a loss for the last two years.

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

CLIFF programme	**2019**	**2018**
	£'000	**£'000**
Income from:		
DFID/Sida/Other	3,152	11,185
Interest income on loans and cash holdings	472	924
Total income	**3,624**	**12,109**
Expenditure on:		
Operating costs	(2,318)	(2,323)
New Grants (capacity and capital funding)	(1,005)	(541)
Expenditure excluding loan movements	(3,323)	(2,864)
Net income before loan movements	**301**	**9,245**
Exchange gains/(losses)	507	(7,710)
Loan impairment	(6,340)	175
Capacity loans converted to grants	(1,265)	-
Capacity loans converted to grant – impairment provisions released	1,265	-
Equity investment impairment	(361)	(1,042)
Net (expenditure)/ income for CLIFF programme	**(5,893)**	**668**
(before pension adjustments and transfers between funds)		

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

Our expenditure on the CLIFF programme has remained consistent with last year (excluding the impact of exchange gains and losses and other loan movements as well as grants). Alongside this, we have increased the level of grants to partners this year in response to their increasing needs for support of this nature to enable them to deliver their capital projects.

At the start of the year we had £6.8m of brought forward Sida funding, which means that after reporting a net cash outflow of £2.9m on the CLIFF programme, this still leaves us Sida funds to carry forward of £3.9m.

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 costs and staff numbers overall are broadly in line with the previous year, although we have spent more on consultants this year as we filled some vacancies in our new staffing structure with consultants until recruitment was completed later in the year. Overhead costs have increased by 58% compared with last year – this principally reflects the one-off costs of the expansion in the staffing structure (which will impact on staff costs next year) and strategic reviews in areas such as governance. The continuing increase in the focus of Reall's activities on the CLIFF programme has once again seen the proportion of these costs allocated to unrestricted activities in the year reducing again from 3% to 2%.

Reserves Policy

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 the CLIFF programme (and the now closed 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.

It is 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. These "available reserves" will also include any unspent CLIFF funds carried forward as at the year end.

On this basis, available reserves (including carried forward Sida funding of £3.9m) can therefore be considered to be as follows:

		2019	2018
		£'000	**£'000**
	Total unrestricted reserves	398	361
	Total CLIFF reserves	33,395	39,880
	Total CLIFF and unrestricted reserves	*33,793*	*40,241*
	Total CLIFF loan book	(27,572)	(30,491)
	Available reserves	**6,221**	**9,750**

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

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, and therefore there is no non-conformity with any standards, nor activity to monitor. Based on there being no approach to fundraising, Reall is satisfied that the public are not impacted by any fundraising approaches or pressures, and has had no complaints. Reall still continues to receive nominal amounts of unsolicited donations raised by other organisations, who have chosen Reall as a beneficiary of their own charitable activities. These 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

The Board approved a full year budget for the year ending 31 March 2020 in March 2019, which reflects the agreed funding streams from both DFID and Sida at that time. Our budget for the year ending 31 March 2020 was therefore based on available CLIFF funds amounting to £11.5m comprising £11.2m of new funding (DFID £4.7m and Sida £6.5m) and an estimated £0.3m of Sida funding to be carried over. This carry over of funds has now been confirmed at £3.9m as a number of new partner loans were deferred until the new financial year. This will provide additional available funding of £3.6m in the forthcoming year compared with the approved budget.

The Operating Plan for the year ending 31 March 2020 reflects the following key objectives and projects:

- 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.
- Delivering increased investment in soft loans and grants for our partners – building and brokering for Affordable Homes in our countries of operation.
- 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.
- Strengthening our voice across international platforms to raise awareness of affordable housing and the Reall model.

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

- 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.
- Strengthen organisational maturity through enhancing internal policies and procedures, risk management, culture and behaviours.

Pensions

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 was 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 had a DC scheme within the SHPS arrangement and the affected members transferred to a new section of that scheme maintaining the same contribution as the DB scheme. The Reall DB scheme was therefore closed as at 30 September 2018. The charity continues to be responsible for the deficit within the DB scheme in relation to the 8 affected current employees and the 39 deferred members and pensioners. This means that deficit contributions will continue to be paid for as long as they remain due.

In previous financial years, it had not been possible to obtain sufficient information to enable Reall to account fully for this scheme as a defined benefit scheme and it was therefore accounted for as a defined contribution scheme (recognising the net present value of the agreed future deficit contributions as the pension liability within provisions for liabilities on the balance sheet). During the current year, the information to enable Reall to account for the scheme fully as a defined benefit scheme is now available. Adjustments have therefore been made as at 1 April 2018 to reflect the actuarial valuation as at that date within these accounts as follows:

	Total reserves	**Pension liability**
	£	**£**
De-recognition of deficit funding liability	266,537	(266,537)
Initial recognition of net defined benefit scheme obligation	(738,000)	738,000
Net adjustment – initial recognition of multi-employer defined benefit scheme in other recognised gains and losses	**(471,463)**	**471,463**

Further details of the change are set out within Accounting Policies on page 24 and note 20 to these accounts.

Risk management

The Reall Board completed an extensive review of their risk policy and procedures and adopted a new policy on 9 January 2018. In September 2018, they carried out a review of their risk appetite and incorporated the results from this exercise in an updated Risk Management Policy and Procedures that they approved in December 2018.

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. This corporate risk map sits alongside more detailed risk assessments of overseas partners to provide the Board with a comprehensive assessment of the risks that Reall faces at any point in time.

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

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 2019. 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 February 2020 in the case of DFID) 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 with Sida have delivered a new £23m 4-year funding agreement with Sida (taking us through to April 2023) since the year end, with provision for a possible funded 5-year extension beyond 2023. Discussions with DFID continue, but a formal decision with regard to longer term funding is not expected until after the completion of the DFID follow-up review in September 2019. The Trustees remain confident that a new DFID agreement will be achieved before the end of the current funding period, which ends in June 2020.
- 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.

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

- Organisational problems continue 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.

Report of the trustees for the year ended 31 March 2019 (continued)

Strategic report (continued)

- 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.
- The organisation has a significant closed defined benefit pension liability in relation to a small number of current employees and a larger number of past employees within the SHPS multi-employer defined benefit scheme. Reall's Accounting Policies as set out on page 24 to these accounts provides more information on the nature of the scheme and the inherent risks to Reall in its structure. Although the scheme has been closed, Reall is still required to make ongoing annual deficit contributions into the scheme (£67k for the year ending 31 March 2020) and has made provision in its budgets for these payments. A formal external pensions review will be carried out during the year ending 31 March 2020 in order to assess more fully the risks to Reall and possible mitigating actions for the future.

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.

Directors' Report

Structure, governance and management

During the year, the Trustees commissioned an independent review of the way in which they were operating against the Charity Commission Good Governance Code (for Smaller Charities) as well as a trustee skills and experience audit. The formal report following the review set out a number of recommendations to improve their internal governance processes and the trustees have formally adopted these within a formal action plan. Progress against the action plan is ongoing and will be reported to each board meeting until the plan is complete (expected December 2019). Two key actions within the plan were to review the Articles of Association and to progress the recruitment of new board members. Progress in these areas is set out below.

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 5 December 2018.

The revision of the Articles of Association that was completed in December 2018 made a number of changes to the way trustees are appointed and can be removed, but the primary change was to close down our existing membership scheme as it no longer reflected the way in which Reall was operating. Those members (both corporate and individual) that wished to maintain links to Reall have become "Friends of Reall" and they continue to receive regular news updates about our work with our partners overseas, but this has no legal status. Our Trustees, who automatically become Members of Reall on appointment are now our only Members.

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"). Under the revised Articles of Association, the Board is formed from the trustees, who are independently appointed and consists of no less than 3 members (but no maximum number). Trustees are each appointed for a maximum of 6 years (in 3-year terms), with the exception of the Chair, who can serve a maximum of 7 years. They may not then return to the board for a period of 3 years. 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.

Report of the trustees for the year ended 31 March 2019 (continued)

Directors' Report (continued)

During the year, the Board successfully carried out an extensive external recruitment exercise to identify new trustees and a Chair Designate to replace David Orr, as his 7-year term of office will expire in Autumn 2019.

Directors and trustees since 1 April 2018:

Name	**Specialism**	
David Orr	Chair	
Suzanne Forster	Finance	Retired 5 December 2018
Professor Alison Brown	International planning	Retired 5 December 2018
Steven Geoffrey Troop	Treasury management	
Amy Becker	Finance and business development	Resigned 8 November 2018
Shantanu Bhagwat	Venture capital and social enterprise	
Kate Wareing	Overseas development	
Chris Loughlin	Chair designate	Appointed 12 March 2019
Diana Mitlin	Urban housing development	Appointed 12 March 2019
Paul Hackett	UK housing association funding	Appointed 12 March 2019
Andrea Marmolejo	Emerging & frontier financial markets Asia and Africa	Appointed 12 March 2019
Letty Chiwara	Urban development in Africa	Appointed 12 March 2019

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. As a new departure this year, our newly appointed trustees began their induction as a group over a single day in May 2019 (before attending their first board meeting) before undertaking an extended programme of briefings and training sessions across a range of areas including safeguarding, risk management and sectoral updates.

Third Party indemnity provision for directors

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

Organisation
The Board meets formally every two months which includes a formal strategy day. They also attend sub-groups and Committees (such as the Nominations Committee) as required. At Board meetings, the trustees agree the corporate 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 operating 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.

Report of the trustees for the year ended 31 March 2019 (continued)

Directors' Report (continued)

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	
Karen Preece	Director of Finance	Resigned 7 May 2019
Patrick Domingos-Tembwa	Director of Investment & Operations	
Emma Harrington	Director of Market Transformation	
Mark Atterton	Director of Corporate Planning	Appointed 2 January 2019
Michele Pietsch	Director of Finance	Appointed 29 April 2019
Jean Teichmann	Interim Director Capital Projects	Resigned 30 September 2018

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.

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.

Report of the trustees for the year ended 31 March 2019 (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 including directors' 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.

The Report of the Trustees prepared under the Charities Act 2011, which also contains all information required in a Directors' Report by the Companies Act 2006, and the incorporated Strategic Report prepared under the Companies Act 2006, were approved by the Board of Trustees on 2 July 2019 and signed on behalf of the Trustees by:

D C. Orr

D Orr
Chair

2 July 2019

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 2019 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 2019 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 other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 Directors' Report and the Strategic Report prepared for the purposes of company law and included within the Report of the Trustees for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and the Strategic Report included within the Report of the Trustees 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 Directors' Report and the Strategic Report included within the Report of the Trustees.

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 17, 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

6th August 2019

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 2019

	Notes	Unrestricted Funds General £	Restricted funds £	2019 Total £	2018 Total £
INCOME FROM:					
Donations and legacies	1	14,956	-	14,956	30,797
Other trading activities	1	-	-	-	(1,911)
Charitable activities	1	-	3,539,731	3,539,731	12,099,996
Investments	1	364	90,601	90,965	68,537
TOTAL INCOME		15,320	3,630,332	3,645,652	12,197,419
EXPENDITURE ON:					
Raising funds	5	11,839	-	11,839	16,723
Charitable activities	6	27,968	9,670,830	9,698,798	11,631,930
TOTAL EXPENDITURE		39,807	9,670,830	9,710,637	11,648,653
Net (expenditure)/income for the year		(24,487)	(6,040,498)	(6,064,985)	548,766
Transfers between funds	22	78,065	(78,065)	-	-
		53,578	(6,118,563	(6,064,985)	548,766
Other recognised gains/(losses)					
Initial recognition of multi-employer defined benefit scheme	20	(14,851)	(456,612)	(471,463)	-
Actuarial losses in respect of pension scheme	20	(1,921)	(59,078)	(60,999)	-
NET MOVEMENT IN FUNDS		36,806	(6,634,253)	(6,597,447)	548,766
RECONCILIATION OF FUNDS:					
Balance brought forward at 1 April 2018		360,820	39,747,763	40,108,583	39,559,817
BALANCE CARRIED FORWARD AT 31 MARCH 2019	21/22	397,626	33,113,510	33,511,136	40,108,583

All income and expenditure is derived from continuing activities.

Balance Sheet as at 31 March 2019

Company registration Number: 2713841

		2019		2018	
	Note	£	£	£	£
Fixed assets					
Tangible assets	11		871,823		899,519
Investments:					
Joint ventures and associates	12		1,244,242		1,605,701
Programme Related Investments	13		29,081,801		31,829,385
Total fixed assets			31,197,866		34,334,605
Current Assets					
Debtors falling due within one year	14	59,033		34,797	
Cash at bank and in hand	19	4,272,918		7,347,396	
Total Current Assets		4,331,951		7,382,193	
LIABILITIES					
Creditors falling due within one year	15	(463,307)		(393,686)	
Net current assets			3,868,644		6,988,507
Total assets less current liabilities			35,066,510		41,323,112
Creditors falling due after more than one year	16		(743,562)		(947,992)
Provision for liabilities	17		-		(266,537)
Net Assets excluding pension liability			34,322,948		40,108,583
Net defined benefit pension scheme obligation	20		(811,812)		-
TOTAL NET ASSETS			33,511,136		40,108,583
FUNDS:					
Restricted funds	22		33,113,510		39,747,763
Unrestricted funds					
Unrestricted income funds	21		397,626		360,820
TOTAL CHARITY FUNDS			33,511,136		40,108,583

The notes and accounting policies on pages 24 to 58 form part of these accounts.

The financial statements were approved by the Board of Trustees and authorised for issue on 2 July 2019 and are signed on its behalf by:

David Orr, Chair

Kate Wareing, Director

Statement of Cash Flows
For the year ended 31 March 2019

	Note	2019	2018
		£	£
Cash flows from operating activities:			
Net cash (used in)/generated by operating activities	18	(3,047,550)	3,416,867
Cash flows used by investing activities			
Bank interest received		91,675	64,725
Purchase of tangible fixed assets		(12,886)	(20,257)
Sale of tangible fixed assets		50	5,164
Purchase of Investments in joint ventures and associates		-	(1,065,412)
		78,839	(1,015,780)
Cash flows (used in)/provided by financing activities			
Mortgage repayments		(44,046)	(40,949)
Mortgage interest paid		(18,037)	(20,051)
Repayment of HI Fund loans		(43,684)	(325,000)
		(105,767)	(386,000)
Change in cash and cash equivalents in the year		(3,074,478)	2,015,087
Cash and cash equivalents at the beginning of the year	19	7,347,396	5,332,309
Total cash and cash equivalents at the end of the year	19	4,272,918	7,347,396

Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are as follows:

General information

The charity is a company limited by guarantee and therefore has no share capital. It 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.

Accounting in relation to pensions has not been applied consistently because the charity is a member of the SHPS multi-employer defined benefit scheme. The charity has chosen to adopt the provisions of Amendments to FRS 102 – Multi-employer defined benefit plans early including the resulting final amendments document and these accounts reflect the change from recognising the pension liability based on the net present value of agreed deficit contributions (as in the accounts for the year ended 31 March 2018) to reflecting the full actuarial valuation of the net defined benefit scheme obligation (as in the accounts for the year ended 31 March 2019). Further details are set out under the heading "Pensions" on page 12 and in note 20.

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.

Reall has provided funds to certain partners by way of interest bearing loans, which is not due until the repayment of the loan, and previously accounted for accrued interest within debtors (split between due within one year and greater than one year). However, the loans to the partners are classified as Programme Related Investments, and the Charities SORP states that accrued interest on Programme Related Investments should be added to the cost of the investment. Consequently, Reall has elected to reclassify the accrued interest on these loans into Programme Related Investments, the values being £1,509,949 (2018: £1,197,170) net of impairment. Accordingly, the comparative figures have been restated from £30,632,215 to £31,829,385 for programme related investments and from £1,227,967 to £34,797 for debtors in order to present meaningful and consistent comparatives in the balance sheet and supporting notes. There is no overall impact on Reall's net assets as a result of this change in presentation.

During the year, it was identified that a loan due to The London Housing Foundation had in fact been rolled over as a Reall Bond loan (rather than as an HI Fund loan) in 2017. The analysis of the comparative figures in in note 16 has therefore been restated to reflect this.

Accounting Policies (continued)

Going concern

As at 1 April 2018, the CLIFF 2b programme with DFID had officially finished. During the year, we have agreed a new 12 month funding contract for the period 1 March 2019 – 28 February 2020 for £5m. Discussions are ongoing with DFID for further extended funding, although final decisions will not be made until after the completion of a formal DFID review, which is scheduled to take place during September 2019.

The CLIFF 2b programme with Sida was expected to finish in June 2018, However, during the year, we were able to secure an extension to the end date through to 30 April 2019, although this did not involve any funding in addition to the £3.2m expected funding, which was received during 2018/19. Discussions with Sida have delivered a new £23m 4-year funding agreement with Sida (taking us through to April 2023) since the year end, with provision for a possible funded 5-year extension beyond 2023.

Discussions with DFID continue, but a formal decision with regard to longer term funding is not expected until after the completion of the DFID follow-up review in September 2019. The Trustees remain confident that a new DFID agreement will be achieved before the end of the current funding period, which ends in June 2020.

The formal Business case for the new Sida and DFID funding was based on detailed 5-year budgets which indicate that Reall can 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 then been prepared for the year ending 31 March 2020 (and indicative budgets for the following two years) indicate that the charity has sufficient resources to meet its liabilities as they fall due. Based on these budgets and the outcomes from ongoing 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.
- Legacies are accounted for as soon as entitlement, probability of receipt and the amount can be measured reliably.
- 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, low-value capital projects (where the partner is not sufficiently developed to be able to make loan repayments) 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.

Accounting Policies (continued)

- Charitable activities also include the direct costs of the Communities and CLIFF Programmes. These direct costs include, for example, monitoring and evaluation (including our internal assurance programme), 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. 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.

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

Accounting Policies (continued)

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.

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.

Accounting Policies (continued)

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 in the UK. The charity participates in two separate active defined contribution schemes and one closed defined benefit scheme 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 Higher Rate Defined Contribution Scheme. Contributions are charged to the Statement of Financial Activities in the year they are payable.

Higher Rate Defined Contribution Scheme
This scheme replaced the Defined Benefit Scheme that the charity had been a member of for many years and is open to any employees who wish to join it instead of the Auto-Enrolment scheme. Contributions are charged to the Statement of Financial Activities in the year they are payable.

Defined Benefit Scheme
This scheme was open to any employees who wished to join it until 1 October 2018 when the scheme was closed to new accrual. The closure took place following the outcomes from the autumn 2017 employer risk assessment, which indicated that Reall did not have a strong enough covenant to maintain an active Defined Benefit scheme under the scheme provider's rules.

For the first time this year, it is possible to obtain sufficient information to enable the charity to account fully for the scheme as a defined benefit scheme. The deficit on the scheme is now reported as a Defined Benefit Pension Scheme obligation on the Balance Sheet. The impact of this change in reporting for the Defined Benefit Scheme is set out in more detail on page 12 of the Trustees' Report. The principal change has been for Reall to recognise a new defined benefit pension liability for £738,000 to replace the provision for liabilities in relation to the Defined Benefit Scheme of £266,537 as reported in the accounts for the previous year. This adjustment has been reflected within the Statement of Financial Activities under Other recognised gains/losses.

This is a change from previous years, when the charge to the Statement of Financial Activities was the employer's current contributions to the scheme, with agreed deficit payments being charged against the provision for liabilities recognised on the balance sheet. Current service costs for the current year are £52,000 compared with employer's contributions to the scheme in the previous year of £38,889.

The net defined benefit asset/obligation represents the present value of the defined benefit obligation minus the fair value of scheme assets out of which obligations are to be settled. The rate used to discount the benefit obligations to their present value is based on market yields for high quality corporate bonds with terms consistent with those of the benefit obligations. The change in the net defined benefit liability arising from employee service during the year is recognised as an employee cost. Net interest on the net defined benefit liability comprises the interest cost on the defined benefit obligations and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. These amounts are recognised within net income/expenses. Actuarial gains and losses and the difference between the interest income on scheme assets and the actual return on scheme assets is recognised in other recognised gains and losses.

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 (as set out in note 13) 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 – non-consolidation

  The charity has a number of equity stakes in partners as set out in note 12 – Joint Ventures and Associates. The charity considers the substance of each of these investments where the shareholding would generally require that the results and net assets of the partners to be consolidated into the accounts of the UK charity. Note 12 sets out the rationale for the non-consolidation of each of the relevant partner entities and, as a result, has not produced consolidated accounts.

- Equity stakes in partners - Nepal

  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 advanced by Reall to this partner are therefore recognised as equity in the accounts of our Nepalese partner. 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 (as set out in note 12) 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.

- Defined Benefit Pension Scheme liabilities

  For the first time this year, it is now possible to obtain sufficient information to enable the charity to account fully for this scheme as a defined benefit scheme. The charity, in conjunction with the scheme actuary, assesses the assets and liabilities of the scheme, and hence the net liability at each year end using a number of key assumptions including mortality rates, discount rates, inflation and salary growth in order to establish the fair value of the assets and liabilities at the balance sheet date. Further information in relation to the assumptions used to evaluate the deficit as at 31 March 2019 is set out in Note 20 to these accounts.

Notes to the Financial Statements for the year ended 31 March 2019

1 INCOME

	Unrestricted Funds	Restricted Funds	2019 Total	2018 Total
	£	£	£	£
Income from donations and legacies				
Membership fees	5,141	-	5,141	11,445
General Donations	9,815	-	9,815	17,585
Legacies	-	-	-	1,106
Appeals	-	-	-	661
	14,956	-	14,956	30,797
Income from other trading activities				
Other	-	-	-	(1,911)
	-	-	-	(1,911)
Investment income (note 4)				
Interest on deposit accounts	364	90,601	90,965	68,537
	364	90,601	90,965	68,537
Income from charitable activities				
Grants receivable				
Statutory sources (note 2)	-	3,151,860	3,151,860	11,171,453
Trusts and foundations (note 3)	-	5,000	5,000	71,150
Interest on CLIFF loans	-	382,871	382,871	856,778
Interest on HI loans	-	-	-	615
	-	3,539,731	3,539,731	12,099,996
TOTAL INCOME	15,320	3,630,332	3,645,652	12,197,419

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

1 INCOME (continued)

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

	2019	2018
	£	£
Communities Programme	5,060	57,625
CLIFF Programme	3,624,305	12,109,545
HI Fund	967	1,133
Other restricted	-	(1,911)
Raising funds	15,320	31,027
	3,645,652	12,197,419

2 STATUTORY GRANTS RECEIVABLE

	2019	2018
	£	£
Communities Fund		
Department for International Development – GPAF – IMP –099	-	9,697
Guernsey Overseas Aid Commission	-	5,273
Jersey Overseas Aid Commission	-	(28,572)
CLIFF Fund		
Department for International Development – Private Sector Department	-	2,000,000
Swedish International Development Co-operative Agency	3,151,860	9,185,055
	3,151,860	11,171,453

3 TRUSTS AND FOUNDATIONS GRANTS RECEIVABLE

	2019	2018
	£	£
Communities Fund		
Comic Relief	5,000	67,650
Other trusts and foundations	-	3,500
	5,000	71,150

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

4 INVESTMENT INCOME

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

	Unrestricted Funds	Restricted Funds	2019 Total	2018 Total
	£	£	£	£
Interest on deposit accounts				
- CLIFF Fund	-	89,574	89,574	67,712
- Communities Fund	-	60	60	77
- HI Fund	-	967	967	518
- Other	364	-	364	230
	364	90,601	90,965	68,537

5 EXPENDITURE ON RAISING FUNDS

	Unrestricted Funds	Restricted Funds	2019 Total	2018 Total
	£	£	£	£
Website costs	17	-	17	-
Other fundraising costs	1,992	-	1,992	2,662
Support costs (note 9)	9,830	-	9,830	14,061
Total cost of raising funds	11,839	-	11,839	16,723

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

6 CHARITABLE EXPENDITURE

	Unrestricted Funds	**Restricted Funds**	**2019 Total**	**2018 Total**
	£	£	£	£
Communities Programme				
Grants paid (note 7)	-	1,274	1,274	112,572
Monitoring and evaluation costs	-	8,358	8,358	32,541
Support costs (note 9)	-	3,119	3,119	10,653
	-	**12,751**	**12,751**	**155,766**
CLIFF Programme				
CLIFF – Capital and Capacity Grants (note 8)	-	2,270,385	2,270,385	541,057
CLIFF – Direct operational costs	-	578,728	578,728	856,120
CLIFF – Support costs (note 9)	-	1,738,903	1,738,903	1,466,790
CLIFF – Exchange rate (gain)/loss on programme related loan and equity investments	-	(507,280)	(507,280)	7,709,856
CLIFF – equity investment impairment	-	361,459	361,459	1,042,434
CLIFF – Loan impairment (net of capacity grant conversion)	-	5,074,963	5,074,963	(175,524)
	-	**9,517,158**	**9,517,158**	**11,440,733**
HI Fund				
HI Fund – exchange rate loss on loans repaid	-	-	-	398
HI Fund- Loan impairment	-	140,921	140,921	-
	-	**140,921**	**140,921**	**398**
Other				
Direct – interest payable on Reall Bond	4,100	-	4,100	2,784
Direct – governance costs	1,152	-	1,152	233
Support costs (note 9)	22,716	-	22,716	32,016
	27,968	**-**	**27,968**	**35,033**
	27,968	9,670,830	9,698,798	11,631,930

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

6 CHARITABLE EXPENDITURE (continued)

The table below analyses expenditure by programme area:

	Grants Paid	Direct Operational Costs	Support Costs	2019	2018
	£	£	£	£	£
Communities Programme	1,274	8,358	3,119	12,751	155,766
CLIFF Programme	2,270,385	5,507,870	1,738,903	9,517,158	11,440,733
HI Fund	-	140,921	-	140,921	398
Other	-	5,252	22,716	27,968	35,033
	2,271,659	5,662,401	1,764,738	9,698,798	11,631,930

7 COMMUNITIES PROGRAMME GRANTS

	2019	2018
	£	£
Grants paid:		
National Association of Co-operative Housing Unions (Kenya)	-	(4,860)
Dialogue on Shelter for the Homeless in Zimbabwe Trust (Zimbabwe)	-	4,707
Centre for Community Initiatives (Tanzania)	-	4,981
People’s Process on Housing and Poverty (Zambia)	-	26,149
Centre for Community Organisation and Development (Malawi)	1,274	81,595
Total grants paid	1,274	112,572
Monitoring and evaluation	8,358	32,541
Support costs	3,119	10,653
Total cost of Communities programme	12,751	155,766

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

8 CLIFF PROGRAMME GRANTS

	2019	2018
	£	£
Grants paid:		
SPARC Samudaya Nirman Sahayak, Mumbai (India)	1,713	2,432
Linkbuild/Philippine Action for Community-Led Shelter Initiatives, Inc. (Philippines)	221,532	19,190
SEWA Nirman Private Limited (Nepal)	2,789	2,301
National Association of Co-operative Housing Unions (Kenya)	26,521	2,474
Sheltersol (Zimbabwe)	210,320	79,604
Enterprise Development Holdings (Malawi)	1,894	1,418
Development Workshop Angola/Habiterra (Angola)	47,652	81,856
Women Advancement Trust (Tanzania)	100,891	119,141
Millard Fuller Foundation (Nigeria)	55,093	3,688
Enterprise for Housing Development/Uganda Co-operative Alliance (Uganda)	41,594	18,693
Ansaar Management Company (Pakistan)	3,080	1,766
Casa Real (Mozambique)	88,655	205,500
Oakleaf/Kuyasa Fund (South Africa)	198,389	2,994
Lumanti (Nepal)	5,116	-
Total grants paid in year	1,005,239	541,057
Loans converted to grants:		
Linkbuild/Philippine Action for Community-Led Shelter Initiatives, Inc. (Philippines)	96,854	-
Sheltersol (Zimbabwe)	638,183	-
Enterprise Development Holdings (Malawi)	60,239	-
Water Sanitation for Africa (Burkina Faso and Ghana)	216,893	-
Women Advancement Trust (Tanzania)	25,657	-
Millard Fuller Foundation (Nigeria)	135,452	-
Enterprise for Housing Development/Uganda Co-operative Alliance (Uganda)	91,868	-
Total capacity loans converted to grants in year	1,265,146	-
Total grants charged in year	2,270,385	541,057
CLIFF – Direct operational costs	578,727	856,120
CLIFF – Support costs	1,738,903	1,466,790
CLIFF – Exchange rate (gain)/loss on programme related loan and equity investments	(507,280)	7,709,856
CLIFF – equity investment impairment	361,459	1,042,434
CLIFF – Loan impairment	5,074,963	(175,524)
Total costs of CLIFF programme	9,517,158	11,440,733

CLIFF capital funds are now generally given to partners as loans rather than grants unless the circumstances of the partner indicate that grant funding would be more appropriate. 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 £31,573, capacity building grants totaling £887,059 (to 9 partners) and project grants for new partners and new initiatives totaling £86,607 (to 3 partners).

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

9 SUPPORT COSTS

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

	Personnel Costs	Office Costs and Depreciation	2019 Total	2018 Total
	£	£	£	£
Charitable expenditure (note 6)				
Communities programme support costs	2,280	839	3,119	10,653
CLIFF programme support costs	1,278,418	460,485	1,738,903	1,466,790
Other unrestricted	16,516	6,200	22,716	32,016
	1,297,214	467,524	1,764,738	1,509,459
Raising funds (note 5)				
Support costs	7,239	2,591	9,830	14,061
Total support costs	1,304,453	470,115	1,774,568	1,523,520

Personnel costs include the following:

	2019	2018
	£	£
Salaries and wages	916,822	971,904
Employer’s social security	99,207	99,196
Pension costs	78,136	41,615
Pension adjustments (note 20)	-	(1,000)
	1,094,165	1,111,715
Consultants and short-term personnel	210,288	130,058
	1,304,453	1,241,773

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 £426,334 (2018: £527,134). During the year, severance payments amounting to £nil (2018: £53,750) were paid.

The highest paid employees are as follows:

Band (excluding pension contributions)	Number 2019	Number 2018	Pension contributions 2019	Pension contributions 2018
			£	£
£120,000-£129,000	1	-	12,317	-
£70,000-£79,999	-	2	-	10,304
£60,000-£69,999	3	2	19,739	6,923
			32,056	17,227

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

9 SUPPORT COSTS (continued)

The average number of employees during the year was 21 (2018: 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 four (2018: two) directors totalling £1,238 (2018: £561) 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 £649 (2018: £590).

10 NET EXPENDITURE

	2019	**2018**
	£	£
Net expenditure includes charges/(credits) for:		
Interest payable on Reall bond	4,100	2,784
Interest payable on mortgage	18,037	20,051
Interest expense – Defined Benefit Pension liability	20,000	-
Auditor's remuneration – audit services	18,900	21,000
Auditor's remuneration – other services	4,200	1,800
Depreciation	40,212	40,774
Loss/(profit) on disposal of tangible fixed assets	320	(2,582)
Operating leases – plant and machinery	1,935	1,935

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

11 TANGIBLE FIXED ASSETS

	Land	Buildings	Computer equipment	Furniture & Fixtures	Total
	£	£	£	£	£
Cost					
As at 1 April 2018	240,000	490,000	47,479	224,564	1,002,043
Additions	-	-	12,886	-	12,886
Disposals	-	-	(7,503)	-	(7,503)
As at 31 March 2019	240,000	490,000	52,862	224,564	1,007,426
Depreciation					
As at 1 April 2018	-	16,333	40,223	45,968	102,524
Charge for the year	-	8,167	12,699	19,346	40,212
Disposals	-	-	(7,133)	-	(7,133)
As at 31 March 2019	-	24,500	45,789	65,314	135,603
Net Book Value					
As at 31 March 2019	240,000	465,500	7,073	159,250	871,823
As at 31 March 2018	240,000	473,667	7,256	178,596	899,519

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 2019 (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%	(3,556)	(65)	Social rental housing
Lendco (incorporated in Tanzania)	Limited by guarantee	-	50%	-	-	Dormant
Sewa Nirman Private (incorporated in Nepal)	Limited	-	95%	3,847,379	(20,386)	Investment
Sheltersol Holdings (incorporated in Zimbabwe)	Limited	-	49%	17,730	(26,299)	Investment
Ansaar Management Company (Private) Limited (incorporated in Pakistan)	Limited	203,440	25%	1,664,483	(20,900)	Investment
Immersion Property (PVT) Limited	Limited	1,040,802	49%	609,367	(64,251)	Special purpose Development
Oakleaf Investment Holdings 149 Proprietary Limited (incorporated in South Africa)	Limited	1,403,893	100%	1,434,389	(13)	Investment
Enterprise for Housing Development Uganda Limited (incorporated in Uganda)	Limited	-	49%	4,140	(5,629)	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).

The figures for aggregate capital and reserves and results for the period set out in the table in this note 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 2019 except for Sheltersol Holdings and Enterprise for Housing Development Uganda Limited (when it is at 31 December 2018) and Affordable Housing Solutions, when it is as at 31 December 2017.

Notes to the Financial Statements for the year ended 31 March 2019 (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.

Reall invested funds in Oakleaf following the administration of its previous South African partner, The Kuyasa Fund. An Employee Benefit Trust was expected to take up a majority shareholding in the new company. However, although the Trust has been legally established, the transfer of the shares had not been completed as at 31 March 2019, and Reall remains the sole shareholder. Based on its financial position, a 100% provision of £1,403,893 has been made as at 31 March 2019 against the carrying value of all of our investments (including loans) in Oakleaf. Reall has commissioned an independent review into the future viability of Oakleaf. The results of Oakleaf have not therefore been consolidated into the accounts of Reall on the basis that either the share transfer to the EBT will go ahead or Oakleaf will go into administration.

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

	2019	2018
Carrying value	£	£
Gross investments:		
As at 1 April	2,648,135	1,582,723
Additions in year	-	1,065,412
As at 31 March	2,648,135	2,648,135
Impairment provisions:		
As at 1 April	1,042,434	-
Impairment provision in year	361,459	1,042,434
As at 31 March	1,403,893	1,042,434
Net book value as at 31 March	1,244,242	1,605,701

Notes to the Financial Statements for the year ended 31 March 2019 (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. 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 £ 2,248,085 has been made within Programme Related Investments (note 13).

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

13 PROGRAMME RELATED INVESTMENTS

	2019	2018
	£	£
Loans	27,571,852	30,632,215
Accrued interest on loans	1,509,949	1,197,170
	29,081,801	31,829,385

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

13 PROGRAMME RELATED INVESTMENTS (continued)

LOANS	HI Fund	CLIFF Fund	CLIFF: Equity Investments	Total
	£	£	£	£
Gross investments - loans:				
As at 1 April 2018	140,921	38,613,164	5,604,718	44,358,803
New loans advanced during the year	-	3,043,122	-	3,043,122
Loans converted to grant	-	(1,265,146)	-	(1,265,146)
Loans repaid in cash	-	(105,790)	-	(105,790)
Exchange rate gains on translation	-	411,511	71,824	483,335
As at 31 March 2019	140,921	40,696,861	5,676,542	46,514,324
Impairment provisions:				
As at 1 April 2018	-	10,802,945	2,923,643	13,726,588
Release of impairment provisions on loans converted to grant	-	(1,265,146)	-	(1,265,146)
Movement in provisions during the year	140,921	7,015,666	(675,557)	6,481,030
As at 31 March 2019	140,921	16,553,465	2,248,086	18,942,472
Net investments as at 31 March 2019	-	24,143,396	3,428,456	27,571,852
Net investments as at 31 March 2018	140,921	27,810,219	2,681,075	30,632,215

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 2019, 55% (2018: 54%) of the current loan portfolio is interest bearing.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

13 PROGRAMME RELATED INVESTMENTS (continued)

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 2 months of the new financial year, the portfolio made an exchange gain of £1,099k compared with the year-end position.

Analysis of gross loans by debt maturity:	**2019**	**2018**
	£	£
Amounts payable:		
In one year or less or on demand	22,052,488	13,305,744
In more than one year but not more than two years	5,110,085	9,330,166
In more than two years but not more than five years	10,977,965	13,683,971
In five years or more	8,373,786	8,038,922
	46,514,324	44,358,803

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. £72,418 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 and work is currently being undertaken that will result in some substantial loan rescheduling during the latter part of the financial year ending 31 March 2020.

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 38% to 100% depending on the assessment of each partner. Work is ongoing with all of our partners to improve their risk assessments.

ACCRUED INTEREST ON LOANS

Movement on accrued interest on loans during the year was as follows:

	2019	**2018**
	£	£
Balance as at 1 April 2018	1,197,170	692,583
Interest accrued in the year	382,871	856,778
Interest repaid in the year	(70,092)	(352,191)
Balance as at 31 March 2019	1,509,949	1,197,170

Amounts accrued are shown net of provisions amounting to £786,257 (2018: £250,627).

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

14 DEBTORS

	2019	2018
	£	£
Prepayments and accrued income	55,931	30,979
Other	3,102	3,818
	59,033	34,797

15 CREDITORS - amounts falling due within one year

	2019	2018
	£	£
Unpaid supplier invoices	77,403	114,438
Taxation and pension costs outstanding	16,237	266
HI Fund loans repayable (note 16)	148,000	28,000
Reall Bond loans repayable (note 16)	50,000	50,000
Interest on Reall Bond loans with maturity dates less than one year	2,861	2,653
Accruals	118,189	148,304
Mortgage liability (note 16)	50,617	50,025
	463,307	393,686

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

16 CREDITORS: Amounts falling due after more than one year

	2019	2018
	£	£
Mortgage liability		
Amounts payable after more than one year	492,644	537,282
HI Fund loans		
Johnnie Johnson Housing Trust	50,000	50,000
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
The Sovereign Housing Group Ltd	10,000	10,000
Affinity Sutton	-	100,000
	208,500	328,500
REALL Bond loans		
B3 Living Housing	10,000	10,000
The London Housing Foundation	30,000	30,000
Trent & Dove Housing	-	10,000
Other	-	30,000
	40,000	80,000
Accrued interest payable		
Reall Bond loans with maturity dates greater than 1 year	2,418	2,210
	743,562	947,992

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

	2019	2018
	£	£
Balance as at 1 April 2018:		
Falling due within less than one year	50,025	49,275
Falling due after one year	537,282	578,981
Capital repaid	(44,046)	(40,949)
Balance as at 31 March 2019	543,261	587,307

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.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

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

Analysis of loan maturity	2019	2018
	£	£
Amounts payable:		
In one year or less or on demand	50,617	50,025
In more than one year but not more than two years	50,617	50,026
In more than two years but not more than five years	93,585	114,822
In five years or more	348,442	372,434
	543,261	587,307

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

	2019	2018
	£	£
Balance as at 1 April 2018:		
Falling due within less than one year	78,000	393,000
Falling due after one year	408,500	420,579
New loans received	-	-
Loans repaid	(40,000)	(325,000)
Accrued interest payable	5,279	2,784
Balance as at 31 March 2019	451,779	491,363

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 2019, one funder has waived their right to interest amounting to £672 (2018: one funder waived interest amounting to £372).

Analysis of debt maturity	2019	2018
	£	£
Amounts payable:		
In one year or less or on demand	200,861	80,653
In more than one year but not more than two years	209,068	161,661
In more than two years but not more than five years	41,850	249,049
	451,779	491,363

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

17 PROVISION FOR LIABILITIES

	2019	2018
	£	£
Deficit funding liability (eliminated on initial recognition of multi-employer defined benefit scheme, as explained on page 28)	-	266,537

18 CASH (USED IN)/PROVIDED BY OPERATING ACTIVITIES

	2019	2018
	£	£
Net (expenditure)/income for the year (as per the Statement of Financial Activities)	(6,597,447)	548,766
Adjustments for:		
Depreciation	40,212	40,774
Loss/(profit) on disposal of fixed assets	320	(2,582)
Movement in pension provision	545,275	(42,260)
(Increase)/Decrease in debtors	(24,946)	22,802
(Decrease)/Increase in creditors	(51,179)	111,393
Interest receivable	(473,836)	(925,929)
Interest payable	4,100	2,784
Mortgage interest payable	18,037	20,051
CLIFF loan interest receivable	70,092	176,641
HI Fund loan interest received	-	615
Issue of loans to partner organisations	(3,043,122)	(7,346,901)
Release of provision following conversion of loans to grants	(1,265,146)	-
Conversion of capacity loans to grant	1,265,146	-
Repayment of loans from beneficiaries	105,790	2,377,803
Unrealised exchange rate (gains)/losses on Programme Related Investments	(483,335)	7,566,000
Equity Investment impairment	361,459	1,042,434
Programme Related Investment impairment	6,481,030	(175,524)
Net cash (used in)/generated by operating activities	(3,047,550)	3,416,867

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

19 ANALYSIS OF CASH AND CASH EQUIVALENTS

	2019	2018
	£	£
Cash in hand and at bank	4,272,918	7,347,396
	4,272,918	7,347,396

Cash in hand and at bank includes an amount of £787,714 (2018: £802,234) deposited with banks in Nigeria. This cash cannot currently be transferred outside of Nigeria due to legal restrictions.

20 PENSION COMMITMENTS

	2019	2018
	£	£
Net defined benefit pension obligation	811,812	-

The charity participates in three 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. Two schemes are Defined Contribution Schemes; Reall’s designated Auto-Enrolment Scheme and Reall’s Higher Rate Defined Contribution Scheme and the other scheme is a closed 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 £4,595 (2018: £2,727). Contributions totaling £1,738 (in relation to the March 2019 payroll deductions) were due to the fund as at 31 March 2019 (2018: £nil).

Higher Rate Defined Contribution Scheme

This scheme was set up to replace the closed Defined Benefit Scheme that the charity had been a member of for many years and is open to any employees who wish to join it instead of the Auto-Enrolment scheme. 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 £21,674 (2018: £nil). Contributions totaling £10,572 (in relation to the March 2019 payroll deductions) were due to the fund as at 31 March 2019 (2018: £nil).

Defined Benefit Scheme

The Defined Benefit (“DB”) 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 last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1.522m. A recovery plan has been put in place with the aim of removing this deficit by 30 September 2026.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

20 PENSION COMMITMENTS (continued)

The DB 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.

The assets of this scheme are held separately from those of Reall and are administered separately from the assets of the two Reall Defined Contribution Schemes. Contributions totaling £3,572 (in relation to the March 2019 deficit contributions) were due to the fund as at 31 March 2019 (2018: £nil).

For financial years ending on or before 28 February 2019, it had not been possible for the charity to obtain sufficient information to enable it to account for this scheme as a defined benefit scheme. Therefore it accounted for the scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is now possible to obtain sufficient information to enable the charity to account for the scheme as a defined benefit scheme. For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates and are used in conjunction with the charity's share of the fair value of the scheme's total assets to calculate the charity's net deficit or surplus at the accounting period start and end dates.

The impact of this change in the approach to establishing the pension scheme liability has been presented in these accounts within Other Recognised gains and losses in accordance with FRS 102 and Amendments to FRS 102 – Multi-employer defined benefit plans and amounts to a one-off £471k loss recognised for the year ended 31 March 2019. This represents the difference between the deficit funding liability of £267k reported within Provisions for liabilities in the accounts for the year ended 31 March 2018 (note 17) and the initial recognition of the defined benefit scheme as at 1 April 2018 of £738k. Further details of this adjustment are set out on page 12 of the Report of the Trustees.

Assumptions

	2019	**2018**
	% per annum	**% per annum**
Discount rate	2.40	2.60
Inflation (RPI)	3.20	3.10
Inflation (CPI)	2.20	2.10
Salary growth	3.20	3.10
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2019 imply the following life expectancies:

	Life expectancy at age 65
	Years
Male retiring in 2019	21.8
Female retiring in 2019	23.5
Male retiring in 2039	23.2
Female retiring in 2039	24.7

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

20 PENSION COMMITMENTS (continued)

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2019	2018
	£'000	**£'000**
Fair value of scheme assets	2,182	2,040
Present value of defined benefit obligation	2,994	2,778
Deficit in scheme	**(812)**	**(738)**

Reconciliation of opening and closing balances of the defined benefit obligation

Defined benefit obligation	**2019**
	£'000
At start of year	2,778
Current service cost	52
Expenses	4
Interest expense	73
Contributions by scheme participants	28
Actuarial gains due to scheme experience	(103)
Actuarial losses due to changes in demographic assumptions	8
Actuarial losses due to changes in financial assumptions	210
Benefits paid and expenses	(56)
At end of year	**2,994**

Reconciliation of opening and closing balances of the fair value of scheme assets

Scheme assets	**2019**
	£'000
At start of year	2,040
Interest income	53
Experience on scheme assets (excluding amounts included in interest income – gain	54
Contributions by the employer	63
Contributions by scheme participants	28
Benefits paid and expenses	(56)
At end of year	**2,182**

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

20 PENSION COMMITMENTS (continued)

Statement of Financial Activities impact

	2019
	£'000
In expenditure:	
Current service cost	52
Expenses	4
Net interest expense	20
Recognised in expenditure	**76**
In other recognised (losses)/gains – Actuarial losses:	
Experience on scheme assets (excluding amounts included in interest income – gain	54
Experience on scheme liabilities – gain	103
Effect of changes in demographic assumptions underlying the present value of the defined benefit obligation – loss	(8)
Effect of changes in financial assumptions underlying the present value of the defined benefit obligation – loss	(210)
Recognised in other recognised (losses)/gains	**(61)**

21 UNRESTRICTED FUNDS

The unrestricted funds are made up as follows:

	2019	**2018**
	£	£
General Unrestricted Funds	397,626	360,820

Notes to the Financial Statements for the year ended 31 March 2019 (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 2018	Other recognised losses	Income	Expenditure	Transfers between funds	As at 31 March 2019
	£	£	£	£	£	£
HI Fund	(141,288)	-	967	(140,921)	-	(281,242)
CLIFF Programme Funds	40,310,331	(515,690)	3,624,305	(9,517,158)	(977,634)	32,924,154
CLIFF Recycled Funds	(430,688)	-	-	-	901,286	470,598
Communities Programme Funds	9,408	-	5,060	(12,751)	(1,717)	-
	39,747,763	(515,690)	3,630,332	(9,670,830)	(78,065)	33,113,510

	As at 1 April 2017	Other recognised losses	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

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

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 with some limited contributions from General Unrestricted reserves. 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 achieving Reall’s objectives and mission. These are presented separately in the table above under the heading 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. Whilst the recycled funds are to be used to deliver Reall’s objectives and mission we have presently identified these as restricted funds, although this may be revisited in future years. In the current year, recycled funds have been used to cover further loans to Oakleaf as South Africa as recycled funds are the most appropriate method to provide Oakleaf with fresh finance.

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. The programme completed early in the current year and the balance on the fund amounting to £1,717 has been transferred to Unrestricted Reserves, reflecting the under-recovery of support costs over the life of the programme. In addition, a further adjustment amounting to £76,348 has been made to reflect the transfer of the share of the pension deficit liability that had been apportioned to the now closed Communities Fund back to Unrestricted reserves.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

23 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds	Unrestricted Funds	Total Funds
	£	£	£
As at 31 March 2019			
Tangible Fixed Assets	-	871,823	871,823
Programme Related Investments	29,081,801	-	29,081,801
Investments in Joint Ventures and Associates	1,244,242	-	1,244,242
Net Current Assets	3,824,625	44,019	3,868,644
Creditors: amounts falling due after more than one year	(250,918)	(492,644)	(743,562)
Net defined benefit scheme obligation	(786,240)	(25,572)	(811,812)
Net assets as at 31 March 2019	33,113,510	397,626	33,511,136
As at 31 March 2018			
Tangible Fixed Assets	-	899,519	899,519
Programme Related Investments	31,829,385	-	31,829,385
Investments in Joint Ventures and Associates	1,605,701	-	1,605,701
Net Current Assets	6,947,387	41,120	6,988,507
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

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 2019 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.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

25 FINANCIAL COMMITMENTS

As at 31 March 2019, the charity had total future minimum lease payments due as follows:

	2019	2018
	Other £	**Other** £
Payable:		
In less than one year	1,451	1,935
In two to five years	-	1,451
	1,451	3,386

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.

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

27 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 £
2019						
Programme related Investments						
Gross interest-bearing loans	140,921	6,574,366	-	11,256,871	850,204	40,040
Gross equity investments	-	-	5,676,542	-	-	-
Impairment provision	(140,921)	(4,297,696)	(2,248,086)	-	(850,204)	(20,020)
Net loans as at 31 March 2019	-	2,276,670	3,428,456	11,256,871	-	20,020
Interest rate payable	*5%*	*5%*	*4/5%*	*0-5%*	*0/7%*	*0-6%*
Grants						
Capacity loans converted to non-repayable grants	-	638,183	-	-	-	91,868
New grants	-	210,320	2,789	3,080	198,389	41,594
Total grants year ended 31 March 2019	-	848,503	2,789	3,080	198,389	133,462
2018						
Programme related Investments						
Gross interest-bearing loans	140,921	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						
New grants	-	79,604	2,301	1,766	2,994	18,693

Notes to the Financial Statements for the year ended 31 March 2019 (continued)

29 FINANCIAL INSTRUMENTS

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

	2019	2018
	£	£
Financial assets:		
Concessionary loans measured at cost less impairment plus accrued interest	29,081,801	31,829,385
Other measured at amortised cost	3,102	3,818
Total	29,084,903	31,833,203
Financial liabilities:		
Concessionary loans measured at cost plus accrued interest	356,500	386,500
Other measured at amortised cost	834,132	954,912
Total	1,190,632	1,341,412

30 Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31 March 2018

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