

Papworth Trust
Report and Accounts
31st March 2017

OUR VISION, MISSION AND VALUES

Our vision

- a world where disabled people are seen for what they **can** do

Our mission

- For disabled people to have equality, choice and independence

Our values

- we listen to people's needs and build great services around them
- we inspire everyone to try to change our world
- we support people to live their lives to the full
- we care that every person is seen for what they **can** do
- we work together so that we can make a difference.

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**Registration
Number**

TRUST STATUS:

A registered charity	211234
A company limited by guarantee	148906
A private registered provider	LH1648

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CHAIR'S REVIEW

Papworth Trust is a disability charity with a proud 100 year heritage, delivering first class services to support disabled people to live their everyday lives.

In common with many not-for-profit providers, a high proportion of our turnover comes directly from services commissioned by local and central government. In addition, we generate rental income on our social housing portfolio, much of which comes via housing benefit. We have come under similar significant funding pressures to other charities in the wake of an unprecedented level of public spending cuts, especially in relation to services commissioned by local authorities.

There have been significant changes across Papworth Trust over the last year in what has become an increasingly challenging environment for disabled people, for the Trust and the services it provides. In responding to those challenges, difficult decisions have been made and actions have been taken to adjust to the new financial realities, reducing our costs by 10% to secure the future sustainability of the charity.

This included redesigning service delivery to meet changing customer needs, reducing our back office costs to ensure these are affordable, and no longer running some services, including Kerry Farm, our Reablement service and several of our cafes. These weren't easy decisions to make. However, by taking tough decisions now, we have endeavoured to ensure that the charity will be in a position to continue to deliver high quality and sustainable services for disabled people for many years to come.

Whilst we face challenges, we do have advantages relative to others in the sector. We run substantial and high quality services in each of our areas of focus. We have a national profile and reputation that enables us to have a strong voice in representing disabled people and influence the national policy agenda. We have healthy reserves and an associated charity that provides an annual grant, so we are in a better position to weather the storms than many others facing similar pressures.

These changes, built around a robust three year business plan, are designed to ensure that Papworth Trust will be financially sustainable in the future so we can continue to deliver the best possible outcomes for disabled people during our Centenary Year and beyond.

Rob Hammond – Chair of Trustees

TRUSTEES' REPORT

The Trustees present the Trustees' Report and audited Financial Statements for the year ended 31 March 2017.

Achievements and performance

The Trust continues to provide valuable support for disabled people through service delivery and campaigning. We support almost 5,000 people across our geographical focus of the East of England, through our four core operational areas: housing; employment; leisure and social care. In 2016/17, Papworth Trust had a turnover of £17m and employed over 360 staff.

The Trust has had to adapt its range of service delivery during the year, as the impact of a difficult public funding landscape, coupled with contracts coming to a close in a number of our services, has resulted in the decisions to exit from a number of loss-making activities, in addition to taking measures to reduce our cost base.

This has resulted in a significant financial loss in the current year, partially off-set by significant gains in our investment portfolio, but we believe that the organisation is now better positioned to adapt and respond to this changing landscape, whilst continuing to maintain the quality of its services and deliver social change.

- **Quality of Care delivery**

We have focussed heavily on improving the standard of our Care services, seeking greater consistency of experience after listening closely to service users' needs. All of our regulated care services are rated 'Good' by the Care Quality Commission, and we have taken steps to restructure the management of the service, increasing accountability and improving lines of communication.

- **Diversifying income streams**

We are conscious of the impact that an over-reliance on sources of public funding can have. We have therefore been continually seeking to diversify our sources of funding, and to develop our unrestricted funding in order to better support our objects. During the year we have been successful in securing two awards under the Building Better Opportunities programme, funded by the National Lottery and the European Social Fund, involving the delivery of employment services for customers furthest away from the traditional job market in Cambridgeshire and in Essex. We are continuing to seek to broaden

the range of our income generation, particularly through the creation of a Centenary Circle of major donors in this, our 100th year, as well as developing the private commissioning of services and negotiating strongly on existing provision.

- **Organisation reviews and transformation programme**

Our Transformation programme is now underway, ensuring the Trust is working both efficiently and effectively across both service delivery and business support areas whilst increasing our focus on the needs of disabled people. This three year programme includes the reconsideration of operating structures in critical parts of our operation in order to improve the effectiveness and impact of delivery. Future work will focus on new ways of working, cultural change, improved customer service delivery, new markets and growth.

- **Successful influencing**

We recognise the importance of effective influencing to inform and influence the Government so that the decisions they make have a positive impact on disabled people's lives. We have worked on a variety of key issues over the course of the year, particularly;

- In early 2017, Papworth Trust directly guided and supported Heidi Allen MP's amendment to the National Planning Bill. The amendment, which was subsequently approved, requires local planning authorities to 'consider' the needs of older and disabled people when identifying strategic priorities for development and use of their land.
- Significant progress has been made in our influencing work in and around social care. This has been largely through our CEO Vicky McDermott's role as Chair of the influential Care and Support Alliance. Through meetings with Ministers, MPs, Civil Servants and other stakeholders, a Government commitment to publish a Green Paper on the future of social care funding in the second half of 2017 was secured.
- Papworth Trust undertook a lot of influencing work around our response to the Government's Work, Health and Disability Green paper – meeting key DWP officials and other stakeholders to discuss our ideas. In order to provide an informed response to the Green Paper, we also ran a survey on the likely effects of the proposed reforms to disability employment – the types of employment support people would find useful, attitudes to Jobcentre Plus and data sharing, and on the separating of the Work Capability Assessment. We received over 160 responses and the findings were shared with the DWP to inform the changes.

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Reserves Policy

We have a policy of setting aside certain assets to cover contingencies and other matters. Amounts are currently invested to provide returns which, along with fundraised income, supports existing projects and helps to fund new ones.

We set money aside where a purpose is specified by the donor. This may permit us to spend the income generated by a donated investment (known as an Endowment), or it may permit us to spend the amount donated (known as a Restricted Reserve).

The Property Fund represents Papworth Trust's funds that are invested in tangible fixed assets, net of loans, grants and donations received to specifically finance such assets. They are not therefore available to meet operating expenses.

To safeguard against unforeseen shortfalls or changes in the funding of the services and programmes for disabled customers for whom Papworth Trust is already committed, a Contingency Fund has been established, as part of general reserves. This represents between two and four months expenditure on such committed programmes plus additional specific exposures to be assessed each year.

Investment Policy

Investments are managed with full discretion by Papworth Trust's investment advisers under the overall supervision of Papworth Trust through its Joint Investment Committee with The Varrier-Jones Foundation. The Committee monitors the performance of the investment advisers through formal review meetings.

Structure, governance and management

As a limited company, Papworth Trust is governed by its Members. Trustees are elected by the Members at a General Meeting. Trustees can also co-opt additional Trustees to the Board, who must subsequently be elected by Members at the General Meeting. The arrangements for the election or appointment of Trustees are detailed in the Articles of Association.

Trustees meet six times a year to review the management of the organisation. Day-to-day management is delegated to the Chief Executive and Leadership Team. Trustees also meet managers in Committees to oversee the activities of specific operations of the organisation in more detail. Membership of Committees reflects the interests and expertise of the respective Trustees. Minutes of all Committee meetings are subsequently circulated to the full Board.

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The induction process for Trustees includes attendance at staff induction and disability awareness training courses, supported by in-depth briefings from senior managers and visits to our centres. Further training is arranged to meet the specific needs of individual Trustees.

Trustees do not receive a salary, but may claim expenses for attending meetings.

Trustees and Leadership Team members are asked to complete an annual Disclosure Statement to notify Papworth Trust of any involvement in any other organisations. This was most recently completed for the year ended 31 March 2017.

Trustees' Liabilities

The Trust indemnifies the Trustees of Papworth Trust against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

Committees

Committees take a more detailed interest in specific areas of Papworth Trust's activities and monitor performance against key performance indicators. The committee structure now in operation, with key responsibilities identified, is as follows:

Finance and Audit Committee

The Finance and Audit Committee is responsible for reviewing the financial performance of the Trust and reporting this to the Board, as well as overseeing the management of risk. The Committee reviews the Trust's annual accounts and recommends them to the Board for approval, receiving audit reports and reviewing the Charity's annual statement on internal controls and its compliance with current guidance. The Committee holds responsibility for the oversight of treasury management, the financial appraisal of new projects and prevention and detection of fraud. The Committee supports the budgeting and business planning process, and receives regular reporting throughout the year on the financial performance of the Trust.

Governance Committee

The Governance Committee exists to ensure the good and effective ongoing governance of Papworth Trust. The key responsibilities of the Governance Committee are advising the Board on governance matters which need to be addressed by the Trust, overseeing the appointment, re-election and retirement

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of Trustees, ensuring a good distribution of skills and experience amongst Trustees and advising on the appointment of the Chief Executive.

Development Committee

The Development Committee has responsibility for discussing and reviewing strategy, and recommending changes for the continuous improvement of services offered by Papworth Trust. Significant changes to services, re-alignment of strategy and significant new ventures are all considered by this Committee.

Quality and Compliance Committee

The Quality and Compliance Committee focusses on assuring that the current services that are delivered are in line with the expectations set out by the Board and relevant regulators. All matters of quality, regulatory, statutory and mandatory compliance issues are overseen by this Committee.

Remuneration Committee

The Committee has delegated authority from the Board to approve the overall annual pay award for staff and to determine the remuneration of the Chief Executive and Directors, and have oversight of any other staff in receipt of salaries over the Statement of Recommended Practice (the SORP) threshold (currently £60,000 p.a.).

Joint Investment Committee

The Joint Investment Committee oversees the management of financial market investments to assist in meeting the current and future financial needs of Papworth Trust and The Varrier-Jones Foundation (VJF). It also co-ordinates an annual report on all investments, including property, the management of which is overseen by the VJF Property Committee.

Going Concern

The Board has assessed Papworth Trust's current financial position and resources, together with a review of business plans for the next three years. On the basis of this assessment, the Board believes that the Trust is well placed to manage its business risks. The Trust also has the support of the Varrier-Jones Foundation.

The Board therefore has a reasonable expectation that adequate resources exist for the Trust to continue in operational existence for the foreseeable future and thus continues to adopt the going concern basis of accounting in preparing these financial statements.

Health and Safety

The Board takes seriously its responsibilities on all matters relating to health and safety. Over the last 12 months Papworth Trust has prepared new and detailed health and safety policies and procedures, alongside providing staff with training and education on health and safety matters. We have also reviewed our health and safety management approach in order to strengthen the alignment with existing operational management and introduced an updated and robust quality assurance framework. This more rigorous, consistent approach to health & safety management, monitoring and reporting will continue to be monitored for effectiveness through our Quality and Compliance Committee during 2017/18.

Disabled Employees

We have a Diversity and Equality policy regarding the employment of staff, including disabled employees, and give full consideration to applications for employment from disabled people.

Currently 20% of Papworth Trust's employees have declared a disability.

As a Trust we were previously accredited under the 'two ticks' Positive About Disabled People scheme, and have now become a Disability Confident Employer under the new accreditation. We are actively supporting this standard to become a Disability Confident Leader, championing good practice and actively encouraging all organisations within our supply chain and wider networks to employ, support and promote disabled people.

Employee Involvement

We are committed to providing our employees with information about our activities, consulting with them on major changes and developing an open culture in the organisation. Regular meetings are held between managers and staff teams to allow a free flow of information. We use our intranet site to share information with staff, we also hold Staff Conferences to update staff on strategy and other major developments, as well as sending out regular staff newsletters.

Customer Involvement

It is very important to us that our customers are involved and have their say about how we develop and design services. The Trust has local customer groups covering our centres and services which are supported by three Trustee User Representatives. They are appointed by a customer panel and they influence decisions made by attending Board of Trustee and some sub-committee meetings.

Value for money - Housing

Our objective is to provide appropriate property types and services to meet the needs of our tenants. The key driver is to achieve a balance between reasonable cost and good quality.

Maintaining a high level of customer satisfaction is critical to everything that we do. Achieving value for money also means our housing offer must be sustainable so that we can provide homes that meet the individual needs of our disabled tenants wherever possible.

Creating the right home environment to enable our tenants to live independent and fulfilling lives is the priority.

We are members of the SPBM East of England benchmarking club for smaller providers, allowing us to compare ourselves against other similar organisations.

Benchmark	2017 Actual	2017 Target	2016 Actual	2015 Actual
Tenant satisfaction repairs and maintenance	99.6	95.0	98.0	98.0
% units with a valid gas safety certificate	100.0	100.0	100.0	100.0
% rent collected	102.0	98.0	97.8	96.3
Void losses	2.9	3.0	3.4	1.8
Weekly operating costs per unit	73.8	56.9	67.6	61.4
Operating costs as % of turnover	74.4	70.0	74.7	72.0
Weekly management costs per unit	26.8	25.0	24.8	26.3

Our VFM achievements over the last year

- A review of external contracts has been undertaken and a procurement programme introduced to achieve optimum performance and value for money
- A programme of estate based inspections has been launched that inform a planned maintenance programme of works to move away from reactive responses.

Our VFM objectives for the next five years

- Introduce annual property inspections to allow for a more effective and efficient planned programme of works and more effective longer term tenancy management and sustainability

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- Implement improvements to our tenant management systems and processes to delivery greater efficiency and improved data quality
- Creation of a Property Strategy that includes Asset Management and Development Strategies to allow us to achieve best use of our existing stock and maximize potential future development options and joint ventures with key partners.

Auditors

A resolution proposing the appointment of KPMG LLP as auditors will be proposed at the AGM.

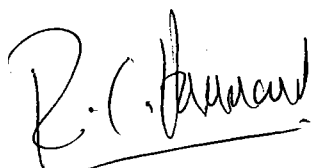
Disclosure of Information to Auditors

The directors who held office at the date of approval of this Board Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Staff, Volunteers and Trustees

Finally, I would like to thank the Trustee User Representatives, our staff, volunteers and the Trustees of Papworth Trust for their dedication and hard work during the past year.

The report of the Board of Trustees was approved by the Board on 27 July 2017 and signed on its behalf by:



R Hammond
Chair of Trustees

Strategic Report

Objectives and public benefit

What we do

We offer essential support and care to disabled people. Our Mission is to help disabled people achieve equality, choice and independence. We help people with all kinds of disabilities, including physical disabilities, learning disabilities, mental ill health and sensory impairments.

We support people to live their lives to the full, and try to ensure that every person is seen for what they can do.

Objects

We are set up for public benefit and for general charitable purposes according to the laws of England and Wales.

We carry out service reviews on a regular basis, to compare the outcomes and achievements of our work to our stated aims and objectives. The reviews look at the successes of each key activity and the benefits they have brought to those individuals and groups of people. The reviews also help to ensure that our activities remain focused on our stated objectives.

Public Benefit

We refer to the Charity Commission's general guidance on public benefit whenever we review our Mission, aims and objectives and also when planning future activities.

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Financial Review

Full details of our financial performance for the year ended 31 March 2017 are shown in the Profit and Loss Account, Balance Sheet, Cash Flow Statement and Notes to the Accounts which form part of the financial statements for the year.

Turnover and operating surplus for 2016/17, with prior year comparisons, are shown in the table below:

	2017	2016
	£000's	£000's
Turnover	16,941	20,553
Operating costs	(18,051)	(19,973)
Re-measurement of defined benefit pension liability	(101)	(1,029)
Operating (deficit)	(1,211)	(449)
(Loss)/ gain on sale of fixed assets	(69)	1,843
Impairment of tangible fixed assets	(295)	-
Interest payable	(681)	(669)
Investment Gains/ (losses)	1,163	(194)
(Deficit)/ Surplus for the year	(1,093)	725

The financial performance in 2016/17 was reflective of the challenging environment that we are operating in, with turnover decreasing by 18%. Expenditure has reduced by 10% in the same period, but the consequence of the Trust not being able to reduce costs in line with income shortfalls in the short term has resulted in a significant operating loss in 2016/17.

As a result of these challenges, and in order to yield significant improvements in the projected operating position for 2017/18, the Trust has had to review its service delivery and support, resulting in the decision in the year to close some loss making services and to deliver further efficiencies. As a result of these decisions, total asset write downs of £295,000 have also been reflected in these financial statements.

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The primary drivers behind the results for the year were as follows:

Income

- Total turnover decreased by 18% in the year, reflecting the decisions taken to cease some loss-making activities, and focussing on our core areas of delivery, as well as the expected reduction in size of the Trust's Work Programme activities, as that programme winds down.
- Turnover from social housing lettings increased by 3% to £4.4m, across both supported housing and general needs properties.
- Turnover from other social housing activities decreased by 30% as a result of the transfer of the Trusts' Home Improvement Agency activity back to local councils, at their initiative.
- Work activities saw income reduce by 41% as the Trust's Work Programme activities reduce in line with the expected profile as we lead up to the launch of the new Work and Health Programme later in 2017.
- A significant reduction in fundraising income is noted as a result of a higher than average donation from the Varrier-Jones Foundation in the previous year, as well as a challenging fundraising landscape overall for the sector.
- Significant investment gains of £1.2m were noted in the year, due to strong underlying performance, as well as currency exchange gains realised, following the weakening of sterling through 2016. In addition, the Trust crystallised a total gain of £3.2m on investments as the Trust sold its portfolio and then reinvested as part of the process to move to new investment managers.

Expenditure

- Total expenditure reduced by 10% as a result of the closure of a number of services and the reduced activity on the Work Programme in the year, as well as steps taken to improve efficiency in the light of future anticipated levels of income.
- A charge of £295k has been made to write down assets held to their recoverable amount to run services that have been closed in the year.
- Interest payable on loans and overdrafts reduced by £4k in the year as a result of a lowering of the base rate during the year.

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Balance Sheet

- The operating deficit in the year has resulted in significant utilisation of the Trust's cash, including releasing £1m from investments in the year to support working capital requirements.
- The net current liability position is noted in part as a result of loan repayments due within the next 12 months. These will be funded by a combination of investment draw downs and loan financing, drawn down when needed.
- The Trust's pension liability has reduced in the year as the Trust continues to make lump sum repayments in line with the repayment plan outlined in note 21. The calculation of overall liability reflects the fund performance and assessed future funding requirement.

Housing Development

The Trust has undertaken little in the way of housing development in the year, as we have sought to consolidate our position in times of change. We do still have available £3.3m of loan finance from Lloyds Bank, which remains available until November 2017.

We are in the process of procuring two bungalows in Lowestoft for individuals who have specific living needs. These will be available for use in the autumn of 2017.

Treasury Management

The Trust's housing development has been financed through a combination of Social Housing Grant, long term loan facilities and surpluses generated through normal activities and fundraising.

Treasury Management is managed by the Finance Team and overseen by the Finance Committee. It is reviewed on a regular basis.

Loan Covenants

There are several loan covenants in place on the Trust's long term loans, key measures being asset cover and interest cover. Breach of covenants could result in loans becoming immediately repayable. Loan covenants are monitored monthly and were met for the year ended 31 March 2017.

Plans for future periods

In common with many not-for-profit providers, a high proportion of our turnover comes directly from services commissioned by local and central government. In addition, we generate rental income on our social housing portfolio, much of which comes via housing benefit. As a corollary, we have come under similar

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funding pressures as other charities in the wake of public spending cuts, especially in relation to services commissioned by local authorities.

We know these constraints are not going to go away. At the same time, we are going to come up against additional pressures. As a housing association, we have a fairly significant lending portfolio that has been used to fund the development of housing stock, and we will face a peak in repayments in the next few years.

Whilst we have challenges, we do have advantages relative to others in the sector. We run substantial and high quality services in each of our areas of focus, we have a national profile and reputation that enables us to punch above our weight and we have a strong voice in representing disabled people and influencing the national policy agenda. We have healthy reserves and an associated charity that provides an annual grant, therefore we are in a better position to weather the storms than many others facing similar pressures.

This year we will concentrate on continuing to maximise the value of the services that we deliver to disabled people, by being focussed on areas where we can make the most difference and by continuing to drive our efficiency of operation.

- We will be undertaking a strategic review, starting in the autumn of 2017, looking to balance what we want to achieve as an organisation, with the realities that we face in financial and policy terms.
- We will continue to strive for operational excellence, modernising our services to meet the needs of disabled people, this will include:
 - Development of a clear housing management and development strategy
 - Reviewing our day service provision
 - Seeking opportunities to do more for more disabled people by introducing services where we can have the most impact.
- We will continue to implement year two of our three year transformation programme, which will ensure that our organisation is in the best shape to serve disabled people. This will include:
 - Implementation of a CRM system, to more effectively manage customer data, and provide a baseline for mobile and flexible working practices to better support our customers
 - Improved utilisation of the non-housing elements of our property portfolio
 - Review of our back office processes and systems to ensure effective delivery

Principal risks and uncertainties

Management of risk is an integral part of our planning and project management processes. Papworth Trust has adopted a formal process for approval of new projects which identifies risks and controls. Combined with the budget process, which reviews risks and controls in existing processes, and business reviews to track both systemic and emerging risks, this generates a comprehensive review of risks facing the Trust. We maintain a risk register in which risks are documented and evaluated, so that major risks can be identified and the effectiveness of controls which mitigate these risks can be assessed. The system of internal control is designed to manage key risks and to provide reasonable assurance about the reliability of financial and operational information and the safeguarding of Papworth Trust's assets and reputation: The Trustees have reviewed the internal controls in operation during the period, and are satisfied that there are no issues leading to any material uncertainty regarding these financial statements.

The Finance and Audit Committee and Trustees monitor and review our principle risks and the processes for managing them, together with the arrangements for internal and external audits and preparation of financial statements. The Quality and Compliance Committee has oversight on regulatory compliance and quality standards for our service delivery, and monitors risks against these.

The critical risks and uncertainties have been identified as:

Key risk	Responses to the risk
<p>Government Austerity measures and public sector finances</p> <p>Government austerity measures and local authority spending reviews have a greater impact on the financial sustainability of some services than we have planned for, or are too short-term for effective resource planning.</p>	<ul style="list-style-type: none">• Active tracking and monitoring of national policy and local markets• Model services to plan for differing outcomes, and seek to match resourcing to funding plans• Good understanding of our cost base enables us to negotiate clearly.

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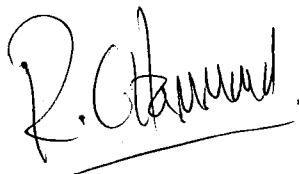
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Key risk	Responses to the risk
<p>Breach of regulations</p> <p>The Trust works with vulnerable people in a number of highly regulated environments. A breach of regulations could lead to significant reputational damage, therefore though low likelihood, impact could be very high</p>	<ul style="list-style-type: none"> • A risk based Quality Audit Framework has been implemented, with focus on highly regulated areas such as Care prioritised • Effective reporting, safeguarding and whistle-blowing policies and procedures in place.
<p>Planned efficiencies not achieved</p> <p>The Trust has taken steps to reduce its cost base and improve systems and processes, but future sustainability requires continued progress on the transformation programme.</p>	<ul style="list-style-type: none"> • Project management disciplines deployed to monitor and manage activity • Clear tracking at Board level • Culture of continuous improvement to be embedded to progress and deliver further benefits.
<p>Ability to effectively structure long term financing plan</p> <p>Ability to raise effectively priced finance could become more challenging with reduction in volumes, weakening of balance sheet and increased cost of capital.</p>	<ul style="list-style-type: none"> • Develop a detailed financing plan to deliver adequate resources to meet future planned liabilities, securing finance at economic, long-term rates • Develop wider asset management strategy to understand priorities and provide options for alternative capital raising.
<p>Future service provision not adapted sufficiently</p> <p>In a changing funding and commissioning landscape, operating models need to adapt so that service delivery can still be effective for the price and service structure that commissioners are willing to pay.</p>	<ul style="list-style-type: none"> • Close monitoring and active dialogue with commissioners • Testing of future models of service delivery to meet changing customer needs, within the anticipated funding framework • Increase agility of provision by more effective asset strategy, together with recruitment of suitably skilled staff.

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The Strategic Report was approved by the Board on 27 July 2017 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'R. Hammond', written over a horizontal line.

R Hammond
Chair of Trustees

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Statement of Trustees' responsibilities in respect of the Trustees' Report and the financial statements

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

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Independent auditor's report to the members of Papworth Trust

We have audited the financial statements of Papworth Trust ("the association") for the year ended 31 March 2017 set out on pages 24 to 52. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the association's members, as a body, in accordance with Section 128 of the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and the auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the association as at 31 March 2017 and of its deficit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and

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- have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Trustee's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Based solely of the work required to be undertaken in the course of the audit of the financial statements and from reading the strategic report and the Trustees' report:

- we have not identified any material mis-statements in those reports; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

S Beavis

Stephanie Beavis (Senior Statutory Auditor)

for and on behalf of KPMG LLP. Statutory Auditor

Chartered Accountants

Botanic House

100 Hills Road

Cambridge

CB2 1AR

28 July 2017

Papworth Trust
Report and Accounts for the year ended 31 March 2017

Profit and Loss Account

For the year ending 31 March 2017

	Note	2017 £000's	2016 £000's
Turnover	3	16,941	20,553
Operating costs	3,5,6	(18,051)	(19,973)
Re-measurement of the net defined benefit liability	21	(101)	(1,029)
Operating deficit		(1,211)	(449)
Gain/(loss) on disposal of tangible fixed assets	8	(69)	1,843
Impairment of tangible fixed assets	9	(295)	-
Interest payable and similar charges	10	(681)	(669)
Gains/ (losses) on investments	13	1,163	(194)
(Deficit)/ Surplus for the year		(1,093)	531

The accounts relate to continuing operations. The notes on pages 27 to 52 form part of these financial statements.

Memorandum note:

Operating surplus/ deficit excluding the re-measurement of the net defined benefit liability would be £ (1,110k) for the year (2016: £580k).

Interest payable, excluding the charge on the unwinding of the discount of the net defined benefit pension liability, would be £604k for the year (2016: £608k).

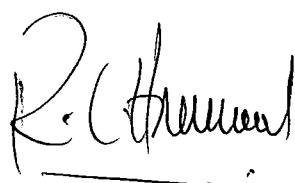
Papworth Trust

Report and Accounts for the year ended 31 March 2017

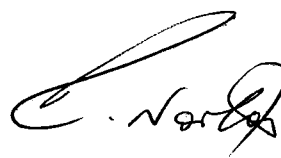
Balance Sheet as at 31 March 2017	Notes	2017 £000's	2016 £000's
Fixed Assets			
Housing Properties	11	40,626	42,640
Other fixed Assets	12	5,883	5,131
Investments	13	8,288	8,125
Endowment Fund Assets	14	227	216
Total fixed assets		<u>55,024</u>	<u>56,112</u>
Current Assets			
Debtors - amounts falling due within one year	15	1,969	2,736
Cash and cash equivalents		119	877
		<u>2,088</u>	<u>3,613</u>
Creditors			
Amounts falling due within one year	16	(2,711)	(2,586)
Net current (liabilities) / assets		<u>(623)</u>	<u>1,027</u>
Total assets less current liabilities		<u>54,401</u>	<u>57,139</u>
Creditors			
Amounts falling due after more than one year	17-18	(29,174)	(30,380)
Provisions for liabilities and charges			
Pension Liabilities	21	(3,714)	(4,047)
Other liabilities	20	(134)	(240)
Net assets		<u><u>21,379</u></u>	<u><u>22,472</u></u>
Reserves			
Restricted Reserves		3,496	3,894
Designated Reserves		13,548	15,095
General Reserves		4,335	3,483
Total Reserves		<u><u>21,379</u></u>	<u><u>22,472</u></u>

The notes on pages 27- 52 form part of these Financial Statements.

These Financial Statements were approved by the Board at a meeting held on the 27th July 2017 and signed on the Board's behalf by:



R Hammond
Trustee



R Norton
Trustee

Papworth Trust**Report and Accounts for the year ended 31 March 2017****Cash Flow Statement**

For the year ending 31 March 2017	2017 £000's	2016 £000's
Cash flows from operating activities		
Operating surplus/(deficit)	(1,211)	(449)
<i>Adjustment for:</i>		
Depreciation	1,529	1,135
	<u>318</u>	<u>686</u>
(Increase)/decrease in trade and other debtors	767	203
(Decrease)/increase in trade and other creditors	(815)	(2,296)
(Decrease)/increase in provisions and employee benefits	(515)	179
Movement in endowments	(11)	-
	<u>(574)</u>	<u>(1,917)</u>
Interest paid	<u>(604)</u>	<u>(669)</u>
Cash flows from investing activities		
Proceeds from disposal of fixed assets	-	2,211
Acquisition of tangible fixed assets	(675)	(648)
Proceeds from sale of investment assets	3,181	-
Acquisition of investment assets	(3,181)	-
	<u>(675)</u>	<u>1,563</u>
Net cash from investing activities		
Cash flows from financing activities		
Repayment of borrowing	(223)	(212)
Liquidation of investments	1,000	-
	<u>777</u>	<u>(212)</u>
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	(758)	(549)
Cash and cash equivalents at 1 April b'fwd	877	1,426
Cash and cash equivalents at 31 March	<u>119</u>	<u>877</u>

Papworth Trust

Report and Accounts for the year ended 31 March 2017

Notes to the financial statements

1. Legal Status

The Trust is a registered charity and an incorporated Company limited by guarantee. The Trust is also registered with the Homes and Communities Agency as a provider of social housing.

2. Accounting Policies

These financial statements are prepared in accordance with the Financial Reporting Standard 102, the financial reporting standard applicable in the UK and Republic of Ireland ("FRS 102").

The financial statements are also prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

2.1 Basis of accounting

The financial statements are prepared on the historical cost basis except for the revaluation of investments to fair market value.

2.2 Going concern

The Board has assessed the Trust's financial performance and resources giving regard to the 2017/18 budgets and three year business plan. As a consequence, the Board believes that the Trust is well positioned to manage business risks and expects to have adequate resources to operate for the foreseeable future. The Board therefore continues to adopt the going concern basis in the preparation of these financial statements.

2.3 Basic financial instruments

Trade and other debtors, including tenant arrears; trade and other creditors

These are recognised initially at transaction value less attributable transaction cost. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond

Papworth Trust

Report and Accounts for the year ended 31 March 2017

normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

2.4 Tangible fixed assets – housing properties

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated differently to buildings.

2.5 Depreciation

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each component part of housing properties. Land is not depreciated. No depreciation is charged on housing properties under construction. The estimated useful lives are as follows:

Structure	80 years
Roof	50 years
Electrical installation	40 years
Windows and doors	30 years
Heating (excluding boilers), plumbing and ventilation	30 years
Bathrooms	20 years
Boilers	15 years
Kitchens	15 years
Flooring	10 years
White goods	5 years

Depreciation methods, rates and residual values are reviewed if there is an indication of a significant change in the expectation of typical useful lives of asset groups.

2.6 Non-component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream of the life of a property, is capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day

Papworth Trust

Report and Accounts for the year ended 31 March 2017

repairs and maintenance to housing properties is charged to the income and expenditure account in the period incurred.

2.7 Other fixed assets

Other tangible fixed assets include those with an individual value at cost in excess of £1,000.

Depreciation is charged to the profit and loss account on a straight-line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are as follows:

Freehold buildings (non-housing)	50 years
Leasehold improvements	over the life of the lease
Motor vehicles	6 years
Plant, machinery and fixtures	3-15 years
Office equipment	5-10 years

2.8 Social Housing Grant

Social Housing Grant ("SHG") is initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the income and expenditure as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated SHGs are transferred to either the recycled capital grant fund or the disposal proceeds fund until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

2.9 Properties held for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Papworth Trust

Report and Accounts for the year ended 31 March 2017

2.10 Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, the impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Trust would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss.

2.11 Retirement benefits

The Trust participates in the Social Housing Pension Scheme ("SHPS") defined benefit plan. SHPS provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Trust, however the Trust accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the accounting period. To the extent that payments plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the income and expenditure account. Where these payments are not expected to be settled within 12 months the liability is measured at the present value of the contributions payable.

2.12 Termination benefits

Termination benefits are recognised as an expense when the Trust is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Trust has made an offer of voluntary redundancy, it is likely that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

Papworth Trust

Report and Accounts for the year ended 31 March 2017

2.13 Provisions

A provision is recognised in the balance sheet when the Trust has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

2.14 Turnover

Turnover represents the income derived from the provision of the Trust's activities, comprising the sale of goods and services, property rental income net of voids, amortisation of SHG, revenue grants, charitable gifts, donations, legacies and gift aid. Income received or invoiced that is subject to future conditions that have not yet been achieved is deferred.

2.15 Expenses

Cost of sales

Cost of sales represents the direct costs and overheads involved in providing social housing and other charitable activities.

Operating costs

Operating costs represent the support and premises costs that enable the Trust to provide social housing and other charitable operations.

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Papworth Trust

Report and Accounts for the year ended 31 March 2017

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method and unwinding of the discount on provisions. Other interest receivable and similar income include interest receivable on funds invested and interest-bearing bank deposits.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

2.16 VAT

The Company is partially exempt for Value Added Tax (VAT). The financial statements include VAT to the extent that it is suffered by the Trust and not recoverable from HM Revenue and Customs. The balance of VAT payable at the year-end is included as a current liability.

2.17 Taxation

As a registered charity, the Trust is exempt from UK corporation tax to the extent that incomes or other gains are applied exclusively to charitable purposes. Corporation tax on any income or gains that do not meet the criteria for exemption would be included on the income and expenditure report.

2.18 Investment assets

Investments are carried at mid-market value as at the balance sheet date. In year realised gains or losses are recorded in the profit and loss account. Gains on a historical cost basis are disclosed in the notes to the accounts.

2.19 Reserves

Restricted reserves

Restricted reserves represent unspent funds received for specific purposes from external funders. Restricted funds are only expendable in relation to the purposes for which they were received.

Designated reserves

Designated reserves are reserves that have been identified for specific purposes by the Board.

Unrestricted reserves

Unrestricted reserves are held at a level appropriate for working capital and contingency, and are reviewed annually by the Board.

Papworth Trust
Report and Accounts for the year ended 31 March 2017

3 Social Housing

	2017 General Needs £000's	2017 Supported Housing £000's	2017 Total £000's	2016 Total £000's
Rent receivable (net of service charges)	913	2,415	3,328	3,288
Service charges	-	1,031	1,031	915
Net rents receivable	913	3,446	4,359	4,203
Other income	2	47	49	93
Total income from lettings	915	3,493	4,408	4,296
Expenditure on letting activities				
Management	(252)	(830)	(1,082)	(907)
Maintenance services under-recovery	(25)	(66)	(91)	(109)
Services	(5)	(312)	(317)	(320)
Routine maintenance	(121)	(524)	(645)	(809)
Major repairs	(51)	(37)	(88)	(75)
Planned maintenance	(36)	(227)	(263)	(172)
Bad debts	(3)	(16)	(19)	7
Depreciation of housing properties	(115)	(965)	(1,080)	(671)
Total expenditure on lettings	(608)	(2,977)	(3,585)	(3,056)
Operating surplus on lettings	307	516	823	1,240
Void Losses	(11)	(114)	(125)	(107)

Papworth Trust
Report and Accounts for the year ended 31 March 2017

3 Social housing and other activities continued

	2017			
	Turnover	Cost of sales	Operating Costs	Operating Surplus
	£000's	£000's	£000's	£000's
Social housing lettings				
General needs	915	(356)	(252)	307
Supported housing	3,493	(2,147)	(830)	516
	<u>4,408</u>	<u>(2,503)</u>	<u>(1,082)</u>	<u>823</u>
Other social housing activities				
HIAs, Aids and Adaptations	1,985	(2,035)	-	(50)
Housing development	-	(33)	-	(33)
Amortised grant income	413	-	-	413
	<u>2,398</u>	<u>(2,088)</u>	<u>(-)</u>	<u>330</u>
Non-social housing activities				
My Work	2,525	(1,949)	-	576
My Care	2,985	(3,417)	-	(432)
My Leisure	2,250	(2,913)	-	(663)
Rehabilitation and Reablement	520	(1,483)	-	(963)
Research and Policy	17	-	(234)	(217)
Business Development	-	-	(308)	(308)
Fundraising	1,749	(588)	-	1,161
Enabling Services (management, finance, IT, HR and facilities)	89	-	(1,109)	(1,020)
Re-measurement of defined benefit pension liability	-	-	(101)	(101)
Transformation review	-	-	(397)	(397)
	<u>10,135</u>	<u>(10,350)</u>	<u>(2,149)</u>	<u>(2,365)</u>
Total social housing and non-housing activity deficit	<u>16,941</u>	<u>(14,921)</u>	<u>(3,231)</u>	<u>(1,211)</u>
Gain/(loss) on disposal of fixed assets				(70)
Impairment Provision				(295)
Interest payable				(681)
Gains/ Losses on investments				1,163
Deficit for year				<u>(1,093)</u>

Papworth Trust
Report and Accounts for the year ended 31 March 2017

3 Social housing and other activities *continued*

	2016	2016	2016
	Turnover	Cost of sales	Operating
	£000's	£000's	Costs
			£000's
Social housing lettings			Operating
General needs	922	(343)	Surplus
Supported housing	3,374	(1,806)	£000's
	4,296	(2,149)	362
			878
			1,240
Other social housing activities			
HIAs, Aids and Adaptations	2,850	(2,448)	402
Other housing income	-	(17)	(17)
Amortised grant income	396	-	-
	3,246	(2,465)	385
Non-social housing activities			
My Work	4,248	(2,490)	1,758
My Care	3,166	(3,553)	(387)
My Leisure	2,614	(3,632)	(1,018)
Advisory Services	168	(203)	(175)
Rehabilitation and Reablement	396	(740)	(344)
Research and Policy	4	-	(185)
Fundraising	2,337	(813)	1,524
Enabling Services (management, finance, IT, HR and facilities)	78	(125)	(2,046)
Re-measurement of defined benefit pension liability	-	-	(1,029)
Transformation review	-	-	(173)
	13,011	(11,555)	(2,074)
	20,553	(16,169)	(449)
Total social housing and non-housing activity deficit			
Gain/(loss) on disposal of assets			1,843
Interest payable			(669)
Surplus / (deficit) for year			725

Papworth Trust
Report and Accounts for the year ended 31 March 2017

4 Housing Stock

	2017			2016
	General Needs Housing (units)	Supported Housing (units)	Total (units)	(units)
Number of units	173	480	653	636
Owned and managed	173	464	637	622
Managed on behalf of others	-	16	16	14
	173	480	653	636

5 Expenses and auditor's remuneration

	2017 £000's	2016 £000's
Included in the profit and loss account are the following:		
Depreciation on housing properties	1,088	1,069
Depreciation on other fixed assets	443	464
Restructuring costs	-	290
Deficit/ (Surplus) on sale of housing properties	40	(5)
Deficit/ (Surplus) on sale of other fixed assets	29	(1,848)
Impairment of other fixed assets	295	-

Auditor's remuneration

Audit of these financial statements	21	20
Amounts receivable by the company auditor and its associates in respect of:		
Taxation advisory services	15	3
	<u>36</u>	<u>23</u>

Papworth Trust

Report and Accounts for the year ended 31 March 2017

6 Staff and employee costs

	2017	2016
	Number	Number
The average number of persons employed by the Company (including directors) during the year was as follows:		
Average full-time equivalent employees	318	351
Staff costs (for the above persons)	£000's	£000's
Wages and salaries	8,702	10,164
Social security costs	725	794
Pension costs	252	295
	<u>9,679</u>	<u>11,253</u>

Salary banding for all employees earning over £60,000 (including salaries, performance related pay and benefits in kind but excluding pension contributions paid by the employer and any termination costs).

	2017	2016
Bands		
£70,001-£80,000	-	2
£80,001-£90,000	2	2
£90,001- £100,000	2	-
£100,001-£110,000	1	1

Papworth Trust

Report and Accounts for the year ended 31 March 2017

7 Board members and Executive Directors

The Directors are defined as the members of the Board, the Chief Executive and the Leadership Team, and represent the key management personnel for the purpose of FRS102.

	2017 £000's	2016 £000's
Aggregate emoluments paid to Directors (including benefits in kind)	448	474
Pension	31	35
	<u>479</u>	<u>509</u>
Emoluments paid to the Chief Executive who was also the highest paid Director (excluding pension contributions but including benefits in kind).	105	105
	<u> </u>	<u> </u>
Number of Directors in the defined benefit pension scheme	2	3
	<u> </u>	<u> </u>

(Note, emoluments reflect amounts actually paid in the period; no increase has been awarded to the Chief Executive in the period).

8 (Deficit)/ Surplus on disposal of fixed assets and other investments

	2017 £000's	2016 £000's
Disposal proceeds	-	3,265
Cost of disposals	(69)	(1,422)
	<u>(69)</u>	<u>1,843</u>

Papworth Trust
Report and Accounts for the year ended 31 March 2017

9 Impairment of fixed Assets

	2017 £000's	2016 £000's
Non-Housing assets	295	-
	<hr/> 295 <hr/>	<hr/> - <hr/>

An impairment charge was taken in the year to write down the assets held at Kerry Farm and two of the Trust's cafes following the decisions taken in the year to close these services.

10 Interest payable and similar charges

	2017 £000's	2016 £000's
Interest payable on financial liabilities	604	608
Interest payable on the unwinding of the net pension deficit liability	77	61
	<hr/> 681 <hr/>	<hr/> 669 <hr/>

Papworth Trust
Report and Accounts for the year ended 31 March 2017

11 Housing properties

	At 1 April 2016 £000's	Additions £000's	Transfers £000's	Disposals £000's	Charge for year £000's	At 31 March 2017 £000's
Cost	47,118	410	(1,292)	(506)	-	45,730
Depreciation	(4,478)	-	-	462	(1,088)	(5,104)
Net book value	42,640	410	(1,292)	(44)	(1,088)	40,626

Included in cost at 31 March 2017 are costs of building projects under construction totalling £8,000 (2016: £190,000).

Papworth Trust
Report and Accounts for the year ended 31 March 2017

12 Other fixed assets	Freehold Land and Buildings £000's	Leasehold Improvements £000's	Motor Vehicles £000's	Other Fixed Assets £000's	Total £000's
Cost					
Balance at 1 April 2016	8,610	348	326	2,198	11,482
Acquisitions	196	-	7	62	265
Transfers	-	-	-	1,246	1,246
Disposals	-	-	(7)	(561)	(568)
Balance at 31 March 2017	<u>8,806</u>	<u>348</u>	<u>326</u>	<u>2,945</u>	<u>12,425</u>
Depreciation and impairment					
Balance at 1 April 2016	3,153	275	191	2,731	6,350
Depreciation charge for year	309	18	42	74	443
Disposals	-	-	(7)	(539)	(546)
Provision for impairment	261	34	-	-	295
Balance at 31 March 2017	<u>3,723</u>	<u>327</u>	<u>226</u>	<u>2,266</u>	<u>6,542</u>
Net book value					
At 31 March 2017	<u>5,083</u>	<u>21</u>	<u>100</u>	<u>679</u>	<u>5,883</u>

Papworth Trust

Report and Accounts for the year ended 31 March 2017

13 Current asset investments

Market Value

	2017	2016
	£000's	£000's
At 1 April	8,125	8,319
Realised gains/(losses)	1,133	-
Unrealised gains/ (losses)	30	(194)
Cash withdrawn from portfolio	(1,000)	-
Market Value at 31 March	<u>8,288</u>	<u>8,125</u>

Historical cost

	2017	2016
	£000's	£000's
At 1 April	6,077	6,077
Cost of assets purchased in the year	8,691	-
Cost of assets disposed of in the year	(6,510)	-
Historical cost at 31 March	<u>8,258</u>	<u>6,077</u>

Reconciliation of historical gains

	2017	2016
	£000's	£000's
At 1 April	2,048	2,048
Realised gains/(losses) in year	1,133	-
Unrealised gains/(losses) in year	30	-
Gains crystallised from sale of investments	(3,181)	-
Historical unrealised gains at 31 March	<u>30</u>	<u>2,048</u>

14 Endowment Fund Assets

	2017	2016
	£000's	£000's
Cash	148	148
Investments	79	68
	<u>227</u>	<u>216</u>

Papworth Trust**Report and Accounts for the year ended 31 March 2017****15 Debtors**

	2017 £000's	2016 £000's
Trade debtors	1,204	1,446
Pre-payments and accrued income	463	874
Tenant arrears	209	371
Other debtors	93	45
	<hr/> 1,969	<hr/> 2,736

Tenant Arrears

	2017 £'000	2016 £'000
Current tenant arrears	204	338
- less provision for bad and doubtful debts	-	(12)
Former tenant arrears	45	57
- less provision for bad and doubtful debts	(40)	(12)
	<hr/> 209	<hr/> 371

16 Creditors**Creditors: amounts falling due within one year**

	2017 £000's	2016 £000's
Loans	813	212
Trade creditors	295	547
Other taxation and social security	300	327
Other creditors	348	175
Obligations under finance leases (note 19)	6	6
Accruals and deferred income	949	1,319
	<hr/> 2,711	<hr/> 2,586

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17 Creditors: amounts falling due after more than one year

	2017 £000's	2016 £000's
Loans	14,800	15,435
Obligations under finance leases (note 19)	5	12
Other creditors	596	596
Deferred grant income	13,773	14,337
	<u>29,174</u>	<u>30,380</u>

Included within Deferred Grant Income is £12,632,000 (2016: £13,045,000) in relation to government grants. Amortisation of government grants is shown within the profit and loss account and the charge for 2017 was £413,000 (2016: £396,000)

18 Loans and borrowings

All loans and borrowings are measured at amortised cost.

Secured bank loans are secured by way of a first fixed charge over housing properties and include an asset cover test based on the ratio on the value of properties secured to the carrying value of the loan. Secured bank loans include interest cover and gearing covenants each of which is tested annually against relevant disclosures within the profit and loss and balance sheet of the financial statements.

	2017 £000's	2016 £000's
Creditors falling due after more than one year		
Secured bank loans	14,800	15,435
Finance lease liabilities	5	12
	<u>14,805</u>	<u>15,447</u>
Creditors falling due within less than one year		
Secured bank loans	813	212
Finance lease liabilities	6	6
	<u>819</u>	<u>218</u>

The Orchardbrook Limited loan of £517k is repayable by 2032 at a fixed rate of interest of 11.47% secured by specific charges on various Papworth Trust housing properties and repayable in bi-annual instalments.

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The Lloyds Bank plc loan of £2.2 million is part of a £5.5 million facility and is secured by way of fixed charges over certain properties owned by Papworth Trust. Details are as follows:

Interest rate	End of fixed rate period	£000
Fixed 3.91%	December 2039	2,200

The Royal Bank of Scotland plc loan is part of a £10 million facility secured by way of fixed charges on certain properties owned by Papworth Trust. Repayment details are as follows:

Interest rate	End of fixed rate period	£000
Fixed 6.09%	March 2019	870
Fixed 5.66%	September 2021	705
Fixed 7.09%	September 2024	808
Fixed 6.97%	November 2024	284
Fixed 4.57%	July 2026	400
Fixed 4.74%	February 2027	1,000
Fixed 3.61%	March 2027	900
Variable 1.14%		1,100
Variable 1.14%		976
Variable 1.21%		650

The Barclays Bank plc loan is part of a £5 million facility and is secured by way of fixed charges over certain properties owned by Papworth Trust. Details are as follows:

Interest rate	End of fixed rate period	£000
Fixed 4.32%	April 2018	1,000
Fixed 3.43%	July 2038	2,000
Variable 0.82%		1,000
Variable 0.73%		1,000

19 Finance lease liabilities

	2017	2016
	£000's	£000's
Finance lease liabilities are payable as follows:		
Less than one year	6	6
Between one and five years	5	12
	<hr/>	<hr/>
	11	18

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20 Other Liabilities

	Transformation £000's	Dilapidations £000's	Other £000's	Total £000's
Balance at 1 April 2016	60	168	12	240
Provisions made during the year	-	24	-	24
Provisions used during the year	(60)	(58)	(12)	(130)
Balance at 31 March 2017	-	134	-	134

21 Employee Benefits

The company participates in the scheme, a multi-employer scheme, which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the Trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1 st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of

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£2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present value of provision

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	3,714	4,047	3,355

Reconciliation of opening and closing provisions

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Provision at start of period	4,047	3,355
Unwinding of the discount factor (interest expense)	77	61
Deficit contribution paid	(511)	(398)
Remeasurements - impact of any change in assumptions	101	(24)
Remeasurements - amendments to the contribution schedule	-	1,053
Provision at end of period	3,714	4,047

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Income and expenditure impact

	Period Ending 31 March 2017 (£000s)	Period Ending 31 March 2016 (£000s)
Interest expense	77	61
Remeasurements – impact of any change in assumptions	101	(24)
Remeasurements – impact of any change in assumptions	-	(24)
Remeasurements – amendments to the contribution schedule	-	1,053
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	1.33	2.06	1.92

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

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22 Operating Leases

	2017 £000's	2016 £000's
Future minimum lease payments due are as follows:		
Less than one year	360	388
Between one and five years	199	351
	<hr/> 559	<hr/> 739

Some properties are sub-let under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

Less than one year	19	29
Between one and five years	-	5
More than five years	-	0
	<hr/> 19	<hr/> 34

23 Capital commitments

The Trust's contractual commitments to purchase tangible fixed assets at the year-end were £nil (2016: £105,000)

24 Contingent Liabilities

The Trust receives grants and loans from the HCA and other bodies. Under the terms of these grants/ loans amounts maybe repayable if the properties are disposed of or cease to be used for the purpose specified. The Trust therefore has a contingent liability for amounts in relation to grants which have been recognised in the profit and loss through amortisation which could become repayable if the property is disposed of or its use changes.

Housing grants maybe be recycled in which case the obligation is transferred to the recycled capital grant fund and held on the balance sheet.

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25 Reserves

Movement in funds

	At 31 March 2016	Income	Expenditure	Transfer	At 31 March 2017
Unrestricted:	3,483	17,803	(17,302)	351	4,335
<u>Designated funds:</u>					
Disability Service Fund	732	-	-	(732)	-
Property Fund	14,363	-	(1,232)	417	13,548
<u>Restricted Funds</u>					
Capital fund	2,852	76	(215)	288	3,001
Building Better Opportunities Leicester Ageing Together	34	77	(71)	-	40
Other housing funds	18	92	(96)	-	14
Other funds	180	23	(104)	-	99
	594	22	(177)	(324)	115
Endowment Funds	216	11	-	-	227
	22,472	18,104	(19,197)	-	21,379

Designated Funds:

The Disability Service Fund relates to funds to provide services to disabled people who otherwise had no means to secure these services. These are utilised at the discretion of the Trustees. In the current year the fund was transferred to general reserves to reflect the utilisation of these in supporting major elements of service delivery in the year.

The Property Fund relates to the net value the Trust holds in property assets including associated liabilities such as secured loans and housing grants.

Restricted Funds

The Capital Fund relates to the assets purchased using restricted funding. Depreciation is expensed against those grants as they are utilised.

The Building Better Opportunities Fund relates to income received from the Big Lottery Fund and the European Social Fund to tackle poverty and social inclusion through improving access to work for disabled people.

The Leicester Ageing Together fund relates to a project funded by the Big Lottery Fund to provide access to warm homes for people in Leicestershire who suffer from fuel poverty.

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Other housing funds represent restricted funds for various housing projects.

Other funds represent all other restricted funds for none Housing related projects including the Trust's day centres and Kerry Farm.

Analysis of Net Assets between Funds

	General Reserves	Designated Reserves	Restricted Reserves	Endowment fund	Total Reserves
Fixed Assets	8,288	43,508	3,001	227	55,024
Current Assets	1,821	-	267	-	2,088
Liabilities due within one year	(1,898)	(813)	-	-	(2,711)
Liabilities due after one year	(28)	(29,146)	-	-	(29,174)
Provisions for liabilities	(3,848)	-	-	-	(3,848)
Total Net Assets	4,335	13,549	3,268	227	21,379

26 Related parties

During the year the Trust purchased services in the normal course of business from The Varrier-Jones Foundation, a charity with certain common Trustees, for £ 40,825 (2016: £99,626). The Trust made sales to The Varrier-Jones Foundation of £69,117 (2016: £73,718).

At 31 March 2017 the amount due from The Varrier-Jones Foundation was £nil (2016: £nil). The amount due to The Varrier-Jones Foundation was £nil (2016: £nil).

The Varrier-Jones Foundation provides voluntary funding to the Trust. During the year, donations of £1,590,000 were received (2016: £1,922,500).

27 Accounting estimates and judgements

In producing these financial statements, the Trust has made estimates and judgements that it feels give a true and fair view. Accounting policies and judgements are assessed against current accounting standards, industry practice and market conditions, and reviewed annually for appropriateness.

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The Trust is a member of the SHPS defined benefit pension scheme. The value of deficit liabilities and deficit reduction contributions assume discount rates offering an equivalent to the yield on AA corporate bonds.

Housing stocks have been assessed for impairment using a discounted future cash flow analysis and no impairment is necessary in the current period. Should any further pressure on housing rents be exerted in the future, a further impairment review may be necessary.

Provisions are made for onerous lease obligations.

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Honorary personnel, Trustees and senior managers

PATRON

Her Royal Highness The Duchess of Gloucester, GCVO

VICE-PRESIDENTS

Mr A Bridgewater
Lady S Marshall
Mrs J Womack

Mr A Dasgupta MBE
Mrs J P B G Pearson
Mr G R W Wright DL

Sir Hugh Duberly CBE LL
Mrs M E Thomas CBE DL

CHAIR OF TRUSTEES

Mr R Hammond

VICE-CHAIR OF TRUSTEES

Ms D Sorkin

HON. TREASURER

Mr R Norton

OTHER TRUSTEES

Mr P Agar
Mr G Burnand
Mr W Cuell
Mr A Hirst
Mr P Hughes
Mrs J A Millns
Mrs S Mitchell (resigned 22nd September 2016)
Mr D Ogilvy

TRUSTEE USER REPRESENTATIVES

Ms M Grace
Mr P Johnson
Mr R Nixon

LEADERSHIP TEAM

Ms V McDermott	Chief Executive Officer
Mr D Martin	Director of External Affairs
Mr M Blake	Director of Central Services
Ms H Harris	Director of Operations
Ms J Penalver	Director of Transformation

Papworth Trust is a company limited by members' guarantee of £1.00 each. Vice-Presidents, the Chair, Vice-Chair, Honorary Treasurer and other Trustees are the members of Papworth Trust.

The register of members is maintained at the registered office.

Papworth Trust

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Principal Advisers and general Trust information

COMPANY SECRETARY

Mr M Blake

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SOLICITORS

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