

**CHANGWORKS
RESOURCES FOR LIFE
(A company limited by guarantee)
Report and Financial Statements
Year ended 31 March 2018**

**Charity Number: SC015144
Company Registration Number: SC103904**

CHANGeworks RESOURCES FOR LIFE
Contents of the Financial Statements
For the year ended 31 March 2018

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CHANGeworks RESOURCES FOR LIFE

Report of the Directors

For the year ended 31 March 2018

The directors present their report and the audited financial statements for the year ended 31 March 2018.

Reference and administrative details

Charity Number: SC015144

Company Number: SC103904

Directors

Councillor Ian Perry

Councillor Eleanor Bird (appointed 24 July 2017)

Councillor Steve Burgess (resigned 31 January 2018)

Mary Church

Nigel Douglas (appointed 26 April 2017)

Robert Farrelly (resigned 31 January 2018)

Ann Loughrey (appointed 26 April 2017; resigned 26 September 2017)

Councillor Adam McVey (resigned 11 July 2017)

Fay Purves (deceased 21 July 2018)

Derek Redvers (appointed 26 April 2017)

Dr Margaret Somerville

Philip Wright

Secretary

Teresa Bray

Senior Management Team to 30 September 2018

Teresa Bray, Chief Executive

Graeme Farmer, Finance & Resources Director

Jill Fenton, Centre Manager, South East Scotland Home Energy Scotland Advice Centre

Bob Grant, Centre Manager, Highlands & Islands Home Energy Scotland Advice Centre

Ken McLean, General Manager, Changeworks Recycling (until 28 July 2017)

Sam Mills, Head of Projects

Chris Morris, Local Energy Scotland Project Manager (until 31 August 2017)

Liz Partington, Deputy Chief Executive

Ian Smith, Head of Consultancy

Paul Thom, Programme Manager

Senior Management Team from 1 October 2018

Teresa Bray, Chief Executive

Graeme Farmer, Finance & Resources Director

Liz Partington, Deputy Chief Executive

Paul Thom, Technical Director

Post vacant, Operations Director

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Report of the Directors

For the year ended 31 March 2018

Reference and administrative details- continued

Auditor

Scott- Moncrieff, Chartered Accountants & Statutory Auditor, Exchange Place 3, Semple Street, Edinburgh, EH3 8BL

Bankers

The Co-operative Bank plc, Ground Floor, 96 Fountainbridge, Edinburgh, EH3 9QA

Triodos Bank, Brunel House, 11 The Promenade, Bristol, BS8 3NN

Bank of Scotland plc, 6 Picardy Place Edinburgh EH1 3IT

Solicitors

Burness Paull LLP, 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ

Registered Office and operation address

36 Newhaven Road, Edinburgh, EH6 5PY

Objectives and activities

A clear vision and mission, supported by our values, remains core to the achievement of our purpose at Changeworks.

In 2017, we celebrated 30 years of Changeworks developing and delivering solutions to support environmental action. It is now time to look to the future – to be clear what we aim to achieve in the next three years. We have reviewed our vision and mission and developed a range of goals and objectives. Changeworks' new strategic plan builds on our skills and expertise and takes into account the wider operating environment in Scotland and globally.

Our plans are ambitious – creating the world we want to live in requires nothing less. The urgent need to reduce emissions requires a great level of ambition.

To successfully achieve our goals will require the continued commitment of our skilled and experienced staff and volunteers. We will work in partnership with many other organisations and need the support of our funders.

Changeworks is a well-respected charity with a strong track record of delivering low carbon solutions often in partnership with others. We need external funding to continue delivery of our day-to-day services. As a result of strong financial management and returns from our trading subsidiaries and joint ventures, we will make strategic, targeted investment to:

- Research and pilot new services
- Strengthen our delivery
- Share our knowledge and expertise.

Our vision

A world where people are able to live, work and enjoy life with a low carbon impact.

Our Mission

Developing and delivering high impact solutions to make low carbon life a positive reality for everyone.

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For the year ended 31 March 2018

Our mission reflects that our main activity is the development and delivery of solutions. We are seeking a positive reality for **everyone** since as a charity tackling inequalities is core to our mission. Higher carbon emissions correlate with higher levels of income and wealth, so we need to work with people across all sectors of society.

As one of the largest charities working in our field in Scotland we need to ensure that our services are efficient and effective. To achieve our overall vision, we need to ensure that others benefit from our knowledge and expertise so that they can deliver effectively as well. We are also committed to learning from others. Most of our solutions focus on understanding that people's actions and behaviours are key to the delivery of solutions.

To maximise our impact, we will adopt the following approach to develop our work and services:

Research: improved solutions are necessary to deliver the scale of change that is required to tackle climate change. With the pace of technological change new options are being developed but the importance of structuring services around people is often forgotten. Through our delivery we can identify areas where services need to be improved. We have particular expertise in implementing energy efficiency projects, data analysis, behaviour change and the human aspects of energy systems. Collectively these put us in a strong position to identify where research is required and commissioning and delivering key elements. To enhance both the rigour and credibility of our research we will work with academic partners where relevant.

Piloting: testing ideas and new approaches through pilots provides opportunities to put research, both our own and others, in to practice prior to delivering at a larger scale. Not all elements of pilots will work and it is important to learn lessons from both the successes and failures. It is essential we integrate monitoring and evaluation in to all pilots.

Delivering: solutions developed and tested then need to be delivered at scale. Delivery at scale is central to Changeworks activities. We want to make a significant difference – we need to expand the breadth, depth, range and effectiveness of all our services. We deliver services we develop ourselves and programmes designed by others and gain valuable insights that can be used in research, piloting and innovation to improve our services.

Mainstreaming: the level of activity required to for Scotland to adopt an enjoyable low carbon life is too great for Changeworks to deliver in isolation. In many cases solutions are better delivered by others such as local community groups, social landlords, local authorities or other agencies. Through our research, piloting and delivery we have knowledge and experience we can share that is useful to other organisations in the delivery of their services.

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Report of the Directors

For the year ended 31 March 2018

Achievements and performance

Changeworks has continued to deliver a range of services covering energy efficiency, renewables, waste prevention and fuel poverty reduction. We provide both in-depth and large-scale services and our geographical reach covers all of Scotland. The past year has seen steady growth in our services building on our skills and expertise. In 2017-18 our services were focused on:

Householders	<ul style="list-style-type: none">• advising and helping people to improve their homes' energy efficiency and fit micro-renewables• working with people to change their behaviour in how they use energy in the home, travel and resources• providing advice and in-depth outreach support to people in or at risk of fuel poverty• providing specific services targeted at socially excluded groups to ensure that they are able to adopt a lifestyle that benefits people and the environment
Communities	<ul style="list-style-type: none">• supporting communities to install community owned renewables and to maximise the community benefit from developer led renewables• supporting communities to advise and assist people in improving the energy efficiency of their homes and fitting micro-renewables• supporting communities to work with people to change how they use energy in the home, transport and resources• supporting community groups to share their expertise and co-ordinate their action• working with communities to develop district wide practical solutions to save energy and prevent waste
Businesses	<ul style="list-style-type: none">• delivering a business recycling service to help businesses work towards zero waste through Changeworks Recycling• advising and helping businesses to improve their energy efficiency• working with business employees to change how they use energy, transport and resources both at work and home• providing specialist support to help organisations reduce their CO₂ emissions in their field of operation• supporting the development of policy and practice that makes sustainability straightforward for businesses and organisation
Organisations	<ul style="list-style-type: none">• providing specialist support to local authorities to deliver area-based insulation programmes• providing support and networking opportunities for housing associations to improve the energy efficiency of their housing stock, install renewables and support their tenants• providing specialist support to help organisations reduce CO₂ emissions in their field of operation

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For the year ended 31 March 2018

Changeworks impact in 2017/18

We consider it important for the impact of our work to be evaluated and have developed a methodology which seeks to do this. For 2017/18 our achievements included:

	Outcome	Indicator	2017/18	2016/17
1	People, communities, organisations and businesses reduce their CO ₂ e emissions	Tonnes of CO ₂ e lifetime saved through Changeworks' work	202,444	222,391
2	People, communities, organisations and businesses adopt practical solutions to live sustainably	Number of people adopting practical solutions	50,605	49,717
		Number of organisations adopting practical solutions	2,061	2,035
3	People, communities, organisations and businesses have increased wellbeing	Number of clients have positive improvements in their own home (heating, affordability, comfort etc)	1,153	1,808
		Number of clients who say they have increased ability/confidence to deal with suppliers, agencies etc	1,030	1,022
		£ saved for vulnerable households	17,524,267	13,572,668
4	People, communities, organisations and businesses have increased capacity [to take action] to live sustainably	Number of people who report increased skills to facilitate / support others	1,560	2,285
5	People, communities, organisations and businesses increase resource efficiency through waste prevention and recycling	Tonnage of material recycled	3,615	5,669
		Tonnage of material reduced or reused	135	189

Our activities in 2017/18 saved an estimated 202,444 tonnes CO₂e lifetime. We are proud of this achievement and our contribution to Scotland's carbon reduction targets. However, we are aware of the need to continually improve and enhance our services, as this does represent a 9% reduction from the previous year's figure of 222,391.

We also recognise that not all activity can be measured empirically, and a number of case studies are prepared each year to illustrate our achievements.

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For the year ended 31 March 2018

Our fuel poverty work has saved an estimated £17.5m lifetime for vulnerable households. This is a 29% increase from the previous year. Again, we are proud of our achievements in this area, assisting some of the most vulnerable people in Scotland, but are aware of the need to continually enhance and improve our services to meet changing needs and take advantage of emerging technologies.

To enable consistency and comparability, we evaluate our activities on the same criteria each year. However, to better measure our performance in the context of our ever-changing business environment, in addition we set annual operational targets for each department.

The environmental impact of Changeworks operations

In addition to our outcomes relating our services, we strive to operate sustainably and be an inspiring and empowering place to work for staff and volunteers. Our most recent staff and volunteer surveys found that 90% of staff are positive in their work, and 94% of volunteers are positive about being involved with Changeworks.

We have calculated our carbon footprint for 2017/18 to be 1.46 tonnes CO₂e per FTE, compared to 1.38 (revised) the previous year – an increase of 6% due mainly to the increased impact of staff commuting to work. We have an active Green Team that seeks to improve the sustainability and reduce the carbon impact of the charity which, in response to the findings of this footprint calculation, will attempt to influence future commuting behaviour among staff.

As a measure of our overall carbon impact - the number of tonnes of carbon saved for each tonne expended was 594 compared to 565 the previous year, a welcome improvement of 5%.

Accreditations

We hold the following accreditations:

- European Foundation for Quality Management Committed to Excellence 2 stars
- Investors in People
- Investing in Volunteers
- ISO 14001 (Environmental Management Systems)
- Changeworks Resources for Life is an accredited Living Wage Employer.
- Cycle Friendly Employer

Warmworks

Warmworks Scotland LLP, a joint venture owned equally by Changeworks Resources for Life, Energy Saving Trust Enterprises Limited and Everwarm, has had a very successful year delivering the Scottish Government contract to deliver a national fuel poverty scheme, Warmer Homes Scotland. Warmworks operates throughout Scotland and manages the delivery of the installation of heating and insulation measures for vulnerable households. In 2017/18 the scheme helped 4,903 households, saving on average £318 per household.

Financial Review

We have seen a further strengthening of our financial position during 2017/18.

During the year, there was a further 14% increase in income from £5.9m to £6.8m which, combined with a linked 8% increase in expenditure, resulted in an annual surplus of £1.6m (2017: £0.9m) and total funds growing from £4m to £5.5m of which £1.5m (2017: £1.2m) is unrestricted and available for charitable purposes.

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For the year ended 31 March 2018

Following annual review, the Board has agreed to designate funds as follows:

- **Dilapidations Reserve:** £101,937 to cover dilapidation commitments of our various office leases.
- **Fixed Asset Reserve:** £684,926 being the book value of the charity's fixed assets to reflect the illiquid nature of these assets. This will be held as long as the net book value of fixed assets is material.
- **Strategic Plan:** £2,000,000 to cover additional costs of the first three years of our new strategic plan, ensuring progress against our goals as stated below. This includes internal funding of charitable programmes and activities not covered by external funding.
- **Investments:** £5,051 funds tied up in illiquid investments – Warmworks, Changeworks Recycling and Edinburgh Solar Co-op. Fund to remain in place as long as such investments are held.
- **Loans to related entities:** £300,000 tied up in loans and unutilised loan facilities to Changeworks Recycling Ltd – owned 50% by the charity.
- **Warmworks Parent Company Guarantee:** £750,000 to cover our maximum potential exposure under the Scottish Government HEEPS 2 contract (delivered by Warmworks). Expected to remain in place for the duration of the Warmworks contract.

Reserves Policy

The reserves policy is reviewed annually by the Board. Minimum general fund requirement is calculated annually by identifying a range of risks and estimating their potential financial impact using a risk weighting based on their likely occurrence. Designations of unrestricted reserves for specific purposes are approved by the Board.

The Board estimates that, after removing designated funds, unrestricted reserves of £860k (2017: £752k) are required to cover estimated operational risk.

The level of unrestricted reserves is monitored by the Board on a quarterly basis. As at 31 March 2018, total unrestricted funds were £5.3m (2017: £3.7m). After removing the above designated funds, the General Fund stood at £1.5m (2017: £1.2) which is £0.6m (2017: £0.5m) in excess of the level required as per our calculation of operational risk. The directors are satisfied with this level of excess reserves, given the financial uncertainties and risks involved with implementing our ambitious new strategic plan over the next three years.

Risk management

The risk policy adopted by the directors is as follows:

“To achieve its mission and objectives Changeworks has to be prepared to take risks. Changeworks operates a system of identifying and evaluating risks. Where risks are identified, a decision is made whether to minimise, mitigate or manage the risk. Where it is decided to manage the risk the contribution to the overall risk portfolio is considered and the overall level of risk accepted will not be at a level that would undermine the continued operation of Changeworks.

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For the year ended 31 March 2018

The level of risk acceptable must be considered against the contribution to Changeworks' aim. High-risk activities with little direct contribution to the objectives should not be undertaken even if there is a possibility of significant amounts of income generation."

The directors have assessed the risks to which the charitable company is exposed, in particular those related to the operations and finances of the charitable company. The directors are satisfied that systems are in place to manage exposure to the major risks, as outlined in the Risk Register which is reviewed on an annual basis. Mitigation strategies / controls are in place for all risks. The most recent annual Risk Register review highlighted the importance of revising our financial reporting and control systems in light of changes to our activities in line with the new Strategic Plan.

Plans for future periods

The Board has approved our new Strategic Plan 2018-2021, which informs and directs our future plans and activities. Our twelve stated goals for this period are as follows:

- Successfully deliver at scale a wide range of better insulated and healthy buildings
- Maximize effective deployment of low carbon and renewable technologies ensuring the needs of people are met
- Lead on the development and delivery of an integrated area-based approach to low carbon living and working
- Strive to ensure everyone, irrespective of income, enjoys the benefits of well regulated, affordable, low carbon heat and power.
- Increase our role in achieving a zero waste society
- Bring about significant behaviour change that supports low carbon living
- Be an exceptional place to work where our staff and volunteers are empowered to deliver solutions for a low carbon life
- Be an outstanding quality driven organisation operating as a role model
- Drive improvements in projects and services, building on evidence and inspiring innovation
- Proactively adopt technology to improve the delivery of our services.
- Significantly increase our visibility, personality and profile

Our new Strategy Directorate is charged with measuring our performance against these goals.

Sale of investments

On 28 July 2017, we entered into a new partnership with Changeworks – Resources for Life selling 50% of its shares in Changeworks Recycling to Forbes Connor, who also took an executive position in the company as Managing Director.

Structure, governance and management

Changeworks Resources for Life is a company limited by guarantee governed by its Memorandum and Articles of Association dated 31 March 1987 and amended to allow for the current governance arrangement on 22 March 2006. The company is registered as a charity with the Office of the Scottish Charity Regulator. Membership is open to The City of Edinburgh Council and Friends of the Earth (Scotland) Limited.

Changeworks Resources for Life is governed by a Board of Directors, which is drawn from local Government and the community. The Board ensures the company is managed efficiently and takes the lead in strategic decisions, although the day to day management of affairs is delegated to the Chief Executive.

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Report of the Directors

For the year ended 31 March 2018

Group Structure

The charitable company, Changeworks Resources for Life has one 50% owned trading company, Changeworks Recycling Limited, whose main activity is business recycling services, plus one dormant trading subsidiary Changeworks Trading Limited. Changeworks Resources for Life also has a one-third interest in Warmworks Scotland LLP – established June 2015.

Appointment of Directors

The maximum number of directors is 11, of whom a maximum of 2 shall be nominated and a maximum of 9 directors shall be co-opted. 1 nominated member can be appointed by The City of Edinburgh Council and 1 by Friends of the Earth (Scotland) Limited. The directors may at any time appoint any person (other than an employee of the company) to be a director providing he/she is willing to act.

Directors' Induction & Training

New directors are given a briefing on their legal obligations under charity and company law, the board and decision-making process, the business plan and recent financial performance of the charity. New directors are also encouraged to meet with key employees and attend strategy events.

Organisational Structure

The Board meets quarterly, and the Chief Executive has delegated authority for the operational management of the charity. The Chief Executive is supported in the delivery of the operational management by the Directorate made up of the Deputy Chief Executive, Operations Director, Technical Director and the Finance and Resources Director.

The organisational structure has been revised (effective 1 October 2018) to maximise our performance and ensure we are best placed to achieve our new three-year Strategic Plan. Although a formal hierarchical structure has been adopted we do not allow structures to limit our delivery and actively promote cross-departmental working.

The charity also has a 100% owned subsidiary company, Changeworks Trading Ltd, which is dormant.

Key management remuneration

Remuneration of all personnel, including key management, is covered by our Pay Policy, agreed by the Board December 2015.

Changeworks has developed its own salary grades which utilises and operates a job evaluation system where individual roles are assessed as to the level of responsibility and placed on the same grade as other roles within Changeworks that have a similar level of responsibility. A number of factors are taken into account when assessing the level of responsibility. For roles up to middle manager level the assessment is carried out by a panel of staff. More senior posts are assessed by a sub-group of the Board and the Chief Executive. The HR Co-ordinator acts as an advisor to both panels. The Chief Executive's salary is determined by the Board.

Senior salaries are restricted to a maximum of six times that of the lowest paid member of staff, though to date none have reached this level.

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Report of the Directors

For the year ended 31 March 2018

Related parties

Related party information is disclosed in note 23 to the accounts.

Statement of directors' responsibilities

The directors (who are also trustees of Changeworks Resources for Life for the purposes of charity law) are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles of the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue on that basis.

The directors are responsible for maintaining adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

As far as the directors are aware at the time the report is approved:

- there is no relevant information of which the charitable company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that the charitable company's auditor is aware of the information

Directors

Members of the Board of Directors, who are directors for the purpose of company law and trustees for the purpose of charity law, who served during the year and up to the date of this report are set out on page 1. Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up.

This report has been prepared in accordance with the Accounting and Reporting by Charities Statement of Recommended Practice applicable to charities preparing their financial statements in

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Report of the Directors

For the year ended 31 March 2018

accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and in accordance with special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The Directors' Report is approved by the Board of Directors on 31 October 2018 and signed on its behalf by:

Director _____
Ian Perry

CHANGWORKS RESOURCES FOR LIFE
Independent Auditor's Report to the Members and Directors
For the year ended 31 March 2018

Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018 and of charitable company's 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 regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and the provisions available for small entities, in the circumstances set out in note 28 to the financial statements, and we have fulfilled our 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 audit opinion.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors 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 directors 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.

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Independent Auditor's Report to the Members and Directors
For the year ended 31 March 2018

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 matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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.

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

- adequate and proper accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies' exemption from the requirement to prepare a Strategic Report.

Responsibilities of the directors

As explained more fully in the directors' responsibilities statement set out on page 10, the directors (who are the directors for the purposes of company law and trustees for the purposes of charity 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

CHANGeworks RESOURCES FOR LIFE
Independent Auditor's Report to the Members and Directors
For the year ended 31 March 2018

In preparing the financial statements, the directors 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 directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's directors, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Our audit work has been undertaken so that we might state to the parent charitable company's members, as a body, and the charitable company's directors, as a body, 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 parent charitable company, the parent charitable company's members, as a body, and the parent charitable company's directors, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Harkness, Senior Statutory Auditor

For and on behalf of

Scott-Moncrieff, Statutory Auditor

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

Chartered Accountants

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

Date:

CHANGeworks RESOURCES FOR LIFE
Statement of Financial Activities (incorporating Income and Expenditure account)
As at 31 March 2018

	Notes	Unrestricted funds £	Total restricted funds £	Total funds 2018 £	Restated Total funds 2017 £
Income and endowments from:					
Charitable activities	5	5,468,561	1,095,490	6,564,051	5,698,078
Investment Income	6	195,320	-	195,320	229,990
Total		<u>5,663,881</u>	<u>1,095,490</u>	<u>6,759,371</u>	<u>5,928,068</u>
Expenditure on:					
Charitable activities:	7	4,351,687	1,103,905	5,455,592	5,069,628
Total		<u>4,351,687</u>	<u>1,103,905</u>	<u>5,455,592</u>	<u>5,069,628</u>
Net gains on investments	13	299,950	-	299,950	-
Net income and movement in funds		<u>1,612,144</u>	<u>(8,415)</u>	<u>1,603,729</u>	<u>858,440</u>
Reconciliation of funds:					
Total funds at 31 March 2017	22	3,687,242	173,499	3,860,741	3,002,301
Total funds at 31 March 2018	22	<u>5,299,386</u>	<u>165,084</u>	<u>5,464,470</u>	<u>3,860,741</u>

The charitable company has no recognised gains or losses other than the results for the year as set out above. All of the activities of the charitable company are classed as continuing.

The notes on pages 18 to 37 form part of the financial statements.

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Balance Sheet

As at 31 March 2018

	Notes	2018 £	Restated 2017 £
Fixed assets:			
Tangible assets	12	684,926	640,460
Investments	13	5,051	5,101
Total fixed assets		689,977	645,561
Current assets			
Debtors	14	2,390,531	1,418,697
Cash at bank and in hand		3,448,141	2,524,383
Total current assets		5,838,672	3,943,080
Liabilities:			
Creditors: amounts falling due within one year	15	(1,000,462)	(676,718)
Net current assets		4,838,210	3,266,362
Total assets less current liabilities		5,528,187	3,911,923
Provisions for liabilities	17	(63,717)	(51,182)
Total net assets		5,464,470	3,860,741
The funds of the charity:			
Unrestricted funds	22	1,457,472	1,238,350
Restricted funds		165,084	173,499
Designated funds		3,841,914	2,448,892
Total funds		5,464,470	3,860,741

These financial statements have been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006 and were authorised for issue by the directors on 31 October 2018 and are signed on its behalf by:

I Perry
Director

Company Registration Number SC103904

T Bray
Company Secretary

The notes on pages 18 to 37 form part of the financial statements.

CHANGEWORKS RESOURCES FOR LIFE

Statement of Cash Flows

As at 31 March 2018

	Notes	2018 £	Restated 2017 £
Cash flows from operating activities:			
Net cash used in operating activities	24	(688,075)	(34,204)
Cash flows from investing activities:			
Dividends, interest and rents from investments		1,522,130	854,838
Purchase of property, plant and equipment		(210,297)	(172,457)
Proceeds of sale of investment		300,000	-
Net cash provided by investing activities		1,611,833	682,381
Change in cash and cash equivalents in the reporting period		923,758	648,177
Cash and cash equivalents at the beginning of the reporting period		2,524,383	1,876,206
Cash and cash equivalents at the end of the reporting period		3,448,141	2,524,383

The notes on pages 18 to 37 form part of the financial statements.

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

1. General information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable company's transactions are denominated. They comprise the financial statements of Changeworks Resources for Life.

The principal activity of Changeworks Resources for Life is developing and delivering high impact solutions to make low carbon life a positive reality for everyone.

Changeworks Resources for Life is a charitable company limited by guarantee incorporated in the United Kingdom and registered in Scotland. It is recognised as a charity for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC015144. Details of the registered office and company registration number can be found on page 2 of these financial statements.

2. Principal accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ("FRS 102") (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', Update Bulletin 1 to the SORP published in February 2016, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

Changeworks Resources for Life meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires directors to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving

CHANGeworks Resources for Life

Notes to the Financial Statements

For the year ended 31 March 2018

(b) Basis of accounting (continued)

a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented in dealing with items which are considered material in relation to the charitable company's financial statements unless otherwise stated.

(b) Going Concern

Following an examination of current performance, major contracts, business environment, business development plans and reserves position, the directors are of the opinion that the charitable company can continue to meet its obligations as they fall due for the foreseeable future. As a consequence, the directors have prepared the financial statements on the going concern basis.

(c) Recognition and allocation of income

Income is recognised when the company has legal entitlement to the funds, the receipt is probable and the amount can be measured reliably.

Donation and legacy income includes donations, gifts, legacies and grants that provide core funding or are of a general nature.

Income from charitable activities includes income received under contract or grant funding which is subject to specific performance conditions. Where there are performance conditions attached to any grants and donations, income is recognised when the conditions have been met or when meeting the conditions are within the charity's control and there is sufficient evidence that they have been met or will be met. Income from contracts for services is recognised at fair value (contract value) with the delivery of the service and when the stage of completion, the costs incurred and the costs to complete can be measured reliably. For Programme Management contracts, the stage of completion is measured with reference to the head contract between the local authority and the Scottish Government. Where income is received in advance the income is deferred until the service has been provided.

Where a grant condition allows for the recovery of any unexpended grant, a liability is recognised when repayment becomes probable.

Where there are terms placed on income that limit the charity's discretion over how that income can be used, that income is shown as restricted income in the accounts.

Gift aid is treated as part of the related gift unless the donor or terms of appeal have specified otherwise and is credited when receivable.

Investment income is recognised on a receivable basis and is measured at transaction value.

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

(d) Volunteers and donated services and facilities

The value of services provided by volunteers is not incorporated into these financial statements.

(e) Recognition and allocation of expenditure

Expenditure is recognised when the charity has entered into a legal or constructive obligation and is allocated, where possible, directly to the function to which it relates.

Charitable activities include expenditure associated with supply of environmental services and include both the direct costs and support costs relating to these activities. Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources. Accommodation and central support functions including finance, ICT and HR are charged to projects. For the year ended 31st March 2018, recharges were set at £13k per full time employee (pro rata) with each project being charged according to how many salaried employees that project employed.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

(f) Funds

Restricted funds are those which have been given to the charity to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund, together with a fair allocation of support costs.

Unrestricted funds are incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds.

Designated funds are unrestricted funds that have been earmarked by the directors for a specific purpose.

(g) Tangible fixed assets

Fixed assets are originally recorded at cost, with only assets costing in excess of £1,000 capitalised. Depreciation is provided on all fixed assets at rates calculated to write off the cost of each asset, less its estimated residual value, over its expected useful life as follows:

Equipment — 20% or 33% straight line

Fixtures & fittings — 20% straight line

Motor vehicles — 20% straight line

Office Alterations — shorter of 10 years or remaining life of lease from completion of building work

(h) Investments

Investments in joint venture entities and in a social investment are held at cost less accumulated impairment losses.

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

(i) Debtors

Trade debtors are amounts due from customers for goods sold or services performed. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally invoice price, less any allowances for doubtful debts.

(j) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and are measured at fair value.

(k) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. They are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

(l) Financial assets and liabilities

Financial instruments are recognised in the balance sheet when the charity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price.

Financial instruments are all classified as 'basic' in accordance with Chapter 11 of FRS102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

(m) VAT

Input tax relating to some charitable expenditure is irrecoverable and is therefore reported as part of the expenditure to which it relates when directly attributable. Input tax on overheads has been apportioned accordingly and the irrecoverable portion included in note 8.

(n) Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

(o) Pensions

Changeworks Resources for Life makes employer pension contributions, representing 8% of gross salary, for all eligible employees under The Occupational and Personal Pension Schemes (Automatic Enrolment) Regulations 2010. The charitable company operates a qualifying group personal pension scheme, into which contributions are paid. Changeworks staging date for auto

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

enrolment was 1st May 2014 when all eligible employees were auto enrolled and re-enrolment took place in 2017.

(p) Grant making policy

Intervention funding is allocated to private sector households who do not qualify for statutory grants, e.g. the Central Heating Programme, and whose income and savings are below an agreed threshold. Funding is provided if the health of the householder would be improved by installation of a measure, such as a new heating system. Both the householder and their health care worker can make a referral to the Affordable Warmth team.

3. Critical judgements and estimates

In preparing the financial statements directors make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

No estimates or assumptions have been made in the preparation of these financial statements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

4. Comparative SOFA

	Unrestricted funds £	Total restricted funds £	Restated total funds 2017 £
Income and endowments from:			
Charitable activities	4,610,603	1,087,475	5,698,078
Investment Income	229,990	-	229,990
	<hr/>	<hr/>	<hr/>
Total	4,840,593	1,087,475	5,928,068
	<hr/>	<hr/>	<hr/>
Expenditure on:			
Charitable activities:	4,026,370	1,043,258	5,069,628
	<hr/>	<hr/>	<hr/>
Total	4,026,370	1,043,258	5,069,628
	<hr/>	<hr/>	<hr/>
Net income and movement in funds	814,223	44,217	858,440
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

5. Income from charitable activities

The sole charitable activity undertaken by the charity is the supply of environmental services.

	Unrestricted funds	Restricted funds	2018 Total	Restated 2017 Total
	£	£	£	£
Grants:				
Council grants	-	429,129	429,129	449,830
Other grants	-	646,110	646,110	599,083
	-----	-----	-----	-----
	-	1,075,239	1,075,239	1,048,913
Contract income	4,111,751	20,251	4,132,002	4,024,317
Warmworks	1,356,810	-	1,356,810	624,848
	-----	-----	-----	-----
Total	5,468,561	1,095,490	6,564,051	5,698,078
	=====	=====	=====	=====

Income from Warmworks comprises profit distribution and management charges from Warmworks Scotland LLP – the activities of which are in line with our own charitable activities.

6. Investment income

	2018 Total	Restated 2017 Total
	£	£
Bank interest receivable	2,721	3,382
Loan interest - Warmworks	5,223	31,305
Gift Aid payment	187,376	195,303
	-----	-----
	195,320	229,990
	=====	=====

Income from Warmworks, previously included within investment income, is now included within income from charitable activities (note 5).

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

7. Charitable activities expenditure

	Staff costs £	Project Costs £	Support Costs (Note 8) £	2018 Total £	2017 Total £
Supply of Environmental Services	2,891,739	862,600	1,689,511	5,443,850	5,059,093
Governance costs (note 8)	-	-	11,742	11,742	10,535
Total	2,891,739	862,600	1,701,253	5,455,592	5,069,628

8. Support Costs

The charity allocates its support costs as shown in the table below. Support costs are allocated on a basis consistent with the use of resources calculated on the basis of full-time equivalent employees.

	Environmental Services £	Governance £	2018 Total £	2017 Total £
Salaries & temp staff	693,484	-	693,484	627,094
Accommodation	351,377	-	351,377	370,957
Office running costs	435,613	-	435,613	423,531
Insurance	88,324	-	88,324	59,334
Marketing	28,739	-	28,739	30,866
Staff training	26,994	-	26,994	46,772
Professional fees	58,939	9,890	68,829	57,554
Board & SMT	6,041	1,852	7,893	2,781
Total	1,689,511	11,742	1,701,253	1,618,889

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

9. Analysis of staff costs

	2018	2017
	£	£
Salaries and wages	3,195,693	2,961,341
Social security costs	268,646	250,995
Pension costs	259,551	232,470
Temporary staff	86,485	49,400
	<u>3,810,375</u>	<u>3,494,206</u>
	<u><u>3,810,375</u></u>	<u><u>3,494,206</u></u>

One employee received emoluments of between £80,000 - £90,000 during the year (2017:1). Pension contributions made for this employee during the year were £6,676 (2017: £6,391).

No director received any remuneration or received any other benefits from an employment with the charity or a related entity for services as a director. One director was reimbursed travel expenses during the year for £143 (2017: £nil).

The key management personnel of the company comprise of the senior management team as noted on page 1 with the addition of the General Manager of Changeworks Recycling up until July 2017. The employee benefits for key management totalled £525,389 (2017: £564,472).

The average number of employees during the year on a head count basis was 127 (2017: 122). The average number of employees during the year, calculated on the basis of full time equivalents, was as follows:

	2018	2017
	No.	No.
Management and administration staff	13	13
Project staff	102	97
	<u>115</u>	<u>110</u>
	<u><u>115</u></u>	<u><u>110</u></u>

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

10. Net income for the year

	2018	2017
	£	£
This is stated after charging:		
Depreciation	165,831	127,784
Auditor's remuneration: audit fee	9,890	9,700
Lease payments under operating leases	63,482	57,653

11. Taxation

The charitable company is exempt from corporation tax on its charitable activities.

12. Tangible fixed assets

	Equipment	Fixtures & fittings	Office Alterations	Totals
	£	£	£	£
COST				
At 1 April 2017	406,757	35,039	654,211	1,096,007
Additions	210,297	-	-	210,297
At 31 March 2018	617,054	35,039	654,211	1,306,304
DEPRECIATION				
At 1 April 2017	260,437	7,182	187,928	455,547
Charge for year	80,076	5,206	80,549	165,831
At 31 March 2018	340,513	12,388	268,477	621,378
NET BOOK VALUE				
At 31 March 2018	276,541	22,651	385,734	684,926
At 31 March 2017	146,320	27,857	466,283	640,460

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

13. Investments

	2018	2017
	£	£
Subsidiary undertakings	-	100
Social investments	5,000	5,000
Joint ventures	51	1
	<u>5,051</u>	<u>5,101</u>

Subsidiary undertakings

The charity's investments at the balance sheet date in the share capital of subsidiary companies include the following:

Subsidiary	Activity	Ordinary £1 shares	Country of incorporation	Shareholding
Changeworks Trading Ltd SC207925	Dormant	100	UK	100%

Changeworks Trading Ltd was dormant throughout the year and therefore did not generate a profit in the year to 31 March 2018 (2017: £nil). The aggregate capital and reserves of Changeworks Trading Ltd as at 31 March 2018 was £nil (2017: £nil).

Joint ventures

a) Changeworks Recycling Limited

During the year, the charitable company sold 50% of its shareholding in Changeworks Recycling Limited (SC244949), generating a net gain on disposal of £299,950. The investment is therefore now classified as a joint venture. A summary of the trading results is shown below:

	2018	2017
	£	£
Income	4,301,430	3,542,555
Expenditure	(4,208,832)	(3,363,736)
Profit	<u>92,598</u>	<u>178,819</u>
Fixed assets	382,942	276,580
Current assets	1,047,159	816,350
Current liabilities	(793,641)	(723,180)
Non-current liabilities	(371,766)	(24,513)
Provisions	(72,358)	(58,123)
Net assets	<u>192,336</u>	<u>287,114</u>

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

Joint ventures (continued)

a) Changeworks Recycling Limited (continued)

If the investment in the joint venture had been accounted for under the equity method of accounting, the effect would be an increase in the carrying value of investments of £96,118, and an increase in income from investments of £96,118.

b) Warmworks Scotland LLP

On 10th June 2015, Warmworks Scotland LLP (SO305326), a joint venture owned equally by Changeworks Resources for Life, Energy Savings Trust Enterprises Limited and Everwarm, entered into a Scottish Government contract to deliver a national fuel poverty scheme over five to seven years. The initial cost of this investment was £1. A summary of the trading results is shown below:

	2018	2017
	£	£
Income	27,043,005	28,940,121
Expenditure	25,451,754	(27,403,747)
Profit	<u>1,591,251</u>	<u>1,536,374</u>
Fixed assets	160,723	212,721
Current assets	5,692,672	7,335,635
Current liabilities	(5,096,478)	(6,113,133)
Net assets	<u>756,917</u>	<u>1,435,223</u>

If the investment in the joint venture had been accounted for under the equity method of accounting, the effect would be an increase in the carrying value of investments of £252,305, a decrease in income from investments of £226,102 and an increase in the balance of funds brought forward of £478,407.

Social investments

In November 2015 Changeworks Resources for Life purchased 5,000 ordinary shares of £1 in the Edinburgh Community Solar Co-op at a cost of £5,000. The Co-op was set up to realise a large scale solar PV project in Edinburgh and the decision was taken to invest in it to support the initiative, in line with the company's charitable objectives, rather than purely with a view to receiving financial return.

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

14. Debtors

	2018	Restated 2017
	£	£
<u>Amounts falling due within one year</u>		
Trade debtors	2,000,949	846,337
Prepayments	65,837	40,803
Amounts owing from subsidiaries	-	3,238
Amounts owing from related entities	92,969	-
Other debtors	-	3,600
Accrued income	55,776	524,719
	<hr/>	<hr/>
	2,215,531	1,418,697
<u>Amounts falling due after one year</u>		
Amounts owing from related entities	175,000	-
	<hr/>	<hr/>
	175,000	-
	<hr/>	<hr/>
Total	2,390,531	1,418,697
	<hr/> <hr/>	<hr/> <hr/>

15. Creditors: amounts falling due within one year

	2018	2017
	£	£
Trade creditors	158,627	124,285
VAT	360,690	128,697
Pension contributions	29,432	44,880
PAYE & NIC	77,229	69,257
Other creditors, deferred income and accruals	374,484	309,599
	<hr/>	<hr/>
	1,000,462	676,718
	<hr/> <hr/>	<hr/> <hr/>

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

16. Deferred income

	2018	2017
	£	£
Balance brought forward	264,963	289,052
Additions in year	347,871	264,963
Released to income and expenditure account	(264,963)	(289,052)
	<u>347,871</u>	<u>264,963</u>

17. Provisions for liabilities

	2018	2017
	£	£
Dilapidations provision		
Balance brought forward	51,182	-
Increase in provision for the year	12,535	51,182
	<u>63,717</u>	<u>51,182</u>

Dilapidations provision is as per an independent survey of our Newhaven Road office.

18. Financial assets and liabilities

	2018	Restated 2017
	£	£
Financial assets at amortised cost	5,772,835	3,902,277
Financial liabilities at amortised cost	214,672	213,801

Financial assets at amortised cost comprise cash at bank and in hand, trade debtors, accrued income, other debtors, amounts owing from related entities and (for the comparative figure) amounts owing from subsidiaries.

Financial liabilities comprise accruals, trade and sundry creditors, and pension contributions.

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

19. Pensions

The charity operates a defined contribution scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension cost charge represents contributions payable by the charity to the fund and amounted to £259,551 (2017: £232,470).

20. Commitments under operating leases

At 31 March 2018, the charity had commitments under non-cancellable operating leases as set out below:

	2018 Land & buildings £	2018 Other £	2017 Land & buildings £	2017 Other £
Operating leases which expire:				
Within one year	61,288	9,144	63,482	10,379
Within 2 to 5 years	-	33,680	98,220	24,604
Totals	<u>61,288</u>	<u>42,824</u>	<u>161,702</u>	<u>34,983</u>

The charity assigned its leases in three office suites at Carmichael Place Edinburgh to Warmworks, effective 28 August 2017, though a guarantee remains in place until the leases end.

21. Analysis of net assets between funds

	General funds £	Designated funds £	Restricted funds £	Total funds £
Tangible fixed assets	-	684,926	-	684,926
Fixed asset investments	-	5,051	-	5,051
Current assets	1,724,313	3,919,050	195,308	5,838,672
Current liabilities	(266,841)	(703,396)	(30,224)	(1,000,462)
Provisions	-	(63,717)	-	(63,717)
Net assets at 31 March 2018	<u>1,457,472</u>	<u>3,841,914</u>	<u>165,084</u>	<u>5,464,470</u>

CHANGEWORCS RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

22. Movements in funds

2018	Restated At 1 April 2017	Incoming resources	Outgoing resources	Net Gain on investments	Transfers	At 31 March 2018
	£	£	£	£	£	£
Restricted funds						
Waste Education & Information & Prevention	69,851	257,016	(226,117)	-	-	100,750
Affordable Warmth Team	3,114	47,578	(48,770)	-	-	1,922
Energy Services	7,687	132,772	(136,746)	-	-	3,713
SE Projects Team	90,120	554,656	(606,745)	-	-	38,031
HI Projects Team	3,053	38,878	(41,931)	-	-	-
Consultancy Team	(916)	16,555	(35,154)	-	-	(19,515)
SE Advice Team	590	-	(590)	-	-	-
Core	-	48,035	(7,852)	-	-	40,183
Total restricted funds	173,499	1,095,490	(1,103,905)	-	-	165,084
Unrestricted funds:						
Designated funds						
Dilapidations reserve	110,331	-	-	-	(8,394)	101,937
Fixed asset reserve	640,460	-	-	-	44,466	684,926
Investments	5,101	-	-	-	(50)	5,051
Warmworks parent company guarantee	750,000	-	-	-	-	750,000
Loans to related entities	-	-	-	-	300,000	300,000
Business Investment Fund Strategic Plan	943,000	-	(163,328)	-	(779,672)	-
	-	-	-	-	2,000,000	2,000,000
Total designated funds	2,448,892	-	(163,328)	-	1,556,350	3,841,914
General fund	1,238,350	5,663,881	(4,188,359)	299,950	(1,556,350)	1,457,472
Total unrestricted funds	3,687,242	5,663,881	(4,351,687)	299,950	-	5,299,386
Total funds	3,860,741	6,759,371	(5,455,592)	299,950	-	5,464,470

CHANGeworks RESOURCES FOR LIFE

Notes to the Financial Statements

For the year ended 31 March 2018

22. Movements in funds (continued)

Of the £943,000 allocated to the Business Investment Fund (BIF) in 2017/18, £163,378 was utilised during the year. The fund was removed at the end of 2017/18 and replaced by a Strategic Plan designated fund which covers, inter alia, outstanding work previously covered by the BIF.

2017 (Restated)	At 1 April 2016	Incoming resources	Outgoing resources	Transfers	At 31 March 2017
	£	£	£	£	£
Restricted funds					
Waste Education & Information & Prevention	48,226	196,535	(174,910)	-	69,851
Affordable Warmth Team	3,579	52,777	(53,242)	-	3,114
Energy Services	5,621	132,773	(130,707)	-	7,687
SE Projects Team	62,030	676,852	(648,762)	-	90,120
HI Projects Team	5,234	45,713	(47,894)	-	3,053
Consultancy Team	(40)	(17,175)	16,299	-	(916)
SE Advice Team	4,632	-	(4,042)	-	590
Total restricted funds	129,282	1,087,475	(1,043,258)	-	173,499
Unrestricted funds:					
Designated funds					
Dilapidations reserve	160,734	-	-	(50,403)	110,331
Fixed asset reserve	595,787	-	-	44,673	640,460
Investments	505,000	-	-	(499,899)	5,101
Warmworks parent company guarantee	750,000	-	-	-	750,000
Business Investment Fund	200,000	-	(131,477)	874,477	943,000
Total designated funds	2,211,521	-	(131,477)	368,848	2,448,892
General fund	661,498	4,840,593	(3,894,893)	(368,848)	1,238,350
Total unrestricted funds	2,873,019	4,840,593	(4,026,370)	-	3,687,242
Total funds	3,002,301	5,920,068	(5,069,628)	-	3,860,741

Restricted Funds - Restricted funds are funds subject to specific trusts or public bodies' restrictions that have been awarded to Changeworks to carry out our charitable objectives within an agreed time period. There is no single restricted fund that is granted to Changeworks that has

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For the year ended 31 March 2018

22. Movements in funds (continued)

a balance at the end of the year that is greater than £35K. The total grant income of Changeworks was £1,075,239 split over the different charitable deliverables that the Charity engage in, namely energy services, waste or volunteer programmes and research. There were 36 projects in the year delivering these grant funded services.

Three grants that were awarded were individually in excess of 7% of this total; namely the Big Lottery Canny Tenants project (£97K), the City of Edinburgh Council waste prevention programme (£87K) and the City of Edinburgh energy services to promote our affordable warmth strategy (£94K).

Fund Transfers: The transfer of funds reflects where any restrictions placed on the fund have been fully met and so the fund is now unrestricted.

Purpose of designated funds

Dilapidations Reserve: The fund designated by the Board to cover renovation, decoration and dilapidation commitments of our various office leases.

Fixed Asset Reserve: The fund designated by the Board to represent the level of general fund not available for immediate use due to being tied up in fixed assets.

Investments: The fund designated by the Board to represent the level of general fund not available for immediate use due to being tied up in illiquid investments.

Loans to group companies: The fund designated by the Board to represent the level of general fund not available for immediate use due to being either loaned to group companies or ring-fenced as a potential future loan. See note 23.

Business Investment Fund: The fund designated by the Board to provide for future growth and development of new projects and services in line with strategic objectives. This has been replaced by the new Strategic Plan fund.

Strategic Plan fund: The fund designated by the Board to cover additional costs of implementing the first three years of our new strategic plan. This includes expenditure on charitable activities not covered by external funding.

Warmworks Parent Company Guarantee: The fund designated by the Board to cover our maximum potential exposure under the Scottish Government HEEPS 2 contract (delivered by Warmworks).

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23. Related parties

Related party transactions and year-end balances are disclosed in the tables below:

Related Party	Nature of relationship	Sales	Purchases	Debtor Balance	Creditor Balance
		£	£	£	£
Changeworks Recycling Limited	50% owned by Changeworks Resources for Life	601,621	(72,678)	209,633	(45,431)
Warmworks Scotland LLP	Joint venture - one third owned by Changeworks	1,453,376	(1,970)	725,808	-
Scottish Charity Finance Group	Finance and Resources Director, Graeme Farmer, is a trustee	-	(75)	-	-

The company has loaned £175,000 to Changeworks Recycling Limited. The loan has a four-year term and accrues interest at 4% above Bank of England base rate. Interest totalling £1,359 was outstanding at year-end.

The company also has a further £125,000 loan available (but not yet drawn down) to Changeworks Recycling Limited. This loan has a three-year term and accrues interest at 4% above Bank of England base rate.

Changeworks Resources for Life holds a floating charge over the assets of Changeworks Recycling in respect of the above loans.

24. Reconciliation of net income to net cashflow from operating activities

	2018	Restated 2017
	£	£
Net income for the year	1,603,729	858,440
Adjustment for:		
Depreciation charges	165,831	127,784
Gain on disposal of investments	(299,950)	-
Dividends, interest and rents from investments	(1,522,130)	(854,838)
(Increase)/decrease in debtors	(971,834)	151,816
Increase/(decrease) in creditors	323,744	(368,588)
Increase in provisions	12,535	51,182
Net cash used in operating activities	<u>(688,075)</u>	<u>(34,204)</u>

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For the year ended 31 March 2018

25. Post Balance Sheet Events

There are no material post balance sheet events that require disclosure.

26. Big Lottery Fund Grants

During 2017/18 the charity was in receipt of one Big Lottery Fund grant, as follows:

Reference	ID 10248975
Project name	Canny Tenants
Income	£95,320
Expenditure	£89,856
Balance	£5,464

27. Prior period restatement

Subsequent to changes in the guidance issued by the Charity Commission and Institute of Chartered Accountants of England and Wales, the results for the year ended 31 March 2017 have been restated.

Brought forward reserves have decreased by £195,303 in order to recognise the 2016 gift aid donation, which is now recognised in the Statement of Financial Activities as a donation in the year ended 31 March 2017 in accordance with the guidance.

Consequently, we have derecognised the 2017 gift aid donation, previously included in the year ended 31 March 2017 financial statements, and this is now recognised in the statement of financial activities as a donation in the year ended 31 March 2018.

This has resulted in a decrease in brought forward reserves of £195,303, a decrease in the amounts due from subsidiaries of £187,376 and a decrease in net assets of £187,376 for the year ended 31 March 2017.

28. Other non-audit services

In common with many other businesses of our size and nature we use our auditor to prepare and submit returns to tax authorities, and for provision of advice on taxation and other matters.