



FRIENDS OF THE ELDERLY

**(Company limited by guarantee
and not having a share capital)**

**Report and Financial Statements
for the year ended 30 September 2005**

Registered Company No: 133850

Registered Charity No: 226064

FRIENDS OF THE ELDERLY

(Company limited by guarantee and not having a share capital)

Report and Financial Statements For the year ended 30 September 2005

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FRIENDS OF THE ELDERLY

Reference and Administrative Information

1) Charity Name

Friends of the Elderly

2) Registered Office

40-42 Ebury Street
London SW1W 0LZ

3) Registration Numbers

Charity 226064
Company 133850

4) Company Secretary

Mr P Brearley

5) Trustees

Mr R Aisher OBE (*Chairman*) 1,3,4
Mr R I Bullough (*Joint Vice-Chairman*) 1,3,4
Mrs J E Orford (*Joint Vice-Chairman*) 1,2,4
Rear-Admiral A Wheatley CB (*Hon. Treasurer*) 1,2,4
Mr D Brazier 1,3
Mrs I Carr 2,3
Mr R Clarkson 1 (*resigned 4 October 2005*)
Mr P Costain 4
Mr S Dawes 1
Viscount Devonport 4
Mrs S Hudson 2,3
Mrs V Pendock 3
Mr K Rubie 3

1. Member of the Finance and General Purposes Committee
2. Member of the Charity Services Committee
3. Member of the Centenary Committee
4. Member of the Property Committee

6) Executive Board

Mr R Furze (*Chief Executive*)
Ms S Ball (*Director of Fundraising*)
Mr P Brearley (*Director of Finance & IT*)
Mr P Cottrell (*Director of Property from January 2006*)
Mr J Gould (*Director of Human Resources*)
Mrs L Long (*Director of Residential Care*)
Mrs J Sykes (*Director of Community Services*)

7) Registered Auditors

Chantrey Vellacott DFK LLP
Russell Square House
10-12 Russell Square
London WC1B 5LF

8) Bankers

HSBC plc
89 Buckingham Palace Rd
Belgravia
London SW1W 0QL

9) Investment Managers

Cazenove Capital Management Ltd
12 Moorgate
London EC2R 6DA

10) Solicitors

Bircham Dyson Bell
50 Broadway
Westminster
London SW1H 0BL

Anthony Collins
St Philip's Gate
Birmingham
B2 5PG

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2005 (incorporating the Directors' Report)

The members of the Governing Council present their report which includes the administrative information set out on page 3 and the audited financial statements for the year ended 30 September 2005 which have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in October 2000.

Structure, Governance and Management

Friends of the Elderly was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964. The governing documents of the Charity are its Memorandum and Articles of Association. Trustees are appointed by the Governing Council of the Charity subject to formal election at the following Annual General Meeting. Thereafter they hold office for a period of three years which is usually renewed for a further three years. After the completion of six years, Trustees are eligible for re-election on an annual basis. All new Trustees take part in a formal induction programme.

The Trustees, all of whom are Directors of the Charity and who constitute its Governing Council, are shown on page 3. The Trustees meet six times a year and in addition Trustees meet in sub-committees to consider matters relating to finance and investment performance, property, charitable services, fundraising and the overall analysis of risk within the Charity. The Charity's defined benefit pension scheme, which was closed in 1996, has its own Trustee board which is chaired by the Hon. Treasurer of the Charity.

The day-to-day management of the Charity is delegated to the Chief Executive and other senior members of the management team who constitute the Executive Board, and during the year the Charity employed on average 311 full time and 157 part time staff supplemented by 48 agency staff. Of these staff 422 worked within the care homes, 50 within the community projects, and 44 were based at the Charity's central office in London with responsibility for fundraising, marketing and the general management and administration of the Charity.

In addition to its Trustees, none of whom receive remuneration, the Charity benefits greatly from the active involvement of many volunteers who contribute their time and skills as members of home support groups, home visiting and telephoning teams, sub-committees of the Governing Council, and as fundraisers and ambassadors of the Charity.

Risks

Trustees, in conjunction with senior management, have identified and reviewed the major risks to which the Charity is exposed and systems are in place to mitigate such risks. Considerable efforts have continued over the last twelve months at all the Charity's homes and projects to ensure thorough risk assessment of all aspects of the environment for residents, service users and staff. The benefits of this work continue to be seen in the relatively low level of reportable incidents and claims.

Statement of Trustees' Responsibilities

The Trustees are responsible for the preparation of financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year, and of its financial position at the end of the year. In preparing these accounts Trustees are required to:

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2005 (continued)

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Objectives and Activities

The main objects of the Charity are:

- a) To run residential and nursing homes for older people, and
- b) To relieve poverty, suffering and distress among older people in the community.

Its vision is that all older people should retain their independence, dignity and peace of mind.

The Charity offers high quality residential and nursing care in its eight care homes, some with dementia units. It supports older people to stay living in their own homes with a range of community services including welfare grants for those in financial need, day care, home support, home visiting and telephone befriending. It also manages seven care homes, some with sheltered accommodation, on behalf of Hanover Friends, a charity established as a joint venture with Hanover Housing Association. Increasingly the focus of new activities is to support older people with dementia.

Welfare grants and allowances are given by the Charity to enable older people in financial need to maintain their independence and quality of life in their own homes. Grants and allowances are given in accordance with the objectives of specific trusts and endowed charities or as agreed by Trustees through the Charity Services Committee.

Review of Activities in the Year

Charitable Activities

Homes

The high level of occupancy achieved during the year is a measure of the success of the Charity's work in caring for older people within its own residential and nursing homes and dementia units, and those it manages on behalf of Hanover Friends. This reflects the strong demand for high quality care and the Charity's ability to provide the level of care required by residents who, in general, are more frail than in past years as people live longer and enter care homes at an older age.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2005 (continued)

At the end of the financial year Friends of the Elderly was supporting 308 people in its own homes, 146 people within Hanover Friends' homes and 114 people within sheltered housing. The homes have continued to receive good inspection reports during the year from the Commission for Social Care Inspection (CSCI).

Improvements in the quality of care have been achieved through continuing investment in the homes. Staff levels have been increased so that care staff have more time to spend with residents, and there has been an increasing investment in the training of staff. Continued success in recruiting care staff from Poland has reduced the Charity's dependency on agency staff who now account for only 2.1% of staff costs (2004: 3.3%). This has led not only to an improvement in the quality of care but also to reduced costs.

Investment in the buildings has continued with implementation of a programme of repairs and upgrading of the fabric and equipment. This includes the planned replacement of lifts in many homes. The year saw the completion of new lifts at Davenham and Perrins House in Malvern, partly funded by the W H Cobb Will Trust and the Clothworkers' Foundation, which have greatly improved access to parts of the homes.

Community Services

After the major growth in the number of projects in the previous year, 2005/06 was a period of consolidation as the two new Home Support Services in Malvern, Worcestershire, and Sutton, Surrey, and the new day club for older people with dementia in Kidderminster reached their planned levels of activity. The increase in the value of statutory grants and in trust income for this type of work has been maintained, but sustaining the necessary levels of funding when initial grants have been utilised remains a major challenge for the Charity.

Marketing and Fundraising

Celebration of the Charity's Centenary during the year involved both staff, Trustees and volunteers, and also residents and members of community projects. At a national level there were high-profile events such as receiving the Millennium Flame at Southwark Cathedral, a reception at St James's Palace attended by HRH The Duke of Edinburgh, and a centenary lecture by the Archbishop of Canterbury which attracted significant media attention. The Charity's work in supporting older people in their own homes was the subject of a feature on GMTV.

Fundraising activity focussed on exploiting the opportunities offered by the Charity's Centenary celebrations and on developing those areas in which the Charity already has expertise. A new staff member was recruited specialising in company and major donor fundraising. Income from donations and legacies increased by 14% compared to 2003/04 to £1,142,000 as a result of a dramatic recovery in income from legacies, whilst expenditure on generating funds fell by 44% to £444,000.

Donations and commitments by funders totalling £722,800 were made during the year towards the campaign to construct a dementia resource centre in Woking in Surrey. This included commitments of £300,000 from the Bradbury Foundation, £250,000 from The Big Lottery, and £100,000 from the Bernard Sunley Foundation.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2005 (continued)

Employees

Friends of the Elderly operates an Equal Opportunities Policy in relation to its staff. The Charity recognises its obligations towards disabled people and endeavours to provide employment for them as the work being undertaken allows.

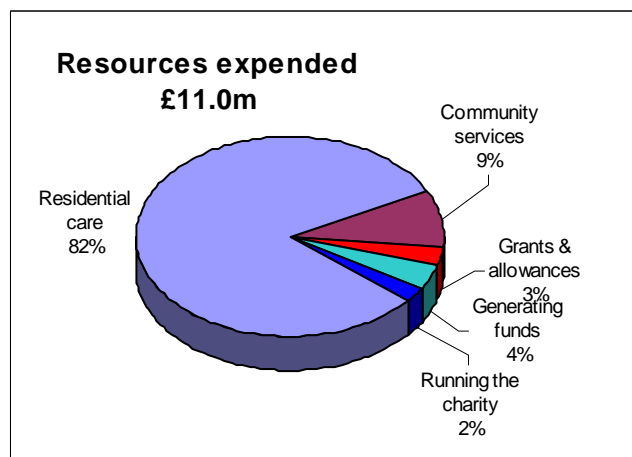
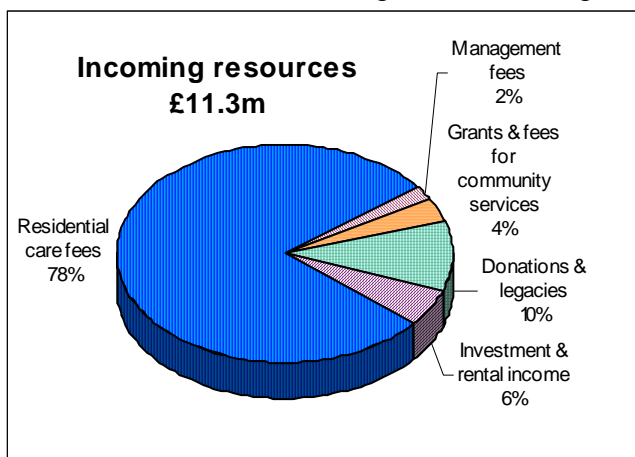
Increased investment in staff training was achieved through the Charity's own NVQ Centre, through additional training in the care of people with dementia, and through the introduction of a management training course for managers and senior carers from the homes and projects.

The Trustees would like to express their gratitude for the considerable endeavours and commitment of the excellent staff teams working in all parts of the Charity.

Financial Results

The year's total incoming resources of £11,330,217 were 9% higher than in 2003/04 whilst the year's total resources expended of £11,035,696 were only 1.5% higher than in 2003/04. These increases in income and expenditure reflect:

- The growth in income from care homes due to occupancy for all homes averaging 94% during the year (2003/04: 91.8%) and due to increased fees. This higher income was used to meet increases in expenditure within the homes for staff and other direct costs, the substantial increase in costs for heat and light and investment in refurbishment.
- The growth in income and expenditure for community services as the three new projects opened in 2003/04 were fully operational for a full year.
- The high level of legacy income received.
- The reduction in the cost of generating funds as described above.
- Establishment costs which included major maintenance costs for the central office building incurred in meeting leasehold obligations.



In common with other higher quality care providers Friends of the Elderly continued to experience Local Authority fee levels well below the actual costs of provision. In 2004/05 subsidies worth over £500,000 were paid on behalf of people in receipt of residential services for whom Local Authorities were unable to meet the full market fees.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2005 (continued)

The net impact of the increase in income and expenditure was an operating surplus of £294,521 (2003/04: deficit of £481,767) which reflects the successful operation of charitable activities, the higher donations and legacies and the lower costs of generating funds during the Charity's Centenary year.

The investment portfolio was held in two funds – Cazenove Income Trust for Charities and Cazenove Equity Income Trust for Charities – which aim to protect the capital in real terms whilst providing a secure and growing level of income. There were net gains of £816,325 in the value of these funds during the year which generated total returns of 8.0% for the Income Trust and 23.7% for the Equity Income Trust. These compare to returns of 8.2% and 24.9% for the FTSE All Stocks and All Share Indices.

The Trustees remain satisfied that the value at which freehold properties are shown in the financial statements is appropriate.

The net surplus for the year including gains on investments was £1,110,846 (2003/04: net deficit of £185,048). Unrestricted reserves, excluding those designated for a specific purpose, increased from £2.3m to £2.7m which constituted an increase in the number of months expenditure covered by reserves from 2.76 months to 3.14 months.

Reserves

General or “free” reserves are retained at a level designed to protect the Charity's work in the event of unforeseen and significant changes in its financial position. Trustees believe that a target for unrestricted reserves covering approximately 3 months expenditure is a reasonable benchmark. Principles underlying these decisions are:

- Maintaining adequate working capital particularly during a time of redevelopment of the residential portfolio;
- Ensuring sufficient funds are available to allow the Charity to honour its commitments to its residents, many of whom are subsidised, and to those supported in Community Service projects;
- Ensuring that regular Welfare allowances can continue.

Taking these principles into account, the Trustees are satisfied that the reserves are sufficient to fulfil the Charity's immediate obligations and to allow it to plan sensibly for the future.

Designated funds are funds set aside by Trustees for particular purposes as described in note 16 of the financial statements. During the year £109,216 of these funds were utilised, reflecting the net reduction in the book value of property and other fixed assets and expenditure on community projects for which funding could not be generated. A further £500,000 of funds was designated towards the expected costs of planned developments at the charity's sites in Coulsdon and Woking.

Investment Policy

The Trustees employ Investment Fund Managers on a discretionary basis to manage the portfolio. Their work is undertaken within broad investment parameters set by the Trustees which take regard of acceptable levels of risk and the balance between income and capital appreciation requirements. Their performance is measured against appropriate industry benchmarks.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2005 (continued)

Pensions

Details of the Charity's pension schemes are shown in Note 19. These accounts comply with the additional disclosure provisions of FRS17 for the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). Despite the worsening financial problems experienced by so many pension funds, this defined benefit (final salary) Scheme showed a surplus at 30 September 2005 of £146,900 (2004: £170,700) with assets valued at 112.5% of scheme liabilities. This valuation was prepared by the Scheme Actuary for the purpose of these accounts.

The full actuarial valuation of the Scheme conducted as at 30 September 2003 as part of the triennial review of the Scheme, which used criteria which were more conservative than those used to meet the requirements of FRS17, showed that the liabilities of the Scheme exceeded its assets by £100,000. In October 2004 the Charity began making payments into the Scheme of £1,000 per month which are planned to continue over a period of ten years to ensure that the Scheme has sufficient assets to meet its longer term liabilities.

Plans for the Future

Plans for the development of the Charity's Woking site, including the building of a Resource Centre for use in partnership with other agencies, have moved ahead during the year. The sale of part of the site for housing development has been agreed. Both the building of the Resource Centre and the housing development are subject to the receipt of planning permission. Approval for the transfer of land has been sought from the Charity Commission.

Opportunities for new residential, nursing and day club services to support people with dementia in both existing and new locations continue to be investigated.

Agreement has been reached with the Trustees of The Sir Thomas Lipton Memorial Home for the Charity to take over the management of the care home and sheltered housing in north London as from January 2006.

It is planned to expand the telephone befriending service to older people who live in their own homes. The development of a new Home Support Service is being investigated.

The Charity's two projects which support older homeless people are scheduled to close during 2005/06. Support for the projects' existing clients will continue through partnership organisations and through the Charity's grant giving operations.

The payment of grants to those in need living in their own homes will increase during 2005/06 following the transfer to the charity of the grant giving operations of the City of London Welfare Association in January 2006.

A major expansion of training in the care of older people with dementia is planned for all staff working in the Charity's homes and projects. This will build upon the training undertaken in 2004/05 and is designed to equip the Charity to meet the growing challenge posed by dementia in future years.

FRIENDS OF THE ELDERLY

Annual General Meeting

The Annual General Meeting of the members of Friends of the Elderly will be held on 23 February 2006.

Auditors

A resolution to reappoint Chantrey Vellacott DFK LLP, successors in business to Chantrey Vellacott DFK, as auditors will be proposed at the Annual General Meeting.

By order of the Council

Peter Brearley
Company Secretary

19 January 2006

FRIENDS OF THE ELDERLY

Independent Auditors' Report to the members of Friends of the Elderly for the year ended 30 September 2005

We have audited the financial statements of Friends of the Elderly for the year ended 30 September 2005 which comprise the Statement of Financial Activities, Balance Sheet, Cash Flow Statement and related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments and certain classes of fixed assets, and the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company'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 charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The Trustees' (who are also the directors of Friends of the Elderly for the purposes of company law) responsibilities for preparing the Report of the Members of the Governing Council and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Responsibilities of the Members of the Governing Council. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Members of the Governing Council is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Report and Financial Statements and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

FRIENDS OF THE ELDERLY

Independent Auditors' Report to the members of Friends of the Elderly for the year ended 30 September 2005 (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs as at 30 September 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CHANTREY VELLACOTT DFK LLP

**Chartered Accountants
Registered Auditors**

LONDON

19 January 2006

FRIENDS OF THE ELDERLY

Statement of Financial Activities For the year ended 30 September 2005 (Incorporating the Income and Expenditure Account)

| | Notes | Unrestricted Funds £ | Restricted Funds £ | Endowment Funds £ | Total 2005 £ | Total 2004 £ |
|--|------------|----------------------------|--------------------------|-------------------------|--------------------|--------------------|
| Incoming resources | | | | | | |
| Donations and legacies | 2 | 848,018 | 294,168 | - | 1,142,186 | 1,003,461 |
| Activities in furtherance of the Charity's objects | 3 | 9,536,746 | 10,280 | - | 9,547,026 | 8,801,685 |
| Investment Income | 4 | 274,124 | 249,914 | - | 524,038 | 510,213 |
| Other incoming resources | 5 | 116,967 | - | - | 116,967 | 73,697 |
| Total incoming resources | | 10,775,855 | 554,362 | - | 11,330,217 | 10,389,056 |
| Resources expended | | | | | | |
| Cost of generating funds | 6 | 313,370 | 130,333 | - | 443,703 | 797,842 |
| Expenditure in furtherance of the Charity's objects | 7 | 9,803,057 | 512,515 | 4,547 | 10,320,119 | 9,841,888 |
| Management and administration of the Charity | 8 | 271,874 | - | - | 271,874 | 231,093 |
| Total resources expended | | 10,388,301 | 642,848 | 4,547 | 11,035,696 | 10,870,823 |
| Net incoming/(outgoing) resources before transfers and investment gains | | 387,554 | (88,486) | (4,547) | 294,521 | (481,767) |
| Transfers between funds | 16 & 17 | (21,055) | 21,055 | - | - | - |
| Realised gains on sale of investments | 1(g) | 111 | 38 | 1,000 | 1,149 | 18,811 |
| Net income/(expenditure) for the year | 9 | 366,610 | (67,393) | (3,547) | 295,670 | (462,956) |
| Other recognised gains - on investment assets | 12(a) | 409,038 | 15,038 | 391,100 | 815,176 | 277,908 |
| Net movement in funds | | 775,648 | (52,355) | 387,553 | 1,110,846 | (185,048) |
| Fund balances brought forward at 1 October 2004 | | 18,188,789 | 521,839 | 4,752,483 | 23,463,111 | 23,648,159 |
| Fund balances carried forward at 30 September 2005 | | 18,964,437 | 469,484 | 5,140,036 | 24,573,957 | 23,463,111 |

All the above amounts relate to continuing activities.

The notes on pages 16 to 28 form part of these accounts. As all gains and losses are shown above, no statement of Total Recognised Gains and Losses has been presented.

FRIENDS OF THE ELDERLY

Balance Sheet For the year ended 30 September 2005

| | Notes | 2005 £ | 2005 £ | 2004 £ | 2004 £ |
|-------------------------------------|-------|------------|-------------------|------------|-------------------|
| Fixed assets | | | | | |
| Tangible assets | 11 | | 14,228,136 | | 14,281,010 |
| Investments | 12 | | 9,112,681 | | 8,297,505 |
| | | | <u>23,340,817</u> | | <u>22,578,515</u> |
| Current assets | | | | | |
| Debtors | 13 | | 633,543 | | 552,060 |
| Cash at bank and in hand | | | 1,533,614 | | 946,096 |
| | | | <u>2,167,157</u> | | <u>1,498,156</u> |
| Creditors | | | | | |
| Amounts falling due within one year | 14 | | (934,017) | | (613,560) |
| Net current assets | | | <u>1,233,140</u> | | <u>884,596</u> |
| Net assets | 15 | | <u>24,573,957</u> | | <u>23,463,111</u> |
| Represented by: | | | | | |
| Unrestricted funds: | | | | | |
| Designated funds | 16 | 16,250,312 | | 15,859,528 | |
| General reserves | 16 | 2,714,125 | | 2,329,261 | |
| | | | <u>18,964,437</u> | | <u>18,188,789</u> |
| Restricted funds | 17 | | 469,484 | | 521,839 |
| Endowments | 18 | | 5,140,036 | | 4,752,483 |
| | | | <u>24,573,957</u> | | <u>23,463,111</u> |

The financial statements on pages 13 to 28 were approved by the members of the Governing Council on 19 January 2006 and were signed on its behalf by:

A Wheatley
Honorary Treasurer

The notes on pages 16 to 28 form part of these financial statements.

FRIENDS OF THE ELDERLY

Cash Flow Statement For the year ended 30 September 2005

| | Notes | 2005 £ | 2005 £ | 2004 £ | 2004 £ |
|---|-------|-----------|----------------|-----------|------------------|
| Net cash inflow/(outflow) from operating activities | 1 | | 475,318 | | (756,015) |
| Returns on investment | | | 524,038 | | 510,213 |
| Capital Expenditure and Financial Investment | | | | | |
| Purchase of fixed assets | | (412,987) | | (212,453) | |
| Receipts from sales of investments | | 1,149 | | 265,208 | |
| | | | (411,838) | | 52,755 |
| Net cash inflow/(outflow) | | | <u>587,518</u> | | <u>(193,047)</u> |

Short-term deposits are included as cash.

Reconciliation of Net Cash Flow to Movement in Net Funds For the year ended 30 September 2005

| | 2005 £ | 2004 £ |
|---------------------------------------|-------------------------|----------------|
| Movement in net funds during the year | 587,518 | (193,047) |
| Net funds at 1 October 2004 | 946,096 | 1,139,143 |
| Net funds at 30 September 2005 | <u>1,533,614</u> | <u>946,096</u> |

Note to the Cash Flow Statement

1. Reconciliation of net incoming / (outgoing) resources to net cash inflow / (outflow) from operating activities

| | 2005 £ | 2004 £ |
|--|----------------|------------------|
| Net incoming/(outgoing) resources before transfers and investment gains/(losses) | 294,521 | (481,767) |
| Investment income | (524,038) | (510,213) |
| Depreciation | 465,861 | 444,845 |
| (Increase)/Decrease in debtors | (81,483) | (145,363) |
| Increase/(Decrease) in creditors | 320,457 | (63,517) |
| Net cash inflow/(outflow) from operating activities | <u>475,318</u> | <u>(756,015)</u> |

The notes on pages 16 to 28 form part of these financial statements.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005

1. Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value and certain classes of fixed assets which have been re-valued. The financial statements have been prepared in accordance with the Companies Act 1985, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in October 2000, and applicable accounting standards.

(b) Consolidation

Potential Ltd and Friends of the Elderly Trading Ltd, both wholly owned subsidiaries of Friends of the Elderly, have not been consolidated. Further details are given in Note 12 (c).

(c) Fund Accounting

General reserves are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of the various restricted funds is set out in the notes to the financial statements.

Endowment Funds are restricted funds and comprise of properties used for specific purposes and investments where only the income generated can be expended. The aims and use of these funds are set out in the notes to the financial statements.

Investment income and gains/(losses) are allocated to the appropriate fund.

(d) Incoming resources

Residents and other service users' fees, government grants, management fees and investment income are accounted for when receivable. Legacies are accounted for when received or when entitlement arises, it is reasonably certain they will be received and amounts can be measured with sufficient reliability. Donations and related gift aid are accounted for when received.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

(e) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Support costs relate to the direct management costs of existing charitable activities. Costs shown as management and administration relate to the management of the Charity's assets, organisational administration and compliance with constitutional and statutory requirements.

Welfare grants are awarded in line with the provisos of specific trusts or in accordance with policies regularly reviewed by the Governing Council.

(f) Tangible fixed assets and depreciation

Tangible fixed assets are capitalised and included at cost or valuation including any incidental expenses of acquisition.

Depreciation is not charged on freehold land nor on expenditure on assets not yet in use. Depreciation on other tangible fixed assets is charged so as to write off the full cost or valuation less their residual values over their expected useful lives at the following rates:

| | |
|---------------------------------|---|
| Freehold buildings - | 2% of cost or valuation per annum |
| Leasehold buildings - | Over term of lease |
| Fixtures and fittings - | 10-20% of cost per annum |
| Office and domestic equipment - | 10-33 ¹ / ₃ % of cost per annum |
| Motor vehicles - | 25% of cost per annum |
| Computer equipment - | 33 ¹ / ₃ % of cost per annum |

(g) Investments

Investments are valued at the mid-market price ruling at the balance sheet date which gives rise to unrealised gains/(losses) which are included in the Statement of Financial Activities. Realised gains arising on the disposal of investments during the year are separately disclosed in the Statement of Financial Activities. These are calculated by deducting the opening market value, or subsequent cost if purchased during the year, from the sales proceeds.

(h) Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities as they fall due.

(i) Pension scheme

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved. The funds are valued every three years by a professionally qualified independent actuary as explained in Note 19.

Since 1 October 1996 the Charity has operated a defined contribution scheme, the assets of which are held in an independently administered fund. Contributions are charged to the SOFA as they become payable.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

2. Donations and Legacies

| | Unrestricted funds | Restricted funds | Total 2005 | Total 2004 |
|---|-----------------------|---------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Donations | | | | |
| Big Lottery Fund – Sutton Home Support Service | - | 63,774 | 63,774 | 28,876 |
| Bridge House Trust | | 15,920 | 15,920 | 13,490 |
| Other | 328,754 | 214,474 | 543,228 | 785,661 |
| Legacies | 519,264 | - | 519,264 | 175,434 |
| | <u>848,018</u> | <u>294,168</u> | <u>1,142,186</u> | <u>1,003,461</u> |

3. Activities in furtherance of the Charity's objects

| | Unrestricted funds | Restricted funds | Total 2005 | Total 2004 |
|---------------------------|-----------------------|---------------------|------------------|------------------|
| | £ | £ | £ | £ |
| Residential care fees | 8,882,826 | - | 8,882,826 | 8,272,722 |
| Community services income | 400,500 | 10,280 | 410,780 | 283,605 |
| Management fees | 253,420 | - | 253,420 | 245,358 |
| | <u>9,536,746</u> | <u>10,280</u> | <u>9,547,026</u> | <u>8,801,685</u> |

4. Investment income

| | Unrestricted funds | Restricted funds | Total 2005 | Total 2004 |
|---|-----------------------|---------------------|----------------|----------------|
| | £ | £ | £ | £ |
| Dividends from listed investments | 208,006 | 249,914 | 457,920 | 464,168 |
| Interest on cash and short term deposits | 66,118 | - | 66,118 | 46,045 |
| | <u>274,124</u> | <u>249,914</u> | <u>524,038</u> | <u>510,213</u> |

5. Other incoming resources

| | Unrestricted funds | Restricted funds | Total 2005 | Total 2004 |
|---------------------|-----------------------|---------------------|----------------|---------------|
| | £ | £ | £ | £ |
| Release of covenant | 30,000 | - | 30,000 | - |
| Rental income | 86,967 | - | 86,967 | 73,697 |
| | <u>116,967</u> | <u>-</u> | <u>116,967</u> | <u>73,697</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

6. Cost of generating funds

| | Unrestricted funds £ | Restricted funds £ | Total 2005 £ | Total 2004 £ |
|----------------------------|----------------------------|--------------------------|-----------------|-----------------|
| Fundraising Costs | 229,043 | 109,695 | 338,738 | 694,081 |
| Public Affairs Costs | 66,218 | - | 66,218 | 67,041 |
| Investment Management Fees | 18,109 | 20,638 | 38,747 | 36,720 |
| | <u>313,370</u> | <u>130,333</u> | <u>443,703</u> | <u>797,842</u> |

7. Expenditure in furtherance of the Charity's objects

| | Unrestricted funds £ | Restricted funds £ | Endowments £ | Total 2005 £ | Total 2004 £ |
|-------------------------------|----------------------------|--------------------------|-----------------|-------------------|------------------|
| Direct Cost of Activities: | | | | | |
| Residential Care | 8,012,955 | 241,585 | - | 8,254,540 | 7,947,189 |
| Community Services | 692,229 | 165,804 | - | 858,033 | 695,861 |
| Grants and Allowances payable | 178,456 | 105,126 | - | 283,582 | 289,415 |
| Support costs: | | | | | |
| Staff | 663,766 | - | - | 663,766 | 696,555 |
| Other | 255,651 | - | 4,547 | 260,198 | 212,868 |
| | <u>9,803,057</u> | <u>512,515</u> | <u>4,547</u> | <u>10,320,119</u> | <u>9,841,888</u> |

8. Management and administration of the Charity

| | Unrestricted funds £ | Restricted funds £ | Total 2005 £ | Total 2004 £ |
|---------------------|----------------------------|--------------------------|-----------------|-----------------|
| Staff Costs | 71,165 | - | 71,165 | 73,988 |
| Professional Fees | 43,050 | - | 43,050 | 37,182 |
| Establishment Costs | 128,900 | - | 128,900 | 97,487 |
| Other | 28,759 | - | 28,759 | 22,436 |
| | <u>271,874</u> | <u>-</u> | <u>271,874</u> | <u>231,093</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

9. Net income (expenditure) for the year

Net income (expenditure) for the year is stated after charging:

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Staff costs (see note 10) | 6,902,324 | 6,472,594 |
| Depreciation of tangible fixed assets (Note 11) | 465,861 | 444,845 |
| Auditors' remuneration | 17,977 | 16,215 |
| Professional Indemnity Insurance | 6,774 | 6,772 |

The professional indemnity insurance is in respect of Trustees, committee members and staff. Cover included 22 Trustees and committee members (2004: 24).

10. Staff costs

The average number of staff during the year was:

| | 2005 No. | 2004 No. |
|-----------|-------------|-------------|
| Full time | 311 | 261 |
| Part time | 157 | 200 |
| Agency | 48 | 69 |
| | <u>516</u> | <u>530</u> |

Their remuneration was as follows:

| | £ | £ |
|-----------------------|------------------|------------------|
| Salaries | 6,050,856 | 5,589,937 |
| Social security costs | 514,866 | 475,998 |
| Pension costs | 187,315 | 190,460 |
| Agency | 149,287 | 216,199 |
| | <u>6,902,324</u> | <u>6,472,594</u> |

The number of staff whose emoluments plus taxable benefits amounted to over £50,000 during the year were as follows:

| | No. | No. |
|-------------------|-----|-----|
| £50,001 - £60,000 | 1 | 1 |
| £70,001 - £80,000 | 1 | 1 |

The Trustees received no remuneration for their services (2004: Nil). During 2005 amounts paid on behalf of 2 Trustees, including expenses reimbursed were £88 (2004: 4 Trustees, £333).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

11. Tangible fixed assets

| | Freehold Property £ | Short Leasehold Property £ | Fixtures/ Equipment and Vehicles £ | Total £ |
|-----------------------------|---------------------------|-------------------------------------|---|-------------------|
| Cost or valuation | | | | |
| At 1 October 2004 | 14,843,364 | 155,946 | 1,764,054 | 16,763,364 |
| Additions | 63,147 | - | 349,840 | 412,987 |
| At 30 September 2005 | <u>14,906,511</u> | <u>155,946</u> | <u>2,113,894</u> | <u>17,176,351</u> |
| Depreciation | | | | |
| At 1 October 2004 | 1,398,568 | 63,172 | 1,020,614 | 2,482,354 |
| Charge for the year | 236,786 | 2,546 | 226,529 | 465,861 |
| At 30 September 2005 | <u>1,635,354</u> | <u>65,718</u> | <u>1,247,143</u> | <u>2,948,215</u> |
| Net book value | | | | |
| At 30 September 2005 | <u>13,271,157</u> | <u>90,228</u> | <u>866,751</u> | <u>14,228,136</u> |
| At 30 September 2004 | <u>13,444,796</u> | <u>92,774</u> | <u>743,440</u> | <u>14,281,010</u> |

The freehold buildings used as homes were revalued at 30 September 1995 by the members of the Governing Council based on an informal valuation performed by independent professionally qualified valuers. Homes constructed since that date are included at cost.

On an historical cost basis land and buildings would have been included at the following amounts:

| | 2005 £ | 2004 £ |
|--|------------------|------------------|
| Cost | 10,644,479 | 10,581,332 |
| Aggregate depreciation based on cost | (1,042,851) | (874,258) |
| | <u>9,601,628</u> | <u>9,707,074</u> |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount. | <u>68,193</u> | <u>68,192</u> |

At the year end the Charity had capital commitments of £86,432 (2004 : £46,680).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

12. Fixed assets – Investments

| (a) Cost or valuation | Listed Investments £ | Subsidiaries excluded from consolidation £ | Non- listed Investment | Total £ |
|--|----------------------------|---|---------------------------|------------------|
| At 1 October 2004 | 8,287,502 | 10,002 | 1 | 8,297,505 |
| Net gain on revaluation at 30 September 2005 | 815,176 | - | - | 815,176 |
| At 30 September 2005 | 9,102,678 | 10,002 | 1 | 9,112,681 |
| Cost at 30 September 2005 | 7,945,567 | 10,002 | 1 | 7,955,570 |

| (b) Analysis of listed investments | Unrestricted £ | Endowment (Master Fund) £ | Total 2005 £ | Total 2004 £ |
|------------------------------------|-------------------|---------------------------------|--------------------|--------------------|
| Fixed Interest - UK | 1,611,090 | 2,906,280 | 4,517,370 | 4,430,498 |
| Equities - UK | 2,109,380 | 2,475,928 | 4,585,308 | 3,857,004 |
| Total | 3,720,470 | 5,382,208 | 9,102,678 | 8,287,502 |

(c) Investment in subsidiaries

| Name of Subsidiaries and principal activities | Share Capital | Holding | Registered |
|--|-----------------------------------|---------|-------------------|
| Potential Limited (Design, construction and reconstruction of homes for the elderly) | 2 Ordinary Shares of £1 each | 100% | England and Wales |
| Friends of the Elderly Trading (Organisation of public events to raise funds for the Charity) | 10,000 Ordinary Shares of £1 each | 100% | England and Wales |

As at 30 September 2005 the capital and reserves of Potential Limited amounted to £4,169. Potential Limited has not been consolidated due to its immaterial nature.

At 30 September 2005 the net assets of Friends of the Elderly Trading Limited amounted to £7,423. The company remained dormant throughout the year and has therefore been excluded from consolidation.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

(d) Non-listed investment

Friends of the Elderly entered into a Joint Venture Agreement with Hanover Housing Association on 8 November 2002. A company limited by guarantee, Hanover Friends, was registered on 31 January 2002 as the vehicle for the Joint Venture. Hanover Friends obtained charitable status on 26 September 2002. The Joint Venture was established to take transfer of a portfolio of sheltered housing and care homes from Help the Aged. Hanover Friends is legally a subsidiary of Hanover Housing Association and has been fully consolidated within the group accounts of Hanover Housing Association. Friends of the Elderly has no obligations to meet any of the liabilities of Hanover Friends. It has therefore been included in these accounts as an unlisted investment.

Friends of the Elderly received a management fee of £243,420 (2004: £244,858) from Hanover Friends during the year in respect of a number of service level agreements which are negotiated on an arms length basis. This is included in note 3 to the financial statements. At 30 September 2005 Hanover Friends owed Friends of the Elderly £53,330 (2004: £72,905) which is included in Debtors (Note 13).

13. Debtors

| | 2005 £ | 2004 £ |
|--------------------------------|----------------|----------------|
| Trade debtors | 242,359 | 212,777 |
| Other debtors | 171,944 | 148,836 |
| Prepayments and accrued income | 219,240 | 190,447 |
| | <u>633,543</u> | <u>552,060</u> |

14. Creditors: amounts falling due within one year

| | 2005 £ | 2004 £ |
|--|----------------|----------------|
| Trade creditors | 146,143 | 219,392 |
| Amounts due to subsidiary undertakings | 69,192 | 21,763 |
| Other creditors | 232,932 | 89,539 |
| Taxation and social security | 148,688 | 128,742 |
| Accruals | 337,062 | 154,124 |
| | <u>934,017</u> | <u>613,560</u> |

15. Analysis of net assets between funds

| | Unrestricted Funds £ | Restricted Funds £ | Endowment Funds £ | Total Funds £ |
|---|----------------------------|--------------------------|-------------------------|---------------------|
| Fund Balances at 30 September 2005 represented by: | | | | |
| Tangible fixed assets | 13,896,815 | - | 331,321 | 14,228,136 |
| Investments | 4,257,502 | 191,444 | 4,663,735 | 9,112,681 |
| Current assets | 1,744,137 | 278,040 | 144,980 | 2,167,157 |
| Current liabilities | (934,017) | - | - | (934,017) |
| Net Assets at 30 September 2005 | <u>18,964,437</u> | <u>469,484</u> | <u>5,140,036</u> | <u>24,573,957</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

16. Unrestricted Funds

| | Designated Funds | | | Total Designated Funds £ | General Reserves £ | Total £ |
|------------------------------------|------------------|----------------------------|--|-----------------------------------|--------------------------|-------------------|
| | Development £ | Community Services £ | Property & Other Fixed Assets in Use £ | | | |
| As at 1 October 2004 | 1,525,906 | 388,480 | 13,945,142 | 15,859,528 | 2,329,261 | 18,188,789 |
| Transfers (Note 17) | - | - | - | - | (21,055) | (21,055) |
| Investment Gains | - | - | - | - | 409,149 | 409,149 |
| Capital Expenditure | - | - | 412,987 | 412,987 | - | 412,987 |
| Other movements | 500,000 | (60,888) | (461,315) | (22,203) | (3,230) | (25,433) |
| As at 30 September 2005 | <u>2,025,906</u> | <u>327,592</u> | <u>13,896,814</u> | <u>16,250,312</u> | <u>2,714,125</u> | <u>18,964,437</u> |

Designated Funds represent funds which are expendable at the discretion of the Trustees:

- a) Development Funds are amounts set aside by the Trustees to be used towards the cost of new buildings and substantial redevelopment of existing properties, where these can be made viable for the long-term future, significant cyclical maintenance and major development costs in the area of fundraising.
- b) Community Services Funds are amounts set aside to develop new Community Services and to sustain existing projects whilst other funding is identified.
- c) The property in use and other assets represents the net book value of the residential homes and of equipment which is used currently for the provision of residential care.
- d) The transfer of £500,000 into Designated Funds from General Funds is funding for the planned developments of the Resource Centre in Woking and the redevelopment of Woodcote Grove House in Coulsdon.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

17. Restricted Funds

Restricted funds comprise the unexpended balances of investment income on the Endowment Funds analysed in Note 18, together with donations and legacies held for specific purposes.

| | Balance 1 October 2004 £ | Incoming Resources £ | Funds Utilised £ | Transfers & Gains on Investments £ | Balance 30 September 2005 £ |
|--|--------------------------------|----------------------------|---------------------|---|--------------------------------------|
| Funds for the upkeep of Residential homes | | | | | |
| The Smiles Home | - | 44,237 | (44,237) | - | - |
| Other Homes funds | 49,518 | 69,175 | (67,284) | - | 51,409 |
| | <u>49,518</u> | <u>113,412</u> | <u>(111,521)</u> | <u>-</u> | <u>51,409</u> |
| Funds for Residents' subsidies | | | | | |
| House of Nunn | - | 57,485 | (57,485) | - | - |
| Stuart Trust | - | 32,852 | (32,852) | - | - |
| Innholders | - | 28,860 | (28,860) | - | - |
| William Edmonds | - | 20,034 | (20,034) | - | - |
| | <u>-</u> | <u>139,231</u> | <u>(139,231)</u> | <u>-</u> | <u>-</u> |
| Funds for Community Projects | | | | | |
| Home Support | | | | | |
| Big Lottery Fund | 13,288 | 63,774 | (52,552) | - | 24,510 |
| Bridge House Trust | 8,940 | 15,920 | (14,250) | - | 10,610 |
| Other | 94,415 | 31,599 | (67,551) | - | 58,463 |
| Homeless Services | 220 | 9,015 | (9,235) | - | - |
| Home visiting | 380 | 13,720 | (14,100) | - | - |
| Day Clubs | 11,887 | 29,673 | (25,765) | - | 15,795 |
| | <u>129,130</u> | <u>163,701</u> | <u>(183,453)</u> | <u>-</u> | <u>109,378</u> |
| Funds for grants and allowances | | | | | |
| Plender Fund | 106,989 | 7,147 | (16,765) | 9,222 | 106,593 |
| Vaisey Fund | 26,254 | - | (5,410) | 2,819 | 23,663 |
| Gentlefolks Help Fund | 35,600 | - | - | 3,035 | 38,635 |
| Other Homes funds | 67,515 | 77,194 | (88,757) | - | 55,952 |
| | <u>236,358</u> | <u>84,341</u> | <u>(110,932)</u> | <u>15,076</u> | <u>224,843</u> |
| Other Restricted Funds | | | | | |
| Cost of generating Donations and Legacies | 106,833 | 53,677 | 11,984 | (88,640) | 83,854 |
| | - | - | (109,695) | 109,695 | - |
| | <u>106,833</u> | <u>53,677</u> | <u>(97,711)</u> | <u>21,055</u> | <u>83,854</u> |
| Total | <u>521,839</u> | <u>554,362</u> | <u>(642,848)</u> | <u>36,131</u> | <u>469,484</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

18. Endowments

At 30 September 2005, the endowments are made up of 20 individual funds which have been set up at various times over a period of many years. The different funds vary considerably in size; the larger of these are shown separately. Some of the funds are also separately registered charities (details are given in note 21). With the exception of The Smiles Home and one other small property trust, these funds are represented mainly by fixed asset investments which were pooled into a common fund, also known as the Master Fund, in 1987.

Investment income is shown together with its utilisation within Restricted Funds (Note 17).

| | Movement in Funds: | | |
|--|---------------------------|---------------------------|--------------------------|
| | Balance | Donations and | Balance |
| | 01 October 2004 | Gains/(Losses) on | 30 September 2005 |
| | £ | Investments net of | £ |
| | | utilisations | |
| | | £ | |
| Funds for the upkeep of Residential Homes | | | |
| Davenham and Cottages | 576,733 | 47,217 | 623,950 |
| The Smiles Home | 1,120,441 | 68,340 | 1,188,781 |
| Redcot | 78,191 | 6,899 | 85,090 |
| Other funds | 180,373 | 15,914 | 196,287 |
| | <u>1,955,738</u> | <u>138,370</u> | <u>2,094,108</u> |
| Funds for Residents' subsidies | | | |
| House of Nunn | 1,064,091 | 93,884 | 1,157,975 |
| Stuart Trust | 596,033 | 53,653 | 649,686 |
| William Edmunds | 370,841 | 32,719 | 403,560 |
| Other funds | 51,027 | 4,881 | 55,908 |
| | <u>2,081,992</u> | <u>185,137</u> | <u>2,267,129</u> |
| Funds for grants and allowances | | | |
| Harry Livesey | 105,649 | 9,321 | 114,970 |
| William Lambe | 289,895 | 25,577 | 315,472 |
| James Mew | 145,240 | 13,811 | 159,051 |
| Other funds | 173,969 | 15,337 | 189,306 |
| | <u>714,753</u> | <u>64,046</u> | <u>778,799</u> |
| Total | <u>4,752,483</u> | <u>387,553</u> | <u>5,140,036</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

19. Pension schemes

Since 1 October 1996 the Charity has operated a defined contribution scheme available to new and existing members. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £187,315 in the year (2004 - £190,460).

Until 30 September 1996, the Charity operated a defined benefit scheme in the UK, the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The pension cost relating to this scheme is assessed in accordance with the advice of a qualified independent actuary using the Aggregate Method. The pension cost for the year was £12,000 (2004: £Nil).

The most recent triennial valuation of the Scheme as at 1 October 2003 showed that the actuarial valuation of liabilities was £1.56 million. The market value of the Scheme's assets was £1.46 million, representing 94% of the actuarial value of the benefits which had accrued to members, after allowing for the expected future increase in earnings. Payments into the Scheme of £1,000 per month over ten years to eliminate actuarial deficit of £100,000 began in October 2004.

The following FRS 17 disclosures are based upon the actuarial valuation of the Scheme carried out as at 1 October 2003. This has been updated by the Scheme Actuary to meet the requirement of FRS 17 to assess the liabilities of the Scheme at 30 September 2005. Scheme assets are stated at their market value at 30 September 2005.

The major assumptions used by the actuary were:

| | At year end 30 September 2005 | At year end 30 September 2004 |
|--|----------------------------------|----------------------------------|
| Discount Rate | 5.0% | 5.5% |
| Inflation Rate | 3.0% | 3.1% |
| Rate of increase of deferred pensions in excess of GMP | 3.0% | 3.1% |

The market value of the assets is shown below. They are held in the form of an insurance policy invested in a with-profits fund with the Equitable Life Assurance Society. The value has been taken as the full value that would have been available had all members retired on 30 September 2005.

At 30 September 2005, the assets and liabilities of the scheme were:

| | % p.a. | 2005 £ | % p.a. | 2004 £ |
|--------------------------------|--------|----------------|--------|----------------|
| Total Market value of assets | 4.5 | 1,324,600 | 5.1 | 1,389,400 |
| Actuarial value of liabilities | | (1,177,700) | | (1,218,700) |
| Surplus | | <u>146,900</u> | | <u>170,700</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2005 (continued)

The FRS 17 surplus has not been recognised in the Balance Sheet and would not be recognisable since it cannot be recovered through reduced future contributions given that the scheme is closed.

Movement in Surplus in the Year

| | 2005 £ | 2004 £ |
|--|-----------|-----------|
| Surplus in scheme at the beginning of the year | 170,700 | 360,000 |
| Movement in the Year: | | |
| Expected return on pension scheme assets | 65,500 | 66,900 |
| Interest on pension scheme liabilities | (62,100) | (56,400) |
| Actuarial loss (see below) | (27,200) | (199,800) |
| Surplus in Scheme at the end of the year | 146,900 | 170,700 |

Analysis of amount which would be credited to the SOFA

| | 2005 £ | 2004 £ |
|---|-----------|-----------|
| Expected return on pension scheme assets | 65,500 | 66,900 |
| Interest on pension scheme liabilities | (62,100) | (56,400) |
| | 3,400 | 10,500 |
| Adjustment in respect of unrecognisable surplus | (3,400) | (10,500) |
| Net return | Nil | Nil |

Analysis of Actuarial Loss for the Year

| | 2005 £ | Percentage of Scheme Assets/ Liabilities % | 2004 £ | Percentage of Scheme Assets/ Liabilities % |
|---|-----------|--|-----------|--|
| Actual return less expected return on pension scheme assets | (2,200) | (0.2) | (42,800) | (3.1) |
| Experience gains and losses arising on scheme liabilities | 51,400 | 4.4 | (9,500) | (0.8) |
| Changes in assumptions underlying the present value of scheme liabilities | (76,400) | (6.5) | (147,500) | (12.1) |
| Actuarial Loss | (27,200) | | (199,800) | |

20. Taxation

As a registered charity Friends of the Elderly is not liable under the provisions of the current legislation to corporation tax and capital gains tax.

21. Charities under the common control of Friends of the Elderly

| Name | Registered Charity No. |
|--------------------------------------|------------------------|
| The Smiles Home for Invalid Ladies | 207203 |
| Harry Livesey Charity | 208087 |
| The Pension Charity of William Lambe | 234592 |
| The House of Nunn | 253961 |
| Charity of James Mew | 234600 |

The income and expenditure and assets and liabilities of these charities are included in these financial statements.

FRIENDS OF THE ELDERLY



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Royal Patron

Her Majesty The Queen

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Vice Presidents

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Lady Elizabeth Cavendish CVO
Sir John Milne (Chairman Emeritus)
Lady Gingell
Miss P M Lethbridge LVO
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Patrons

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Diana, Lady Farnham CVO
The Rt Hon The Baroness Boothroyd PC