



# **FRIENDS OF THE ELDERLY**

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

**Report and Financial Statements  
for the year ended 30 September 2006**

**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 2006**

### **Index**

	<b>Page No.</b>
<b>Reference and Administrative Information</b>	<b>3</b>
<b>Report of the Members of the Governing Council</b>	<b>4-10</b>
<b>Report of the Independent Auditor</b>	<b>11-12</b>
<b>Consolidated Statement of Financial Activities (Incorporating Income &amp; Expenditure Account)</b>	<b>13</b>
<b>Balance Sheets</b>	<b>14</b>
<b>Consolidated Cash Flow Statement</b>	<b>15</b>
<b>Reconciliation of Net Cash Flow to Movement in Net Funds and Note to the Cash Flow Statement</b>	<b>15</b>
<b>Notes to the Financial Statements</b>	<b>16-27</b>

# 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 No. 226064      Company No. 133850

### 4) Company Secretary

Mr P Brearley

### 5) Trustees

Mr K Rubie (*Chairman*) 1,4  
Mr R Aisher OBE (*Chairman*) 1,3,4(*retired 23 Feb 2006*)  
Mrs J E Orford (*Joint Vice-Chairman*) 1,2,4  
Rear-Admiral A Wheatley CB (*Joint Vice-Chairman*) 1,2,4  
Mr R I Bullough (*Joint Vice-Chairman*) 1,3,4 (*retired 23 February 2006*)  
Mr S Dawes (*Hon. Treasurer*) 1  
Mr D Brazier 1,3  
Mrs I Carr 2,3  
Mr P Costain 4  
Viscount Devonport 1,4  
Mrs S Hudson 2,3  
Mrs V Pendock 3  
Mr P C Robinson 3 (*appointed 23 February 2006*)  
Mrs F C de Zoete 3 (*appointed 23 February 2006*)

1. Member of the Finance & General Purposes Committee
2. Member of the Charity Services Committee
3. Member of the Fundraising & Public Affairs 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*)  
Mr J Gould (*Director of Human Resources*)  
Mrs L Long (*Director of Residential Care*)  
Mrs J Sykes (*Director of Community Services*)

### 7) Registered Auditor

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  
Limited  
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 2006 (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 2006 which have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005.

### **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 and receive regular training.

The Charity has two subsidiaries – Potential Limited, which is a development company, and Friends of the Elderly Trading Limited. There are five smaller charities under the common control of the Charity.

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 public affairs, 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 a Trustee 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 315 full time and 174 part time staff supplemented by 39 agency staff. Of these staff 431 worked within the care homes, 49 within the community projects, and 48 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 manage 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.

### **Responsibilities of the Members of the Governing Council**

Company and charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and group as at the end of the financial year, and of the surplus or deficit for that period. In preparing those financial statements, the Trustees have:

# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2006 (continued)

- selected suitable accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepared the financial statements on a going concern basis.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and group and enable them to ensure that the financial statements comply with the Companies Act 1985 and the Statement of Recommended Practice: Accounting and Reporting by Charities 2005. They are also responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each Trustee, who was a Director of the company at the date that this report was approved, has taken all steps that they ought to have taken as Directors in order to:

- make themselves aware of any relevant audit information (as defined by the Companies Act 1985); and
- ensure that the auditors are aware of all relevant audit information (as defined).

As far as each Director is aware, there is no relevant audit information of which the company's auditors are unaware.

The maintenance and integrity of the charity's website is the responsibility of the Trustees. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislations in other jurisdictions.

### Objectives and Activities

The main objects of the Charity are:

- a) To run care homes for older people, some with nursing and dementia provision, 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, and one care home on behalf of the Sir Thomas Lipton Memorial Hostel (Sir Thomas Lipton).

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

During the year the Charity took over the management of the Sir Thomas Lipton home in North London and management of Hanover Friends' sheltered accommodation at Dorothy Curtis Court in Colchester. This brings to 515 the number of care beds under management.

# **FRIENDS OF THE ELDERLY**

## **Report of the Members of the Governing Council For the year ended 30 September 2006 (continued)**

The maintenance of high occupancy during the year indicates the success of the Charity's work in caring for older people within its own residential and nursing homes and dementia units. Demand for high quality care remains strong and more beds are needed for people with dementia. The level of care required by residents continues to increase as people live longer and enter care homes at an older age.

The homes have continued to receive good inspection reports during the year from the Commission for Social Care Inspection (CSCI) although there is concern with the inconsistency of standards demonstrated by the inspection process.

Improvements in the quality of care have been achieved through continuing investment in the homes. Staff levels continue to be increased to meet the higher level of care needed by residents as they become more frail and to make available more activities for residents. The new activities programme is making a real difference to quality of life across the care homes and this will be developed further. Training of staff remains a priority and there has been a further increase in expenditure on junior management training and on a two year programme to deliver dementia training to all staff in care homes.

Investment in the buildings has continued with the implementation of a programme of repairs and upgrading of the fabric and equipment. This programme is related to a formal process of condition appraisal carried out on property across the Charity on an annual basis.

### Community Services

The Charity's care for older people within the community through its day clubs, home support and home visiting services has continued to grow with further development in the care of people suffering from the early stages of dementia. 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. The absence of new funding for the two projects which cared for older homeless people resulted in their closure although support continues to be given where possible through the provision of grants.

A pilot project for the expansion of the Charity's telephone befriending service was successfully undertaken during the year. This service can be a lifeline for people who feel isolated living in their own homes and will be developed further in 2007 through the employment of a Programme Manager and the recruitment of further volunteers.

### Grants and Allowances

The grants programme was enhanced during the year by the receipt of a major donation of investment funds totalling £575,549 from the City of London Welfare Association to be used to provide grants to people living or working within Greater London. During the year support was provided to 750 individuals. Support continued for a number of highly effective projects such as the Woking Buggy which provides older people with transport for shopping trips.

### Development Work

The major development during the year has been the building of a new Resource Centre in Woking to be known as the Bradbury Centre. The Centre will focus on supporting people with dementia in partnership with other organisations such as the Alzheimers' Society. The Centre is due to be completed in spring 2007 and the construction has been funded by a mixture of funds raised and a contribution from the Charity's own resources.

The nature of the Charity's activities often involves it in the care of people at the end of their lives. In one of the Charity's nursing homes during the year a project was initiated to trial the Liverpool Care Pathway processes which were originally developed to improve end of life care for people with terminal diseases.

# **FRIENDS OF THE ELDERLY**

## **Report of the Members of the Governing Council For the year ended 30 September 2006 (continued)**

The Charity has been working hard to engage the interest of key sector bodies in developing a more professional training structure for care workers who are not nurses. A research study has been commissioned this year on these issues from the University of Surrey to look at a number of ways forward including a Foundation Degree. Such enhanced training would go hand in hand in additional gerontological training for nurses.

### ***Fundraising and Public Affairs***

Income from donations and legacies increased by 21% compared to 2004/05 to £1,379,000. The increase reflects the success in raising funds for the construction of the Bradbury Centre during the year amounting to £568,700. In other areas of fundraising:

- Income from legacies remained strong and, despite falling short of the very high levels achieved in 2004/05, accounted for over 20% of this income.
- Trust income to support the Charity's staff training programme, day clubs and new telephone befriending service held up well and the Charity was one of three organisations to benefit from transfers from the Mrs MG Cobb and WH Cobb Trusts when they were wound up.
- After the success in 2004/05 of the Charity's first ever 'Charity of the Year' partnership with Swiss Re, the Charity was delighted to work in the same capacity in 2005/06 with Berwin Leighton Paisner, many of whose employees cycled from Paris to Reims to raise funds.
- Many friends and donors supported a full programme of fundraising events which included a reception at the top of the prestigious 'Gherkin' building in the City of London.

Brochures for the Charity's care homes have been re-designed and a refreshed and updated website went live in October 2006.

### ***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 continuation of the management training course introduced in 2004/05 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 Review**

The year's total incoming resources of £12,608,303 were 11% higher than in 2004/05 whilst the year's total resources expended of £11,400,659 were only 3% higher than in 2004/05. The large increase in income and smaller increase in expenditure reflect:

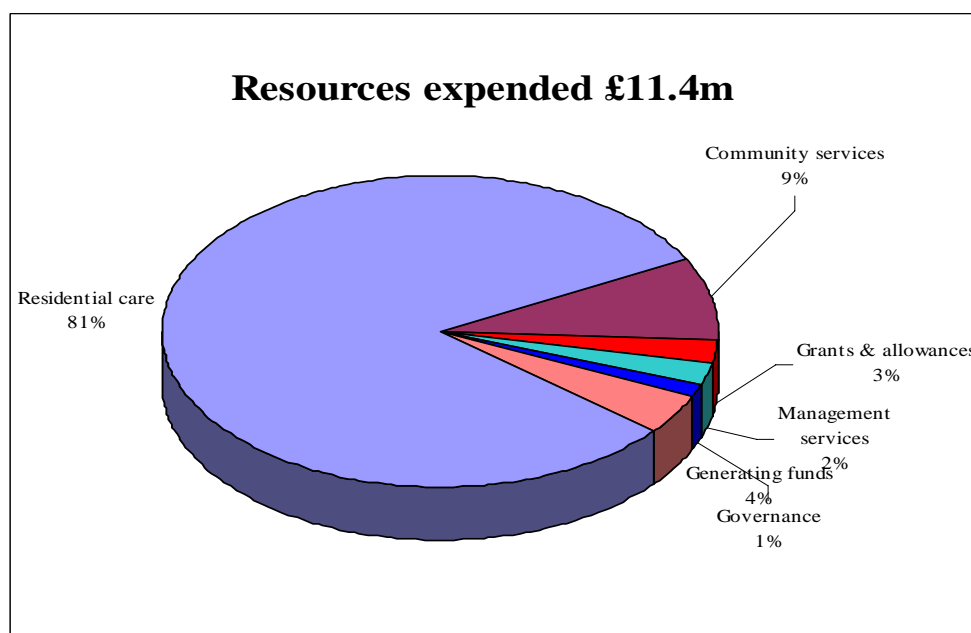
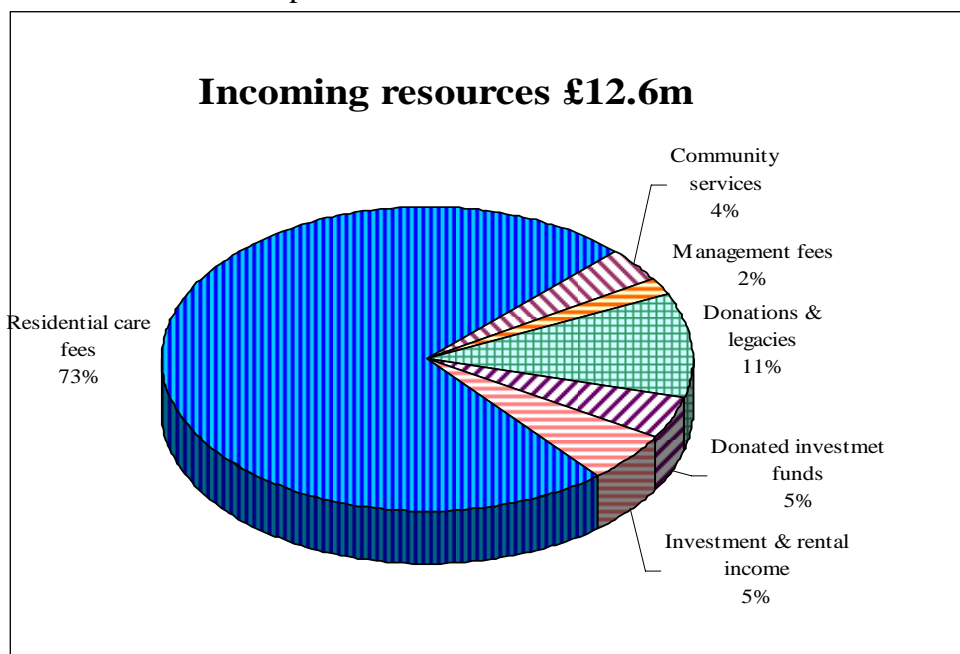
- The growth in income from care homes due to increased fees and high occupancy for all homes averaging 93.7% during the year (2004/05: 94%). This higher income was used to meet increases in expenditure within the homes for staff and other direct costs, the substantial increase in costs for heat and light and investment in refurbishment.
- The growth in income and expenditure for community services as day centre and home support services were developed.

# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2006 (continued)

- The high level of donations following receipt of major capital funding and the transfer of investment funds from another charity to enable the Charity to take over its grant-making activities.
- Firm control of both direct costs and support costs.

Incoming resources and resources expended were as follows:



The net impact of the increase in income and expenditure was a surplus before gains on investments of £1,207,644 (2004/05: £294,364).



# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2006 (continued)

The investment portfolio expanded during the year following the receipt of investments and cash from the City of London Welfare Association which were placed into a separate Restricted Fund with Cazenove Capital Management Ltd. Other investments continued to be 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 realised and unrealised gains in the value of the portfolio totalling £401,803 during the year. Further details of investment assets are shown in note 9 to the financial statements. The Cazenove funds generated total returns of 3.3% for the Income Trust and 15.3% for the Equity Income Trust. These compare to returns of 3.7% and 14.7% for the FTSE All Stocks and All Share Indices.

Tangible assets increased particularly as a result of expenditure of £841,772 on freehold property. Further details of fixed assets are shown in note 8 to the financial statements. During the year construction of the Bradbury Centre was able to commence following the successful conclusion of lengthy negotiations with the Charity Commission to obtain approval for the transfer of land to the Charity from The Smiles Home, a charity under common control. Fees and construction costs totalled £497,156 during the year with further expenditure of £0.8m committed for 2006/07. In addition £337,177 was expended during the year on the purchase of a property at the entrance to one of the Charity's care homes in Malvern. 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 £1,609,447 (2004/05: £1,110,689). Unrestricted reserves, excluding those designated for a specific purpose, increased from £2.7m to £3.0m which constituted a slight increase in the number of months unrestricted expenditure covered by reserves from 3.14 months to 3.35 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 13 of the financial statements. These funds include the value of property and fixed assets in use for the Charity's activities which grew by £732,000 in the year reflecting the net increase in the book value of property. Other designated funds are largely for development purposes. The Charity's investment in the Bradbury Centre from these funds will be spent in 2006/07.

### ***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 2006 (continued)**

### ***Pensions***

Details of the Charity's pension schemes are shown in Note 16. 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 2006 of £88,000 (2005: £146,900) with assets valued at 107.8% of scheme liabilities. As detailed in note 1(i), the surplus has not been recognised in these accounts. This valuation was prepared by the Scheme Actuary for the purpose of these accounts.

### **Plans for the Future**

The strategic review of the Charity's objectives and activities which began in 2006 will be completed in 2007. The outcome of the review will help determine the future direction of the Charity over the next five to ten years.

Construction of the Bradbury Centre for use in partnership with other agencies is scheduled to be completed during 2007. The contract for sale of part of the site for housing development was signed in October 2006 and the receipt of funds is due to take place in three phases over two to three years.

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

Following the success of a pilot project in 2006, plans have been agreed to expand the telephone befriending service to older people who live in their own homes. Opportunities for development of a new Home support Service are being investigated.

A further increase in the payment of grants to those in need living in their own homes is planned for 2006/07 using restricted funds received in 2006.

The increased level of training in the care of older people with dementia for all staff working in the Charity's homes and projects is planned to continue. In addition it is planned to provide specialist training to staff working in the dementia units within the Charity's homes.

### **Annual General Meeting**

The Annual General Meeting of the members of Friends of the Elderly will be held on 22 February 2007.

### **Auditors**

A resolution for the re-appointment of the auditor, Chantrey Vellacott DFK LLP, will be proposed at the Annual General Meeting.

By order of the Council

Peter Brearley  
**Company Secretary**

17 January 2007

# **FRIENDS OF THE ELDERLY**

## **Independent Auditor's Report to the members of Friends of the Elderly for the year ended 30 September 2006**

We have audited the financial statements of Friends of the Elderly and its subsidiaries for the year ended 30 September 2006 which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Charity Balance Sheet, Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under 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 (incorporating the Directors' Report) 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Report of the Members of the Governing Council (incorporating the Directors' Report) is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company and the group have 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.

### ***Basis of audit opinion***

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 circumstances of the charitable company and the group, 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 2006 (continued)**

#### *Opinion*

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the affairs of the charitable company and the group as at 30 September 2006 and of their incoming resources and application of resources, including their income and expenditure, for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Members of the Governing Council (incorporating the Directors' Report) is consistent with the financial statements.

**CHANTREY VELLACOTT DFK LLP**

**Chartered Accountants  
Registered Auditor**

**LONDON**

17 January 2007

# FRIENDS OF THE ELDERLY

## Consolidated Statement of Financial Activities For the year ended 30 September 2006 (Incorporating the Income and Expenditure Account)

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2006 £	Total 2005 £
<b>Incoming resources</b>						
<i>Incoming resources from generated funds</i>						
Donations and legacies	2	540,621	838,291	-	1,378,912	1,142,265
Donated investment funds	2	-	575,549	-	575,549	-
Investment income	3	302,815	263,188	-	566,003	524,038
<i>Incoming resources from charitable activities</i>						
Residential care fees		9,278,790	-	-	9,278,790	8,882,826
Community services income		464,154	7,038	-	471,192	410,780
Management fees		248,640	-	-	248,640	243,420
<i>Other incoming resources</i>	4	89,217	-	-	89,217	116,967
<b>Total incoming resources</b>		<b>10,924,237</b>	<b>1,684,066</b>	<b>-</b>	<b>12,608,303</b>	<b>11,320,296</b>
<b>Resources expended</b>						
<i>Cost of generating funds</i>						
Fundraising costs		235,005	99,183	-	334,188	350,518
Public affairs costs		67,892	15,667	-	83,559	85,408
Investment management costs		24,957	21,657	-	46,614	43,587
		327,854	136,507	-	464,361	479,513
<i>Charitable activities</i>						
Residential care		9,018,430	230,699	4,547	9,253,676	8,950,253
Community services		723,485	256,629	-	980,114	920,432
Grants and allowances payable		174,941	120,779	-	295,720	292,834
Management services		248,640	-	-	248,640	243,420
		10,165,496	608,107	4,547	10,778,150	10,406,939
<i>Governance costs</i>		158,148	-	-	158,148	139,480
<b>Total resources expended</b>		<b>10,651,498</b>	<b>744,614</b>	<b>4,547</b>	<b>11,400,659</b>	<b>11,025,932</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>272,739</b>	<b>939,452</b>	<b>(4,547)</b>	<b>1,207,644</b>	<b>294,364</b>
<i>Transfers</i>	13 & 14	489,682	(489,682)	-	-	-
<b>Net incoming/(outgoing) resources before realised gains on investments</b>		<b>762,421</b>	<b>449,770</b>	<b>(4,547)</b>	<b>1,207,644</b>	<b>294,364</b>
<b>Realised gains on investments</b>	1(g)	66,102	19,158	72,213	157,473	1,149
<b>Net income for the year</b>		<b>828,523</b>	<b>468,928</b>	<b>67,666</b>	<b>1,365,117</b>	<b>295,513</b>
<b>Unrealised gains</b>						
- on investment assets	9(a)	136,099	17,010	91,221	244,330	815,176
<b>Net movement in funds</b>		<b>964,622</b>	<b>485,938</b>	<b>158,887</b>	<b>1,609,447</b>	<b>1,110,689</b>
<i>Reconciliation of funds</i>						
Total funds brought forward		18,947,211	488,300	5,140,036	24,575,547	23,464,858
<b>Total funds carried forward</b>	13 to 15	<b>19,911,833</b>	<b>974,238</b>	<b>5,298,923</b>	<b>26,184,994</b>	<b>24,575,547</b>

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 Sheets As at 30 September 2006

	Notes	Consolidated		Charity	
		2006 £	2005 £	2006 £	2005 £
<b>Fixed assets</b>					
Tangible assets	8	14,955,565	14,228,136	14,955,565	14,228,136
Investments	9	9,490,829	9,102,679	9,500,831	9,112,681
		<u>24,446,394</u>	<u>23,330,815</u>	<u>24,456,396</u>	<u>23,340,817</u>
<b>Current assets</b>					
Debtors	10	740,833	644,552	677,211	633,543
Cash at bank and in hand		<u>2,147,344</u>	<u>1,542,465</u>	<u>2,187,697</u>	<u>1,533,614</u>
		<u>2,888,177</u>	<u>2,187,017</u>	<u>2,864,908</u>	<u>2,167,157</u>
<b>Creditors</b>					
Amounts falling due within one year	11	(1,149,577)	(942,285)	(1,136,217)	(934,017)
		<u>1,738,600</u>	<u>1,244,732</u>	<u>1,728,691</u>	<u>1,233,140</u>
<b>Net current assets</b>					
<b>Net assets</b>	12	<u>26,184,994</u>	<u>24,575,547</u>	<u>26,185,087</u>	<u>24,573,957</u>
<b>Represented by:</b>					
Unrestricted funds:					
Designated funds	13	16,909,950	16,250,312	16,909,950	16,250,312
General reserves	13	<u>3,001,883</u>	<u>2,696,899</u>	<u>3,001,976</u>	<u>2,695,309</u>
		19,911,833	18,947,211	19,911,926	18,945,621
Restricted funds	14	974,238	488,300	974,238	488,300
Endowments	15	<u>5,298,923</u>	<u>5,140,036</u>	<u>5,298,923</u>	<u>5,140,036</u>
		<u>26,184,994</u>	<u>24,575,547</u>	<u>26,185,087</u>	<u>24,573,957</u>

The financial statements on pages 13 to 28 were approved by the members of the Governing Council on 17 January 2007 and were signed on its behalf by:

**A Wheatley  
Trustee**

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

# FRIENDS OF THE ELDERLY

## Consolidated Cash Flow Statement For the year ended 30 September 2006

	Note	2006 £	2006 £	2005 £	2005 £
<b>Net cash inflow from operating activities</b>	1		1,244,319		473,512
<b>Returns on investment</b>			566,003		524,038
<b>Capital Expenditure and Financial Investment</b>					
Purchase of investments		(891,877)		-	
Purchase of fixed assets		(1,219,096)		(412,987)	
Receipts from sales of investments		905,530		1,149	
			(1,205,443)		(411,838)
<b>Net cash inflow</b>			<b>604,879</b>		<b>585,712</b>

Short-term deposits are included as cash.

## Reconciliation of Net Cash Flow to Movement in Net Funds For the year ended 30 September 2006

	2006 £	2005 £
Movement in net funds during the year	604,879	585,712
Net funds at 1 October 2005	1,542,465	956,753
<b>Net funds at 30 September 2006</b>	<b>2,147,344</b>	<b>1,542,465</b>

## Note to the Cash Flow Statement

### 1. Reconciliation of net incoming resources to net cash inflow from operating activities

	2006 £	2005 £
Net incoming resources before transfers and investment gains	1,207,644	294,364
Investment income	(566,003)	(524,038)
Depreciation	491,666	465,861
(Increase) in debtors	(96,281)	(89,116)
Increase in creditors	207,292	326,441
<b>Net cash inflow from operating activities</b>	<b>1,244,318</b>	<b>473,512</b>

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 2006

### 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 March 2005, and applicable accounting standards.

#### (b) Consolidation

The financial statements have been consolidated to include the results of Potential Ltd and Friends of the Elderly Trading Ltd, both wholly owned subsidiaries of Friends of the Elderly. The financial statements of the Charity include individual funds, some of which are also separately registered charities, as shown in note 18. No separate Statement of Financial Activities or Income and Expenditure Account has been presented for the Charity alone as permitted by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

#### (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 2006 (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, which include management and administration costs incurred in Central Office and by staff with regional responsibilities, have been allocated to the Charity's activities based on time spent.

Governance costs are the costs associated with the governance arrangements of the Charity and relate to the general running of the Charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are the operations of the Governing Council and the costs of strategic, constitutional, audit and other statutory matters.

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 in course of construction or 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 <sup>1</sup> / <sub>3</sub> % of cost per annum
Motor vehicles -	25% of cost per annum
Computer equipment -	33 <sup>1</sup> / <sub>3</sub> % 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 cost 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 16. The Trustees have not recognised the surplus arising at 30 September 2006 under FRS17 Retirement Benefits as they do not consider it to be recoverable by the Charity.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

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.

### 2. Donations and Legacies

	Unrestricted funds £	Restricted funds £	Total 2006 £	Total 2005 £
<i>Donations</i>				
Big Lottery Fund:				
- Sutton Home Support	-	57,247	57,247	63,774
- Bradbury Centre	-	236,816	236,816	-
Bradbury Foundation	-	218,155	218,155	-
Bridge House Trust	-	9,930	9,930	15,920
Other	236,140	316,143	552,283	543,307
<i>Legacies</i>	304,481	-	304,481	519,264
	<u>540,621</u>	<u>838,291</u>	<u>1,378,912</u>	<u>1,142,265</u>
<i>Donated investment funds</i>				
City of London Welfare Association				
	-	575,549	575,549	-

### 3. Investment income

	Unrestricted funds £	Restricted funds £	Total 2006 £	Total 2005 £
Dividends from listed investments	214,380	263,188	477,568	457,920
Interest on cash and short term deposits	88,435	-	88,435	66,118
	<u>302,815</u>	<u>263,188</u>	<u>566,003</u>	<u>524,038</u>

### 4. Other incoming resources

	Unrestricted funds £	Restricted funds £	Total 2006 £	Total 2005 £
Release of covenant	-	-	-	30,000
Rental Income	89,217	-	89,217	86,967
	<u>89,217</u>	<u>-</u>	<u>89,217</u>	<u>116,967</u>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### 5. Total resources expended

	Activities directly undertaken	Grant funding of activities	Management and administration	Human resources	Property & development	Marketing	Total 2006	Total 2005
	£	£	£	£	£	£	£	£
<i>Cost of generating funds</i>								
Fundraising costs	314,701	-	11,147	5,363	2,977	-	334,188	350,518
Public affairs costs	62,669	-	16,720	2,682	1,488	-	83,559	85,408
Investment management costs	41,040	-	5,574	-	-	-	46,614	43,586
<i>Charitable activities</i>								
Residential care	8,399,201	-	494,894	146,034	159,576	53,971	9,253,676	8,950,253
Community services	909,768	-	33,441	18,772	14,027	4,106	980,114	920,432
Grants and allowances payable	64,489	220,901	5,573	2,682	1,488	587	295,720	292,835
Management services	149,619	-	2,000	92,636	4,385	-	248,640	243,420
<i>Governance costs</i>								
	22,814	-	120,697	2,264	8,368	4,005	158,148	139,480
<b>Total resources expended</b>	<b>9,964,301</b>	<b>220,901</b>	<b>690,046</b>	<b>270,433</b>	<b>192,309</b>	<b>62,669</b>	<b>11,400,659</b>	<b>11,025,932</b>

### 6. Net income for the year

Net income for the year is stated after charging:

	2006 £	2005 £
Staff costs (see note7)	7,270,534	6,902,324
Depreciation of tangible fixed assets (Note 8)	491,666	465,861
Auditors' remuneration	19,750	17,977
Professional Indemnity Insurance	6,699	6,774

The professional indemnity insurance is in respect of Trustees, committee members and staff. Cover included 22 Trustees and committee members (2005: 24).

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### 7. Staff costs

The average number of staff during the year was:	2006 No.	2005 No.
Full time	315	311
Part time	174	157
Agency	39	48
	<u>528</u>	<u>516</u>
Their remuneration was as follows:	£	£
Salaries	6,394,006	6,050,856
Social security costs	555,030	514,866
Pension costs	199,301	187,315
Agency	122,197	149,287
	<u>7,270,534</u>	<u>6,902,324</u>
The number of staff whose emoluments plus taxable benefits amounted to over £50,000 during the year were as follows:	No.	No.
£60,001 - £70,000	1	-
£70,001 - £80,000	1	1

The Trustees received no remuneration for their services (2005: Nil). During 2006 amounts paid on behalf of 1 Trustee, including expenses reimbursed were £12 (2005: 2 Trustees, £88).

### 8. Tangible fixed assets – Consolidated and Charity

	Freehold Property £	Short Leasehold Property £	Fixtures/ Equipment and Vehicles £	Total £
<b>Cost or valuation</b>				
At 1 October 2005	14,906,511	155,946	2,113,894	17,176,351
Additions	841,722	-	377,374	1,219,096
<b>At 30 September 2006</b>	<u>15,748,233</u>	<u>155,946</u>	<u>2,491,268</u>	<u>18,395,447</u>
<b>Depreciation</b>				
At 1 October 2005	1,635,354	65,718	1,247,143	2,948,215
Charge for the year	236,786	2,546	252,335	491,667
<b>At 30 September 2006</b>	<u>1,872,140</u>	<u>68,264</u>	<u>1,499,478</u>	<u>3,439,882</u>
<b>Net book value</b>				
<b>At 30 September 2006</b>	<u>13,876,093</u>	<u>87,682</u>	<u>991,790</u>	<u>14,955,565</u>
<b>At 30 September 2005</b>	<u>13,271,157</u>	<u>90,228</u>	<u>866,751</u>	<u>14,228,136</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.

Additions include £504,544 of assets in the course of construction which have not been depreciated.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### 8. Tangible fixed assets continued

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

	2006 £	2005 £
Cost	11,486,200	10,644,479
Aggregate depreciation based on cost	(1,211,445)	(1,042,851)
	10,274,755	9,601,628
Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount.	68,193	68,193

At the year end the Charity and Group had capital commitments of £800,000 (2005 : £86,432).

### 9. Fixed assets – Investments

(a) Cost or valuation	Listed Investments £	Non-listed Investment £	Consolidated Total £	Subsidiaries £	Charity Total £
<b>At 1 October 2005</b>	9,102,678	1	9,102,679	10,002	9,112,681
Additions	891,877		891,877		891,877
Disposals	(905,530)		(905,530)		(905,530)
Net gain on disposal	157,473		157,473		157,473
Net gain on revaluation at 30 September 2006	244,330		244,330		244,330
<b>At 30 September 2006</b>	<b>9,490,828</b>	<b>1</b>	<b>9,490,829</b>	<b>10,002</b>	<b>9,500,831</b>
Cost at 30 September 2006	8,089,387	1	8,089,388	10,002	8,099,390

(b) Analysis of listed investments	Unrestricted £	Restricted £	Endowment (Master Fund) £	Total 2006 £	Total 2005 £
Fixed Interest - UK	1,570,928	96,115	2,833,830	4,500,873	4,517,370
Equities - UK	2,142,570	276,812	2,454,433	4,873,815	4,585,308
Equities - International	-	116,140	-	116,140	-
<b>Total</b>	<b>3,713,498</b>	<b>489,067</b>	<b>5,288,263</b>	<b>9,490,828</b>	<b>9,102,678</b>

#### (c) Investment in subsidiaries

Name of Subsidiaries and principal activities	Share Capital	Holding	Registered
Potential Limited (Design, construction and reconstruction of facilities 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

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (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 £219,638 (2005: £243,420) from Hanover Friends during the year in respect of a number of service level agreements which are negotiated on an arms length basis. At 30 September 2006 Hanover Friends owed Friends of the Elderly £65,960 (2005: £53,330) which is included in Debtors (Note 11). The balance of the management fee of £29,002 (2005: nil) arose from the management of services in relation to the Sir Thomas Lipton Home.

### 10. Debtors

	Consolidated		Charity	
	2006	2005	2006	2005
	£	£	£	£
Fees debtors	423,270	242,359	423,270	242,359
Other debtors	234,067	182,953	170,445	171,944
Prepayments and accrued income	83,496	219,240	83,496	219,240
	<b>740,833</b>	<b>644,552</b>	<b>677,211</b>	<b>633,543</b>

### 11. Creditors: amounts falling due within one year

	Consolidated		Charity	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	464,610	213,604	436,338	146,143
Amounts due to subsidiary undertakings	-	-	14,912	59,193
Other creditors	317,183	232,932	317,183	232,932
Taxation and social security	138,731	148,688	138,731	148,688
Accruals and deferred income	229,053	347,061	229,053	347,061
	<b>1,149,577</b>	<b>942,285</b>	<b>1,136,217</b>	<b>934,017</b>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### 12. Analysis of net assets between funds

Fund Balances at 30 September 2006 represented by:	Consolidated	Consolidated	Consolidated	Consolidated
	Unrestricted Funds	Restricted Funds	Endowment Funds	Total
	£	£	£	£
Tangible fixed assets	14,628,791	-	326,774	14,955,565
Investments	4,231,531	678,176	4,581,122	9,500,829
Current assets	2,191,088	296,062	391,027	2,878,177
Current liabilities	(1,149,577)	-	-	(1,149,577)
	<b>19,911,833</b>	<b>974,238</b>	<b>5,298,923</b>	<b>26,184,994</b>
	Charity	Charity	Charity	Charity
	Unrestricted Funds	Restricted Funds	Endowment Funds	Total
	£	£	£	£
Tangible fixed assets	14,628,791	-	326,774	14,955,565
Investments	4,241,533	678,176	4,581,122	9,500,831
Current assets	2,167,011	306,870	391,027	2,864,908
Current liabilities	(1,127,043)	(10,808)	-	(1,137,851)
	<b>19,910,292</b>	<b>974,238</b>	<b>5,298,923</b>	<b>26,183,453</b>

### 13. Unrestricted Funds

	Designated Funds			Total Designated Funds	General Reserves	Total
	Development	Community Services	Property & Fixed Assets in Use			
	£	£	£	£	£	£
As at 1 October 2005	2,025,906	327,592	13,896,814	16,250,312	2,696,899	18,947,211
Transfers (Note 14)			-	-	489,682	489,682
Investment Gains	-	-	-	-	202,201	202,201
Capital Expenditure	-	-	1,219,095	1,219,095	-	1,219,095
Other movements	(30,118)	(42,222)	(487,117)	(559,457)	(386,899)	(946,356)
<b>As at 30 September 2006</b>	<b>1,995,788</b>	<b>285,370</b>	<b>14,628,792</b>	<b>16,909,950</b>	<b>3,001,883</b>	<b>19,911,833</b>

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

- 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. Funds utilised in the year relate to expenditure on property development not funded from restricted funds.
- Community Services Funds are amounts set aside to develop new Community Services and to sustain existing projects whilst other funding is identified.
- 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.

The net transfer of £489,682 from restricted funds shown in note 14 represents the utilisation of restricted funds on property development less unrestricted funds expended to generate restricted income.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### 14. Restricted Funds

Restricted funds comprise the unexpended balances of investment income on the Endowment Funds analysed in Note 15, together with donations and legacies held for specific purposes.

	Balance 1 October 2005	Incoming Resources	Funds utilised	Transfers and gains on investments	Balance 30 September 2006
	£	£	£	£	£
<b>Funds for the upkeep of Residential homes</b>					
The Smiles Home	-	45,126	(45,126)	-	-
Other Homes funds	53,833	57,231	(56,379)	-	54,685
	<u>53,833</u>	<u>102,357</u>	<u>(101,505)</u>	<u>-</u>	<u>54,685</u>
<b>Funds for Residents' subsidies</b>					
House of Nunn	-	58,641	(58,641)	-	-
Stuart Trust	-	33,512	(33,512)	-	-
William Edmonds	-	20,436	(20,436)	-	-
	<u>-</u>	<u>112,589</u>	<u>(112,589)</u>	<u>-</u>	<u>-</u>
<b>Funds for Community Projects</b>					
Home Support					
Big Lottery Fund - Sutton	41,800	57,247	(53,212)	-	45,835
Bridge House Trust	10,610	9,930	(20,540)	-	-
Other	59,989	55,000	(104,988)	-	10,001
Home Visiting	-	15,751	(10,131)	-	5,620
Day Clubs	18,000	43,757	(61,757)	-	-
	<u>130,399</u>	<u>181,685</u>	<u>(250,628)</u>	<u>-</u>	<u>61,456</u>
<b>Funds for grants and allowances</b>					
Plender Fund	106,594	6,760	(24,162)	3,844	93,036
Vaisey Fund	27,593	1,761	(2,800)	1,175	27,729
Gentlefolks Help Fund	38,635	-	-	1,265	39,900
City of London Welfare Assoc.	-	598,129	(17,828)	29,884	610,185
Other funds	49,596	87,064	(83,258)	-	53,402
	<u>222,418</u>	<u>693,714</u>	<u>(128,048)</u>	<u>36,168</u>	<u>824,252</u>
<b>Capital funds</b>					
Big Lottery Fund	-	236,816	-	(236,816)	-
Bradbury Foundation	-	218,155	-	(218,155)	-
Other	58,942	113,750	-	(149,561)	23,131
	<u>58,942</u>	<u>568,721</u>	<u>-</u>	<u>(604,532)</u>	<u>23,131</u>
Other Restricted Funds	22,708	25,000	(36,994)	-	10,714
Cost of generating donations & legacies	-	-	(114,850)	114,850	-
	<u>22,708</u>	<u>25,000</u>	<u>(151,844)</u>	<u>114,850</u>	<u>10,714</u>
<b>Total</b>	<u>488,300</u>	<u>1,684,066</u>	<u>(744,614)</u>	<u>(453,514)</u>	<u>974,238</u>



# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### 15. Endowments

At 30 September 2006, 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 18). 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 14).

	Balance 01 October 2005 £	Donations and Gains on Investments net of utilisations £	Balance 30 September 2006 £
<b>Funds for the upkeep of Residential Homes</b>			
Davenham and Cottages	623,950	19,307	643,257
Woodcote Grove	145,351	4,912	150,263
The Smiles Home	1,188,782	26,207	1,214,989
Redcot	85,089	2,876	87,965
Other funds	50,936	1,721	52,657
	<b>2,094,108</b>	<b>55,023</b>	<b>2,149,131</b>
<b>Funds for Residents' subsidies</b>			
House of Nunn	1,157,975	39,131	1,197,106
Stuart Trust	649,686	22,364	672,050
William Edmunds	403,560	13,638	417,198
Other funds	55,908	2,035	57,943
	<b>2,267,129</b>	<b>77,168</b>	<b>2,344,297</b>
<b>Funds for grants and allowances</b>			
Harry Livesey	114,970	3,885	118,855
William Lambe	315,472	10,661	326,133
James Mew	159,051	5,757	164,808
Other funds	189,306	6,393	195,699
	<b>778,799</b>	<b>26,696</b>	<b>805,495</b>
<b>Total</b>	<b>5,140,036</b>	<b>158,887</b>	<b>5,298,923</b>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### 16. 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 £199,301 in the year (2005 - £187,315).

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 most recent full 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 disclosures have been provided by the Scheme Actuary to meet the requirement of FRS 17 Retirement Benefits for the purposes of these accounts. However, the surplus has not been included in these accounts as the Trustees do not consider it to be recoverable by the Charity. Scheme assets are stated at their market value at 30 September 2006.

The major assumptions used by the actuary were:

	At year end 30 September 2006	At year end 30 September 2005
Discount Rate	5.0%	5.0%
Inflation Rate	3.2%	3.0%
Rate of increase of deferred pensions in excess of GMP	3.2%	3.0%

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 2006.

At 30 September 2006, the assets and liabilities of the scheme were:

	% p.a.	2006 £	% p.a.	2005 £
Total Market value of assets	4.5	1,216,900	4.5	1,324,600
Actuarial value of liabilities		(1,128,900)		(1,177,700)
Surplus		<u>88,000</u>		<u>146,900</u>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2006 (continued)

### Movement in Surplus in the Year

	2006	2005
	£	£
Surplus in scheme at the beginning of the year	146,900	170,700
Movement in the Year:		
Expected return on pension scheme assets	53,400	65,500
Interest on pension scheme liabilities	(52,900)	(62,100)
Actuarial gain/(loss) (see below)	(59,400)	(27,200)
Surplus in Scheme at the end of the year	88,000	146,900

### Analysis of amount which would be credited to the SOFA

	2006	2005
	£	£
Expected return on pension scheme assets	53,400	65,500
Interest on pension scheme liabilities	(52,900)	(62,100)
	500	3,400
Adjustment in respect of unrecognisable deficit	(500)	(3,400)
Net return	Nil	Nil

### Analysis of Actuarial Loss for the Year

	2006	Percentage	2005	Percentage
	£	of Scheme	£	of Scheme
		Assets/ Liabilities		Assets/ Liabilities
		%		%
Actual return less expected return on pension scheme assets	9,100	0.1	(2,200)	(0.2)
Experience gains and losses arising on scheme liabilities	(71,100)	(6.3)	51,400	4.4
Changes in assumptions underlying the present value of scheme liabilities	2,600	(0.2)	(76,400)	(6.5)
Actuarial Gain/(Loss)	(59,400)		(27,200)	

## 17. 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.

## 18. 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.

## 19. Members

At 30 September 2006 there were 12 members (2005: 13 members) who each pledge to pay £1 on winding up.

# FRIENDS OF THE ELDERLY



40-42 Ebury Street  
London SW1W 0LZ

Telephone 020-7730 8263  
Fax 020-7259 0154  
Website [www.fote.org.uk](http://www.fote.org.uk)

## Royal Patron

Her Majesty The Queen

## **President**

HRH Princess Alexandra

## Vice Presidents

Lady Trend  
Lady Elizabeth Cavendish CVO  
Sir John Milne (Chairman Emeritus)  
Lady Gingell  
Miss P M Lethbridge LVO  
Mr C A Fradgley  
Mr R Aisher OBE  
Mr R Bullough

## Patrons

The Most Reverend and Rt Hon the Lord Archbishop of Canterbury  
Diana, Lady Farnham CVO  
The Rt Hon The Baroness Boothroyd PC  
Professor D Brooker  
Hon R McAulay