



FRIENDS OF THE ELDERLY

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

**Report and Financial Statements
for the year ended 30 September 2007**

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 2007

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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 No. 226064 Company No. 133850

4) Company Secretary

Mr P Brearley

5) Trustees

Mr K Rubie (*Chairman*) 1,4
Mrs J E Orford (*Joint Vice-Chairman*) 1,2,4
Rear-Admiral A Wheatley CB (*Joint Vice-Chairman*) 1,2,4
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
Ms S A Taylor 2 (*appointed 27 September 2007*)
Ms P Wright 2 (*appointed 27 September 2007*)
Mrs F C de Zoete 3

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

Executive Board

- 6)** Mr R Furze (*Chief Executive*)
Ms S Ball (*Director of Fundraising*)
Mr P Brearley (*Director of Finance & ICT*)
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
134 Edmund Street
Birmingham
B3 2ES

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2007 (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 2007 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 313 full time and 161 part time staff supplemented by 47 agency staff. Of these staff 433 worked within the care homes, 48 within the community services, and 40 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 homes' support groups, home visiting and telephoning older people in their own homes, helping in day centres, 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 2007 (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 arising from its Memorandum of Association are:

- a) To run care homes for older people, providing residential, nursing, and other (eg dementia) care.
- b) To relieve poverty, suffering and distress among older people in the community.

Its mission is to support older people, particularly those in need due to frailty, isolation or lack of adequate resources, by providing high quality caring services, personalised to the needs of the individual, integrated with local communities and dedicated to promoting the independence, well-being, dignity and peace of mind of each person with whom we work.

It seeks at all times to carry out this mission in line with its stated values which reflect its founding Christian principles and lead it to be an inclusive organisation, which respects each individual regardless of race, religion, gender, social circumstances, age or sexual orientation.

The Charity offers high quality residential and nursing care in its nine 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 six 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.

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Report of the Members of the Governing Council For the year ended 30 September 2007 (continued)

Review of Activities in the Year

Charitable Activities

Homes

A total of 494 care beds were under the management of the Charity during the year with a continuing focus on maintaining and improving the quality of care provided and planning for increasing the number of people who benefit from the Charity's homes.

High occupancy levels were achieved during the year despite a higher turnover of residents within the homes following the deaths of increasingly frail residents. This 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 especially 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 concerns remain with regard to their consistency 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 activities programme is making a real difference to quality of life across the care homes and this continues to be developed. Training of staff remains a priority with a continuation of recent innovations in junior management training and dementia training for all staff in care homes. A pilot programme of training for the Dementia Training Certificate in partnership with *for dementia* has been very successful in improving the care of people with dementia.

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 across the Charity on an annual basis.

Community Services

The Charity has continued to support older people who are living in the community by providing day care, support in people's own homes and volunteer visitors. This work continues to grow and there has been considerable planning for new and developed services, particularly in the field of dementia care. Statutory funds and trust income continue to be attracted but sustaining the necessary levels of funding remains a challenge for the Charity in the face of changing Local Authority social care criteria and reduced funding when the initial grants cease.

The Charity's telephone befriending service has been developed during the year through the employment of a manager and the recruitment of further volunteers following the success of the pilot project.

Welfare Grants

During the year financial support was provided to 799 individuals (2006: 750 individuals) and, in this year of exceptional weather, an additional 90 small grants were made to older people in Hull affected by the floods. Support continued for a number of highly effective projects such as the Woking Buggy which provides older people with transport for shopping trips. Several new services were supported including Endyke Community Care and Welshpool Visual Impairment Group with vital transport costs enabling their clients to attend these services.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2007 (continued)

Development Work

The Charity undertook a thorough review of its strategy during the year which resulted in a Strategic Plan for 2007 to 2012 which sets out clear strategic aims. These will enable it to fulfil its mission by responding effectively to the current and future needs of older people. Five strategic aims have been set:

1. Providing an integrated range of services
2. Expanding support for older people in their own homes
3. Making care home services more flexible to meet the needs of older people
4. Improving and demonstrating the quality of our services
5. Building a strong profile and development capability for the charity.

Work during the year to implement these aims included preparation for developing a regional structure and for tendering for local authority contracts, and preparation of feasibility studies into delivering the full range of residential, nursing and dementia services on an additional two sites.

During the year negotiations were held with Hanover Housing Association on the future of the joint venture, Hanover Friends. It has been agreed that the joint venture will be dissolved on 31 March 2008 so that the development potential of the care homes and retirement housing units can be maximised by each party. As a result four care homes will transfer from Hanover Friends to the Charity on that date and the two care homes remaining with Hanover Friends will continue to be managed by the Charity. Discussions are also under way concerning the transfer of the corporate trusteeship of the Sir Thomas Lipton home to the Charity in 2008.

A major development during the year has been the completion of the building of a new Resource Centre in Woking known as the Bradbury Centre. The Centre focuses on supporting people with dementia in partnership with other organisations such as the Alzheimers' Society. It is also used to host meetings of local professionals in care for older people under the title of Surrey Care Links to develop joint working initiatives.

The Charity was successful in achieving Investors in People accreditation in six of its operations.

The Charity has worked in partnership with Skills for Care and the University of Gloucestershire to develop a Foundation Degree in Health and Social Care to enable health care assistants to develop a range of clinical skills, particularly related to gerontology. The degree will commence in 2008 and will significantly improve the skill levels and enrich the role of health care assistants.

Fundraising and Public Affairs

Income from donations and legacies of £1,078,000 was less than that achieved in 2005/06 due to the high level of funds received for the construction of the Bradbury Centre during the previous year. Income excluding such capital funding increased by 9% to £883,000. In these areas of fundraising and communications:

- Income from legacies remained strong increasing by 21% compared to 2005/06, accounting for over 34% of this income.
- Trust income to support the Charity's staff training programme, day clubs and the telephone befriending service held up well and included the first of three donations of £25,000 from the John Ellerman Foundation.
- Many friends and donors supported a full programme of fundraising events which included a private viewing of the prestigious The Royal Institute of Water Colours Exhibition held at the Mall Galleries, London.
- National success was achieved with the 'Beat Pensioner Poverty' campaign which was the subject of a BBC Radio 4 appeal.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2007 (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.

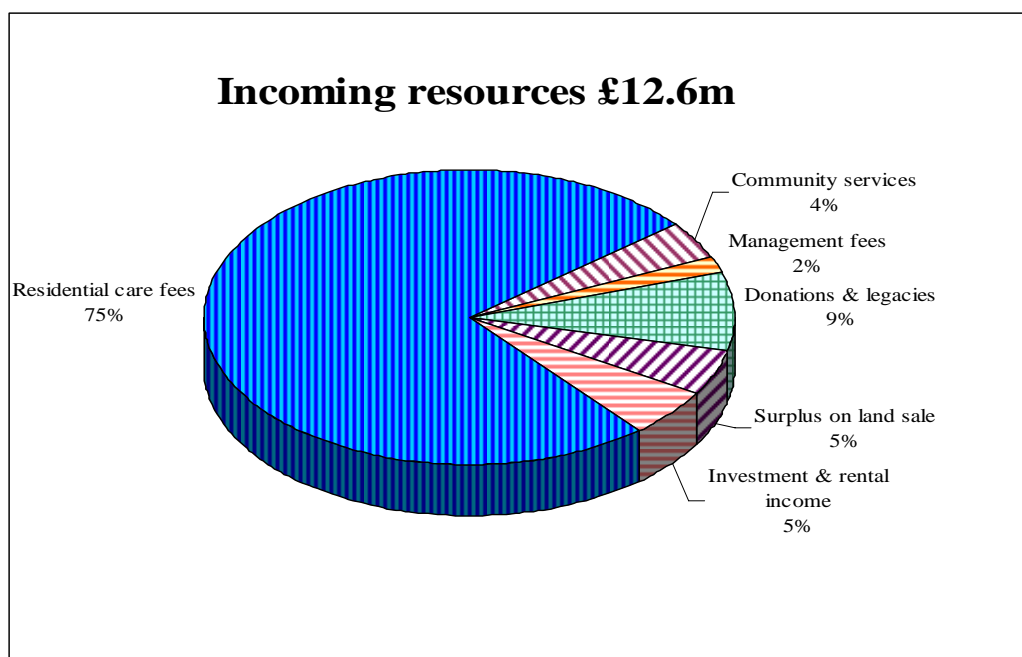
Increased investment in staff training was achieved through the Charity's own NVQ Centre, through a further increase in training in the care of people with dementia, and through the management training course for managers and senior carers from the homes and community services. Further developments in training to commence in 2008 were planned during the year as described elsewhere in this report.

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

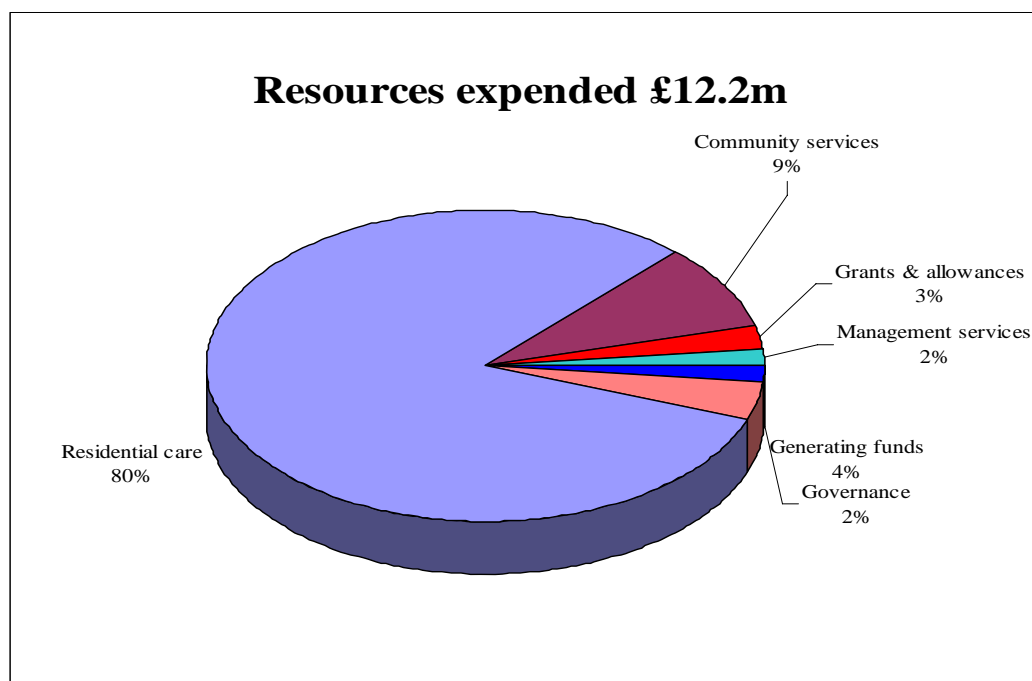
The year's total incoming resources of £12,564,718 were marginally less than in 2005/06 whilst the year's total resources expended of £12,152,581 were 6.6% higher than in 2005/06. The stability of total income and the increase in expenditure reflect:

- The growth in income from care homes due to increased fees slightly offset by a reduction in the high occupancy levels which averaged 91.49% during the year (2005/06: 93.7%). This higher income was used to meet increases in expenditure within the homes for staff and other direct costs, and investment in refurbishment – decoration, carpets, furniture, electrical and heating maintenance etc.
- The growth in income and expenditure for community services as day centre and home support services were developed.
- The lower level of donations for the major capital development completed in the year.
- Income in 2005/06 included the receipt of investment funds valued at £575,549.
- Other incoming resources in 2006/07 including an exceptional item of £601,563 being the surplus on the sale of land in Woking.
- Firm control of both direct costs and support costs.



FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2007 (continued)



The net impact of the increase in income and expenditure was a surplus before gains/(losses) on investments of £412,137 (2005/06: £1,207,644).

The investment portfolio expanded during the year following its restructuring in the light of the revised investment policy. The growth of the portfolio was due to investing funds which had been held as cash within the wider portfolio. The portfolio consists of an Income Fund for endowed investments and a Balanced Fund for other investments. It is held largely in a range of Common Investment Funds (CIFs), managed by Cazenove Investment Management, which include UK equities, UK fixed interest, hedge funds and property with the aim of protecting the capital in real terms whilst providing a secure and growing level of income. Losses of £126,886 were realised during the restructuring of the portfolio which were largely offset by unrealised gains of £112,226 during the year. Further details of investment assets are shown in note 9 to the financial statements. The Income Fund and Balanced Fund achieved total returns of 3.3% and 5.1% and income yields of 4.4% and 3.9% respectively during the year.

Tangible assets increased as a result of expenditure of £941,899 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 in Woking was completed (total cost £1.5m) and fees of £20,000 were incurred on redevelopment plans for the Charity's Coulsdon site. At the year end there were expenditure commitments of £300,000 mainly in relation to the redevelopment of the Charity's Malvern site.

During the year land adjoining the Bradbury Centre in Woking was sold to Potential Limited, the Charity's development company, and a loan was provided to Potential Limited which is secured against the land. Potential Limited sold part of the land during the year to a contractor and there are commitments to sell the remaining land by 2009. The exchange of papers for the sale of the second tranche of land was made in December 2007.

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

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2007 (continued)

The net surplus for the year including net losses on investments was £397,477 (2005/06: £1,609,447). Unrestricted reserves, excluding those designated for a specific purpose, increased from £3.0m to £3.1m which constituted a slight reduction in the number of months unrestricted expenditure covered by reserves from 3.35 months to 3.29 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 by its community services;
- 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 book value of property and fixed assets in use for the Charity’s activities which grew by £594,863 in the year. Other designated funds are largely held for development purposes and the net reduction in these funds during the year reflects funds utilised in construction of the Bradbury Centre offset by a transfer into the fund of £500,000 of the surplus on the sale of land.

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. During the year the Trustees revised the investment policy by agreeing to a change in the strategic allocation of investments which reduced the proportion of funds held in fixed interest securities and diversified the portfolio to manage risk. The changes are designed to raise the total expected nominal return for the portfolio, recognising that this will reduce the income yield.

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). The defined benefit (final salary) Scheme showed a surplus at 30 September 2007 of £168,900 (2006: £88,000) with assets valued at 119.9% 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

As part of the implementation of the Strategic Plan 2007 to 2012, key objectives for the next financial year include:

- Establishing three regional teams to facilitate the integration and development of care services.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2007 (continued)

- Contracting with Local Authorities for the provision of day care services.
- Investigating opportunities for new residential, nursing and day club services to support people with dementia in both existing and new locations.
- Increasing the payment of grants to those in need living in their own homes by 5% pa.
- Continuing the increased level of training in the care of older people with dementia for all staff working in the Charity's homes and projects and supporting staff to undertake training for the new foundation degree in health and social care.
- Ending the Joint Venture Agreement with Hanover Housing Association and bringing four of the care homes currently managed on behalf of Hanover Friends within the Charity.
- Completing negotiations on the future of the Sir Thomas Lipton home.
- Launching the new Foundation Degree for Health and Social Care.
- Achieving planning permission for a new dementia unit in Malvern.
- Employing a specialist Admiral Nurse to support informal carers of older people with dementia.
- Achieving Investor in People accreditation for the whole Charity.

Annual General Meeting

The Annual General Meeting of the members of Friends of the Elderly will be held on 21 February 2008.

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 2008

FRIENDS OF THE ELDERLY

Independent Auditor's Report to the members of Friends of the Elderly for the year ended 30 September 2007

We have audited the financial statements of Friends of the Elderly and its subsidiaries for the year ended 30 September 2007 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 auditor

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 Auditor's Report to the members of Friends of the Elderly for the year ended 30 September 2007 (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 2007 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 2008

FRIENDS OF THE ELDERLY

Consolidated Statement of Financial Activities For the year ended 30 September 2007 (Incorporating the Income and Expenditure Account)

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2007 £	Total 2006 £
Incoming resources						
<i>Incoming resources from generated funds</i>						
Donations and legacies	2	546,766	531,287	-	1,078,053	1,378,912
Donated investment funds	2	-	-	-	-	575,549
Investment income	3	319,863	255,303	-	575,166	566,003
<i>Incoming resources from charitable activities</i>						
Residential care fees		9,454,753	-	-	9,454,753	9,278,790
Community services income		524,606	6,540	-	531,146	471,192
Management fees		218,715	-	-	218,715	248,640
<i>Other incoming resources</i>	4	706,885	-	-	706,885	89,217
Total incoming resources		11,771,588	793,130	-	12,564,718	12,608,303
Resources expended						
<i>Cost of generating funds</i>						
Fundraising costs		250,722	95,050	-	345,772	334,188
Public affairs costs		62,874	13,178	-	76,052	83,559
Investment management costs		28,768	22,642	-	51,410	46,614
		342,364	130,870	-	473,234	464,361
<i>Charitable activities</i>						
Residential care		9,677,332	205,015	4,547	9,886,894	9,253,676
Community services		851,310	232,296	-	1,083,606	980,114
Grants and allowances payable		164,005	140,208	-	304,213	295,720
Management services		218,715	-	-	218,715	248,640
		10,911,362	577,519	4,547	11,493,428	10,778,150
<i>Governance costs</i>		185,919	-	-	185,919	158,148
Total resources expended		11,439,645	708,389	4,547	12,152,581	11,400,659
Net incoming/(outgoing) resources before transfers		331,943	84,741	(4,547)	412,137	1,207,644
<i>Transfers</i>	13 & 14	115,281	(115,281)	-	-	-
Net incoming/(outgoing) resources before realised (losses)/gains on investments		447,224	(30,540)	(4,547)	412,137	1,207,644
Realised (losses)/gains on investments	1(g)	(52,786)	(11,949)	(62,151)	(126,886)	157,473
Net income for the year		394,438	(42,489)	(66,698)	285,251	1,365,117
Unrealised gains						
- on investment assets	9(a)	68,537	33,979	9,710	112,226	244,330
Net movement in funds		462,975	(8,510)	(56,988)	397,477	1,609,447
<i>Reconciliation of funds</i>						
Total funds brought forward		19,911,833	974,238	5,298,923	26,184,994	24,575,547
Total funds carried forward	13 to 15	20,374,808	965,728	5,241,935	26,582,471	26,184,994

All the above amounts relate to continuing activities.

The notes on pages 17 to 29 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 2007

	Notes	Consolidated		Charity	
		2007 £	2006 £	2007 £	2006 £
Fixed assets					
Tangible assets	8	15,667,824	14,955,565	15,545,913	14,955,565
Investments	9	9,643,003	9,490,829	9,653,005	9,500,831
		<u>25,310,827</u>	<u>24,446,394</u>	<u>25,198,918</u>	<u>24,456,396</u>
Current assets					
Debtors	10	584,792	740,833	1,771,006	677,211
Cash at bank and in hand		<u>1,732,445</u>	<u>2,147,344</u>	<u>1,725,063</u>	<u>2,187,697</u>
		<u>2,317,237</u>	<u>2,888,177</u>	<u>3,496,069</u>	<u>2,864,908</u>
Creditors					
Amounts falling due within one year	11	(1,045,593)	(1,149,577)	(1,234,298)	(1,136,217)
		<u>1,271,644</u>	<u>1,738,600</u>	<u>2,261,771</u>	<u>1,728,691</u>
Net current assets					
Net assets	12	<u>26,582,471</u>	<u>26,184,994</u>	<u>27,460,689</u>	<u>26,185,087</u>
Represented by:					
Unrestricted funds:					
Designated funds	13	17,241,396	16,909,950	17,241,396	16,909,950
General reserves	13	<u>3,133,412</u>	<u>3,001,883</u>	<u>4,011,630</u>	<u>3,001,976</u>
		20,374,808	19,911,833	21,253,026	19,911,926
Restricted funds	14	965,728	974,238	965,728	974,238
Endowments	15	<u>5,241,935</u>	<u>5,298,923</u>	<u>5,241,935</u>	<u>5,298,923</u>
		<u>26,582,471</u>	<u>26,184,994</u>	<u>27,460,689</u>	<u>26,185,087</u>

The financial statements on pages 14 to 29 were approved by the members of the Governing Council on 17 January 2008 and were signed on its behalf by:

S Dawes
Honorary Treasurer

The notes on pages 17 to 29 form part of these financial statements.

FRIENDS OF THE ELDERLY

Consolidated Cash Flow Statement For the year ended 30 September 2007

	Note	2007 £	2007 £	2006 £	2006 £
Net cash (outflow)/inflow from operating activities	1		(194,722)		1,244,319
Returns on investment			575,166		566,003
Capital Expenditure and Financial Investment					
Purchase of investments		(1,897,934)		(891,877)	
Purchase of fixed assets		(1,303,509)		(1,219,096)	
Receipts from sales of investments		1,731,100		905,530	
Receipts from sale of assets		675,000		-	
			(795,343)		(1,205,443)
Net cash (outflow)/ inflow			(414,899)		604,879

Short-term deposits are included as cash.

Reconciliation of Net Cash Flow to Movement in Net Funds For the year ended 30 September 2007

	2007 £	2006 £
Movement in net funds during the year	(414,899)	604,879
Net funds at 1 October 2006	2,147,344	1,542,465
Net funds at 30 September 2007	1,732,445	2,147,344

Note to the Cash Flow Statement

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

	2007 £	2006 £
Net incoming resources before transfers and investment gains	412,137	1,207,644
Investment income	(575,166)	(566,003)
Depreciation	517,813	491,666
(Profit) on sale of fixed assets	(601,563)	-
Decrease/(Increase) in debtors	156,041	(96,281)
(Decrease)/Increase in creditors	(103,984)	207,292
Net cash (outflow)/ inflow from operating activities	(194,722)	1,244,318

The notes on pages 17 to 29 form part of these financial statements.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007

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. The net movement in funds for the Charity was a surplus of £1,275,602.

(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 are accounted for when received and related gift aid when receivable.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (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 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 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 2007 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 2007 (continued)

(i) Pension scheme (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 2007 £	Total 2006 £
<i>Donations</i>				
Big Lottery Fund:				
- Sutton Home Support	-	58,845	58,845	57,247
- Bradbury Centre	-	13,184	13,184	236,816
Bradbury Foundation	-	81,845	81,845	218,155
Bridge House Trust	-	19,860	19,860	9,930
Other	178,452	357,553	536,005	552,283
<i>Legacies</i>	368,314	-	368,314	304,481
	<u>546,766</u>	<u>531,287</u>	<u>1,078,053</u>	<u>1,378,912</u>
<i>Donated investment funds</i>				
City of London Welfare Association	-	-	-	575,549
	<u>-</u>	<u>-</u>	<u>-</u>	<u>575,549</u>

3. Investment income

	Unrestricted funds £	Restricted funds £	Total 2007 £	Total 2006 £
Dividends from listed investments	182,742	255,303	438,045	477,568
Interest on cash and short term deposits	137,121	-	137,121	88,435
	<u>319,863</u>	<u>255,303</u>	<u>575,166</u>	<u>566,003</u>

4. Other incoming resources

	Unrestricted funds £	Restricted funds £	Total 2007 £	Total 2006 £
Exceptional item – Surplus on sale of land	601,563	-	601,563	-
Rental Income	105,322	-	105,322	89,217
	<u>706,885</u>	<u>-</u>	<u>706,885</u>	<u>89,217</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

5. Total resources expended

	Activities directly undertaken	Grant funding of activities	Management and administration	Human resources	Property & development	Marketing	Total 2007	Total 2006
	£	£	£	£	£	£	£	£
<i>Cost of generating funds</i>								
Fundraising costs	325,979	-	13,444	4,990	1,359	-	345,772	334,188
Public affairs costs	52,711	-	20,166	2,496	679	-	76,052	83,559
Investment management costs	44,688	-	6,722	-	-	-	51,410	46,614
<i>Charitable activities</i>								
Residential care	9,008,517	-	609,345	131,911	92,229	44,892	9,886,894	9,253,676
Community services	1,012,865	-	40,332	17,469	9,524	3,416	1,083,606	980,114
Grants and allowances payable	64,260	229,568	6,722	2,496	679	488	304,213	295,720
Management services	119,829	-	5,622	90,192	3,072	-	218,715	248,640
<i>Governance costs</i>								
	31,275	-	137,374	3,340	10,015	3,915	185,919	158,148
Total resources expended	10,660,124	229,568	839,727	252,894	117,557	52,711	12,152,581	11,400,659

6. Net income for the year

Net income for the year is stated after charging:

	2007 £	2006 £
Staff costs (see note7)	7,641,944	7,270,534
Depreciation of tangible fixed assets (Note 8)	517,813	491,666
Auditors' remuneration	19,550	19,750
Professional Indemnity Insurance	6,699	6,699
Surplus on sale of fixed assets	601,563	-

The professional indemnity insurance is in respect of Trustees, committee members and staff. Cover included 22 Trustees and committee members (2006: 22).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

7. Staff costs

The average number of staff during the year was:

	2007 No.	2006 No.
Full time	313	315
Part time	161	174
Agency	47	39
	521	528
	521	528

Their remuneration was as follows:

	£	£
Salaries	6,703,056	6,394,006
Social security costs	576,804	555,030
Pension costs	215,614	199,301
Agency	146,470	122,197
	7,641,944	7,270,534
	7,641,944	7,270,534

The number of staff whose emoluments plus taxable benefits amounted to over £60,000 during the year were as follows:

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

The Trustees received no remuneration for their services (2006: Nil). During 2007 amounts paid on behalf of 1 Trustee, including expenses reimbursed were £120 (2006: 1 Trustee, £12).

8. Tangible fixed assets – Consolidated

	Freehold Property £	Short Leasehold Property £	Fixtures/ Equipment and Vehicles £	Total £
Cost or valuation				
At 1 October 2006	15,748,233	155,946	2,491,271	18,395,450
Additions	941,899	-	361,610	1,303,509
Disposals	(81,242)	-	-	(81,242)
	16,608,890	155,946	2,852,881	19,617,717
At 30 September 2007	16,608,890	155,946	2,852,881	19,617,717
Depreciation				
At 1 October 2006	1,872,140	68,264	1,499,481	3,439,885
Charge for the year	241,033	2,546	274,234	517,813
Disposals	(7,805)	-	-	(7,805)
	2,105,368	70,810	1,773,715	3,949,893
At 30 September 2007	2,105,368	70,810	1,773,715	3,949,893
Net book value				
At 30 September 2007	14,503,522	85,136	1,079,166	15,667,824
At 30 September 2006	13,876,093	87,682	991,790	14,955,565

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

8. Tangible fixed assets continued

Tangible fixed assets – Charity

	Freehold Property £	Short Leasehold Property £	Fixtures/ Equipment and Vehicles £	Total £
Cost or valuation				
At 1 October 2006	15,748,233	155,946	2,491,271	18,395,450
Additions	966,883	-	361,610	1,328,493
Disposals	(243,750)	-	-	(243,750)
At 30 September 2007	<u>16,471,366</u>	<u>155,946</u>	<u>2,852,881</u>	<u>19,480,193</u>
Depreciation				
At 1 October 2006	1,872,140	68,264	1,499,481	3,439,885
Charge for the year	241,033	2,546	274,234	517,813
Disposals	(23,418)	-	-	(23,418)
At 30 September 2007	<u>2,089,755</u>	<u>70,810</u>	<u>1,773,715</u>	<u>3,934,280</u>
Net book value				
At 30 September 2007	<u>14,381,611</u>	<u>85,136</u>	<u>1,079,166</u>	<u>15,545,913</u>
At 30 September 2006	<u>13,876,093</u>	<u>87,682</u>	<u>991,790</u>	<u>14,955,565</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. Buildings constructed since that date are included at cost.

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

	2007 £	2006 £
Cost	12,209,333	11,486,200
Aggregate depreciation based on cost	(1,389,686)	(1,211,445)
	<u>10,819,647</u>	<u>10,274,755</u>
Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount.	<u>62,791</u>	<u>68,193</u>

At the year end the Charity and Group had capital commitments of £300,000 (2006 : £800,000).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

9. Fixed assets – Investments

(a) Cost or valuation	Listed Investments £	Non-listed Investment £	Consolidated Total £	Investment in Subsidiaries £	Charity Total £
At 1 October 2006	9,490,828	1	9,490,829	10,002	9,500,831
Additions	1,897,934	-	1,897,934	-	1,897,934
Disposals	(1,731,100)	-	(1,731,100)	-	(1,731,100)
Net (loss) on disposal	(126,886)	-	(126,886)	-	(126,886)
Net gain on revaluation at 30 September 2007	112,226	-	112,226	-	112,226
At 30 September 2007	9,643,002	1	9,643,003	10,002	9,653,005
Cost at 30 September 2007	8,129,335	1	8,129,336	10,002	8,139,338

(b) Analysis of listed investments	Unrestricted £	Restricted £	Endowment £	Total 2007 £	Total 2006 £
Fixed Interest - UK	1,297,186	202,241	1,592,274	3,091,701	4,500,873
Equities - UK	2,564,378	399,805	2,431,650	5,395,833	4,873,815
Equities - International	61,071	9,521	-	70,592	116,140
Hedge Funds	251,718	39,245	265,059	556,022	-
Property	239,420	37,327	252,108	528,855	-
Total	4,413,773	688,139	4,541,091	9,643,003	9,490,828

(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

(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 a non-listed investment.

Friends of the Elderly received a management fee of £189,054 (2006: £219,638) 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 2007 Hanover Friends owed Friends of the Elderly £79,533 (2006: £65,960) which is included in Debtors (Note 10). The balance of the management fee of £29,661 (2006: £29,002) arose from the management of services in relation to the Sir Thomas Lipton Home.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

10. Debtors

	Consolidated		Charity	
	2007	2006	2007	2006
	£	£	£	£
Fees debtors	252,661	423,270	252,661	423,270
Other debtors	267,372	234,067	453,586	170,445
Prepayments and accrued income	64,759	83,496	64,759	83,496
Loan to subsidiary	-	-	1,000,000	-
	584,792	740,833	1,771,006	677,211

A secured loan of £1,500,000 was made to Potential Limited on sale of land in Woking to Potential Limited by the Charity. The loan is repayable when the land is sold by Potential Limited. £500,000 was repaid during the year. Interest on the loan is charged at Bank Rate (5.75% at 30 September 2007).

11. Creditors: amounts falling due within one year

	Consolidated		Charity	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	269,272	464,610	436,582	436,338
Amounts due to subsidiary undertakings	-	-	21,395	14,912
Other creditors	286,291	317,183	286,291	317,183
Taxation and social security	119,080	138,731	119,080	138,731
Accruals and deferred income	370,950	229,053	370,950	229,053
	1,045,593	1,149,577	1,234,298	1,136,217

12. Analysis of net assets between funds

Fund Balances at 30 September 2007	Consolidated Unrestricted Funds	Consolidated Restricted Funds	Consolidated Endowment Funds	Consolidated Total
represented by:	£	£	£	£
Tangible fixed assets	15,345,596	-	322,228	15,667,824
Investments	4,413,772	688,139	4,541,092	9,643,003
Current assets	1,661,033	277,589	378,615	2,317,237
Current liabilities	(1,045,593)	-	-	(1,045,593)
	20,374,808	965,728	5,241,935	26,582,471
	Charity Unrestricted Funds	Charity Restricted Funds	Charity Endowment Funds	Charity Total
	£	£	£	£
Tangible fixed assets	15,223,685	-	322,228	15,545,913
Investments	4,423,774	688,139	4,541,092	9,653,005
Current assets	2,839,865	277,589	378,615	3,496,069
Current liabilities	(1,234,298)	-	-	(1,234,298)
	21,253,026	965,728	5,241,935	27,460,689

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

13. Unrestricted Funds

	Designated Funds			Total Designated Funds £	General Reserves £	Total £
	Development £	Community Services £	Property & Fixed Assets in Use £			
As at						
1 October 2006	1,995,788	285,370	14,628,792	16,909,950	3,001,883	19,911,833
Transfers (Note 14)			-	-	115,281	115,281
Investment Gains (net)	-	-	-	-	15,751	15,751
Capital Expenditure	-	-	1,084,743	1,084,743	-	1,084,743
Other movements	(243,372)	(20,075)	(489,850)	(753,297)	497	(752,800)
As at 30 September 2007	1,752,416	265,295	15,223,685	17,241,396	3,133,412	20,374,808

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 £115,281 from restricted funds shown in note 14 represents the utilisation of restricted funds on property development less unrestricted funds expended to generate restricted income.

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 2006 £	Incoming Resources £	Funds utilised £	Gains & (losses) on investments	Transfers £	Balance 30 September 2007 £
Funds for the upkeep of Residential homes						
The Smiles Home	-	42,252	(42,252)	-	-	-
Other Homes funds	54,685	83,569	(75,452)	-	-	62,802
	54,685	125,821	(117,704)	-	-	62,802
Funds for Residents' subsidies						
House of Nunn	-	54,906	(54,906)	-	-	-
Stuart Trust	-	31,206	(31,206)	-	-	-
William Edmonds	-	19,135	(19,135)	-	-	-
	-	105,247	(105,247)	-	-	-

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

14. Restricted Funds continued

	Balance 1 October 2006 £	Incoming Resources £	Funds utilised £	Gains & (losses) on investments	Transfers £	Balance 30 September 2007 £
Home Support						
Big Lottery Fund - Sutton	45,835	58,845	(66,093)	-	-	38,587
Bridge House Trust	-	19,860	(19,860)	-	-	-
Other	10,001	53,991	(63,990)	-	-	2
Home Visiting	5,620	12,801	(8,836)	-	-	9,585
Day Clubs	-	59,186	(59,186)	-	-	-
	<u>61,456</u>	<u>204,683</u>	<u>(217,965)</u>	<u>-</u>	<u>-</u>	<u>48,174</u>
Funds for grants and allowances						
Plender Fund	93,036	10,063	(29,177)	(1,102)	-	78,820
Vaisey Fund	27,729	1,547	(1,113)	(337)	-	27,826
Gentlefolks Help Fund	39,900	-	-	(362)	-	39,538
City of London Welfare Assoc.	610,185	17,988	(35,344)	23,831	-	616,660
Other funds	53,402	127,403	(93,207)	-	-	87,598
	<u>824,252</u>	<u>157,001</u>	<u>(158,841)</u>	<u>22,030</u>	<u>-</u>	<u>844,442</u>
Capital funds						
Big Lottery Fund	-	13,184	-	-	(13,184)	-
Bradbury Foundation	-	81,845	-	-	(81,845)	-
Other	23,131	105,349	-	-	(128,480)	-
	<u>23,131</u>	<u>200,378</u>	<u>-</u>	<u>-</u>	<u>(223,509)</u>	<u>-</u>
Other Restricted Funds	10,714	-	(404)	-	-	10,310
Cost of generating donations & legacies	-	-	(108,228)	-	108,228	-
	<u>10,714</u>	<u>-</u>	<u>(108,632)</u>	<u>-</u>	<u>108,228</u>	<u>10,310</u>
Total	<u>974,238</u>	<u>793,130</u>	<u>(708,389)</u>	<u>22,030</u>	<u>(115,281)</u>	<u>965,728</u>

15. Endowments

At 30 September 2007, 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 have been pooled into a common fund known as the Income Fund.

Investment income is shown together with its utilisation within Restricted Funds (Note 14).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

15. Endowments continued

	Balance 01 October 2006 £	Donations and Gains on Investments net of utilisations £	Balance 30 September 2007 £
Funds for the upkeep of Residential Homes			
Davenham and Cottages	643,257	(7,067)	636,190
Woodcote Grove	150,263	(1,582)	148,681
The Smiles Home	1,214,989	(13,606)	1,201,383
Redcot	87,965	(927)	87,038
Other funds	52,657	(554)	52,103
	2,149,131	(23,736)	2,125,395
Funds for Residents' subsidies			
House of Nunn	1,197,106	(12,604)	1,184,502
Stuart Trust	672,050	(7,076)	664,974
William Edmunds	417,198	(4,393)	412,805
Other funds	57,943	(580)	57,363
	2,344,297	(24,653)	2,319,644
Funds for grants and allowances			
Harry Livesey	118,855	(1,251)	117,604
William Lambe	326,133	(3,433)	322,700
James Mew	164,808	(1,854)	162,954
Other funds	195,699	(2,061)	193,638
	805,495	(8,599)	796,896
Total	5,298,923	(56,988)	5,241,935

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 £215,614 in the year (2006 - £211,301).

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 Pensions Act 2004 required the Trustees of the Scheme to obtain an actuarial valuation of the technical provisions (ie liabilities) of the Scheme as at 1 October 2006 and to prepare a recovery plan if the assets were insufficient to cover the technical provisions. The actuarial valuation issued on 14 December 2007 shows the value of the assets at 1 October 2006 to be £1,360,000, which matches that of the technical provisions, and states that the Trustees do not need to draw up a recovery plan. A schedule of contributions showing a nil contribution as from 1 January 2008 has been agreed between the Scheme and Employer and certified by the Actuary. Contributions of £1,000 per month were made in the year to 30 September 2007.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

16. Pension schemes continued

The following disclosures have been provided by the 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 2007.

The major assumptions used by the actuary were:

	At year end 30 September 2007	At year end 30 September 2006
Discount Rate	5.8%	5.0%
Inflation Rate	3.6%	3.2%
Rate of increase of deferred pensions in excess of GMP	3.6%	3.2%

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 2007.

At 30 September 2007, the assets and liabilities of the scheme were:

	% p.a.	2007 £	% p.a.	2006 £
Total Market value of assets	5.3	1,016,100	4.5	1,216,900
Actuarial value of liabilities		(847,200)		(1,128,900)
Surplus		<u>168,900</u>		<u>88,000</u>

Movement in Surplus in the Year

	2007 £	2006 £
Surplus in scheme at the beginning of the year	88,000	146,900
Movement in the Year:		
Expected return on pension scheme assets	47,400	53,400
Interest on pension scheme liabilities	(49,800)	(52,900)
Actuarial gain/(loss) (see below)	83,300	(59,400)
Surplus in Scheme at the end of the year	<u>168,900</u>	<u>88,000</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2007 (continued)

16. Pension schemes continued

Analysis of amount which would be credited to the SOFA

	2007 £	2006 £
Expected return on pension scheme assets	47,400	53,400
Interest on pension scheme liabilities	(49,800)	(52,900)
	(2,400)	500
Adjustment in respect of unrecognisable deficit	2,400	(500)
Net return	Nil	Nil

Analysis of Actuarial Gain/(Loss) for the Year

	2007 £	Percentage of Scheme Assets/ Liabilities %	2006 £	Percentage of Scheme Assets/ Liabilities %
Actual return less expected return on pension scheme assets	14,500	1.4	9,100	0.1
Experience gains and losses arising on scheme liabilities	(12,800)	(1.1)	(71,100)	(6.3)
Changes in assumptions underlying the present value of scheme liabilities	81,600	(0.2)	2,600	(0.2)
Actuarial Gain/(Loss)	83,300		(59,400)	

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 2007 there were 14 members (2006: 12 members) who each pledge to pay £1 on winding up.

FRIENDS OF THE ELDERLY



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Her Majesty The Queen

President

HRH Princess Alexandra

Vice Presidents

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

Patrons

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Diana, Lady Farnham CVO
The Rt Hon The Baroness Boothroyd PC
Professor D Brooker
The Hon Mrs McAulay