

**FRIENDS OF THE ELDERLY**



**FRIENDS OF THE ELDERLY**

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

**Report and Financial Statements  
for the year ended 30 September 2008**

**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 2008**

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# FRIENDS OF THE ELDERLY

## Reference and Administrative Information

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### 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  
(*retired 30 June 2008*)  
Mr S Dawes (*Hon. Treasurer*) 1  
Mr D Brazier 1,3  
Mrs I Carr 2,3 (*retired 21 February 2008*)  
Mr P Costain 4 (*retired 21 February 2008*)  
Viscount Devonport 1,4  
Mrs S Hudson 2,3  
Mrs V Pendock 3  
Mr P C Robinson 3  
Mr M van der Schalk 1,4 (*appointed 21 February 2008*)  
Ms S A Taylor 2  
Ms P Wright 2  
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

### 6) Executive Board

Mr R Furze (*Chief Executive*)  
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*)  
Ms J O'Boyle (*Director of Fundraising*)  
Mrs J Sykes (*Director of Community Services*)

### 7) Registered Auditor

Mazars LLP  
Times House  
Throwley Way  
Sutton, Surrey SM1 4JQ

### 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

Anthony Collins  
134 Edmund Street  
Birmingham  
B3 2ES

Bircham Dyson Bell  
50 Broadway  
Westminster  
London SW1H 0BL

# **FRIENDS OF THE ELDERLY**

## **Report of the Members of the Governing Council For the year ended 30 September 2008 (incorporating the Directors' Report)**

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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 2008 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 member of the Finance and General Purposes Committee.

During the year three Trustees retired and one new Trustee was appointed. The Governing Council acknowledges with grateful thanks the considerable contributions made by Anthony Wheatley, Isabel Carr and Peter Costain over many years, and warmly welcomes Max van der Schalk. It also remembers with tremendous gratitude the lives of Lady Trend, at one time Chairman of the Governing Council and a long-time Vice President of the Charity, and Miss Pricilla Lethbridge, for many years Director General of the Charity, who died in the year.

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 294 full time and 254 part time staff supplemented by 101 agency staff. Of these staff 543 worked within the care homes, 64 within the community services, and 42 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:

- 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.

# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2008 (continued)

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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 Trustees are aware of and are considering the Charity Commission guidance in respect of Public Benefit and will ensure that all disclosures required under this guidance are fully incorporated within next year's financial statements.

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 thirteen 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. At the end of the year it also managed two care homes on behalf of Hanover Housing Association and one care home on behalf of the Sir Thomas Lipton Memorial Hostel.

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

A total of 475 care beds were under the management of the Charity at the year end 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.

# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2008 (continued)

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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 received good inspection reports from the Commission for Social Care Inspection (CSCI) with 90% achieving good or excellent ratings.

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 continued to support older people who live in their own homes by having community services that are person-centred and that aim to improve older people's well-being. Staff are appropriately trained and there is a significant training programme to meet the needs of those clients who have dementia.

Services range from day care and home support to befriending and financial grants. There is considerable planning for new services but obtaining and sustaining the necessary funding is challenging. New funding from local authorities is through contracts for which the Charity must bid, and the first contract-funded service began during the year.

### Welfare Grants

During the year 797 (2007:799) older people received either one-off grants for essential household items or regular allowances to supplement their very low incomes. A total of 6,890 older people benefited from projects funded by Friends of the Elderly, including Southwark Irish Pensioners in London and Dhek Bhal in Bristol which organise respite breaks to the coast for older people living in deprived inner city areas. 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 Charity's Strategic Plan for 2007 to 2012 sets out five strategic aims which will enable it to fulfil its mission by responding effectively to the current and future needs of older people. These aims are to:

1. Provide an integrated range of services
2. Expand support for older people in their own homes
3. Make care home services more flexible to meet the needs of older people
4. Improve and demonstrate the quality of our services
5. Build a strong profile and development capability for the charity.

Work during the year to implement these aims included:

- Three key regions were established in which community and residential services work together and with local partners to meet the needs of older people.
- Howbury Lodge Day Centre was opened to support older people living with moderate to advanced dementia in Malvern.
- Planning approval was obtained for the construction of a dementia unit so as to provide a full range of residential services in Malvern.
- An Admiral Nurse role was introduced to support the relatives and carers of those with dementia.

# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2008 (continued)

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- The introduction of a new pilot foundation degree in Health and Social Care Practice, developed with the University of Gloucestershire, to enable health care assistants to develop a range of clinical skills, particularly related to gerontology.
- Investors in People accreditation was achieved in several residential and community services.

During the year Hanover Friends, the joint venture with Hanover Housing Association was dissolved 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 were transferred from Hanover Friends to the Charity on 1 April 2008 and the two care homes remaining with Hanover Housing Association continued to be managed by the Charity. Discussions were also concluded concerning the transfer of the corporate trusteeship of the Sir Thomas Lipton home to the Charity to take place on 1 January 2009.

### *Fundraising and Public Affairs*

Total income from donations and legacies of £1,094,624 was 1.6% higher than that achieved in 2006/07. Income used for on-going operations (ie excluding income for capital projects) increased by 24%. In these areas of fundraising and communications:

- Income from legacies grew strongly, increasing by 54% compared to 2006/07 and accounting for 52% (2007 – 34%) of this income.
- Trust income to support the Charity's staff training programme, day clubs and the telephone befriending service held up well. However, total income from trusts was 55% lower than in 2006/07 due to the completion of funding for major development work in that year.

### *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.

The commitment to staff training continued with increased investment in dementia training and end of life care. Following a successful e learning pilot for mandatory training, this will be rolled out during 2009.

Friends of the Elderly has been involved in establishing a framework for foundation degrees in health and social care. A foundation degree in Health and Social Care Practice has been introduced in partnership with the University of Gloucestershire. The training received will prepare staff for additional responsibilities within a nursing home, and the focus on training on medical conditions in older age will greatly assist the quality of care provided.

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**

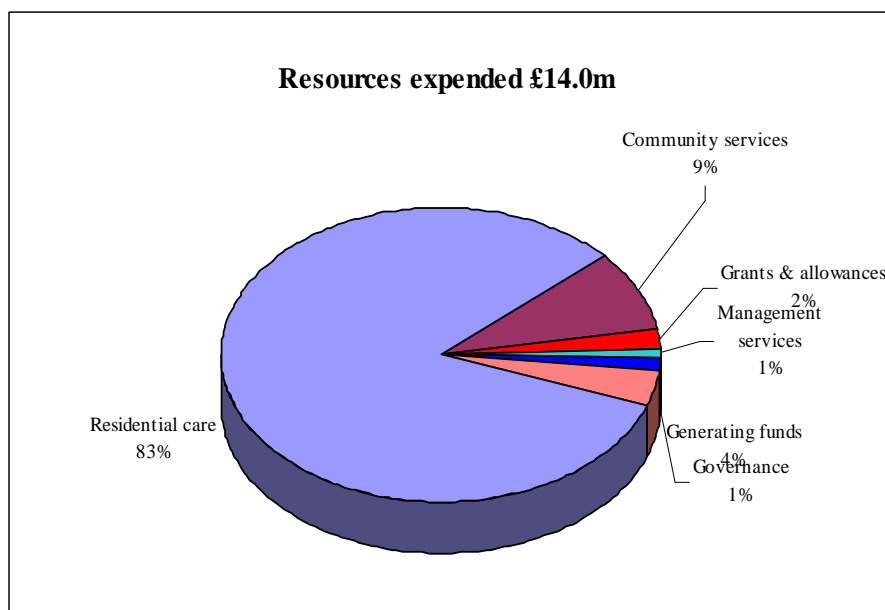
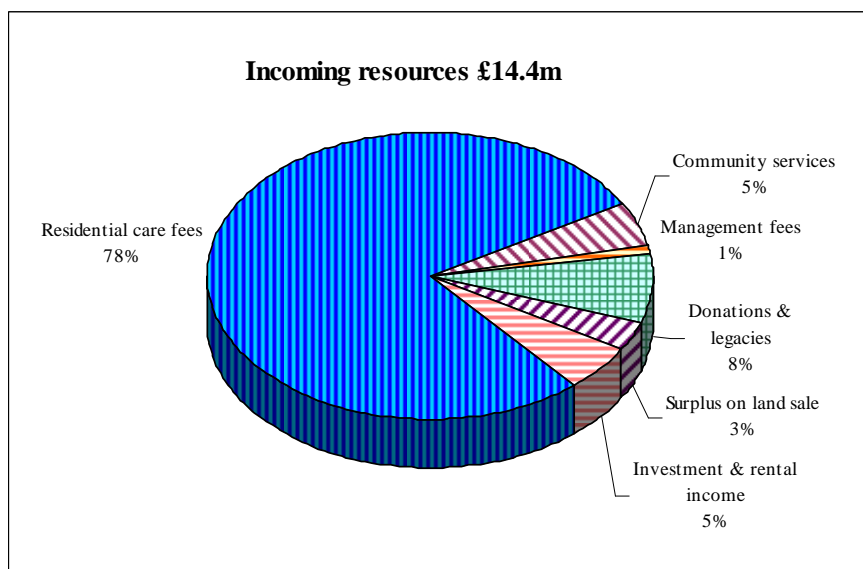
The year's total incoming resources of £14,426,863 were 14.8% more than in 2006/07 whilst the year's total resources expended of £14,005,610 were 15.2% higher than in 2006/07. The increases in total income/expenditure reflect:

- The acquisition of four additional care homes in April 2008 following the ending of the joint venture with Hanover Housing Association. This brought the total number of care homes owned by the Charity to 13.
- Growth in income from care homes due to increased fees slightly offset by a reduction in the occupancy levels which averaged 90.1% during the year (2006/07: 91.5%). 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 absence of donations for capital expenditure following the completion of the major capital development in the previous year.

# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2008 (continued)

- Other incoming resources in 2007/08 including an exceptional item of £494,834 (2006/07: £601,563) being the surplus on the sale of land in Woking.
- Firm control of both direct costs and support costs.



The net impact of the increase in income and expenditure was a surplus from operations of £421,253 (2006/07: £412,137).

The statement of financial activities also shows the impact of:

- The acquisition of four care homes which were transferred at no cost to the Charity from Hanover Housing Association which have been valued at £3,082,000.
- Unrealised losses on investments, net of realised gains, which reduced funds by £1,404,464.

The value of the investment portfolio fell during the year by £1,413,027 (13.6%) as a result of declining stock market values in response to the downturn in world economies. Investment values continued to fall after the year end and showed an additional unrealised loss of £575,000 at the time of the signing of the financial statements.



# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2008 (continued)

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The investment 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. Gains of £591,078 were realised during the year which were more than offset by unrealised losses of £1,995,542. Further details of investment assets are shown in note 9 to the financial statements. The Income Fund and Balanced Fund achieved total returns of -8.9% and -10.6% respectively during the year which compare favourably to benchmark returns of -12.0% and -13.3% based on UK market indices for the underlying investments. Income yields were 4.7% and 4.3% respectively.

Tangible assets increased largely as a result of the acquisition of four care homes which have been valued by the members of the Governing Council at £3,082,000, having taken advice from independent professionally qualified chartered surveyors and valuers. Further details of fixed assets are shown in note 8 to the financial statements. At the year end there were expenditure commitments of £250,000 mainly in relation to the redevelopment of the Charity's Malvern site.

During the year a second tranche of land adjoining the Bradbury Centre in Woking was sold by Potential Limited, the Charity's development company, to a contractor. This enabled Potential Limited to repay a further £615,000 of the loan it received in 2006/07 from the Charity which is secured against the land. The sale of the third tranche of land was completed in January 2009 and the loan was repaid in full.

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

The net movement on funds for the year, including donated properties and net unrealised losses on investments, was £2,098,789 (2006/06: £397,477). Unrestricted reserves, excluding those designated for a specific purpose, fell from £3.1m to £2.6m which constituted a reduction in the number of months unrestricted expenditure covered by reserves from 3.29 months to 2.4 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.

The Trustees recognise that expenditure coverage at the year end fell below the target due to the unrealised loss incurred during the year on long term investment assets. Trustees expect the value of these investment assets to recover in the medium to long term. Hence, taking the above 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 £3,057,966 in the year. Other designated funds are largely held for development purposes and the net increase in these funds during the year includes a transfer into the fund of £500,000 of the surplus on the sale of land partly offset by funds utilised for development.

### **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

# FRIENDS OF THE ELDERLY

## Report of the Members of the Governing Council For the year ended 30 September 2008 (continued)

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appropriate industry benchmarks. During the year the Trustees established an Investments Committee which meets regularly with the Fund Managers to review performance and consider changes to the portfolio to respond to market conditions.

### *Pensions*

Details of the Charity's pension schemes are shown in Note 17. The accounts for the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) comply with the additional disclosure provisions of FRS17. This defined benefit (final salary) Scheme showed a surplus at 30 September 2008 of £299,900 (2007: £168,900) with assets valued at 140.8% 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.

During the year the Charity commenced participation in two additional pension schemes following the transfer of staff from Hanover Friends to the Charity as from April 2008. The Scottish Voluntary Sector Pension Scheme and the Career Average Revalued Earnings (CARE) Pension Scheme are multi-employer defined benefit schemes.

### **Plans for the Future**

Following excellent progress with implementation of the Strategic Plan 2007-2012 last year our key priorities for the next financial year include:

- Researching the opportunities for new Community Services in the North of London Region
- Tendering for all appropriate Community Services related contracts in our other two Regions
- Commencing building preparation work for the our new Dementia Unit in Malvern
- Enlarging our Dementia unit and related facilities in Moulsham, Oxfordshire
- Finalising the transfer of the Sir Thomas Lipton Charity to our corporate trusteeship
- Awarding additional welfare grants to older people in particular financial difficulty due to the economic situation
- Completion of first stage dementia training for all our staff teams
- Commencement of Gold Standards Framework training at all our Care Homes to support excellent End of Life Care
- Embedding our new Admiral Nurse service within our other support work for people with dementia and their carers
- Achieving Investors 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 19 March 2009.

### **Auditors**

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

By order of the Council

Peter Brearley  
**Company Secretary**

12 February 2009

# **FRIENDS OF THE ELDERLY**

## **Independent Auditors' Report to the members of Friends of the Elderly for the year ended 30 September 2008**

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We have audited the financial statements of Friends of the Elderly for the year ended 30 September 2008 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 charity'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 charity's members those matters we are required to state to them in an auditors' 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 charity and the charity'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 charity 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 charity 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 charity 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 2008 (continued)**

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### *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 charity and the group as at 30 September 2008 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.

**Mazars LLP**

**Chartered Accountants  
Registered Auditors**

# FRIENDS OF THE ELDERLY

## Consolidated Statement of Financial Activities For the year ended 30 September 2008 (Incorporating the Income and Expenditure Account)

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2008 £	Total 2007 £
<b>Incoming resources</b>						
<i>Incoming resources from generated funds</i>						
Donations and legacies	2	806,064	288,560	-	1,094,624	1,078,053
Investment income	3	336,458	253,803	-	590,261	575,166
<i>Incoming resources from charitable activities</i>						
Residential care fees		11,200,269	25,674	-	11,225,943	9,454,753
Community services income		695,115	7,114	-	702,229	531,146
Management fees		143,700	-	-	143,700	218,715
<i>Other incoming resources</i>	4	670,106	-	-	670,106	706,885
<b>Total incoming resources</b>		<b>13,851,712</b>	<b>575,151</b>	<b>-</b>	<b>14,426,863</b>	<b>12,564,718</b>
<b>Resources expended</b>						
<i>Cost of generating funds</i>						
Fundraising costs		331,824	112,671	-	444,495	345,772
Public affairs costs		53,439	11,674	-	65,113	76,052
Investment management costs		28,939	25,495	-	54,434	51,410
		414,202	149,840	-	564,042	473,234
<i>Charitable activities</i>						
Residential care		11,276,883	302,632	4,547	11,584,062	9,886,894
Community services		1,105,078	137,050	-	1,242,128	1,083,606
Grants and allowances payable		164,454	148,286	-	312,740	304,213
Management services		143,700	-	-	143,700	218,715
		12,690,115	587,968	4,547	13,282,630	11,493,428
<i>Governance costs</i>		158,938	-	-	158,938	185,919
<b>Total resources expended</b>		<b>13,263,255</b>	<b>737,808</b>	<b>4,547</b>	<b>14,005,610</b>	<b>12,152,581</b>
<b>Net incoming/(outgoing) resources from operations</b>						
Donated properties	2	3,082,000	-	-	3,082,000	-
<b>Net incoming/(outgoing) resources before transfers</b>		<b>3,670,457</b>	<b>(162,657)</b>	<b>(4,547)</b>	<b>3,503,253</b>	<b>412,137</b>
<i>Transfers</i>	13 & 14	(124,345)	124,345	-	-	-
<b>Net incoming/(outgoing) resources before realised gains on investments</b>		<b>3,546,112</b>	<b>(38,312)</b>	<b>(4,547)</b>	<b>3,503,253</b>	<b>412,137</b>
<b>Realised gains/(losses) on investments</b>	1(g)	318,806	49,880	222,392	591,078	(126,886)
<b>Net income for the year</b>		<b>3,864,918</b>	<b>11,568</b>	<b>217,845</b>	<b>4,094,331</b>	<b>285,251</b>
<b>Other recognised (losses)/gains – on investment assets</b>	9(a)	(984,341)	(153,385)	(857,816)	(1,995,542)	112,226
<b>Net movement in funds</b>		<b>2,880,577</b>	<b>(141,817)</b>	<b>(639,971)</b>	<b>2,098,789</b>	<b>397,477</b>
<i>Reconciliation of funds</i>						
Total funds brought forward		20,374,808	965,728	5,241,935	26,582,471	26,184,994
<b>Total funds carried forward</b>	13 to 15	<b>23,255,385</b>	<b>823,911</b>	<b>4,601,964</b>	<b>28,681,260</b>	<b>26,582,471</b>

# **FRIENDS OF THE ELDERLY**

## **Consolidated Statement of Financial Activities**

**For the year ended 30 September 2008**

**(Incorporating the Income and Expenditure Account) (continued)**

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All the above amounts relate to continuing activities.

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

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 2008

	Notes	Consolidated		Charity	
		2008 £	2007 £	2008 £	2007 £
<b>Fixed assets</b>					
Tangible assets	8	18,655,643	15,667,824	18,603,879	15,545,913
Investments	9	8,986,981	10,400,008	8,996,983	10,410,010
		<u>27,642,624</u>	<u>26,067,832</u>	<u>27,600,862</u>	<u>25,955,923</u>
<b>Current assets</b>					
Debtors	10	891,836	584,792	1,385,599	1,771,006
Cash		1,810,071	975,440	1,804,547	968,058
		<u>2,701,907</u>	<u>1,560,232</u>	<u>3,190,146</u>	<u>2,739,064</u>
<b>Creditors</b>					
Amounts falling due within one year	11	(1,663,271)	(1,045,593)	(1,671,383)	(1,234,298)
<b>Net current assets</b>		<u>1,038,636</u>	<u>514,639</u>	<u>1,518,763</u>	<u>1,504,766</u>
<b>Net assets</b>	12	<u>28,681,260</u>	<u>26,582,471</u>	<u>29,119,625</u>	<u>27,460,689</u>
<b>Represented by:</b>					
Unrestricted funds:					
Designated funds	13	20,631,462	17,241,396	20,631,462	17,241,396
General reserves	13	<u>2,623,923</u>	<u>3,133,412</u>	<u>3,062,288</u>	<u>4,011,630</u>
		23,255,385	20,374,808	23,693,750	21,253,026
Restricted funds	14	823,911	965,728	823,911	965,728
Endowment funds	15	4,601,964	5,241,935	4,601,964	5,241,935
		<u>28,681,260</u>	<u>26,582,471</u>	<u>29,119,625</u>	<u>27,460,689</u>

The financial statements on pages 13 to 37 were approved by the members of the Governing Council on 12 February 2009 and were signed on its behalf by:

**S Dawes**  
**Honorary Treasurer**

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

# FRIENDS OF THE ELDERLY

## Consolidated Cash Flow Statement For the year ended 30 September 2008

	Note	2008 £	2008 £	2007 £	2007 £
Net cash inflow/( outflow) from operating activities	1		169,440		(194,722)
Returns on investment			590,261		575,166
<b>Capital expenditure and Financial investment</b>					
Purchase of investments		(2,086,292)		(1,897,934)	
Purchase of fixed assets		(494,567)		(1,303,509)	
Receipts from sales of investments		2,237,750		1,731,100	
Receipts from sale of assets		560,934		675,000	
			217,825		(795,343)
<b>Net cash inflow/(outflow)</b>			<u>977,526</u>		<u>(414,899)</u>

Short term deposits are included as cash.

## Reconciliation of Net Cash Flow to Movement in Net Funds For the year ended 30 September 2008

	2008 £	2007 £
Movement in net funds during the year	977,526	(414,899)
Net funds at 1 October 2007	1,732,445	2,147,344
<b>Net funds at 30 September 2008</b>	<u>2,709,971</u>	<u>1,732,445</u>
Cash invested	899,900	757,005
Cash at bank	1,810,071	975,440
<b>Total cash at 30 September 2008</b>	<u>2,709,971</u>	<u>1,732,445</u>



# FRIENDS OF THE ELDERLY

## Note to the Cash Flow Statement

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

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Net incoming resources from operations	421,253	412,137
Investment income	(590,261)	(575,166)
Depreciation	522,648	517,813
(Profit) on sale of fixed assets	(494,834)	(601,563)
(Decrease)/Increase in debtors	(307,044)	156,041
Decrease/(Increase) in creditors	617,678	(103,984)
	<hr/>	<hr/>
<b>Net cash inflow from operating activities</b>	<b>169,440</b>	<b>(194,722)</b>
	<hr/> <hr/>	<hr/> <hr/>

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

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008

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### 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 £1,658,935.

#### (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.

#### (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.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

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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 50 years) -	2% of cost or valuation per annum
Leasehold buildings (under 50 years) -	Over term of lease
Fixtures and fittings -	10-20% of cost per annum
Office and domestic equipment -	10-33 $\frac{1}{3}$ % of cost per annum
Motor vehicles -	25% of cost per annum
Computer equipment -	33 $\frac{1}{3}$ % 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 scheme is valued under FRS17 Retirement Benefits and is described in Note 17.

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.

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes as described in Note 17.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

### 2 Donations and legacies

	Unrestricted funds £	Restricted funds £	Total funds 2008 £	Total funds 2007 £
Donations				
Big Lottery Fund:				
- Sutton Home Support	-	-	-	58,845
- Bradbury Centre	-	-	-	13,184
Bradbury Foundation	-	-	-	81,845
Bridge House Trust	-	-	-	19,860
The Clothworkers' Foundation	22,000	-	22,000	22,000
The John Ellerman Foundation	-	25,000	25,000	25,000
Other	254,906	224,268	479,174	489,005
Legacies	529,158	39,292	568,450	368,314
	<u>806,064</u>	<u>288,560</u>	<u>1,094,624</u>	<u>1,078,053</u>
Donated properties:				
Hanover Housing Association	3,082,000	-	3,082,000	-
	<u>3,082,000</u>	<u>-</u>	<u>3,082,000</u>	<u>-</u>

### 3 Investment income

	Unrestricted funds £	Restricted funds £	Total funds 2008 £	Total funds 2007 £
Dividends from listed investments	200,064	253,803	453,867	438,045
Interest on cash and short term deposits	136,394	-	136,394	137,121
	<u>336,458</u>	<u>253,803</u>	<u>590,261</u>	<u>575,166</u>

### 4 Other incoming resources

	Unrestricted funds £	Restricted funds £	Total funds 2008 £	Total funds 2007 £
Exceptional item – Surplus on sale of land	494,834	-	494,834	601,563
Rental income	175,272	-	175,272	105,322
	<u>670,106</u>	<u>-</u>	<u>670,106</u>	<u>706,885</u>

**FRIENDS OF THE ELDERLY**  
**Notes to the Financial Statements**  
**For the year ended 30 September 2008 (continued)**

**5 Total resources expended**

	Activities directly undertaken £	Grant funding of activities £	Management and administration £	Human resources £	Property & development £	Marketing £	Total 2008 £	Total 2007 £
<i>Cost of generating funds</i>								
Fundraising costs	422,911	-	15,969	4,897	718	-	444,495	345,772
Public affairs costs	46,696	-	15,969	2,448	-	-	65,113	76,052
Investment management costs	46,450	-	7,984	-	-	-	54,434	51,410
<i>Charitable activities</i>								
Residential care	10,560,482	-	717,232	166,505	97,243	42,600	11,584,062	9,886,894
Community services	1,173,168	-	39,922	17,142	8,655	3,241	1,242,128	1,083,606
Grants and allowances payable	63,844	237,283	7,984	2,449	717	463	312,740	304,213
Management services	77,818	-	5,664	51,428	8,790	-	143,700	218,715
<i>Governance costs</i>	30,754	-	109,136	4,188	14,468	392	158,938	185,919
<b>Total resources expended</b>	<b>12,422,123</b>	<b>237,283</b>	<b>919,860</b>	<b>249,057</b>	<b>130,591</b>	<b>46,696</b>	<b>14,005,610</b>	<b>12,152,581</b>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

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### 6 Net income (expenditure) for the year

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

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Staff costs (see Note 7)	9,684,658	7,641,944
Depreciation of tangible fixed assets (Note 8)	522,648	517,813
Auditors' remuneration	17,221	19,550
Professional indemnity insurance	6,597	6,699
Profit on sale of fixed assets	494,834	601,563
	<u>9,726,058</u>	<u>8,787,569</u>

The professional indemnity insurance is in respect of Trustees, committee members and staff. Cover included 22 Trustees and committee members (2007:22).

### 7 Staff costs

	<b>2008</b>	<b>2007</b>
	<b>No.</b>	<b>No.</b>
Full time	294	266
Part time	254	208
Agency	101	47
	<u>649</u>	<u>521</u>

	<b>2008</b>	<b>2007</b>
	<b>£</b>	<b>£</b>
Staff costs were as follows:		
Salaries	7,532,870	5,858,230
Social security costs	638,401	576,804
Pension costs	329,118	215,614
Agency and contract	1,184,269	991,296
	<u>9,684,658</u>	<u>7,641,944</u>

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

	<b>No.</b>	<b>No.</b>
£60,001 – £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	-
	<u>2</u>	<u>2</u>

The trustees received no remuneration for their services (2007:Nil). During 2008 amounts paid on behalf of one Trustee, including expenses reimbursed, were £191 (2007: one Trustee, £120).

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

### 8 Tangible fixed assets

#### Consolidated

	<b>Freehold &amp; Long Leasehold Property £</b>	<b>Short Leasehold Property £</b>	<b>Fixtures/ Equipment and Vehicles £</b>	<b>Total £</b>
<b>Cost or Valuation</b>				
At 1 October 2007	16,608,890	155,946	2,852,881	19,617,717
Revaluations/Transfers	18,378	-	(18,378)	-
Additions	3,231,259	-	345,308	3,576,567
Disposals	(73,125)	-	-	(73,125)
<b>At 30 September 2008</b>	<b>19,785,402</b>	<b>155,946</b>	<b>3,179,811</b>	<b>23,121,159</b>
<b>Depreciation</b>				
At 1 October 2007	2,105,368	70,810	1,773,715	3,949,893
Charge for year	253,842	2,546	266,260	522,648
Disposals	(7,025)	-	-	(7,025)
<b>At 30 September 2008</b>	<b>2,352,185</b>	<b>73,356</b>	<b>2,039,975</b>	<b>4,465,516</b>
<b>Net book value</b>				
<b>30 September 2008</b>	<b>17,433,217</b>	<b>82,590</b>	<b>1,139,836</b>	<b>18,655,643</b>
<b>Net book value</b>				
<b>30 September 2007</b>	<b>14,503,522</b>	<b>85,136</b>	<b>1,079,166</b>	<b>15,667,824</b>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

### 8 Tangible fixed assets (continued)

#### Charity

	Freehold & Long Leasehold Property £	Short Leasehold Property £	Fixtures/ Equipment and Vehicles £	Total £
<b>Cost or Valuation</b>				
At 1 October 2007	16,471,366	155,946	2,852,881	19,480,193
Revaluations/Transfers	18,378	-	(18,378)	-
Additions	3,235,306	-	345,308	3,580,614
<b>At 30 September 2008</b>	<b>19,725,050</b>	<b>155,946</b>	<b>3,179,811</b>	<b>23,060,807</b>
<b>Depreciation</b>				
At 1 October 2007	2,089,755	70,810	1,773,715	3,934,280
Charge for year	253,842	2,546	266,260	522,648
<b>At 30 September 2008</b>	<b>2,343,597</b>	<b>73,356</b>	<b>2,039,975</b>	<b>4,456,928</b>
<b>Net book value</b>				
<b>30 September 2008</b>	<b>17,381,453</b>	<b>82,590</b>	<b>1,139,836</b>	<b>18,603,879</b>
<b>Net book value</b>				
<b>30 September 2007</b>	<b>14,381,611</b>	<b>85,136</b>	<b>1,079,166</b>	<b>15,545,913</b>

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. Freehold and long leasehold buildings acquired during the year were valued by the members of the Governing Council, having taken advice from independent professionally qualified chartered surveyors and valuers, at an existing use value using a formula based on the turnover of those homes. The short leasehold building acquired during the year is valued at nil as the lease cannot be sold to third parties.

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

	2008 £	2007 £
Cost	12,362,639	12,209,333
Aggregate depreciation based on cost	(1,584,688)	(1,389,686)
	<u>10,777,951</u>	<u>10,819,647</u>
Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount.	58,841	62,791

At the year end the Charity and Group had capital commitments of £250,000 (2007 : £300,000).



# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

### 9 Fixed assets – Investments

#### (a) Cost or valuation

	Listed Investments £	Non-Listed Investments £	Cash £	Consolidated Total £	Investment in Subsidiaries £	Charity Total £
<b>At 1 October 2007</b>						
2007	9,643,002	1	757,005	10,400,008	10,002	10,410,010
Additions	2,086,292	-	-	2,086,292	-	2,086,292
Disposals	(2,237,749)	(1)	-	(2,237,750)	-	(2,237,750)
Net gain on disposal	591,078	-	-	591,078	-	591,078
Net (loss) on revaluation at 30 September 2008	(1,995,542)	-	-	(1,995,542)	-	(1,995,542)
Net movement in cash	-	-	142,895	142,895	-	142,895
<b>At 30 September 2008</b>	<b>8,087,081</b>	<b>-</b>	<b>899,900</b>	<b>8,986,981</b>	<b>10,002</b>	<b>8,996,983</b>
Cost at 30 September 2008	8,578,959	-	899,900	9,478,859	10,002	9,488,861

#### (b) Analysis of listed investments

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2008 £	Total 2007 £
Fixed interest – UK	1,346,357	191,276	1,444,655	2,982,288	3,091,701
Equities – UK	1,941,749	275,863	1,808,656	4,026,268	5,395,833
Equities – International	92,228	13,103	-	105,331	70,592
Hedge funds	252,395	35,857	262,589	550,841	556,022
Property	193,522	27,493	201,338	422,353	528,855
	<b>3,826,251</b>	<b>543,592</b>	<b>3,717,238</b>	<b>8,087,081</b>	<b>9,643,003</b>

Friends of the Elderly entered into a Joint Venture Agreement with Hanover Housing Association on 8 November 2008. A company limited by guarantee, Hanover Friends, was registered on 31 January 2008 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. The Joint Venture was dissolved on 1 April 2008. Hanover Friends was legally a subsidiary of Hanover Housing Association and had been fully consolidated within the group accounts of Hanover Housing Association. Friends of the Elderly had no obligations to meet any of the liabilities of Hanover Friends. It had therefore been included in the accounts as a non-listed investment.

Friends of the Elderly received a management fee of £108,126 (2007: £189,054) from Hanover Housing Association during the year in respect of a number of service level agreements which are negotiated on an arms length basis. At 30 September 2008 Hanover Friends owed Friends of the Elderly £40,626 (2007: £79,533) which is included in Debtors (Note 10). The balance of the management fee of £35,574 (2007: £29,661) 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 2008 (continued)

### 10 Debtors

	Consolidated		Charity	
	2008	2007	2008	2007
	£	£	£	£
Fee debtors	524,803	252,661	524,803	252,661
Amounts due from subsidiary undertakings	-	-	48,818	-
Other debtors	194,734	267,372	254,679	453,586
Prepayments and accrued income	172,299	64,759	172,299	64,759
Loan to subsidiary	-	-	385,000	1,000,000
	<u>891,836</u>	<u>584,792</u>	<u>1,385,599</u>	<u>1,771,006</u>

A secured loan of £1,500,000 was made to Potential Limited in the year to 30 September 2007 on sale of land in Woking to Potential Limited by the Charity. The loan is repayable when the land is sold by Potential Limited. £615,000 was repaid during the year in addition to £500,000 repaid in the year to 30 September 2007. Interest on the loan is charged at the Bank of England base rate at 5% (5.75% at 30 September 2007).

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

	Consolidated		Charity	
	2008	2007	2008	2007
	£	£	£	£
Trade creditors	678,584	269,272	686,696	436,582
Amounts due to subsidiary undertakings	-	-	-	21,395
Other creditors	413,218	286,291	413,218	286,291
Taxation and social security	144,472	119,080	144,472	119,080
Accruals and deferred income	426,997	370,950	426,997	370,950
	<u>1,663,271</u>	<u>1,045,593</u>	<u>1,671,383</u>	<u>1,234,298</u>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements

For the year ended 30 September 2008 (continued)

### 12 Analysis of net assets between funds

<b>Fund balances at 30 September 2008</b>	<b>Consolidated Unrestricted funds</b>	<b>Consolidated Restricted funds</b>	<b>Consolidated Endowment funds</b>	<b>Consolidated total</b>
<b>Represented by:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	18,337,962	-	317,681	18,655,643
Investments	4,115,138	584,634	4,287,209	8,986,981
Current assets	2,465,556	239,277	(2,926)	2,701,907
Current liabilities	(1,663,271)	-	-	(1,663,271)
	<u>23,255,385</u>	<u>823,911</u>	<u>4,601,964</u>	<u>28,681,260</u>
	<u><u>23,255,385</u></u>	<u><u>823,911</u></u>	<u><u>4,601,964</u></u>	<u><u>28,681,260</u></u>
	<b>Charity Unrestricted funds</b>	<b>Charity Restricted funds</b>	<b>Charity Endowment funds</b>	<b>Charity total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	18,286,198	-	317,681	18,603,879
Investments	4,125,140	584,634	4,287,209	8,996,983
Current assets	2,953,795	239,277	(2,926)	3,190,146
Current liabilities	(1,671,383)	-	-	(1,671,383)
	<u>23,693,750</u>	<u>823,911</u>	<u>4,601,964</u>	<u>29,119,625</u>
	<u><u>23,693,750</u></u>	<u><u>823,911</u></u>	<u><u>4,601,964</u></u>	<u><u>29,119,625</u></u>

**FRIENDS OF THE ELDERLY**  
**Notes to the Financial Statements**  
**For the year ended 30 September 2008 (continued)**

**13 Unrestricted funds**

	<b>Designated Funds</b>					
	<b>Development</b>	<b>Community Services</b>	<b>Property &amp; Fixed assets in use</b>	<b>Total Designated funds</b>	<b>General reserves</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
As at 1 October 2007	1,752,416	265,295	15,223,685	17,241,396	3,133,412	20,374,808
Transfers (Note 14)	-	-	-	-	(124,345)	(124,345)
Investment Losses (net)	-	-	-	-	(665,535)	(665,535)
Capital Expenditure (net)	-	-	3,580,614	3,580,614	-	3,580,614
Other movements	346,694	(19,140)	(518,102)	(190,548)	280,391	89,843
<b>As at 30 September 2008</b>	<b>2,099,110</b>	<b>246,155</b>	<b>18,286,197</b>	<b>20,631,462</b>	<b>2,623,923</b>	<b>23,255,385</b>

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

- a) Development funds are amounts set aside by the Trustees to be used towards the cost of new buildings and substantial redevelopment of existing properties, where these can be made viable for the long-term future, significant cyclical maintenance and major development costs in the area of fundraising. Funds utilised in the year relate to expenditure on property development not funded from restricted funds.
- b) Community Services funds are amounts set aside to develop new Community Services and to sustain existing projects whilst other funding is identified.
- c) The Property in use and other assets fund 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 £124,345 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 2008 (continued)

### 14 Restricted funds

	Balance 1 October 2007 £	Incoming resources £	Funds utilised £	Transfers and net losses on investments £	Balance 30 September 2008 £
<b>Funds for the upkeep of residential homes</b>					
The Smiles home	-	41,137	(41,137)	-	-
Other homes funds	62,802	118,835	(80,700)	-	100,937
	<u>62,802</u>	<u>159,972</u>	<u>(121,837)</u>	<u>-</u>	<u>100,937</u>
<b>Funds for residents' subsidies</b>					
House of Nunn	-	53,457	(53,457)	-	-
Stuart Trust	-	30,198	(30,198)	-	-
William Edmonds	-	18,630	(18,630)	-	-
Inholders	-	45,600	(45,600)	-	-
	<u>-</u>	<u>147,885</u>	<u>(147,885)</u>	<u>-</u>	<u>-</u>
<b>Funds for community projects</b>					
Home support					
Big Lottery Fund – Sutton	38,587	-	(38,587)	-	-
Other	2	32,650	(32,652)	-	-
Home visiting	9,585	7,911	(8,743)	-	8,753
Day clubs	-	29,926	(29,732)	-	194
	<u>48,174</u>	<u>70,487</u>	<u>(109,714)</u>	<u>-</u>	<u>8,947</u>
<b>Funds for grants and allowances</b>					
Plender fund	72,820	4,844	(27,756)	(16,125)	33,783
Vaisey fund	27,826	1,481	(2,355)	(4,929)	22,023
Gentlefolks Help fund	39,609	1,594	(1,967)	(5,307)	33,929
City of London Welcare Ass.	616,660	28,032	(37,268)	(77,144)	530,280
Other funds	87,527	105,107	(113,820)	-	78,814
	<u>844,442</u>	<u>141,058</u>	<u>(183,166)</u>	<u>(103,505)</u>	<u>698,829</u>
<b>Capital funds</b>					
Home capital improvements	-	50,249	(50,249)	-	-
Other	-	2,000	(612)	-	1,388
	<u>-</u>	<u>52,249</u>	<u>(50,861)</u>	<u>-</u>	<u>1,388</u>
Other restricted funds	10,310	3,500	-	-	13,810
Costs of generating donations & legacies	-	-	(124,345)	124,345	-
	<u>10,310</u>	<u>3,500</u>	<u>(124,345)</u>	<u>124,345</u>	<u>13,810</u>
<b>Total</b>	<u>965,728</u>	<u>575,151</u>	<u>(737,808)</u>	<u>20,840</u>	<u>823,911</u>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

### 15 Endowment funds

At 30 September 2008, the endowment funds 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 19). With the exception of The Smiles Home and 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).

	Balance 1 October 2007 £	Donations and gains/(losses) on investments net of utilisations £	Balance 30 September 2008 £
<b>Funds for the upkeep of residential homes</b>			
Davenham and cottages	636,190	(78,395)	557,795
Woodcote Grove	148,681	(19,145)	129,536
The Smiles home	1,201,383	(121,279)	1,080,104
Redcot	87,038	(11,207)	75,831
Other funds	52,103	(6,708)	45,395
	<u>2,125,395</u>	<u>(236,734)</u>	<u>1,888,661</u>
<b>Funds for residents' subsidies</b>			
House of Nunn	1,184,501	(152,525)	1,031,976
Stuart Trust	664,974	(86,162)	578,812
William Edmunds	412,805	(53,156)	359,649
Other funds	57,364	(7,340)	50,024
	<u>2,319,644</u>	<u>(299,183)</u>	<u>2,020,461</u>
<b>Funds for grants and allowances</b>			
Harry Livesey	117,604	(15,144)	102,460
William Lambe	322,699	(41,553)	281,146
James Mew	162,953	(22,437)	140,516
Other funds	193,640	(24,920)	168,720
	<u>796,896</u>	<u>(104,054)</u>	<u>692,842</u>
<b>Total</b>	<u>5,241,935</u>	<u>(639,971)</u>	<u>4,601,964</u>

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

### 16 Operating leases

	Property		Other	
	2008	2007	2008	2007
	£	£	£	£
Within 2 to 5 years	-	-	15,175	15,175
Over 5 years	59,728	46,310	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 17 Pension schemes

#### Group Personal Pension Plan

Since 1 October 1996 the Charity has operated a defined contribution scheme available to new and existing members. During the year AXA replaced Standard Life as the provider of the scheme. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £329,118 in the year (2007 - £215,614).

#### Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)

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 showed the value of the assets at 1 October 2006 to be £1,360,000, which matched that of the technical provisions, and stated 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.

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 because none of it is classed as being recoverable by the Charity as there is no future accrual of benefits under the Scheme. An actuarial valuation of the liabilities was carried out at 30 September 2008.

#### Employee benefit obligation

The amounts recognised in the balance sheet are as follows:

	30.09.08	30.09.07
	£	£
Present value of funded obligations	734,300	847,200
Fair value of Scheme assets	(1,034,200)	(1,016,100)
Amount (surplus) not recognised as an asset (FRS17 paragraph 41 refers)	299,900	168,900
Net liability	<u>          </u>	<u>          </u>

The assets valued below are 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 policy value that would have been available had all members retired on 30 September 2008. The value shown is not necessarily the value that would be available were the policy to be surrendered.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

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### 17 Pension schemes continued

The amounts recognised in profit or loss are as follows:

	30.09.08	30.09.07
	£	£
Interest on obligation	48,500	49,800
Expected return on plan assets	(52,700)	(47,400)
Adjustment in respect of unrecognisable asset (FRS17 paragraph 67(c) refers)	4,200	-
Total	<u>-</u>	<u>2,400</u>
Actual return on plan assets	47,200	61,900

*Changes in the present value of the defined benefit obligation are as follows:*

	30.09.08
	£
Opening defined benefit obligation	847,200
Interest cost	48,500
Actuarial losses/(gains)	(130,300)
Benefits paid	(31,100)
Closing defined benefit obligation	<u>734,300</u>

*Changes in the fair value of plan assets are as follows:*

	30.09.08
	£
Opening fair value of plan assets	1,016,100
Expected return	52,700
Actuarial gains/(losses)	(5,500)
Contributions by employer	2,000
Benefits paid	(31,100)
Closing fair value of plan assets	<u>1,034,200</u>



# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

### 17 Pension schemes continued

#### *Analysis of amount recognised in statement of total recognised gains and losses (STRGL)*

	30.09.08
	£
Total actuarial gain/(loss)	124,800
Adjustment in respect of unrecognisable assets (FRS17 paragraph 67(d) refers)	(126,800)
Total gain/(loss) recognised in STRGL	<u>(2,000)</u>

#### *The major categories of plan assets as a percentage of total plan assets are as follows:*

	30.09.08
Corporate bonds/gilts	77%
Property	12%
Equities	7%
Cash	7%

#### *The expected rate of return on plan assets is determined as follows:*

Gilts:	the yield on the FT-SE Actuaries 15 year gilt index
Corporate bonds:	the yield on the iBoxx £ Corporates AA 15+ index
Cash:	the Bank of England base rate
Equity and property:	the above gilt yield plus 4% pa
Deduction for expenses:	0.5% pa

#### *Principal actuarial assumptions at the balance sheet date:*

	30.09.08
Discount rate	7.3% pa
Inflation assumption	3.6% pa
Rate of increases to deferred pensions	3.6% pa
Death after retirement: in accordance with the standard PNMA/PNFA00 tables, with the long cohort adjustment and minimum improvements of 1% pa.	

#### *Amounts for the current and previous four periods are as follows:*

	30.09.08	30.09.07	30.09.06	30.09.05	30.09.04
Defined benefit obligation	(734,300)	(847,200)	(1,128,900)	(1,177,700)	(1,218,700)
Plan assets	1,034,200	1,016,100	1,216,900	1,324,600	1,389,400
Surplus/(deficit)	299,900	168,900	88,000	146,900	170,700
Experience gains/(losses) on plan liabilities	(11,700)	(12,800)	(71,100)	51,400	(9,500)
Experience gains/(losses) on plan assets	(5,500)	14,500	9,100	(2,200)	(42,800)

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

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### 17 Pension schemes continued

#### Scottish Voluntary Sector Pension Scheme

Friends of the Elderly participates in the Scottish Voluntary Sector Pension Scheme, beginning as from 1 April 2008. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Scheme operates a single benefit structure, final salary with a 1/60th accrual rate.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period Friends of the Elderly paid contributions at the rate of 16.0% for the period 1 April 2008 to 30 September 2008. Member contributions were 7.5% for the same period.

As at the balance sheet date there were 12 active members of the Scheme employed by Friends of the Elderly. Friends of the Elderly has closed the Scheme to new entrants.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2005 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £33.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £6.7 million (equivalent to a past service funding level of 83%).

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2007. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £45.2 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £8 million, equivalent to a past service funding level of 85%. Annual funding updates of the Scheme are carried out using approximate actuarial techniques rather than member by member calculations, and will therefore not produce the same results as a full actuarial valuation. However they will provide a good indication of the financial progress of the scheme since the last full valuation.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

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### 17 Pension schemes continued

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation, the following notes relate to the formal actuarial valuation as at 30 September 2005.

The financial assumptions underlying the valuation as at 30 September 2005 were as follows:

	% pa
Investment return pre retirement	6.10
Investment return post retirement	4.80
Rate of salary increases	4.00
Rate of pension increases:	
for pensionable service pre 6 April 2005	2.50
for pensionable service post 5 April 2005	2.25
Rate of price inflation	2.50

New employers joining the Scheme pay contributions at the ongoing joint future service contribution rate. This rate applies from the date the employer joins the Scheme to the date of the second actuarial valuation of the Scheme following the date of joining. New employers also pay an additional age loading if the average age of their members is higher than the average age of the Scheme membership. This loading applies from the date the employer joins the Scheme to the date of the second actuarial valuation of the Scheme following the date of joining, or such earlier date as agreed between the SVSPS Pensions Committee and the Scheme Actuary.

Employers that have closed the Scheme to new entrants, including Friends of the Elderly, are required to pay an additional contribution loading to reflect the higher costs of a closed arrangement. This loading is based on actuarial advice and is subject to change from time to time. The loading is currently 3.5%.

Since 1 October 2008 Friends of the Elderly pays at the rate of 18.7%. This comprises the on-going employer contribution rate of 12.5% plus the closed arrangement loading of 3.5% plus 2.7% in respect of deficit contributions. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit, on an on-going funding basis, by 31 March 2022.

Where an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. This has been prepared and a copy of the recovery plan has been sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The Regulator has reviewed the recovery plan for the Scheme and confirmed that, in respect of the September 2005 actuarial valuation, it does not propose to issue any scheme funding directions under Part 3 of the Pensions Act 2004.

The next actuarial valuation of the Scheme will be carried out as at 30 September 2008.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

# FRIENDS OF THE ELDERLY

## Notes to the Financial Statements For the year ended 30 September 2008 (continued)

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### 17 Pension schemes continued

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. Friends of the Elderly has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2005 and updated for the actual number of staff as at 31 March 2008. As of this date the estimated employer debt for Friends of the Elderly was £269,472.

#### Career Average Revalued Earnings (CARE) Pension Scheme

Friends of the Elderly participates in the CARE Pension Scheme, beginning as from 1 April 2008.

CARE is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme.

The main benefits provided by the Scheme are:

- A pension of one-eightieth of the member's career average revalued earnings for each year (and months proportionately) of pensionable service, plus
- Each member has a money purchase account (which is also administered by The Pensions Trust) into which monies are transferred as a result of bonus declarations by the Trustee.

Employers pay contributions at the rate of 10.0% of earnings and members pay contributions based on an age-related scale (equal to age divided by ten). It is expected that contributions at these levels will be more than sufficient to meet the cost of the core pension benefit.

The rules of the Scheme allow for the declaration of bonuses if this is within the financial capacity of the Scheme assessed on a prudent basis. Bonuses are not guaranteed and are declared at the discretion of the Trustee.

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

As at the balance sheet date there were six active members of the Scheme employed by Friends of the Elderly. Friends of the Elderly continues to offer membership of the Scheme to its employees. During the accounting period the Employer paid contributions at the rate of 10.0%.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2004 by a professionally qualified actuary using the "projected unit credit" method. The market value of the Scheme's assets at the valuation date was £1.9 million. The valuation revealed a surplus of assets compared to liabilities of £0.3 million.

# FRIENDS OF THE ELDERLY

## For the year ended 30 September 2008 (continued)

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### 17 Pension schemes continued

The financial assumptions underlying the valuation as at 30 September 2004 were as follows:

	% pa
Rate of return pre retirement	6.0
Rate of return post retirement	5.3
Rate of revaluation on accrued pensions	4.5
Rate of pension increases	2.5
Rate of price inflation	2.5

The valuation revealed a surplus of assets compared with the value of liabilities of £0.3 million (equivalent to a past service funding level of 116%).

The employers on-going future service contribution rate was assessed at 10.0% of pensionable salaries.

The next actuarial valuation will be carried out as at 30 September 2007 and the results will be available in early 2009.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up. The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time. Friends of the Elderly has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2007 and updated for the actual number of staff as at 31 March 2008. As of this date the estimated employer debt for Friends of the Elderly was approximately £90,000.

### 18 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.

### 19 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.

### 20 Members

At 30 September 2008 there were 12 members (2007: 14 members) who each pledge to pay £1 on winding up.

# FRIENDS OF THE ELDERLY



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Her Majesty The Queen

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Sir John Milne (Chairman Emeritus)

Lady Gingell

Mr R Aisher OBE

Mr R Bullough

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The Rt Hon The Baroness Boothroyd PC

Professor D Brooker

The Baroness Greengross OBE

The Hon Mrs McAulay