

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 2010**

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 2010

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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

Mrs Sharon Williams

5) Trustees

Mr K Rubie (*Chairman*) 1,2,3,4
Mr S Dawes (*Joint Vice-Chairman*) 1,2
Mr D Brazier 1,3
Mr M Burdes 4
Mr M Cardale 1
Viscount Devonport 1,4
Mrs S Hudson 2,3
Mrs J Orford (*Retired in December 2009*)
Mrs V Pendock (*Joint Vice-Chairman*) 3
Mr P C Robinson 1,3
Mr M van der Schalk (*Honorary Treasurer*) 1,4
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 Operations 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 Cottrell (*Director of Property*)
Mr R Domingues (*Director of Finance & ICT from November 2010*)
Mr J Gould (*Director of Human Resources*)
Ms J O'Boyle (*Director of Fundraising*)
Mrs J Sykes (*Director of Operations*)

7) Statutory 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

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (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 2010 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 three subsidiaries – Sir Harry Livesey, Potential Limited, which is a development company, and Friends of the Elderly (Trading) Limited. There are four other smaller charities under the common control of the Charity, which have been subject to a Uniting Direction from the Charity Commission since September 2010. The results of these four charities are included within the charity only results from this year onwards.

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 operations, 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 Mrs Joan Orford left the Governing Council after many years of faithful service. The Council would like to thank Joan most warmly for all of her time as a Trustee of Friends of the Elderly.

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 306 full time and 351 part time staff supplemented where necessary by agency staff.

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, on 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 continue at all the Charity's homes and community services 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.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

Responsibilities of the Members of the Governing Council

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statements as to disclosure of information to auditors

So far as the Trustees are aware at the time the report is approved:

- there is no relevant audit information of which the charity's auditors are unaware, and
- the Trustees have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 (including mental frailty), isolation or lack of adequate resources. The charity does this 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 Trustees confirm that they have complied with their duty in section 4 of the Charities Act 2006 to have due regard to Public Benefit guidance published by the Charity Commission when reviewing the Charity's objectives and activities and in planning future activities.

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

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 Operations Committee.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

Review of Activities in the Year

Friends of the Elderly's services are integrated with one another, so we can support people as their needs change.

Most of the people who use our services are in their later years. By offering integrated services we can help people stay independent at home for as long as possible or move into residential care when needed.

Aims for 2009-10

Our broad aims for the year based on our strategic plan were:

Aim 1: Older people will have access to integrated services in defined regions of the country based on need not their ability to pay.

Aim 2: More older people will be supported to maintain their independence and quality of life in their own homes and within the community.

Aim 3: More older people will be supported by flexible care home services which meet their changing physical and mental health needs towards the end of their lives.

Aim 4: Older people will receive services from Friends of the Elderly of a demonstrably high quality.

Aim 5: We will have a strong profile and development capability in defined regions of the country.

Aim 1: Older people will have access to integrated services in defined regions of the country based on need not their ability to pay.

Our year in numbers

151 care home residents were supported with subsidised fees

161 older people received a regular befriending call

597 people in financial need were supported

258 people on low incomes were helped with a regular allowance

What we have achieved this year

In the financial environment

As government cuts bite into funding for older people's care, it is ever harder to qualify for care packages. Many vulnerable older people fall under the radar.

So, wherever possible, we have supported those who could not afford the cost of their care.

Responding to change

We have continued to develop our community services in response to the changing needs of our users, providing flexibility and choice. For example, we have started to offer our home support service at weekends.

A new image

With the introduction of personal budgets, people will have more opportunity to choose their care suppliers so it was essential our community services looked attractive and relevant. Using the concept of friendship, we have consulted our clients and are re-branding our services to reflect their input. Much of the project was planned in-house and is being rolled out in phases, keeping costs to a minimum.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

Aim 2: More older people will be supported to maintain their independence and quality of life in their own homes and within the community.

Our year in numbers

107 people with dementia were supported with specialist day care
189 older people enjoyed great days out at our day care services
254 older people received support to help them remain independent at home
57 lonely people received a regular visit from a volunteer

What we have achieved this year

Friends with Dementia

We reached out to people with dementia in Woking through the launch of Friends with Dementia, in partnership with Surrey County Council and NHS Surrey. The project includes services specifically for the local British Asian community. Its resource centre is open three days a week and provides a lending library, online forums and monthly meetings where people can share experiences and support one another. Staff and volunteers provide regular information and help.

Expanding day care

We have expanded the number of places in our day clubs which help clients enjoy meaningful activities and maintain their ability to perform everyday tasks, contributing to their feelings of independence.

In the community

We have facilitated opportunities for older people to integrate with their local communities wherever possible. For instance, Among Friends Wallington clients visited Carshalton Girls School to teach the pupils how to knit. They found sharing their skills very rewarding. Clients at Among Friends Kidderminster helped launch an older persons' exercise area in the local park and Geraldine Court day club clients took part in a six-week dance programme funded by the West Midlands Cultural Programme for the 2012 Olympics.

Aim 3: More older people will be supported by flexible care home services which meet their changing physical and mental health needs towards the end of their lives.

Our year in numbers

628 people made their home with Friends of the Elderly
149 residents received nursing care
65 residents received specialist dementia care
84 people were supported with residential respite care
113 residents and their families received support from our Admiral Nurse service

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

What we have achieved this year

Gold Standards Framework

All our care homes now adhere to the National Gold Standards Framework for End of Life Care, showing our commitment to dignity and respect for residents in their final days.

Expanding specialist dementia care

In Oxfordshire we opened a new extension to our home in Moulsoford, adding much-needed bedrooms to the dementia wing and a bistro style dining room for residents and visitors.

In Worcestershire we are delighted to report that with 70% of the funding secured, building work has started on a new 24-room specialist dementia home. Designed to meet the latest standards in dementia care, we hope to open to new residents by the end of 2011.

Our Admiral Nurse service

Our Admiral Nurse service, in partnership with Dementia UK, underlines our commitment to provide bespoke dementia care to all our residents across our care homes and to support their relatives and carers.

The service has enabled many residents who develop dementia to remain living in their familiar surroundings as long as we can cater for their needs, avoiding a distressing upheaval.

Aim 4: Older people will receive services from Friends of the Elderly of a demonstrably high quality.

Our year in numbers

27 staff achieved training accreditations (for example NVQs) during the year

76 care home staff received training in dementia care

186 volunteers helped us care for older people with their friendship and support

What we have achieved this year

"It is what you do and the way that you do it..."

A glowing independent evaluation of our specialist dementia day centre at Howbury Lodge in Malvern was published in June, by the Association for Dementia Studies at the University of Worcester.

Run in partnership with Worcestershire County Council, the evaluation described the service as "an exemplar of person-centred dementia care" and demonstrated how good partnerships lead to positive outcomes. It read: "The team, without exception, has a positive, committed approach to delivering skilled, person-centred dementia practice. This is a tremendous outcome and the service is a credit to the organisation."

Investing in People

Last year we successfully achieved the prestigious Investors in People accolade across the whole organisation demonstrating our commitment to helping staff achieve the highest standards of care.

The IIP report stated: "The culture of FotE is one which understands the importance of valuing and supporting staff, as it recognises at all levels that this is key to ensuring the vision and values of the organisation are carried out in practice."

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

Aim 5: We will have a strong profile and development capability in defined regions of the country.

What we have achieved this year

Raising awareness

Promoting our work in the media, online and through professional events helps us reach even more older people with our services. Last year we achieved 186 positive press mentions and took part in 11 conferences and events targeting health and social care professionals.

Peace of Mind Appeal nears target

We are delighted with how people have supported our Peace of Mind Appeal to raise funds for building a new specialist dementia care home in Worcestershire. Individuals, trusts and the local community have made significant donations and raised funds through various activities.

Whitbourne Hall, featured on Channel 4 Country House Rescue hosted a brunch and The Freemasons' Grand Charity donated £80,000 to the appeal.

Volunteers form Strategic Development Board

A group of 10 professionals have volunteered their time to help the charity develop our strategic thinking around raising awareness and fundraising. The invaluable support has enabled us to consider a PR campaign for 2011, development of our trust and corporate fundraising as well as a host of other ideas which will continue to be researched over the coming months.

FRIENDS OF THE ELDERLY

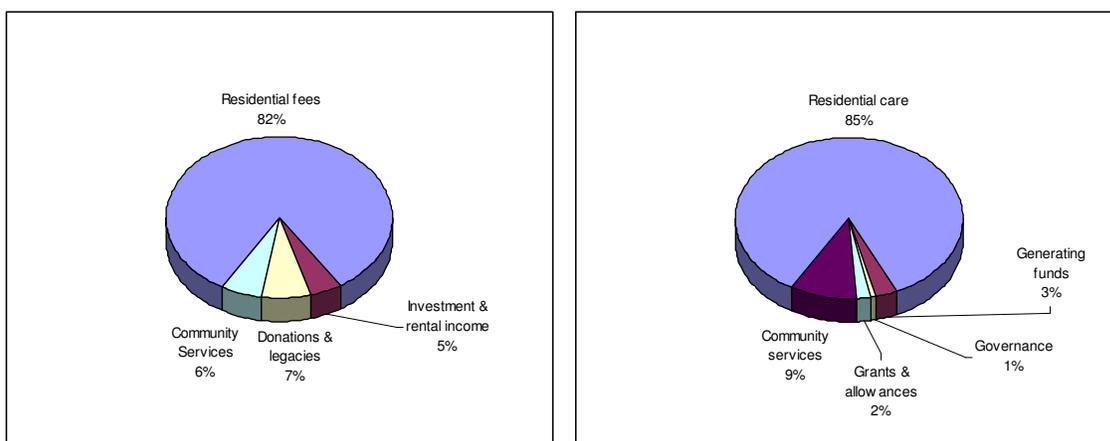
Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

Financial Review

The year's total incoming resources of £16,643,614 were 3.1% more than in 2008/09 whilst the year's total resources expended of £16,591,733 were 1.2% higher than in 2008/09. The net impact of the increase in income and expenditure was net incoming resources from operations (i.e. an operating surplus) of £51,881 (2008/09: deficit of £257,143).

The results reflect:

- A fairly static year for income and costs in the care homes with average occupancy of 91.4%
- Strong cost control consistent with providing a quality service
- An increase in income from community services due to increased places offered and renegotiations of fees
- The continuation of additional donations for our Peace of Mind Appeal together with an improved fundraising ratio
- A return to a more positive investment environment
- A reduction in cash balances as a result of the capital projects at Moulsoford and Malvern.



The statement of financial activities also shows the impact of:

- An unrealised gain on the pension scheme liability of £15,500 (2009: £39,300 loss)
- Unrealised gains on investments, net of realised losses, which increased funds by £424,863 (2009: funds reduced due to unrealised losses net of realised gains of £555,843).

The value of the investment portfolio rose during the year by £424,863 (4.1%) (2009: a rise of 20.3%), as a result of the above unrealised gains as stock market values recovered during the year.

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Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

The investment portfolio consists of:

- An Income Fund for endowed investments and a Balanced Fund for other investments managed by Cazenove Capital Management Limited. The portfolios are largely invested in a range of Common Investment Funds (CIFs), but also include other equity funds, UK fixed interest and index linked bonds, 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 £47,464 (2009: £8,726) were realised during the year which were more than offset by unrealised gains of £354,592 (2009: £564,569). The Income Fund and Balanced Fund achieved total returns of 7.81% and 8.35% (2009: 10.15% and 9.91%) respectively during the year which compare to benchmark returns of 10.27% and 11.79% (2009: 8.56% and 8.18%) based on UK market indices for the underlying investments. Income yields were 3.87% and 3.62% (2009: 4.33% and 3.92%) respectively.
- Shares in the Charities Official Investment Fund (COIF) managed by CCLA Investment Management Limited. None of the COIF shares by value at 30 September 2010 were accumulative shares (2009: 64%). The shares showed unrealised gains of £117,735 or 8.6% (2009: £95,354 or 7.5%). The income yield on the non-accumulative (or income) shares was 2.1% (2009: 4.7%).

Tangible assets increased mainly as a result of the development of the new dementia unit at Malvern. Further details of fixed assets are shown in note 10 to the financial statements. At the year end there were capital expenditure commitments of £2.098 million, in relation to the contract to redevelop the Malvern site.

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, after net unrealised gains on investments and the pension scheme actuarial gain, was £492,244 (2008/09: £2,824,788). The 2009 net movement includes the transfer in of net assets of £2,156,184 from Sir Thomas Lipton, which was a one-off for that year.

Unrestricted reserves, excluding those designated for a specific purpose, increased from £3.3m to £3.6m which constituted an increase in the number of month's unrestricted expenditure covered by reserves from 2.6 months to 2.8 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 by 0.2 months, although this is an improvement over the year. However, 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 15 of the financial statements. These funds include the book value of property and fixed assets in use for the Charity's activities. Other designated funds are largely held for development purposes.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

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. The Investments Committee, which reports to the Finance and General Purposes Committee, 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 19. 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 deficit at 30 September 2010 of £23,800 (2009: deficit £39,300) which has been recognised in the balance sheet as a long term liability. This valuation was prepared by the Scheme Actuary for the purpose of these accounts.

The Charity also participates in two additional pension schemes following the transfer of staff from Hanover Friends to the Charity from April 2008. The Scottish Voluntary Sector Pension Scheme and the Career Average Re-valued Earnings (CARE) Pension Scheme are multi-employer defined benefit schemes. The Scottish Voluntary Sector Pension Scheme closed in April 2010.

Plans for 2010/11

- To develop our care home sites to offer community hubs for our whole range of services
- To reach our £1.2million fundraising goal for the Peace of Mind Appeal and open our new dementia care home in Malvern by the end of 2011
- To work in partnership with a developer in Worcestershire to build a new home and community centre in Pershore
- To achieve planning permission and launch an appeal for a new development in Coulsdon, Surrey, providing up to 40 extra nursing and dementia care beds
- To develop a more comprehensive package of respite care
- To open a new dementia day service in Wichenford, Worcestershire
- To develop our telephone befriending service through enhanced volunteering opportunities and online volunteer support
- To have all homes awarded with the Gold Standards Framework accreditation
- To continue to invest in staff development and training
- To increase awareness of our work through a sustained PR programme

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2010 (continued)

Annual General Meeting

The Annual General Meeting of the members of Friends of the Elderly will be held on 17th March 2011.

Auditors

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

Approved by the Finance & General Purposes Committee on 4th March 2011, on behalf of the Governing Council.

Kerry Rubie
Chairman

FRIENDS OF THE ELDERLY

Independent Auditor's Report to the members of Friends of the Elderly for the year ended 30 September 2010

We have audited the financial statements of Friends of the Elderly for the year ended 30 September 2010 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Trustees and auditors

The Trustees' (who are also the directors of the company for the purposes of company law) responsibilities for preparing the Report of the Members of the Governing Council and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the 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).

This report, including our opinion, has been prepared for and only for the charity's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 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 charity and the charity's members, as a body, for our audit work, for this report, or for the opinions we have formed.

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and have been prepared in accordance with the Companies Act 2006. We also report to you whether, in our opinion, the information given in the Report of the Members of the Governing Council is consistent with those financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Trustees' remuneration specified by law are not made.

We read the Report of the Members of the Governing Council and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with 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 charity's circumstances, consistently applied and adequately disclosed.

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

FRIENDS OF THE ELDERLY

Independent Auditor's Report to the members of Friends of the Elderly for the year ended 30 September 2010 (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charity's affairs as at 30 September 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Members of the Governing Council is consistent with the financial statements.

(For members)

.....
Nicola Wakefield (Senior statutory auditor)
for and on behalf of Mazars LLP, Chartered Accountants (Statutory auditors)
Times House, Throwley Way, Sutton, Surrey, SM1 4JQ

Date

(For filing)

.....
Mazars LLP, Chartered Accountants (Statutory auditors)
Nicola Wakefield (Senior statutory auditor)
Times House, Throwley Way, Sutton, Surrey, SM1 4JQ

Date

FRIENDS OF THE ELDERLY

Consolidated Statement of Financial Activities For the year ended 30 September 2010 (Incorporating the Income and Expenditure Account)

	Notes	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2010 £	Total 2009 £
Incoming resources						
<i>Incoming resources from generated funds</i>						
Donations and legacies	3	523,746	616,117	-	1,139,863	1,163,788
Investment Income	4	241,098	262,627	29,833	533,558	509,525
<i>Incoming resources from charitable activities</i>						
Residential care fees		13,680,384	57,572	-	13,737,956	13,430,470
Community services income		979,370	6,707	-	986,077	784,048
Management fees		41,908	-	-	41,908	29,045
<i>Other incoming resources</i>	5	204,252	-	-	204,252	226,537
Total incoming resources		15,670,758	943,023	29,833	16,643,614	16,143,413
Resources expended						
<i>Cost of generating funds</i>						
Fundraising costs		154,280	215,797	-	370,077	445,491
Public affairs costs		59,588	11,571	-	71,159	41,938
Investment management costs		29,702	26,401	-	56,103	48,449
		243,570	253,769	-	497,339	535,878
<i>Charitable activities</i>						
Residential care		13,684,437	320,340	4,547	14,009,324	13,839,004
Community services		1,519,884	44,533	-	1,564,417	1,460,915
Grants and allowances payable		219,951	121,381	-	341,332	387,807
Management services		41,908	12,855	-	54,763	29,045
		15,466,180	499,109	4,547	15,969,836	15,716,771
<i>Governance costs</i>		124,558	-	-	124,558	147,907
Total resources expended	6	15,834,308	752,878	4,547	16,591,733	16,400,556
Net incoming/(outgoing)						
resources from operations		(163,550)	190,145	25,286	51,881	(257,143)
Assets from merger & donated		-	-	-	-	2,156,184
Surplus on sale of land		-	-	-	-	409,204
Net (outgoing)/incoming resources before transfers		(163,550)	190,145	25,286	51,881	2,308,245
<i>Transfers</i>	15 & 16	284,972	(284,972)	-	-	-
Net (outgoing)/incoming resources before realised gains on investments		121,422	(94,827)	25,286	51,881	2,308,245
Realised (losses)/gains on sale of investments	11(a)	(49,738)	2,274	-	(47,464)	(8,726)
Net income/(expenditure) for the year		71,684	(92,553)	25,286	4,417	2,299,519
Other recognised gains/(loss)						
- investment assets	11(a)	299,935	26,986	145,406	472,327	564,569
- pension scheme actuarial gain/(loss)	19	15,500	-	-	15,500	(39,300)
Net movement in funds		387,119	(65,567)	170,692	492,244	2,824,788
Reconciliation of funds						
Total funds brought forward		24,902,533	1,349,104	5,254,411	31,506,048	28,681,260
Total funds carried forward	15 to 17	25,289,652	1,283,537	5,425,103	31,998,292	31,506,048

FRIENDS OF THE ELDERLY

Consolidated Statement of Financial Activities

For the year ended 30 September 2010

(Incorporating the Income and Expenditure Account) (Continued)

All the above amounts relate to continuing activities.

The notes on pages 20 to 39 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 2010

	Notes	Consolidated		Charity	
		2010	2009	2010	2009 Restated
		£	£	£	£
Fixed assets					
Tangible assets	10	20,230,326	19,578,380	20,279,079	17,735,668
Investments	11	11,261,916	10,814,317	11,168,604	8,418,966
		<u>31,492,242</u>	<u>30,392,697</u>	<u>31,447,683</u>	<u>26,154,634</u>
Current assets					
Debtors	12	714,042	701,283	862,267	775,828
Cash		1,172,475	2,131,385	1,095,579	2,023,530
		<u>1,886,517</u>	<u>2,832,668</u>	<u>1,957,846</u>	<u>2,799,358</u>
Creditors					
Amounts falling due within one year	13	(1,356,667)	(1,680,017)	(1,445,603)	(1,759,532)
Net current assets		<u>529,850</u>	<u>1,152,651</u>	<u>512,243</u>	<u>1,039,826</u>
Pension scheme liability	19	(23,800)	(39,300)	(23,800)	(39,300)
Net assets	14	<u>31,998,292</u>	<u>31,506,048</u>	<u>31,936,126</u>	<u>27,155,160</u>
Represented by:					
Unrestricted funds:					
Designated funds	15	21,647,926	21,543,767	21,682,390	19,983,113
General reserves	15	3,641,726	3,358,766	3,658,558	3,361,294
		<u>25,289,652</u>	<u>24,902,533</u>	<u>25,340,948</u>	<u>23,344,407</u>
Restricted funds	16	1,283,537	1,349,104	1,281,875	1,307,616
Endowments	17	5,425,103	5,254,411	5,313,303	2,503,137
		<u>31,998,292</u>	<u>31,506,048</u>	<u>31,936,126</u>	<u>27,155,160</u>

The financial statements on pages 16 to 39 were approved by the members of the Finance & General Purposes Committee, on behalf of the Governing Council on 4th March 2011 and were signed on its behalf by:

Kerry Rubie
Chairman

The notes on pages 20 to 39 form part of these financial statements.

FRIENDS OF THE ELDERLY

Consolidated Cash Flow Statement For the year ended 30 September 2010

	Note	2010 £	2010 £	2009 £	2009 £
Net cash (outflow)/inflow from operating activities	1		(64,179)		79,102
Returns on Investments			533,558		509,525
Cash from merger			-		27,929
Capital Expenditure and Financial Investments:					
Purchase of investments		(1,492,518)		(1,314,780)	
Purchase of fixed assets		(1,405,553)		(735,669)	
Receipts from sale of investments		1,766,034		683,712	
Receipts from sale of fixed assets		-		440,000	
			(1,132,037)		(926,737)
Movement in net funds			<u>(662,658)</u>		<u>(310,181)</u>

Short term deposits are included as cash.

Reconciliation of Net Cash flow to Movement in Net Funds

Movement in net funds during the year	(662,658)	(310,181)
Net Funds as at 1 October 2009	2,399,790	2,709,971
Net Funds as at 30 September 2010	<u>1,737,132</u>	<u>2,399,790</u>
Cash Invested	564,657	268,405
Cash as at bank	1,172,475	2,131,385
Total Cash as at 30 September 2010	<u>1,737,132</u>	<u>2,399,790</u>

1. Reconciliation of net incomings/(outgoings) to net cash (outflow)/inflow from operating activities

	2010 £	2009 £
Net incomings/(outgoing) resources from operations	51,881	(257,143)
Investment Income	(533,558)	(509,525)
Depreciation	753,607	634,519
Surplus on disposal of assets	-	40,535
(Increase)/Decrease in Debtors	(12,759)	209,508
(Decrease) in Creditors	(323,350)	(38,792)
Net cash (outflow)/inflow from operating activities	<u>(64,179)</u>	<u>79,102</u>

The Notes on pages 20 to 39 form part of these financial statements

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2010

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 2006, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in March 2005, and applicable accounting standards.

Comparative figures have been restated due to reconsideration of the connected charities, one of which was previously incorporated into the Charity's own accounts but which has now been treated as a subsidiary and consolidated.

(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, and of Sir Harry Livesey (Registered Charity No 208087), an unincorporated charity which is administered and managed by the members of Friends of the Elderly who are also its Trustees.

The financial statements of the Charity include The Smiles Home, The House of Nunn, The Pension Charity of William Lambe and Charity of James Mew, all registered charities, which were subject to a Uniting Direction from the Charity Commission for England and Wales in September 2010 (see note 2), and individual funds, some of which are also separately registered charities. No separate Statement of Financial Activities or Income and Expenditure Account have been presented for the Charity alone as permitted by paragraph 397 of the SORP. The net movement in funds for the Charity was a surplus of £492,244.

(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 2010 (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 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/(losses) 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 19.

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

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 19.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2010 (continued)

2 Uniting Direction

As previously stated, the charity received a Uniting Direction from the Charity Commission during the financial year ended 30 September 2010, covering 4 charities - The Smiles Home, The House of Nunn, The Pension Charity of William Lambe and Charity of James Mew. No consideration needed to be or was made.

The value of the assets and liabilities transferred was:

	Smiles	Nunn	W Lambe	J Mew	Total
	£	£	£	£	£
Fixed Assets					
Tangible Fixed Assets	1,877,176	-	-	-	1,877,176
Investments	808,876	1,051,126	286,364	154,626	2,300,992
Current Assets					
Cash at bank and in hand	25,273	32,841	48,723	(5,621)	101,216
Total Assets	<u>2,711,325</u>	<u>1,083,967</u>	<u>335,087</u>	<u>149,005</u>	<u>4,279,384</u>
Liabilities					
Creditors: amounts falling due within one year	-	-	-	-	-
Total Net Assets	<u>2,711,325</u>	<u>1,083,967</u>	<u>335,087</u>	<u>149,005</u>	<u>4,279,384</u>
Unrestricted Fund	1,595,118	-	-	-	1,595,118
Restricted Fund	-	-	39,776	840	40,616
Endowment Fund	1,116,207	1,083,967	295,311	148,165	2,643,650
Total Funds	<u>2,711,325</u>	<u>1,083,967</u>	<u>335,087</u>	<u>149,005</u>	<u>4,279,384</u>

The funds at the date of merger have been included in the charity only results for the year.

3 Donations and Legacies

	Unrestricted funds	Restricted funds	Total 2010	Total 2009
	£	£	£	£
Donations				
The Clothworkers' Foundation	-	22,000	22,000	22,000
The Worshipful Company of Innholders	-	57,000	57,000	-
The Bradbury Foundation	-	201,821	201,821	-
Beatrice Laing Trust	-	20,000	20,000	-
Other	234,755	294,419	529,174	553,496
Legacies	288,991	20,877	309,868	588,292
	<u>523,746</u>	<u>616,117</u>	<u>1,139,863</u>	<u>1,163,788</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

4 Investment Income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2010 £	Total 2009 £
Dividends from listed investments	229,893	262,627	29,833	522,353	438,137
Interest on cash and short term deposits	11,205	-	-	11,205	71,388
	<u>241,098</u>	<u>262,627</u>	<u>29,833</u>	<u>533,558</u>	<u>509,525</u>

5 Other incoming resources

	Unrestricted funds £	Restricted funds £	Total 2010 £	Total 2009 £
Rental Income	164,665	-	164,665	226,537
Overage on Woking Development	39,587	-	39,587	-
	<u>204,252</u>	<u>-</u>	<u>204,252</u>	<u>226,537</u>

6 Total resources expended

	Activities directly undertaken £	Grant funding of activities £	Support services £	Total 2010 £	Total 2009 £
Cost of generating funds					
Fundraising costs	356,033	-	14,044	370,077	445,491
Public affairs costs	57,856	-	13,303	71,159	41,938
Investment management costs	47,500	-	8,603	56,103	48,449
Charitable activities					
Residential care	12,967,605	-	1,041,719	14,009,324	13,839,004
Community services	1,404,333	-	160,084	1,564,417	1,460,915
Grants and allowances payable	68,007	249,758	23,567	341,332	387,807
Management services	12,855	-	41,908	54,763	29,045
Governance costs					
	8,357	-	116,201	124,558	147,907
Total resources expended	<u>14,922,546</u>	<u>249,758</u>	<u>1,419,429</u>	<u>16,591,733</u>	<u>16,400,556</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

7 Allocation of support services

<i>Cost type</i>	Cost of generating funds £	Charitable activities £	Governance £	Total 2010 £	Total 2009 £
Staff costs	20,917	737,338	67,609	825,864	826,316
Premises costs	3,449	121,582	11,148	136,179	131,331
Depreciation	1,110	39,136	3,589	43,835	49,750
Other costs	10,474	369,222	33,855	413,551	367,490
Total resources expended	<u>35,950</u>	<u>1,267,278</u>	<u>116,201</u>	<u>1,419,429</u>	<u>1,374,887</u>

8 Net movement in funds for the year

Net movement in funds for the year is stated after charging:

	2010 £	2009 £
Staff costs (Note 9)	11,798,213	11,512,761
Depreciation of tangible fixed assets (Note 10)	753,607	634,519
Auditors' remuneration	19,548	19,508
Professional indemnity insurance	4,709	5,686
Surplus on sale of fixed assets	-	409,204
	<u> </u>	<u> </u>

The professional indemnity insurance is in respect of Trustees, committee members and staff.
Cover included 22 Trustees and committee members in 2010 (2009: 22).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

9 Staff costs

	2010	2009
	No.	No.
Full time	306	328
Part time	351	279
	<u>657</u>	<u>607</u>
Staff costs were as follows:	£	£
Salaries	9,361,635	9,153,363
Social security costs	757,864	745,160
Pension costs	361,985	386,066
	<u>10,481,484</u>	<u>10,284,589</u>
Agency and contract costs	<u>1,316,729</u>	<u>1,228,172</u>

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

	2010	2009
	No.	No.
£60,001 - £70,000	1	2
£80,001 - £90,000	<u>1</u>	<u>1</u>

The trustees received no remuneration for their services (2009: nil). During 2010, the only amounts paid on behalf of Trustees were for expenses incurred in the course of their duties as Trustees of the Charity. The value paid was £1,454 (2009: nil) to two trustees (2009: nil).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

10 Tangible fixed assets

(a) Consolidated	Freehold & Long Leasehold Property £	Short Leasehold Property £	Fixtures, Equipment and Vehicles £	Total 2010 £
Cost or Valuation				
At 1 October 2009	20,845,125	155,946	3,409,523	24,410,594
Additions	1,041,537	-	364,016	1,405,553
At 30 September 2010	<u>21,886,662</u>	<u>155,946</u>	<u>3,773,539</u>	<u>25,816,147</u>
Depreciation				
At 1 October 2009	2,698,318	75,902	2,057,994	4,832,214
Charge for the year	338,986	2,546	412,075	753,607
At 30 September 2010	<u>3,037,304</u>	<u>78,448</u>	<u>2,470,069</u>	<u>5,585,821</u>
Net book value 30 September 2010	<u>18,849,358</u>	<u>77,498</u>	<u>1,303,470</u>	<u>20,230,326</u>
Net book value 30 September 2009	<u>18,146,807</u>	<u>80,044</u>	<u>1,351,529</u>	<u>19,578,380</u>
(b) Charity	Freehold & Long Leasehold Property £	Short Leasehold Property £	Fixtures, Equipment and Vehicles £	Total 2010 £
Cost or Valuation				
At 1 October 2009	18,871,001	155,946	3,409,523	22,436,470
Uniting Direction assets	2,000,000	-	-	2,000,000
Additions	1,055,826	-	364,016	1,419,842
At 30 September 2010	<u>21,926,827</u>	<u>155,946</u>	<u>3,773,539</u>	<u>25,856,312</u>
Depreciation				
At 1 October 2009	2,566,906	75,902	2,057,994	4,700,802
Uniting Direction assets	122,824	-	-	122,824
Charge for the year	338,986	2,546	412,075	753,607
At 30 September 2010	<u>3,028,716</u>	<u>78,448</u>	<u>2,470,069</u>	<u>5,577,233</u>
Net book value 30 September 2010	<u>18,898,111</u>	<u>77,498</u>	<u>1,303,470</u>	<u>20,279,079</u>
Net book value 30 September 2009	<u>16,304,095</u>	<u>80,044</u>	<u>1,351,529</u>	<u>17,735,668</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. Freehold buildings transferred into the charity since 2008 have been 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 the home.

During 2010, a £2m loan facility was secured against the property in Malvern, to assist with the financing of the development of the dementia unit at the site. Draw downs on this facility started in 2011.

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

	2010 £	2009 £
Cost	13,748,717	12,692,891
Aggregate depreciation based on cost	<u>(1,988,101)</u>	<u>(1,780,901)</u>
	<u>11,760,616</u>	<u>10,911,990</u>
Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount.	<u>131,786</u>	<u>117,649</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

11 Fixed assets - Investments

(a) Cost or valuation	Investments		Cash	Consolidated		Investment held	Investment held	Investments	Charity
	Listed	Non-Listed		Total	Direction	for Harry	in Trading	Total	
	£	£	£	£	£	Charities	Livesey Charity	Subsidiaries	£
At 1 October 2009 (restated)	9,178,639	1,367,273	268,405	10,814,317	(2,300,992)	(104,361)	10,002		8,418,966
Uniting Direction (Note 2)	-	-	-	-	2,300,992	-	-	-	2,300,992
Additions	1,492,518	-	-	1,492,518	-	(20,171)	-	-	1,472,347
Disposals (book cost)	(1,766,034)	-	-	(1,766,034)	-	25,394	-	-	(1,740,640)
Net (loss)/gain on disposal	(47,464)	-	-	(47,464)	-	(711)	-	-	(48,175)
Net gain/(loss) on revaluation	354,592	117,735	-	472,327	-	(3,465)	-	-	468,862
Net movement in cash	-	-	296,252	296,252	-	-	-	-	296,252
At 30 September 2010	<u>9,212,251</u>	<u>1,485,008</u>	<u>564,657</u>	<u>11,261,916</u>	<u>-</u>	<u>(103,314)</u>	<u>10,002</u>	<u>-</u>	<u>11,168,604</u>
Cost at 30 September 2010	<u>8,748,680</u>	<u>95,067</u>	<u>564,657</u>	<u>9,408,404</u>	<u>-</u>	<u>(98,116)</u>	<u>10,002</u>	<u>-</u>	<u>9,320,290</u>

The subsidiaries included above are Harry Livesey Charity and two trading companies - Potential Limited and Friends of the Elderly (Trading) Limited, which is dormant.

Summary of results for the year ended 30 September 2010 are:

	Harry Livesey Charity	Potential Limited
	£	£
Incoming resources / Total income	5,545	767,625
Resources expended / Expenditure	(4,755)	(767,625)
Surplus / Profit	790	-
Other recognised losses	(1,047)	-
Net movement in funds / Result for the year	<u>(257)</u>	<u>-</u>
Net assets at 30 September 2010	<u>113,460</u>	<u>1,785</u>

(b) Analysis of listed investments	Unrestricted funds	Restricted Funds	Endowment Funds	Total 2010	Total 2009
	£	£	£	£	£
Fixed interest - UK	1,392,000	198,857	1,369,877	2,960,734	3,238,954
Equities - UK	2,193,628	313,375	2,192,352	4,699,355	4,955,110
Equities - International	237,013	33,859	174,888	445,760	131,195
Hedge Funds	274,308	39,187	420,467	733,962	519,779
Property	170,534	24,362	177,544	372,440	333,601
	<u>4,267,483</u>	<u>609,640</u>	<u>4,335,128</u>	<u>9,212,251</u>	<u>9,178,639</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

12 Debtors

	Consolidated		Charity	
	2010	2009	2010	2009
	£	£	£	£
Fee debtors	269,061	291,047	269,061	291,047
Amounts due from subsidiary undertakings	-	-	80,017	16,752
Other debtors	162,651	192,152	162,651	181,737
Prepayments and accrued income	282,330	218,084	282,330	218,084
Loan to subsidiary	-	-	68,208	68,208
	<u>714,042</u>	<u>701,283</u>	<u>862,267</u>	<u>775,828</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. £68,208 is outstanding on this loan at the end of 2010 and interest is charged at the Bank of England base rate plus 0.5%.

13 Creditors: amounts falling due within one year

	Consolidated		Charity	
	2010	2009	2010	2009
	£	£	£	£
Trade creditors	643,454	717,406	626,369	640,321
Amounts due from subsidiary undertakings	-	-	106,811	156,600
Other creditors	169,256	309,360	169,256	309,360
Taxation and social security	164,190	174,218	164,200	174,218
Accruals and deferred income	379,767	479,033	378,967	479,033
	<u>1,356,667</u>	<u>1,680,017</u>	<u>1,445,603</u>	<u>1,759,532</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

14 Analysis of net assets between funds

Fund balances at 30 September 2010, represented by:

(a) Consolidated	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds £
Tangible fixed assets	19,921,738	-	308,588	20,230,326
Investments	5,531,161	625,609	5,105,146	11,261,916
Current assets	1,217,220	657,928	11,369	1,886,517
Current liabilities	(1,356,667)	-	-	(1,356,667)
Pension scheme liability	(23,800)	-	-	(23,800)
	<u>25,289,652</u>	<u>1,283,537</u>	<u>5,425,103</u>	<u>31,998,292</u>
(b) Charity only	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds £
Tangible fixed assets	19,970,491	-	308,588	20,279,079
Investments	5,541,164	625,609	5,001,831	11,168,604
Current assets	1,298,696	656,266	2,884	1,957,846
Current liabilities	(1,445,603)	-	-	(1,445,603)
Pension scheme liability	(23,800)	-	-	(23,800)
	<u>25,340,948</u>	<u>1,281,875</u>	<u>5,313,303</u>	<u>31,936,126</u>

15 Unrestricted funds

Unrestricted funds are analysed on the following page and include designated funds which consist of:

- 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 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 £284,972 to restricted funds shown in note 16 includes £227,866 of unrestricted funds expended to generate restricted income, as shown in note 15.

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

15 Unrestricted funds

(a) Consolidated	Development	Community Services	Property & Fixed Assets in use	Total Designated Reserves	General Reserves	Total Unrestricted Reserves
	£	£	£	£	£	£
As at 1 October 2009	2,054,070	224,452	19,265,245	21,543,767	3,358,766	24,902,533
Transfers from Restricted Funds (Note 16)	512,838	-	-	512,838	(227,866)	284,972
Investment gains (net)	-	-	-	-	250,197	250,197
Pension scheme actuarial gain	-	-	-	-	15,500	15,500
Capital expenditure (net)	-	-	1,405,553	1,405,553	-	1,405,553
Funds utilised	(1,040,110)	(25,062)	(749,060)	(1,814,232)	245,129	(1,569,103)
As at 30 September 2010	1,526,798	199,390	19,921,738	21,647,926	3,641,726	25,289,652

(b) Charity	Development	Community Services	Property & Fixed Assets in use	Total Designated Reserves	General Reserves	Total Unrestricted Reserves
	£	£	£	£	£	£
As at 1 October 2009	2,054,070	224,452	17,704,591	19,983,113	3,361,294	23,344,407
Uniting Direction	-	-	1,595,118	1,595,118	-	1,595,118
Transfers from Restricted Funds (Note 16)	512,838	-	-	512,838	(227,866)	284,972
Investment gains (net)	-	-	-	-	250,197	250,197
Pension scheme actuarial gain	-	-	-	-	15,500	15,500
Capital expenditure (net)	-	-	1,419,842	1,419,842	-	1,419,842
Funds utilised	(1,054,399)	(25,062)	(749,060)	(1,828,521)	259,433	(1,569,088)
As at 30 September 2010	1,512,509	199,390	19,970,491	21,682,390	3,658,558	25,340,948

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

16 Restricted Funds

(a) Consolidated	Balance at 1 Oct 2009	Incoming Resources	Funds Utilised	Gains on investments	Transfers, Incl Uniting Direction	Balance at 30 Sept 2010
	£	£	£	£	£	£
Funds for the upkeep of residential homes	198,256	203,185	(185,645)	-	231	216,027
Funds for residents' subsidies	-	152,462	(152,462)	-	-	-
Funds for community projects	15,167	31,336	(13,192)	-	-	33,311
Funds for grants and allowances	676,731	172,993	(159,928)	29,260	266	719,322
Capital funds	442,938	377,292	(1,427)	-	(512,838)	305,965
Other restricted funds	16,012	5,755	(12,855)	-	-	8,912
Costs of generating donations & legacies	-	-	(227,369)	-	227,369	-
	<u>1,349,104</u>	<u>943,023</u>	<u>(752,878)</u>	<u>29,260</u>	<u>(284,972)</u>	<u>1,283,537</u>
(b) Charity only <i>As above, but excluding Harry Livesey</i>	Balance at 1 Oct 2009	Incoming Resources	Funds Utilised	Gains on investments	Transfers, Incl Uniting Direction	Balance at 30 Sept 2010
	£	£	£	£	£	£
Funds for the upkeep of residential homes	198,256	203,185	(185,645)	-	231	216,027
Funds for residents' subsidies	-	152,462	(152,462)	-	-	-
Funds for community projects	15,167	31,336	(13,192)	-	-	33,311
Funds for grants and allowances	635,243	167,448	(155,173)	29,260	40,882	717,660
Capital funds	442,938	377,292	(1,427)	-	(512,838)	305,965
Other restricted funds	16,012	5,755	(12,855)	-	-	8,912
Costs of generating donations & legacies	-	-	(227,369)	-	227,369	-
	<u>1,307,616</u>	<u>937,478</u>	<u>(748,123)</u>	<u>29,260</u>	<u>(244,356)</u>	<u>1,281,875</u>

17 Endowment Funds

(a) Consolidated	Balance at 1 Oct 2009	Incoming Resources	Funds Utilised	Uniting Direction	Gains on investments & transfers	Balance at 30 Sept 10
	£	£	£	£	£	£
Funds for the upkeep of residential homes	2,403,656	-	(4,547)	-	64,034	2,463,143
Funds for residents' subsidies	2,122,444	-	-	-	82,508	2,204,952
Funds for grants and allowances	728,311	-	-	-	28,697	757,008
	<u>5,254,411</u>	<u>-</u>	<u>(4,547)</u>	<u>-</u>	<u>175,239</u>	<u>5,425,103</u>
(b) Charity only <i>As above, but excluding Harry Livesey</i>	Balance at 1 Oct 2009	Incoming Resources	Funds Utilised	Uniting Direction	Gains on investments & transfers	Balance at 30 Sept 10
	£	£	£	£	£	£
Funds for the upkeep of residential homes	1,287,448	-	(4,547)	1,116,207	64,034	2,463,142
Funds for residents' subsidies	1,038,475	-	-	1,083,968	82,508	2,204,951
Funds for grants and allowances	177,214	-	-	443,475	24,521	645,210
	<u>2,503,137</u>	<u>-</u>	<u>(4,547)</u>	<u>2,643,650</u>	<u>171,063</u>	<u>5,313,303</u>

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

18 Operating leases

	Property		Other	
	2010	2009	2010	2009
	£	£	£	£
Within 2 to 5 years	51,500	-	25,256	15,175
Over 5 years	-	51,500	-	-
	<u>51,500</u>	<u>51,500</u>	<u>25,256</u>	<u>15,175</u>

19 Pension schemes

(a) Group Personal Pension Plan

Since 1 October 1996 the Charity has operated a defined contribution scheme available to new and existing members, run by AXA. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £361,985 in the year (2009: £386,066).

(b) 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 2009 and to prepare a recovery plan if the assets were insufficient to cover the technical provisions. The actuarial valuation issued on 08 December 2010 showed the value of the assets at 1 October 2009 to be £860,000, which was lower than the technical provisions and, therefore, the Trustees have drawn up a recovery plan to address the shortfall. A schedule of contributions showing a contribution of £1,525 per calendar month as from 1 October 2010 was 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. The net liability has been included in these accounts as an actuarial loss on the Statement of Financial Activities and as a pension scheme liability on the Balance Sheet.

Employee benefit obligation

The amounts recognised in the balance sheet are as follows:

	30.09.10	30.09.09
	£	£
Present value of funded obligations	875,800	810,600
Fair value of Scheme assets	(852,000)	(771,300)
Net liability	<u>23,800</u>	<u>39,300</u>

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

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 2010. The value shown is not necessarily the value that would be available were the policy to be surrendered.

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

	30.09.10
	£
Opening defined benefit obligation	810,600
Interest cost	44,800
Actuarial losses/(gains)	20,400
	<hr/>
Closing defined benefit obligation	<u>875,800</u>

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

	30.09.10
	£
Opening fair value of plan assets	771,300
Expected return	33,900
Actuarial gains/(losses)	46,800
	<hr/>
Closing fair value of plan assets	<u>852,000</u>

The amounts recognised in SOFA are as follows:

	30.09.10	30.09.09
	£	£
Interest on obligation	44,800	48,700
Expected return on plan assets	<u>(33,900)</u>	<u>(53,700)</u>
Total	<u>10,900</u>	<u>(5,000)</u>
Actual return on plan assets	80,700	(81,300)

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

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

	30.09.10
Corporate bonds/gilts	75%
Cash	9%
Property	8%
Equities	4%
Cash	4%

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

Overall expected rate of return for the year beginning 1 October 2010: 3.8%

Principal actuarial assumptions at the balance sheet date:

	30.09.10
Discount rate	5.0% pa
Retail Prices Index (RPI) Inflation assumption	3.0% pa
Consumer Prices Index (CPI) Inflation assumption	2.3% pa
Rate of increases to deferred pensions	2.3% pa

Death after retirement: in accordance with the standard mortality tables PNMA00 and PNFA00 tables, with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI_2009, with long term rates of improvement of 1% for men and women.

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

	30.09.10	30.09.09	30.09.08	30.09.07	30.09.06
Defined benefit obligation	(875,800)	(810,600)	(734,300)	(847,200)	(1,128,900)
Plan assets	852,000	771,300	1,034,200	1,016,100	1,216,900
(Deficit)/Surplus	(23,800)	(39,300)	299,900	168,900	88,000
Experience adjustments on plan liabilities	(9,100)	(45,200)	(11,700)	(12,800)	(71,100)
Experience adjustments on plan assets	46,800	(135,000)	(5,500)	14,500	9,100

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

(c) Scottish Voluntary Sector Pension Scheme

Friends of the Elderly participated in the Scottish Voluntary Sector Pension Scheme, beginning as from 1 April 2008, up until the closure of the scheme in March 2010. 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 trustees of the scheme recommended the closure following a valuation of the financial position of the scheme in September 2008, its heavy dependency on a relatively small number of members of the multi-employer scheme and the significance of the legislation on employer debt on withdrawal from such a scheme.

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 18.7%. 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 and offered the opportunity to members to join the Friends of the Elderly pension scheme with AXA.

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. This is because the Scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes and benefits are paid from the total scheme assets. 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 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £45.1 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £20.4 million (equivalent to a past service funding level of 69%). Since 1st April 2010, annual deficit contributions have been paid in respect of the 12 active members of £16,215.

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 2008.

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% pa
Investment return pre retirement	6.80
Investment return post retirement	4.60
Rate of salary increases	4.20% for five years and 4.7% pa thereafter
Rate of pension increases:	
for pensionable service pre 6 April 2005	3.00
for pensionable service post 5 April 2005	2.30
Rate of price inflation	3.20

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2010 (continued)

(d) 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. No bonuses have been declared by the Trustee since the Scheme commenced in October 2001.

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. This is because the Scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes and benefits are paid from the total scheme assets. 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 2007 by a professionally qualified actuary using the "projected unit" method. The market value of the Scheme's assets at the valuation date was £10.9 million. The valuation revealed a surplus of assets compared to liabilities of £1.5 million, equivalent to a past service funding level of 116%.

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

The financial assumptions underlying the valuation as at 30 September 2007 were as follows:

	% pa
Rate of return pre retirement	6.1
Rate of return post retirement	5.3
Rate of pension increases pre 5 April 2005	2.9
Rate of pension increases post 5 April 2005	2.25
Rate of price inflation	2.9

The employers on-going future service contribution rate was set by the Trustee at 10.0% of pensionable salaries.

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 that the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2007 was approximately £90,000.

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2010 (continued)

20 Taxation

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

21 Members

At 30 September 2010 there were 13 members (2009: 14 members) who each pledge to pay £1 on winding up.

22 Capital Commitments

Consolidated only	Total 2010	Total 2009
	£	£
Capital expenditure contracted for but not provided in the accounts	2,098,000	160,000
	<u>2,098,000</u>	<u>160,000</u>

As at 30 September 2010, Potential Ltd had an outstanding, contracted, capital commitment of £2.098m in relation to the development of a 24-bed dementia unit at Friends of the Elderly's site in Malvern.

This cost of this development is being partly funded by a new loan facility for £2m with HSBC plc. This facility has not been drawn in this financial year.



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