

# **FRIENDS OF THE ELDERLY**

*Registered Charity No. 226064*

*Registered Company No. 133850*

**Annual Report and Financial Statements  
for the year ended 31 March 2015**

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## **Administrative Information**

- 1) Charity Name**  
Friends of the Elderly
- 2) Registered Office**  
40-42 Ebury Street  
London SW1W 0LZ
- 3) Registration Numbers**  
Charity No. 226064  
Company No. 133850
- 4) Company Secretary**  
Mr R Domingues (*to February 2015*)  
Mrs S Smith (*from February 2015*)
- 5) Trustees**  
Mrs J Andrews 5  
Mr D Brazier (*to December 2014*)  
Mr M Burdes 4  
Mr R Chapman (*from April 2015*) 1  
Viscount Devonport 4  
Ms S Goodband (*Vice-Chair*) (*to July 2015*) 2, 4  
Mr J Withers Green (*from December 2014*) 1, 3  
Mrs S Hudson 3, 5  
Mr J Hussey (*Vice-Chair*) 2, 3  
Ms D Meech 3 (*from September 2014*) 5  
Mr S Passman (*from April 2015*) 4  
Mr J Ross 2, 4  
Mr K Rubie (*Chairman*) 2  
Ms S A Taylor (*to July 2014*)  
Ms P Wright (*to September 2014*) 5  
  
1. *Member of Audit and Risk Committee*  
2. *Member of the Chair's Group*  
3. *Member of the Fundraising & Public Affairs Committee*  
4. *Member of the Resources & Investment Committee*  
5. *Member of the Service Delivery Committee*
- 6) Senior Management Team**  
Mr S Allen (*Chief Executive*)  
Ms N Clayton (*Director of Human Resources*)  
Mr P Cottrell (*Director of Property*)  
Mr R Domingues (*Director of Finance & Information Communication Technology*) (*to February 2015*)  
Mr M Farrell (*CEO of TLC*) (*to June 2014*)  
Ms J Griffiths (*Director of Finance*) (*from February 2015*)  
Ms J Hawthorn (*Director of Care, Triangle Community Services*)  
Ms J O'Boyle (*Director of Engagement*)  
Ms R Naylor (*Director of Care Homes*) (*from February 2015*)  
Mr C Poole (*Director of Operations*) (*to February 2015*)  
Mr M Wilson (*Director of Care, Triangle Community Services*)
- 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  
  
CCLA Investment  
Management Limited  
80 Cheapside  
London EC2V 6DZ
- 10) Solicitors**  
Anthony Collins Solicitors  
LLP  
134 Edmund Street  
Birmingham  
B3 2ES

## **CHIEF EXECUTIVE'S WELCOME**

Welcome to our Annual Report for the year ended 31 March 2015. Overall, this has been a positive year for Friends of the Elderly, despite challenges we have faced both as an organisation and within the wider care sector.

August 2014 saw the launch of our *Be a Friend* campaign, which is changing the way people interact with each other in their communities in order to address the growing issue of loneliness in the older population. The campaign builds on Friends of the Elderly's mission to support the older people who need us the most, and complements and reflects practices within our care homes and community-based services.

Our diverse funding base means we have been less affected than others by national austerity measures. In fact, we have enhanced the offer of our caring services by further aligning them with our volunteer and grant schemes. This means, for example, that older people living in our care homes or receiving home-care from us can also benefit from regular befriending or even a grant to help them live independently for longer.

I am often asked what makes me most proud of Friends of the Elderly and I always come back to the same point: the everyday kindness and care brimming from our staff and volunteers makes our organisation what it is. Their willingness to provide a great service has enabled Friends of the Elderly to make a demonstrable difference over the past 12 months and will help us to continue to do so for many many years to come.

**Steve Allen**

Group Chief Executive

## **MESSAGE FROM OUR CHAIR**

It has been a busy year at Friends of the Elderly. As you will read in the TrusteesqReport we have revised our structure, governance and management to improve administrative efficiency, reducing duplication of work where possible and ensuring consistency and safety across all our services.

This helps us to be in the best possible shape to meet the increasing demand for our services, to help end loneliness and support older people to live fulfilled and independent lives. There has never been a more challenging operating environment for Friends of the Elderly, with the need for our services growing on an almost daily basis in an increasingly regulated environment; but the way in which our care homes, home care, befriending and grants services are being resourced and led assures me that we are fit and ready for the challenges, and opportunities, that lay ahead.

I have been particularly delighted this year to welcome new colleagues from the Retired Nurses National Home (RNNH) in Bournemouth, an establishment with a rich history which this year became part of the Friends of the Elderly family.

We are also doing more than ever to harness and manage the huge contribution from our volunteers and supporters, whether they are signing up to our *Be a Friend* Campaign to make a difference in their local community; volunteering in our care homes; or visiting or phoning an older person to offer a listening ear and friendship.

My thanks go to our committed trustees, hard-working staff and dedicated volunteers for the enormous contribution they make.

**Kerry Rubie**

Board Chair, Friends of the Elderly

## **OUR REACH**

- **110** years of supporting people . founded in **1905**
- **1972** changed our name to Friends of the Elderly
- **14** care homes providing residential care for **475** older people
- **350,000** hours of home care in the year to enable people to remain independent at home
- **600** day care places for older people, including those with dementia
- **1,000** staff delivering care and support
- **1,600** individuals and organisations pledged to *Be a Friend*
- **37,000** hours of support from our volunteers
- **£300,000** of volunteer time each year
- in **2014** we were Downing Street's Social Action Partner

## **Trustees' Report for the Year Ended 31 March 2015**

The Trustees of Friends of the Elderly are pleased to present their Annual Report for the year ended 31 March 2015. The strategic report for Friends of the Elderly and its subsidiaries (together the 'Group') is incorporated into the Trustees report.

### **Our Aims and Objectives**

#### **Care with respect**

We've been supporting and caring for people for 110 years.

Founded in 1905, we became Friends of the Elderly in 1972 in response to the changes in society we saw around us.

We believe all older people should be treated with respect and be given the opportunity to live fulfilled lives. Through our care homes, community services, befriending and grants, we provide the care and support that keeps us connected as we get older.

In 2014, we launched our Be a Friend campaign. Loneliness and isolation can have a devastating impact at any stage of life . but especially amongst older people. Be a Friend tackles loneliness head-on by raising awareness of the issue and breaking down the barriers that stop us leading active and engaged lives.

Be a Friend was a direct response to our 2014 Future of Loneliness report, which looks ahead to 2030. This research, conducted by The Future Foundation, highlighted how the changes we see in society around us today can increase the risk of loneliness for millions of older people:

- More people in the UK are over 60 than under 18
- Over 65s in the UK will rise from 11m to 16m by 2030
- Around 1 million older people with care needs don't receive any formal support
- Around one third of current over-65s live alone . 70% are women
- By 2030 loneliness amongst older people will increase by 40%
- Poverty amongst older people will rise
- Being digitally connected will become more important.

## **Our Achievements and Performance**

### **Be a Friend**

#### **We're calling on everyone to help end loneliness**

More than five million older people are affected by loneliness. That's one in three of all older people in the UK. Over the next 15 years this figure will increase by 40%, meaning that by 2030 more than seven million older people will be living with feelings of loneliness.

Loneliness can be as harmful to health as smoking or excessive alcohol consumption. But often all it takes to combat these feelings are the simple, everyday interactions that we take for granted. A chat over the garden fence, a conversation at the checkout . easy ways to stay connected but they can be daunting if loneliness has damaged your confidence. *Be a Friend* is about bringing back that confidence.

We provide ways to bring people together, or remove the barriers to getting out and about. Simply connecting with older family members, friends, or neighbours, using stories about shared passions, corporate outreach programmes, or championing age-friendly facilities and services are all great ways to tackle loneliness and get people talking.

#### **Our Story 2014/15**

*Be a Friend* launched in 2014 and in its first year encouraged more than 1,600 individuals and organisations to pledge their support. We've also been contacted by over 500 people asking how they can volunteer their time to help combat loneliness.

#### **Sporting Stories**

The West Ham United Foundation pledged their support through a partnership to engage older people in east London. Around 50 people came to the Boleyn Ground to talk about their shared passion for the football club. 16 of those were then invited to join a five-week programme which included support to get online from Barclays Digital Eagles. As a result, participants formed new social bonds and gained new digital skills to stay connected. The group continues to socialise together once a month and many have gone on to access more activities and support in their communities. We were delighted when the project featured on Match of the Day early in 2015.

#### **Charity Champions**

Over the last year we've had fantastic support from Wragge Lawrence Graham & Co. With a focus on our telephone befriending service, their staff have raised over £40,000 through activities including the Yorkshire Three Peaks Challenge, cake and book sales, and the company's annual Big Quiz. They have also provided an internal team of ready and willing volunteers who are now trained telephone befrienders. Special thanks has to go to Bob George who made the trek from Land's End to John O'Groats to raise funds and awareness for *Be a Friend*.



## **Our Achievements and Performance (continued)**

### **Residential Care**

#### **Care with dignity and respect**

We operate 14 very different and unique care homes across England. Some are purpose-built homes, while others are historic buildings in impressive grounds that have been adapted to suit the needs of the people within our care. But while the look and feel of our homes may vary, our commitment to our residents does not.

We have been investing in our properties, and are continuously improving and updating our facilities to make sure our residents experience the very best care. At times this also means taking difficult decisions and in the last year we closed Sir Thomas Lipton Memorial Home in North London. Although much loved by its residents, the investment required to make the Victorian property fit-for-purpose and meet safety regulations was prohibitive.

A new home has come into the Friends of the Elderly Group - the Retired Nurses National Home in Bournemouth. We were asked to take over ownership of and responsibility for running the home, which operated as an independent charity before becoming part of Friends of the Elderly. From its south coast location the home gives priority to residents who have worked as nurses or healthcare professionals.

#### **Our Story 2014/15**

Our 14 care homes provide care to 475 older people. We create connections between our homes and their local communities, welcoming volunteers and outreach activities from local schools, businesses and other organisations. In the last year our care homes benefitted from more than 10,000 hours of volunteer support.

#### **Bernard Sunley Nursing Home, Woking, Surrey**

Our Bernard Sunley home in Woking includes a specialist wing for people living with dementia. By refurbishing the wing we created a more informal and relaxed environment for our residents . by bringing in a light, bright, colourful décor the area feels homely and relaxed. We've also changed the way the wing operates . a new breakfast area means our residents can chat with friends over toast and coffee. Recent independent audits have shown the benefit our new approach has helped: *“staff knew their residents and their life histories very well and were able to have meaningful conversations with them. The residents need for meaningful occupation was recognised and facilitated. The atmosphere was light and one of light-hearted fun.”*

#### **The Lawn Residential Home, Holybourne, Alton, Hampshire**

Our care homes have also been getting behind our *Be a Friend* campaign. Our team at The Lawn buddied up with a number of schools and the local Scout group. The Scouts fulfilled their pledge to make the garden at The Lawn a bright and happy place with home-made bird and bat boxes and colourful planters. Pupils from nearby Binsted Primary School painted pictures to share their smiles, time and love that were also displayed during National Care Home Open Day. All their efforts have made a big difference to those living at The Lawn.

## **Our Achievements and Performance (continued)**

### **Our Community Services**

#### **Support where it is needed**

We always place the users of our services at the heart of all we do. With our care and support we enable people to live well and in their own homes for as long as possible.

In June 2015 we launched Triangle Community Services, a subsidiary charity that merged the expertise and services of Friends of the Elderly and TLC Care Services to provide a single point of contact for those needing formal support to remain independent in their own homes. In doing so we made sure our services are clear and accessible for the people in our care and for their family and friends.

Triangle Community Services includes day care provided at centres in Malvern, Kidderminster, Wallington and Wichenford, alongside the home care offered in Sutton, East London, Thurrock, Woking and Malvern.

#### **Our story 2014/15**

In the last year we provided more than 12,000 hours of day care to more than 200 people, while over 680 people received over 350,000 annual hours of home care.

#### **Our personal touch**

Through our community services we connect with many older people and their families. Trust is crucial in developing these relationships which is why it is so rewarding when we are contacted by the families of the people we care for. We were delighted when Bob's son got in touch to thank us for looking after his father, his recognition of the commitment of our staff . *"you look after my Dad as if he were your own Dad"* . demonstrates the ethos of our care teams.

#### **Wallington summer party**

Recognising that not everyone can get out and about to enjoy summer days out, we held a day of summer fun at our Wallington day centre in Surrey. To get everyone in the mood the morning started with a series of exercise activities and classes. After a buffet lunch the group then enjoyed a performance of songs and music from yesteryear that encouraged both young and old to get up and have a dance. The summer party at Wallington was just a small part of our activities to promote the launch of Triangle Community Services which included coffee mornings, parties, seaside trips, and days out.

## **Our Achievements and Performance (continued)**

### **Lives without Loneliness**

#### **Our commitment as a charity**

At our core is our commitment to reducing loneliness amongst older people. As a charity we raise funds to support these activities. Through our supporters' generosity we are able to deliver our *Be a Friend* campaign, recruit and train a national network of volunteers to provide friendship and support, and provide grants to older people who find themselves in need.

Our trained volunteers offer a lifeline to those living with loneliness and often with no one else to turn to. Their friendship is offered over the phone or through personal visits. We are working within sheltered housing schemes in Surrey to overcome the loss of warden services with volunteer-led coffee mornings and activities. These befriending services are completely free to those who need them.

Despite the rise in living standards many older people continue to live below the poverty line. Our small grants scheme provides essential funds for older people in crisis. Most of our grants pay for replacing essential white goods such as cookers and fridges or help those in fuel poverty.

#### **Our story 2014/15**

Overall 325 volunteers provided over 37,000 hours of their time helping 861 older people. That is almost 5,000 days in just 12 months. We gave more than £270,000 in grants to older people last year - around **30%** helped replace essential white goods.

#### **Case studies**

##### **Keeping neighbours talking**

Even when surrounded by other people you can still be lonely. Across nine sheltered housing schemes in Surrey, 149 of our befriending volunteers help overcome the loss or reduction of warden services. One-to-one interactions and events like monthly coffee mornings seek to restore the lost sense of community. Our efforts give the residents a reason to talk, and in some cases they begin managing activities themselves. The conversation starts to flow, and more often than not other events and trips soon follow.

##### **At the end of the phone**

375 people received calls from our Phoning Friends volunteers. A 30-minute phone call once a fortnight can make a real difference. We match people through shared interests, establishing common ground that makes getting to know each other easy while chatting about the day's news. Phoning Friends and the interaction it provides can give people the confidence that enables them become active in their community again.

## **Our Future Plans**

### **A look ahead across our organisation, campaigns and services**

#### **Friends of the Elderly**

We will continue our work to create a more sustainable future for our charity. We have invested in restructuring our organisation and services, while also improving our properties. These changes are due for completion in 2017 and will enable us to become an efficient and effective organisation worthy of ongoing, long-term support and investment, and one that will very much be at the forefront of the fight to end loneliness.

#### **Be a Friend**

Our national campaign will continue to grow, recruiting individual volunteers and organisational supporters alike. We want Be a Friend to be seen by all as a way of understanding the needs of older people, and as a way of encouraging the social action we know is needed to stop millions of older people from having to live with loneliness.

#### **Residential Care**

We want to see the number of people we care for increase significantly in the next five years. This means investing in existing and new property. We need our care offering to be modern and future-fit and so we need to embrace technology and develop new ways of connecting with local communities.

#### **Community Care**

We have seen much change with the creation of Triangle Community Services. We will continue to expand our work in local communities, increasing our home-care provision from our existing locations and care homes, and providing integrated support to people in their own environment.

#### **Lives without Loneliness**

Our befriending and grant-giving must become fully integrated within our wider care services to become truly effective. This will ensure that each individual we support receives the support they need throughout their relationship with us.

## Financial Review

Friends of the Elderly and its subsidiaries (together the Group) have reached a record number of older people during 2014-15, providing practical and emotional support through our residential and community-based services, providing financial assistance in the form of grants, and addressing loneliness and isolation through our befriending services and campaigning. Our income of £23.5m (2014: £23.0m) reflects our increased volume of services.

At the end of March 2015 we were delighted to add to our reach by adding a 52-bed residential care home in Bournemouth, the Retired Nurses National Home to our homes. The RNNH's assets, valued at £4.3m, were gifted to us following a competitive process. This has added £4.3m to our Group balance sheet at 31<sup>st</sup> March 2015 and also to the Group's net movement in funds for the year.

The Sir Thomas Lipton Memorial Home was closed in the summer of 2014 as the Victorian property was no longer suitable for the needs of its residents, a loss of 24 beds. We are currently exploring options for the future of the site.

The costs of providing quality care and support outpaced the increases in income, particularly for services paid for by local authorities, and expenditure of £25.5m (2014: £24.1m) resulted in a deficit on operations for the year of £2.0m (2014: £1.1m). This deficit on operations is being addressed through a comprehensive restructuring and efficiencies programme to support sustainable growth.

The first phase of this programme related to our community-based services to address efficiency and integration of our different services. This was successfully completed early in the 2015-16 financial year.

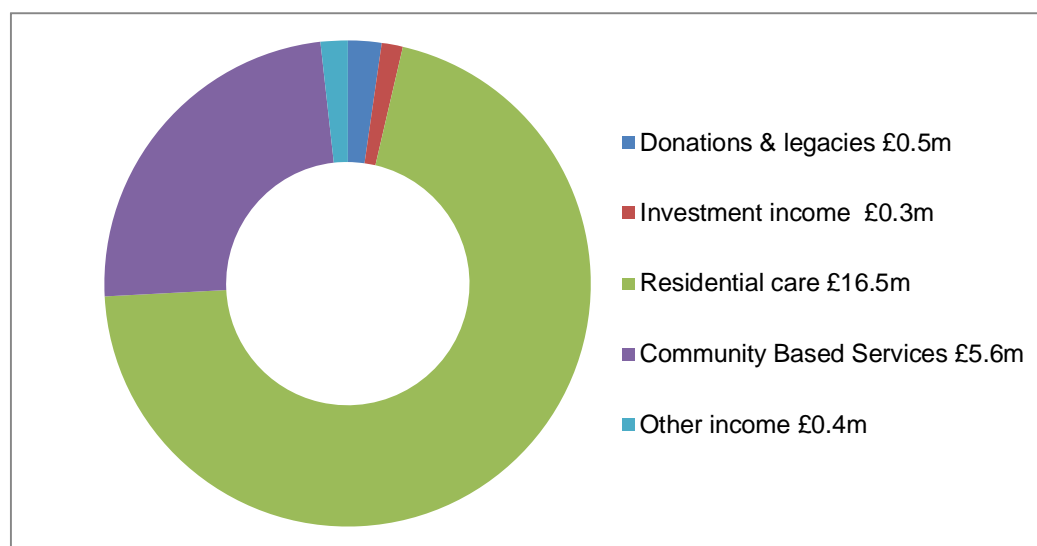
Including other gains and losses on investments and the transfer of the RNNH, the Group recorded a surplus for the year of £2.6m (2014: deficit of £0.5m).

### Summary statement of financial activities

	<b>2015</b>	<b>2014</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Incoming resources from generated funds	857	1,099	(22%)
Incoming resources from charitable activities	22,181	21,585	3%
Other incoming resources	413	313	32%
<b>Total Income</b>	<b>23,451</b>	<b>22,997</b>	<b>2%</b>
Cost of generating funds	585	628	(7%)
Charitable activities	24,747	23,343	6%
Governance costs	142	137	4%
<b>Total expenditure</b>	<b>25,474</b>	<b>24,108</b>	<b>6%</b>
Other gains and losses	4,585	620	640%
<b>Net movement in funds</b>	<b>2,562</b>	<b>(491)</b>	<b>622%</b>

## Financial Review (continued)

### Income



Group income for the year ended 31 March 2015 was £23.5m, an increase of £0.5m, 2%, over the prior year. This was achieved despite the closure of one of our homes, Sir Thomas Lipton Memorial Home, in the summer of 2014, and lower fundraising and investment income.

Income	2015 £'000	2014 £'000	Change %
Donations & legacies	527	653	(19%)
Investment income	330	445	(26%)
Residential care	16,536	16,044	3%
Community Based Services	5,639	5,539	2%
Other income	419	316	33%
<b>Total</b>	<b>23,451</b>	<b>22,997</b>	<b>2%</b>

Donations and legacies of £0.5m decreased by £0.1m compared to 2013-14. This reflects a more challenging fundraising environment across the charity sector, and variable legacy income.

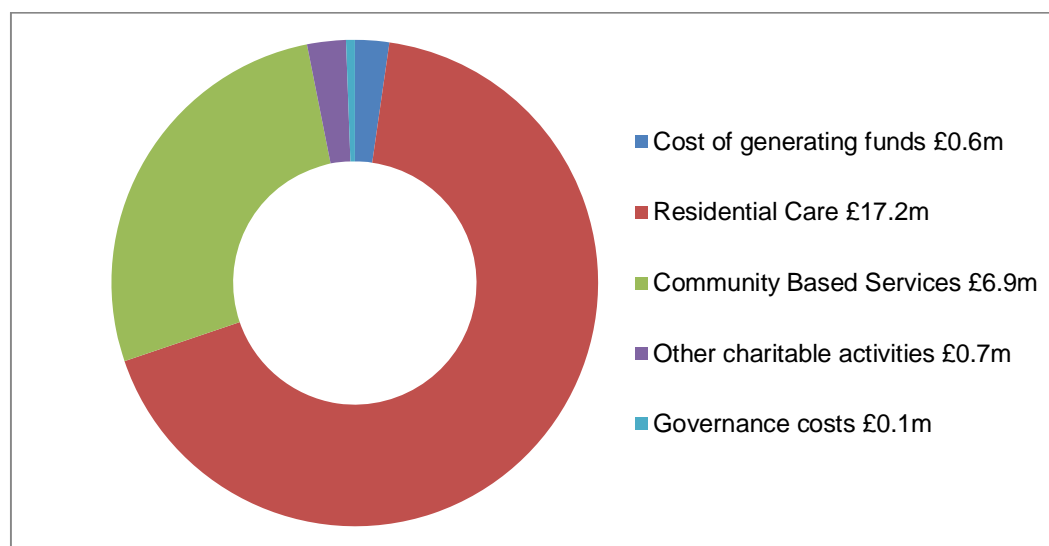
Residential care income of £16.5m was an increase of £0.5m on the prior year. Despite the loss of 24 beds with the closure of the Sir Thomas Lipton Memorial Home, good levels of occupancy in our other homes, comprising 424 beds in total, ensured that income still increased over the year.

## Financial Review (continued)

Our community-based services comprise day centres and domiciliary care undertaken by both the Charity and its subsidiary Triangle Community Services (formerly TLC Care Services). Income of £5.6m is a £0.1m increase on the prior year, and includes a small increase in annual domiciliary care hours delivered, from 338,000 to 350,000 hours.

The majority of these services are funded by the public sector, for which fee levels have been challenging, and which have not kept pace with inflation. Negotiations over fee rates in the later part of 2014-15 and early in the new financial year have been encouraging.

## Expenditure



### Expenditure summary

	2015	2014	Change
	£'000	£'000	%
Cost of generating funds	585	628	-7%
Residential Care	17,196	16,755	3%
Community Based Services	6,890	5,961	13%
Other charitable activities	660	626	5%
Governance costs	142	137	4%
	<b>25,473</b>	<b>24,107</b>	5%

Costs of running our residential care homes increased by 3%, which is in line with the 3% increase in residential care income.

Community-based services expenditure increased by £0.9m. Local authority contracts became increasingly uneconomical to fulfil during the year, and in some cases the costs of meeting the contractual requirements were greater than the income. This has been addressed through vigorous negotiations with local authorities shortly before and after 31 March 2015, ensuring our future fee rates provide fair recompense for the work performed.

## Financial Review (continued)

Costs were also incurred relating to restructuring, completing the integration between Triangle and Friends of the Elderly's community services, and planning for future profitable growth.

Other charitable activities include £0.3m of welfare grants given to older people in financial need.

### Other Gains and Losses

The Retired Nurses National Home was gifted to the Charity on 31<sup>st</sup> March 2015, resulting in a gain recognised of £4.3m. £4.2m of the assets gifted (freehold property and investments) are endowed, and so included within endowed funds.

Realised and unrealised gains on investments in the year totalled £0.3m, a small decrease on the prior year.

### Balance Sheet

	<b>2015</b>	<b>2014</b>	<b>Change</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Tangible assets	25,317	22,656	11.7%
Investments	11,202	10,481	6.9%
Debtors	1,771	2,012	(12.0%)
Cash	792	1,295	(38.8%)
Creditors due within one year	(3,082)	(2,928)	5.3%
Loans due after one year	(1,676)	(1,761)	(4.8%)
Pension scheme liability	(7)	-	
<b>Net assets</b>	<b><u>34,317</u></b>	<b><u>31,755</u></b>	<b><u>8.1%</u></b>

The gifting of the Retired Nurses National Home on 31<sup>st</sup> March 2015 increased tangible fixed assets by £2.2m and investments by £2.1m.

We also invested £1.5m in our existing fixed assets, in particular on enhancing our residential care homes. Work started on preparing the ground for a new 52-bed care home on our Coulsdon site, at a cost of £0.4m.

During the year we had a net cash outflow of £0.5m and disposed of £1.3m of investments. This was due to the decline in fundraising income and the investment in future sustainability of our homes and services.

Our closed defined benefit pension scheme had an unrecognised surplus of £13,000 at 31 March 2014. This became a deficit of £7,000 at 31 March 2015, and so this liability falls to be recognised at the year-end.



## **Financial Review (continued)**

### **Reserves**

We hold four different types of reserves . General, Designated, Restricted and Endowments.

**Designated funds** are unrestricted funds set aside by Trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction or acquisition of any residential homes.

**Restricted funds** are held and used in line with the wishes of the donors of those funds. The Trustees of the Charity do not have the discretion in the use of these funds, but they can be fully used for the objectives of the Charity.

**Endowment funds** are held and used as per the wishes of the original donor. However, the capital value of these funds needs to be maintained. In effect, as these funds are held as investments, this means that any dividends and interest generated by the investments is used to fulfill the wishes and intentions of the original donor.

**General or “free” reserves** are unrestricted funds that have not been designated for particular purposes by the Trustees. They must be held at a level that is designed to protect the Group’s work in the event of unforeseen and significant changes in its financial position.

The reasons for holding an appropriate level of reserves are:

- Maintaining adequate working capital particularly during a time of redevelopment of the residential portfolio;
- Ensuring sufficient funds are available to allow the Group to honour its commitments to its residents, many of whom are subsidised, and to those supported by its community
- Ensuring that regular grant giving can continue.

The Trustees have adopted a risk-based approach to benchmark the appropriate level of general reserves, considering the likelihood and costs of interruption of the Group’s different activities. The reserves policy is reviewed by Trustees on an annual basis.

The target level of general reserves at 31 March 2015 is £1.4m for the Group and £1.2m for Friends of the Elderly.

- Friends of the Elderly’s general reserves at 31 March 2015 were £1.3m, which is in line with the target level of general reserves.
- The Group’s level of general reserves at 31 March 2015 were £1.2m, which falls below the target.

Taking into account and the overall strength of the Group’s balance sheet, available cash and unrestricted investments, and our plans for 2015-16, the Trustees confirm that the reserves are sufficient to fulfill the Group’s obligations as they fall due and to continue with our operations.

## **Financial Review (continued)**

The Trustees are satisfied that future plans for restructuring, efficiency gains, cost control, and performance management . all the while ensuring the continued quality and safety of our services - will return the level of reserves to the target level within two years.

### **Investments**

The Trustees employ Investment Fund Managers on a discretionary basis to manage the portfolio of investments. 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 requirements.

Their performance is measured against appropriate industry benchmarks. Members of the Resources and Investments Committee (formerly the Finance and General Purposes Committee) meet regularly with the Managers to review performance and consider changes to the portfolio to respond to market conditions. Both long-term and short-term performance are considered.

Performance of the Group's two fund managers during the financial year was as follows, comparing total return (revaluation, gains on disposal and income) to benchmarks:

£/%	Cazenove		CCLA	Total
	Income fund	Balanced fund		
Total return	288,840	198,291	184,703	671,834
Return on investment	5.80%	6.30%	13.50%	8.27%
Benchmark return on investment	7.90%	9.70%	12.05%	10.53%

The Cazenove Income Fund is comprised entirely of endowed investments; the Balanced Fund is a mixture of restricted and unrestricted investments. The funds held with CCLA originally related to the Sir Thomas Lipton Memorial Home and are a mixture of restricted, unrestricted and endowed investments.

## **Structure, Governance and Management**

### ***The Charity's Constitution***

Like most charities, Friends of the Elderly (the Charity) has a governance structure in place to ensure it uses its resources wisely to further its objectives- in our case, to help older people. The key features of this structure are that:

- The Charity 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.
- The Charity is governed by trustees, who are members of a Board of Trustees and who are also directors of the company for Companies Act purposes. All trustees are unremunerated for the work they do as trustees of the Charity and are listed on page 2.

### ***Group structure***

The Charity is also the parent company for a number of trading subsidiaries. These different entities together form the Friends of Elderly Group (the Group) and consolidated results for the Group are shown in these accounts.

- ***Triangle Community Services*** (the Triangle) . formerly TLC Care Services, the company changed its name to Triangle Community Services on 1 June 2015.

Triangle is a charity and company limited by guarantee, delivering domiciliary care and public health services, mainly in east London.

Triangle has been a wholly-owned subsidiary of the Charity since June 2012, but also retains its own Trustee Board. From 1 April 2015, a joint governance structure for Triangle and FotE was introduced, to facilitate the integration of Triangle into the Group. The majority of Triangle Trustees became Trustees of Friends of the Elderly, and Friends of the Elderly Trustees became Trustees of Triangle, In order to deal with any potential conflicts of interest, and in line with charity governance best practice, two Board members are Triangle-only Trustees, and two FotE-only Trustees.

From 1 June 2015, the Friends of the Elderly community services and day care services were transferred into Triangle.

- ***The Retired Nurses National Home*** (the RNNH)

The RNNH is a care home in Bournemouth which has been providing residential care since 1938. Following a formal selection process, the Charity was chosen by the RNNH Trustees to receive the home by way of a free transfer, which was completed on 31 March 2015.

This remains a separate charity and company limited by guarantee, with Friends of the Elderly as the sole member and appointing the RNNH Trustees.

## **Structure, Governance and Management (continued)**

- **Potential Ltd** (Potential)

This is the Charity's property development company and is a limited company. Again, this is wholly-owned by the Charity, but also has its own Board of Directors looking after its operations.

- **Friends of the Elderly (Trading) Ltd**

This limited company is currently dormant, but has been retained for possible future use.

In addition, the Charity's defined benefit pension scheme, which was closed in 1996, has its own Trustee Board which is chaired by a Trustee of the Charity. This is not considered to be part of the Group and has not been included in the consolidated figures in these accounts, although the deficit arising on the scheme is included as a liability of the Charity.

### **Trustees and their support**

To ensure that the Charity's Trustees effectively govern this Group structure, a number of processes, procedures and support systems are in place:

- Trustees are appointed by the Board of Trustees of the Charity subject to formal election at the following Annual General Meeting.
- They then 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 Trustees meet at least four times a year.
- Board Committees scrutinise and oversee matters relating to audit and risk, fundraising and public affairs, resources and investments, and service delivery.
- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Senior Management Team (SMT).

The Charity holds professional indemnity insurance in respect of all Trustees, committee members and staff.

In addition to its Trustees, the Group also benefits greatly from the active involvement of many other volunteers who contribute their time and skills in a variety of ways, including being members of homesqsupport groups, undertaking home visiting and telephoning older people in their own homes, helping in day centres, taking part in stroke and public health work, sitting on sub-committees and sub-groups, and as fundraisers and ambassadors for the Group.

## **Structure, Governance and Management (continued)**

### ***Principal Risks and uncertainties***

The Trustees are responsible for managing risk effectively in order to:

- Protect our service users, staff, assets and reputation;
- Deliver good corporate governance; and
- Improve our business performance.

Trustees, in conjunction with the Senior Management Team (SMT), have identified and reviewed the major risks to which the Group is exposed and systems are in place to manage such risks.

The Trustees have a policy to embed effective risk management throughout the Group and thereby create a culture by which risks are identified, communicated, and good practice in managing risk is shared across the organisation. The Trustees hold overall ownership for risk and will consider the risk appetite, summary risk dashboard and detailed risk register periodically.

The Audit and Risk Committee assists the Trustees by performing more detailed examination of the Charity's risks and responses to those risks. Day-to-day management of risk is delegated to the Chief Executive and the SMT, with individuals having primary responsibility for day-to-day management of specific risks. .

The main risk faced by the Group is around providing poor or negligent care to a vulnerable individual. Considerable efforts continue at all the Group's homes, care 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.

The Group has monitoring systems in place to give us early warning signs of any problems and train our staff to a high level. This year the Group has also employed a Health and Safety Manager and deployed a Group Clinical Lead to ensure the Group's high standards of safety and quality service delivered are applied consistently throughout the organisation.

Another key risk area is ensuring that we have adequate financial resources to continue our work and meet the needs of our service users both in the short and longer-term.

The Trustees are provided with regular financial information, including forecasting of results and resources. The Trustees have reviewed the reserves policy in the current year, which is discussed further on page 16, and the level of free reserves against targeted reserves levels are regularly monitored.

The Group has taken steps to restructure some of its operations and eliminate inefficient costs, while investing for future quality and sustainability of services. The financial benefits of this programme will start to be felt during 2015-16.

## **Structure, Governance and Management (continued)**

### ***Grant-giving policy***

Our Supporting Friends team provides financial help in the form of one-off grants and regular allowances for people aged 60 or over. The aim of the service is to help relieve the stress and worry often experienced by those living on a low income.

One-off grants to replace essential items such as basic furniture, flooring, and household appliances. We can also help with utility bills, household repairs and adaptations and mobility aids.

When considering whether to provide a grant, we obtain evidence to support the recipient's financial situation, and consider the impact the grant will provide.

Our regular allowances are paid monthly or twice a year to support older people whose income does not meet their basic cost of living. Our Winter Comforts Fund helps towards the cost of keeping warm in the winter. We keep in touch with our regular beneficiaries by telephone and letter, hand-made birthday cards plus presents and cards at Christmas.

Wherever possible, we signpost unsuccessful applicants towards other potential sources of funding.

### ***Equal opportunities***

We are committed to being an equal opportunities employer. Our Equality and Diversity Policy aims to set a positive way forward for valuing diversity in the workforce and eradicating discriminatory practices. All forms of harassment, against or by a service user or employee will be dealt with under the terms of this policy.

We place a positive value on diversity and believe that differences in the workforce can add value to the organisation and make it stronger, more flexible and ultimately more capable of delivering care services that meet the needs of our service users. This belief underpins our person-centred and service user led approach to caring.

We aim to protect and enhance the dignity of employees and service users from diverse backgrounds by employing good management practices and providing a safe working environment, free from discrimination.

We ensure that recruitment, appraisal and training systems are designed so that an individual is appointed and promoted on the basis of their ability and performance regardless of their classification as belonging to any group. These systems are monitored regularly.

We encourage applications from disabled people, developing their skills, and taking every reasonable measure to adapt our premises and working conditions to enable disabled people to work or volunteer with us.

## **Structure, Governance and Management (continued)**

### ***Staff and volunteer involvement***

There are many formal and informal arrangements for keeping staff up to date information on matters of concern to them as employees. All managers are expected to hold regular meetings with their staff, to provide an opportunity for communication of information and discussion of events as they develop.

We maintain an intranet site that provides staff with information, including weekly updates on news and activities from around the Group.

### ***Public benefit***

An explanation of the Group's objectives and activities can be seen page 6. In addition, the Trustees confirm that they have taken into account the guidance produced by the Charity Commission on public benefit and are happy to state that all of the relevant activities of the Group are carried out for the public benefit.

### ***Responsibilities of the Members of the Board of Trustees***

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 Group and of the surplus or deficit of the Group 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 and its subsidiaries will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Structure, Governance and Management (continued)**

### ***Statement of 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 Group'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.

### ***Annual General Meeting (AGM)***

The AGM of the members of Friends of the Elderly will be held on Thursday, 3 December 2015.

The Trustees' Annual Report and the financial statements were approved by the Board of Trustees on 18 September 2015.

Kerry Rubie  
***Chair***



## **Independent auditor's report to the members of Friends of the Elderly**

We have audited the financial statements of Friends of the Elderly for the year ended 31 March 2015 which comprise the Consolidated Statement of Financial Activities, the Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement set out on page 22, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members as a body in accordance with Chapter 3 of Part 16 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.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group and of the charitable company's affairs as at 31 March 2015 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on the other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Nicola Wakefield (Senior Statutory Auditor)  
for and on behalf of Mazars LLP  
Chartered Accountants and Statutory Auditor

Times House, Throwley Way, Sutton, Surrey SM1 4JQ  
Date: 29 September 2015

**Consolidated Statement of Financial Activities for the year ended 31 March 2015** (including Income and Expenditure Account)

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total Funds 2015 £	Total Funds 2014 Restated £
<b>Incoming resources</b>						
Incoming resources from generated funds						
Donations & legacies	3	126,641	400,179	-	526,820	652,996
Investment income	4	91,172	238,309	923	330,404	445,552
Incoming resources from charitable activities						
Residential care		16,536,198	-	-	16,536,198	16,043,765
Community Based Services		5,638,837	-	-	5,638,837	5,538,899
Management fees		5,936	-	-	5,936	2,318
Other incoming resources	5	413,165	-	-	413,165	313,313
		<b>22,811,949</b>	<b>638,488</b>	<b>923</b>	<b>23,451,360</b>	<b>22,996,843</b>
<b>Resources expended</b>						
Cost of generating funds						
Fundraising costs		454,217	2,507	-	456,724	437,314
Public affairs costs		70,082	35,537	-	105,619	150,502
Investment management costs		18,279	4,802	-	23,081	40,308
		542,578	42,846	-	585,424	628,124
Charitable activities						
Residential Care		16,887,418	308,999	-	17,196,417	16,754,974
Community Based Services		6,846,155	43,296	-	6,889,451	5,961,450
Be a Friend		26,051	193,313	-	219,364	203,345
Grants and allowances payable		302,510	138,567	-	441,077	422,648
		24,062,134	684,175	-	24,746,309	23,342,417
Governance costs	6	141,833	-	-	141,833	136,771
		<b>24,746,545</b>	<b>727,021</b>	<b>-</b>	<b>25,473,566</b>	<b>24,107,312</b>
<b>Net (outgoing)/incoming resources before transfers</b>		<b>(1,934,596)</b>	<b>(88,533)</b>	<b>923</b>	<b>(2,022,206)</b>	<b>(1,110,469)</b>
Transfers	16,17,18	(794,519)	10,963	783,556	-	-
<b>Net (outgoing)/incoming resources before other gains and losses</b>		<b>(2,729,115)</b>	<b>(77,570)</b>	<b>784,479</b>	<b>(2,022,206)</b>	<b>(1,110,469)</b>
<b>Other gains and losses</b>						
Realised gains on sale of fixed assets		-	-	-	-	267,672
Realised/unrealised gains/(losses) on investments	11	141,336	38,581	161,513	341,430	351,507
Actuarial losses on defined benefit pension scheme	20	(12,500)	-	-	(12,500)	-
Gain arising on transfer of RNNH assets	11	-	143,344	4,111,834	4,255,178	-
		<b>128,836</b>	<b>181,925</b>	<b>4,273,347</b>	<b>4,584,108</b>	<b>619,179</b>
<b>Net movement in funds</b>		<b>(2,600,279)</b>	<b>104,355</b>	<b>5,057,826</b>	<b>2,561,902</b>	<b>(491,290)</b>
<b>Reconciliation of funds</b>						
Total funds brought forward as previously reported		24,802,392	1,512,978	6,024,419	32,339,789	32,724,176
Prior period adjustment		(585,133)	-	-	(585,133)	(478,230)
Total funds brought forward as restated		24,217,259	1,512,978	6,024,419	31,754,656	32,245,946
<b>Total funds carried forward</b>		<b>21,616,980</b>	<b>1,617,333</b>	<b>11,082,245</b>	<b>34,316,558</b>	<b>31,754,656</b>

The above figures relate to the group's continuing activities. All gains and losses are shown above, no Statement of Total Recognised Gains and Losses has been presented.

The notes on pages 29-54 form part of these financial statements.

**Group and Charity Balance Sheets as at 31 March 2015**

		Group		Charity only	
		2015	2014	2015	2014
		£	<i>Restated</i>	£	<i>Restated</i>
	<i>Notes</i>		£		£
<b>Fixed assets</b>					
Tangible assets	10	25,316,743	22,656,091	23,066,427	22,706,204
Investments	11	11,202,263	10,480,532	9,180,431	10,490,534
		<u>36,519,006</u>	<u>33,136,623</u>	<u>32,246,858</u>	<u>33,196,738</u>
<b>Current assets</b>					
Debtors	12	1,770,801	2,011,953	1,581,810	1,501,097
Cash		792,208	1,294,737	536,668	955,044
		<u>2,563,009</u>	<u>3,306,690</u>	<u>2,118,478</u>	<u>2,456,141</u>
<b>Creditors</b>					
Amounts falling due within 1 year	13	(3,082,073)	(2,927,535)	(2,598,568)	(2,592,382)
<b>Net current (liabilities)/assets</b>		<u>(519,064)</u>	<u>379,155</u>	<u>(480,090)</u>	<u>(136,241)</u>
<b>Loans due after one year</b>	14	(1,676,284)	(1,761,122)	(1,676,284)	(1,761,122)
<b>Net assets excluding pension liabilities</b>		<u>34,323,658</u>	<u>31,754,656</u>	<u>30,090,484</u>	<u>31,299,375</u>
<b>Defined benefit pension scheme liability</b>	20	(7,100)	-	(7,100)	-
<b>Net assets</b>		<u><b>34,316,558</b></u>	<u><b>31,754,656</b></u>	<u><b>30,083,384</b></u>	<u><b>31,299,375</b></u>
<b>Represented by:</b>					
Unrestricted funds:					
Designated funds	16	20,392,061	22,420,905	20,360,437	22,471,018
General reserves		1,232,019	1,796,354	1,285,646	1,290,960
Pension reserve		(7,100)	-	(7,100)	-
		<u>21,616,980</u>	<u>24,217,259</u>	<u>21,638,983</u>	<u>23,761,978</u>
Restricted funds	17	1,617,333	1,512,978	1,473,990	1,512,978
Endowments	18	11,082,245	6,024,419	6,970,411	6,024,419
		<u><b>34,316,558</b></u>	<u><b>31,754,656</b></u>	<u><b>30,083,384</b></u>	<u><b>31,299,375</b></u>

The notes on pages 29-54 form part of these financial statements.

The financial statements were approved by the Board of Trustees on 18 September 2015 and were signed on their behalf by:

Kerry Rubie  
Chairman

## Consolidated Cashflow Statement for the year ended 31 March 2015

	2015	2015	2014	2014
	£	£	<i>Restated</i>	<i>Restated</i>
			£	£
<b>Reconciliation of net resources to net cash from operating activities:</b>				
Net resources from operations	(2,022,206)		(1,110,469)	
Investment income	(330,404)		(445,552)	
Depreciation	1,021,331		936,513	
Difference between pension contributions and net finance charge	(5,400)		-	
Decrease/(increase) in debtors	259,930		(91,603)	
Increase in creditors	100,189		669,840	
<b>Net cash outflow from operating activities</b>		<b>(976,560)</b>		<b>(41,271)</b>
<b>Returns on investments</b>		<b>330,404</b>		<b>445,552</b>
<b>Capital expenditure and financial investments:</b>				
Purchase of investments	(2,099,795)		(739,389)	
Purchase of fixed assets	(1,463,291)		(1,030,621)	
Receipts from sale of investments	3,020,077		2,535,851	
Cash withdrawn from investment portfolio	731,251		-	
Receipts from sale of fixed assets	-		267,672	
		<b>188,242</b>		<b>1,033,513</b>
<b>Acquisitions and disposals</b>				
Cash acquired with subsidiary	38,989		-	
		<b>38,989</b>		<b>-</b>
<b>Financing:</b>				
Loan repayments	(83,604)		(90,548)	
		<b>(83,604)</b>		<b>(90,548)</b>
<b>Movement in net funds</b>		<b>(502,529)</b>		<b>1,347,246</b>
<b>Reconciliation of net cash flow to movement in net debt</b>				
		<b>2015</b>		<b>2014</b>
		£		£
(Decrease)/increase in cash		(502,529)		1,347,246
Cash outflow from financing		83,604		90,548
Net debt at 1 April		(550,031)		(1,987,825)
Net debt at 31 March		<u>(968,956)</u>		<u>(550,031)</u>
<b>Analysis of changes in net debt</b>				
	At 1st April	Cash flow	Non-cash	At 31 March
	2014	movement	movement	2015
	£	£	£	£
Cash at bank and in hand	1,294,737	(502,529)	-	792,208
Debt due within one year	(83,646)	83,604	(84,838)	(84,880)
Debt due after more than one year	(1,761,122)	-	84,838	(1,676,284)
<b>Net debt</b>	<b>(550,031)</b>	<b>(418,925)</b>	<b>-</b>	<b>(968,956)</b>

## **Notes to the Financial Statements for the Year Ended 31 March 2015**

### **1. Principal 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 Charities Act 2011, the Statement of Recommended Practice (SORP) ~~Accounting and Reporting by Charities~~ published in March 2005, and applicable accounting standards in the United Kingdom.

#### **(b) Prior year adjustment**

A prior year adjustment has been made to accrue for salaries earned but not paid at year-end. The impact on reserves as at 1 April 2015 was a decrease of £585,000 (1 April 2014: decrease of £478,000). The impact on the results for the year ended 31 March 2014 is an increase in expenditure of £107,000.

#### **(c) Consolidation**

The financial statements consolidate the results of Potential Ltd, Friends of the Elderly Trading Ltd and Triangle Community Services (formerly TLC Care Services Ltd), all of which are wholly owned subsidiaries of Friends of the Elderly (the Charity). In addition, the financial statements for the year ended 31 March 2015 consolidate the balances of the Retired Nurses National Home (the RNNH). The Charity became the sole member of the RNNH on 31<sup>st</sup> March 2015.

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 and Section 408 of the Companies Act 2006. Total incoming resources for the charity were £18,966,000 (2014: £18,511,000). The net movement in funds for the Charity only was a deficit of £1,215,992 (2014: £353,881).

#### **(d) Fund accounting**

**Unrestricted funds** are those funds that are readily available for the use of the Charity, as the Charity's trustees see fit. These are made up of General Reserves and Designated Funds.

**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 designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction or acquisition of any residential homes.

**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.

## **1. Principal Accounting Policies (continued)**

### **(e) Incoming resources**

Resident, service user and statutory 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.

### **(f) 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.

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

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 management estimates of time spent, proportion of total expenditure or headcount where appropriate.

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.

### **(g) 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 -	10-33 % of cost per annum
Office and domestic equipment -	10-33 % of cost per annum
Motor vehicles -	25% of cost per annum
Computer equipment -	33 % of cost per annum

### **(h) 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 or losses on disposal arise on the difference between the sales proceeds and carrying value.

### **(i) Operating leases**

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

### **(j) 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 pension liabilities and assets are recorded in line with FRS17, with a valuation undertaken by an independent actuary. FRS17 measures the value of pension assets and liabilities at the Balance Sheet date and determines the benefits accrued in the year and the interest on assets and liabilities.

## 1. Principal Accounting Policies (continued)

The value of benefits accrued is used to determine the pension charge in the SOFA and the expected return on scheme assets and the interest cost on scheme liabilities are allocated across the appropriate incoming/ outgoing resource categories.

The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in the SOFA within actuarial gains/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the Balance Sheet.

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 20.

## 2. Subsidiaries' performance figures

Summary of results for the year ended 31 March 2015 are:

	<b>Potential Limited</b>	<b>Triangle Community Services</b>	<b>FotE (Trading)</b>	<b>Retired Nurses National Home</b>
	£	£	£	£
Total income	399,325	4,668,109	-	-
Expenditure	(397,395)	(5,137,978)	-	-
Surplus/(deficit)	1,930	(469,869)	-	-
Gift aided profits	(2,812)	-	-	-
Net assets at 31 March 2015	4,169	94,661	5,209	4,255,178

The Retired Nurses National Home (RNNH) was acquired on 31 March 2015 and as such there are no post-acquisition results to report.

Summary of results for the year ended 31 March 2014 are:

	<b>Potential Limited <i>Restated</i></b>	<b>Triangle Community Services</b>	<b>FotE (Trading)</b>
	£	£	£
Total income	204,006	4,489,867	-
Expenditure	(203,124)	(4,515,359)	-
Profit	882	(25,492)	-
Gift Aided profits	(3,195)	-	-
Net assets at 31 March 2014	5,051	564,530	5,209



## 2. Subsidiaries' performance figures (continued)

Potential Ltd is a wholly-owned subsidiary of Friends of the Elderly and undertakes development work for the group. Net assets as at 31 March 2014 and the gift aided profits for 2014 have been restated to a change in accounting policy. Gift aid payments to Friends of the Elderly are treated as distributions rather than donations, and as such are accounted for when approved by the members of Potential Limited, rather than during the year to which the profits related.

RNNH is a wholly-owned subsidiary of Friends of the Elderly providing residential care on a permanent and respite basis from a Home in Bournemouth.

Triangle Community Services (a charitable company, limited by guarantee) is a wholly-owned subsidiary of Friends of the Elderly. It changed its name from TLC Care Services on 1 April 2015.

Friends of the Elderly (Trading) Limited is dormant.

## 3. Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
The Ofenheim Charitable Trust	10,000	-	10,000	20,000
The Clothworkers' Foundation	-	25,000	25,000	50,000
Dementia UK	-	40,418	40,418	47,500
Esmée Fairbairn Foundation	-	-	-	10,000
The Henry Smith Charity	-	-	-	20,000
Other donations	91,651	284,761	376,412	331,602
Legacies	24,990	50,000	74,990	173,894
	<u>126,641</u>	<u>400,179</u>	<u>526,820</u>	<u>652,996</u>

## 4. Investment income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2015 £	Total 2014 £
Dividends from investments	90,382	238,309	923	329,614	441,497
Interest on cash and short term deposits	790	-	-	790	4,055
	<u>91,172</u>	<u>238,309</u>	<u>923</u>	<u>330,404</u>	<u>445,552</u>

**5. Other incoming resources**

	Unrestricted funds £	Restricted funds £	Total 2015 £	Total 2014 £
Rental Income	267,525	-	267,525	313,313
Other Income	145,640	-	145,640	-
	<u>413,165</u>	<u>-</u>	<u>413,165</u>	<u>313,313</u>

**6. Total resources expended**

	Activities directly undertaken £	Grant funding of activities £	Support services £	Total 2015 £	Total 2014 <i>Restated</i> £
<b><i>Cost of generating funds</i></b>					
Fundraising costs	352,528	-	104,196	456,724	437,314
Public affairs costs	-	-	105,619	105,619	150,502
Investment management costs	9,756	-	13,325	23,081	40,308
	-	-	-		
<b><i>Charitable activities</i></b>					
Residential care	14,966,666	-	2,229,751	17,196,417	16,754,974
Community based services	5,700,474	-	1,188,977	6,889,451	5,961,450
Be a Friend	162,424	-	56,940	219,364	203,345
Grants and allowances payable	-	271,410	169,667	441,077	422,648
<b><i>Governance costs</i></b>	30,123	-	111,710	141,833	136,771
Total resources expended	<u>21,221,971</u>	<u>271,410</u>	<u>3,980,185</u>	<u>25,473,566</u>	<u>24,107,312</u>

## 7. Allocation of support services

<b>Cost type</b>	<b>Cost of generating funds £</b>	<b>Charitable activities £</b>	<b>Governance £</b>	<b>Total 2015 £</b>	<b>Total 2014 £</b>
Staff costs	99,576	2,053,174	73,127	2,225,877	2,045,055
Depreciation	5,493	170,439	1,452	177,384	135,229
Other costs	118,071	1,421,722	37,131	1,576,924	951,621
<b>Total resources expended</b>	<b>223,140</b>	<b>3,645,335</b>	<b>111,710</b>	<b>3,980,185</b>	<b>3,131,905</b>

## 8. Net movement in funds for the period

Net movement in funds for the year is stated after charging/(crediting):

	<b>2015 £</b>	<b>2014 £</b>
		<i>Restated</i>
Staff costs (Note 9)	15,518,379	15,156,524
Depreciation of tangible fixed assets (Note 10)	1,021,331	936,513
Auditors' remuneration - Statutory Audits	30,372	37,200
Auditors' remuneration . Taxation	6,520	1,080
Compliance Services		
Professional indemnity insurance	4,023	4,755
Surplus on sale of fixed assets	-	(267,672)
Pension scheme net finance charge	12,900	15,800
Sir Thomas Lipton Closure Costs	321,764	-

The professional indemnity insurance is in respect of all Trustees, committee members and staff.

## 9. Staff costs

The average number of employees (headcount) and full time equivalent (FTE) for the year was as follows:

<b>Employee numbers</b>	<b>2015 Headcount No.</b>	<b>2014 Headcount No.</b>	<b>2015 FTE No.</b>	<b>2014 FTE No.</b>
Care staff	704	702	501	506
Support staff	91	70	76	63
	<b>795</b>	<b>772</b>	<b>577</b>	<b>569</b>

**9. Staff costs (continued)**

Staff costs were as follows:	£	£
		<i>Restated</i>
Salaries	13,898,992	13,845,622
Social security costs	980,314	978,241
Pension costs	639,073	332,661
	<u>15,518,379</u>	<u>15,156,524</u>

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

	No.	No.
£60,001 - £70,000	2	3
£70,001 - £80,000	1	4
£80,001 - £90,000	1	
£100,000 - £110,000	<u>1</u>	<u>-</u>

The trustees received no remuneration for their services (2014: nil). During 2014/15, 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 £1,858 (2014: £7,911) to 2 trustees (2014: 3).

**10. Tangible fixed assets**

(a) Consolidated	Freehold & Long Leasehold Property	Short Leasehold Property	Fixtures, Equipment and Vehicles	Total 2015
	£	£	£	£
<b>Cost or Valuation</b>				
At 1 April 2014	25,165,427	155,946	5,728,239	31,049,612
Additions	485,845	-	977,446	1,463,291
Acquired on acquisition	2,100,000	-	118,692	2,218,692
At 31 March 2015	<u>27,751,272</u>	<u>155,946</u>	<u>6,824,377</u>	<u>34,731,595</u>
<b>Depreciation</b>				
At 1 April 2014	4,293,821	84,767	4,014,933	8,393,521
Charge for the year	400,635	3,773	616,923	1,021,331
At 31 March 2015	<u>4,694,456</u>	<u>88,540</u>	<u>4,631,856</u>	<u>9,414,852</u>
<b>Net book value 31 March 2015</b>	<u><b>23,056,816</b></u>	<u><b>67,406</b></u>	<u><b>2,192,521</b></u>	<u><b>25,316,743</b></u>
Net book value 31 March 2014	<u>20,871,606</u>	<u>71,179</u>	<u>1,713,306</u>	<u>22,656,091</u>

**10. Tangible fixed assets (continued)**

(b) Charity	Freehold & Long Leasehold Property	Short Leasehold Property	Fixtures, Equipment and Vehicles	Total 2015
	£	£	£	£
<b>Cost or Valuation</b>				
At 1 April 2014	25,260,258	155,946	5,607,079	31,023,283
Additions	493,261	-	846,256	1,339,517
At 31 March 2015	<u>25,753,519</u>	<u>155,946</u>	<u>6,453,335</u>	<u>32,362,800</u>
<b>Depreciation</b>				
At 1 April 2014	4,285,234	84,767	3,947,078	8,317,079
Charge for the year	400,635	3,773	574,886	979,294
At 31 March 2015	<u>4,685,869</u>	<u>88,540</u>	<u>4,521,964</u>	<u>9,296,373</u>
<b>Net book value 31 March 2015</b>	<b><u>21,067,650</u></b>	<b><u>67,406</u></b>	<b><u>1,931,371</u></b>	<b><u>23,066,427</u></b>
Net book value 31 March 2014	<u>20,975,024</u>	<u>71,179</u>	<u>1,660,001</u>	<u>22,706,204</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.

The loan (note 14) is secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

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

	2015 £	2014 £
Cost	42,319,581	17,059,323
Aggregate depreciation based on cost	<u>(3,283,731)</u>	<u>(2,879,566)</u>
	<u>39,035,850</u>	<u>14,179,757</u>
Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount.	<u>(124,157)</u>	<u>(116,668)</u>

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**11. Investments**

**(a) Consolidated cost or valuation**

	<b>Cazenove</b>	<b>Investments</b>	<b>Cash</b>	<b>Other</b>	<b>Total</b>
	<b>£</b>	<b>CCLA</b>	<b>£</b>	<b>Listed</b>	<b>£</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b><u>Valuation</u></b>					
At 1 April 2014	7,924,543	1,548,095	1,007,894	-	10,480,532
Additions	799,761	-	1,300,034	2,031,834	4,131,629
Disposals (carrying value)	(1,906,957)	-	(1,098,500)	-	(3,005,457)
Net gain on revaluation	178,057	148,753	-	-	326,810
Net movement in cash	-	-	(369,473)	-	(369,473)
Cash taken to current assets	-	-	(361,778)	-	(361,778)
At 31 March 2015	<u>6,995,404</u>	<u>1,696,848</u>	<u>478,177</u>	<u>2,031,834</u>	<u>11,202,263</u>
Cost at 31 March 2015	<u>5,571,919</u>	<u>95,067</u>	<u>478,177</u>	<u>2,031,834</u>	<u>8,176,997</u>

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**11. Investments (continued)**

**(b) Charity cost or valuation**

	Investments				Investments	
	Cazenove	CCLA	Cash	Total	in Trading	Total
	£	£	£	£	Subsidiaries	£
					£	£
<b>Valuation</b>						
At 1 April 2014	7,924,543	1,548,095	1,007,894	10,480,532	10,002	10,490,534
Additions	799,761	-	1,300,034	2,099,795	-	2,099,795
Disposals (carrying value)	(1,906,957)	-	(1,098,500)	(3,005,457)	-	(3,005,457)
Net gain on revaluation	178,057	148,753	-	326,810	-	326,810
Net movement in cash	-	-	(369,473)	(369,473)	-	(369,473)
Cash taken to current assets	-	-	(361,778)	(361,778)	-	(361,778)
At 31 March 2015	<u>6,995,404</u>	<u>1,696,848</u>	<u>478,177</u>	<u>9,170,429</u>	<u>10,002</u>	<u>9,180,431</u>
Cost at 31 March 2015	<u>5,571,919</u>	<u>95,067</u>	<u>478,177</u>	<u>6,145,164</u>	<u>10,002</u>	<u>6,155,165</u>

The subsidiaries included above are two trading companies - Potential Limited and Friends of the Elderly (Trading) Limited, which is dormant. Summary results for the subsidiaries can be found in Note 2.

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**11. Investments (continued)**

<b>(c) Consolidated analysis of listed investments</b>	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Endowment Funds</b>	<b>Total 2015</b>	<b>Total 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bonds - Fixed interest - UK	258,333	368,488	507,115	1,133,936	995,390
Bonds - Index linked - UK	539,030	98,419	407,293	1,044,742	1,025,462
Bonds - International	126,256	213,699	315,010	654,965	504,961
Equities - UK	795,739	1,190,675	2,449,560	4,435,974	4,507,263
Equities - International	281,051	525,800	517,076	1,323,927	580,252
Property	148,107	27,042	258,545	433,694	311,215
	<b>2,148,516</b>	<b>2,424,123</b>	<b>4,454,599</b>	<b>9,027,238</b>	<b>7,924,543</b>

<b>(d) Charity analysis of listed investments</b>	<b>Unrestricted Funds</b>	<b>Restricted Funds</b>	<b>Endowment Funds</b>	<b>Total 2015</b>	<b>Total 2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bonds - Fixed interest - UK	258,333	47,168	507,115	812,616	995,390
Bonds - Index linked - UK	539,030	98,419	407,293	1,044,742	1,025,462
Bonds - International	126,256	23,053	315,010	464,319	504,961
Equities - UK	795,739	145,291	2,449,560	3,390,590	4,507,263
Equities - International	281,051	51,316	517,076	849,443	580,252
Property	148,107	27,042	258,545	433,694	311,215
	<b>2,148,516</b>	<b>392,289</b>	<b>4,454,599</b>	<b>6,995,404</b>	<b>7,924,543</b>



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**11. Investments (continued)**

**(e) Analysis of investments over 5% of portfolio value**

	<b>Charity and Consolidated</b>			
	<b>2015</b>			<b>2014</b>
	<b>Units</b>	<b>Market Value</b>	<b>Units</b>	<b>Market Value</b>
		<b>£</b>		<b>£</b>
Cazenove The Equity Income Trust for Charities Income Units	2,388,571	2,280,369	3,077,106	2,855,554
COIF Income Units	134,119	1,696,846	134,119	1,548,094
Cazenove The Growth Trust for Charities Income Units	504,819	741,579	946,734	1,430,042
Cazenove The Income Trust for Charities Income Units	-	-	899,677	544,574
Schroders ISF Strategic Credit C Class GBP Inc	-	-	5,018	504,961
		<u>4,718,794</u>		<u>6,883,225</u>
Percentage of total portfolio (Charity)		67%		73%
Percentage of total portfolio (Consolidated)		52%		73%

**(f) Acquisition in the year**

On 31 March 2015, the Charity became the sole member of the Retired Nurses National Home ("the RNNH"). Consideration was nil.

The assets and liabilities of the RNNH and its wholly owned subsidiary RNNH 1937 Limited are consolidated into these financial statements at their fair values on the date of acquisition.

	<b>Book value</b>	<b>Fair value adjustments</b>	<b>Fair Value</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Freehold property	-	2,100,000	2,100,000
Other tangible assets	221,790	(103,098)	118,692
Investments	2,031,834	-	2,031,834
Debtors	18,778	-	18,778
Cash	38,989	-	38,989
Creditors	(53,115)	-	(53,115)
Net assets gifted	<u>2,258,276</u>	<u>1,996,902</u>	<u>4,255,178</u>

The net assets gifted have been included as a gain in the Consolidated Statement of Financial Activities.

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**12. Debtors**

	Consolidated		Charity	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	1,310,125	1,442,780	811,711	931,757
Amounts due from subsidiary undertakings	-	-	400,338	51,054
Other debtors	167,255	224,150	131,058	209,531
Prepayments and accrued income	293,421	345,023	238,703	308,755
	<u>1,770,801</u>	<u>2,011,953</u>	<u>1,581,810</u>	<u>1,501,097</u>

**13. Creditors: amounts falling due within one year**

	Consolidated		Charity	
	2015	2014	2015	2014
	£	<i>restated</i> £	£	<i>restated</i> £
Trade creditors	1,540,843	1,389,205	1,352,718	1,323,644
Amounts due to subsidiary undertakings	-	-	80,751	6,662
Other creditors including taxation and social security	249,024	253,532	170,131	175,569
Accruals and deferred income	1,206,768	1,201,152	909,530	1,002,861
Loans: Amounts Due Within One Year	85,438	83,646	85,438	83,646
	<u>3,082,073</u>	<u>2,927,535</u>	<u>2,598,568</u>	<u>2,592,382</u>

**14. Loans**

	Consolidated and Charity	
	2015	2014
	£	£
Amounts falling due after one year:		
Due between one and two years	87,490	85,443
Due between two and five years	274,504	268,483
Due in five years or more	1,314,290	1,407,196
	<u>1,676,284</u>	<u>1,761,122</u>
Amounts falling due within one year (Note 13)	85,438	83,646
Total of all loans	<u>1,761,722</u>	<u>1,844,768</u>

The loan is secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

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**15. Analysis of net assets between funds**

Fund balances at 31 March 2015, represented by:

<b>(a) Consolidated</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Endowment funds</b>	<b>Total funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	22,087,875	118,692	3,110,176	25,316,743
Investments	2,976,500	791,728	7,434,035	11,202,263
Current assets	1,264,947	760,028	538,034	2,563,009
Current liabilities	(3,028,958)	(53,115)	-	(3,082,073)
Loans and provisions	(1,683,384)	-	-	(1,683,384)
	<u>21,616,980</u>	<u>1,617,333</u>	<u>11,082,245</u>	<u>34,316,558</u>

<b>(b) Charity only</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Endowment funds</b>	<b>Total funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	22,056,251	-	1,010,176	23,066,427
Investments	2,986,501	771,729	5,422,201	9,180,431
Current assets	878,183	702,261	538,034	2,118,478
Current liabilities	(2,598,568)	-	-	(2,598,568)
Loans and provisions	(1,683,384)	-	-	(1,683,384)
	<u>21,638,983</u>	<u>1,473,990</u>	<u>6,970,411</u>	<u>30,083,384</u>

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**16. Unrestricted funds**

Unrestricted funds are analysed below and include designated funds which consist of net book value of fixed assets net of long-term borrowings used for the construction and acquisition of any residential homes.

<b>(a) Consolidated</b>	<b>Property &amp; Fixed Assets in use</b>	<b>General Reserves</b>	<b>Pension Reserve</b>	<b>Total Unrestricted Reserves</b>
	£	£	£	£
As at 1 April 2014 as previously reported	22,420,905	2,381,487	-	24,802,392
Prior year adjustment	-	(585,133)	-	(585,133)
As at 1 April 2014 as restated	22,420,905	1,796,354	-	24,217,259
Other gains and losses	-	141,336	(12,500)	128,836
Capital expenditure	1,463,291	-	-	1,463,291
Funds transferred	(2,470,804)	1,676,285	-	(794,519)
Funds utilised	(1,021,331)	(2,381,956)	5,400	(3,397,887)
<b>As at 31 March 2015</b>	<b>20,392,061</b>	<b>1,232,019</b>	<b>(7,100)</b>	<b>21,616,980</b>

<b>(b) Charity</b>	<b>Property &amp; Fixed Assets in use</b>	<b>General Reserves</b>	<b>Pension Reserve</b>	<b>Total Unrestricted Reserves</b>
	£	£	£	£
As at 1 April 2014 as previously reported	22,471,018	1,876,093	-	24,347,111
Prior year adjustment	-	(585,133)	-	(585,133)
As at 1 April 2014 as restated	22,471,018	1,290,960	-	23,761,978
Other gains and losses	-	141,336	(12,500)	128,836
Capital expenditure	1,339,517	-	-	1,339,517
Funds transferred	(2,470,804)	1,676,285	-	(794,519)
Funds utilised	(979,294)	(1,822,935)	5,400	(2,796,829)
<b>As at 31 March 2015</b>	<b>20,360,437</b>	<b>1,285,646</b>	<b>(7,100)</b>	<b>21,638,983</b>

Funds transferred relate to:

- 1) Application of the revised reserves policy to offset loans for the acquisition and construction of residential care homes against designated funds, increasing general reserves and reducing designated funds by £1.7m
- 2) Transfer of an endowed property to endowed funds, reducing designated reserves and increasing endowed funds by £0.8m.

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**17. Restricted funds**

<b>(a) Consolidated</b>	<b>Balance at 1 April 2014</b>	<b>Incoming Resources</b>	<b>Funds Utilised</b>	<b>Gains/(Losses) on investments</b>	<b>Transfers</b>	<b>Arising on acquisition</b>	<b>Balance at 31 March 2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Funds for the upkeep of residential homes	356,040	195,885	(228,247)	-	9,535	-	333,213
Funds for grants and allowances	701,660	116,507	(138,567)	10,824	1,428	-	691,852
Funds for residents' subsidies	16,811	83,080	(83,080)	-	-	-	16,811
Funds for community projects	28,573	9,714	(2,208)	-	-	-	36,079
Funds for free to access services	69,908	119,126	(150,601)	-	-	-	38,433
Funds for strategic projects	41,117	101,200	(121,844)	-	-	-	20,473
Other restricted funds	298,869	12,976	(2,474)	27,757	-	143,344	480,472
	<b>1,512,978</b>	<b>638,488</b>	<b>(727,021)</b>	<b>38,581</b>	<b>10,963</b>	<b>143,344</b>	<b>1,617,333</b>

<b>(b) Charity</b>	<b>Balance at 1 April 2014</b>	<b>Incoming Resources</b>	<b>Funds Utilised</b>	<b>Gains/(Losses) on investments</b>	<b>Transfers</b>	<b>Balance at 31 March 2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Funds for the upkeep of residential homes	356,040	195,885	(228,247)	-	9,535	333,213
Funds for grants and allowances	701,660	116,507	(138,567)	10,824	1,428	691,852
Funds for residents' subsidies	16,811	83,080	(83,080)	-	-	16,811
Funds for community projects	28,573	9,714	(2,208)	-	-	36,079
Funds for free to access services	69,908	119,126	(150,601)	-	-	38,433
Funds for strategic projects	41,117	101,200	(121,844)	-	-	20,473
Other restricted funds	298,869	12,976	(2,473)	27,757	-	337,129
	<b>1,512,978</b>	<b>638,488</b>	<b>(727,020)</b>	<b>38,581</b>	<b>10,963</b>	<b>1,473,990</b>

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**18. Endowment funds**

<b>Consolidated</b>	<b>Balance at 1 April 2014</b>	<b>Incoming Resources</b>	<b>Gains on investments</b>	<b>Transfers</b>	<b>Arising on Acquisition</b>	<b>Balance at 31 March 2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Endowed properties	-	-	-	794,519	2,100,000	2,894,519
Funds for the upkeep of residential homes	2,661,708	923	91,789	(10,963)	2,011,834	4,755,291
Funds for residents' subsidies	2,502,291	-	51,731	-	-	2,554,022
Funds for grants and allowances	860,420	-	17,993	-	-	878,413
	<u>6,024,419</u>	<u>923</u>	<u>161,513</u>	<u>783,556</u>	<u>4,111,834</u>	<u>11,082,245</u>
Of which:						
Permanent endowment						9,070,411
Expendable endowment						<u>2,011,834</u>

<b>Charity</b>	<b>Balance at 1 April 2014</b>	<b>Incoming Resources</b>	<b>Gains on investments</b>	<b>Transfers</b>	<b>Balance at 31 March 2015</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Endowed properties	-	-	-	794,519	794,519
Funds for the upkeep of residential homes	2,661,708	923	91,789	(10,963)	2,743,457
Funds for residents' subsidies	2,502,291	-	51,731	-	2,554,022
Funds for grants and allowances	860,420	-	17,993	-	878,413
	<u>6,024,419</u>	<u>923</u>	<u>161,513</u>	<u>783,556</u>	<u>6,970,411</u>

All the Charity endowed funds represent permanent endowments

**19. Operating leases**

The following annual amounts are payable on operating leases expiring as follows:

	<b>Consolidated</b>		<b>Charity</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Land and buildings</b>				
Within one year	9,375	-	-	-
Within 2 to 5 years	-	37,500	-	-
> 5 years	55,500	55,500	55,500	55,500
	<u>64,875</u>	<u>93,000</u>	<u>55,500</u>	<u>55,500</u>
<b>Other</b>				
Within one year	66,270	-	66,270	-
Within 2 to 5 years	45,344	78,360	45,344	78,360
> 5 years	-	7,147	-	7,147
	<u>111,614</u>	<u>85,507</u>	<u>111,614</u>	<u>85,507</u>
<b>Total</b>	<u>176,489</u>	<u>178,507</u>	<u>167,114</u>	<u>141,007</u>

**Friends of the Elderly**  
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**20. 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 Scottish Widows. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £469,073 in the year (2014: £332,661).

**(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 (i.e. liabilities) of the Scheme as at 1 October 2012 and to prepare a recovery plan if the assets were insufficient to cover the technical provisions. The actuarial valuation issued on 13 July 2013 showed the value of the assets at 1 October 2012 to be £733,000, which was lower than the technical provisions by £178,000 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 2013 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. Any 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. Any net asset is not recognised in the Balance Sheet, but would be recognised in the Statement of Financial Activities to the extent that it reverses a prior liability.

***Employee benefit obligation***

The amounts recognised in the balance sheet are as follows:

	<b>Group and Charity</b>	
	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Present value of funded obligations	(588,900)	(558,200)
Fair value of Scheme assets	581,800	572,100
Amount (surplus) not recognised as an asset	-	(13,900)
Net liability	(7,100)	-



**20. Pension schemes (continued)**

The assets valued above are in the form of an insurance policy invested in the with-profits and unit-linked Gilt and Fixed Interest funds with the Equitable Life Assurance Society. The value of assets held in the with-profits fund has been taken as the policy value that would have been available had all the members retired on 31 March 2015. The value of assets held in the unit-linked Gilt and Fixed Interest fund has been taken as the value of units at bid price on 31 March 2015. The value shown is not necessarily the value that would be available were the policy to be surrendered.

**Analysis of amounts charged to Statement of Financial Activities:**

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Interest cost on scheme liabilities	22,600	24,000
Expected return on scheme assets	(9,700)	(8,200)
Net finance charge	<u>12,900</u>	<u>15,800</u>
Actual return less expected return on scheme assets	61,000	1,400
Experience losses on liabilities	(12,700)	(22,500)
Changes in assumptions underlying present value of scheme liabilities	(74,700)	7,700
Decrease in unrecognised asset	13,900	13,400
Actuarial loss recognised	<u>(12,500)</u>	<u>-</u>

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

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Opening defined benefit obligation	(558,200)	(629,300)
Interest cost	(22,600)	(24,000)
Actuarial losses	(87,400)	(14,800)
Benefits paid	79,300	109,900
Closing defined benefit obligation	<u>(588,900)</u>	<u>(558,200)</u>

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

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Opening fair value of plan assets	572,100	651,700
Expected return	9,700	8,200
Actuarial gains	61,000	1,400
Contributions by employer	18,300	20,700
Benefits paid	(79,300)	(109,900)
Closing fair value of plan assets	<u>581,800</u>	<u>572,100</u>
Expected employer contributions to the scheme in the next year	<u>18,300</u>	<u>18,300</u>

**20. Pension schemes (continued)**

***Analysis of total gain not recognised***

	<b>2014</b>
	<b>£</b>
Total actuarial gain (loss)	(13,400)
Adjustment in respect of unrecognisable asset	<u>8,500</u>
Total gain not recognised	<u><u>(4,900)</u></u>

There are no unrecognised gains relating to 2015.

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

	<b>2015</b>
Corporate bonds	18%
Gilts	66%
Cash	16%

***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
Deduction for expenses:	1.3% pa
Overall expected rate of return for the year beginning 1 April 2014:	0.7%

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

	<b>2015</b>	<b>2014</b>
Discount rate	3.1% pa	4.3% pa
Retail Prices Index (RPI) Inflation assumption	3.0% pa	3.3% pa
Consumer Prices Index (CPI) Inflation assumption	1.8% pa	2.6% pa
Rate of increases to deferred pensions	1.8% pa	2.6% pa

Death after retirement: in accordance with 110% of the standard mortality tables PNMA00 and PNFA00 tables, with improvements in mortality in accordance with the core CMI mortality projection model CMI\_2009, with long term rates of improvement of 1% p.a.

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

	<b>31 March 2015 £</b>	<b>31 March 2014 £</b>	<b>31 March 2013 £</b>	<b>30 Sept 2011 £</b>	<b>30 Sept 2010 £</b>
Defined benefit obligation	(588,900)	(558,200)	(629,300)	(829,900)	(875,800)
Plan assets	581,800	572,100	651,700	895,100	852,000
Surplus/(Deficit)	(7,100)	13,900	22,400	65,200	(23,800)
Experience adjustments on plan liabilities	(12,700)	(22,500)	(148,800)	(18,600)	(9,100)
Experience adjustments on plan assets	61,000	1,400	(10,600)	58,600	46,800

**20. Pension schemes (continued)**

**(c) Scottish Voluntary Sector Pension Scheme**

Friends of the Elderly participates in the Scottish Voluntary Sector Pension Scheme (the Scheme). The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and was contracted-out of the State scheme until 31 March 2010, when the Scheme was closed to future accrual.

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 30 September 2007. From October 2007 there were two benefit structures available, final salary with a 1/60th accrual rate and final salary with an 1/80th accrual rate, until the date of Scheme closure on 31 March 2010.

The Scheme closed to future accrual on 31 March 2010. There is currently no intention to wind-up the Scottish Voluntary Sector Pension Scheme and it continues in paid-up form.

The Trustee commissions an actuarial valuation of the Scheme every three 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.

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 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 2011, by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at 30 September 2011 was £66.2 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £28.8 million (equivalent to a past service funding level of 69.7%).

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

	% p.a.
Rate of return pre retirement	5.8
Rate of return post retirement	4.0
Rate of salary increases	4.4
Rate of pension increases pre 5 April 2005	2.4
Rate of pension increases post 5 April 2005	1.9
Rate of price inflation (CPI)	2.4

If 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.

## **20. Pension schemes (continued)**

From 1 April 2013, a new recovery plan came into effect, following the finalisation of the 2011 valuation. Confirmation of the contributions payable from 1 April 2014 to 31 March 2015 were advised to employers by letter in February 2014.

If the valuation assumptions are borne out in practice, this pattern of contributions should be sufficient to eliminate the entire funding shortfall, by 31 March 2028.

A copy of the recovery plan must be sent to The Pensions Regulator after each valuation is finalised. 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 recovery plan from the 2011 valuation has been submitted to The Pensions Regulator.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. 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 £81 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £34 million, equivalent to a past service funding level of 71%.

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 becoming insolvent or 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 buy-out 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 as at 30 September 2014. As of this date the estimated employer debt for Friends of the Elderly was £812,462.

**20. Pension schemes (continued)**

**(d) Career Average Revalued Earnings (CARE) Pension Scheme**

Friends of the Elderly participates in The CARE Scheme (the Scheme), which is a funded multi-employer defined benefit 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 if contracted-out of the State scheme.

*Contributions from 1 April 2012:*

For members in the one-eightieth structure of the Scheme, employers pay contributions at the rate of 10.6% of earnings and members pay contributions based on an age-related scale (equal to age divided by ten, plus 0.5).

In addition, employers may choose to pay any Future Service Contribution Rate (FSCR) combination that is shared between Members and Employers, as long as the maximum Member contribution rates are  $[(\text{age} / 10) + 0.5]\%$  (one-eightieth structure). For reference, the total FSCRs from 1 April 2012 are 15.5% (one-eightieth structure).

Employers that have closed the one-eightieth structure of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.0% to reflect the higher costs of a closed arrangement.

The Trustee commissions an actuarial valuation of the Scheme every three 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.

A defined contribution (DC) section of the Scheme has been available since 1 April 2011. For members in the DC section of the Scheme, employers pay contributions at the rate of 8.5% of earnings and members pay contributions based on an age-related scale (equal to age divided by ten, minus one).

As at the balance sheet date there were 5 active members (2013: 5) of the Scheme employed by Friends of the Elderly. Friends of the Elderly has closed the Scheme to new entrants.

During the accounting period the employer paid contributions at the rate of 12.6% for members in the one-eightieth structure.

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. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of 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 2010 by a professionally qualified actuary using the projected unit method. The market value of the Scheme's assets at the valuation date was £21.3 million.

## 20. Pension schemes (continued)

The valuation revealed a deficit of assets compared to liabilities of £2.6 million, equivalent to a past service funding level of 89%.

The financial assumptions underlying the valuation as at 30 September 2010 were as follows:

	% p.a.
Rate of return pre-retirement(non-orphans)	6.5
Rate of return post retirement (non-orphans)	4.3
Rate of return pre-retirement (orphans)	3.0
Rate of return post retirement (orphans)	3.5
Rate of pension increases pre 5 April 2005	2.6
Rate of pension increases post 5 April 2005	2.1
Rate of price inflation	3.0

If 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.

Following consideration of the results of the actuarial valuation, it was agreed that the shortfall of £2.6 million would be dealt with by the payment of deficit contributions of £208,000 per annum, increasing each year by 3%, from 1 April 2012 to 31 March 2022.

The Scheme's 30 September 2013 valuation is currently in progress and will be finalised by 31 December 2014. The results of the 2013 valuation will be included in next year's Disclosure Note.

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 CARE Scheme, based on the financial position of the Scheme as at 30 September 2014. At this date the estimated employer debt for Friends of the Elderly was £86,000.

**(e) Triangle Community Services**

Triangle Community Services operates a stakeholder pension scheme for the benefit of its employees. With the introduction of auto-enrolment, the pension cost relating to this scheme represents contributions payable by Triangle and amounted to £33,433 in the year (2014: £13,310).

**21. 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.

**22. Members**

At 31 March 2015 there were 10 members (2014: 11 members) who each pledge to pay £1 on winding up.

**23. Capital Commitments**

As at 31 March 2015 there was £490,000 (2014: nil) capital expenditure contracted for but not provided in the financial statements.

**24. Related party transactions**

Robert Chapman, a trustee of Triangle Community Services, is also a councillor with the London Borough of Hackney. During the year ended 31 March 2015 £110,395 (2014: £108,748) was spent with the London Borough of Hackney on contracts for the Stroke Project and Health Checks.

As allowed by FRS8 transactions eliminated on consolidation are not disclosed as related party transactions in The Financial Statements.

**25. Post balance sheet events**

On 1 April 2015, TLC Care Services changed its name to Triangle Community Services.

On 1 June 2015, Friends of the Elderly's community services were transferred to its wholly-owned subsidiary Triangle Community Services for nil consideration.

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