

Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

**Annual report and financial statements
for the year ended 31 March 2017**

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Chief Executive's welcome

Welcome to our 2016-17 annual report. This report shares our activities and progress over the last year, as well as setting out our plans for the future.

This year, we renewed our values after consultation with staff and trustees. Our refreshed core values are that we will always:

- Promote **wellbeing**
- Strive for **excellence**
- Treat people with **respect**
- Keep everyone **safe**

The needs of the people who receive our services are changing, and challenges in the care sector means there are gaps in support in some of the communities we work in. The new values help to hold us to account in all that we do.

Some of my personal highlights over the year have been:

- Bringing together people who may have been isolated in their communities, for example our Football Friends programme, connecting people through a shared love of football and helping them to stay in touch afterwards.
- Providing new services where there is a gap in support: our new day care service in Woking opened in September 2016 following closure of local day centres by another organisation. This day centre has grown quickly, and helps those with dementia to lead more fulfilling lives.
- The innovative thinking to integrate our services better with local communities: our Little Bramingham Farm care home has recently opened a community pub, where residents and their families can enjoy a drink with their visitors while allotments just outside the pub are tended to by the local community.

I have had the pleasure of meeting with many of our service users, their friends and family throughout the last 12 months. It is these encounters that reiterate time and again the value of what we do and the impact it has on people's lives.

Like all providers in the care sector, we have challenges in the way that we deliver our care. It was very disappointing that in December 2015, one of our care homes received an 'Inadequate' rating from the Care Quality Commission. We worked hard to deliver and embed changes required to improve quality, safety and compliance across all our services. We were delighted that this home moved to a 'Good' rating in July 2016, by-passing 'Requires Improvement'. We have invested heavily in our policies and procedures, and quality and assurance systems, to ensure that we continue to provide high quality care. At the time of writing, all of our 12 care homes are rated 'Good' by the Care Quality Commission.

Chief Executive's welcome (continued)

The other particular challenge this year has been recruitment of care staff and nurses; partly due to wider issues in common with the care sector as a whole, but also in some cases due to the rural location of some of our services. To address this, we have been exploring new ways to recruit and retain staff. We have strengthened our commitment to train, supervise and support personal and professional development and we are beginning to see the impact of this work. On my visits to our homes and services, I have been delighted to hear the wonderful things people have to say about our dedicated team.

Over the coming year, we will be working to finalise our future strategy. Our objectives include:

- **Becoming an outstanding provider** – as well as ensuring safe, compliant and high quality services; we are working towards providing outstanding care through linking our services with our communities;
- **Becoming a top employer of choice, locally** – one example of our actions over the coming year aimed at enhancing career progression and job satisfaction for existing staff is offering care staff the opportunity to train in the new roles of Medical Technicians and Nursing Support Assistants;
- **Delivering better outcomes for all** – we recognise the need to create more dementia friendly environments. As well as making some of our existing care homes more dementia friendly, a dedicated wing is being refurbished at the Retired Nurses National Home to create a safe and caring environment for residents with dementia, meaning that existing residents do not need to leave the home if they go on to develop dementia; and
- **Ensuring financial sustainability and accountability** – we believe that achieving outstanding services and improving staff recruitment and retention will also benefit the long-term financial sustainability of the Friends of the Elderly Group. In the meantime we have clear financial targets for the coming year, which are supported by a range of activities aimed at addressing our financial challenges, common to many care providers.

Finally, I would like to thank our many volunteers and supporters. Our volunteers are instrumental in providing friendship to older people who have become lonely and isolated and their commitment is life-changing. Our supporters continue to astound us with their generosity and our funders help us deliver our vital free services. I would like to take this opportunity to thank everyone who has been involved this year in helping us work towards our vision of a society where everyone can live a fulfilled life.

Steve Allen

Group Chief Executive

Trustees' report for the year ended 31 March 2017

The trustees of Friends of the Elderly (the "Charity") are pleased to present their annual report for the year ended 31 March 2017 together with the consolidated financial statements of the Charity and its subsidiaries (together the "Group"). The strategic report for the Group is incorporated into the trustees' report.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 'Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)', and FRS102.

About us

A caring organisation with a rich history

Friends of the Elderly has been supporting and caring for people since 1905.

We aspire to a society where older people are treated with respect and given the opportunity to live fulfilled lives.

We deliver services that are personalised to individual needs and integrated with local communities. Our core values are that we will always:

- Promote **wellbeing**
- Strive for **excellence**
- Treat people with **respect**
- Keep everyone **safe**

What we do

We support people to live well. We do this through our care homes, community services, befriending programmes and grants. We work with partners to increase our impact and to raise awareness about the issues that affect us as we get older.

The Friends of the Elderly Group includes the subsidiaries Triangle Community Services, the Retired Nurses National Home, and Potential Limited; together referred to as "the Group".

Our objectives and activities

Our aims

Our aims are to:

- Ensure older people have access to safe, high quality care and support services.
- Ensure older people in our communities have access to social support, activities and opportunities.
- Increase the wellbeing of older people in our communities and help alleviate loneliness and isolation.
- Operate services sustainably and ethically to safeguard the charity's legacy, and its future.

We plan to achieve this through the following strategic objectives:

- Becoming an outstanding provider.
- Becoming a top employer of choice, locally.
- Delivering better outcomes for all.
- Ensuring financial sustainability and accountability.

The values on the previous page, our aims and objectives were adopted by the board of trustees in the year. This has formed part of a wider strategic review which will result in our new strategy being formally launched in April 2018. Whilst we are not currently achieving all of these objectives, they give the Group clarity on purpose and direction for the future.

Our activities

Ensure older people have access to safe, high quality care and support services

Residential care

Through our 12 registered care homes, we have continued to provide support and accommodation for those requiring residential, nursing or dementia care.

Home care

We provide support to people living in their own homes, including within sheltered housing, offering the care and support to help people live well.

Stroke support

Our stroke project supports and empowers people affected by a stroke and their families. We provide information, support people through concerns, help improve physical and mental health and help people feel less isolated through our various activities.

Ensure that older people in our communities have access to social support, activities and opportunities

Day centres

We operate four day centres, giving support to people in need of some additional care and their carers.

Our objectives and activities (continued)

Community projects

We aim to run community projects that bring people together and provide them with the opportunities to expand their social networks, for example through teaching them how to stay connected online. Any Old Irons, part of our Football Friends programme, is one example of this.

Increase the wellbeing of older people in our communities and help alleviate loneliness and isolation

Befriending

Friendship is a precious commodity that can seem scarce as we get older, especially if living alone or finding it difficult to get out and about. Our befriending service supports people who live on their own or have little contact with family, friends or neighbours.

Grants programme

Our grants programme provides one-off grants and regular allowances to help relieve the stress and worry often experienced by older people living on very low incomes.

Operate services sustainably and ethically to safeguard the charity's legacy, and its future.

This underpins all of our services and activities described above.

Our performance and achievements

Ensure older people have access to safe, high quality care and support services

Care homes

- An average of 390 residents were cared for in our 12* care homes in 2016-17 (2015-16: 405).
- All of our 12 care homes are rated 'Good' by the Care Quality Commission ("CQC") at the time of writing this report.

Home care

- 304,258 (2015-16: 296,564) care hours were provided in the year, the equivalent of 5,850 hours of care per week.
- 536 (2015-16: 492) service users received care, on average, over the year.
- 6 of the 11 registered services held a 'Good' CQC rating during 2016-17; three services were rated 'Requires Improvement', one has yet to be inspected, and one has yet to be assessed under the current inspection regime.

Stroke Support

- 173 service users supported over the year (2015-16: 234); the reduction due to temporary lower numbers of staff.

* During the year, three care homes on one site were registered with the CQC as a single home, taking our official number of homes from 14 to 12, but not reducing the number of rooms.

Our achievements and performance (continued)

High quality care

Our priority is to ensure the people we support are kept safe and treated well.

In December 2015, one of our homes received an 'Inadequate' CQC rating and we worked hard to deliver and embed the changes required to improve quality, safety and compliance across all of our services. Working with the Social Care Institute for Excellence (SCIE) we have reviewed our safeguarding policies and procedures. Service users, residents and relatives were also consulted to find out what we do well and what we could improve. We have shared what we have learnt with the wider care home community through best practice blogs, presentations at conferences and networking events.

We were delighted the home that previously received an 'Inadequate' rating moved to 'Good' following an inspection in July 2016, bypassing 'Requires Improvement'.

The quality and improvement team established in 2016 is supporting the action plans that are put in place for any of our services which are not meeting all regulatory requirements.

Promoting wellbeing

It is important that care home residents continue to lead fulfilled lives after they move into one of our care homes. Our activities co-ordinators are at the heart of this, which is why they are all members of the National Activity Providers Association (NAPA). NAPA's aim – 'for every care and support setting to be full of life, love and laughter' – mirrors our own.

Ann is the activities coordinator at our Redcot care home in Surrey. She told us:

"My role is to support our residents to be able to enjoy the things that make life meaningful for them. This includes understanding how they want to spend their days and supporting them to do this, whether that's group activities or one to one time within the home and the wider community."

Our achievements and performance (continued)

Recruiting and retaining the best staff

Recruitment of care staff and nurses has been a particular challenge in 2016-17. This is partly due to external pressures felt by the care sector as a whole, including a national shortage of nurses, lower unemployment, growing numbers of older people and a decreasing population of people of working age. Brexit also adds uncertainty for the future. The problem is exacerbated in some of our services due to their more rural locations.

Some home care services have struggled to grow due to difficulty recruiting new staff, even though they have waiting lists of service users. Our home care services do not use agency staff.

The impact on care homes is increased levels of agency staff, which potentially results in some inconsistency of staff providing the care as well as increasing costs. In some care homes we took the decision to temporarily reduce new admissions rather than use more agency staff.

In our 2015-16 annual report, we introduced our new commercially orientated team whose aim is to ensure our services are well marketed and address the challenge of recruiting care staff through improved recruitment processes and investment. Between October 2016 and May 2017, the business development unit received 4,700 care worker applications, resulting in recruitment of 162 new staff. This conversion rate is 3%, which is not dissimilar to a 4% average for care staff originating from internet job boards. We re-launched our refer a friend scheme in March 2017, which has a higher conversion rate from applicants to new staff. Agency hours have fallen by 26% between the last quarter of 2016-17 and the first quarter of 2017-18.

Supporting more people

In the 2015-16 annual report our future plans included growing homecare hours by an additional 1,000 hours per month by March 2017. Part of this growth was planned to be delivered by two new home care services in Alton, Hampshire and Bournemouth, Dorset.

Our plans for a new home care service in Alton were put on hold so that we could concentrate on moving from 'Inadequate' to 'Good' at the nearby care home, in partnership with the CQC. We still intend to establish this service in the future, to provide a link between our care home in Alton and care for people in the community. Growth in our Bournemouth service was also hampered by a delay in the registration process.

The goal of delivering an additional 1,000 hours of care per month was exceeded in other services with an increase of 1,800 hours in March 2017 compared to March 2016.

Occupancy in our care homes fell earlier in the financial year, particularly due to the home that was rated 'Inadequate' by the CQC where we chose not to admit any new residents for a six-month period until we knew that we were on track to return to a 'Good' rating. Occupancy increased later in the summer, with a peak of 408 residents cared for in December 2016.

Our achievements and performance (continued)

Ensure that older people in our communities have access to social support, activities and opportunities

Day centres

- 12,136 sessions used in the year (2015-16: 9,173).
- 291 service users supported over the year (2015-16: 224).

Community projects – Football Friends

- 100% of participants said they had made new friends.
- 100% of participants said they would keep in touch with their new friends.
- 75% of participants reported that they had learnt new digital skills.

Social support through day care services

We launched a new day care service in September 2016 to meet the growing need for dementia day care in Woking, in particular following closure of day centres in the area by another organisation.

The service now has around 100 monthly users, including James*, 72, who has been living with Parkinson's disease for 20 years. James had become withdrawn and had high levels of anxiety about leaving the house and socialising. After only a few months attending our day centre, he had regained his confidence being able to get back out into the community.

Growing self-confidence and wellbeing through activities

The older people who attend our Triangle day care service in Wallington, London, got back to nature last year as part of the London Wildlife Trust's Potted History project – a gardening and reminiscence scheme that improves self-confidence and wellbeing. Service users enjoyed the project immensely and continue to look after and enjoy their garden today.

Beatrice*, 88, is living with Parkinson's disease. She told us: *"I thought that because I'm not very mobile, I might not be able to get involved, but the staff have brought the plants to me. Doing this project has made me realise I haven't been in my own garden for nearly two years!"* Anne* is in her 80s and has dementia, she said: *"I've always liked gardening. When I was a child, my parents had a huge garden with vegetables and flowers and I used to help them. It makes me feel happy seeing a garden grow."*

Bringing new friends together through football

Any Old Irons, part of our Football Friends programme, is bringing individuals together through their shared love of football and teaching them how to stay connected online. In partnership with the West Ham Foundation, we organise a range of events and activities centred on a series of five-week programmes, including stadium tours, digital learning and story sharing – all of which are free to attend.

Our achievements and performance (continued)

Eddie*, 71, joined Any Old Irons shortly after he lost his wife of 51 years. He told us: *“It came at a good time for me – I needed something. If I wasn’t going there then I wasn’t going anywhere. Coming here gave me another interest; I met new people, had new things to talk about, getting their experience they had with their life and with football.”*

The programme has given Eddie the confidence to become more active in his community – playing darts and volunteering at his local centre. Any Old Irons wouldn’t be possible without the support of our funders; the Premier League, the Headley Trust, The Band Trust and the Professional Footballers’ Association.

Using our services to support the wider community

Triangle Community Services provides care and support so people can stay living in their own homes. This support goes beyond the care and support delivered in the home. Our home care in Thurrock, Essex, brings people together through fortnightly coffee mornings. The activities on offer are chosen by guests and include indoor bowls and exercise classes. The group also goes on summer outings, their latest being to Southend-on-Sea.

In their latest inspection of our home care services in Thurrock, the CQC said the following about our engagement activities: *“The service work very well to ensure that people were supported in the community to undertake activities of interest to them which enhanced their health and wellbeing. The service actively engaged with the local community to enrich people’s lives and people spoke highly of the support they received.”*

To increase the wellbeing of older people in our communities and help alleviate loneliness and isolation

Befriending

- 52 volunteers supporting delivery of Visiting Friends services (2015-16: 61).

Grants

- 419 grants were paid to older people (2015-16: 507).
- £143,000 (2015-16: £157,000) was distributed through one-off grants and regular allowances.

Campaigning and profile-raising

- An estimated 15,300 older people attended 624 Christmas Day activities registered with Community Christmas (2015-16: 9,500 older people attending 360 activities), as part of a wider campaign around loneliness at Christmas time.

Alleviating loneliness and isolation through friendship

We are more likely to experience loneliness as we get older as our circumstances change and we don’t have people to call on as much as we used to. Loneliness can have a devastating impact on our lives, which is why we’re providing friendship for people like Ute through our Woking befriending service, Visiting Friends.

Our achievements and performance (continued)

During her working life, Ute had a very successful career and enjoyed socialising. So when her medical condition, which restricts her mobility, caused her to become quite housebound it was very difficult for her. We matched Justine, one of our visitor volunteers, with Ute over two years ago. Since then, she has visited Ute every week and they have become firm friends. Ute told us: *“Justine is just wonderful, she is like the daughter I never had. I don’t know what I’d do without her.”*

Our valued volunteers enable us to deliver our befriending service. We are always looking for ways to say thank you to our supporters and last year this included inviting volunteers to join in The Patron’s Lunch event to celebrate our patron The Queen’s 90th birthday. We were delighted to hear it was a day that none of them will ever forget. They were shining ambassadors and enjoyed getting to know some of our older service users who also attended.

Promoting wellbeing through alleviating financial hardship

Our grants programme provides one-off grants and regular allowances to help alleviate the stress and worry often experienced by older people on very low incomes. In 2016, we introduced a new grants stream for one off grants: digital connection. We have continued to support people with items including home essentials, utility bills and funeral costs.

The number of grants given was lower than the previous year as we stopped promoting the service for a few months while a new grants database was implemented.

Bringing communities together at Christmas time

Older people continue to tell us that Christmas is one of the loneliest times of year when they have no family and friends around. We partnered with the charity Community Christmas for a second year to ensure more older people around the country had company on Christmas Day. A record number of older people went along to events; an estimated 15,300 attended 624 registered activities.

One of those people was Tony Smith, 61, who attended a Christmas Day lunch in Nottinghamshire. He told us: *“The lunch was initially a complete shock to the system – having spent all these years on my own. But it was like one big happy family. I am really looking forward to going each year.”*

With over 200 pieces of media coverage, we are supporting the wider shift in culture that is seeing communities come together at Christmas and all year round.

**Some names have been changed to protect identity. Thanks to everyone who shared their story with us.*

Our future plans

Becoming an outstanding provider

- We aim for all our services, where inspected, to receive a 'Good' CQC rating in 2017-18, through promoting a safe, transparent and respectful culture, while providing services with the knowledge, tools and accountability to ensure regulatory compliance.
- We will work towards providing outstanding care through linking our services with our communities and creating communities within some of our existing services.
- As part of our desire to integrate our services within their local communities, in early 2017-18 we have opened our first community pub in our Little Bramingham Farm care home. Residents can enjoy a drink with their visitors and watch the local community tend the allotments in the home's grounds.
- We are supporting our services to implement other key community projects that fit with the needs and wishes of their local community, service users and their friends and families. This way we will strive towards providing outstanding services.

Becoming a top employer of choice, locally

- Our aim for 2017-18 is to reduce care agency hours in care homes by 30% by the end of the year, through improved retention and competency-based recruitment of staff.
- We will enhance career progression for existing staff by offering new roles of 'Medical Technician' and 'Nursing Support Assistants', to increase the skill levels of our care workers and shift leaders and provide additional support to nurses in our nursing homes. Our objective is to train 16 Medical Technicians and 6 to 8 Nursing Support Assistants by the end of the year. More generally, we are bolstering our learning and development team so that we can offer more continued professional development, over and above mandatory training.
- We will start to deliver on our updated values with the help of the staff group who created them, adopting values-based leadership, supervision, training and management so that our values live and breathe throughout the organisation.
- We are working towards the new Investors in People Framework 6 accreditation.

Our future plans (continued)

Delivering better outcomes for all

Our work with SCIE has highlighted the need for more dementia-friendly environments. This work has started at the Retired Nurses National Home in Bournemouth, where we are refurbishing one wing to become a dementia friendly home for 16 residents. We are working with our Admiral Nurse, local authorities and the local hospital to meet the demand for good quality dementia care. This also means that existing residents who develop dementia can stay in a familiar and safe environment.

A large part of our future thinking is around how we use our people, buildings, networks, funds, resources and influence to deliver above and beyond care needs by ensuring those who use our services have access to support that meets their social goals and helps fulfil their potential.

As part of our commitment to engaging with the communities where we work, we have commissioned SCIE to undertake an asset mapping exercise in Woking to identify how we can improve partnership work and support for our service users and the wider community. We will invest in a Community Engagement Manager in Woking to help deliver against the findings of this project. This pilot will inform further community outreach best practice across the Group.

Ensuring financial sustainability and accountability

The Group has a strong balance sheet and we have a relatively low level of debt (a £1.5m loan for the construction of a care home). However, like many charities, we can no longer rely on fundraising income to make up for an operating deficit on charitable activities.

The key performance indicators that drive our financial success are: occupancy in care homes, home care volumes, local authority home care fee increases, and care home agency hours.

- Our targets for 2017-18, in addition to the reduction in agency hours referred to above, are to:
 - increase care home average occupancy for the year by 4%;
 - increase home care volumes by 15% by the end of the year (an extra 970 hours per week); and
 - ensure home care fees paid by local authorities continue to be sustainable in each contract, given rising staff costs.
- We aim to meet these targets through continuation of marketing and recruitment activity, with local services supported by the business development unit. We are also conducting a pilot for staff based in the services themselves to undertake activity promoting the home to potential staff and carry out marketing of our services as local 'ambassadors'.
- We believe that providing outstanding services reflecting the spirit of our refreshed core values will be financially successful due to increased demand for our services and improved staff recruitment and retention.
- In order to achieve outstanding services we have invested heavily in quality and safeguarding over the last year, and this will continue through the activities of our quality and improvement team.
- We continue to balance the need to generate operating surpluses from our services with the need to invest in new services and future strategy to ensure our long-term financial stability.

Financial review

Summary of results

	2017	2016
	£'000	£'000
Income from:		
Donations and legacies	514	983
Income from charitable activities	24,321	23,741
Investment Income	452	499
Other income	3,514	113
	<u>28,801</u>	<u>25,336</u>
Expenditure from:		
Raising funds	494	632
Charitable activities	25,749	24,531
Other Expenditure	4	34
	<u>26,247</u>	<u>25,197</u>
Net (expenditure)/income before gains/(losses) on investments	<u>2,554</u>	<u>139</u>
Net gains/(losses) on investments	1,086	(306)
Actuarial losses on defined benefit pension scheme	(41)	(75)
Net movement in funds	<u><u>3,599</u></u>	<u><u>(242)</u></u>

Net movement in funds

The Group has recorded net movement in funds of £3.6m in the year (2015-16: a deficit of £0.2m).

The results were improved by completion of the sale of the Sir Thomas Lipton Memorial Home (a care home closed in 2014) resulting in a gain on disposal of £3.5m, and by realised and unrealised gains on investments of £1.1m (2015-16: losses of £0.3m).

Net expenditure from our operations was £0.9m, compared to net income of £0.1m in 2015-16. This is a disappointing result following the financial turnaround achieved in 2015-16. The main reasons for the lower operational results are:

- We recorded an impairment charge of £350,000 on one care home, the Retired Nurses National Home (the "RNNH"), which is also a separate subsidiary Charity. Its carrying value was based on a valuation when we took over the home in 2015, since when the location and design of the building has been the cause of challenging trading conditions meaning the carrying value is no longer fully supported by underlying results. Current refurbishment works are securing the future of this home until such time as it can be fully redeveloped.
- Income from donations and legacies was £470,000 lower than in 2015-16 when we were fortunate to receive one particularly large legacy.

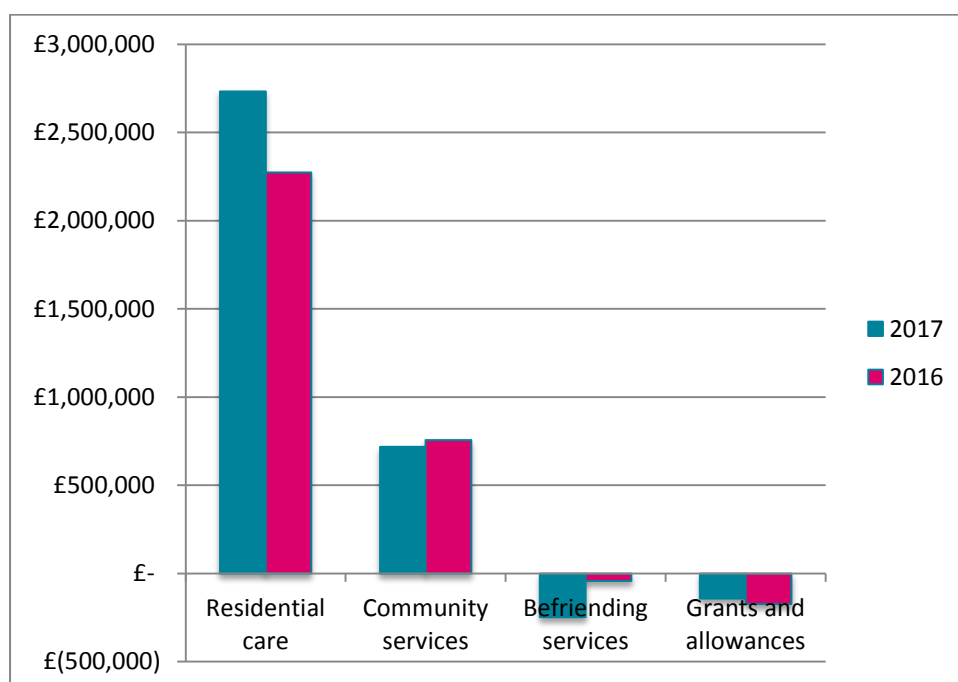
Financial review (continued)

- Central support costs allocated between charitable activities were £4.1m, £0.5m higher than 2015-16. This was partly the result of a necessary investment in a quality and improvement team to support, measure and drive quality of care. We have also invested more heavily in marketing and recruitment to respond to industry wide challenges. These costs are a necessary part of operating successfully in today's care sector.
- The positive impact of these areas of investment in the financial results of the Group are expected to be felt during 2017-18 and in the longer term, through recruitment, retention and occupancy gains.

Charitable activities

The following graph shows the comparison of the surplus or deficit by charitable activity, before allocation of central support costs. Excluding the impairment charge, the surplus generated by total charitable activities before support costs was an improvement on the previous year of around £240,000 (9%).

Surplus/ (deficit) on charitable activities before allocation of central support costs



Residential care

The surplus delivered by care homes before allocation of central support costs, and before the impairment charge, was £2.7m, a £400,000 improvement on 2016-17.

Income of £18.6m was £600,000 (3%) higher than in 2015-16, despite lower occupancy earlier in the year, as a result of higher fees and a reducing number of local authority residents.

The direct costs of running care homes, at £15.8m, were £100,000 (1%) higher than in the previous year. This was despite additional costs as a result of higher levels of agency staff. Although recruitment remains challenging, agency hours fell by 26% between Quarter 4 of 2016-17 and Quarter 1 of 2017-18 as our investment in recruitment activity has an impact.

Financial review (continued)

Community services

The majority of these services are carried out by Triangle Community Services Limited. Community services' surplus before allocation of central support costs was £720,000. This was £50,000 lower than 2015-16 primarily as a result of rising staff costs and the costs of new services in their start-up phase: Woking day centre and Bournemouth home care. Income fell by 1% due to a contract that ended during 2015-16. However volumes rose by 7% between the start and end of 2016-17, and the average fee invoiced per day increased by 11% between March 2016 and April 2017, meaning community services are well placed for future growth.

Grants and allowances

Direct grant giving of £142,000 was £30,000 lower than in 2015-16 when a one-off grant of £25,000 was made to a community services project.

Befriending

The deficit for befriending services before allocation of central support costs was £247,000 (2015-16: £41,000). Some of this apparent increase is caused by a different allocation of costs between direct and support costs of around £70,000. In addition, the direct costs includes recognition of expenditure of pro bono services of £73,000 for a grant from Google for the Be a Friend website - the equivalent amount is recognised as fundraising income rather than as befriending income.

An additional post for our Visiting Friends service has been funded by Woking Borough Council since late in 2015-16. We have also invested in our volunteering strategy.

The Retired Nurses National Home

The RNNH is a separate Charity, and the income and costs relating to this care home are consolidated within residential care activities. The RNNH recorded an operating deficit of £300,000, before the impairment charge discussed further above. The subsidiary's overall deficit was reduced by unrealised gains on its investments of £250,000.

Our longer-term aim is to modernise the premises, which were built in the 1930s, so that they can continue to meet the needs of increasingly frail residents. We invested £90,000 in refreshing the home in the year, including refurbishing the lounge and dining area and updating the flooring in other communal areas. Timelines for longer-term development are uncertain given potential changes to the road network and land uses around the home, as part of a proposed A338 Wessex Fields Link Road. The position of this road, which is not yet certain, would influence the future layout of and access to the site. In the short-term we are converting a wing of the home to provide flexible, dementia-ready accommodation, which is expected to improve the home's operating position, and demonstrating our commitment to the home in times of uncertainty brought upon us by Bournemouth Borough Council.

Balance sheet

The Group's balance sheet remains strong, with net assets of £40.3m (2016: £36.3m), and net current assets of £5.3m (2016: £2.1m). Our general reserves are also above their target level.

We invested £0.9m in our fixed assets in the year (2015-16: £1.2m), predominantly improvements to our care homes.

Financial review (continued)

The good stock market performance contributed to an increase in our investments of £1.1m to £13.6m. This increase was net of £245,000 of withdrawals from the RNNH's investments to fund its refurbishment programme and operating costs at that home. No other investments were withdrawn in the year.

The Charity operates a defined benefit pension scheme which closed in 1996. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net deficit of £10,000 (2016: net asset of £33,000, but with a carrying value of £nil as the net asset was not recognised by the Charity).

The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £258,000 (2016: £259,000) is the net present value of future contributions to the schemes.

Our future financial plans are discussed further on page 13.

Grant policy

One-off grants are made to replace essential items such as basic furniture, flooring, and household appliances; provide support with unexpected financial bills such as utility bills, household repairs and adaptations and funeral costs; and to support older people to become digitally connected with grants to cover broadband at home or equipment costs.

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

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 and by sending gifts and cards at Christmas. Wherever possible, we signpost unsuccessful applicants to other potential sources of funding.

Reserves

We hold four different types of reserves – general, designated, restricted and endowment.

General reserves are unrestricted funds that have not been designated for particular purposes by the trustees. They include the revaluation reserve, arising on valuation of investment properties above their original cost. 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 general reserves are to:

- maintain adequate working capital particularly during a time of redevelopment of the residential portfolio;
- ensure 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; and
- ensure that regular grant giving can continue.

Financial review (continued)

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 key risks are considered to be forced or voluntary closure of services due to factors outside of our control, resulting in loss of revenues, higher costs in the short-term and redundancy costs. It would be highly unlikely that all our services would close at once, so the reserves policy reflects the cost of 25% of care beds being closed, and 50% of community services.

The reserves policy is reviewed by trustees on an annual basis. The target level of general reserves at 31 March 2017 was £1.1m for Friends of the Elderly.

Friends of the Elderly's general reserves at 31 March 2017 were £3.7m. This is in excess of the target level; however it is heavily represented by investments in stocks and shares and investment property, the value of which fluctuates with market movements. This is why the trustees do not consider the level of general reserves held to be excessive.

The amount of reserves that can only be released by disposing of tangible fixed assets is £21.3m, of which £21.1m relates to designated reserves, and £0.2m endowed reserves.

Going concern

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements. Risks and uncertainties include forced closure of a service due to adverse events or for regulatory reasons, or cash outflows caused by a severe deterioration in operating results. The trustees have taken into account responses and mitigating factors to these risks and uncertainties, including budgets, formal forecasts, cash flow forecasts, strategic plans, financial contingency plans and availability and liquidity of assets.

The trustees are satisfied that the strong net asset position of the Charity, the level of general reserves compared to its target, and the liquidity of assets including cash, unrestricted investments and investment properties, are sufficient to address the risks and uncertainties considered as part of the assessment of going concern. This availability of assets also enables the Charity to provide support to other Group companies that may be required over the two-year period that is formally assessed.

The trustees consider that there are no material uncertainties about the Charity and Group's ability to continue as a going concern.

The trustees have a reasonable expectation that the Charity and Group have sufficient resources and reserves to continue in operational existence for the foreseeable future, and therefore the going concern basis is adopted in the financial statements.

Financial review (continued)

Investments

Investments comprise a mixture of endowed, restricted and unrestricted assets. The income from endowed funds is expended in accordance with the restrictions placed on the endowment, and principally relates to funds for grants and for home maintenance.

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 into account acceptable levels of risk and the balance between income and capital requirements.

Performance of the Group's investments during the financial year was as follows, comparing total return (revaluation, gains on disposal and income) to benchmarks for each type of fund.

Investment return: year ended 31 March 2017

Portfolio	Value at 1 April 2016	Withdrawals	Realised and unrealised gains	Value at 31 March 2017	Investment income	Total return %	Benchmark return %
Charles Stanley	1,933,043	(245,000)	253,090	1,934,205	84,501	19%	16%
CCLA	1,626,954	-	246,795	1,873,749	64,860	19%	20%
Cazenove - Balanced Fund	1,586,113	-	133,139	1,715,837	69,031	13%	16%
Cazenove - Income Fund	4,777,428	-	459,977	5,228,676	164,979	13%	13%
Total	9,923,538	(245,000)	1,093,001	10,752,467	383,371	15%	15%

(Endowment fund investment income is presented as part of the endowment return, although the income is allocated to restricted funds.)

The investment performance is satisfactory overall, in a period of strong market returns.

The Charity's investment policy does not allow any investment that is known to be in conflict with the Charity's aims or values.

Structure, governance and management

The strategic report for the Group is incorporated into the trustees' report. The trustees' report also includes the administrative information on page 27.

The Charity's constitution

- 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 27.

Group structure

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

- ***Triangle Community Services Limited*** ("Triangle")

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

Triangle, then named TLC Care Services, became a wholly-owned subsidiary of the Charity in June 2012. From 1 April 2015, a joint governance structure for Triangle and Friends of the Elderly was introduced. From 1 June 2015, the Friends of the Elderly paid-for community 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. Originally established for the care of retired nurses, the RNNH now welcomes residents from all walks of life, although it retains strong links with its heritage. 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.

The RNNH remains a separate charity and company limited by guarantee. Friends of the Elderly is the sole company member and appoints the RNNH's trustees.

- ***Potential Limited***

This is the Charity's property development company and is a limited company. It is wholly-owned by the Charity, but also has its own board of directors.

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

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

Structure, governance and management (continued)

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

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 govern this Group structure effectively, 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 has a dedicated Company Secretary who ensures that governance is given a high priority and provides support to trustees to help them to carry out their duties effectively.

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

In addition to its trustees, the Charity and Group also benefit greatly from the active involvement of many other volunteers who contribute their time and skills in a variety of ways, including being members of care home support groups, undertaking visits and making telephone befriending calls to 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

Trustees, in conjunction with the 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 in which risks are identified, mitigated and communicated, and good risk management practice is shared across the organisation. The trustees hold overall ownership for risk. Risks are allocated between committees. The risk register, including amendments from the committee, is reviewed by the board of trustees annually.

The Audit and Risk Committee performs more detailed examination of key risk areas and management responses to them. Day-to-day management of risk is delegated to the Chief Executive and the SMT, with individuals having primary responsibility as risk owners of specific risks on the risk register.

The main risks and the responses to them are summarised on the following page.

Structure, governance and management (continued)

Risk	Key responses
<p>Safeguarding failure</p> <p>Abuse or negligence by staff or volunteers.</p>	<ul style="list-style-type: none"> • A permanent quality and improvement team. • Safeguarding policies and application reviewed with Social Care Institute for Excellence (SCIE). Staff safeguarding training including identification of risks and appropriate actions. • Policies to investigate complaints raised by service users and their family members. • Whistleblowing procedures in place for staff and volunteers to raise concerns. • Creation of a Safeguarding Adults Sub-Committee in the year.
<p>Infectious disease outbreak at Group premises</p>	<ul style="list-style-type: none"> • Pre-employment and periodic verification of accreditations of clinical nursing staff – to ensure infectious diseases are identified and appropriate care given. • Training in clinical risks for staff and volunteers. • Policies on actions to take during such an outbreak (e.g. closure of service to visitors).
<p>Premises are unusable or dangerous (in the short-term)</p> <p>Due to serious damage (e.g. fire or flooding) or other unexpected problems (e.g. adverse weather).</p>	<ul style="list-style-type: none"> • Business continuity plans are in place. • Insurance policies in place. • Primary Authority Partnership entered into with Surrey Fire and Rescue. • Health and Safety Manager in post. • Risk assessments carried out in line with policies. • Fire detection and fire extinguishing systems. Fire training for staff.
<p>Financial viability of the Group</p> <p>Ensuring we have adequate financial resources to continue our work and meet the needs of our service users both in the short and longer-term.</p>	<ul style="list-style-type: none"> • Trustees provided with regular financial information, including forecasting of results and resources. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 17 to 18). • The level of general reserves against targeted reserves levels is monitored at least annually.
<p>Failure to comply with legislation or regulatory requirements</p>	<ul style="list-style-type: none"> • Care quality policies and procedures established and kept under review. • Quality assurance programme to monitor care services compliance and completion of actions arising from previous assessments, with reporting to the Service Delivery Committee. • Pre-employment and periodic verification of accreditations of clinical and nursing staff. • Pre-employment checks of entitlement to work in UK. • Whistleblowing procedures in place for staff and volunteers to raise concerns.

Structure, governance and management (continued)

Health and safety

The health and safety of our staff and the people within our care is of primary importance. Through our dedicated in-house resources, including a full-time health and safety manager, training and procedures, and pro-active approach to managing risks, users of our services, our staff and our volunteers remain safe.

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, are 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.

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.

Key management personnel

Key management personnel comprise the Group's senior management team and trustees, although trustees are not remunerated.

Pay and remuneration for the Charity's key management personnel is set by reference to internal and external benchmarks. Internal benchmarks align pay with the level of responsibility, while external benchmarks consider published market data for comparable roles in comparable-sized organisations.

Changes to pay are approved by the Chief Executive, other than that of the Chief Executive which is approved by the Board Chair. Any significant change in structure or amount of key management personnel pay and remuneration (either in total or for an individual) is approved or otherwise by the Resources and Investment Committee.

Structure, governance and management (continued)

Staff and volunteer involvement

There are many formal and informal arrangements for keeping staff up to date with 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 are currently working towards Investors in People accreditation.

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 on page 5. In addition, the trustees confirm 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.

Statement of trustees' responsibilities

The trustees (who are also directors of Friends of the Elderly for the purposes of company law) are responsible for preparing the trustees' annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the reparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Structure, governance and management (continued)

Statement of disclosure of information to auditors

So far as each of the trustees is 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.

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 14 September 2017 and signed on its behalf by:

Kerry Rubie
Chair

Administrative information

Charity name

Friends of the Elderly

Registered office

40-42 Ebury Street
London SW1W 0LZ

Registration numbers

Charity No. 226064
Company No. 133850

Company secretary

Soo Smith

Trustees

Joannie Andrews 5
Martin Burdes (*to 22 July 2017*) 4
Rob Chapman 1
Viscount Devonport 4
Rikki Garcia (*from 21 March 2017*) 2, 5
Sue Hudson (*to 9 June 2016*) 3, 5
James Hussey (*Vice-Chair*) (*to 1 August 2017*) 2, 3
Chris Maidment (*from 22 July 2017*) 1
Debbie Meech (*to 21 March 2017*) 2, 5
Simon Passman 4
James Ross 2, 4
Kerry Rubie (*Chair*) 2
Jeremy Withers Green 1, 3

1. *Member of Audit and Risk Committee*
2. *Member of the Chair's Group*
3. *Member of Fundraising and Public Affairs Committee*
4. *Member of Resources and Investment Committee*
5. *Member of Service Delivery Committee*

Senior management team

Steve Allen (*Chief Executive*)
Peter Cottrell (*Director of Property*)
Jennifer Griffiths (*Director of Finance*)
Janet Hawthorn (*Director of Care, Triangle Community Services*)
Jo O'Boyle (*Director of Engagement*)
Richard Macintyre (*Director of Quality and Improvement*)
Rosemary Naylor (*Director of Care Homes*)
Cheryl Rothschild (*Regional Director, Care Homes*)
Mark Wilson (*Director of Community Integration*)

Statutory auditors

Saffery Champness LLP
71 Queen Victoria Street
London, EC4V 4BE

Bankers

HSBC plc
89 Buckingham Palace Rd
Belgravia
London SW1W 0QL

Investment managers

Legal & General Investment
Management
One Coleman Street
London EC2R 5AA

CCLA Investment Management
Limited
80 Cheapside
London EC2V 6DZ

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

Independent auditors' 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 2017 set out on pages 30 to 65. 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), including Financial Reporting Standard 102.

This report is made solely to the company's members and the trustees, 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 company's members and trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, the company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the 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.

We have been appointed as auditors under the Charities Act 2011 and the Companies Act 2006 and report in accordance with those Acts. 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2017 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

Independent auditors' report to the members of Friends of the Elderly (continued)

- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report including the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Annual Report including the Strategic Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Annual Report and the Strategic Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion:

- the parent charity has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity 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.

Liz Hazell (Senior Statutory Auditor)
For and on behalf of
Saffery Champness LLP
Chartered Accountants
Statutory Auditors
71 Queen Victoria Street
London
EC4V 4BE

Date:

Saffery Champness LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated statement of financial activities for the year ended 31 March 2017 (incorporating the consolidated income and expenditure account)

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total Funds 2017 £	Total Funds 2016 £
Income from:						
Donations and legacies	4	139,625	374,444	-	514,069	982,318
<i>Income from charitable activities:</i>						
Residential care	7	17,593,728	983,654	-	18,577,382	17,964,531
Community services		35,706	5,682,428	-	5,718,134	5,766,662
Befriending services		25,889	-	-	25,889	10,000
		<u>17,655,323</u>	<u>6,666,082</u>	<u>-</u>	<u>24,321,405</u>	<u>23,741,193</u>
Investment Income	5	160,076	290,393	898	451,367	499,337
Other income	6	-	-	3,514,209	3,514,209	113,115
Total		<u>17,955,024</u>	<u>7,330,919</u>	<u>3,515,107</u>	<u>28,801,050</u>	<u>25,335,963</u>
Expenditure on:						
<i>Raising funds:</i>						
Fundraising costs		250,923	1,926	-	252,849	317,546
Investment management costs		119,638	-	9,593	129,231	77,134
Other costs		112,420	-	-	112,420	237,511
		<u>482,981</u>	<u>1,926</u>	<u>9,593</u>	<u>494,500</u>	<u>632,191</u>
<i>Charitable activities:</i>						
Residential care	7	16,930,223	1,331,912	679,360	18,941,495	17,603,452
Community services		788,088	5,407,775	-	6,195,863	6,342,664
Befriending services		165,801	227,854	-	393,655	243,930
Grants and allowances		116,161	101,865	-	218,026	341,208
		<u>18,000,273</u>	<u>7,069,406</u>	<u>679,360</u>	<u>25,749,039</u>	<u>24,531,254</u>
Other Expenditure		3,708	-	-	3,708	33,546
Total	9	<u>18,486,962</u>	<u>7,071,332</u>	<u>688,953</u>	<u>26,247,247</u>	<u>25,196,991</u>
Net income/(expenditure) before gains/(losses) on investments		<u>(531,938)</u>	<u>259,587</u>	<u>2,826,154</u>	<u>2,553,803</u>	<u>138,972</u>
Net gains/(losses) on investments	15	194,591	89,405	801,705	1,085,701	(305,475)
Net income/ (expenditure)		<u>(337,347)</u>	<u>348,992</u>	<u>3,627,859</u>	<u>3,639,504</u>	<u>(166,503)</u>
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension scheme	20	(40,698)	-	-	(40,698)	(75,235)
Transfers between funds	22	(1,000,000)	-	1,000,000	-	-
Net movement in funds		<u>(1,378,045)</u>	<u>348,992</u>	<u>4,627,859</u>	<u>3,598,806</u>	<u>(241,738)</u>
Reconciliation of funds:						
Total funds brought forward	21	24,258,803	1,868,463	10,606,165	36,733,431	36,975,169
Total funds carried forward	21	<u>22,880,758</u>	<u>2,217,455</u>	<u>15,234,024</u>	<u>40,332,237</u>	<u>36,733,431</u>

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities. Results for 2016 by fund are disclosed in note 2.

The notes on pages 33 to 65 form part of these financial statements.

Group and Charity balance sheets as at 31 March 2017

		Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
	<i>Notes</i>				
Fixed assets					
Intangible assets	13	211,942	219,254	163,139	126,652
Tangible assets	14	23,027,804	23,508,456	21,322,190	21,379,682
Investments	15	13,591,845	12,767,877	11,667,642	10,844,836
<i>Total fixed assets</i>		<u>36,831,591</u>	<u>36,495,587</u>	<u>33,152,971</u>	<u>32,351,170</u>
Current assets					
Held for Sale	16	-	1,864,041	-	1,864,041
Debtors	17	3,479,382	1,774,577	3,290,712	1,530,638
Cash at bank and in hand		4,651,521	1,770,321	4,497,127	1,668,533
<i>Total current assets</i>		<u>8,130,903</u>	<u>5,408,939</u>	<u>7,787,839</u>	<u>5,063,212</u>
Creditors					
Amounts falling due within 1 year	18	(2,862,283)	(3,323,875)	(2,415,767)	(2,849,361)
Net current assets		<u>5,268,620</u>	<u>2,085,064</u>	<u>5,372,072</u>	<u>2,213,851</u>
Total assets less current liabilities		<u>42,100,211</u>	<u>38,580,651</u>	<u>38,525,043</u>	<u>34,565,021</u>
Creditors					
Amounts falling due after more than one year	19	(1,498,710)	(1,588,189)	(1,498,710)	(1,588,189)
Net assets excluding pension liabilities		<u>40,601,501</u>	<u>36,992,462</u>	<u>37,026,333</u>	<u>32,976,832</u>
Defined benefit pension scheme liability	20	(269,264)	(259,031)	(269,264)	(259,031)
Total net assets		<u>40,332,237</u>	<u>36,733,431</u>	<u>36,757,069</u>	<u>32,717,801</u>
The funds of the charity:					
Restricted funds	23	2,217,455	1,868,463	1,883,360	1,873,044
Endowments	24	15,234,024	10,606,165	11,769,935	6,706,213
<i>Unrestricted funds:</i>					
Designated funds	22	19,612,748	19,577,691	19,704,597	19,669,191
General reserves - revaluation reserve	22	2,333,118	3,333,118	2,333,118	3,333,118
General reserves - other	22	1,234,621	1,607,025	1,365,788	1,395,266
Pension reserve	22	(299,729)	(259,031)	(299,729)	(259,031)
<i>Total unrestricted funds</i>		<u>22,880,758</u>	<u>24,258,803</u>	<u>23,103,774</u>	<u>24,138,544</u>
Total charity funds	21	<u>40,332,237</u>	<u>36,733,431</u>	<u>36,757,069</u>	<u>32,717,801</u>

The notes on pages 33 to 65 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net income for the year was £4,039,269 (2016: net income of £36,734).

The financial statements were approved by the Board of Trustees on 14 September 2017 and were signed on their behalf by:

Kerry Rubie, Chair

Consolidated statement of cash flows for the year ended 31 March 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities:					
Net cash (used in)/provided by operating activities	26		<u>(910,346)</u>		<u>1,009,379</u>
Cash flows from investing activities:					
Dividends, interest and rents from investments		451,367		499,337	
Interest payable		(36,357)		(38,403)	
Purchase of intangible fixed assets		(107,825)		(170,339)	
Purchase of property, plant and equipment		(939,882)		(995,510)	
Purchase of investments		(1,614,102)		(1,757,514)	
Proceeds from sale of investments		1,844,662		2,430,974	
Proceeds from sale of property, plant and equipment		4,250,000			
Net cash provided by/(used in) investing activities			<u>3,847,863</u>		<u>(31,455)</u>
Cash flows from financing activities:					
Repayments of borrowings		<u>(87,490)</u>		<u>(86,043)</u>	
Net cash used in financing activities			<u>(87,490)</u>		<u>(86,043)</u>
Change in cash and cash equivalents in the year			2,850,027		891,881
Cash and cash equivalents at the beginning of the year			<u>2,162,266</u>		<u>1,270,385</u>
Cash and cash equivalents at the end of the year			<u>5,012,293</u>		<u>2,162,266</u>
Cash and cash equivalents comprise the following:					
Cash			4,651,521		1,770,321
Cash held within the investment portfolio for reinvestment			225,655		286,908
Cash instruments held within the investment portfolio			<u>135,117</u>		<u>105,037</u>
			<u>5,012,293</u>		<u>2,162,266</u>

Notes to the financial statements for the year ended 31 March 2017

1. Principal accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Basis of accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Friends of the Elderly meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value except where otherwise stated in the relevant accounting policy notes.

The trustees have assessed the ability of the Charity and Group to continue as a going concern. The assessment considers risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12 month period from approval of the financial statements. Risks and uncertainties include forced closure of a service due to adverse events or for regulatory reasons, or cash outflows caused by a severe deterioration in operating results. The trustees have taken into account responses and mitigating factors to these risks and uncertainties, including budgets, formal forecasts, cash flow forecasts, strategic plans, financial contingency plans and availability and liquidity of assets.

The trustees are satisfied that the strong net asset position of the Charity, the level of general reserves compared to its target, and the liquidity of assets including cash, unrestricted investments and investment properties, are sufficient to address the risks and uncertainties considered as part of the assessment of going concern. This availability of assets also enables the Charity to provide support to other Group companies that may be required over the assessment period.

The trustees consider that there are no material uncertainties about the Charity and Group's ability to continue as a going concern.

On this basis, the trustees have a reasonable expectation that the Charity and Group have sufficient resources to continue in operational existence for the foreseeable future, and therefore the going concern basis is adopted in the financial statements.

(b) Consolidation

The financial statements consolidate the results of Potential Ltd, the Retired Nurses National Home (the "RNNH"), Friends of the Elderly Trading Ltd, and Triangle Community Services Limited, all of which are wholly owned subsidiaries of Friends of the Elderly ("the Charity").

(c) 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, designated funds and a pension reserve.

1. Principal accounting policies (continued)

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 aims and uses of the various restricted funds are set out in the notes to the financial statements.

Restricted funds in the Group balance sheet also include the reserves of a subsidiary where its objects are more specific than those of the parent charity.

Endowment funds are restricted funds and comprise properties used for specific purposes and investments where only the income generated can be expended. The aims and uses of these funds are set out in the notes to the financial statements.

Investment income and investment gains or losses are allocated to the appropriate fund.

(d) Income

Resident, service user and statutory fees, government grants, management fees and investment income are accounted for when receivable. Income received in advance of the related services being performed is deferred.

Legacies are accounted for when it is probable that they will be received. Receipt is normally probable when: there has been grant of probate; the executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy; and any conditions attached to the legacy are either within the control of the Charity or have been met.

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

(e) Expenditure

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.

Any redundancy or other costs relating to termination of employment are recognised when the employee or group of employees are informed of the relevant consultation process.

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

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

(f) Support costs

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include management and administration costs incurred in Central Office, costs incurred by staff with regional responsibilities and governance costs which support the Group's charitable activities. These costs have been allocated between expenditure on raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 8.

1. Principal accounting policies (continued)

(g) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the Charity of the item is probable and that economic benefit can be measured reliably. An equivalent amount of expenditure is also recognised when the service or facility is used.

In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised. The contribution made to the Charity by volunteers is discussed in more detail in the trustees' report.

(h) Intangible fixed assets and amortisation

Intangible assets are capitalised at cost, including any incidental external expenses of acquisition or construction.

Amortisation is charged so as to write off the full cost of the assets less their residual values on a straight-line basis over the following expected useful economic lives:

Computer software: 3 years

i) Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expenses of acquisition.

Depreciation is not charged on freehold land or 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 estimated residual values over their expected useful economic lives at the following rates:

Leasehold buildings (over 50 years):	50 years
Leasehold buildings (under 50 years):	Over term of lease
Fixtures and fittings:	3 to 10 years
Office and domestic equipment:	3 to 10 years
Motor vehicles:	4 years
Computer equipment:	3 years

Depreciation on freehold and long leasehold property is charged so as to write off the full cost or valuation of individual components less their estimated residual values on a straight-line basis over the following expected useful economic lives:

Structure and external fabric:	50 years
Roofs:	50 years
Lifts:	15 years
Bathrooms:	15 years
Central heating systems:	25 years
Kitchens:	15 years
Windows and doors:	25 years
Electrical wiring	25 years

Residual values for care homes structure and external fabric is £18,900 per bed, based on sector information on the marketable value of older care homes. Residual values for other assets are deemed to be nil.

1. Principal accounting policies (continued)

(j) Impairment of fixed assets

Assets are reviewed annually for indicators of impairment. Indicators would include: evidence of obsolescence or physical damage to the asset, evidence that an asset's market value has declined significantly, or evidence from internal reporting that the economic performance (cash flows and operating results) of an asset is, or will be, worse than expected.

Where there is an indicator of impairment, an impairment review is performed to identify the recoverable amount of an asset. If the recoverable amount of an asset is less than its carrying value, then an impairment loss is recognised to reduce the carrying value of the asset to its recoverable amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is calculated from a discounted cash flow. Where an asset is primarily held for its service potential to beneficiaries, value in use may be regarded as the present value of the asset's service potential rather than the present value of its cash flow, which would be taken from the asset's depreciated replacement cost.

If there is an indication that an asset is impaired, but there is no impairment loss to be recognised, the useful economic life or the residual value of the asset is reassessed in light of the impairment indicator.

(k) Investment properties

Investment properties are properties that are within or adjacent to the Charity's care homes which are capable of being rented out to third parties.

Investment properties are capitalised at valuation and are not depreciated. The difference between historical cost and valuation is included within the revaluation reserve.

Investment properties are formally valued every three years, with an annual review undertaken as to whether there are any indicators of material changes in value.

(l) Other investments

Investments in stocks and shares are valued at the mid-market price ruling at the balance sheet date. Unlisted investments comprise investments in managed funds, and are valued at the market price per unit of the fund at the balance sheet date.

This gives rise to unrealised gains or 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 which are also included in the statement of financial activities.

Investments in subsidiaries are held at cost, less any provision for impairment.

(m) Debtors

Trade and other debtors are recognised at the settlement amount due, less an allowance for any doubtful debts. Prepayments are valued at the amount prepaid net of any discounts due.

(n) Cash at bank and in hand

Cash at bank and cash in hand include cash and any deposits with a short maturity of three months or less from the date of opening of the deposit or similar account. It includes cash within the investment portfolio that is not held for reinvestment.

1. Principal accounting policies (continued)

(o) Creditors and provisions

Creditors and provisions are recognised where there is a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

(p) Financial instruments

Basic financial assets, including trade and other receivables, and cash and bank balances, are initially recognised at transaction price. Such assets are subsequently carried at the amortised cost using the effective interest method, less impairment.

Other financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, with subsequent changes in fair value recognised in the statement of financial activities.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other payables, and loans from third parties are initially recognised at transaction price.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Debt instrument include bank loans. These are subsequently carried at amortised cost using the effective interest rate method.

(q) Operating leases

Rentals under operating leases are charged to the statement of financial activities as they fall due.

(r) Pension schemes

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 FRS102, with a valuation undertaken by an independent actuary. FRS102 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.

The value of benefits accrued is used to determine the pension charge in the statement of financial activities and the expected return on scheme assets and the interest cost on scheme liabilities are allocated across the appropriate income/ expenditure 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 statement of financial activities within actuarial gains/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the balance sheet.

1. Principal accounting policies (continued)

Since 1 October 1996 the Charity has operated a defined contribution scheme, the assets of which are held in an independently administered fund. Triangle Community Services Limited and the Retired Nurses National Home also operate defined contribution schemes. Contributions are charged to the statement of financial activities 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. It is not possible for the Charity to obtain sufficient information to enable it to account for these schemes as defined benefit schemes. Therefore it accounts for the schemes as if they were defined contribution schemes, and recognises only the present value of future deficit recovery contributions as a provision.

(s) Key judgements and estimates

Key judgements and estimates, and their basis of estimation are summarised as follows:

The review of impairment indicators and assessment of impairment loss

Impairment indicators include the financial performance of a service (in particular, individual care homes) compared to expectations, any recent third party valuations compared to carrying value, and the basis of those valuations compared to any more recent results.

Where there are impairment indicators for individual care homes, the recoverable value of the home is assessed. The fair value of the home, less costs to sell, is considered, where we have third party information on its market value. This is compared to the value in use based on either discounted cash flows or depreciated replacement cost.

The key estimate in the 'value in use' calculation is the future operating results of the home, which are based on the most recent forecasts. Discount rates may be a key estimate depending on the sensitivity of the discounted cash flow and whether it may be higher than fair value less costs to sell.

Depreciated replacement cost is based on the equivalent to the cost of buying a care home which is 50+ years of age. This is based on sector market information.

The impairment loss recognised in the year relates to the Retired Nurses National Home, and was based on its fair value less costs to sell.

Pension Schemes

Key areas of judgement that impact on the valuation of defined benefit pension scheme assets and liabilities are:

- discount rate;
- inflation rate;
- mortality assumptions and life expectancies; and
- expected return on scheme assets.

The above assumptions are reviewed and approved by the trustees, based on information provided by the scheme actuaries.

The key judgement of the multi-employer pension schemes is the discount rate applied to future contributions. This discount rate is reviewed and approved by the trustees, based on information provided by the scheme administrators, and reflects the time period of future contributions.

1. Principal accounting policies (continued)

Tangible fixed assets and depreciation

Note 1(i) sets out the basis of depreciation. Key judgements are the useful economic lives of assets, and the residual value of structure and external fabric of freehold and long leasehold properties at the end of their lives.

Useful economic lives are based on known replacement timelines for individual elements of a property, such as central heating systems, lifts, and bathrooms. For the structure and external fabric useful economic lives were based on experience of our older care homes. Residual values for the fabric and structure of care homes are based on sector information on the marketable value of older care homes.

Investment property valuations

Investment property valuations are based either on third party valuations, or market information of similar properties in the area. Some houses classified as investment property are on a care home site but could be sold to a third party if access and gardens were separated; in this case the estimated costs of doing so are deducted from the valuation.

Friends of the Elderly
Annual report and financial statements for the year ended 31 March 2017

2. Consolidated statement of financial activities by fund 2016

Results for the year ended 31st March 2016 by fund were:

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total Funds 2016 £
Income from:					
Donations and legacies	4	221,369	760,949	-	982,318
<i>Income from charitable activities:</i>	7				
Residential care		16,941,026	1,023,505	-	17,964,531
Community services		277,069	5,489,593	-	5,766,662
Befriending services		-	10,000	-	10,000
		<u>17,218,096</u>	<u>6,523,099</u>	<u>-</u>	<u>23,741,193</u>
Investment Income	5	176,218	322,146	973	499,337
Other income	6	68,826	44,289	-	113,115
Total		<u>17,684,508</u>	<u>7,650,482</u>	<u>973</u>	<u>25,335,963</u>
Expenditure on:					
<i>Raising funds:</i>					
Fundraising costs		306,892	10,654	-	317,546
Investment management costs		60,552	16,548	34	77,134
Other costs		237,511	-	-	237,511
		<u>604,955</u>	<u>27,202</u>	<u>34</u>	<u>632,191</u>
<i>Charitable activities:</i>	7				
Residential care		15,976,929	1,533,057	93,466	17,603,452
Community services		844,201	5,498,463	-	6,342,664
Befriending services		61,642	182,288	-	243,930
Grants and allowances		256,954	84,254	-	341,208
		<u>17,139,726</u>	<u>7,298,062</u>	<u>93,466</u>	<u>24,531,254</u>
Other Expenditure		33,546	-	-	33,546
Total	7	<u>17,778,227</u>	<u>7,325,264</u>	<u>93,500</u>	<u>25,196,991</u>
Net income/(expenditure) before gains/(losses) on investments		<u>(93,719)</u>	<u>325,218</u>	<u>(92,527)</u>	<u>138,972</u>
Net gains/(losses) on investments	15	105,028	(26,950)	(383,553)	(305,475)
Net income/ (expenditure)		<u>11,309</u>	<u>298,268</u>	<u>(476,080)</u>	<u>(166,503)</u>
Other recognised gains/(losses)					
Actuarial losses on defined benefit pension scheme	20	(75,235)	-	-	(75,235)
Net movement in funds		<u>(63,926)</u>	<u>298,268</u>	<u>(476,080)</u>	<u>(241,738)</u>
Reconciliation of funds:					
Total funds brought forward		24,322,729	1,570,195	11,082,245	36,975,169
Total funds carried forward	21	<u>24,258,803</u>	<u>1,868,463</u>	<u>10,606,165</u>	<u>36,733,431</u>

3. Subsidiaries' performance

	Potential Limited	Triangle Community Services Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£	£	£	£
Total income	4,130	5,686,697	-	1,168,593
Total expenditure	(10,748)	(5,739,978)	-	(1,459,631)
Impairment charge (see note 14)	-	-	-	(350,000)
Other realised and unrealised losses	-	-	-	253,090
Surplus/(deficit)	(6,618)	(53,281)	-	(387,948)
Profits distributed to the Charity	(2,261)	-	-	-
Net assets at 31 March 2017	(188)	86,234	10,000	3,634,613

Summary of results for the year ended 31 March 2016 were:

	Potential Limited	Triangle Community Services Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£	£	£	£
Total income	233,519	5,570,089	-	1,157,790
Total expenditure	(231,258)	(5,488,537)	-	(1,396,098)
Other realised and unrealised losses	-	-	-	(118,417)
Surplus/(deficit)	2,261	81,552	-	(356,725)
Gift aided profits	-	-	-	-
Net assets at 31 March 2016	6,428	139,515	5,209	3,971,184

Potential Limited is a wholly-owned subsidiary of Friends of the Elderly and undertakes development work for the Group. Its company registration number is 3353988.

Triangle Community Services Limited (a charitable company, limited by guarantee) is a wholly-owned subsidiary of Friends of the Elderly, providing home care, day care and other support services, facilities and practical advice for those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage. Its charity registration number is 1016437, and its company registration number is 2698380.

Friends of the Elderly Trading Limited is dormant. Its company registration number is 3557337.

Friends of the Elderly became the sole member of the Retired Nurses National Home ("the RNNH") on 31 March 2015. The RNNH owns and operates a care home in Bournemouth which has been providing residential care since 1938. Originally established for the care of retired nurses, the RNNH now welcomes residents from all walks of life.

4. Donations and legacies

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total 2017 £	Total 2016 £
Donations	105,550	249,878	355,428	397,113
Legacies	34,075	43,691	77,766	497,790
Pro-bono services	-	80,875	80,875	87,415
	<u>139,625</u>	<u>374,444</u>	<u>514,069</u>	<u>982,318</u>

5. Investment income

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowment funds 2017 £	Total 2017 £	Total 2016 £
Dividends from investments	79,261	290,393	898	370,552	414,017
Investment property rental income	71,786	-	-	71,786	85,320
Interest receivable	9,029	-	-	9,029	-
	<u>160,076</u>	<u>290,393</u>	<u>898</u>	<u>451,367</u>	<u>499,337</u>

6. Other income

	Unrestricted funds 2017 £	Restricted funds 2017 £	Endowed funds 2017 £	Total 2017 £	Total 2016 £
Gain on disposal of fixed assets	-	-	3,514,209	3,514,209	-
Rental Income	-	-	-	-	63,154
Other Income	-	-	-	-	49,961
	<u>-</u>	<u>-</u>	<u>3,514,209</u>	<u>3,514,209</u>	<u>113,115</u>

In 2016-17, rental income and other income have been classified within investment income or income from charitable activities.

7. Analysis of income and expenditure by charitable activity

	Residential care 2017 £	Community services 2017 £	Befriending services 2017 £	Grants and allowances 2017 £	Total 2017 £	Total 2016 £
Income	18,577,382	5,718,134	25,889	-	24,321,405	23,741,193
Direct expenditure	15,845,268	5,000,859	273,755	-	21,119,882	20,753,283
Impairment charge (see note 14)	350,000	-	-	-	350,000	-
Attributable support costs	2,746,227	1,195,004	119,900	75,295	4,136,426	3,605,788
Grant-funding of activities	-	-	-	142,731	142,731	172,183
Total expenditure	18,941,495	6,195,863	393,655	218,026	25,749,039	24,531,254
Net deficit	(364,113)	(477,729)	(367,766)	(218,026)	(1,427,634)	(790,061)

The impairment charge does not represent a cash outflow.

	Residential care 2016 £	Community services 2016 £	Befriending services 2016 £	Grants and allowances 2016 £	Total 2016 £
Income	17,964,531	5,766,662	10,000	-	23,741,193
Direct expenditure	15,691,035	5,010,521	51,727	-	20,753,283
Attributable support costs	1,912,417	1,332,143	192,203	169,025	3,605,788
Grant-funding of activities	-	-	-	172,183	172,183
Total expenditure	17,603,452	6,342,664	243,930	341,208	24,531,254
Net surplus/(deficit)	361,079	(576,002)	(233,930)	(341,208)	(790,061)

8. Governance and support costs

Support costs and costs of governance are apportioned between charitable activities and the activities for raising funds. The basis of apportionment is summarised below the table.

	Residential care 2017	Community services 2017	Befriending services 2017	Grants and allowances 2017	Costs of raising funds 2017	Total 2017	Total 2016
	£	£	£	£	£	£	£
Support costs by function							
Governance costs	119,263	42,801	5,262	3,304	8,581	179,211	159,536
Operations support teams	532,035	396,076	31,672	38,649	-	998,432	1,248,437
Quality and Improvement	347,561	18,293	-	-	-	365,854	39,407
Strategy and Executive	117,238	102,866	49,274	1,982	18,271	289,631	195,855
Property	244,325	20,309	-	-	5,073	269,707	249,167
Finance	432,448	191,523	6,440	5,472	21,008	656,891	650,762
Human Resources, learning & development	182,885	66,116	985	1,149	2,375	253,510	360,856
Information Technology	338,382	149,862	5,039	4,282	15,075	512,640	500,841
Marketing, Communications and Public Relations	371,984	207,158	21,228	20,457	125,143	745,970	320,995
Other (including office costs)	60,106	-	-	-	-	60,106	180,102
Total resources expended	<u>2,746,227</u>	<u>1,195,004</u>	<u>119,900</u>	<u>75,295</u>	<u>195,526</u>	<u>4,331,952</u>	<u>3,905,958</u>

The basis of support costs apportionment is as follows:

Function	Basis of apportionment
Governance costs	Apportioned in proportion to overall support costs allocation
Operations support team	Specific teams relate to different charitable operations, and costs are separately captured by team
Strategy and Executive	Apportioned based on management estimate
Property	Apportioned based on management estimate
Finance	Apportioned based on the proportion of total operating and capital expenditure
Human Resources, learning and development	Apportioned based on activity headcount, with management estimate for specific projects
Information Technology	Apportioned on the same basis as Finance
Marketing, Communications, Public Relations	Apportioned based on management estimate
Other	This is predominantly property costs. Apportioned based on headcount and management estimate

9. Net income/ (expenditure) for the year

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

	2017	2016
	£	£
Staff costs (Note 10)	18,047,841	17,659,356
Amortisation of intangible fixed assets (Note 14)	114,603	72,046
Depreciation of tangible fixed assets (Note 15)	1,050,377	1,048,094
Auditors' remuneration - Audit of the Charity	19,500	20,160
Auditors' remuneration - Audit of subsidiary undertakings	12,500	12,540
Auditors' remuneration - Other Services	1,200	2,880
Professional indemnity insurance	1,642	1,642
Pension scheme net finance charge	5,406	3,928
Operating lease rentals	194,582	131,145

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

10. Staff costs

	2017	2016
	£	£
Staff costs were as follows:		
Salaries	13,610,715	13,663,568
Social security costs	907,617	976,292
Pension costs	388,554	453,298
	<u>14,906,886</u>	<u>15,093,158</u>
Agency - Care	1,934,811	1,147,777
Agency - Non-Care	64,046	63,985
Contract staff costs	1,142,098	1,354,436
Agency and contract costs	<u>3,140,955</u>	<u>2,566,198</u>

The following costs were incurred in relation to redundancies. Ex gratia payments represent redundancy payments above the statutory minimum.

	2017	2016
	£	£
Redundancy payments	7,184	113,615
Ex gratia payments	36,816	-
	<u>44,000</u>	<u>113,615</u>

10. Staff costs (continued)

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

	2017	2016
	No.	No.
£60,001 - £70,000	2	4
£70,001 - £80,000	2	1
£100,000 - £110,000	-	1
£120,000 to £130,000	<u>1</u>	<u>-</u>

Key management personnel

The total emoluments paid to key management personnel are set out below. Key management personnel comprise the senior management team, and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2016: none).

	2017	2016
	£	£
Total emoluments	<u>792,032</u>	<u>674,655</u>

11. Staff numbers

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

Employee numbers	2017	2016	2017	2016
	Headcount	Headcount	FTE	FTE
	No.	No.	No.	No.
Care staff	796	826	631	637
Support staff	<u>119</u>	<u>125</u>	<u>112</u>	<u>116</u>
	<u>915</u>	<u>951</u>	<u>743</u>	<u>753</u>

12. Related party transactions

Trustees

Robert Chapman, a trustee of Triangle Community Services, is also a councillor with the London Borough of Hackney. During the year ended 31 March 2017 £78,035 (2016: £92,973) was invoiced to the London Borough of Hackney for care services undertaken, and at 31 March 2017 £46,779 was outstanding (2016: £405 outstanding, and income received in advance of £10,293).

The trustees received no remuneration for their services (2016: nil). During the year ended 31 March 2017, no expenses were paid to any trustees for costs incurred in the course of their duties as trustee of the Charity (2016: £nil). No donations were made by trustees to the Group during the year (2016: £nil). Expenses waived by trustees during the year were not material (2016: not material).

Intercompany transactions

The Charity had the following transactions with Group companies during the year:

	2017	2016
	£	£
Amounts paid by and (payable to) Triangle Community Services Limited		
Rent charged	36,308	10,884
Management charge	300,000	-
Learning and Development recharge	90,166	-
Grant paid	-	(37,500)
	<u>426,474</u>	<u>(26,616)</u>

The management charge from the Charity to Triangle Community Services Limited ('Triangle') represents services provided by the Charity that are no longer within Triangle, including finance, human resources, IT support, governance, and business development.

	2017	2016
	£	£
Amounts paid by Retired Nurses National Home		
Learning and Development recharge	16,152	-
Income from Potential Limited		
Management fee income	1,000	3,000
Gift aid receipt	2,261	-
	<u>3,261</u>	<u>3,000</u>
Expenditure charged by Potential Limited		
Property development costs recharged (capitalised within the Charity)	4,130	233,519
	<u>4,130</u>	<u>233,519</u>

12. Related party transactions (continued)

The Charity had the following year-end balances with Group companies:

	2017	2016
	£	£
Amounts due from/(to) Potential Limited	1,914	(23,392)
Amounts due to Friends of the Elderly Trading Limited	(5,209)	(5,209)
Amounts due from Triangle Community Services Limited	958,218	320,932
Amounts due from the Retired Nurses National Home	73,547	27,608
	<u>1,028,470</u>	<u>319,939</u>

13. Intangible fixed assets

(a) Group	Computer software
	£
Cost	
At 1 April 2016	664,022
Additions	107,825
Disposals	(49,679)
At 31 March 2017	<u>722,168</u>
Amortisation	
At 1 April 2016	444,768
Charge for the year	114,603
Eliminated on disposal	(49,145)
At 31 March 2017	<u>510,226</u>
Net book value 31 March 2017	<u>211,942</u>
Net book value 31 March 2016	<u>219,254</u>

(b) Charity	Computer software
	£
Cost	
At 1 April 2016	532,625
Additions	107,825
Disposals	(49,679)
At 31 March 2017	<u>590,771</u>
Amortisation	
At 1 April 2016	405,973
Charge for the year	70,804
Eliminated on disposal	(49,145)
At 31 March 2017	<u>427,632</u>
Net book value 31 March 2017	<u>163,139</u>
Net book value 31 March 2016	<u>126,652</u>

14. Tangible fixed assets

(a) Group	Land, Freehold & Long Leasehold Property	Short Leasehold Property Improvements	Fixtures, Equipment and Vehicles	Total
	£	£	£	£
Cost				
At 1 April 2016	26,442,107	155,946	6,980,466	33,578,519
Additions	2,982	-	921,313	924,295
Disposals	(8,586)	-	(163,419)	(172,005)
At 31 March 2017	<u>26,436,503</u>	<u>155,946</u>	<u>7,738,360</u>	<u>34,330,809</u>
Depreciation				
At 1 April 2016	5,119,872	92,313	4,857,878	10,070,063
Charge for the year	372,847	3,773	673,757	1,050,377
Impairment charge	350,000	-	-	350,000
Eliminated on disposal	(8,587)	-	(158,010)	(166,597)
At 31 March 2017	<u>5,834,132</u>	<u>96,086</u>	<u>5,373,625</u>	<u>11,303,843</u>
Net book value 31 March 2017	<u>20,602,371</u>	<u>59,860</u>	<u>2,364,735</u>	<u>23,026,966</u>
Net book value 31 March 2016	<u>21,322,235</u>	<u>63,633</u>	<u>2,122,588</u>	<u>23,508,456</u>

The impairment charge recognised in the year relates to the Retired Nurses National Home. The accounting policies in note 1(j) and 1(s) describe the impairment charge policy and the key judgements in estimating the charge in the current year.

14. Tangible fixed assets (continued)

(b) Charity	Land, Freehold & Long Leasehold Property £	Short Leasehold Property Improvements £	Fixtures, Equipment and Vehicles £	Total £
Cost				
At 1 April 2016	24,449,918	155,946	6,650,596	31,256,460
Additions	2,666	-	824,463	827,129
Disposals	-	-	(125,265)	(125,265)
At 31 March 2017	<u>24,452,584</u>	<u>155,946</u>	<u>7,349,794</u>	<u>31,958,324</u>
Depreciation				
At 1 April 2016	5,051,822	92,313	4,732,643	9,876,778
Charge for the year	288,487	3,773	587,790	880,050
Eliminated on disposal	-	-	(119,856)	(119,856)
At 31 March 2017	<u>5,340,309</u>	<u>96,086</u>	<u>5,200,577</u>	<u>10,636,972</u>
Net book value 31 March 2017	<u>19,112,275</u>	<u>59,860</u>	<u>2,149,217</u>	<u>21,321,352</u>
Net book value 31 March 2016	<u>19,398,096</u>	<u>63,633</u>	<u>1,917,953</u>	<u>21,379,682</u>

The loan (note 20) is secured against the freehold property known as Davenham & Perrins House, Malvern (HM Land Registry title number WR128444).

Long-leasehold property is classified as finance leases. There are no lease payments due for these properties other than one peppercorn if demanded.

Amounts capitalised under short leasehold property are property improvements. The lease itself is classified as an operating lease.

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15. Fixed asset investments

(a) Group	Investment Property	Investments Listed £	Investments Unlisted £	Cash £	Total £		
<u>Cost or valuation</u>							
At 1 April 2016	2,837,038	7,911,938	1,626,956	391,945	12,767,877		
Additions	2,340	1,611,762	-	-	1,614,102		
Disposals (carrying value)	-	(1,776,775)	-	(123,061)	(1,899,836)		
Unrealised gain on revaluation	-	771,019	246,795	-	1,017,814		
Net movement in cash	-	-	-	91,888	91,888		
At 31 March 2017	<u>2,839,378</u>	<u>8,517,944</u>	<u>1,873,751</u>	<u>360,772</u>	<u>13,591,845</u>		
Cost at 31 March 2017	<u>585,360</u>	<u>7,130,723</u>	<u>95,067</u>	<u>360,772</u>	<u>8,171,922</u>		
(b) Charity	Investment property £	Investments Listed £	Investments Unlisted £	Cash £	Total £	Investments in Subsidiaries £	Total £
<u>Cost or valuation</u>							
At 1 April 2016	2,837,038	6,007,627	1,626,956	363,213	10,834,834	10,002	10,844,836
Additions	2,340	1,354,437	-	-	1,356,777	-	1,356,777
Disposals (carrying value)	-	(1,295,266)	-	(123,061)	(1,418,327)	-	(1,418,327)
Unrealised gain on revaluation	-	551,121	246,795	-	797,916	-	797,916
Net movement in cash	-	-	-	86,440	86,440	-	86,440
At 31 March 2017	<u>2,839,378</u>	<u>6,617,919</u>	<u>1,873,751</u>	<u>326,592</u>	<u>11,657,640</u>	<u>10,002</u>	<u>11,667,642</u>
Cost at 31 March 2017	<u>585,360</u>	<u>5,601,531</u>	<u>95,067</u>	<u>326,592</u>	<u>6,608,550</u>	<u>10,002</u>	<u>6,618,552</u>

15. Fixed asset investments (continued)

'Investments in subsidiaries' relates to 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 3.

Investment properties are properties which are held for strategic reasons but which are capable of being rented to third parties or of being sold separate to adjacent care homes. They have been valued on the open market basis, less an estimate of costs associated with sale. The valuation has been carried out by the board of trustees, using available market data.

Some investment properties have current restrictions relating to access which would impede sale. Estimated costs of resolving such matters have been deducted from the valuation.

16. Held for sale

	Group and Charity	
	2017	2016
	£	£
Property held for sale	-	1,864,041
	<u>-</u>	<u>1,864,041</u>

In 2016 this represented the carrying value of the Sir Thomas Lipton Memorial Home and its site that were held for sale. Completion on the sale took place in March 2017.

17. Debtors

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	2,175,971	895,173	1,111,686	388,640
Amounts due from subsidiary undertakings	-	-	1,033,679	348,541
Other debtors	545,222	368,005	532,009	357,530
Prepayments and accrued income	758,189	511,399	613,338	435,927
	<u>3,479,382</u>	<u>1,774,577</u>	<u>3,290,712</u>	<u>1,530,638</u>

18. Creditors: amounts falling due within one year

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	1,132,399	1,084,702	1,014,737	979,959
Amounts due to subsidiary undertakings	-	-	5,209	28,602
Other creditors	355,575	318,912	327,394	298,269
Resident deposits	355,948	-	355,948	-
Taxation and social security	255,601	253,405	165,902	151,212
Accruals and deferred income	673,281	1,579,366	457,098	1,303,829
Loans: Amounts Due Within One Year	89,479	87,490	89,479	87,490
	<u>2,862,283</u>	<u>3,323,875</u>	<u>2,415,767</u>	<u>2,849,361</u>

18. Creditors: amounts falling due within one year (continued)

Movements in deferred income are as follows:

	£
Deferred income at 1 April 2016	756,516
Income recognised in year	(756,516)
Income invoiced in advance	<u>7,087</u>
Deferred income at 31st March 2017	<u><u>7,087</u></u>

The deposit received for sale of the Sir Thomas Lipton Memorial Home was received on exchange of contracts in March 2016, and held as deferred income until completion. Completion of the sale took place in March 2017, at which point the profit on sale of the property was recognised.

19. Creditors: amounts falling due after more than one year

	Group and Charity	
	2017	2016
	£	£
Secured bank loan:		
Falling due within more than one year but less than five years	378,640	370,223
Falling due after five years	<u>1,120,070</u>	<u>1,217,966</u>
Total amounts falling due after one year:	1,498,710	1,588,189
Amounts falling due within one year (Note 18)	89,479	87,490
Total of all loans	<u><u>1,588,189</u></u>	<u><u>1,675,679</u></u>

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

The loan is a basic financial instrument carried at amortised cost. The interest rate is 1.25% above the Bank of England's Sterling base rate, with a 20-year term (ending in 2032).

20. Pension schemes

The Charity and Group operate or contribute to a number of pension schemes, both defined contribution schemes and defined benefit pension schemes.

The liability recognised in respect of defined benefit pension schemes is as follows:

Defined benefit pension scheme liability by Scheme	Group and Charity	
	2017	2016
	£	£
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	(10,800)	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(240,000)	(240,000)
Career Average Revalued Earnings (CARE) Pension Scheme	(18,464)	(19,031)
	<u>(269,264)</u>	<u>(259,031)</u>

Reconciliation of opening and closing provision by Scheme

	FotE Closed Scheme 2017 £	SVSPS Scheme 2017 £	CARE Scheme 2017 £	Total 2017 £
Provision at 1 April 2016	-	(240,000)	(19,031)	(259,031)
Interest expense	-	(5,000)	(406)	(5,406)
Contributions paid	17,200	17,000	1,671	35,871
Other gains/(losses)				
- Actuarial gains/(losses) on defined benefit obligation	(102,500)	-	-	(102,500)
- Return on assets excluding interest income	41,700	-	-	41,700
- Limit on recognition of assets reversed	32,800	-	-	32,800
- Remeasurement - impact of changes in assumptions	-	(12,000)	(698)	(12,698)
Provision at 31 March 2017	<u>(10,800)</u>	<u>(240,000)</u>	<u>(18,464)</u>	<u>(269,264)</u>

(a) Defined contribution schemes

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 £324,860 in the year (2016: £364,716).

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 £55,455 in the year (2016: £66,741).

20. Pension schemes (continued)

The Retired Nurses National Home operates a stakeholder pension scheme for the benefit of its employees. The pension cost relating to this scheme represents contributions payable by the Retired Nurses National Home and amounted to £8,239 in the year (2015: £3,841).

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

The Charity operates the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) (the "Scheme"), a UK registered trust based pension scheme that provides defined benefits. No benefits have been accrued since 30 September 1996.

Pension benefits are linked to members' final pensionable salaries and service to 30 September 1996 (or date of leaving if earlier). The Scheme trustees are responsible for running the Scheme in accordance with the Scheme's Trust Deed and Rules, which sets out their powers. The trustees of the Scheme are required to act in the best interests of the beneficiaries of the Scheme.

There are two categories of members:

- Deferred members: former employees or current employees of the Charity who have accrued benefits in the Scheme, but are not yet in receipt of a pension.
- Pensioner members: in receipt of pension.

The Scheme trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation was performed by the Scheme actuary for the trustees as at 30 September 2015. The valuation revealed a funding shortfall of £113,900. In respect of the deficit of the Scheme as at 30 September 2015, the Charity has agreed to pay £1,250 per calendar month from December 2016 until September 2023 inclusive. Each contribution will be paid by the 19th of the following calendar month. In addition, all the administration and operating expenses of the Scheme, including the Pension Protection Fund ('PPF') levy, will be met directly by the Charity.

During the accounting year beginning 1 April 2018, the Charity therefore expects to pay £15,000, plus administration and operating expenses including the PPF levy.

The results of the previous valuation under accounting standard FRS102, as at 31 March 2016, have been updated to 31 March 2017 by a qualified independent actuary. The pension scheme surplus as at 31 March 2016 was not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but was recognised in the statement of financial activities to the extent that it reversed a prior liability.

Employee benefit obligation

The amounts recognised in the balance sheet are as follows:

	Group and Charity	
	2017	2016
	£	£
Present value of defined benefit obligation	(2,036,700)	(2,053,300)
Market value of Scheme assets	2,025,900	2,086,100
Limit on recognition of assets	-	(32,800)
Net asset/ (liability)	<u>(10,800)</u>	<u>-</u>

20. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

The assets valued above include 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 2017. 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 2017. 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

	Group and Charity	
	2017	2016
	£	£
Net interest charge/ (income)	-	(100)
Actuarial gains/(losses) on defined benefit obligation	(102,500)	25,000
Actual return on assets less interest	41,700	(3,500)
Limit on recognition of assets less interest	32,800	(32,800)
Amount recognised as other gains/(losses)	(28,000)	(11,300)

	Group and Charity		
	Assets	Defined benefit obligation	Net position
	£	£	£
At 1 April 2016	2,086,100	(2,053,300)	32,800
Limit on recognition of assets	(32,800)	-	(32,800)
Scheme surplus recognised at 1 April 2016	2,053,300	(2,053,300)	-
Benefits paid	(180,000)	180,000	-
Employer contributions	17,200	-	17,200
Interest income/ (cost)	60,900	(60,900)	-
Remeasurement gains/(losses)			
- Actuarial gains/(losses)	-	(102,500)	(102,500)
- Return on assets excluding interest income	41,700	-	41,700
Limit on recognition of assets reversed	32,800	-	32,800
At 31 March 2017	2,025,900	(2,036,700)	(10,800)

The fair value of the assets of the scheme were:

	Group and Charity			
	2017	2017	2016	2016
	£	% of total plan assets	£	% of total plan assets
Long-term, with profits insurance policy	523,000	25.8%	512,800	24.6%
Unit-linked fund	6,600	0.3%	45,100	2.2%
Trustees bank account/ net current assets	8,500	0.4%	-	0.0%
Annuities	1,487,800	73.5%	1,528,200	73.2%
Total	2,025,900	100.0%	2,086,100	100.0%

20. Pension schemes (continued)

(b) Friends of the Elderly Pension and Life Assurance Scheme (1978) (continued)

The return on the assets was:

	Group and Charity	
	2017	2016
	Market value	Market value
	£	£
Interest income	60,900	65,200
Return on assets less interest income	41,700	(3,500)
Total return on assets	102,600	61,700

Actuarial assumptions

	Group and Charity	
	2017	2016
Discount rate	2.3% pa	3.1% pa
RPI inflation	3.0% pa	2.7% pa
CPI inflation	2.0% pa	1.7% pa
Revaluation of deferred pensions	2.0% pa	1.7% pa

Mortality assumptions

	Group and Charity	
	2017	2016
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S2PA CMI_2016_M/F [1.25%] (yob)	107% of PA08 CMI_2015_M/F [1.0%] (yob)

Life Expectancies (in years)

	2017		2016	
	Males	Females	Males	Females
For an individual aged 60	26.7	28.7	26.7	29.2
At age 60 for an individual aged 40	28.3	30.3	28.1	30.7

(c) Multi-employer pension schemes

The company participates in two multi-employer pension schemes: the Scottish Voluntary Sector Pension Scheme ("SVSPS") and the Career Average Revalued Earnings Pension Scheme ("CARE").

These schemes are defined benefit schemes in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the schemes as defined benefit schemes. Therefore it accounts for the schemes as defined contribution schemes.

The schemes are subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

20. Pension schemes (continued)
(c) Multi-employer pension schemes (continued)

The schemes are classified as 'last-man standing arrangements'. Therefore the Charity is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

SVSPS

The SVSPS provides benefits to some 95 non-associated employers.

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £88.22m, liabilities of £122.15m and a deficit of £33.93m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions (total of all employers' contributions)

From 1 April 2016 to 31 October 2029:	£1,073,000 per annum (payable monthly and increasing by 3% each on 1st April)
---------------------------------------	--

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the scheme liabilities.

The annual deficit contributions payable by the Charity under this recovery plan rise from £18,000 to £24,000 pa over a 12-year period.

CARE

The Care scheme provides benefits to some 37 non-associated employers.

A full actuarial valuation for the scheme was carried out at 30 September 2013. This actuarial valuation showed assets of £35.56m, liabilities of £51.94m and a deficit of £16.38m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid to the scheme as follows:

Deficit contributions (total of all employers' contributions)

From 1 July 2015 to 31 April 2027:	£1,152,000 per annum (payable monthly and increasing by 3.0% each year on 1 July)
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The annual deficit contributions payable by the Charity under this recovery plan rise from £1,721 to £2,245 pa over a 10-year period.

20. Pension schemes (continued)
(c) Multi-employer pension schemes (continued)

Provision

The amounts recognised in the financial statements of the Group and the Charity in respect of these pension schemes are as follows:

Provision	Group and Charity			
	SVSPS		CARE	
	2017	2016	2017	2016
	£	£	£	£
Present value of future contributions	<u>(240,000)</u>	<u>(240,000)</u>	<u>(18,464)</u>	<u>(19,031)</u>

Reconciliation of opening and closing provision

	Group and Charity			
	SVSPS		CARE	
	2017	2016	2017	2016
	£	£	£	£
Provision at start of year	(240,000)	(205,000)	(19,031)	(2,373)
Interest expense	(5,000)	(4,000)	(406)	(28)
Contribution paid	17,000	15,000	1,671	1,305
Other gains/(losses):				
- Remeasurement - impact of changes in assumptions	(12,000)	5,000	(698)	671
- Remeasurement - amendments to the contribution schedule	-	(51,000)	-	(18,606)
Provision at end of year	<u>(240,000)</u>	<u>(240,000)</u>	<u>(18,464)</u>	<u>(19,031)</u>

Analysis of amounts charged to Statement of Financial Activities

	Group and Charity			
	SVSPS		CARE	
	2017	2016	2017	2016
	£	£	£	£
Interest expense	(5,000)	(4,000)	(406)	(28)
Actuarial gains/(losses)	<u>(12,000)</u>	<u>(46,000)</u>	<u>(698)</u>	<u>(17,935)</u>
	<u>(17,000)</u>	<u>(50,000)</u>	<u>(1,104)</u>	<u>(17,963)</u>

Actuarial assumptions

	2017	2016	2015
Discount rate: SVSPS	1.76%	2.55%	2.27%
Discount rate: CARE	1.47%	2.24%	1.61%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

21. Analysis of net assets between funds

Fund balances at 31 March 2017, represented by:

(a) Group	Unrestricted funds	Restricted funds	Endowment funds	Total funds
	£	£	£	£
Intangible assets	163,139	48,803	-	211,942
Tangible assets	20,995,155	216,183	1,816,466	23,027,804
Investments	4,889,810	917,245	7,784,790	13,591,845
Current assets	109,715	2,388,420	5,632,768	8,130,903
Current liabilities	(1,509,087)	(1,353,196)	-	(2,862,283)
Non-current liabilities	(1,767,974)	-	-	(1,767,974)
	<u>22,880,758</u>	<u>2,217,455</u>	<u>15,234,024</u>	<u>40,332,237</u>

(b) Charity	Unrestricted funds	Restricted funds	Endowment funds	Total funds
	£	£	£	£
Intangible assets	163,139	-	-	163,139
Tangible assets	21,087,004	-	235,186	21,322,190
Investments	4,899,812	865,849	5,901,981	11,667,642
Current assets	1,137,560	1,017,511	5,632,768	7,787,839
Current liabilities	(2,415,767)	-	-	(2,415,767)
Non-current liabilities	(1,767,974)	-	-	(1,767,974)
	<u>23,103,774</u>	<u>1,883,360</u>	<u>11,769,935</u>	<u>36,757,069</u>

22. Unrestricted funds

(a) Group	Designated Funds	General Reserves:		Pension Reserve	Total Unrestricted Reserves
		Revaluation Reserve	Other		
	£	£	£	£	£
As at 1st April 2016	19,577,691	3,333,118	1,607,025	(259,031)	24,258,803
Net incoming funds/ (funds utilised)	-	-	(531,938)	-	(531,938)
Other gains and losses	-	-	194,591	(40,698)	153,893
Depreciation charged against designated fund	(880,050)	-	880,050	-	-
Capital expenditure taken to designated fund	826,780	-	(826,780)	-	-
Loan repayments in year	87,490	-	(87,490)	-	-
Funds transferred	-	(1,000,000)	-	-	(1,000,000)
As at 31st March 2017	19,611,911	2,333,118	1,235,458	(299,729)	22,880,758

(b) Charity	Designated Funds	General Reserves:		Pension Reserve	Total Unrestricted Reserves
		Revaluation Reserve	Other		
	£	£	£	£	£
As at 1st April 2016	19,669,191	3,333,118	1,395,266	(259,031)	24,138,544
Net incoming funds/ (funds utilised)	-	-	(188,663)	-	(188,663)
Other gains and losses	-	-	194,591	(40,698)	153,893
Depreciation charged against designated fund	(880,050)	-	880,050	-	-
Capital expenditure taken to designated fund	827,129	-	(827,129)	-	-
Loan repayments in year	87,490	-	(87,490)	-	-
Funds transferred	-	(1,000,000)	-	-	(1,000,000)
As at 31st March 2017	19,703,760	2,333,118	1,366,625	(299,729)	23,103,774

The revaluation reserve comprises unrealised gains on investment property, and forms part of general reserves.

The funds transferred relate to properties classified as investment properties which were sold in the year. They were on the site of Sir Thomas Lipton so the proceeds have been transferred to endowed funds.

23. Restricted funds

(a) Group	Balance at 1 April 2016	Incoming Resources	Funds Utilised	Gains/(Losses) on investments	Balance at 31 March 2017
	£	£	£	£	£
Funds for the upkeep of residential homes	710,943	114,973	(210,956)	-	614,960
Funds for grants and allowances	722,910	101,092	(101,865)	35,133	757,270
Funds for residents' subsidies	16,811	70,316	(69,136)	6,872	24,863
Community services	42,194	16,736	(9,505)	-	49,425
Community projects	53,717	145,276	(147,887)	-	51,106
Pro-bono services	-	80,875	(80,875)	-	-
Funds of subsidiaries	(4,580)	6,789,784	(6,451,108)	-	334,096
Other restricted funds	326,468	11,867	-	47,400	385,735
	<u>1,868,463</u>	<u>7,330,919</u>	<u>(7,071,332)</u>	<u>89,405</u>	<u>2,217,455</u>

(b) Charity	Balance at 1 April 2016	Incoming Resources	Funds Utilised	Gains/(Losses) on investments	Balance at 31 March 2017
	£	£	£	£	£
Funds for the upkeep of residential homes	710,943	114,973	(210,956)	-	614,960
Funds for grants and allowances	722,909	101,092	(101,865)	35,133	757,269
Funds for residents' subsidies	16,811	70,316	(69,136)	6,872	24,863
Community services	42,194	16,736	(9,505)	-	49,425
Community projects	53,717	145,276	(147,887)	-	51,106
Pro-bono services	-	80,875	(80,875)	-	-
Other restricted funds	326,470	11,867	-	47,400	385,737
	<u>1,873,044</u>	<u>541,135</u>	<u>(620,224)</u>	<u>89,405</u>	<u>1,883,360</u>

Nature of restricted and endowed funds

- Endowed funds for residents' subsidies are provided to generate income to subsidise the care of residents;
- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations received specific to certain residential homes.
- Funds for grants and allowances comprise endowments and other income received for grants and allowances for older people. Funds within this category have specific criteria as to the beneficiaries or types of grant or allowance to be given.
- Funds for community services are donations or grants received for specific branches within community services.
- Funds for community projects are donations or grants received to be spent on projects, particularly those tackling loneliness and isolation.
- Pro-bono services are donated professional services or donated facilities; we recognise both the income and expenditure, and they are treated as restricted funds where their use is limited to specific activities.
- The Sir Thomas Lipton Memorial Home endowment fund represents the proceeds from the sale of the Sir Thomas Lipton Memorial Home, which was an endowed property. The proceeds must be reinvested in the purchase of property in replacement of the Sir Thomas Lipton Memorial Home to be used for the object of the Sir Thomas Lipton Charity.

24. Endowment funds

a) Group	Balance at 1 April 2016	Net Incoming/ (Outgoing) Resources	Transfers Between funds	Gains/(losses) investments	Balance at 31 March 2017
	£	£	£	£	£
Sir Thomas Lipton Memorial Home fund	794,519	3,514,209	1,000,000	-	5,308,728
Endowed properties	2,250,826	(434,468)	-	-	1,816,358
Expendable endowment - investments	1,884,311	(254,484)	-	253,090	1,882,917
Funds for the upkeep of residential homes	2,244,073	773	-	264,884	2,509,730
Funds for residents' subsidies	2,554,022	-	-	211,122	2,765,144
Funds for grants and allowances	878,413	125	-	72,609	951,147
	<u>10,606,165</u>	<u>2,826,155</u>	<u>1,000,000</u>	<u>801,705</u>	<u>15,234,024</u>
Of which:					
Permanent endowment					13,351,107
Expendable endowment					<u>1,882,917</u>

b) Charity	Balance at 1 April 2016	Net Incoming Resources	Transfers Between funds	Gain/(loss) on investments	Balance at 31 March 2017
	£	£	£	£	£
Sir Thomas Lipton Memorial Home fund	794,519	3,514,209	1,000,000	-	5,308,728
Endowed properties	235,186	-	-	-	235,186
Funds for the upkeep of residential homes	2,244,073	773	-	264,884	2,509,730
Funds for residents' subsidies	2,554,022	-	-	211,122	2,765,144
Funds for grants and allowances	878,413	125	-	72,609	951,147
	<u>6,706,213</u>	<u>3,515,107</u>	<u>1,000,000</u>	<u>548,615</u>	<u>11,769,935</u>

All the Charity endowed funds represent permanent endowments.

For information on the nature of funds, refer to note 23. For information on the transfers between funds refer to note 22.

25. Operating leases

The following total amounts are payable on operating leases:

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Land and buildings				
Within one year	104,200	101,700	58,000	55,500
Within 2 to 5 years	416,800	453,000	232,000	222,000
> 5 years	1,036,050	1,044,675	1,024,500	1,033,125
	<u>1,557,050</u>	<u>1,599,375</u>	<u>1,314,500</u>	<u>1,310,625</u>
Other				
Within one year	82,703	92,882	71,297	80,810
Within 2 to 5 years	103,256	166,504	87,054	138,613
	<u>185,959</u>	<u>259,386</u>	<u>158,351</u>	<u>219,423</u>
Total	<u>1,743,009</u>	<u>1,858,761</u>	<u>1,472,851</u>	<u>1,530,048</u>

As at 31 March 2017 there was £286,000 (2016: £412,000) of capital expenditure contracted for but not provided in the financial statements.

26. Reconciliation of net movement in funds to net cash flow from operating activities

	2017	2016
	£	£
Net movement in funds	3,598,806	(241,738)
Net (gains)/losses on investments	(1,085,701)	305,475
Gain on sale of fixed assets	(3,493,517)	-
Actuarial losses/(gains) on pension schemes	40,698	75,235
Investment income	(451,367)	(499,337)
Interest payable	36,356	38,403
Depreciation on tangible assets	1,050,377	1,048,094
Impairment of tangible assets	350,000	-
Amortisation on intangible assets	114,603	72,046
Difference between pension contributions and net finance charge	(30,465)	(30,677)
(Increase)/decrease in debtors	(1,326,555)	71,680
Increase in creditors	286,419	170,198
Net cash (outflow) /inflow from operating activities	<u>(910,346)</u>	<u>1,009,379</u>

27. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group	2017	2016
	£	£
Financial assets measured at fair value through the SoFA	10,391,695	9,538,894
Debt instruments measured at amortised cost	2,832,027	1,368,281
Financial liabilities measured at amortised cost	(4,353,906)	(4,155,547)

Charity	2017	2016
	£	£
Financial assets measured at fair value through the SoFA	8,491,670	7,634,583
Debt instruments measured at amortised cost	2,722,446	1,156,837
Financial liabilities measured at amortised cost	(3,907,390)	(3,681,034)

Financial assets measured at fair value through the statement of financial activities comprise listed and unlisted investments.

Debt instruments measured at amortised cost comprise amounts owed from group undertakings, trade debtors, and accrued income and other debtors excluding prepayments.

Financial liabilities measured at amortised cost comprise amounts owed to group undertakings, other creditors and accruals.

28. Taxation

As a registered charity, Friends of the Elderly is entitled to certain tax exemptions on income and profits from investments, and surpluses from any trading activities carried out in furtherance of the Charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

29. Members

At 31 March 2017 there were 10 members (2016: 11 members) who each pledge to pay £1 on winding up.

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