



FRIENDS OF THE ELDERLY

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

Report and Financial Statements for the year ended 30 September 2011

Registered Company No: 133850

Registered Charity No: 226064

FRIENDS OF THE ELDERLY

Report and Financial Statements

For the year ended 30 September 2011

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Report and Financial Statements

For the year ended 30 September 2011

Reference & Administration

- 1) Charity Name**
Friends of the Elderly
- 2) Registered Office**
40-42 Ebury Street
London SW1W 0LZ
- 3) Registration Numbers**
Charity No. 226064
Company No. 133850
- 4) Company Secretary**
Mrs Sharon Williams
- 5) Trustees**
Mr K Rubie (*Chairman*) 1,2,3,4
Mr S Dawes (*Joint Vice-Chairman*) 1,2
Mr D Brazier 1,3
Mr M Burdes 4
Mr M Cardale 1
Viscount Devonport 1,4
Mrs S Goodband (*From March 2011*) 1, 4
Mrs S Hudson 2,3
Mrs V Pendock (*Joint Vice-Chairman*) 3
Mr P C Robinson (*To October 2011*) 1,3
Mr M van der Schalk (*Honorary Treasurer*) 1,4
Ms S A Taylor 2
Ms P Wright 2
Mrs F C de Zoete 3
1. Member of the Finance & General Purposes Committee
2. Member of the Operations Committee
3. Member of the Fundraising & Public Affairs Committee
4. Member of the Property Committee
- 6) Executive Board**
Mr R Furze (*Chief Executive*)
Mr P Cottrell (*Director of Property*)
Mr R Domingues (*Director of Finance & ICT from November 2010*)
Mr J Gould (*Director of Human Resources to October 2011*)
Ms J O'Boyle (*Director of Fundraising*)
Mrs J Sykes (*Director of Operations*)
- 7) Statutory Auditor**
Mazars LLP
Times House
Throwley Way
Sutton, Surrey SM1 4JQ
- 8) Bankers**
HSBC plc
89 Buckingham Palace Rd
Belgravia
London SW1W 0QL
- 9) Investment Managers**
Cazenove Capital
Management Limited
12 Moorgate
London EC2R 6DA

CCLA Investment
Management Limited
80 Cheapside
London EC2V 6DZ
- 10) Solicitors**
Anthony Collins
134 Edmund Street
Birmingham
B3 2ES

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council

For the year ended 30 September 2011

Incorporating the Directors' Report

The members of the Governing Council present their report which includes the administrative information set out on page 3 and the audited financial statements for the year ended 30 September 2011 which have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005.

Structure, Governance and Management

Friends of the Elderly was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964. The governing documents of the Charity are its Memorandum and Articles of Association. Trustees are appointed by the Governing Council of the Charity subject to formal election at the following Annual General Meeting. Thereafter they hold office for a period of three years which is usually renewed for a further three years. After the completion of six years, Trustees are eligible for re-election on an annual basis. All new Trustees take part in a formal induction programme and receive regular training.

The Charity has two subsidiaries – Potential Limited, which is a development company, and Friends of the Elderly (Trading) Limited. Sir Harry Livesey, which had been under the common control of the Charity, became subject to a Uniting Direction from the Charity Commission in November 2010. The results of this charity are included within the charity only results from this year onwards.

The Trustees, all of whom are Directors of the Charity and who constitute its Governing Council, are shown on page 3. The Trustees meet six times a year and in addition Trustees meet in sub-committees to consider matters relating to finance and investment performance, property, charitable operations, fundraising and public affairs, and the overall analysis of risk within the Charity. The Charity's defined benefit pension scheme, which was closed in 1996, has its own Trustee board which is chaired by a member of the Finance and General Purposes Committee.

The day-to-day management of the Charity is delegated to the Chief Executive and other senior members of the management team who constitute the Executive Board, and during the year the Charity employed on average 313 full time and 330 part time staff supplemented where necessary by agency staff.

In addition to its Trustees, none of whom receive remuneration, the Charity benefits greatly from the active involvement of many volunteers who contribute their time and skills as members of homes' support groups, home visiting and telephoning older people in their own homes, helping in day centres, on sub-committees of the Governing Council, and as fundraisers and ambassadors of the Charity.

Risks

Trustees, in conjunction with senior management, have identified and reviewed the major risks to which the Charity is exposed and systems are in place to manage such risks. Considerable efforts continue at all the Charity's homes and community services to ensure thorough risk assessment of all aspects of the environment for residents, service users and staff. The benefits of this work continue to be seen in the relatively low level of reportable incidents and claims.

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Responsibilities of the Members of the Governing Council

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

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

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

Statements as to disclosure of information to auditors

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

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

Objectives and Activities

The main objects of the Charity arising from its Memorandum of Association are:

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

Our vision is that every older person will be treated with dignity and respect and have the opportunity to live a fulfilled life. Our mission is to support older people especially those in need due to physical or mental frailty, isolation or poverty. We will do this by providing high quality caring services, personalised to the needs of the individual and integrated with local communities.

We seek at all times to carry out this mission in line with our stated values which reflect our founding Christian principles and lead us to be an inclusive organisation, respecting each individual regardless of race, religion, gender, social circumstances, age or sexual orientation. The Trustees confirm that they have complied with their duty in section 4 of the Charities Act 2006 to have due regard to Public Benefit guidance published by the Charity Commission when reviewing the Charity's objectives and activities and in planning future activities.

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The Charity offers high quality residential and nursing care in its fourteen care homes, some with dementia units. It supports older people to stay living in their own homes with a range of community services including welfare grants for those in financial need, day care, home support, home visiting and telephone befriending.

Welfare grants and allowances are given by the Charity to enable older people in financial need to maintain their independence and quality of life in their own homes. Grants and allowances are given in accordance with the objectives of specific trusts and endowed charities or as agreed by Trustees through the Operations Committee.

Review of Activities in the Year

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

Most of the people who use our services are in their later years. By offering integrated services we can help people stay living independently at home for as long as possible or move into residential care when needed. We believe old age should not be defined by loneliness or poverty and so we are doing something about it:

- In our 317 community day care places, we offer friendship and support in a welcoming environment for older people to meet and enjoy stimulating activities. Each day is made to feel like a great day out. Staff also help with personal issues including referrals to other services, making appointments and liaising with families. 142 of our day care places are dedicated to people with dementia.
- Through 441 hours a week of home support, we enable older people to continue living in their own homes. Trained staff provide both practical and emotional support with a flexible service that is tailored to each client's needs.
- 111 volunteers make home visits or friendly phone calls befriending 211 older people. Reaching out in this way combats isolation and loneliness – a growing problem for older people.
- We provide a home for up to 464 people in our residential, nursing and specialist dementia care homes. Last year, 205 people received subsidised accommodation.
- 605 people across England and Wales received one-off grants for essential household items, property repairs and adaptations or utility bills. 286 people, whose income does not support their basic cost of living, received regular allowances.
- 850 people received support through the grants we give to grassroots organisations to fund days out and activities across England.

One of the key focusses for the charity during 2010-11 has been the issue of isolation among older people and the problems which come with it.

We have piloted weekend working at one of our home support services this year following feedback from clients that weekends can be particularly lonely. We expect to roll this out to all our Friends at Home services in the coming year.

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We ran two very exciting awareness campaigns this year, which put Friends of the Elderly in the spotlight as a serious commentator on older people's issues – particularly isolation. Isolation Week in June received extensive national and regional media coverage on TV, radio and in the press. Our Christmas campaign raised awareness of the 500,000 older people who spend Christmas alone and suggested ways people could help.

We continue to drive improvements in the quality of the services we provide and have actively sought external evaluation where available. Both our befriending services, Phoning Friends and Visiting Friends, have been accredited by the Mentoring and Befriending Foundation and are now official Approved Providers. Nine of our 14 care homes are fully accredited with the Gold Standards Framework for end of life care and the remaining five are already working towards this. Over the next year we will be implementing a quality assurance programme, designed to maintain and improve our standard of care across our services.

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Care homes

615 people received residential care in the year

92 people received respite care in our homes

More than half of all people over 75 live alone

We strive to bring local communities into our care homes and organise activities that allow residents to have an active social life, reducing their risk of becoming isolated. Our care homes are a central part of the integrated care we provide and so we are progressing with plans to turn our major care home sites into local community hubs.

Keeping active and involved

Our activities are often designed to be collaborative, as well as to give residents something to look forward to.

Supporting those with dementia

We talk to families to record an in-depth picture of the lives of our residents and have begun using these life histories in 'enriched' care plans to help us provide the most appropriate care. We have trialled the use of a reminiscence 'pod' at our Bernard Sunley nursing home.

Looking ahead

Bradbury Court, our dementia annex at Davenham, Malvern opened in February 2012 and having completed initial consultations with planners, we will be seeking planning consent for the proposed development of our Coulsdon site.

We will be continuing to use "Dementia Care Mapping" as part of our care audit procedures, as this technique is proven to lead to a better sense of well-being in the person and greater social engagement.

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In the community

**192 people with dementia were supported
in our day centres or through our support for their carers**

**We have helped 1,640 older people stay independent this year
through grants or our services in the community**

**Over the year, we have given advice worth £73,000
in potential statutory benefits to grant applicants and beneficiaries**

We are working to make isolation a thing of the past as we believe older people have so much to offer their local communities. We opened a new day service for people with dementia in Worcestershire, Among Friends Wichford, and continue to develop innovative ways to support older people and make them feel included.

Technology and movement

Among Friends Kidderminster, our day service for people with dementia, has shown how, through using the touch-screen interactivity of an iPad, members can explore pictures music and games in a new and engaging way. The ability to navigate the touch-screen simply using one finger helps overcome issues of mobility or coordination. Among Friends Kidderminster has also begun Tai Chi (shown to improve balance, reduces stress and increases self-esteem) and cognitive stimulation therapy sessions (which aids social inclusion and supports memory).

Befriending at work

Through the Youth and Philanthropy Initiative, five students from Rydens School spent time at Visiting Friends, finding out how the service works and meeting service-users.

Support for carers and minorities

Friends with Dementia is a confidential support service to families in the British Asian community, where dementia is still considered taboo. Our Dementia Resource Centre reached 110 registered members in 2011 and supported 40 carers in the Asian community.

Looking ahead

Our Friends at Home service will be expanded. A successful trial of weekend support is to be rolled out across the service and we will also introduce the provision of "personal care" within the service.

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Staff and volunteers

41 relatives, 51 residents and 129 members of staff were supported by our Admiral Nurse

184 volunteers supported our services over the year

Our staff and volunteers are the front line in the battle to reduce isolation among older people, ensuring all our service users feel part of the Friends 'family'. They forge links between our services and local communities and create activities that make our service users feel cared for and involved.

Corporate support

This year saw more interest from companies wanting to 'give back' to the community by volunteering at our services. Teams of employees have decorated cupcakes with our residents in Coulsdon; baked bread with our day club clients in Wallington and wrapped Christmas presents for our Supporting Friends beneficiaries.

Staff go the extra mile

We are proud of the way our staff go beyond the call of duty by organising events and clubs which promote inclusion for service users. At Christmas, our staff work to ensure our older people have company: Friends at Home staff work on Christmas Day and other bank holidays.

Young volunteers

Young people are volunteering their help: three students at Sherwood House and two at our care home in Luton. Residents benefit from socialising with younger people and the different skills they bring. For example, at The Lawn, residents are enjoying being coached on computers by an 18yr old volunteer.

Looking ahead

We believe our services would benefit from having more volunteers trained to befriend residents and clients, so in 2012 we will be seeking to expand our team of volunteers. We are also investing significantly in training our staff in ageing and dementia over the next two years. We will be trialling a change in the role of our health care assistants by making some of them "well-being workers", which encompasses healthcare, activities and some domestic duties.

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Befriending

**1,052 older people enjoyed a social occasion or group holiday
Funded by Supporting Friends**

165 isolated older people received regular friendly phone calls

4,700 passenger journeys on the Woking Buggy

Being a friend to each older person we support is at the very heart of what we do as a charity. Our regular befriending services provide friendship through regular visits and phone calls to older people referred to us.

Befriending in action

Visiting Friends volunteers are carefully matched with the older person they visit and friendships quickly form. Volunteers are a vital part of our befriending services. Employees of some of our corporate supporters telephone isolated clients of our Phoning Friends service. These regular calls give confidence to our older people and something to look forward to each week.

Tackling isolation from the top down

Our Chief Executive, Richard Furze, sat on a working group of the Centre for Social Justice, and during the year it produced a report on older people in the community. It found that one million lonely, poor, older people felt trapped in their own homes and importantly suggested ways of identifying and helping those most at risk of isolation.

Out and about

Allowing older people the opportunity to make friends and socialise is a priority for us, so through our Supporting Friends grant-making arm, we have provided 21 outings, parties or group holidays during the year. Supporting Friends also helped fund the Woking Buggy, a community minibus enabling older people with poor mobility to get out and about.

Looking ahead

We have ambitious plans to expand our befriending services as we work to combat isolation. Our future plans include significant expansion of Phoning Friends, our telephone befriending service, by creating "lead volunteers".

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Raising awareness

Over 100,000 online views of our campaign films

40 appearances on radio and TV

13 other mentions in national newspapers

Our new website (www.fote.org.uk) was launched in late 2011. It is more accessible and easier to use by all audiences, including service users and their families, health professionals and the media. We continue to look at how we promote our views and our work. A proactive media relations programme was successful in placing features and stories in the media and we ran two major PR campaigns.

Isolation Week

Isolation Week was a unique social experiment in June, highlighting isolation as a significant problem for older people. We recruited 10 volunteers to live in complete isolation while using equipment which simulated the physical effects of aging. Penny Mordaunt MP (Chair, All-Party Parliamentary Group on Ageing and Older People) appeared on ITV regional news and Laura Ferguson (Director, Campaign to End Loneliness) issued a press release supporting our evaluation. Isolation Week boosted awareness of Friends of the Elderly, giving us excellent contacts and networking opportunities, as well as new supporters and audiences. It also enabled us to participate in discussions in new ways, including online forums and social media.

Christmas Appeal/The Sun campaign

Our 2011 Christmas appeal took the form of a creative media campaign to raise awareness of the 500,000 older people who spend Christmas alone. Under the banner "What Christmas means to me" it looked broadly at how different generations view Christmas and how older people are involved in Christmas celebrations.

In a short, thought-provoking film, members of the public and our own service users spoke of what Christmas means to them. It was released to the press with our nationwide survey of how older people are involved in Christmas plans. At the same time, an appeal for donations was also sent to our supporters. The campaign proved hugely successful: the film has achieved over 50,000 views on YouTube, as well as being linked in online media such as guardian.co.uk. The integrated nature of the appeal also meant we soundly beat our fundraising target; and generated additional gifts online and, for the first time, via text giving.

Excitingly, The Sun newspaper saw the campaign and invited us to partner with them on this subject. The paper featured several of our service-users and promoted our text giving and online giving channels, alongside commentary from celebrities and public figures including the Prime Minister, David Cameron.

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Report of the Members of the Governing Council
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Incorporating the Directors' Report

Fundraising

£1,025,774 raised in the year to 30 September 2011

It costs £50 to train a volunteer to befriend an older person

Friends of the Elderly receives gifts from a wide variety of sources. Grants from Trusts and foundations formed the largest proportion of our voluntary income, whilst legacies also contributed significantly. We are always grateful for the generosity of those whose donations enable us to continue supporting older people.

Developing new channels

This year we have introduced the text giving by mobile phone, which helped the success of our PR-led campaigns. In addition we have been focused on developing our corporate partnerships with some notable successes this year.

How you have helped

Many people have supported our fundraising efforts: some responding to our appeals; others taking part in challenge events in aid of Friends of the Elderly. Of particular note are those who have donated in memory of relatives connected with the charity during their life. Such gifts have helped pay to develop a residents' activity and hairdressing room, with overnight family accommodation at Orford House.

Innovative fundraising

Raising money for our work has been done through a fascinating range of different ways: leaving legacies, running marathons and 10 km runs, donating proceeds from a play, being Malvern town council's charity of the year and arranging a tea-party.

Peace of Mind Appeal

Our Peace of Mind Appeal, set up to raise money to build Bradbury Court, our new Malvern dementia care home, raised more than £1m. Our huge thanks go to everyone in the area who supported us, particularly our local Appeal Committee led by chairman, Sir Michael Perry.

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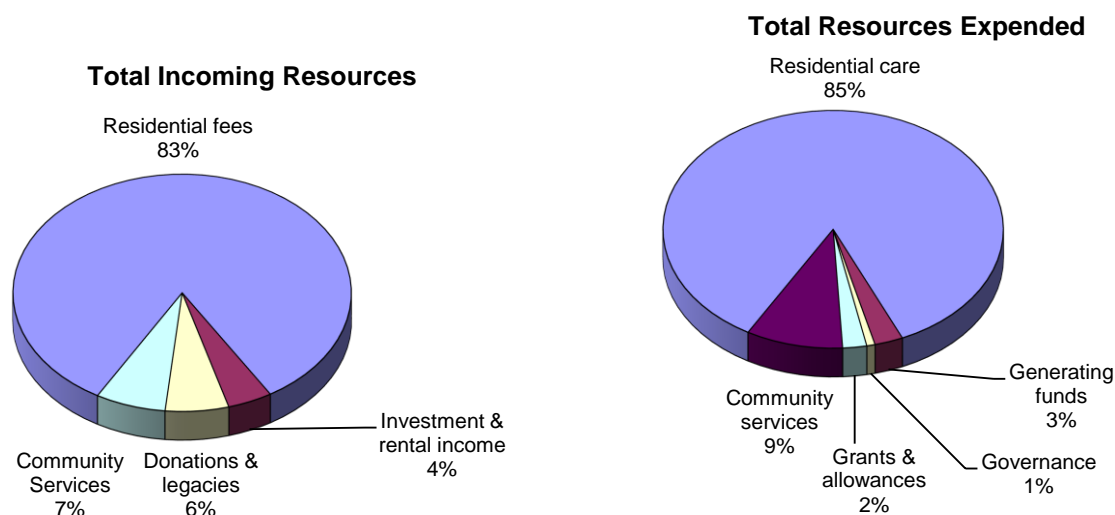
Report of the Members of the Governing Council
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Financial Review

The year's total incoming resources of £16,934,193 were 1.7% more than in 2009/10 whilst the year's total resources expended of £16,982,802 were 2.4% higher than in 2009/10. The net impact of the increase in income and expenditure was net outgoing resources from operations (i.e. an operating deficit) of £48,609 (2010: operating surplus of £51,881).

The results reflect:

- A fairly stable year for income and costs in the care homes with average occupancy of 90.8%, slightly down from 91.4% last year
- The provision of a quality service to our service users, whilst maintaining strong control of the costs of those services
- A strong performance in cost control within our community services
- The sale of one of our units of staff accommodation
- The major blip in the investment markets around the end of September 2011
- A reduction in free reserves as a result of the capital project Malvern



The statement of financial activities also shows the impact of:

- An unrealised gain on the pension scheme liability of £23,800 (2010: £15,500 gain)
- Unrealised losses on investments, coupled with realised losses, decreased funds by £434,047 (2010: funds increased due to unrealised gains net of realised losses of £424,863).
- Realised gains on the sale of assets (including a unit of staff accommodation) of £157,565 (2010: nil).

The value of the investment portfolio fell during the year by £434,047 (4.4%) (2010: a rise of 4.1%), predominantly as a result of the crash in stock market values at the end of September 2011. The markets did rally in mid-October 2011, after the year-end date.

The investment portfolio consists of:

- An Income Fund for endowed investments and a Balanced Fund for other investments managed by Cazenove Capital Management Limited. The portfolios are largely invested in a range of Common Investment Funds (CIFs), but also include other equity funds, UK fixed interest and index linked bonds, hedge funds and property with the aim of protecting the capital in real terms whilst providing a secure and growing level of income. Losses of £10,358 (2010: losses of £47,464) were

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realised during the year, as well as unrealised losses of £324,887 (2010: unrealised gains of £354,592). The Income Fund and Balanced Fund achieved total returns of 0.45% and -0.23% (2010: 7.81% and 8.35%) respectively during the year which compare to benchmark returns of 0.70% and 0.67% (2010: 10.27% and 11.79%) based on UK market indices for the underlying investments. Income yields were 3.84% and 3.78% (2010: 3.87% and 3.62%) respectively.

- Shares in the Charities Official Investment Fund (COIF) managed by CCLA Investment Management Limited. The shares showed unrealised losses of £98,802 or 6.7% (2010: gain of £117,735 or 8.6%). The income yield on the non-accumulative (or income) shares was 4.9% (2010: 2.1%).

Tangible assets increased mainly as a result of the development of the new dementia unit at Malvern. Further details of fixed assets are shown in note 10 to the financial statements. At the year-end there were capital expenditure commitments of £0.925 million (2010: £2.098 million), in relation to the contract to redevelop the Malvern site.

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

The net movement on funds for the year, after net unrealised gains on investments and the pension scheme actuarial gain, was a negative one of £301,291 (2010: £492,244).

Unrestricted reserves, excluding those designated for a specific purpose, decreased from £3.6m to £3.3m which constituted a decrease in the number of month's unrestricted expenditure covered by reserves from 2.8 months to 2.4 months. This is mainly as a result of the investment in the new property in Malvern.

Reserves

General or "free" reserves are retained at a level designed to protect the Charity's work in the event of unforeseen and significant changes in its financial position. Trustees believe that a target for unrestricted reserves covering approximately 3 months expenditure is a reasonable benchmark. Principles underlying these decisions are:

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

The Trustees recognise that expenditure coverage at the year-end fell below the target. However, taking the above principles into account and the overall strength of the charity's balance sheet, the Trustees are satisfied that the reserves are sufficient to fulfil the Charity's immediate obligations and to allow it to plan sensibly for the future.

Designated funds are funds set aside by Trustees for particular purposes as described in note 16 of the financial statements. These funds include the book value of property and fixed assets in use for the Charity's activities. Other designated funds are largely held for development purposes.

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Investment Policy

The Trustees employ Investment Fund Managers on a discretionary basis to manage the portfolio. Their work is undertaken within broad investment parameters set by the Trustees which take regard of acceptable levels of risk and the balance between income and capital requirements. Their performance is measured against appropriate industry benchmarks. Members of the Finance and General Purposes Committee meet regularly with the Managers to review performance and consider changes to the portfolio to respond to market conditions.

Pensions

Details of the Charity's pension schemes are shown in note 20. The accounts for the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) comply with the additional disclosure provisions of FRS17. This defined benefit (final salary) scheme showed a surplus at 30 September 2011 of £65,200 (2010: deficit £23,800) which, according to FRS17, cannot be recognised in the balance sheet as a long term asset. This valuation was prepared by the Scheme Actuary for the purpose of these financial statements.

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

Plans for 2011/12

- To open the new dementia unit (Bradbury Court) in Malvern, Worcestershire
- To achieve planning permission for a new dementia unit in Coulsdon, Surrey
- To introduce dementia champions at all our homes
- To increase our community activities at and from our sites
- To implement lead volunteers for our telephone befriending service
- To work on recruiting volunteers to provide support in all our services
- To introduce a new quality model into the charity
- To maintain our ISO 9001 and IIP accreditations
- To complete the accreditation of all our sites onto the Gold Standards Framework
- To continue to increase our profile via targeted campaigns

Annual General Meeting (AGM)

The AGM of the members of Friends of the Elderly will be held on 14th March 2012.

Auditors

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

Approved by the Governing Council, on 14th March 2012.

Kerry Rubie
Chairman

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Independent Auditor's Report to the Members of Friends of the Elderly
For the year ended 30 September 2011

We have audited the financial statements of Friends of the Elderly for the year ended 30 September 2011 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Responsibilities of the Members of the Governing Council set out on page 5, the trustees (who are also the directors of the charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and charity's affairs as at 31 August 2011 and of their incoming resources and application of resources, including their income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Members of the Governing Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

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Matters on which we are required to report by exception

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

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

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

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

FRIENDS OF THE ELDERLY

Consolidated Statement of Financial Activities
For the year ended 30 September 2011
(Incorporating the Income and Expenditure Account)

		Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2011	Total 2010
	Notes	£	£	£	£	£
Incoming resources						
<i>Incoming resources from generated funds</i>						
Donations and legacies	3	334,620	691,154	-	1,025,774	1,139,863
Investment Income	4	290,229	263,140	-	553,369	533,558
<i>Incoming resources from charitable activities</i>						
Residential care fees		13,988,707	57,572	-	14,046,279	13,737,956
Community services income		1,133,518	4,672	-	1,138,190	986,077
Management fees		36,643	-	-	36,643	41,908
Other incoming resources	5	133,938	-	-	133,938	204,252
Total incoming resources		15,917,655	1,016,538	-	16,934,193	16,643,614
Resources expended						
<i>Cost of generating funds</i>						
Fundraising costs		157,001	129,341	-	286,342	370,077
Public affairs costs		96,570	21,033	-	117,603	71,159
Investment management costs		28,905	26,845	-	55,750	56,103
		282,476	177,219	-	459,695	497,339
<i>Charitable activities</i>						
Residential care		14,134,981	260,129	3,906	14,399,016	14,009,324
Community services		1,524,049	41,928	-	1,565,977	1,564,417
Grants and allowances payable		198,084	189,030	-	387,114	341,332
Management services		36,643	-	-	36,643	54,763
		15,893,757	491,087	3,906	16,388,750	15,969,836
Governance costs		134,357	-	-	134,357	124,558
Total resources expended	6	16,310,590	668,306	3,906	16,982,802	16,591,733
Net (outgoing)/incoming resources before transfers						
		(392,935)	348,232	(3,906)	(48,609)	51,881
<i>Transfers</i>	16 & 17	305,800	(305,800)	-	-	-
Net (outgoing)/incoming resources before realised gains on investments						
		(87,135)	42,432	(3,906)	(48,609)	51,881
Realised gains/(losses) on sale of investments	11(a)	9,095	(4,275)	(15,178)	(10,358)	(47,464)
Realised gains on sale of fixed assets		157,565	-	-	157,565	-
Net income/(expenditure) for the year		79,525	38,157	(19,084)	98,598	4,417
Other (losses)/gains						
- investment assets	11(a)	(255,915)	(23,270)	(144,504)	(423,689)	472,327
- pension scheme actuarial movement	20	23,800	-	-	23,800	15,500
Net movement in funds		(152,590)	14,887	(163,588)	(301,291)	492,244
Reconciliation of funds						
Total funds brought forward		25,289,652	1,283,537	5,425,103	31,998,292	31,506,048
Total funds carried forward	16 to 18	25,137,062	1,298,424	5,261,515	31,697,001	31,998,292

All the above amounts relate to continuing activities. The notes on pages 22 to 42 form part of these financial statements. As all gains and losses are shown above, no Statement of Total Recognised Gains and Losses has been presented.

FRIENDS OF THE ELDERLY

Balance Sheets

For the year ended 30 September 2011

	Notes	Consolidated		Charity	
		2011 £	2010 £	2011 £	2010 £
Fixed assets					
Tangible assets	10	21,350,969	20,230,326	21,427,562	20,279,079
Investments	11	10,827,869	11,261,916	10,837,871	11,168,604
		<u>32,178,838</u>	<u>31,492,242</u>	<u>32,265,433</u>	<u>31,447,683</u>
Current assets					
Debtors	12	586,371	714,042	585,698	862,267
Cash		1,355,133	1,172,475	1,317,286	1,095,579
		<u>1,941,504</u>	<u>1,886,517</u>	<u>1,902,984</u>	<u>1,957,846</u>
Creditors					
Amounts falling due within one year	13	(1,573,341)	(1,356,667)	(1,544,500)	(1,445,603)
Net current assets		<u>368,163</u>	<u>529,850</u>	<u>358,484</u>	<u>512,243</u>
Pension scheme liability	20	-	(23,800)	-	(23,800)
Loans due after one year	14	(850,000)	-	(850,000)	-
Net assets	15	<u>31,697,001</u>	<u>31,998,292</u>	<u>31,773,917</u>	<u>31,936,126</u>
Represented by:					
Unrestricted funds:					
Designated funds	16	21,780,379	21,647,926	21,814,843	21,682,390
General reserves	16	3,356,683	3,641,726	3,399,135	3,658,558
		<u>25,137,062</u>	<u>25,289,652</u>	<u>25,213,978</u>	<u>25,340,948</u>
Restricted funds	17	1,298,424	1,283,537	1,298,424	1,281,875
Endowments	18	5,261,515	5,425,103	5,261,515	5,313,303
		<u>31,697,001</u>	<u>31,998,292</u>	<u>31,773,917</u>	<u>31,936,126</u>

The financial statements on pages 19 to 42 were approved by the Governing Council, on 14th March 2012 and were signed on its behalf by:

Kerry Rubie
Chairman

The notes on pages 22 to 42 form part of these financial statements.

FRIENDS OF THE ELDERLY
 Consolidated Cash Flow Statement
 For the year ended 30 September 2011

	Note	2011 £	2011 £	2010 £	2010 £
Net cash inflow/(outflow) from operating activities	1		418,567		(64,179)
Returns on Investments			553,369		533,558
Capital Expenditure and Financial Investments:					
Purchase of investments		(599,365)		(1,492,518)	
Purchase of fixed assets		(1,877,278)		(1,405,553)	
Receipts from sale of investments		350,306		1,766,034	
Receipts from sale of fixed assets		<u>188,000</u>		<u>-</u>	
			(1,938,337)		(1,132,037)
Financing:					
Loans Drawdown		<u>900,000</u>		<u>-</u>	
			900,000		-
Movement in net funds			<u>(66,401)</u>		<u>(662,658)</u>

Short term deposits are included as cash.

Reconciliation of Net Cash flow to Movement in Net Funds

Movement in net funds during the year	(66,401)	(662,658)
Net Funds at start of year	1,737,132	2,399,790
Net Funds at end of year	<u>1,670,731</u>	<u>1,737,132</u>
Cash Invested	315,598	564,657
Cash as at bank	1,355,133	1,172,475
Total Cash at the end of year	<u>1,670,731</u>	<u>1,737,132</u>

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

	2011 £	2010 £
Net (outgoing)/incomings resources from operations	(48,609)	51,881
Investment Income	(553,369)	(533,558)
Depreciation	726,200	753,607
Decrease/(Increase) in Debtors	127,671	(12,759)
Increase/(Decrease) in Creditors	<u>166,674</u>	<u>(323,350)</u>
Net cash inflow/(outflow) from operating activities	<u>418,567</u>	<u>(64,179)</u>

The Notes on pages 22 to 42 form part of these financial statements.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

1 Accounting policies

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value and certain classes of fixed assets which have been re-valued. The financial statements have been prepared in accordance with the Companies Act 2006, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in March 2005, and applicable accounting standards.

(b) Consolidation

The financial statements have been consolidated to include the results of Potential Ltd and Friends of the Elderly Trading Ltd, both wholly owned subsidiaries of Friends of the Elderly.

The financial statements of the Charity include Sir Harry Livesey (Registered Charity No 208087), which was subject to a Uniting Direction from the Charity Commission for England and Wales in November 2010 (see note 2).

No separate Statement of Financial Activities or Income and Expenditure Account have been presented for the Charity alone as permitted by paragraph 397 of the SORP. The net movement in funds for the Charity was a deficit of £162,209.

(c) Fund Accounting

General reserves are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of the various restricted funds is set out in the notes to the financial statements.

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

Investment income and gains/(losses) are allocated to the appropriate fund.

(d) Incoming resources

Residents and other service users' fees, government grants, management fees and investment income are accounted for when receivable. Legacies are accounted for when received or when entitlement arises, it is reasonably certain they will be received and amounts can be measured with sufficient reliability. Donations are accounted for when received and related gift aid when receivable.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

(e) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

Support costs, which include management and administration costs incurred in Central Office and by staff with regional responsibilities, have been allocated to the Charity's activities based on time spent.

Governance costs are the costs associated with the governance arrangements of the Charity and relate to the general running of the Charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are the operations of the Governing Council and the costs of strategic, constitutional, audit and other statutory matters.

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

(f) Tangible fixed assets and depreciation

Tangible fixed assets are capitalised and included at cost or valuation including any incidental expenses of acquisition.

Depreciation is not charged on freehold land nor on expenditure on assets in course of construction or not yet in use. Depreciation on other tangible fixed assets is charged so as to write off the full cost or valuation less their residual values over their expected useful lives at the following rates:

Freehold buildings -	2% of cost or valuation per annum
Leasehold buildings (over 50 years) -	2% of cost or valuation per annum
Leasehold buildings (under 50 years) -	Over term of lease
Fixtures and fittings -	10-20% of cost per annum
Office and domestic equipment -	10-33 $\frac{1}{3}$ % of cost per annum
Motor vehicles -	25% of cost per annum
Computer equipment -	33 $\frac{1}{3}$ % of cost per annum

(g) Investments

Investments are valued at the mid-market price ruling at the balance sheet date which gives rise to unrealised gains/(losses) which are included in the Statement of Financial Activities. Realised gains/(losses) arising on the disposal of investments during the year are separately disclosed in the Statement of Financial Activities. These are calculated by deducting the cost from the sales proceeds.

(h) Operating leases

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

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

(i) Pension scheme

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved. The scheme is valued under FRS17 Retirement Benefits and is described in Note 20.

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

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes as described in Note 20.

2 Uniting Direction

The charity received a Uniting Direction as per s74 of the Charities Act from the Charity Commission dated 19 November 2010 covering the Sir Harry Livesey charity. No consideration needed to be or was made.

The value of the assets and liabilities transferred was:

	Sir Harry Livesey £
Fixed Assets	
Investments	103,314
Current Assets	
Cash at bank and in hand	10,146
Total Net Assets	<u>113,460</u>
Restricted Fund	1,662
Endowment Fund	111,798
Total Funds	<u>113,460</u>

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

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2011

3 Donations and Legacies

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
The Clothworkers' Foundation	-	22,000	22,000	22,000
The Worshipful Company of Innholders	-	-	-	57,000
The Bradbury Foundation	-	98,178	98,178	201,821
Beatrice Laing Trust	-	-	-	20,000
The Freemasons' Grant Charity	-	80,000	80,000	-
Gwyneth Forrester Trust	-	25,000	25,000	-
The Henry Smith Charity	-	100,000	100,000	-
The Wolfson Foundation	-	90,000	90,000	-
Other donations	187,381	235,092	422,473	529,174
Legacies	147,239	40,884	188,123	309,868
	<u>334,620</u>	<u>691,154</u>	<u>1,025,774</u>	<u>1,139,863</u>

4 Investment Income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2011 £	Total 2010 £
Dividends from listed investments	282,469	263,140	-	545,609	522,353
Interest on cash and short term deposits	7,760	-	-	7,760	11,205
	<u>290,229</u>	<u>263,140</u>	<u>-</u>	<u>553,369</u>	<u>533,558</u>

5 Other incoming resources

	Unrestricted funds £	Restricted funds £	Total 2011 £	Total 2010 £
Rental Income	133,938	-	133,938	164,665
Overage on Woking Development	-	-	-	39,587
	<u>133,938</u>	<u>-</u>	<u>133,938</u>	<u>204,252</u>

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2011

6 Total resources expended

	Activities directly undertaken	Grant funding of activities	Support services	Total 2011	Total 2010
	£	£	£	£	£
Cost of generating funds					
Fundraising costs	272,958	-	13,384	286,342	370,077
Public affairs costs	105,165	-	12,438	117,603	71,159
Investment management costs	47,965	-	7,785	55,750	56,103
Charitable activities					
Residential care	13,720,105	-	678,911	14,399,016	14,009,324
Community services	1,160,272	-	405,705	1,565,977	1,564,417
Grants and allowances payable	10,607	283,671	92,836	387,114	341,332
Management services	-	-	36,643	36,643	54,763
Governance costs					
	9,939	-	124,418	134,357	124,558
Total resources expended	<u>15,327,011</u>	<u>283,671</u>	<u>1,372,120</u>	<u>16,982,802</u>	<u>16,591,733</u>

7 Allocation of support costs

Cost type	Cost of generating funds	Charitable activities	Governance	Total 2011	Total 2010
	£	£	£	£	£
Staff costs	20,442	738,487	75,679	834,608	825,864
Premises costs	3,019	109,059	11,176	123,254	136,179
Depreciation	1,059	38,242	3,919	43,220	43,835
Other costs	9,087	328,307	33,644	371,038	413,551
Total resources expended	<u>33,607</u>	<u>1,214,095</u>	<u>124,418</u>	<u>1,372,120</u>	<u>1,419,429</u>

8 Net movement in funds for the year

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

	2011	2010
	£	£
Staff costs (Note 9)	11,934,902	11,798,213
Depreciation of tangible fixed assets (Note 10)	726,200	753,607
Auditors' remuneration - Audits	20,725	19,548
Auditors' remuneration - Other Services	1,800	863
Professional indemnity insurance	2,710	4,709
Surplus on sale of fixed assets	(157,565)	-

The professional indemnity insurance is in respect of Trustees, committee members and staff. Cover included 14 Trustees (2010: 14) and committee members in 2011.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

9 Staff costs

	2011	2010
	No.	No.
Full time	313	306
Part time	330	351
	<u>643</u>	<u>657</u>

Staff costs were as follows:

	£	£
Salaries	9,399,511	9,361,635
Social security costs	752,382	757,864
Pension costs	355,535	361,985
	<u>10,507,428</u>	<u>10,481,484</u>
Agency - Care	378,860	435,157
Agency - Non-Care	35,729	30,274
Contract costs	1,012,885	851,298
Agency and contract costs	<u>1,427,474</u>	<u>1,316,729</u>

The number of staff whose emoluments plus taxable benefits amounted to over

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

The trustees received no remuneration for their services (2010: nil). During 2010/11, the only amounts paid on behalf of Trustees were for expenses incurred in the course of their duties as Trustees of the Charity. The value paid was £972 (2010: £1,454) to 2 trustees (2010: 2).

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2011

10 Tangible fixed assets

(a) Consolidated	Freehold & Long Leasehold Property £	Short Leasehold Property £	Fixtures, Equipment and Vehicles £	Total 2011 £
Cost or Valuation				
At 1 October 2010	21,886,662	155,946	3,773,539	25,816,147
Additions	1,457,034	-	420,244	1,877,278
Disposals	(40,040)	-	(59,653)	(99,693)
At 30 September 2011	<u>23,303,656</u>	<u>155,946</u>	<u>4,134,130</u>	<u>27,593,732</u>
Depreciation				
At 1 October 2010	3,037,304	78,448	2,470,069	5,585,821
Charge for the year	333,077	2,546	390,577	726,200
Disposals	(9,605)	-	(59,653)	(69,258)
At 30 September 2011	<u>3,360,776</u>	<u>80,994</u>	<u>2,800,993</u>	<u>6,242,763</u>
Net book value 30 September 2011	<u>19,942,880</u>	<u>74,952</u>	<u>1,333,137</u>	<u>21,350,969</u>
Net book value 30 September 2010	<u>18,849,358</u>	<u>77,498</u>	<u>1,303,470</u>	<u>20,230,326</u>

(b) Charity	Freehold & Long Leasehold Property £	Short Leasehold Property £	Fixtures, Equipment and Vehicles £	Total 2011 £
Cost or Valuation				
At 1 October 2010	21,926,827	155,946	3,773,539	25,856,312
Additions	1,484,874	-	420,244	1,905,118
Disposals	(40,040)	-	(59,653)	(99,693)
At 30 September 2011	<u>23,371,661</u>	<u>155,946</u>	<u>4,134,130</u>	<u>27,661,737</u>
Depreciation				
At 1 October 2010	3,028,716	78,448	2,470,069	5,577,233
Charge for the year	333,077	2,546	390,577	726,200
Disposals	(9,605)	-	(59,653)	(69,258)
At 30 September 2011	<u>3,352,188</u>	<u>80,994</u>	<u>2,800,993</u>	<u>6,234,175</u>
Net book value 30 September 2011	<u>20,019,473</u>	<u>74,952</u>	<u>1,333,137</u>	<u>21,427,562</u>
Net book value 30 September 2010	<u>18,898,111</u>	<u>77,498</u>	<u>1,303,470</u>	<u>20,279,079</u>

The freehold buildings used as homes were revalued at 30 September 1995 by the members of the Governing Council, based on an informal valuation performed by independent, professionally qualified valuers. Buildings constructed since that date are included at cost. Freehold buildings transferred into the charity since 2008 have been valued by the members of the Governing Council, having taken advice from independent, professionally qualified chartered surveyors and valuers, at an existing use value, using a formula based on the turnover of the home.

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

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

	2011 £	2010 £
Cost	15,193,551	13,748,717
Aggregate depreciation based on cost	<u>(2,204,457)</u>	<u>(1,988,101)</u>
	<u>12,989,094</u>	<u>11,760,616</u>
Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount.	<u>107,116</u>	<u>131,786</u>

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2011

11 Fixed assets - Investments

(a) Cost or valuation	Investments		Cash	Consolidated Total	Investment held	Investments	Charity Total
	Cazenove	CCLA			for Uniting Direction Charities	in Trading Subsidiaries	
	£	£	£	£	£	£	£
Valuation							
At 1 October 2010	9,212,251	1,485,008	564,657	11,261,916	(103,314)	10,002	11,168,604
Uniting Direction (Note 2)	-	-	-	-	103,314	-	103,314
Additions	599,365	-	-	599,365	-	-	599,365
Disposals (book cost)	(312,344)	-	-	(312,344)	-	-	(312,344)
Net (loss) on disposal	(48,320)	-	-	(48,320)	-	-	(48,320)
Net (loss) on revaluation	(324,887)	(98,802)	-	(423,689)	-	-	(423,689)
Net movement in cash	-	-	(249,059)	(249,059)	-	-	(249,059)
At 30 September 2011	<u>9,126,065</u>	<u>1,386,206</u>	<u>315,598</u>	<u>10,827,869</u>	<u>-</u>	<u>10,002</u>	<u>10,837,871</u>
Cost at 30 September 2011	<u>8,971,905</u>	<u>95,067</u>	<u>315,598</u>	<u>9,382,570</u>	<u>-</u>	<u>10,002</u>	<u>9,392,572</u>

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

Summary of results for the year ended 30 September 2011 are:

	Potential Limited £
Total income	1,419,857
Expenditure	(1,414,571)
Profit	5,286
Gift Aided profits	(5,286)
Result for the year	-
Net assets at 30 September 2011	<u>4,169</u>

(b) Analysis of listed investments	Unrestricted funds £	Restricted Funds £	Endowment Funds £	Total 2011 £	Total 2010 £
Fixed interest - UK	1,430,706	204,387	1,377,838	3,012,931	2,960,735
Equities - UK	2,283,393	326,199	2,049,922	4,659,514	4,699,354
Equities - International	167,669	23,953	168,012	359,634	445,760
Hedge Funds	270,381	38,626	414,447	723,454	733,962
Property	169,661	24,237	176,634	370,532	372,440
	<u>4,321,810</u>	<u>617,402</u>	<u>4,186,853</u>	<u>9,126,065</u>	<u>9,212,251</u>

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2011

12 Debtors

	Consolidated		Charity	
	2011	2010	2011	2010
	£	£	£	£
Fee debtors	174,652	269,061	174,652	269,061
Amounts due from subsidiary undertakings	-	-	-	80,017
Other debtors	151,750	162,651	151,077	162,651
Prepayments and accrued income	259,969	282,330	259,969	282,330
Loan to subsidiary	-	-	-	68,208
	<u>586,371</u>	<u>714,042</u>	<u>585,698</u>	<u>862,267</u>

A secured loan of £1,500,000 was made to Potential Limited in the year to 30 September 2007 on sale of land in Woking to Potential Limited by the Charity. This loan was repaid during the year.

13 Creditors: amounts falling due within one year

	Consolidated		Charity	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	993,780	643,454	746,736	626,369
Amounts due from subsidiary undertakings	-	-	219,747	106,811
Other creditors	124,496	169,256	124,497	169,256
Taxation and social security	161,279	164,190	161,279	164,200
Accruals and deferred income	243,786	379,767	242,241	378,967
Loans: Amounts Due Within One Year	50,000	-	50,000	-
	<u>1,573,341</u>	<u>1,356,667</u>	<u>1,544,500</u>	<u>1,445,603</u>

14 Loans

	2011	2010
	£	£
Amounts falling due after one year:		
Due between one and two years	100,000	-
Due between two and five years	300,000	-
Due in five years or more	450,000	-
	<u>850,000</u>	<u>-</u>
Amounts falling due within one year (Note 13)	50,000	-
Total of all loans	<u>900,000</u>	<u>-</u>

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

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

15 Analysis of net assets between funds

Fund balances at 30 September 2011, represented by:

(a) Consolidated	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds £
Tangible fixed assets	21,076,723	-	274,246	21,350,969
Investments	5,264,755	633,619	4,929,495	10,827,869
Current assets	1,218,925	664,805	57,774	1,941,504
Current liabilities	(1,573,341)	-	-	(1,573,341)
Loans	(850,000)	-	-	(850,000)
	<u>25,137,062</u>	<u>1,298,424</u>	<u>5,261,515</u>	<u>31,697,001</u>

(b) Charity only	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds £
Tangible fixed assets	21,153,316	-	274,246	21,427,562
Investments	5,274,757	633,619	4,929,495	10,837,871
Current assets	1,180,405	664,805	57,774	1,902,984
Current liabilities	(1,544,500)	-	-	(1,544,500)
Loans	(850,000)	-	-	(850,000)
	<u>25,213,978</u>	<u>1,298,424</u>	<u>5,261,515</u>	<u>31,773,917</u>

16 Unrestricted funds

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

- Development funds are amounts set aside by the Trustees to be used towards the cost of new buildings and substantial redevelopment of existing properties, where these can be made viable for the long-term future, significant cyclical maintenance and major development costs in the area of fundraising. Funds utilised in the year relate to expenditure on property development not funded from restricted funds.
- Community Services funds are amounts set aside to develop new Community Services and to sustain existing projects whilst other funding is identified.
- The Property in use and other assets fund represents the net book value of the residential homes and of equipment which is used currently for the provision of residential care.

The net transfer of £305,800 from restricted funds shown in note 17 includes £156,481 of unrestricted funds expended to generate restricted income, as shown in note 17.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

16 Unrestricted funds

(a) Consolidated	Development	Community Services	Property & Fixed Assets in use	Total Designated Reserves	General Reserves	Total Unrestricted Reserves
	£	£	£	£	£	£
As at 1 October 2010	1,526,798	199,390	19,921,738	21,647,926	3,641,726	25,289,652
Surplus on sale of assets	-	-	-	-	157,565	157,565
Transfers from Restricted Funds (Note 17)	462,281	-	-	462,281	(156,481)	305,800
Investment (loss) (net)	-	-	-	-	(246,820)	(246,820)
Pension scheme actuarial movement	-	-	-	-	23,800	23,800
Capital expenditure (net)	-	-	1,777,585	1,777,585	-	1,777,585
Funds utilised	(1,457,034)	(27,779)	(622,600)	(2,107,413)	(63,107)	(2,170,520)
As at 30 September 2011	532,045	171,611	21,076,723	21,780,379	3,356,683	25,137,062

(b) Charity	Development	Community Services	Property & Fixed Assets in use	Total Designated Reserves	General Reserves	Total Unrestricted Reserves
	£	£	£	£	£	£
As at 1 October 2010	1,512,509	199,390	19,970,491	21,682,390	3,658,558	25,340,948
Surplus on sale of assets	-	-	-	-	157,565	157,565
Transfers from Restricted Funds (Note 17)	462,281	-	-	462,281	(156,481)	305,800
Investment (loss) (net)	-	-	-	-	(246,820)	(246,820)
Pension scheme actuarial movement	-	-	-	-	23,800	23,800
Capital expenditure (net)	-	-	1,805,425	1,805,425	-	1,805,425
Funds utilised	(1,484,874)	(27,779)	(622,600)	(2,135,253)	(37,487)	(2,172,740)
As at 30 September 2011	489,916	171,611	21,153,316	21,814,843	3,399,135	25,213,978

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2011

17 Restricted Funds

(a) Consolidated	Balance at 1 Oct 2010	Incoming Resources	Funds Utilised	Losses on investments	Transfers, Incl Uniting Direction	Balance at 30 Sept 2011
	£	£	£	£	£	£
Funds for the upkeep of residential homes	216,027	205,979	(173,456)	-	-	248,550
Funds for residents' subsidies	-	106,232	(106,232)	-	-	-
Funds for community projects	33,311	34,809	(41,928)	-	-	26,192
Funds for grants and allowances	719,322	234,636	(196,316)	(27,545)	6,107	736,204
Capital funds	305,965	433,535	-	-	(462,281)	277,219
Other restricted funds	8,912	1,347	-	-	-	10,259
Costs of generating donations & legacies	-	-	(150,374)	-	150,374	-
	<u>1,283,537</u>	<u>1,016,538</u>	<u>(668,306)</u>	<u>(27,545)</u>	<u>(305,800)</u>	<u>1,298,424</u>
(b) Charity only	Balance at 1 Oct 2010	Incoming Resources	Funds Utilised	Losses on investments	Transfers, Incl Uniting Direction	Balance at 30 Sept 2011
	£	£	£	£	£	£
Funds for the upkeep of residential homes	216,027	205,979	(173,456)	-	-	248,550
Funds for residents' subsidies	-	106,232	(106,232)	-	-	-
Funds for community projects	33,311	34,809	(41,928)	-	-	26,192
Funds for grants and allowances	717,660	234,636	(196,316)	(27,545)	7,769	736,204
Capital funds	305,965	433,535	-	-	(462,281)	277,219
Other restricted funds	8,912	1,347	-	-	-	10,259
Costs of generating donations & legacies	-	-	(150,374)	-	150,374	-
	<u>1,281,875</u>	<u>1,016,538</u>	<u>(668,306)</u>	<u>(27,545)</u>	<u>(304,138)</u>	<u>1,298,424</u>

18 Endowment Funds

(a) Consolidated	Balance at 1 Oct 2010	Incoming Resources	Funds Utilised	Uniting Direction	Losses on investments & transfers	Balance at 30 Sept 11
	£	£	£	£	£	£
Funds for the upkeep of residential homes	2,463,143	-	(3,906)	-	(58,348)	2,400,889
Funds for residents' subsidies	2,204,952	-	-	-	(75,184)	2,129,768
Funds for grants and allowances	757,008	-	-	-	(26,150)	730,858
	<u>5,425,103</u>	<u>-</u>	<u>(3,906)</u>	<u>-</u>	<u>(159,682)</u>	<u>5,261,515</u>
(b) Charity only	Balance at 1 Oct 2010	Incoming Resources	Funds Utilised	Uniting Direction	Losses on investments & transfers	Balance at 30 Sept 11
	£	£	£	£	£	£
Funds for the upkeep of residential homes	2,463,143	-	(3,906)	-	(58,348)	2,400,889
Funds for residents' subsidies	2,204,952	-	-	-	(75,184)	2,129,768
Funds for grants and allowances	645,208	-	-	111,798	(26,148)	730,858
	<u>5,313,303</u>	<u>-</u>	<u>(3,906)</u>	<u>111,798</u>	<u>(159,680)</u>	<u>5,261,515</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

19 Operating leases

	Property		Other	
	2011	2010	2011	2010
	£	£	£	£
Within 2 to 5 years	51,500	51,500	14,842	25,256

20 Pension schemes

(a) Group Personal Pension Plan

Since 1 October 1996 the Charity has operated a defined contribution scheme available to new and existing members, run by AXA. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £355,535 in the year (2010: £361,985).

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

Until 30 September 1996, the Charity operated a defined benefit scheme in the UK, the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The Pensions Act 2004 required the Trustees of the Scheme to obtain an actuarial valuation of the technical provisions (i.e. liabilities) of the Scheme as at 1 October 2009 and to prepare a recovery plan if the assets were insufficient to cover the technical provisions. The actuarial valuation issued on 08 December 2010 showed the value of the assets at 1 October 2009 to be £860,000, which was lower than the technical provisions and, therefore, the Trustees have drawn up a recovery plan to address the shortfall. A schedule of contributions showing a contribution of £1,525 per calendar month as from 1 October 2010 was agreed between the Scheme and Employer and certified by the Actuary.

The following disclosures have been provided by the Actuary to meet the requirement of FRS 17 Retirement Benefits for the purposes of these accounts. Any net liability has been included in these accounts as an actuarial loss on the Statement of Financial Activities and as a pension scheme liability on the Balance Sheet. Any net asset is not recognised in the Balance Sheet, but would be recognised in the Statement of Financial Activities to the extent that it reverses a prior liability.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

Employee benefit obligation

The amounts recognised in the balance sheet are as follows:

	30.09.11	30.09.10
	£	£
Present value of funded obligations	829,900	875,800
Fair value of Scheme assets	(895,100)	(852,000)
Amount not recognisable as an asset	65,200	-
Net liability	<u>-</u>	<u>23,800</u>

The assets valued above are in the form of an insurance policy invested in the with-profits and unit-linked Money fund 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 30/09/2011. The value of assets held in the unit-linked Money fund has been taken as the value of units at bid price on 30/09/2011. The value shown is not necessarily the value that would be available were the policy to be surrendered.

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

	30.09.11
	£
Opening defined benefit obligation	875,800
Interest cost	42,700
Actuarial (gains)	(25,400)
Benefits paid	(63,200)
Closing defined benefit obligation	<u>829,900</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

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

	30.09.11
	£
Opening fair value of plan assets	852,000
Expected return	30,900
Actuarial gains	58,600
Contributions by employer	16,800
Benefits paid	(63,200)
Closing fair value of plan assets	<u>895,100</u>
Expected employer contributions to the scheme in the next year	18,300

Analysis of amount recognised in statement of financial activities (SOFA)

	30.09.11
	£
Total actuarial gain	84,000
Adjustment in respect of unrecognisable asset (Paragraph 67(d) of FRS17 refers)	(65,200)
Total gain recognised	<u>18,800</u>

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

The amounts recognised in SOFA are as follows:

	30.09.11	30.09.10
	£	£
Interest on obligation	42,700	44,800
Expected return on plan assets	(30,900)	(33,900)
Total	<u>11,800</u>	<u>10,900</u>
Actual return on plan assets	89,500	80,700

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

	30.09.11
Corporate bonds	30%
Gilts	32%
Property	7%
Equities	3%
Cash	24%
Index linked bonds	4%

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

Gilts:	the yield on the FT-SE Actuaries 15 year gilt index
Corporate bonds:	the yield on the iBoxx £ Corporates AA 15+ index
Cash:	the Bank of England base rate
Equity and property:	the above gilt yield plus 4% pa
Deduction for expenses:	0.5%pa
Overall expected rate of return for the year beginning 1 October 2011:	2.9%

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

Principal actuarial assumptions at the balance sheet date:

	30.09.11
Discount rate	5.1% pa
Retail Prices Index (RPI) Inflation assumption	2.7% pa
Consumer Prices Index (CPI) Inflation assumption	2.0% pa
Rate of increases to deferred pensions	2.0% pa

Death after retirement: in accordance with 115% of the standard mortality tables PNMA00 and PNFA00 tables, with an allowance for future improvements in mortality in accordance with the core CMI mortality projection model CMI_2009, with long term rates of improvement of 1% for men and women.

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

	30.09.11	30.09.10	30.09.09	30.09.08	30.09.07
Defined benefit obligation	(829,900)	(875,800)	(810,600)	(734,300)	(847,200)
Plan assets	895,100	852,000	771,300	1,034,200	1,016,100
Surplus/(Deficit)	65,200	(23,800)	(39,300)	299,900	168,900
Experience adjustments on plan liabilities	(18,600)	(9,100)	(45,200)	(11,700)	(12,800)
Experience adjustments on plan assets	58,600	46,800	(135,000)	(5,500)	14,500

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

(c) Scottish Voluntary Sector Pension Scheme

Friends of the Elderly participated in the Scottish Voluntary Sector Pension Scheme, beginning as from 1 April 2008, up until the closure of the scheme in March 2010. The Scheme is a multi-employer defined benefit scheme. The Scheme is funded and is contracted out of the state scheme. The Scheme operates a single benefit structure, final salary with a 1/60th accrual rate.

The trustees of the scheme recommended the closure following a valuation of the financial position of the scheme in September 2008, its heavy dependency on a relatively small number of members of the multi-employer scheme and the significance of the legislation on employer debt on withdrawal from such a scheme.

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

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

During the accounting period Friends of the Elderly paid contributions at the rate of 18.7%. Member contributions were 7.5% for the same period.

As at the balance sheet date there were 12 active members of the Scheme employed by Friends of the Elderly. Friends of the Elderly has closed the Scheme to new entrants and offered the opportunity to members to join the Friends of the Elderly pension scheme with AXA.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2008 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £45.1 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £20.4 million (equivalent to a past service funding level of 69%). Since 1st April 2010, annual deficit contributions have been paid in respect of the 12 active members of £16,215.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

Since the contribution rates payable to the Scheme have been determined by reference to the last full actuarial valuation, the following notes relate to the formal actuarial valuation as at 30 September 2008.

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

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

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

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

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

The main benefits provided by the Scheme are:

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

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

The rules of the Scheme allow for the declaration of bonuses if this is within the financial capacity of the Scheme assessed on a prudent basis. Bonuses are not guaranteed and are declared at the discretion of the Trustee. No bonuses have been declared by the Trustee since the Scheme commenced in October 2001.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

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

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

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the scheme assets are co-mingled for investment purposes and benefits are paid from the total scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2007 by a professionally qualified actuary using the "projected unit" method. The market value of the Scheme's assets at the valuation date was £10.9 million. The valuation revealed a surplus of assets compared to liabilities of £1.5 million, equivalent to a past service funding level of 116%.

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

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

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

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2011

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

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

21 Taxation

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

22 Members

At 30 September 2011 there were 14 members (2010: 14 members) who each pledge to pay £1 on winding up.

23 Capital Commitments

Consolidated only	2011 £	2010 £
Capital expenditure contracted for but not provided in the accounts	925,000	2,098,000
	<u>925,000</u>	<u>2,098,000</u>

As at 30 September 2011, Potential Ltd had an outstanding, contracted, capital commitment of £0.925m (2010: £2.098m) in relation to the development of a 24-bed dementia unit at Friends of the Elderly's site in Malvern.

This cost of this development is being partly funded by a new loan facility for £2m with HSBC plc.



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Help us continue our work

**We could not run many of our services,
especially those combating loneliness and isolation,
without support from individuals and organisations.**

To make a difference
Friends of the Elderly needs people to be inspired:

inspired to care;

inspired to take action.

Please support us by:

*Volunteering with one of our services
Email volunteer@fote.org.uk*

*Making a donation
Visit www.fote.org.uk/donate*

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such as running a marathon*

Introducing us to corporate contacts.

**To continue making a difference
we need others to share our commitment.**