

FRIENDS OF THE ELDERLY



FRIENDS OF THE ELDERLY

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

**Report and Financial Statements
for the year ended 30 September 2009**

Registered Company No: 133850

Registered Charity No: 226064

FRIENDS OF THE ELDERLY

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

Report and Financial Statements For the year ended 30 September 2009

Index

| | Page No. |
|---|----------|
| Reference and Administrative Information | 3 |
| Report of the Members of the Governing Council | 4-10 |
| Report of the Independent Auditor | 11-12 |
| Consolidated Statement of Financial Activities (Incorporating Income & Expenditure Account) | 13-14 |
| Balance Sheets | 15 |
| Consolidated Cash Flow Statement and Reconciliation of Net Cash Flow to Movement in Net Funds | 16 |
| Note to the Cash Flow Statement | 17 |
| Notes to the Financial Statements | 18-37 |

FRIENDS OF THE ELDERLY

Reference and Administrative Information

1) Charity Name

Friends of the Elderly

2) Registered Office

40-42 Ebury Street
London SW1W 0LZ

3) Registration Numbers

Charity No. 226064 Company No. 133850

4) Company Secretary

Mr P Brearley

5) Trustees

Mr K Rubie (*Chairman*) 1,4
Mrs J E Orford (*Joint Vice-Chairman*) 1,2,4 (*retired*
31 December 2009)
Rear-Admiral A Wheatley CB (*Joint Vice-Chairman*) 1,2,4
(*retired 30 June 2008*)
Mr S Dawes (*Hon. Treasurer & Joint Vice-Chairman*)) 1
Mr D Brazier 1,3
Mr M Burdes 4 (*appointed 19 March 2009*)
Mr M Cardale 1 (*appointed 19 March 2009*)
Viscount Devonport 1,4
Mrs S Hudson 2,3
Mrs V Pendock (*Joint Vice-Chairman*) 3
Mr P C Robinson 3
Mr M van der Schalk 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 Charity Services Committee
3. Member of the Fundraising & Public Affairs Committee
4. Member of the Property Committee

6) Executive Board

Mr R Furze (*Chief Executive*)
Mr P Brearley (*Director of Finance & ICT*)
Mr P Cottrell (*Director of Property*)
Mr J Gould (*Director of Human Resources*)
Mrs L Long (*Director of Residential Care*)
Ms J O'Boyle (*Director of Fundraising*)
Mrs J Sykes (*Director of Community Services*)

7) Registered Auditor

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

8) Bankers

HSBC plc
89 Buckingham Palace Rd
Belgravia
London SW1W 0QL

9) Investment Managers

Cazenove Capital Management
Limited
12 Moorgate
London EC2R 6DA

10) Solicitors

Anthony Collins
134 Edmund Street
Birmingham
B3 2ES

Bircham Dyson Bell
50 Broadway
Westminster
London SW1H 0BL

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2009 (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 2009 which have been prepared in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" issued in March 2005.

Structure, Governance and Management

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

The Charity has three subsidiaries – The Smiles Home for Invalid Ladies, Potential Limited, which is a development company, and Friends of the Elderly Trading Limited. There are five smaller charities under the common control of the Charity including The Sir Thomas Lipton Charity as from 1 January 2009.

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

During the year two new Trustees were appointed. The Governing Council warmly welcomes Mark Cardale and Martin Burdes.

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 328 full time and 279 part time staff supplemented where necessary by agency staff. Of these staff 492 worked within the care homes, 71 within the community services, and 44 were based at the Charity's central office in London with responsibility for fundraising, marketing and the general management and administration of the Charity.

In addition to its Trustees, none of whom receive remuneration, the Charity benefits greatly from the active involvement of many volunteers who contribute their time and skills as members of homes' support groups, home visiting and telephoning older people in their own homes, helping in day centres, 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 have continued over the last twelve months 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.

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

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2009 (continued)

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

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

Statements as to disclosure of information to auditors

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

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

Objectives and Activities

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

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

Its mission is to support older people, particularly those in need due to frailty (including mental frailty), isolation or lack of adequate resources. The charity does this by providing high quality caring services, personalised to the needs of the individual, integrated with local communities and dedicated to promoting the independence, well-being, dignity and peace of mind of each person with whom we work.

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

The Charity offers high quality residential and nursing care in its fourteen care homes, some with dementia units. It supports older people to stay living in their own homes with a range of community services including welfare grants for those in financial need, day care, home support, home visiting and telephone befriending. In January 2009 the Charity became corporate Trustee of the Sir Thomas Lipton Charity which owns a care home in Southgate, North London. At the end of the year it also managed one care home on behalf of Hanover Housing Association and provided management support to a care home owned by the Foundation of Lady Katherine Leveson.

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

Review of Activities in the Year

Charitable Activities

Homes

A total of 474 care beds were under the management of the Charity at the year end with a continuing focus on maintaining and improving the quality of care provided and planning for increasing the number of people who benefit from the Charity's homes.

The fees charged by the Charity for residential and nursing care in its Homes are set at levels to meet the on-going costs of providing high quality care and to maintain sufficient reserves to meet planned maintenance costs.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2009 (continued)

During the year an average of 27% of the care beds were under spot contracts with local authorities or the NHS to ensure that access to its care is not restricted to those who can afford to pay the fees. This represented a subsidy of £1.3 million against normal fees.

High occupancy levels were achieved during the year despite a higher turnover of residents within the homes following the deaths of increasingly frail residents. This indicates the success of the Charity's work in caring for older people within its own residential and nursing homes and dementia units. Demand for high quality care remains strong and more beds are needed especially for people with dementia. The level of care required by residents continues to increase as people live longer and enter care homes at an older age. The homes have received good inspection reports from the Care Quality Commission (CQC) with all but one currently achieving good or excellent ratings.

Improvements in the quality of care have been achieved through continuing investment in the homes. Staff levels are increased to meet the higher level of care needed by residents as they become more frail and to make available more activities for residents. The activities programme is making a real difference to quality of life across the care homes and this continues to be developed. Training of staff remains a priority with a continuation of recent innovations in junior management training and dementia training for all staff. This year we have prioritised our work on end of life care and have enrolled all our care homes on the Gold Standards Framework programme. One of our nursing homes has already received accreditation under this programme.

During the year we appointed an Admiral Nurse to support people with dementia and their relatives and carers. The Admiral Nurse focuses on the relatives and carers of people who have moved into a care home or are considering that transition. The support has been warmly welcomed and is proving very effective.

Investment in the buildings has continued with the implementation of a programme of repairs and upgrading of the fabric and equipment. This programme is related to a formal process of condition appraisal carried out across the Charity on an annual basis.

Community Services

The Charity continued to support older people who live in their own homes by running community services that are person-centred and that aim to improve older people's well-being. Services include day care and home support as well as home visiting and tele-befriending. During the year we supported over 690 people in these services many of whom had dementia or depression. External reviews of these services have been uniformly excellent.

Our services fit well the Government policy agenda's continual emphasis on the importance of preventative services and the move toward further personalisation. Unfortunately the policy emphasis is not usually supported by funding locally and it is becoming increasingly difficult to access grant funding. In addition charitable trust monies are more available for new work rather than established services, albeit delivering strong outcomes. As a result we are having to review pricing policies for some of these services to ensure their continuance and that we continue to offer services to those in need regardless of their ability to pay.

Staff are trained to high standards and there is a significant training programme to meet the needs of those clients who have dementia.

During the year the Charity was successful in its bid to run a Demonstrator Site for peer support in Woking in response to the Governments' National Dementia Strategy. This exciting new service, 'Friends with Dementia' will be based at the Charity's Bradbury Centre and will be undertaken in partnership with Surrey County Council and the local PCT.

Welfare Grants

At the beginning of the year the Trustees made available an additional £50,000 to meet the expected increase in demand for grants as more older people suffered financial hardship as a result of the economic recession. As a result during the year the number of older people who received either one-off grants for essential household items or regular allowances to supplement their very low incomes increased to 954 (2008:797). A total of 6,742 older people benefited from projects funded by Friends of the Elderly, including Halstead Day Centre which organises day trips to the Essex coast and Meeting Point which organised a Christmas lunch for 50 older people who would

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2009 (continued)

have normally spent Christmas alone. Support continued for a number of highly effective projects such as the Woking Buggy which provides older people with transport for shopping trips.

Development Work

During the year further preparations were made for the construction of a dementia unit in Malvern and for the extension of the dementia unit at The Old Vicarage Home in Moulsoford, Oxfordshire. Planning permission was achieved in Malvern and contracts have now been let for a start early in 2010. Work in Oxfordshire commenced in Autumn 2009.

During the year negotiations were also concluded for the relocation of the day club in Kidderminster, Worcestershire to larger, more suitable premises.

The transfer of the corporate trusteeship of The Sir Thomas Lipton Charity to the Charity took place on 1 January 2009 under the terms of a Charity Commission order dated 15 December 2008. Investment continues to be made into the care home on the site and this home has recently received an Excellent rating from CQC.

The Charity took part in two environmental projects, one facilitating research groups with older people to input into a research project on reaching out to older audiences with environmental messages, and the other reviewing the impact of climate change on the strategic management of the Charity.

Fundraising and Public Affairs

Total income from donations and legacies of £1,163,788 was 6.3% higher than that achieved in 2007/08. Income used for on-going operations fell 3% but this was more than made up for by income for capital developments. In these areas of fundraising and communications:

- Income from legacies maintained the strong performance of the previous year and increased by a further 3.5% and accounted for 51% (2008 – 52%) of donations and legacy income.
- Total trust income increased by 31% compared to 2007/08. The focus for trust fundraising in the year was for The Peace of Mind Appeal to raise funds for a new capital development to build a specialist dementia care home in Malvern.
- The overall growth in income reflects the implementation of the approved fundraising strategy which has a specific focus on increasing income from major gifts.
- The Charity continued to raise awareness of services at a local level and launched the new Friends of the Elderly Admiral Nurse Service to the sector press.

Employees

Friends of the Elderly operates an Equal Opportunities Policy in relation to its staff. The Charity recognises its obligations towards disabled people and endeavours to provide employment for them as the work being undertaken allows.

The Charity's commitment to develop further the quality of care provided by its staff was taken forward during the year by:

- The introduction of a competency based performance management system to develop skills and ensure a consistency in the application of these skills and behaviours across all managers in the Charity.
- The full introduction of elearning for all statutory training in the Charity.
- Improving staff awareness of the values of the Charity through workshops.
- Continuing the dementia training programmes for staff working in the dementia units and the Community Services and dementia awareness training for all other staff.
- Preparing for accreditation by Investors in People across the whole charity.

The Trustees would like to express their gratitude for the hard work, dedicated care and commitment of the excellent staff teams working in all parts of the Charity.

FRIENDS OF THE ELDERLY

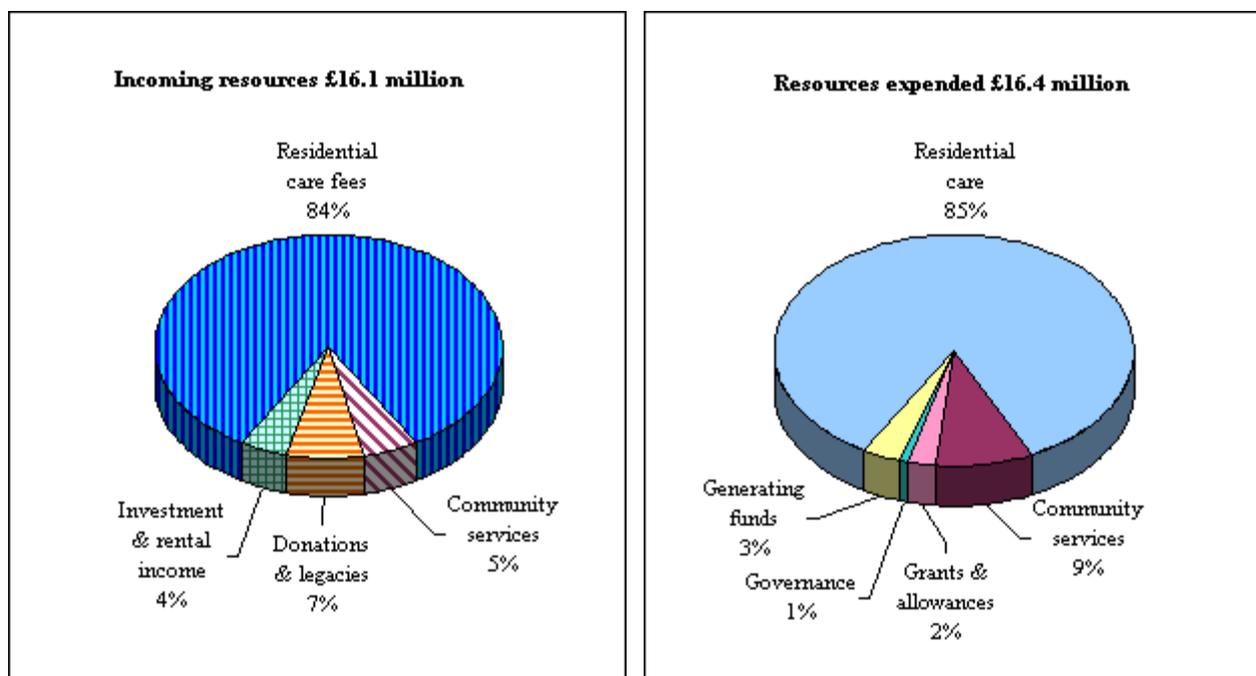
Report of the Members of the Governing Council For the year ended 30 September 2009 (continued)

Financial Review

The year's total incoming resources of £16,143,413 were 15.9% more than in 2007/08 whilst the year's total resources expended of £16,400,556 were 17.1% higher than in 2007/08. The net impact of the increase in income and expenditure was net outgoing resources from operations (ie an operating deficit) of £275,143 (2007/08: deficit of £73,581).

The increase in the operating deficit and the increases in total income and expenditure reflect:

- The challenging recessionary economic environment which reduced unrestricted fundraised income and investment income.
- A full year of operating the four care homes acquired in April 2008 following the ending of the joint venture with Hanover Housing Association.
- The merging of the operations of the Sir Thomas Lipton Charity with those of the Charity in January 2009.
- Growth in income from care homes due to increased fees and strong occupancy levels which averaged 91.4% during the year (2007/08: 90.1%). This higher income was used to meet increases in expenditure within the homes for staff and other direct costs, and investment in refurbishment – decoration, carpets, furniture, electrical and heating maintenance etc.
- The growth in income and expenditure for community services as day centre and home support services were developed.
- Additional grants to meet the increase in need as more older people suffered financial hardship as a result of the economic recession.
- The growth in donations for capital expenditure following the launch of The Peace of Mind Appeal to raise funds for a new capital development to build a specialist dementia care home in Malvern.
- Firm control of both direct costs and support costs.



The statement of financial activities also shows the impact of:

- The merger, at no cost to the Charity, with the Sir Thomas Lipton Memorial Hostel which brought in net assets valued at £2,156,184 including investments valued at £1,271,920 (2007/08: donated properties valued at £3,082,000 from Hanover Housing Association).
- A surplus on the sale of the final parcel of land in Woking of £409,204 (2007/08: £494,834).
- Unrealised gains on investments, net of realised losses, which increased funds by £555,843 (2007/08: funds reduced due to unrealised losses net of realised gains of £1,404,464).

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2009 (continued)

The value of the investment portfolio rose during the year by £1,827,336 (20.3%) (2007/08: a fall of 13.6%) as a result of the above unrealised gains as stock market values recovered some of their earlier losses in the second half of the year, and the merger with the Sir Thomas Lipton Memorial Hostel. Investment values continued to rise after the year end and showed an additional unrealised gain of £98,000 in the quarter to 31 December 2009.

The investment portfolio consists of:

- An Income Fund for endowed investments and a Balanced Fund for other investments managed by Cazenove Investment Management. It is held largely in a range of Common Investment Funds (CIFs), which include UK equities, UK fixed interest, hedge funds and property with the aim of protecting the capital in real terms whilst providing a secure and growing level of income. Losses of £8,726 were realised during the year which were more than offset by unrealised gains of £564,569. The Income Fund and Balanced Fund achieved total returns of 10.15% and 9.91% respectively during the year which compare favourably to benchmark returns of 8.56% and 8.18% based on UK market indices for the underlying investments. Income yields were 4.33% and 3.92% respectively.
- Shares in the Charities Official Investment Fund (COIF) managed by CCLA Investment Management Limited. 64% of the COIF shares by value at 30 September 2009 were accumulative shares. The shares showed unrealised gains of £95,354 (7.5%). (2008: 24% unrealised losses). The income yield on the non-accumulative shares was 4.7%.

Tangible assets increased partly as a result of the inclusion of assets held by The Sir Thomas Lipton Charity. Further details of fixed assets are shown in note 10 to the financial statements. At the year end there were expenditure commitments of £160,000 mainly in relation to the redevelopment of the Charity's Malvern site.

During the year the sale of the third tranche of land adjoining the Bradbury Centre in Woking by Potential Limited, the Charity's development company, to a contractor was completed. This enabled Potential Limited to repay a further £316,792 of the loan it received in 2006/07 from the Charity which is secured against the land.

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

The net movement on funds for the year, including funds from the merger, net unrealised gains on investments and the pension scheme actuarial loss, was £2,824,788 (2007/08: £2,098,789). Unrestricted reserves, excluding those designated for a specific purpose, increased from £2.6m to £3.3m which constituted an increase in the number of months unrestricted expenditure covered by reserves from 2.4 months to 2.6 months.

Reserves

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

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

The Trustees recognise that expenditure coverage at the year end, although an improvement over the year, fell below the target by 0.4 months. However, taking the above principles into account, the Trustees are satisfied that the reserves are sufficient to fulfil the Charity's immediate obligations and to allow it to plan sensibly for the future.

Designated funds are funds set aside by Trustees for particular purposes as described in note 15 of the financial statements. These funds include the book value of property and fixed assets in use for the Charity's activities which grew by 5.3% in the year. Other designated funds are largely held for development purposes and the net decrease in these funds during the year includes a transfer into the fund of £200,000 from the surplus on the sale of land offset by funds utilised for development.

FRIENDS OF THE ELDERLY

Report of the Members of the Governing Council For the year ended 30 September 2009 (continued)

Investment Policy

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

Pensions

Details of the Charity's pension schemes are shown in Note 19. The accounts for the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) comply with the additional disclosure provisions of FRS17. This defined benefit (final salary) Scheme showed a deficit at 30 September 2009 of £39,300 (2008: surplus £299,900) which has been recognised in the balance sheet as a long term liability. This valuation was prepared by the Scheme Actuary for the purpose of these accounts.

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

Plans for the Future

Following further progress with implementation of the Strategic Plan last year the key priorities for the next financial year include:

- Ensuring that all the Community Services are ready to meet the Personalisation agenda by increasing the flexibility of each service to meet the individual needs of clients.
- Developing additional Community Services using new funding models.
- Commencing building of the new Dementia Unit in Malvern.
- Completing enlarging of the Dementia unit and related facilities in Moultsford, Oxfordshire.
- Planning for future development on our Coulsdon site.
- Completion of first stage dementia training for all our staff teams.
- Progressing Gold Standards Framework training at all our Care Homes to support excellent End of Life Care
- Embedding our new Admiral Nurse service within our other support work for people with dementia and their carers.
- Continuing the awareness of values programme.
- Achieving Investors in People accreditation for the whole charity.
- Development of Friends with Dementia in Woking.
- Launching a new Appeal Board to assist with new fundraising development.

Annual General Meeting

The Annual General Meeting of the members of Friends of the Elderly will be held on 18 March 2010.

Auditors

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

By order of the Council

Peter Brearley
Company Secretary

12 February 2009

FRIENDS OF THE ELDERLY

Independent Auditors' Report to the members of Friends of the Elderly for the year ended 30 September 2009

We have audited the financial statements of Friends of the Elderly for the year ended 30 September 2009 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of the Trustees and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

This report, including our opinion, has been prepared for and only for the charity's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

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

FRIENDS OF THE ELDERLY

Independent Auditors' Report to the members of Friends of the Elderly for the year ended 30 September 2009 (continued)

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charity's affairs as at 30 September 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Members of the Governing Council is consistent with the financial statements.

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

Date

FRIENDS OF THE ELDERLY

Consolidated Statement of Financial Activities For the year ended 30 September 2009 (Incorporating the Income and Expenditure Account)

| | Notes | Unrestricted funds £ | Restricted funds £ | Endowment funds £ | Total 2009 £ | Total 2008 £ |
|--|----------|-------------------------|-----------------------|----------------------|-------------------|-------------------|
| Incoming resources | | | | | | |
| <i>Incoming resources from generated funds</i> | | | | | | |
| Donations and legacies | 3 | 723,661 | 440,127 | - | 1,163,788 | 1,094,624 |
| Investment income | 4 | 274,655 | 234,870 | - | 509,525 | 590,261 |
| <i>Incoming resources from charitable activities</i> | | | | | | |
| Residential care fees | | 13,370,267 | 60,203 | - | 13,430,470 | 11,225,943 |
| Community services income | | 777,507 | 6,541 | - | 784,048 | 702,229 |
| Management fees | | 29,045 | - | - | 29,045 | 143,700 |
| <i>Other incoming resources</i> | 5 | 226,537 | - | - | 226,537 | 175,272 |
| Total incoming resources | | 15,401,672 | 741,741 | - | 16,143,413 | 13,932,029 |
| Resources expended | | | | | | |
| <i>Cost of generating funds</i> | | | | | | |
| Fundraising costs | | 244,646 | 200,845 | - | 445,491 | 444,495 |
| Public affairs costs | | 34,788 | 7,150 | - | 41,938 | 65,113 |
| Investment management costs | | 26,019 | 22,430 | - | 48,449 | 54,434 |
| | | 305,453 | 230,425 | - | 535,878 | 564,042 |
| <i>Charitable activities</i> | | | | | | |
| Residential care | | 13,510,663 | 323,794 | 4,547 | 13,839,004 | 11,584,062 |
| Community services | | 1,386,796 | 74,119 | - | 1,460,915 | 1,242,128 |
| Grants and allowances payable | | 266,972 | 120,835 | - | 387,807 | 312,740 |
| Management services | | 29,045 | - | - | 29,045 | 143,700 |
| | | 15,193,476 | 518,748 | 4,547 | 15,716,771 | 13,282,630 |
| <i>Governance costs</i> | | 147,907 | - | - | 147,907 | 158,938 |
| Total resources expended | 6 | 15,646,836 | 749,173 | 4,547 | 16,400,556 | 14,005,610 |
| Net (outgoing) resources from operations | | | | | | |
| Assets from merger and donated | 2 & 3 | 1,467,466 | 269,844 | 418,874 | 2,156,184 | 3,082,000 |
| Surplus on sale of land | | 409,204 | - | - | 409,204 | 494,834 |
| Net incoming resources before transfers | | 1,631,506 | 262,412 | 414,327 | 2,308,245 | 3,503,253 |
| <i>Transfers</i> | 15 & 16 | (207,995) | 207,995 | - | - | - |
| Net incoming resources before realised gains on investments | | 1,423,511 | 470,407 | 414,327 | 2,308,245 | 3,503,253 |
| Realised gains/(losses) on investments | 1(g) | 2,868 | 410 | (12,004) | (8,726) | 591,078 |
| Net income for the year | | 1,426,379 | 470,817 | 402,323 | 2,299,519 | 4,094,331 |
| Other recognised gains/(losses) | | | | | | |
| - on investment assets | 11(a) | 260,069 | 54,376 | 250,124 | 564,569 | (1,995,542) |
| - pension scheme actuarial (loss) | 19 | (39,300) | - | - | (39,300) | - |
| Net movement in funds | | 1,647,148 | 525,193 | 652,447 | 2,824,788 | 2,098,789 |
| <i>Reconciliation of funds</i> | | | | | | |
| Total funds brought forward | | 23,255,385 | 823,911 | 4,601,964 | 28,681,260 | 26,582,471 |
| Total funds carried forward | 15 to 17 | 24,902,533 | 1,349,104 | 5,254,411 | 31,506,048 | 28,681,260 |

FRIENDS OF THE ELDERLY

Consolidated Statement of Financial Activities

For the year ended 30 September 2009

(Incorporating the Income and Expenditure Account) (continued)

All the above amounts relate to continuing activities.

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

As all gains and losses are shown above, no Statement of Total Recognised Gains and Losses has been presented.

FRIENDS OF THE ELDERLY

Balance Sheets As at 30 September 2009

| | Notes | Consolidated | | Charity | |
|-------------------------------------|-------|-------------------|-------------------|-------------------|-----------------------|
| | | 2009 £ | 2008 £ | 2009 £ | 2008 £ Restated |
| Fixed assets | | | | | |
| Tangible assets | 10 | 19,578,380 | 18,655,643 | 17,735,668 | 16,695,997 |
| Investments | 11 | 10,814,317 | 8,986,981 | 10,015,443 | 8,310,351 |
| | | <u>30,392,697</u> | <u>27,642,624</u> | <u>27,751,111</u> | <u>25,006,348</u> |
| Current assets | | | | | |
| Debtors | 12 | 701,283 | 891,836 | 775,830 | 1,385,599 |
| Cash | | 2,131,385 | 1,810,071 | 2,103,606 | 1,697,039 |
| | | <u>2,832,668</u> | <u>2,701,907</u> | <u>2,879,436</u> | <u>3,082,638</u> |
| Creditors | | | | | |
| Amounts falling due within one year | 13 | (1,680,017) | (1,663,271) | (1,759,532) | (1,671,383) |
| Net current assets | | <u>1,152,651</u> | <u>1,038,636</u> | <u>1,119,904</u> | <u>1,411,255</u> |
| Pension scheme liability | 19 | (39,300) | - | (39,300) | - |
| Net assets | 14 | <u>31,506,048</u> | <u>28,681,260</u> | <u>28,831,715</u> | <u>26,417,603</u> |
| Represented by: | | | | | |
| Unrestricted funds: | | | | | |
| Designated funds | 15 | 21,543,767 | 20,631,462 | 19,983,113 | 19,009,544 |
| General reserves | 15 | 3,358,766 | 2,623,923 | 3,361,294 | 3,062,288 |
| | | <u>24,902,533</u> | <u>23,255,385</u> | <u>23,344,407</u> | <u>22,071,832</u> |
| Restricted funds | 16 | 1,349,104 | 823,911 | 1,349,104 | 823,911 |
| Endowment funds | 17 | 5,254,411 | 4,601,964 | 4,138,204 | 3,521,860 |
| | | <u>31,506,048</u> | <u>28,681,260</u> | <u>28,831,715</u> | <u>26,417,603</u> |

The financial statements on pages 13 to 37 were approved by the members of the Governing Council on 11 February 2010 and were signed on its behalf by:

S Dawes
Honorary Treasurer

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

FRIENDS OF THE ELDERLY

Consolidated Cash Flow Statement For the year ended 30 September 2009

| | Note | 2009 £ | 2009 £ | 2008 £ | 2008 £ |
|---|------|-------------|-------------------------|-------------|-----------------------|
| Net cash inflow from operating activities | 1 | | 79,102 | | 169,440 |
| Returns on investment | | | 509,525 | | 590,261 |
| Cash from merger | | | 27,929 | | - |
| Capital expenditure and Financial investment | | | | | |
| Purchase of investments | | (1,314,780) | | (2,086,292) | |
| Purchase of fixed assets | | (735,669) | | (494,567) | |
| Receipts from sales of investments | | 683,712 | | 2,237,750 | |
| Receipts from sale of assets | | 440,000 | | 560,934 | |
| | | | <u>(926,737)</u> | | <u>217,825</u> |
| Net cash (outflow)/inflow | | | <u><u>(310,181)</u></u> | | <u><u>977,526</u></u> |

Short term deposits are included as cash.

Reconciliation of Net Cash Flow to Movement in Net Funds For the year ended 30 September 2009

| | 2009 £ | 2008 £ |
|--|-------------------------|-------------------------|
| Movement in net funds during the year | (310,181) | 977,526 |
| Net funds at 1 October 2008 | 2,709,971 | 1,732,445 |
| Net funds at 30 September 2009 | <u><u>2,399,790</u></u> | <u><u>2,709,971</u></u> |
| Cash invested | 268,405 | 899,900 |
| Cash at bank | 2,131,385 | 1,810,071 |
| Total cash at 30 September 2009 | <u><u>2,399,790</u></u> | <u><u>2,709,971</u></u> |

FRIENDS OF THE ELDERLY

Note to the Cash Flow Statement

1. Reconciliation of net (outgoing) resources to net cash inflow from operating activities

| | 2009 £ | 2008 £ |
|--|---------------|----------------|
| Net (outgoing) resources from operations | (257,143) | (73,581) |
| Investment income | (509,525) | (590,261) |
| Depreciation | 634,519 | 522,648 |
| Surplus on disposal of assets | 40,535 | - |
| Increase/(decrease) in debtors | 209,508 | (307,044) |
| (Increase)/decrease in creditors | (38,792) | 617,678 |
| | <hr/> | <hr/> |
| Net cash inflow from operating activities | 79,102 | 169,440 |
| | <hr/> <hr/> | <hr/> <hr/> |

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

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009

1 Accounting policies

(a) Basis of accounting

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

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

(b) Consolidation

The financial statements have been consolidated to include the results of Potential Ltd and Friends of the Elderly Trading Ltd, both wholly owned subsidiaries of Friends of the Elderly, and of The Smiles Home for Invalid Ladies, an unincorporated charity which is administered and managed by the members of Friends of the Elderly who are also its Trustees. The financial statements of the Charity include The Sir Thomas Lipton Charity, a registered charity of which the Charity became sole Trustee on 1 January 2009 (see note 2), and individual funds, some of which are also separately registered charities, as shown in note 21. No separate Statement of Financial Activities or Income and Expenditure Account has been presented for the Charity alone as permitted by paragraph 397 of the SORP. The net movement in funds for the Charity was a surplus of £2,414,112.

(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.

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

(e) Resources expended

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

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

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

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

(f) Tangible fixed assets and depreciation

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

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

| | |
|--|-----------------------------------|
| Freehold buildings - | 2% of cost or valuation per annum |
| Leasehold buildings (over 50 years) - | 2% of cost or valuation per annum |
| Leasehold buildings (under 50 years) - | Over term of lease |
| Fixtures and fittings - | 10-20% of cost per annum |
| Office and domestic equipment - | 10-33⅓% of cost per annum |
| Motor vehicles - | 25% of cost per annum |
| Computer equipment - | 33⅓% of cost per annum |

(g) Investments

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

(h) Operating leases

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

(i) Pension scheme

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved. The scheme is valued under FRS17 Retirement Benefits and is described in Note 19.

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

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes as described in Note 19.

2 Merger

As stated in note 1(b) above, on 1 January 2009 the Charity became the sole Trustee of The Sir Thomas Lipton Charity, previously called The Sir Thomas Lipton Memorial Hostel. No consideration was paid on this merger. The merger has been accounted for by the acquisition method of accounting.

The net movement in funds of The Sir Thomas Lipton Charity for its financial year ended 31 December 2008 was £(399,157).

The net movement in funds of The Sir Thomas Lipton Charity from the date of merger to the balance sheet date included in the consolidated accounts is £32,798.

The value of assets and liabilities transferred was:

| | |
|---|------------------|
| Fixed assets | £ |
| Tangible fixed assets at net book value | 77,216 |
| Revaluation of property | 815,700 |
| Investments | 1,271,920 |
| Current assets | |
| Debtors | 18,956 |
| Short term deposits | 10,519 |
| Cash at bank and in hand | <u>17,410</u> |
| Total assets | <u>2,211,721</u> |
| Liabilities | |
| Creditors falling due within one year | <u>(55,537)</u> |
| Funds | <u>2,156,184</u> |

The funds at the date of merger have been included in the Statement of Financial Activities for the year.

3 Donations and legacies

| | Unrestricted funds £ | Restricted funds £ | Total funds 2009 £ | Total funds 2008 £ |
|--|----------------------------|--------------------------|--------------------------|--------------------------|
| Donations | | | | |
| The Clothworkers' Foundation | 22,000 | - | 22,000 | 22,000 |
| The John Ellerman Foundation | - | 25,000 | 25,000 | 25,000 |
| Garfield Weston Foundation | - | 100,000 | 100,000 | - |
| The Dowager Countess Eleanor Peel Trust | - | 5,000 | 5,000 | - |
| PF Charitable Trust | - | 5,000 | 5,000 | - |
| Other | 205,337 | 213,159 | 418,496 | 479,174 |
| Legacies | 496,324 | 91,968 | 588,292 | 568,450 |
| | <u>723,661</u> | <u>440,127</u> | <u>1,163,788</u> | <u>1,094,624</u> |
| Donated properties: | | | | |
| Hanover Housing Association | - | - | - | 3,082,000 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,082,000</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2009 (continued)

4 Investment income

| | Unrestricted funds £ | Restricted funds £ | Total funds 2009 £ | Total funds 2008 £ |
|--|----------------------------|--------------------------|--------------------------|--------------------------|
| Dividends from listed investments | 203,267 | 234,870 | 438,137 | 453,867 |
| Interest on cash and short term deposits | 71,388 | - | 71,388 | 136,394 |
| | <u>274,655</u> | <u>234,870</u> | <u>509,525</u> | <u>590,261</u> |

5 Other incoming resources

| | Unrestricted funds £ | Restricted funds £ | Total funds 2009 £ | Total funds 2008 £ |
|---------------|----------------------------|--------------------------|--------------------------|--------------------------|
| Rental income | 226,537 | - | 226,537 | 175,272 |
| | <u>226,537</u> | <u>-</u> | <u>226,537</u> | <u>175,272</u> |

6 Total resources expended

| | Activities directly undertaken £ | Grant funding of activities £ | Support services £ | Total 2009 £ | Total 2008 £ |
|---------------------------------|---|--|--------------------------|--------------------|--------------------|
| <i>Cost of generating funds</i> | | | | | |
| Fundraising costs | 431,174 | - | 14,317 | 445,491 | 444,495 |
| Public affairs costs | 28,600 | - | 13,338 | 41,938 | 65,113 |
| Investment management costs | 40,625 | - | 7,824 | 48,449 | 54,434 |
| <i>Charitable activities</i> | | | | | |
| Residential care | 12,809,226 | - | 1,029,778 | 13,839,004 | 11,584,062 |
| Community services | 1,307,321 | - | 153,594 | 1,460,915 | 1,242,128 |
| Grants and allowances payable | 66,486 | 298,617 | 22,704 | 387,807 | 312,740 |
| Management services | 17,242 | - | 11,803 | 29,045 | 143,700 |
| <i>Governance costs</i> | 26,478 | - | 121,429 | 147,907 | 158,938 |
| Total resources expended | <u>14,727,152</u> | <u>298,617</u> | <u>1,374,787</u> | <u>16,400,556</u> | <u>14,005,610</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

7 Allocation of support costs

| Cost type | Cost of generating funds £ | Charitable activities £ | Governance £ | Total 2009 £ | Total 2008 £ |
|----------------|-------------------------------------|-------------------------------|-----------------|--------------------|--------------------|
| Staff costs | 21,005 | 721,084 | 84,227 | 826,316 | 791,272 |
| Premises costs | 3,406 | 116,939 | 10,986 | 131,331 | 119,006 |
| Depreciation | 1,265 | 43,414 | 5,071 | 49,750 | 46,411 |
| Other costs | 9,803 | 336,542 | 21,145 | 367,390 | 389,515 |
| | <u>35,479</u> | <u>1,217,979</u> | <u>121,429</u> | <u>1,374,787</u> | <u>1,346,204</u> |

8 Net movement in funds for the year

| Net movement in funds for the year is stated after charging: | 2009 £ | 2008 £ |
|---|-------------------|-------------------|
| Staff costs (see Note 9) | 11,512,761 | 9,684,658 |
| Depreciation of tangible fixed assets (Note 10) | 634,519 | 522,648 |
| Auditors' remuneration | 19,508 | 17,221 |
| Professional indemnity insurance | 5,686 | 6,597 |
| Surplus on sale of fixed assets | 409,204 | 494,834 |
| | <u>12,581,688</u> | <u>10,725,958</u> |

The professional indemnity insurance is in respect of Trustees, committee members and staff. Cover included 22 Trustees and committee members (2008:22).

9 Staff costs

| | 2009 No. | 2008 No. |
|------------------------------|-------------------|------------------|
| Full time | 328 | 294 |
| Part time | 279 | 254 |
| | <u>607</u> | <u>548</u> |
| Staff costs were as follows: | £ | £ |
| Salaries | 9,153,363 | 7,532,870 |
| Social security costs | 745,160 | 638,401 |
| Pension costs | 386,066 | 329,118 |
| | <u>10,284,589</u> | <u>8,500,389</u> |

Agency and contract costs of £1,228,172 were incurred during the year (2008: £1,184,269).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

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

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

The trustees received no remuneration for their services (2008:Nil). During 2009 no amounts were paid on behalf of Trustees, including expenses reimbursed (2008: one Trustee, £191).

10 Tangible fixed assets

| Consolidated | Freehold & Long Leasehold Property £ | Short Leasehold Property £ | Fixtures/ Equipment and Vehicles £ | Total £ |
|-----------------------------|--|-------------------------------------|---|-------------------|
| Cost or Valuation | | | | |
| At 1 October 2008 | 19,785,402 | 155,946 | 3,179,811 | 23,121,159 |
| Merger assets | 900,301 | - | 65,984 | 966,285 |
| Additions | 240,218 | - | 495,451 | 735,669 |
| Disposals | (80,796) | - | (331,724) | (412,520) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 30 September 2009 | 20,845,125 | 155,946 | 3,409,522 | 24,410,593 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Depreciation | | | | |
| At 1 October 2008 | 2,352,185 | 73,356 | 2,039,975 | 4,465,516 |
| Merger assets | 32,268 | - | 41,101 | 73,369 |
| Charge for year | 313,865 | 2,546 | 318,108 | 634,519 |
| Disposals | - | - | (341,191) | (341,191) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| At 30 September 2009 | 2,698,318 | 75,902 | 2,057,993 | 4,832,213 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net book value | | | | |
| 30 September 2009 | 18,146,807 | 80,044 | 1,351,529 | 19,578,380 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Net book value | | | | |
| 30 September 2008 | 17,433,217 | 82,590 | 1,139,836 | 18,655,643 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

10 Tangible fixed assets (continued)

| Charity | Freehold & Long Leasehold Property £ | Short Leasehold Property £ | Fixtures/ Equipment and Vehicles £ | Total £ |
|-----------------------------|--|-------------------------------------|---|-------------------|
| Cost or Valuation | | | | |
| At 1 October 2008 restated | 17,725,050 | 155,946 | 3,179,811 | 21,060,807 |
| Merger assets | 900,301 | - | 65,984 | 966,285 |
| Additions | 245,651 | - | 495,452 | 741,102 |
| Disposals | - | - | (331,724) | (331,724) |
| At 30 September 2009 | 18,871,001 | 155,946 | 3,409,523 | 22,436,470 |
| Depreciation | | | | |
| At 1 October 2008 restated | 2,251,479 | 73,356 | 2,039,975 | 4,364,810 |
| Merger assets | 32,268 | - | 41,101 | 73,369 |
| Charge for year | 283,159 | 2,546 | 318,109 | 603,814 |
| Disposals | - | - | (341,191) | (341,191) |
| At 30 September 2009 | 2,566,906 | 75,902 | 2,057,994 | 4,700,802 |
| Net book value | | | | |
| 30 September 2009 | 16,304,095 | 80,044 | 1,351,529 | 17,735,668 |
| Net book value | | | | |
| 30 September 2008 | 15,473,571 | 82,590 | 1,139,836 | 16,695,997 |

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 during in 2008 and 2009 were valued by the members of the Governing Council, having taken advice from independent professionally qualified chartered surveyors and valuers, at an existing use value using a formula based on the turnover of the homes.

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

| | 2009 £ | 2008 £ |
|--|-------------------|-------------------|
| Cost | 12,692,891 | 12,362,639 |
| Aggregate depreciation based on cost | (1,780,901) | (1,584,688) |
| | <u>10,911,990</u> | <u>10,777,951</u> |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount. | <u>117,649</u> | <u>58,841</u> |

At the year end the Charity and Group had capital commitments of £160,000 (2008 : £250,000).

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

11 Fixed assets – Investments

(a) Cost or valuation

| | Investments | | Cash £ | Consolidated Total £ | Investments in Subsidiaries | | Charity Total £ Restated |
|---|------------------|------------------|----------------|----------------------------|--------------------------------|---------------|---------------------------------------|
| | Listed £ | Non-Listed £ | | | Smiles £ | Trading £ | |
| At 1 October 2008 | 8,087,081 | - | 899,900 | 8,986,981 | (686,632) | 10,002 | 8,310,351 |
| Additions | 1,314,780 | 1,271,920 | - | 2,586,700 | (137,192) | - | 2,449,508 |
| Disposals | (683,711) | (1) | - | (683,712) | 54,957 | - | (628,755) |
| Net gain/(loss) on disposal | (8,726) | - | - | (8,726) | 2,217 | - | (6,509) |
| Net (loss)/gain on revaluation at 30 September 2009 | 469,215 | 95,354 | - | 564,569 | (42,226) | - | 522,343 |
| Net movement in cash | - | - | (631,495) | (631,495) | - | - | (631,495) |
| At 30 September 2009 | <u>9,178,639</u> | <u>1,367,273</u> | <u>268,405</u> | <u>10,814,317</u> | <u>(808,876)</u> | <u>10,002</u> | <u>10,015,443</u> |
| Cost at 30 September 2009 | <u>9,191,300</u> | <u>95,067</u> | <u>268,405</u> | <u>9,554,772</u> | <u>(806,260)</u> | <u>10,002</u> | <u>8,758,514</u> |

The subsidiaries included above are The Smiles Home for Invalid Ladies (Smiles), and two trading companies - Potential Limited and Friends of the Elderly Trading Limited (dormant).

Summary of results of subsidiaries for the year ended 30 September 2009:

| | The Smiles Home for Invalid Ladies £ | Potential Limited £ |
|---|--|-------------------------------|
| Incoming resources / Total income | 38,468 | 740,413 |
| Resources expended / Expenditure | (69,174) | (742,797) |
| (Deficit) / (Loss) | (30,706) | (2,384) |
| Other recognised gains | 40,009 | - |
| Net movement in funds / Result for the year | <u>9,303</u> | <u>(2,384)</u> |
| Net assets at 30 September 2009 | <u>2,711,325</u> | <u>1,785</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

(b) Analysis of listed investments

| | Unrestricted funds | Restricted funds | Endowment funds | Total 2009 | Total 2008 |
|--------------------------|-----------------------|---------------------|--------------------|------------------|------------------|
| | £ | £ | £ | £ | £ |
| Fixed interest – UK | 1,387,164 | 197,321 | 1,654,469 | 3,238,954 | 2,982,288 |
| Equities – UK | 2,308,917 | 328,438 | 2,317,755 | 4,955,110 | 4,026,268 |
| Equities – International | 114,857 | 16,338 | - | 131,195 | 105,331 |
| Hedge funds | 238,124 | 33,873 | 247,782 | 519,779 | 550,841 |
| Property | 152,832 | 21,740 | 159,029 | 333,601 | 422,353 |
| | <u>4,201,894</u> | <u>597,710</u> | <u>4,379,035</u> | <u>9,178,639</u> | <u>8,087,081</u> |

12 Debtors

| | Consolidated | | Charity | |
|--|----------------|----------------|----------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £ | £ | £ | £ |
| Fee debtors | 291,047 | 524,803 | 291,047 | 524,803 |
| Amounts due from subsidiary undertakings | - | - | 16,752 | 48,817 |
| Other debtors | 192,152 | 194,734 | 181,739 | 254,680 |
| Prepayments and accrued income | 218,084 | 172,299 | 218,084 | 172,299 |
| Loan to subsidiary | - | - | 68,208 | 385,000 |
| | <u>701,283</u> | <u>891,836</u> | <u>775,830</u> | <u>1,385,599</u> |

A secured loan of £1,500,000 was made to Potential Limited in the year to 30 September 2007 on sale of land in Woking to Potential Limited by the Charity. The loan is repayable when the land is sold by Potential Limited. £316,792 was repaid during the year in addition to £500,000 repaid in the year to 30 September 2007 and £615,000 repaid in the year to 30 September 2008. Interest on the loan is charged at the Bank of England base rate at 0.5% (5.0% at 30 September 2008).

13 Creditors: amounts falling due within one year

| | Consolidated | | Charity | |
|--|------------------|------------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £ | £ | £ | £ |
| Trade creditors | 717,406 | 678,584 | 640,321 | 626,750 |
| Amounts due to subsidiary undertakings | - | - | 156,600 | 59,946 |
| Other creditors | 309,360 | 413,218 | 309,360 | 413,218 |
| Taxation and social security | 174,218 | 144,472 | 174,218 | 144,472 |
| Accruals and deferred income | 479,033 | 426,997 | 479,033 | 426,997 |
| | <u>1,680,017</u> | <u>1,663,271</u> | <u>1,759,532</u> | <u>1,671,383</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements

For the year ended 30 September 2009 (continued)

14 Analysis of net assets between funds

| Fund balances at 30 September 2009 Represented by: | Consolidated Unrestricted funds £ | Consolidated Restricted funds £ | Consolidated Endowment funds £ | Consolidated total £ |
|---|--|--|---|----------------------------|
| Tangible fixed assets | 19,265,245 | - | 313,135 | 19,578,380 |
| Investments | 4,960,585 | 909,640 | 4,944,092 | 10,814,317 |
| Current assets | 2,396,020 | 439,464 | (2,816) | 2,832,668 |
| Current liabilities | (1,680,017) | - | - | (1,680,017) |
| Pension scheme liability | (39,300) | - | - | (39,300) |
| | 24,902,533 | 1,349,104 | 5,254,411 | 31,506,048 |
| | 24,902,533 | 1,349,104 | 5,254,411 | 31,506,048 |
| | Charity Unrestricted funds £ | Charity Restricted funds £ | Charity Endowment funds £ | Charity total £ |
| Tangible fixed assets | 17,704,591 | - | 31,077 | 17,735,668 |
| Investments | 4,970,587 | 909,640 | 4,135,216 | 10,015,443 |
| Current assets | 2,468,061 | 439,464 | (28,089) | 2,879,436 |
| Current liabilities | (1,759,532) | - | - | (1,759,532) |
| Pension scheme liability | (39,300) | - | - | (39,300) |
| | 23,344,407 | 1,349,104 | 4,138,204 | 28,831,715 |
| | 23,344,407 | 1,349,104 | 4,138,204 | 28,831,715 |

15 Unrestricted funds

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

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

The net transfer of £207,995 from restricted funds shown in note 16 represents unrestricted funds expended to generate restricted income.

FRIENDS OF THE ELDERLY
Notes to the Financial Statements
For the year ended 30 September 2009 (continued)

15 Unrestricted funds

| Consolidated | Designated Funds | | | Total Designated funds | General reserves | Total |
|---|-------------------------|---------------------------|---|-------------------------------|-------------------------|-------------------|
| | Development | Community Services | Property & Fixed assets in use | | | |
| | £ | £ | £ | £ | £ | £ |
| As at 1 October 2008 | 2,099,109 | 246,155 | 18,286,198 | 20,631,462 | 2,623,923 | 23,255,385 |
| Merger funds | - | - | 892,916 | 892,916 | 574,550 | 1,467,466 |
| Surplus on sale of land | - | - | - | - | 409,204 | 409,204 |
| Transfers from restricted funds (Note 16) | - | - | - | - | (207,995) | (207,995) |
| Investment Gains (net) | - | - | - | - | 262,937 | 262,937 |
| Pension scheme actuarial loss | - | - | - | - | (39,300) | (39,300) |
| Capital Expenditure (net) | - | - | 323,150 | 323,150 | - | 323,150 |
| Transfer to designated funds | 200,000 | - | - | 200,000 | (200,000) | - |
| Funds (utilised) | (245,039) | (21,703) | (237,019) | (503,761) | (64,553) | (568,314) |
| As at 30 September 2009 | 2,054,070 | 224,452 | 19,265,245 | 21,543,767 | 3,358,766 | 24,902,533 |
| Charity | £ | £ | £ | £ | £ | £ |
| As at 1 October 2008 restated | 2,099,109 | 246,155 | 16,664,280 | 19,009,544 | 3,062,288 | 22,071,832 |
| Merger funds | - | - | 892,916 | 892,916 | 574,550 | 1,467,466 |
| Transfers from restricted funds (Note 16) | - | - | - | - | (207,995) | (207,995) |
| Investment Gains (net) | - | - | - | - | 262,937 | 262,937 |
| Pension scheme actuarial loss | - | - | - | - | (39,300) | (39,300) |
| Capital Expenditure (net) | - | - | 409,378 | 409,378 | - | 409,378 |
| Transfer to designated funds | 200,000 | - | - | 200,000 | (200,000) | - |
| Funds (utilised) | (245,039) | (21,703) | (261,983) | (528,725) | (91,186) | (619,911) |
| As at 30 September 2009 | 2,054,070 | 224,452 | 17,704,591 | 19,983,113 | 3,361,294 | 23,344,407 |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

16 Restricted funds

| Consolidated and Charity | Balance 1 October 2008 £ | Incoming resources £ | Funds utilised £ | Merger funds, gains on investments & transfers £ | Balance 30 September 2009 £ |
|--|--------------------------------|----------------------------|---------------------|--|--------------------------------------|
| Funds for the upkeep of residential homes | | | | | |
| The Smiles Home | - | 38,468 | (38,468) | - | - |
| The Sir Thomas Lipton Charity | - | - | - | 16,435 | 16,435 |
| Other homes funds | 100,937 | 235,988 | (155,105) | - | 181,820 |
| | <u>100,937</u> | <u>274,456</u> | <u>(193,573)</u> | <u>16,435</u> | <u>198,255</u> |
| Funds for residents' subsidies | | | | | |
| House of Nunn | - | 49,989 | (49,989) | - | - |
| Stuart Trust | - | 28,239 | (28,239) | - | - |
| William Edmonds | - | 17,421 | (17,421) | - | - |
| Innholders | - | 45,600 | (45,600) | - | - |
| | <u>-</u> | <u>141,249</u> | <u>(141,249)</u> | <u>-</u> | <u>-</u> |
| Funds for community projects | | | | | |
| Home support | - | 32,048 | (30,000) | - | 2,048 |
| Home visiting | 8,753 | 7,205 | (8,170) | - | 7,788 |
| Day clubs | 194 | 8,624 | (3,487) | - | 5,331 |
| | <u>8,947</u> | <u>47,877</u> | <u>(41,657)</u> | <u>-</u> | <u>15,167</u> |
| Funds for grants and allowances | | | | | |
| Plender fund | 33,783 | 4,148 | (27,154) | 4,825 | 15,602 |
| Vaisey fund | 22,023 | 1,267 | (126) | 1,475 | 24,639 |
| Gentlefolks Help fund | 33,929 | 1,364 | (1,336) | 1,588 | 35,545 |
| City of London Welcare Ass. | 530,280 | 19,836 | (36,991) | 23,087 | 536,212 |
| Other funds | 78,814 | 79,117 | (93,199) | - | 64,732 |
| | <u>698,829</u> | <u>105,732</u> | <u>(158,806)</u> | <u>30,975</u> | <u>676,730</u> |
| Capital funds | | | | | |
| Malvern Appeal | - | 161,942 | - | - | 161,942 |
| The Sir Thomas Lipton Charity | - | - | - | 277,220 | 277,220 |
| Other | 1,388 | 3,000 | (612) | - | 3,776 |
| | <u>1,388</u> | <u>164,942</u> | <u>(612)</u> | <u>277,220</u> | <u>442,938</u> |
| Other restricted funds | 13,810 | 7,485 | (5,281) | - | 16,014 |
| Costs of generating donations & legacies | - | - | (207,995) | 207,995 | - |
| | <u>13,810</u> | <u>7,485</u> | <u>(213,276)</u> | <u>207,995</u> | <u>16,014</u> |
| Total | <u>823,911</u> | <u>741,741</u> | <u>(749,173)</u> | <u>532,625</u> | <u>1,349,104</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

17 Endowment funds

At 30 September 2009, the endowment funds are made up of 20 individual funds which have been set up at various times over a period of many years. The different funds vary considerably in size; the larger of these are shown separately. Some of the funds are also separately registered charities (details are given in Note 21). With the exception of The Smiles Home and other small property trust, these funds are represented mainly by fixed asset investments which have been pooled into a common fund known as the Income Fund. Investment income is shown together with its utilisation within Restricted funds (Note 16).

| Consolidated | Balance 1 October 2008 £ | Donations and gains/(losses) on investments net of utilisations £ | Merger funds £ | Balance 30 September 2009 £ |
|--|--------------------------------|---|-------------------|-----------------------------------|
| Funds for the upkeep of residential homes | | | | |
| Davenham and cottages | 557,795 | 25,863 | - | 583,658 |
| Woodcote Grove | 129,536 | 6,526 | - | 136,062 |
| The Smiles Home | 1,080,104 | 36,103 | - | 1,116,207 |
| Redcot | 75,831 | 3,820 | - | 79,651 |
| The Sir Thomas Lipton Home | - | 21,522 | 418,874 | 440,396 |
| Other funds | 45,395 | 2,287 | - | 47,682 |
| | <u>1,888,661</u> | <u>96,121</u> | <u>418,874</u> | <u>2,403,656</u> |
| Funds for residents' subsidies | | | | |
| House of Nunn | 1,031,977 | 51,991 | - | 1,083,968 |
| Stuart Trust | 578,812 | 29,370 | - | 608,182 |
| William Edmunds | 359,649 | 18,120 | - | 377,769 |
| Other funds | 50,023 | 2,502 | - | 52,525 |
| | <u>2,020,461</u> | <u>101,983</u> | <u>-</u> | <u>2,122,444</u> |
| Funds for grants and allowances | | | | |
| Harry Livesey | 102,460 | 5,162 | - | 107,622 |
| William Lambe | 281,146 | 14,165 | - | 295,311 |
| James Mew | 140,516 | 7,648 | - | 148,164 |
| Other funds | 168,720 | 8,494 | - | 177,214 |
| | <u>692,842</u> | <u>35,469</u> | <u>-</u> | <u>728,311</u> |
| Total | <u>4,601,964</u> | <u>233,573</u> | <u>418,874</u> | <u>5,254,411</u> |
| Charity | | | | |
| As above but excluding The Smiles Home | | | | |
| Total | <u>3,521,860</u> | <u>197,470</u> | <u>418,874</u> | <u>4,138,204</u> |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

18 Operating leases

| | Property | | Other | |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2009 | 2008 | 2009 | 2008 |
| | £ | £ | £ | £ |
| Within 2 to 5 years | - | - | 15,175 | 15,175 |
| Over 5 years | 51,500 | 59,728 | - | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

19 Pension schemes

Group Personal Pension Plan

Since 1 October 1996 the Charity has operated a defined contribution scheme available to new and existing members. During the year AXA replaced Standard Life as the provider of the scheme. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £386,066 in the year (2008 - £329,118).

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

Until 30 September 1996, the Charity operated a defined benefit scheme in the UK, the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The Pensions Act 2004 required the Trustees of the Scheme to obtain an actuarial valuation of the technical provisions (ie liabilities) of the Scheme as at 1 October 2006 and to prepare a recovery plan if the assets were insufficient to cover the technical provisions. The actuarial valuation issued on 14 December 2007 showed the value of the assets at 1 October 2006 to be £1,360,000, which matched that of the technical provisions, and stated that the Trustees do not need to draw up a recovery plan. A schedule of contributions showing a nil contribution as from 1 January 2008 was agreed between the Scheme and Employer and certified by the Actuary.

The following disclosures have been provided by the Actuary to meet the requirement of FRS 17 Retirement Benefits for the purposes of these accounts. The net liability has been included in these accounts as an actuarial loss on the Statement of Financial Activities and as a pension scheme liability on the Balance Sheet. An actuarial valuation of the liabilities was carried out at 30 September 2008.

Employee benefit obligation

The amounts recognised in the balance sheet are as follows:

| | 30.09.09 | 30.09.08 |
|--|-----------------------------|------------------------|
| | £ | £ |
| Present value of funded obligations | 810,600 | 734,300 |
| Fair value of Scheme assets | (771,300) | (1,034,200) |
| Amount (surplus) not recognised as an asset (FRS17 paragraph 41 refers) | - | 299,900 |
| Net liability | <u> </u> 39,300 | <u> </u> - |

The assets valued below are in the form of an insurance policy invested in a with-profits fund with the Equitable Life Assurance Society. The value has been taken as the policy value that would have been available had all members retired on 30 September 2009. The value shown is not necessarily the value that would be available were the policy to be surrendered.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

19 Pension schemes continued

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

| | 30.09.09 |
|------------------------------------|-----------|
| | £ |
| Opening defined benefit obligation | 734,300 |
| Interest cost | 48,700 |
| Actuarial losses/(gains) | 209,200 |
| Benefits paid | (181,600) |
| | <hr/> |
| Closing defined benefit obligation | 810,600 |

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

| | 30.09.09 |
|-----------------------------------|-----------|
| | £ |
| Opening fair value of plan assets | 1,034,200 |
| Expected return | 53,700 |
| Actuarial gains/(losses) | (135,000) |
| Contributions by employer | - |
| Benefits paid | (181,600) |
| | <hr/> |
| Closing fair value of plan assets | 771,300 |

The amounts recognised in profit or loss are as follows:

| | 30.09.09 | 30.09.08 |
|---|---------------------|---------------|
| | £ | £ |
| Interest on obligation | 48,700 | 48,500 |
| Expected return on plan assets | (53,700) | (52,700) |
| Adjustment in respect of unrecognisable asset (FRS17 paragraph 67(c) refers) | - | 4,200 |
| Total | <hr/> (5,000) <hr/> | <hr/> - <hr/> |
| Actual return on plan assets | (81,300) | 47,200 |

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

19 Pension schemes continued

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

| | 30.09.09 |
|-----------------------|----------|
| Corporate bonds/gilts | 79% |
| Property | 9% |
| Equities | 6% |
| Cash | 6% |

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 2009: 4.4%

Principal actuarial assumptions at the balance sheet date:

| | 30.09.09 |
|---|----------|
| Discount rate | 5.5% pa |
| Inflation assumption | 3.2% pa |
| Rate of increases to deferred pensions | 3.2% pa |
| Death after retirement: in accordance with the standard mortality tables PNMA and PNFA00 tables, appropriate to each individual's year of birth, with the long cohort improvements and subject to a minimum rate of improvement of 1% pa. | |

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

| | 30.09.09 | 30.09.08 | 30.09.07 | 30.09.06 | 30.09.05 |
|--|-----------|-----------|-----------|-------------|-------------|
| Defined benefit obligation | (810,600) | (734,300) | (847,200) | (1,128,900) | (1,177,700) |
| Plan assets | 771,300 | 1,034,200 | 1,016,100 | 1,216,900 | 1,324,600 |
| Surplus/(deficit) | (39,300) | 299,900 | 168,900 | 88,000 | 146,900 |
| Experience adjustments on plan liabilities | (45,200) | (11,700) | (12,800) | (71,100) | 51,400 |
| Experience adjustments on plan assets | (135,000) | (5,500) | 14,500 | 9,100 | (2,200) |

Scottish Voluntary Sector Pension Scheme

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

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

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

19 Pension schemes continued

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.

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 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 |

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

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

Since 1 October 2008 Friends of the Elderly pays at the rate of 18.7%. This comprises the on-going employer contribution rate of 12.5% plus the closed arrangement loading of 3.5% plus 2.7% in respect of deficit contributions. If the valuation assumptions are borne out in practice this pattern of contributions should be sufficient to eliminate the past service deficit at the 2005 valuation, on an on-going funding basis, by 31 March 2022.

FRIENDS OF THE ELDERLY

Notes to the Financial Statements For the year ended 30 September 2009 (continued)

19 Pension schemes continued

Where an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. A copy of the recovery plan must be sent to the Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan). The recovery plan from the 2008 valuation will be submitted to the Pensions Regulator in due course. The next full actuarial valuation will be carried out as at 30 September 2011.

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

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 2008 was £456,780.

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 2009 (continued)

19 Pension schemes continued

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.

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

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

FRIENDS OF THE ELDERLY

For the year ended 30 September 2009 (continued)

20 Taxation

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

21 Charities under the common control of Friends of the Elderly

| Name | Registered Charity No. |
|--------------------------------------|------------------------|
| The Sir Thomas Lipton Charity | 213300 |
| Harry Livesey Charity | 208087 |
| The Pension Charity of William Lambe | 234592 |
| The House of Nunn | 253961 |
| Charity of James Mew | 234600 |

The income and expenditure and assets and liabilities of these charities are included in these financial statements.

22 Members

At 30 September 2009 there were 14 members (2008: 12 members) who each pledge to pay £1 on winding up.

FRIENDS OF THE ELDERLY



40-42 Ebury Street
London SW1W 0LZ

Telephone 020-7730 8263
Fax 020-7259 0154
Website www.fote.org.uk

Royal Patron

Her Majesty The Queen

President

HRH Princess Alexandra

Vice Presidents

Lady Elizabeth Cavendish CVO
Sir John Milne (Chairman Emeritus)

Lady Gingell

Mr R Aisher OBE

Mr R Bullough

Rear-Admiral A Wheatley CB

Patrons

The Most Reverend and Rt Hon the Lord Archbishop of Canterbury

Diana, Lady Farnham CVO

The Rt Hon The Baroness Boothroyd PC

Professor D Brooker

The Baroness Greengross OBE

The Hon Mrs McAulay