Report and Financial Statements

for the year ended 31 March 2014

Reference & admin details

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 Rui Domingues

5) Trustees
Mr K Rubie *(Chairman) 1,2,3,4,5*
Mrs J Andrews *(TLC Chair) 1*
Mr S Dawes *(Vice-Chair) (to Mar 2014) 2,3*
Mr D Brazier 2
Mr M Burdes *5*
Mr M Cardale *(to Oct 2013) 2*
Viscount Devonport *2,5*
Ms S Goodband *(Vice-Chair)* 2,3,4,5
Mrs S Hudson *3,4*
Mr J Hussey *(Vice-Chair) 2,4*
Mrs V Pendock *(Vice-Chair) (to July 2013) 4*
Mr J Ross *(Hon Treasurer) (from Mar 2014) 2*
Mr M van der Schalk *(Hon Treasurer) (to Mar 2014) 2,5*
Ms S A Taylor *3*
Mrs D Warwick *(to Nov 2013) 3*
Ms P Wright *3*
Mrs F C de Zoete *(to Dec 2013) 3*

1. *Member of TLC Care Board*
2. *Member of the Finance & General Purposes Committee*
3. *Member of the Operations Committee*
4. *Member of the Fundraising & Public Affairs Committee*
5. *Member of the Property Committee*

6) Central Management Team
Mr R Furze *(Chief Executive) (to Feb 2014)*
Mr S Allen *(Chief Executive) (from Mar 2014)*
Mrs N Clayton *(Director of HR)*
Mr P Cottrell *(Director of Property)*
Mr R Domingues *(Director of Finance & ICT)*
Mr M Farrell *(CEO of TLC) (to June 2014)*
Ms J O'Boyle *(Director of Fundraising & Public Affairs)*
Mr C Poole *(Director of Operations)*

7) Statutory Auditor
Mazars LLP
Times House
Throwley Way
Sutton, Surrey SM1 4JQ

8) Bankers
HSBC plc
89 Buckingham Palace Rd
Belgravia
London SW1W 0QL

9) Investment Managers
Cazenove Capital
Management Limited
12 Moorgate
London EC2R 6DA

CCLA Investment
Management Limited
80 Cheapside
London EC2V 6DZ

10) Solicitors
Anthony Collins
134 Edmund Street
Birmingham
B3 2ES

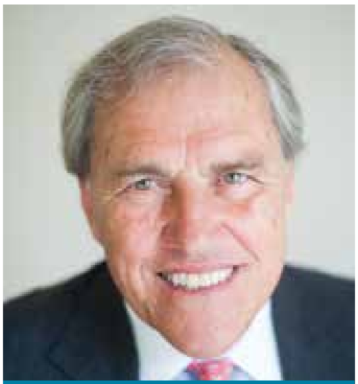
Contents

Our Vision & Mission

Friends of the Elderly's services are integrated with one another where possible, so we can adapt our support for people through their later years as their needs change. This integration allows people to live independently for as long as possible or move into residential care when needed.

Our mission is to support those who are frail, combat loneliness and isolation and reduce poverty. We believe all older people should be treated with respect and dignity and have the opportunity to live fulfilled lives.

Baroness Boothroyd records our Radio 4 Appeal.



Kerry Rubie
Chairman

Chairman's Introduction

Friends of the Elderly continues its commitment to support older people in need due to frailty, isolation or poverty.

Over the last year we have undertaken a strategic review of our care homes to ensure that, in this increasingly competitive and regulated environment, we continue to offer outstanding care in fit for purpose facilities.

As part of this review we have invested in remodeling our Bernard Sunley care home in Woking to upgrade the facilities and provide a range of residential, nursing and dementia care which meets the needs of this local community.

We also took the difficult decision to close Sir Thomas Lipton care home in Southgate. The home is no longer fit for purpose and the trustees agreed that it would be an inappropriate use of charitable funds to invest in a building which could not be refurbished to meet the needs of increasingly frail residents.

The review will continue over the next 12 months ensuring we are able to provide a sustainable care home operation to meet future needs.

Loneliness and isolation are key issues for older people and one of our main aims is to reduce and, indeed, prevent loneliness in older people. It is estimated that over one million older people often feel lonely. We believe the answer to this lies within our communities and to this end, we have commissioned a report to look at the future of loneliness over the next 15 years and the results will be launched in August 2014. This report will help to shape our services as well as provide insight to the sector.

So much of our work relies on the generosity of volunteers. This year, we have seen a number of trustees retire and I would particularly like to thank my Vice Chairs Virginia Pendock and Simon Dawes and our Treasurer Max van der Schalk for their combined 33 years of dedicated service to the charity.

I would also like to thank Richard Furze for 10 years of leadership as Chief Executive of the charity. Under his guidance we have increased our support to older people in the community and more recently built Bradbury Court dementia home in Malvern.

In March this year, we appointed Steve Allen as our Chief Executive and I am confident that his strong commercial background and expertise in the older people's arena will lead us successfully through the next stage of the charity's development.

Steve Allen
Chief Executive

Chief Executive's Introduction

I am proud to have been asked to lead the dynamic team at Friends of the Elderly, an organisation with a strong heritage but an appetite for the challenges and opportunities ahead.

As we know, the number of older people is increasing rapidly as we live longer and hopefully healthier lives. But our research shows that the quickening pace of technology, changing demographics and issues such as poverty, are contributing to a rise in the number of older people living with the devastating effects of loneliness - a 40% increase is forecast over the next 15 years.

How we all respond to this challenge is vitally important for the lives and futures of so many people. I have been impressed by how our services and community initiatives bring people together through meaningful and lasting contact in innovative ways.

In the year ahead we will be further developing our *Be a Friend* campaign to combat loneliness, as we work towards our goal of 30,000 people across the UK pledging an act of support for older people in their neighbourhood. We are also developing ways of partnering with companies and organisations to identify simple, creative and practical solutions that bring people and communities together.

Please take a few minutes to visit our website at www.beafriendtoday.org.uk to see how you could help us change the future of loneliness.

The breadth and depth of our influence in the community is increasing, as we further develop our residential, dementia and nursing care homes into community hubs from where we deliver a mix of paid-for services, such as much-needed day centres and home care.

When an older person needs help with an unexpected bill, replacing an essential household appliance, or simply social events to stay connected, Friends of the Elderly steps in with a powerful mix of grants and befriending. We are proud of this work in which we will be continually investing.

We are alive to the future need for 'housing with care' and look forward to the outcome of the Demos Commission on Residential Care to help inform our property and care delivery strategies. We will also continue to ensure we are putting people and carers in control of their care and support in accordance with the Care Act 2014.

I believe, therefore, that we are in an ideal position to develop more of our health and social care and support services linked to community capacity building, and providing innovative and flexible solutions around the current and future needs of older people and their families. It is in such ways that we will continue to refresh the values, aim and objectives of Friends of the Elderly so that they are as relevant today as they were more than 100 years ago.

I look forward to working with all our staff, volunteers, stakeholders – and the people who use our services - in this endeavour.

FRIENDS OF THE ELDERLY'S SOCIAL

We believe all older people should be treated with respect and have the opportunity to live fulfilled lives.

317

community day care places.

2,366

people supported through grants for days out and activities.

452

hours of home support each week.

192

volunteers made home visits or phone calls.

These figures are from April 2013 to March 2014

NETWORK

265

day care places for people with dementia.

566

people in need received a grant.

529

older people befriended by visit or phone call.

448

rooms in our residential, nursing and dementia care homes.

506

people supported to live at home by TLC's domiciliary and extra care services.

Frailty

With the range of care and support options available in the community, those moving into residential care are increasingly frail or require specialist support such as nursing or dementia care.

With this in mind, we have re-modeled our Bernard Sunley care home in Woking.

Based on the positive outcomes our small dementia wings have on our residents, we have opened a new dementia wing for 15 residents in the home. The wing has been designed to the latest standards in dementia care and includes several reminiscence features and themed areas.

Alongside the home, our Bradbury Centre community hub continues to provide a range of support services for older people in their own homes. Thanks to a Public Health Lottery grant, we have been able to expand our Admiral Nurse service in the area, reaching more people with dementia with one to one support.

Case Study: New Admiral Nurse working in partnership

The Surrey Training Consortium

Our Admiral Nurse team is working in partnership with 10 GP practices in Surrey to improve awareness and understanding of dementia amongst surgery staff and to increase partnership working with carers.

Jane*a retired nurse lives on her own and is fiercely independent. Her family have been very concerned about how she was managing and have made several calls to the GP. However the GP felt unable to help as Jane was refusing any medical or social interventions. Our Admiral Nurse, worked with Jane to understand her needs and concerns and helped her to feel more in control so that she became more amenable to discuss and accept support from her family and her GP.

Her son told us "This is a breakthrough!". And her GP said "This is a real ice-breaker. I shall make that referral and hope we can get her to have the scan. Her family I am sure will be extremely grateful for your input and help" (GP)

Future Plans:

- To continue investment in residential care homes ensuring they provide flexible solutions in modern environments.
- To expand our support in the community with a focus on increasing our home care services.

*we have changed Jane's name to respect her privacy.

Poverty

Demand for our grant service continues to rise with a 7% year on year increase in applications to the Supporting Friends service.

The greatest number of requests continue to be help to pay for basic white goods such as cookers, fridges and washing machines. These every day items are essential to ensure older people maintain a healthy lifestyle – but for those on the lowest incomes replacing these goods can be beyond their reach.

In addition to the grants awarded directly by Supporting Friends, we also leverage funds from other organisations. Where requests for grants are beyond our limits, by pledging a small amount towards disability adaptations, home repairs or heating systems, we open the way for larger contributions from other charities. Last year we unlocked a further £254,603 for our beneficiaries

An essential part of our service is checking that our applicants are receiving all the state benefits to which they are entitled. We find many older people are unable to access benefits advice services. Last year Supporting Friends has enabled applicants to increase their annual income by a total of £75,904.

"I would like to thank you and Friends of the Elderly, from the bottom of my heart for the wonderful help you have given me this winter, to help keep me warm. Without your help I'm sure many of us would have a very bad time. God bless you and the people who donate to your charity." Mr R.

As part of our aim to prevent loneliness and isolation, our project fund support small organisations and community groups with events and activities for older people. Last year we distributed £24,000 benefiting 2,366 older people.

"It is so nice to be able to spend a day out and have lunch with others, and enjoy a great day laughing and just being able to forget our isolated lives''

"Now, the people I met at these events keep in touch with me on the phone."

Future Plans:

- We are committed to reaching more older people struggling to cope financially and have increased our grants budget by 7%.

Loneliness and Isolation

Loneliness and isolation continues to be a major issue for older people. It not only affects our emotional well-being but research has shown that loneliness is linked to an increased risk of Alzheimer's and is as life threatening as smoking or obesity.

We continue to strengthen our services to support those living with loneliness and last year we commissioned new research to look at the Future of Loneliness to support us and other organisations in planning new services.

Thanks to the support of 10 Downing Street's Social Action Partnership – we have reviewed how we can deliver friendship and support to the growing number of lonely older people. We recognise that Friends of the Elderly can't reach all the 1million older people who say they are lonely – but we can use our expertise to change public attitudes and take action.

Our 2013 Christmas campaign built on the concept of small acts of kindness demonstrated that people, old and young, want to reach out and do more if only they know how.

This Summer we will be launching an exciting new public campaign which aims to support everyone to make a difference with simple but effective actions.

Staff attending media training at Downing Street.

Case Study: Phoning Friends

Grace* was married for 58 years before becoming a widow. Although her two daughters spent time with her at weekends, she was extremely lonely for most of the week.

Following a knee operation, when it became even more difficult for Grace to get out and about, her Occupational Therapist referred her to Phoning Friends, our telephone befriending scheme.

Grace said "I was really isolated and lonely before Friends of the Elderly became part of my life – but I'm not anymore. I live in an area where there are lots of young families and babies. They stop and say hello but don't have time for longer conversation. Once a fortnight I get a call from my friend Brian…he is wonderful".

When Grace was without heating for a number of weeks, we wrote to her local MP to ask for support with her complaint. Grace said "Their combined efforts resolved the issue very quickly and it was a great relief to feel warm again. I and my family are very grateful for the support of my volunteer Brian and the Friends of the Elderly team. Friends of the Elderly are a real life line to people like me".

*we have changed Grace's name to respect her privacy

Future Plans

- Thanks to the support of 10 Downing Street's Social Action Partnership, we have developed a new strategy to support lonely older people and are launching a new campaign in August 2014 encouraging everyone to make a difference in their local communities.

Financial review

a) **Financial years**

When you look at the figures for 2014 in the financial statements and compare them to the ones for 2013, some will appear to be much lower than in the previous period. This is because the Charity's year end date was changed in the prior accounting period to 31 March, from 30 September. This led to an 18 month accounting period for the Charity for the 2013 financial year and this means that it is hard to compare some of the figures from 2013 to those in 2014. Care must be taken to avoid drawing the wrong conclusions from the figures.

b) **Overall financial performance**

The net movement shown on the SOFA is a negative net movement of £384,387 or 1.7% of total incoming resources. The net movement before other gains and losses was again a negative one at just over £1million or 4.4% of total income. Whilst this is not a sustainable position, the Trustees were aware of this deficit figure throughout the year and had planned for it.

Net cash movement from operating activities has been more or less break even at an out-flow of £41,271 or 0.2% of total income. The planned deficit and investments in 2014 were covered by sale of some of our investment portfolio. This is a short-term plan to support the growth plans of the Group and the intention is not to use investment assets to fund on-going operations.

The Balance Sheet remains healthy, with some capacity for more debt finance.

c) **Reserves**

The Charity holds four different types of reserves – General, Designated, Restricted and Endowments.

General or "free" reserves are held at a level that is designed to protect the Group's work in the event of unforeseen and significant changes in its financial position. 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 Group to honour its commitments to its residents, many of whom are subsidised, and to those supported by its community services;
- Ensuring that regular grant giving can continue.

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

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

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

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

Actual General Reserves at the end of the year were at 1.2 months, which is below the target mentioned above. However, the Trustees are considering revisiting the reserves policy during 2014-15 to make sure that the 3 months' figure is still the right level of reserves for the Charity to hold.

d) Investments

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

Looking at the performance of Cazenove (who hold the bulk of the investment portfolio), their performance was as follows:

	Annual gross yield	Total return Actual	Total return Benchmark
Income fund	3.68%	6.98%	3.81%
Balanced fund	2.68%	6.94%	5.47%

Turning to our other investment managers, CCLA, they returned an income yield of 3.9% (2013: 4.4%) and capital growth of 2.2% (2013: 26.1%).

Therefore, income yields are still holding up and the drop in capital growth across the whole portfolio was expected, considering where markets had been in the previous financial year.

e) Property

The Trustees remain satisfied that the value at which freehold properties are shown in the financial statements is in line with established accounting policies.

f) Pensions

Details of the Charity's pension schemes are shown in note 20. The accounts for the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed) comply with the additional disclosure provisions of FRS17. This defined benefit (final salary) scheme showed a surplus at 31 March 2014 of £13,900 (2013: surplus £22,400) which, according to FRS17, cannot be recognised in the balance sheet as a long term asset. This valuation was prepared by the Scheme Actuary for the purpose of these financial statements.

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

Principal risks and uncertainties

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

But this doesn't mean that we're being complacent about this. The main risk faced by the Charity is and always will be around having providing poor care to a vulnerable individual. So, we have monitoring systems in place to give us early warning signs of any problems and train our staff to a high level.

Another key risk area is around making sure that we are using our incoming resources well. So, in 2014-15, we are undertaking a detailed, fundamental "health-check" of the operating model we use for our care home

The two principal uncertainties faced by the charity at the moment are both political. Firstly, the Dilnot review into the funding of elderly care still needs to be worked through into practice. We continue monitoring any government announcements that might provide clarity around this. Secondly, we are finding that local authorities are increasing their criteria for eligibility for state funding of care home places (due to the pressure on local government finances) and also are unwilling to support the building of new care home spaces. There are some authorities that are not following this trend, but it is one that we are seeing more and more.

The trustees are pleased to present their strategic report for the year ended 31 March 2014, on pages 6 to 16."

19th September 2014

Independent Auditor’s Report to the members of Friends of the Elderly

We have audited the financial statements of Friends of the Elderly for the year ended 31 March 2014 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Charity only Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees’ Responsibilities set out on page 23 to 24, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and charitable company’s affairs as at 31 March 2014 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Alistair Fraser (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

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

26 September 2014

Residents, families and staff celebrate the first anniversary of our new Bradbury Court specialist dementia home.

Financial Statements

Statement of financial activities for the year ended 31 March 2014

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total Funds 2014 (12 months) £	Total Funds 2013 (18 months) £
Incoming resources						
Incoming resources from generated funds						
Donations & legacies	3	226,340	426,656	-	652,996	1,138,361
Investment income	4	205,220	224,938	15,394	445,552	687,267
Incoming resources from charitable activities						
Care home fees		16,043,765	-	-	16,043,765	22,410,132
Community service income		1,050,999	-	-	1,050,999	1,765,865
TLC Care Services		4,487,900	-	-	4,487,900	2,910,836
Management fees		2,318	-	-	2,318	1,338
Other incoming resources	5	313,313	-	-	313,313	306,505
		22,329,855	**651,594**	**15,394**	**22,996,843**	**29,220,304**
Resources expended						
Cost of generating funds						
Fundraising costs		310,897	126,417	-	437,314	571,731
Public affairs costs		107,655	42,847	-	150,502	199,350
Investment management costs		20,147	20,161	-	40,308	54,125
		438,699	189,425	-	628,124	825,206
Charitable activities						
Care homes		16,354,828	273,621	19,622	16,648,071	23,956,999
Community services		1,527,535	124,928	-	1,652,463	2,387,049
TLC Care Services		4,512,332	-	-	4,512,332	2,810,171
Grants and allowances payable		290,797	131,851	-	422,648	646,335
		22,685,492	530,400	19,622	23,235,514	29,800,554
Governance costs		136,771	-	-	136,771	220,301
	6	**23,260,962**	**719,825**	**19,622**	**24,000,409**	**30,846,061**
Net (outgoing) resources before transfers		**(931,107)**	**(68,231)**	**(4,228)**	**(1,003,566)**	**(1,625,757)**
Transfers	16 & 17	(19,230)	135,393	(116,163)	-	-
Net incoming/(outgoing) resources before other gains and losses		**(950,337)**	**67,162**	**(120,391)**	**(1,003,566)**	**(1,625,757)**
Other gains and losses						
Realised gains on sale of fixed assets		267,672	-	-	267,672	207,749
Realised/unrealised gains/(losses) on investments	11	325,864	(15,648)	41,291	351,507	1,952,391
Pensions scheme actuarial movement	20	-	-	-	-	-
TLC assets on merger		-	-	-	-	488,255
		593,536	**(15,648)**	**41,291**	**619,179**	**2,648,395**
Net movement in funds		**(356,801)**	**51,514**	**(79,100)**	**(384,387)**	**1,022,638**
Reconciliation of funds						
Total funds brought forward		25,159,193	1,461,464	6,103,519	32,724,176	31,697,001
Total funds carried forward		**24,802,392**	**1,512,978**	**6,024,419**	**32,339,789**	**32,719,639**

The notes on pages 25 to 47 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.

Financial Statements

Balance sheet as at 31 March 2014

	Notes	Consol 2014 £	Consol 2013 £	Charity only 2014 £	Charity only 2013 £
Fixed assets					
Tangible assets	*10*	22,656,091	22,561,983	22,706,204	22,655,482
Investments	*11*	10,480,532	11,232,039	10,490,534	11,242,041
		33,136,623	33,794,022	33,196,738	33,897,523
Current assets					
Debtors	*12*	2,011,953	1,865,006	1,501,097	1,090,873
Cash		1,294,737	640,938	955,044	476,334
		3,306,690	2,505,944	2,456,141	1,567,207
Creditors					
Amounts falling due within 1 year	*13*	(2,342,402)	(1,724,120)	(2,007,249)	(1,374,671)
Net current assets		964,288	781,824	448,892	192,536
Loans due after one year	*14*	(1,761,122)	(1,851,670)	(1,761,122)	(1,851,670)
Net assets		**32,339,789**	**32,724,176**	**31,884,508**	**32,238,389**
Represented by:					
Unrestricted funds:	*16*				
Designated funds		22,420,905	22,307,266	22,471,018	22,400,765
General reserves		2,381,487	2,851,927	1,876,093	2,272,641
		24,802,392	25,159,193	24,347,111	24,673,406
Restricted funds	*17*	1,512,978	1,461,464	1,512,978	1,461,464
Endowments	*18*	6,024,419	6,103,519	6,024,419	6,103,519
		32,339,789	**32,724,176**	**31,884,508**	**32,238,389**

The financial statements on pages 19 to 21 were approved by the Governing Council, on 19th September 2014 and were signed on its behalf by:

Kerry Rubie
Chairman

The notes on pages 25 to 47 form part of these financial statements.

Financial Statements

Cash flow statement for the year ended 31 March 2014

	2014 £	2014 £ (12 month)	2013 £	2013 £ (18 month)
Reconciliation of net resources to net cash from operating activities:				
Net resources from operations	(1,003,566)		(1,625,757)	
Investment income	(445,552)		(687,267)	
Depreciation	936,513		1,242,811	
Movement in debtors	(91,603)		(686,632)	
Movement in creditors	562,937		(88,783)	
Net cash movement from operating activities		**(41,271)**		**(1,845,628)**
Returns on investments		**445,552**		**687,267**
Capital expenditure and financial investments:				
Purchase of investments	(739,389)		(822,398)	
Purchase of fixed assets	(1,030,621)		(2,456,093)	
Receipts from sale of investments	2,535,851		2,375,631	
Receipts from sale of fixed assets	267,672		228,000	
		1,033,513		**(674,860)**
Financing:				
Loan drawdowns	-		1,033,457	
Loan repayments	(90,548)		-	
		(90,548)		**1,033,457**
Movement in net funds		**1,347,246**		**(799,764)**

	2014 £	2014 £ (12 month)	2013 £	2013 £ (18 month)
Reconciliation of net cash flow to movement in net funds:				
Net funds at start of year	955,385		1,670,731	
TLC funds at 30 June 2012	-		84,418	
Movement in net funds during the year	1,347,246		(799,764)	
		2,302,631		**955,385**
Cash invested	1,007,894		314,447	
Cash at bank	1,294,737		640,938	
		2,302,631		**955,385**

The Notes on pages 25 to 47 form part of these financial statements

Trustees Report

The Trustees of Friends of the Elderly are pleased to present their Annual Report for the year ended 31 March 2014. The Charitable Company's strategic report for the year ended 31 March 2014 is presented on pages 6 to 16.

Structure, Governance and Management

a) The Charity's Constitution

Like most charities, Friends of the Elderly ("the Charity") has a governance structure in place to use its resources wisely, in the Charity's case, to help older people. The key parts of this structure are that:

- The Charity was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964.
- The governing documents of the Charity are its Memorandum and Articles of Association.
- The Charity is governed by trustees, who are member of a Governing Council and who are also directors of the company for Companies Act purposes. All trustees are unpaid for the work they do as trustees of the Charity and are listed on page 2.

b) Group structure

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

- TLC Care Services Ltd ("TLC") – This a charity and company limited by guarantee, delivering domiciliary care and public health services, mainly in east London. TLC has been a wholly-owned subsidiary of the Charity since June 2012, but has also retained its own Trustee Board. Trustees of the Charity have retained the right to certain key strategic decisions, but TLC operates as a separate charity delivering services. TLC retained a separate Chief Executive for the year ended 31 March 2014, who was a member of the Charity's CMT and reported to the Group CEO.
- Potential Ltd ("Potential") – This is the Charity's property development company and is a limited company. Again, this is wholly-owned by the Charity, but also has its own Board of Directors looking after its operations.
- Friends of the Elderly (Trading) Ltd – This limited company is currently dormant, but has been retained against possible future use.

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

c) Trustees and their support

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

- Trustees are appointed by the Governing Council of the Charity subject to formal election at the following Annual General Meeting.
- They then hold office for a period of three years, which is usually renewed for a further three years.
- After the completion of six years, Trustees are eligible for re-election on an annual basis.
- All new Trustees take part in a formal induction programme and receive regular training.
- The Trustees meet at least four times a year.

The Charity and the Group have both changed considerably over the last few years. Therefore, to help trustees oversee the many activities that now take place, additional arrangements have been put in place to support the trustees of the Charity:

- Sub-committees of the Governing Council have been set up, to scrutinise and oversee matters relating to finance, ICT and investment performance, charitable operations, fundraising and public affairs and property.
- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Central Management Team ("CMT").

In addition to its Trustees, the Charity also benefits greatly from the active involvement of many other 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 centers, taking part in stroke and public health work, on sub-committees and sub-groups, and as fundraisers and ambassadors for the Group.

Public benefit statement

An explanation of the Group's objectives and activities can be seen pages 6 to 16. In addition, the Trustees confirm that they have had taken into account the guidance produced by the Charity Commission on public benefit and are happy to state that all of the relevant activities of the Group are carried out for the public benefit.

Responsibilities of the Members of the 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 Group and of the surplus or deficit of the Group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- comply with applicable accounting standards, subject to any material departures disclosed and explained in the financial statements; and

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

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

Statement of disclosure of information to auditors

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

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

Annual General Meeting (AGM)

The AGM of the members of Friends of the Elderly will be held on 4th December 2014. A resolution for the re-appointment of the auditor, Mazars LLP, will be proposed at the AGM.

The Trustees' Annual Report (incorporating a Strategic Review) and the financial statements were approved by the Governing Council on 19th September 2014.

Kerry Rubie
Chairman

Notes to the financial statements

For the year ended 31 March 2014

1 Accounting policies

(a) Basis of accounting

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

(b) Consolidation

The 2013 financial statements were consolidated to include the results of Potential Ltd, Friends of the Elderly Trading Ltd and TLC Care Services Ltd (from June 2012, see note 2), all of which are wholly owned subsidiaries of Friends of the Elderly ("the Charity"). The 2014 financial statements have consolidated these entities for the full year.

No separate Statement of Financial Activities or Income and Expenditure Account have been presented for the Charity alone as permitted by paragraph 397 of the SORP. The net movement in funds for the Charity only was a deficit of £353,881 (consolidated deficit of £384,387).

(c) Fund accounting

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

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

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The 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, service users' and statutory fees, government grants, management fees and investment income are accounted for when receivable. Legacies are accounted for when received or when entitlement arises, it is reasonably certain they will be received and amounts can be measured with sufficient reliability. Donations are accounted for when received and related gift aid when receivable.

(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.

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

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

(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 -	10-33⅓% 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 20.

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

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

2 Subsidiaries' performance figures

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

	Potential Limited	TLC Care Services	FotE (Trading)
	£	£	£
Total income	204,006	4,489,867	-
Expenditure	(203,124)	(4,515,359)	-
Profit	882	(25,492)	-
Gift Aided profits	(882)	-	-
Result for the year	-	(25,492)	-
Net assets at 31 March 2014	4,169	564,530	5,209

Summary of results for the 18 month period ended 31 March 2013 are:

	Potential Limited	TLC Care Services	FotE (Trading)
	£	£	£
Total income	1,416,751	3,766,006	-
Expenditure	(1,413,556)	(3,668,872)	-
Profit	3,195	97,134	-
Gift Aided profits	(3,195)	-	-
Result for the year	-	97,134	-
Net assets at 31 March 2013	4,169	590,022	5,209

Potential Ltd is a whole-owned subsidiary of Friends of the Elderly and undertakes development work for the group.

TLC Care Services (a charitable company, limited by guarantee) is a whole-owned subsidiary of Friends of the Elderly.

Friends of the Elderly (Trading) Limited is dormant.

3 Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2014 12 months £	Total 2013 18 months £
R & H Trust Co. (Bermuda)	-	-	-	29,994
The Ofenheim Charitable Trust	20,000	-	20,000	10,000
The Clothworkers' Foundation	-	50,000	50,000	25,000
Dementia UK	-	47,500	47,500	-
Esmée Fairbairn Foundation	-	10,000	10,000	-
The Henry Smith Charity	-	20,000	20,000	20,000
Other donations	71,148	260,454	331,602	541,892
Legacies	135,192	38,702	173,894	511,475
	226,340	426,656	652,996	1,138,361

4 Investment income

	Unrestricted funds £	Restricted funds £	Endowment funds £	Total 2014 12 months £	Total 2013 18 months £
Dividends from listed investments	201,165	224,938	15,394	441,497	682,585
Interest on cash and short term deposits	4,055	-	-	4,055	4,682
	205,220	224,938	15,394	445,552	687,267

5 Other incoming resources

	Unrestricted funds £	Restricted funds £	Total 2014 12 months £	Total 2013 18 months £
Rental Income	313,313	-	313,313	306,505
	313,313	-	313,313	306,505

6 Total resources expended

	Activities directly undertaken	Grant funding of activities	Support services	Total 2014 12 months	Total 2013 18 months
	£	£	£	£	£
Cost of generating funds					
Fundraising costs	375,168	-	62,146	437,314	571,731
Public affairs costs	85,694	-	64,808	150,502	199,350
Investment management costs	34,121	-	6,187	40,308	54,125
Charitable activities					
Residential care	14,804,062	-	1,844,009	16,648,071	23,956,999
Community services	1,270,982	-	381,481	1,652,463	2,387,049
TLC Care Services	3,988,705	-	523,627	4,512,332	2,810,171
Grants and allowances payable	-	275,433	147,215	422,648	646,335
Governance costs	34,339	-	102,432	136,771	220,301
Total resources expended	20,593,071	275,433	3,131,905	24,000,409	30,846,061

7 Allocation of support services

Cost type	Cost of generating funds	Charitable activities	Governance	Total 2014 18 months	Total 2013 12 months
	£	£	£	£	£
Staff costs	82,432	1,884,187	78,436	2,045,055	1,683,210
Premises costs	18,802	342,703	6,989	368,494	533,476
Depreciation	7,705	123,675	3,849	135,229	113,381
Other costs	24,202	545,767	13,158	583,127	680,577
Total resources expended	133,141	2,896,332	102,432	3,131,905	3,010,644

8 Net movement in funds for the period

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

	2014	**2013**
	12 months	**18 months**
	£	**£**
	(12 *months)*	(18 *months)*
Staff costs (Note 9)	17,002,141	21,636,764
Depreciation of tangible fixed assets (Note 10)	936,513	1,242,811
Auditors' remuneration - Audits	37,200	26,315
Auditors' remuneration - Other Services	1,080	5,100
Professional indemnity insurance	4,755	4,068
Surplus on sale of fixed assets	(267,672)	(207,749)
Pension scheme contribution	-	93,000
Selkirk closure costs	-	370,000
Bradbury Court start-up costs	-	73,000

The professional indemnity insurance is in respect of Trustees, committee members and staff. Cover included 11 Trustees (2013: 16 Trustees) and committee members in 2014.

9 Staff costs

Headcount	2014	2013
	No.	No.
Full time	327	298
Part time	371	305
TLC	240	206
	938	809

Staff costs were as follows:	£	£
Salaries	13,738,719	17,020,675
Social security costs	978,241	1,264,013
Pension costs	332,661	496,367
	15,049,621	18,781,055

Agency - Care	653,024	1,013,681
Agency - Non-Care	21,547	19,670
Agency - TLC Care Services	159,896	152,360
Contract costs	1,118,053	1,669,998
Agency and contract costs	1,952,520	2,855,709

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	3	3
£70,001 - £80,000	4	1
£80,001 - £90,000	-	1

The trustees received no remuneration for their services (2013: nil). During 2013/14, the only amounts paid on behalf of Trustees were for expenses incurred in the course of their duties as Trustees of the Charity. The value paid was £7,911 (2013: £1,328) to 3 trustees (2013: 2).

10 Tangible fixed assets

(a) Consolidated	Freehold & Long Leasehold Property	Short Leasehold Property	Fixtures, Equipment and Vehicles	Total 2014
	£	£	£	£
Cost or Valuation				
At 1 April 2013	24,866,785	155,946	5,076,696	30,099,427
Additions	298,642	-	731,979	1,030,621
Disposals	-	-	(80,436)	(80,436)
At 31 March 2014	25,165,427	155,946	5,728,239	31,049,612
Depreciation				
At 1 April 2013	3,904,204	80,994	3,552,246	7,537,444
Charge for the year	389,617	3,773	543,123	936,513
Disposals	-	-	(80,436)	(80,436)
At 31 March 2014	4,293,821	84,767	4,014,933	8,393,521
Net book value 31 March 2014	**20,871,606**	**71,179**	**1,713,306**	**22,656,091**
Net book value 31 March 2013	20,962,581	74,952	1,524,450	22,561,983

(b) Charity	Freehold & Long Leasehold Property	Short Leasehold Property	Fixtures, Equipment and Vehicles	Total 2014
	£	£	£	£
Cost or Valuation				
At 1 April 2013	24,957,616	155,946	4,998,288	30,111,850
Additions	302,642	-	678,673	981,315
Disposals	-	-	(69,882)	(69,882)
At 31 March 2014	25,260,258	155,946	5,607,079	31,023,283
Depreciation				
At 1 April 2013	3,895,617	80,994	3,479,757	7,456,368
Charge for the year	389,617	3,773	537,203	930,593
Disposals	-	-	(69,882)	(69,882)
At 31 March 2014	4,285,234	84,767	3,947,078	8,317,079
Net book value 31 March 2014	**20,975,024**	**71,179**	**1,660,001**	**22,706,204**
Net book value 31 March 2013	21,061,999	74,952	1,518,531	22,655,482

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

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

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

	2014	2013
	£	£
Cost	17,059,323	16,756,680
Aggregate depreciation based on cost	(2,879,566)	(2,606,617)
	14,179,757	14,150,063
Difference between historical cost depreciation charge and the actual depreciation charge for the year based on the revalued amount.	(116,668)	141,268

11 Investments

(a) Cost or valuation	Cazenove	Investments CCLA	Cash	Consolidated Total	Investments in Trading Subsidiaries	Charity Total
	£	£	£	£	£	£
Valuation						
At 1 April 2013	9,402,477	1,515,115	314,447	11,232,039	10,002	11,242,041
Additions	739,389	-	100,000	839,389	-	839,389
Disposals (book cost)	(2,137,956)	-	(101,000)	(2,238,956)	-	(2,238,956)
Net (loss) on disposal	(397,894)	-	-	(397,894)	-	(397,894)
Net (loss) on revaluation	318,527	32,980	-	351,507	-	351,507
Net movement in cash	-	-	1,294,447	1,294,447	-	1,294,447
Cash taken to current assets	-	-	(600,000)	(600,000)	-	(600,000)
At 31 March 2014	7,924,543	1,548,095	1,007,894	10,480,532	10,002	10,490,534
Cost at 31 March 2014	6,259,194	95,067	1,607,894	7,962,155	10,002	7,972,157

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

(b) Analysis of listed investments	Unrestricted funds	Restricted Funds	Endowment Funds	Total 2014	Total 2013
	£	£	£	£	£
Bonds - Fixed interest - UK	253,989	37,267	704,134	995,390	2,656,005
Bonds - Index linked - UK	554,451	81,353	389,658	1,025,462	-
Bonds - International	194,517	28,541	281,903	504,961	-
Equities - UK	1,481,107	217,320	2,808,836	4,507,263	5,787,890
Equities - International	322,785	47,361	210,106	580,252	639,343
Property	142,019	20,838	148,358	311,215	319,239
	2,948,868	432,680	4,542,995	7,924,543	9,402,477

11 Investments – Cont'd

(c) Analysis of investments over 5% of portfolio value	2014		2013	
	Units	Market Value	Units	Market Value
		£		£
Cazenove The Equity Income Trust for Charities Income Units	3,077,106	2,855,554	3,750,000	3,225,000
COIF Income Units	134,119	1,548,094	134,119	1,515,115
Cazenove The Growth Trust for Charities Income Units	946,734	1,430,042	1,685,000	2,337,769
Cazenove The Income Trust for Charities Income Units	899,677	544,574	2,124,500	1,357,980
Schroders ISF Strategic Credit C Class GBP Inc	5,018	504,961	0	0
		6,883,225		8,435,864
Percentage of total portfolio		73%		77%

12 Debtors

	Consolidated		Charity	
	2014	2013	2014	2013
	£	£	£	£
Fee debtors	1,442,780	1,234,798	931,757	506,019
Amounts due from subsidiary undertakings	-	-	51,054	22,515
Other debtors	203,992	175,076	195,374	155,308
Prepayments and accrued income	345,023	420,999	308,755	395,589
VAT debtor	20,158	34,133	14,157	11,442
	2,011,953	1,865,006	1,501,097	1,090,873

13 Creditors: amounts falling due within one year

	Consolidated		Charity	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	1,389,205	846,547	1,323,644	805,299
Amounts due from subsidiary undertakings	-	-	6,662	5,209
Other creditors	27,944	187,430	17,682	61,615
Taxation and social security	225,588	268,130	157,887	183,406
Accruals and deferred income	616,020	340,226	417,728	237,355
Loans: Amounts Due Within One Year	83,646	81,787	83,646	81,787
	2,342,403	1,724,120	2,007,249	1,374,671

14 Loans

	2014	2013
	£	£
Amounts falling due after one year:		
Due between one and two years	85,443	83,646
Due between two and five years	268,483	262,413
Due in five years or more	1,407,196	1,505,611
	1,761,122	1,851,670
Amounts falling due within one year (Note 13)	83,646	81,787
Total of all loans	1,844,768	1,933,457

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

15 Analysis of net assets between funds

Fund balances at 31 March 2014, represented by:

(a) Consolidated	Unrestricted funds	Restricted funds	Endowment funds	Total funds
	£	£	£	£
Tangible fixed assets	22,420,905	-	235,186	22,656,091
Investments	4,948,857	624,474	4,907,201	10,480,532
Current assets	1,536,156	888,504	882,032	3,306,690
Current liabilities	(2,342,403)	-	-	(2,342,403)
Loans	(1,761,122)	-	-	(1,761,122)
	24,802,392	1,512,978	6,024,419	32,339,789

(b) Charity only	Unrestricted funds	Restricted funds	Endowment funds	Total funds
	£	£	£	£
Tangible fixed assets	22,471,018	-	235,186	22,706,204
Investments	4,958,859	624,474	4,907,201	10,490,534
Current assets	685,605	888,504	882,032	2,456,141
Current liabilities	(2,007,249)	-	-	(2,007,249)
Loans	(1,761,122)	-	-	(1,761,122)
	24,347,111	1,512,978	6,024,419	31,884,508

16 Unrestricted funds

Unrestricted funds are analysed below and include designated funds which historically have consisted of other fund purposes, but now consist of the following fund:

i. The Property and Fixed Assets in use, which represents the net book value of the residential homes and of equipment which is currently for the provision of residential care.

The net transfer of £135,626 to restricted funds shown in Note 17 includes £169,264 of unrestricted funds expended to generate restricted income, as shown in Note 17.

The transfer of £116,183 to general funds shown in Note 18 relates to the release of funds that had previous tied up in cottages at the Davenham site in Malvern. With the sale of these assets the funds could and have been transferred to general funds.

(a) Consolidated	Property & Fixed Assets in use	General Reserves	Total Unrestricted Reserves
	£	£	£
As at 1 April 2013	22,307,266	2,851,927	25,159,193
Surplus on sale of assets	-	267,672	267,672
Transfers to Restricted Funds (Note 17)	-	(135,393)	(135,393)
Transfers from Endowment Funds (Note 18)	-	116,163	116,163
Investment gain (net)	-	310,216	310,216
Capital expenditure (net)	950,185	-	950,185
Funds utilised	(836,546)	(1,029,097)	(1,865,644)
As at 31 March 2014	**22,420,905**	**2,381,487**	**24,802,392**

(b) Charity	Property & Fixed Assets in use	General Reserves	Total Unrestricted Reserves
	£	£	£
As at 1 April 2013	22,400,765	2,272,641	24,673,406
Surplus on sale of assets	-	267,672	267,672
Transfers to Restricted Funds (Note 17)	-	(135,393)	(135,393)
Transfers from Endowment Funds (Note 18)	-	116,163	116,163
Investment gain (net)	-	310,216	310,216
Capital expenditure (net)	911,433	-	911,433
Funds utilised	(841,180)	(955,206)	(1,796,386)
As at 31 March 2014	**22,471,018**	**1,876,093**	**24,347,111**

17 Restricted funds

(a) Consolidated and charity	Balance at 1 April 2013	Incoming Resources	Funds Utilised	Gains/(Losses) on investments	Transfers	Balance at 31 March 2014
	£	£	£	£	£	£
Funds for the upkeep of residential homes	336,820	230,884	(147,082)	-	(64,582)	356,040
Funds for grants and allowances	715,585	137,882	(141,931)	(19,734)	9,858	701,660
Funds for residents' subsidies	-	91,471	(91,471)	-	16,811	16,811
Funds for community projects	26,282	3,930	(1,639)	-	-	28,573
Funds for free to access services	61,005	100,037	(91,134)	-	-	69,908
Funds for strategic projects	-	69,229	(32,154)	-	4,042	41,117
Other restricted funds	321,772	18,161	(45,150)	4,086	-	298,869
Costs of generating donations & legacies	-	-	(169,264)	-	169,264	-
	1,461,464	651,594	(719,825)	(15,648)	135,393	1,512,978

18 Endowment funds

(a) Consolidated and charity	Balance at 1 April 2013	Incoming Resources	Funds Utilised	Gains on investments	Transfers	Balance at 31 March 2014
	£	£	£	£	£	£
Funds for the upkeep of residential homes	2,762,438	15,394	(19,622)	19,661	(116,163)	2,661,708
Funds for residents' subsidies	2,486,242	-	-	16,049	-	2,502,291
Funds for grants and allowances	854,839	-	-	5,581	-	860,420
	6,103,519	15,394	(19,622)	41,291	(116,163)	6,024,419

19 Operating leases

	Consolidated		Charity	
	2014	2013	2014	2013
	£	£	£	£
Within 2 to 5 years	78,360	68,396	78,360	47,567
> 5 years	7,147	37,700	7,147	-

20 Pension schemes

(a) Group Personal Pension Plan

Since 1 October 1996 the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £332,661 in the year (2013: £496,367).

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

Until 30 September 1996, the Charity operated a defined benefit scheme in the UK, the Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed). The Pensions Act 2004 required the Trustees of the Scheme to obtain an actuarial valuation of the technical provisions (i.e. liabilities) of the Scheme as at 1 October 2012 and to prepare a recovery plan if the assets were insufficient to cover the technical provisions. The actuarial valuation issued on 13 July 2013 showed the value of the assets at 1 October 2012 to be £733,000, which was lower than the technical provisions and, therefore, the Trustees have drawn up a recovery plan to address the shortfall. A schedule of contributions showing a contribution of £1,525 per calendar month as from 1 October 2013 was agreed between the Scheme and Employer and certified by the Actuary.

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

Employee benefit obligation

The amounts recognised in the balance sheet are as follows:

	31.03.14	31.03.13
	£	£
Present value of funded obligations	558,200	629,300
Fair value of Scheme assets	(572,100)	(651,700)
Amount not recognisable as an asset	13,900	22,400
(FRS17 paragraph 67(d) refers)		
Net liability	-	-

The assets valued above are in the form of an insurance policy invested in the with-profits and unit-linked Gilt and Fixed Interest funds with the Equitable Life Assurance Society. The value of assets held in the with-profits fund has been taken as the policy value that would have been available had all the members retired on 31/03/2014. The value of assets held in the unit-linked Gilt and Fixed Interest fund has been taken as the value of units at bid price on 31/03/2014. The value shown is not necessarily the value that would be available were the policy to be surrendered.

The amounts recognised in profit and loss are as follows:

	2014	2013
	£	**£**
Current service cost	-	-
Interest on obligation	24,000	51,600
Expected return on plan assets	(8,200)	(28,400)
Past service cost	-	-
Losses or (gains) on settlements or curtailments	-	-
Total	15,800	23,200
Actual return on plan assets	9,600	17,800

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

	2014	2013
	£	£
Opening defined benefit obligation	629,300	829,900
Interest cost	24,000	51,600
Actuarial gains	14,800	231,500
Benefits paid	(109,900)	(483,700)
Closing defined benefit obligation	558,200	629,300

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

	2014	2013
	£	£
Opening fair value of plan assets	651,700	895,100
Expected return	8,200	28,400
Actuarial gains/(losses)	1,400	(10,600
Contributions by employer	20,700	27,500
Additional contribution by employer	-	93,000
Equitable Life Payments Scheme	-	102,000
Benefits paid	(109,900)	(483,700)
Closing fair value of plan assets	572,100	651,700
Expected employer contributions to the scheme in the next year	18,300	18,300

Analysis of total gain not recognised

	2014	2013
	£	£
Total actuarial gain (loss)	(13,400)	(242,100)
Adjustment in respect of unrecognisable asset	8,500	42,900
Total gain not recognised	(4,900)	(199,300)

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

	2014	2013
Corporate bonds	22%	18%
Gilts	62%	43%
Cash	16%	43%
Property	0%	1%

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

Gilts:	the yield on the FT-SE Actuaries 15 year gilt index
Corporate bonds:	the yield on the iBoxx £ Corporates AA 15+ index
Cash:	the Bank of England base rate
Deduction for expenses:	With-profits: 1.5% p.a.
	Unit-linked: 0.5% p.a.

Overall expected rate of return for the year beginning 1 April 2014: 1.8%

Principal actuarial assumptions at the balance sheet date:

	2014	2013
Discount rate	4.3% pa	4.1% pa
Retail Prices Index (RPI) Inflation assumption	3.3% pa	2.8% pa
Consumer Prices Index (CPI) Inflation assumption	2.6% pa	2.1% pa
Rate of increases to deferred pensions	2.6% pa	2.1% pa

Death after retirement: in accordance with 115% of the standard mortality tables PNMA00 and PNFA00 tables, with improvements in mortality in accordance with the core CMI mortality projection model CMI_2009, with long term rates of improvement of 1% p.a.

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

	31.03.14	31.03.13	30.09.11	30.09.10	30.09.09
Defined benefit obligation	(558,200)	(629,300)	(829,900)	(875,800)	(810,600)
Plan assets	572,100	651,700	895,100	852,000	771,300
Surplus/(Deficit)	13,900	22,400	65,200	(23,800)	(39,300)
Experience adjustments on plan liabilities	(22,500)	(148,800)	(18,600)	(9,100)	(45,200)
Experience adjustments on plan assets	1,400	(10,600)	58,600	46,800	(135,000)

(c) Scottish Voluntary Sector Pension Scheme

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

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

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

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

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

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

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

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

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

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

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

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

A copy of the recovery plan must be sent to The Pensions Regulator after each valuation is finalised. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the recovery plan).

The recovery plan from the 2011 valuation has been submitted to The Pensions Regulator.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £81 million and indicated an increase in the shortfall of assets compared to liabilities to approximately £34 million, equivalent to a past service funding level of 71%.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer becoming insolvent or ceasing to participate in the Scheme, or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Friends of the Elderly has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Scheme based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for Friends of the Elderly was £634,474.

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

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

The main benefits provided by the Scheme are a pension of one-eightieth of the member's career average revalued earnings for each year (and months proportionately) of pensionable service if contracted-out of the State scheme.

Contributions from 1 April 2012:

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

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

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

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

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

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

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

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

The last formal valuation of the Scheme was performed as at 30 September 2010 by a professionally qualified actuary using the 'projected unit' method. The market value of the Scheme's assets at the valuation date was £21.3 million. The valuation revealed a deficit of assets compared to liabilities of £2.6 million, equivalent to a past service funding level of 89%.

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

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

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

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

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

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Friends of the Elderly has been notified by The Pensions Trust of the estimated employer debt on withdrawal from The CARE Scheme, based on the financial position of the Scheme as at 30 September

2013. At this date the estimated employer debt for Friends of the Elderly was £50,000.

(e) TLC Care Services

TLC Care Services operates a stakeholder pension scheme for the benefit of its employees. With the introduction of auto-enrolment, the pension cost relating to this scheme represents contributions payable by TLC and amounted to £13,310 in the year (2013: £nil).

21 Taxation

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

22 Members

At 31 March 2014 there were 11 members (2013: 16 members) who each pledge to pay £1 on winding up.

23 Capital commitments

Consolidated only	**2014**	**2013**
	£	**£**
Capital expenditure contracted for but not provided in the financial statements	-	-
	-	-

23 Related party transactions

One of the trustees of TLC Care Services Ltd (Rob Chapman) is also a councillor with the London Borough of Hackney. During the 2013/14 Financial Year, £108,748 was spent with the L B of Hackney on contracts for the Stroke Project and Health Checks in TLC Care Services Ltd.

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

With thanks to our corporate partners:
Wragge Lawrence Graham & Co
JTI UK
Reyker Securities Plc
Barclays Digital Eagles



Friends of the Elderly

40-42 Ebury Street, London SW1W 0LZ

020 7730 8263 • www.fote.org.uk

Registered Charity Number 226064

Friends of the Elderly