

Friends of the Elderly

Registered charity no. 226064

Registered company no. 133850

**Annual report and financial statements
for the year ended 31 March 2018**

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Chief Executive's introduction

Welcome to our 2017-18 annual report. This report shares our activities and progress over the last year, as well as setting out our plans for the future.

This year we have been finalising our future strategy, reflecting our values that were refreshed last year through consultation with staff and trustees. Our vision for the Friends of the Elderly Group is to provide high-quality services and activities that are both personalised to individual needs and integrated with local communities. A core part of our services will be operated from community hubs, some of which will be built around our care homes.

Our staff and volunteers will support older people who live in and around our hubs to have the opportunity to pursue their own interests and contribute to community life. The services and activities provided will be unique to each location and reflect the identified gaps in existing services and activities.

Here are some of my personal highlights for the year, which demonstrate how our strategy is translating into every day impact:

- I was delighted that The Old Vicarage in Oxfordshire received an 'Outstanding' rating in the care category of its Care Quality Commission (CQC) report in 2017. The home has also been accredited a platinum Gold Standards Framework recognising its exceptional end of life care.
- The CQC chose The Lawn, our care home near Alton in Hampshire, as one of nine national adult social care case studies on service improvement, as part of its 'Driving Improvement' theme.
- Our Woking site became our first community engagement hub. We have supported our staff to form strong links to work better together for the benefit of service users in our care home, day care, home care and befriending services. Following an evaluation of existing services and support in the local area, we have developed a new team of Community Connector volunteers who support older people in the local community to help grow their confidence and reconnect with their community.
- Facebook donated their time and resources to support the introduction of their Workplace internal communications tool. With a diverse and dispersed workforce, we have struggled to maintain good quality internal communications which are critical to sharing best practice and celebrating our achievements. The new tool was launched in July 2018 with phased roll-outs to services. We invited 180 members of to join Workplace and 70% (126 people) have claimed their accounts by September 2018, 70% of whom are active users.
- The ACT Foundation selected Friends of the Elderly to receive a transformational £500,000 donation towards our grants service, which supports older people who are in financial difficulty. This donation will be given over a five-year period, from April 2018 onwards, all the money will go to beneficiaries, allowing us to reach a greater number of older people who are experiencing financial difficulty. This donation is a reflection of the efficiency of our grant-making process.

Chief Executive's introduction (continued)

In common with the care sector as a whole, we have had a number of operational and financial challenges to respond to over the last year. We have made some difficult decisions in recent months, but all of these decisions have been taken with our future strategy in mind, and do not detract from our longer-term aims.

Friends of the Elderly's subsidiary, Triangle Community Services, operates home care services, including a number of large public authority contracts, in and around East London. Over recent years we have found it increasingly difficult to agree fees with the public authorities that allow us to deliver a surplus on these contracts and invest sufficiently in quality and pay increases for our staff. As a result, we have taken the difficult decision to withdraw from all significant public authority contracts, either during the financial year or shortly afterwards. The majority of the exits from services were achieved with staff and service users transferring to new providers, but some redundancies were unfortunately unavoidable. We remain committed to providing day care and home care services where we can mitigate risks associated with public authority contracts by delivering a balance of private and contracted services.

In May 2018, we announced the closure of Woodcote Grove House residential and nursing home in Coulsdon. The CQC inspected the home in October 2017 and rated the home as 'Requires Improvement' across all five of their audit areas. The outcome of the inspection, coupled with existing difficulties recruiting good care workers for the whole site, was a challenge to us. While a lot of work was done to address the deficiencies identified in the CQC report, we felt that we could not deliver the standard of care and support at the home expected and deserved by our residents. Due to its age and layout, the building does not lend itself to meeting the needs of an increasingly frail and dependent group of residents, and does not support modern working practices. We had to conclude that the building was no longer fit-for-purpose as a care home, and it closed in August 2018. We worked closely with residents, their families and our staff to minimise the impact of our decision, and all of our residents, other than those receiving nursing care, were able to be offered care at Orford House, our residential home on the same site.

We also transferred one care home to a new operator in April 2018. Friends of the Elderly has leased Sherwood House, near Nottingham, for the last ten years from another charity. As the home is relatively small, at 19 beds, and isolated by distance from our other services, we identified Nottingham Community Housing Association (NCHA), a more local care provider with shared values, to take over the operating lease. The transfer was effective on 1 April 2018, with all staff transferred to NCHA.

Our investment in strategic change, including exploring future development opportunities on each of our sites, meant that unfortunately we had to plan to record a financial deficit for the year; this planned investment was funded from specific reserves. We also incurred some additional losses from exiting public authority home care contracts. While we recorded a deficit of £651,000 in the year (excluding losses from investment market movements), the net assets of the Group, at £39.4m, mean we have sufficient resources to complete our strategic changes and invest in the future.

Finally, I would like to thank our staff, volunteers and supporters, whose support is vital to achieving positive change ensuring older people feel valued and respected in their communities.

Steve Allen

Group Chief Executive

Trustees' report for the year ended 31 March 2018

The trustees of Friends of the Elderly (the Charity) are pleased to present their annual report for the year ended 31 March 2018 together with the consolidated financial statements of the Charity and its subsidiaries (together the Group). The strategic report for the Group is incorporated into the trustees' report.

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

About us

A caring organisation with a rich history

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

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

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

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

What we do

We support people to live well. We do this through our care homes and community services, as well as our befriending and grants programmes. We work with partners to increase our impact and put older people at the heart of their communities.

The Friends of the Elderly Group (the Group) includes the subsidiaries Triangle Community Services (Triangle), the Retired Nurses National Home, and Potential Limited.

Our objectives and activities

Our aims

Our aims are to:

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

We plan to achieve this through the following strategic objectives:

Achieve better outcomes for all

We will build local social support networks, making best use of the resources and assets in a local area and making sure that people who use our services have the opportunity to pursue their own interests and contribute to community life.

Become an employer of choice

We will offer a working environment and culture that attracts and retains the best people who champion our vision, mission and values.

Provide outstanding care

We will deliver an outstanding service, one that is 'flexible and responsive to people's individual needs and preferences, finding creative ways to enable people to live a full life' (taken from the Care Quality Commission definition of Outstanding).

Deliver financial sustainability and accountability

We will have the right people and resources to deliver sufficient surplus to sustain the charity's activities, allow for investment in future growth, and maintain reserves to meet the needs of our strategic aims.

What do we do?

We provide the following services and support:

- Residential care – through our 12 registered care homes in the financial year, we have continued to provide support and accommodation for those requiring residential, nursing or dementia care.
- Home care – we provide personal care and support to people living in their own homes, offering the care and support to help people live well.
- Day centres – we operate four day centres, giving support to people in need of some additional care, and their family carers.
- Community projects – we run community projects that bring people together and provide them with the opportunity to expand their social networks, for example through teaching them how to stay connected online. "Any Old Irons", part of our Football Friends programme, with the West Ham Foundation, is one example of this.
- Befriending – our befriending and community connector service supports people who live on their own or have little contact with family, friends or neighbours.
- Grants programme – our grants programme provides one-off grants and regular allowances to help relieve the stress often experienced by older people living on low incomes.

Our activities, performance and achievements

In last year's annual report, we set out our future plans for 2017-18 and beyond. Here we explain how we have performed against those plans, our other activities and achievements in the year, and our developing plans for the future.

Objective: achieve better outcomes for all

- *We recognised the need for more dementia-friendly environments, and planned a refurbishment of the Retired Nurses National Home in Bournemouth in 2017-18, with one wing to become a dementia friendly home for 16 residents.*

The 'Riverside Wing' in the Retired Nurses National Home (RNNH) in Bournemouth welcomed its first residents in January 2018, offering a safe and welcoming environment for up to 16 people living with dementia. The unit is staffed by a specially trained care team who provide dementia focused care. Focus is on helping residents to retain independence by supporting them as they are involved in daily life tasks such as cooking and gardening; something that provides reassurance and continuity.

- *We reported that we had commissioned the Social Care Institute for Excellence (SCIE) to undertake a mapping exercise in Woking to identify how we can improve partnership work and support for our service users and the wider community in 2017-18.*

We have appointed a Community Engagement Manager in Woking to help deliver against the findings of this project. We have supported our staff to form strong links to work better together for the benefit of service users in our care home, day care, home care and befriending services. Working with SCIE to map local community resources, and to evaluate our existing befriending service, we have developed a new team of Community Connector volunteers. These volunteers support older people in the local community to help grow their confidence and reconnect with their community.

Other activities which support this objective include:

- Our 'Visiting Friends' befriending service in Woking provided support for 190 older people in the year, through 32 trained volunteers. After attending the group events or talking to a befriender, 100% of service users said they were happier.
- Our Football Friends project is alleviating loneliness and isolation by bringing older people together to reminisce and share stories. This year, almost 200 older people took part in our "Any Old Irons" programme with the West Ham Foundation and our new programme with Queens Park Rangers football club and the QPR in the Community Trust. Football Friends is supported by an excellent team of volunteers, all of whom have been through the programme themselves. Of the people who took part, over three quarters have made new friends.

Our activities, performance and achievements (continued)

Future Plans

- Our grants programme for the five years starting 2018-19 has been boosted by an annual grant of £100,000 from the ACT Foundation. This will allow us to reach a greater number of older people with a financial need, increasing our 2017-18 direct grant and allowance spend of £150,000 in support of 546 people.
- The Men in Sheds Association provides valuable social opportunities for older people in communities, especially isolated men. We plan to launch our own Restoration Shed, built in our Coulsdon grounds, during autumn 2018 and are currently finalising plans for the Alton Men in Sheds Association to site their shed in our grounds at The Lawn in Alton.
- We aim to embrace the use of technology, and innovation generally, to encourage social interaction and activity, particularly for people living with dementia. We will build on our recent experiences with innovation, such as the Tovertafel (a 'magic table') installed in our Woking hub in 2017-18. This award-winning innovation from the Netherlands provides games to encourage participation, engagement and physical and social activity for people with dementia.

Objective: Provide outstanding care

- *We said we would aim for all our services, where inspected, to receive a 'Good' CQC rating in 2017-18.*

All our care homes are dedicated to providing the best possible care for residents. They provide a 'home from home' environment, cater to individual needs and welcome visitors at any time.

Our Oxfordshire care home, The Old Vicarage, was recognised for this commitment in 2017 when the home received an 'Outstanding' rating in the care category of its Care Quality Commission (CQC) report. The home has also been accredited to the Gold Standards Framework at platinum level, recognising its exceptional end of life care.

We have also worked with the CQC to finalise a national best practice case study on service improvement at The Lawn. This is one of nine national adult social care case studies forming part of the CQC's actions on one of its main themes for the year of 'Driving Improvement'.

However, while nine of our services were rated 'Good' by CQC inspections in 2017-18, two care homes and two home care services were rated 'Requires Improvement'. With the CQC we have agreed, and completed, an action plan to address the deficiencies in each case. The CQC rating for Woodcote Grove House played a part in our decision, announced in May 2018, to close the care home. We felt that the building (an 1850s listed property with 1950s extensions) was no longer fit-for-purpose, and its layout was impacting on the standard of care being provided.

Our activities, performance and achievements (continued)

- *We said we would work towards providing outstanding care through linking our services with our communities, and creating communities within some of our existing services. We also said we would support our services to implement other key community projects that fit with the needs and wishes of their local community, service users and their friends and families.*

Our services have increased links with their local communities this year, enhancing the lives of our service users and encouraging community connections, particularly between the generations. Examples include:

- Several of our homes and services have partnered with local nurseries and schools to deliver intergenerational activities. Activities range from coffee mornings, sensory play sessions, gardening and reading groups. They have been so successful they have become regular monthly activities. Residents and clients comment on how much joy the children bring and how wonderful it is to hear the young voices and laughter. These activities can also provide opportunities for several generations of families to spend time together.
- Care Home Open Day is an opportunity for our homes to open their doors to the wider community. Residents, families, staff and volunteers across our homes enjoyed a range of events and activities which welcomed the local community to join in. Events ranged from a family fun day for over 500 guests at Little Bramingham Farm in Luton, a landscape painting demonstration at The Lawn in Alton, through to a Vintage Fair in Malvern.
- Our volunteers are an important part of making sure the older people we work with have friendship and remain part of their community. One such volunteer is Jacqui, who visits Moor House, our care home in Staines-Upon-Thames, at least twice a week for several hours. Among many other things, she runs the mobile shop, serves drinks at our Thursday happy hour, bakes cakes for tea party events, spends time talking with residents and gets involved with activities.

We have also developed our existing services further to reflect the needs of our communities. Since September 2017, Triangle Day Care Wallington has been running weekly sessions for people who are living with early-onset dementia or memory loss. It is often harder for younger people to access these services and a number of referrals had been made that did not fit the existing criteria.

Future Plans

- We will continue to develop new ways of linking our services and our communities. In Woking, our services have run a successful partnership with the local music school. ISL Primary School children and teachers want to continue their support and set up an older people's choir with our residents and clients.
- The operational, quality and training teams are working together to ensure the practices that led to The Old Vicarage being rated as having 'Outstanding' care by the CQC are embedded in all our homes.
- Through our connections in the care sector, we will build on a number of collaborative projects so that we can learn from and incorporate outstanding features of other operators into our own services.

Our activities, performance and achievements (continued)

Objective: become an employer of choice

- *We said we would aim to reduce care agency hours in care homes by 30% by the end of the year.*

In common with the care sector as a whole, recruiting sufficient quality care staff and nurses is a challenge. Although we did not meet our target reduction in agency hours in 2017-18, we did achieve a significant reduction in agency use: our care agency hours in the last quarter of 2017-18 were 18% lower than the equivalent months in 2016-17. This is excluding 'long-term' agency staff, contracted for a minimum of three months, who provide better consistency of care than the traditional agency model at a lower cost.

- *We said we would enhance career progression for existing staff by offering new roles of 'Medical Technician' and 'Nursing Support Assistants'.*

The introduction of the Medical Technician role into our care homes, and the Nursing Support Assistants in our nursing homes, has created a new career pathway for our health care assistants, while also providing additional support to nurses in our nursing homes. We currently have seven trained Medical Technicians and seven Nursing Support Assistants. This also helps reduce agency usage through improved retention in the longer term.

Future Plans

- Last year, we said we would start to deliver on our updated values with the help of the staff group who created them, adopting values-based leadership, supervision, training and management so that our values live and breathe throughout the organisation. This was delayed while we finalised the detail of the strategy and concentrated on the changes within Triangle and at Coulsdon, but forms part of our plans for 2018-19.
- We launched 'Workplace', an internal communications tool from Facebook, in July 2018. We have worked closely with the not-for-profit team at Workplace, and will be using this to improve our internal communications, sharing best practice, innovative ideas, and celebrating our achievements.
- We will continue to work towards the new Investors in People Framework 6 accreditation. A planned consultation with staff on reward and benefits is one way in which we are progressing accreditation as a longer-term aim.
- We continue to adapt our recruitment paths to respond to the sector-wide recruitment challenge. In 2018-19 this includes outsourcing our recruitment process to benefit from dedicated and proven recruitment expertise, but with in-house support still embedded in the process. Our target for 2018-19 is to reduce agency use for the year by a further 10%, compared to 2017-18.

Our activities, performance and achievements (continued)

Objective: Deliver financial sustainability and accountability

The key performance indicators that drive our financial success are: occupancy in care homes, home care volumes, public authority home care fee increases, and care home agency hours, along with value-for-money and general cost efficiency.

- We said our targets for 2017-18, in addition to the reduction in agency hours referred to above, were to:
 - increase care home average occupancy for the year by 4%;
 - increase the hours delivered by our home care teams by 15% by the end of the year (an extra 970 hours per week); and
 - only accept home care fees from public authorities where they are financially sustainable, given rising staff costs.

Care home occupancy in 2017-18 averaged 394 beds, 0.5% higher than the previous year. The target was not met because we closed both care homes in Coulsdon to new admissions from November 2017, initially while we focused on actions in response to the CQC inspection report, and later following the Board decision to close Woodcote Grove House. The decision to stop new admissions reduced occupancy in the two Coulsdon homes such that all non-nursing residents at Woodcote Grove House could be offered a room at Orford House when the closure was announced.

Growth was achieved in the four home care branches that are closely linked with Friends of the Elderly care homes, with an increase in volumes in 2017-18 achieved of 15% compared to the previous year. These branches have predominantly self-funded service users, although they also carry out services for public authorities where the fees are appropriate.

Fees on large public authority contracts have become financially unsustainable, either delivering deficits, or not providing the funding necessary for continual investment in quality monitoring and training. As a result, we exited all of our large public authority home care contracts during and shortly after the financial year. In some cases we did not win a contract re-tender on price, while we also made the difficult decision to close our East London homecare branch outside of a tender process. The majority of our staff and service users were able to transfer to new providers, although some redundancies were unavoidable.

While there was growth in individual home care branches, London-based services that have ceased shortly before or after the year-end produced 84% of the 282,000 home care hours delivered in 2017-18. We are committed to investing in growth in the remaining four home care branches, all of which are linked to our care home operations, supporting our developing model of integrated services.

Another element of sustainability is ensuring we have effective governance and leadership across the Group. We have been reviewing our governance arrangements to reflect the new Charity Governance Code. This includes revisiting the Scheme of Delegation, Standing Orders and Terms of Reference for all committees.

We invested heavily in preparations to be compliant with the General Data Protection Regulation (GDPR) which came into force in May 2018, including training 502 staff, trustees and volunteers (with the remainder of staff and volunteers to be trained during final sessions in 2018-19). This has brought the benefit of better collaborative working and more efficient internal processes, as well as improved data management and security.

Our activities, performance and achievements (continued)

Future Plans

We expect another operational deficit in 2018-19 as a result of the closure of Woodcote Grove House and Triangle's East London branch in the first part of the year. However, our asset base remains strong and our cash flow will be improved once we are no longer impacted by delayed invoice payments for large public authority contracts.

Our targets for 2018-19 are:

- to achieve an average occupancy in the homes, excluding Coulsdon, of 88% of available beds. This target allows for the Riverside Wing at the RNNH to continue to build its occupancy. It also reflects one wing at Perrins House, in our Malvern care home, being transferred from nursing care to meet the higher demand for dementia care already provided at Bradbury Court (attached to Perrins House);
- for unrestricted cash to be a net cash inflow during 2018-19, through careful management of working capital;
- to use better key performance indicators for internal reporting, to reflect our strategy and improve accountability; and
- to finalise longer-term plans for our care homes, including schedules of refurbishment, and identifying opportunities for development on our existing sites to create the community hubs that form part of our future strategy.

Financial review

Net movement in funds

The Group has recorded net expenditure of £970,000 in the financial year, on income of £26.3m. This includes investment realised and unrealised net losses of £313,000. 2016-17 recorded a positive net movement in funds of £3.6m, particularly impacted by the gain on disposal of the Sir Thomas Lipton Memorial Home of £3.5m, and by realised and unrealised gains on investments of £1.1m.

Net expenditure from our operations was £651,000, compared to net expenditure from operations of £960,000 in 2016-17.

During the year we invested £200,000 in our future strategy – costs relating to assessing our portfolio for future development opportunities and evaluating our community services. This cost was funded by a loan from a restricted fund to unrestricted funds, pending expected future release of the restrictions on that particular fund. Excluding this investment in the future, and excluding other one-off events such as service closures and unusually high fundraising income, our underlying surplus for 2017-18 was £12,000.

The Charity's net expenditure for the year is £810,000. This includes investment market movements which are a net loss of £259,000, and a provision against intercompany balances due from Triangle of £250,000 (which eliminates on consolidation).

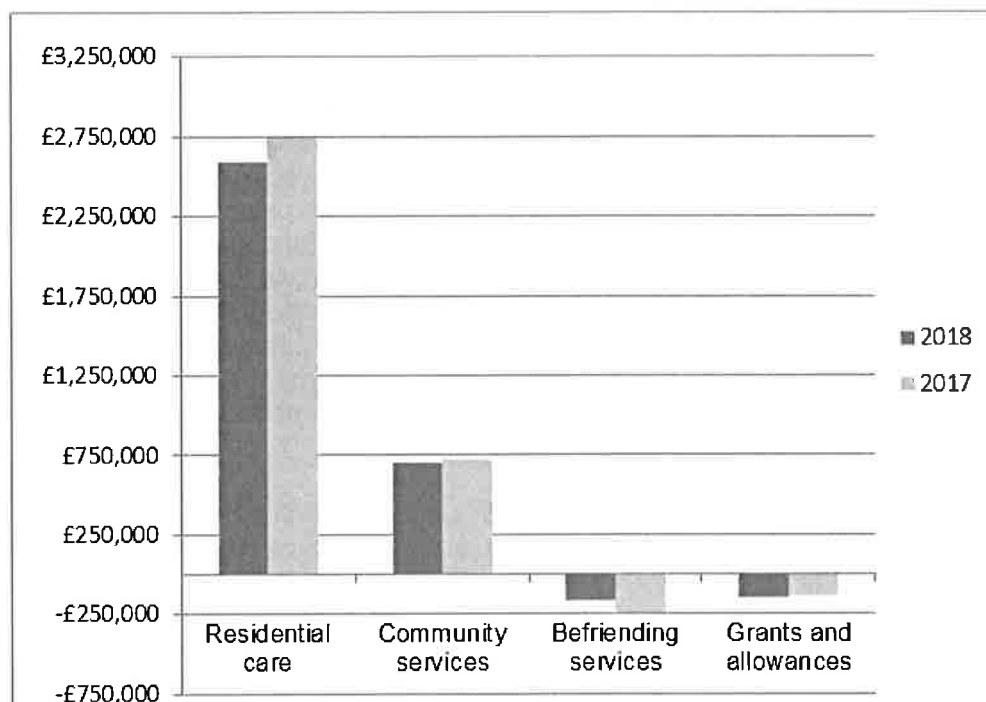
Income from donations and legacies of £777,000 was £263,000 higher than 2016-17. This included two large legacies received relating to our Malvern services: one for investment in the care homes, and one for investment in the home care service. We are finalising plans for the best use of these generous gifts.

Financial review (continued)

Charitable activities

The following graph shows the comparison of the surplus or deficit by charitable activity, before allocation of central support costs.

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



Residential care

The residential care surplus before central costs and impairment charges fell by £158,000 in the year. This reduction was in large part due to our decision not to take new residents into our Coulsdon homes - Woodcote Grove House and Orford House - from November 2017.

The transfer of the Sherwood House lease to another care provider on 1 April 2018 will not have a significant impact on future care home results, as the home recorded an operational deficit of £40,000 in 2017-18.

Community services

The majority of these services are carried out by Triangle. The reduction of large public authority contracts, following decisions taken by our trustees, impacted on the results in 2017-18, with a reduction in revenue due to falling referrals, and the loss of service provided within Extra Care accommodation in the London Borough of Barking and Dagenham from February 2018. Growth in revenues from other services meant that revenues only fell by 2% for the year (£135,000). The other large service closures took place at the start of April 2018 and August 2018, so a more significant fall in income is expected in 2018-19.

Grants and allowances

Direct grants and allowances were £150,000, a similar level to the previous year. One-off grants were given to 415 beneficiaries, and allowances to 131 people.

Financial review (continued)

Befriending services

The deficit for befriending services before allocation of central support costs was £162,000 (2016-17: £247,000). This represents the net costs of our Visiting Friends service, which is partly funded by Woking Borough Council, the costs of volunteer recruitment and engagement, and investment in evaluating services and developing the hub model in Woking.

The Retired Nurses National Home

The RNNH is a separate charity, and the income and costs relating to this care home are consolidated within residential care activities. The RNNH recorded an operational deficit of £127,000 before unrealised losses on its investments of £54,000. The deficit recorded includes costs of £50,000 relating to developing substantial care-based community-orientated property plans to help ameliorate the impact of a planned road (the A338 Wessex Fields Link Road) which is proposed to pass close to the home's boundary. The operational result for the home was a significant improvement on 2016-17, when it had an operating deficit of £300,000 and impairment charge of £350,000. The improvement in operating results was the result of investment in the Riverside Wing to provide specialist dementia care, as well as improved residential care occupancy.

Our longer-term aim is to modernise the premises, which were built in the 1930s, so that they can continue to meet the needs of increasingly frail residents. Plans for this cannot be finalised until the position of the A338 Wessex Fields Link Road is determined.

Balance sheet

The Group's balance sheet remains strong, with net assets of £39.4m (2017: £40.3m), and net current assets of £970,000 (2017: £5.3m). The reduction of current assets was due to placing over £4m of cash on investment in the year; this was endowed proceeds from the sale of the Sir Thomas Lipton care home, the majority of which was received in March 2017.

We invested £1.1m in our fixed assets in the year (2016-17: £924,000), predominantly improvements to our care homes.

The value of our investments fell by £492,000 at March 2018 due to unrealised market movements. Including gains realised on disposal of investments earlier in the year, the net losses recorded in the financial year were £313,000.

The Charity operates a defined benefit pension scheme which closed in 1996. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net surplus of £4,200. This is an asset that cannot be recognised on the Group's balance sheet (2017: net liability of £10,200).

The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £245,000 (2017: £258,000) is the net present value of future contributions to the schemes.

Our future financial plans are discussed further on page 11.

Financial review (continued)

Grant policy

One-off grants are made to replace essential items such as basic furniture, flooring, and household appliances; provide support with unexpected financial bills such as utility bills, household repairs and adaptations and funeral costs; and to support older people to become digitally connected with grants to cover broadband at home or equipment costs. Our regular allowances are paid monthly or twice a year to support older people whose income does not meet their basic cost of living.

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

We keep in touch with our regular beneficiaries by telephone and letter, birthday cards and by sending gifts and cards at Christmas. Wherever possible, we signpost unsuccessful applicants to other potential sources of funding.

Reserves

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

Funds held by the Group and the Charity were as follows:

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Restricted	2,233,071	2,217,455	1,876,545	1,883,360
Endowed	14,930,232	15,234,024	11,649,584	11,769,935
Unrestricted:				
Designated funds	19,463,052	19,611,911	19,554,901	19,703,760
General reserves	2,980,973	3,568,576	3,111,583	3,699,743
Pension reserve	(245,928)	(299,729)	(245,928)	(299,729)
Total	<u>39,361,400</u>	<u>40,332,237</u>	<u>35,946,685</u>	<u>36,757,069</u>

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

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

Endowment funds are held and used per the wishes of the original donor. However, for permanent endowments the capital value of these funds needs to be maintained. Income generated by endowed investments is used to fulfil the wishes and intentions of the original donor. An expendable endowment fund is a fund that must be invested to produce income; however it can be converted into an income fund and spent.

General reserves are unrestricted funds that have not been designated for particular purposes by the trustees. They include the revaluation reserve, arising on valuation of investment properties above their original cost. They must be held at a level that is designed to protect the Group's work in the event of unforeseen and significant changes in its financial position.

Financial review (continued)

The reasons for holding an appropriate level of general reserves are to:

- maintain adequate working capital particularly during a time of redevelopment of the residential portfolio;
- ensure sufficient funds are available to allow the Group to honour its commitments to its service users; and
- ensure that regular, efficient, grant-giving can continue.

The reserves policy is reviewed by trustees on an annual basis. The trustees have adopted a risk-based approach to benchmark the appropriate level of general reserves, considering the likelihood and costs of interruption of the Group's different activities. The key risks are considered to be forced or voluntary closure of services due to factors outside of our control, resulting in loss of revenues, higher costs in the short-term and redundancy costs.

- The general reserves target for Friends of the Elderly reflects the cost of the risk of having to close 25% of care beds, as it would be highly unlikely that all our care homes would close at once. Its target general reserves are £1.1m.
- For Triangle the scale of operations by the end of 2018-19 will be significantly smaller, so the target level of general reserves is reflects the costs that would arise if its remaining services were closed. This gives a general reserves target of £400,000. Triangle currently has insufficient general reserves, so Friends of the Elderly needs to carry sufficient general reserves to also meet Triangle's general reserves requirement.
- The RNNH operates one care home, and its reserves target reflects the costs that could arise if this care home was to close. Its target general reserves are £585,000.

The target levels of general reserves, and levels of reserves carried at 31 March 2018 were:

	Group	Charity
	£	£
Target general reserves	2,085,000	1,100,000
Plus: support of subsidiary	-	400,000
Total target	<u>2,085,000</u>	<u>1,500,000</u>
General reserves 31 March 2018	<u>2,980,973</u>	<u>3,111,583</u>

Group general reserves shown above do not include the RNNH's own general reserves of £170,000, which are classified as restricted funds on consolidation, but are available to meet the RNNH's general reserves target. The RNNH also has an expendable endowment that can support the operations of the home if necessary, including to the extent required to meet the remainder of the RNNH's general reserves target.

Friends of the Elderly's and the Group's general reserves at 31 March 2018 were in excess of the target levels; however they are heavily represented by investments in stocks and shares and investment property, the value of which fluctuate with market movements. This is why the trustees do not consider the level of general reserves held to be excessive.

The amount of unrestricted reserves that is held in a designated fund, representing fixed assets less loan balances outstanding, is £19.5m. The designated fund does not form part of general reserves.

Financial review (continued)

Going concern

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

The trustees are satisfied that the strong net asset position of the Charity, and the liquidity of assets including cash, unrestricted investments and investment properties, are sufficient to address the risks and uncertainties considered as part of the assessment of going concern.

This availability of assets also enables the Charity to provide sufficient support to other Group companies that may be required over the two-year period that is formally assessed.

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

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

Investments

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

The trustees employ investment fund managers on a discretionary basis to manage the portfolio of investments. Their work is undertaken within broad investment parameters set by the trustees which take into account acceptable levels of risk and the balance between income and capital requirements.

As the result of a revised Statement of Investment Principles and review of our investment managers, funds were transferred during the year from Charles Stanley and Cazenove to Legal & General Investment Management and to add to our existing funds with CCLA Investment Management Ltd (CCLA). The overall performance of all investments was as follows:

Investment return: year ended 31 March 2018

	Average balance	Income	Net market gains/(losses)	Total return
Actual 2017-18 £	12,201,280	401,319	(312,675)	88,644
Actual 2017-18 %		3.3%	(2.6%)	0.7%
Target return		3%	RPI plus 3% on a 5-year rolling basis	
Benchmark return				2.24%

Financial review (continued)

The disruption of the transfer impacted on our overall returns, as well as a period of poorer market performance in the second half of the year. The 2017-18 market losses had reversed by 30 June 2018. Performance of our investment managers is monitored over the long-term. The benchmark is a composite.

The Charity's investment policy does not allow any investment that is known to be in conflict with the Charity's aims or values. This is managed through the appointment and review of investment managers.

Structure, governance and management

The strategic report for the Group is incorporated into the trustees' report. The trustees' report also includes the administrative information on page 23.

The Charity's constitution

- The Charity was formed as a Trust in 1905, incorporated as a company limited by guarantee in 1914, and registered as a charity in 1964.
- The governing documents of the Charity are its Memorandum and Articles of Association.
- The Charity is governed by trustees, who are members of a board of trustees and who are also directors of the company for Companies Act purposes. All trustees are unremunerated for the work they do as trustees of the Charity and are listed on page 21.

Group structure

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

- **Triangle Community Services Limited** (Triangle): Triangle is a charity and company limited by guarantee, delivering domiciliary care and public health services. Friends of the Elderly is the sole company member. There is a joint governance structure for Triangle and Friends of the Elderly.
- **The Retired Nurses National Home** (the RNNH): The RNNH is a care home in Bournemouth which has been providing residential care since 1938. Originally established for the care of retired nurses, the RNNH now welcomes residents from all walks of life, although it retains strong links with its heritage.

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

- **Potential Limited**: This is the Charity's property development company and is a limited company. It is wholly-owned by the Charity, but also has its own board of directors.
- **Friends of the Elderly (Trading) Limited**: This limited company is currently dormant, but has been retained for possible future use.

Structure, governance and management (continued)

- ***Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)***: The Charity's defined benefit pension scheme, which was closed in 1996, has its own trustee board which is chaired by a trustee of the Charity. This is not considered to be part of the Group and has not been included in the consolidated figures in these accounts, although the deficit arising on the scheme is included as a liability of the Charity.

Trustees and their support

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

- Trustees are appointed by the board of trustees of the Charity.
- 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 for a maximum of three further years.
- All new trustees take part in a formal induction programme and receive regular training.
- The trustees meet at least four times a year. Board committees scrutinise and oversee matters relating to audit and risk, resources and investments, strategic delivery, board nominations, and remuneration and employment.
- The day-to-day management of the Group is delegated to the Chief Executive and other senior members of management who constitute the Senior Management Team (SMT), supported by heads of department.

The Charity has a dedicated Company Secretary who ensures governance is given a high priority and provides support to trustees to help them to carry out their duties effectively.

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

Principal risks and uncertainties

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

The trustees have a policy to embed effective risk management throughout the Group such that risks are identified, mitigated and communicated, and good risk management practice is shared across the organisation. The trustees hold overall ownership for risk. Risks are allocated between committees and the board. The Risk Register, including amendments from the committees, is reviewed by the board of trustees annually.

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

Structure, governance and management (continued)

Risk	Key responses
Safeguarding failure Abuse or negligence by staff or volunteers.	<ul style="list-style-type: none"> • A permanent quality and improvement team. • Safeguarding policies and application reviewed with Social Care Institute for Excellence (SCIE). Staff safeguarding training. Safeguarding Adults Sub-Committee meets quarterly. • Policies to investigate complaints raised by service users and their family members. Whistleblowing procedures for staff and volunteers.
Infectious disease outbreak at Group premises	<ul style="list-style-type: none"> • Pre-employment and periodic verification of accreditations of clinical nursing staff. Training in clinical risks for staff and volunteers. • Policies on actions to take during such an outbreak.
Premises are unusable or dangerous (in the short-term) Due to serious damage (e.g. fire or flooding) or other unexpected problems (e.g. adverse weather).	<ul style="list-style-type: none"> • Business continuity plans are in place. Insurance policies in place. • Primary Authority Partnership entered into with Surrey Fire and Rescue. Fire detection and fire extinguishing systems. Fire training for staff. • Health and Safety Manager in post. Risk assessments carried out in line with policies. Health and Safety Sub-Committee meets quarterly.
Financial viability of the Group Ensuring we have adequate financial resources to continue our work and meet the needs of our service users both in the short and longer-term.	<ul style="list-style-type: none"> • Trustees provided with regular financial information, including forecasting of results and resources. • Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 14 to 15). • The level of general reserves against targeted reserves levels is monitored at least annually.
Failure to comply with legislation or regulatory requirements	<ul style="list-style-type: none"> • Care quality policies and procedures established and kept under review. • Quality assurance programme to monitor compliance and completion of actions from previous assessments.

Health and safety

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

Equal opportunities

We are committed to being an equal opportunities employer. Our Equality and Diversity Policy aims to set a positive way forward for valuing diversity in the workforce and eradicating discriminatory practices. All forms of harassment, against or by a service user or employee, are not tolerated and are dealt with under the terms of this policy.

Structure, governance and management (continued)

We place a positive value on diversity in its widest sense and believe that a broad range of backgrounds, ethnicities, cultures and age groups within the workforce can add value to the organisation and make it stronger, more flexible, more connected, and ultimately more capable of delivering care and support services that meet the needs of our service users.

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

We ensure that recruitment, appraisal and training systems are designed so that an individual is appointed and promoted on the basis of their ability and performance, irrespective of background, beliefs and socio-economic context.

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

Key management personnel

Key management personnel comprise the Group's Senior Management Team and trustees, although trustees are not remunerated.

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

Changes to pay are approved by the Chief Executive, other than those relating to the Chief Executive and Charity Secretary which are approved by the board. Any significant changes in structure or amount of key management personnel pay and remuneration (either in total or for an individual) are approved or otherwise by the Remuneration and Employment Committee.

Staff and volunteer involvement

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

Public benefit

An explanation of the Group's objectives and activities can be seen on page 5. In addition, the trustees confirm they have taken into account the guidance produced by the Charity Commission on public benefit and are able to state that all of the relevant activities of the Group are carried out for the public benefit.

Structure, governance and management (continued)

Fundraising

The Group is demonstrating our commitment to good fundraising practice, and we have subscribed to the voluntary fundraising regulator scheme. We have not received any complaints in this accounting period relating to fundraising practices. We have in place a policy on fundraising and vulnerable people. We do not employ professional fundraisers to carry out fundraising on our behalf. We also ensure our fundraising practices comply with General Data Protection Regulation (GDPR) policies and procedures.

Statement of trustees' responsibilities

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

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

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

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

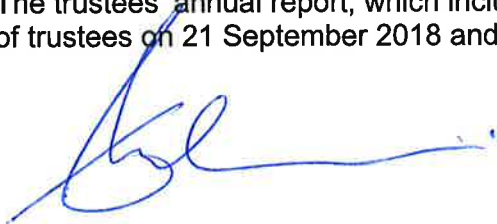
Structure, governance and management (continued)

Statement of disclosure of information to auditors

So far as each of the trustees is aware at the time the report is approved:

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

The trustees' annual report, which includes the strategic report, was approved by the board of trustees on 21 September 2018 and signed on its behalf by:



Kerry Rubie
Chair

Administrative information

Charity name

Friends of the Elderly

Registered office

40-42 Ebury Street
London SW1W 0LZ

Registration numbers

Charity No. 226064
Company No. 133850

Company secretary

Soo Smith

Trustees

Joannie Andrews 3
Martin Burdes (*to 22 July 2017*) 4
Rob Chapman 1
Viscount Devonport 4
Rikki Garcia 2, 3
James Hussey (*to 1 August 2017*) 2
Chris Maidment (*from 22 July 2017*) 1, 2
Simon J. Passman 4
James Ross 2, 4
Kerry Rubie (*Chair*) 2
Jeremy Withers Green (*Vice Chair*) 1, 2

1. *Member of Audit & Risk Committee*
2. *Member of Chair's, Nominations, and Remuneration & Employment Committees*
3. *Member of Strategic Delivery Committee*
4. *Member of Resources and Investment Committee*

Senior management team

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

Statutory auditors

Saffery Champness LLP
71 Queen Victoria Street
London EC4V 4BE

Bankers

HSBC plc
89 Buckingham Palace Rd
Belgravia
London SW1W 0QL

Investment managers

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

CCLA Investment Management
Limited
80 Cheapside
London EC2V 6DZ

Solicitors

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham B3 2ES

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

Opinion

We have audited the financial statements of Friends of the Elderly for the year ended 31 March 2018 which comprise the Consolidated statement of financial activities, the Consolidated and Charity balance sheets, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the affairs of the group and the parent charitable company as at 31 March 2018 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact.

We have nothing to report in this regard.

Other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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:

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 21, 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, and for such internal control as the trustees determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charitable company's members and the trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees 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 charitable company, the charitable company's members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.


.....

Liz Hazell (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants 71 Queen Victoria Street
Statutory Auditors London
EC4V 4BE

Date: 28 September 2018.

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

**Consolidated statement of financial activities for the year ended
31 March 2018 (incorporating the consolidated income and expenditure account)**

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total Funds 2018 £	Total Funds 2017 £
Income from:						
Donations and legacies	4	179,951	596,993	-	776,944	514,069
<i>Income from charitable activities:</i>	7					
Residential care		18,100,581	1,154,886	-	19,255,467	18,577,382
Community services		49,854	5,531,330	-	5,581,184	5,718,134
Befriending services		4,215	21,011	-	25,226	25,889
		18,154,650	6,707,227	-	24,861,877	24,321,405
Investment Income	5	132,590	339,458	877	472,925	451,367
Other income	6	-	-	178,250	178,250	3,514,209
Total		18,467,191	7,643,678	179,127	26,289,996	28,801,050
Expenditure on:						
<i>Raising funds:</i>	7					
Fundraising costs		258,998	34,530	-	293,528	252,849
Investment management costs		129,804	-	3,560	133,364	129,231
Other costs		17,925	-	-	17,925	112,420
		406,727	34,530	3,560	444,817	494,500
<i>Charitable activities:</i>	7					
Residential care		17,661,080	1,666,784	127,275	19,455,139	18,941,495
Community services		848,539	5,583,063	-	6,431,602	6,195,863
Befriending services		111,586	242,356	-	353,942	393,655
Grants and allowances		135,392	120,234	-	255,626	218,026
		18,756,597	7,612,437	127,275	26,496,309	25,749,039
Other Expenditure		-	-	-	-	3,708
Total		19,163,324	7,646,967	130,835	26,941,126	26,247,247
Net (expenditure)/income before gains/(losses) on investments	8	(696,133)	(3,289)	48,292	(651,130)	2,553,803
Net gains/(losses) on investments	14	20,498	18,905	(352,084)	(312,681)	1,085,701
Net (expenditure)/income		(675,635)	15,616	(303,792)	(963,811)	3,639,504
Other recognised gains/(losses)						
Actuarial losses on defined benefit pension scheme	19	(7,026)	-	-	(7,026)	(40,698)
Net movement in funds		(682,661)	15,616	(303,792)	(970,837)	3,598,806
Reconciliation of funds:						
Total funds brought forward	21	22,880,758	2,217,455	15,234,024	40,332,237	36,733,431
Total funds carried forward	20	22,198,097	2,233,071	14,930,232	39,361,400	40,332,237

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities. Results for 2017 by fund are disclosed in note 2.

The notes on pages 30 to 59 form part of these financial statements.

Group and Charity balance sheets as at 31 March 2018

		Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
	<i>Notes</i>				
Fixed assets					
Intangible assets	12	107,662	211,942	107,117	163,139
Tangible assets	13	23,140,340	23,027,804	21,282,948	21,322,190
Investments	14	16,850,593	13,591,845	15,276,401	11,667,642
Total fixed assets		40,098,595	36,831,591	36,666,466	33,152,971
Current assets					
Debtors	15	2,893,759	3,479,382	2,669,066	3,290,712
Cash at bank and in hand		1,432,618	4,651,521	1,143,210	4,497,127
Total current assets		4,326,377	8,130,903	3,812,276	7,787,839
Creditors					
Amounts falling due within 1 year	16	(3,356,285)	(2,862,283)	(2,878,932)	(2,415,767)
Net current assets		970,092	5,268,620	933,344	5,372,072
Total assets less current liabilities		41,068,687	42,100,211	37,599,810	38,525,043
Creditors					
Amounts falling due after more than one year	17	(1,407,197)	(1,498,710)	(1,407,197)	(1,498,710)
Provisions for liabilities	18	(54,162)	-	-	-
Net assets excluding pension liabilities		39,607,328	40,601,501	36,192,613	37,026,333
Defined benefit pension scheme liability	19	(245,928)	(269,264)	(245,928)	(269,264)
Total net assets		39,361,400	40,332,237	35,946,685	36,757,069
The funds of the charity:					
Restricted funds	21	2,233,071	2,217,455	1,876,545	1,883,360
Endowments	21	14,930,232	15,234,024	11,649,584	11,769,935
Unrestricted funds:					
Designated funds	21	19,463,052	19,611,911	19,554,901	19,703,760
General reserves - revaluation reserve	21	2,333,118	2,333,118	2,333,118	2,333,118
General reserves - other	21	647,855	1,235,458	778,465	1,366,625
Pension reserve	21	(245,928)	(299,729)	(245,928)	(299,729)
Total unrestricted funds		22,198,097	22,880,758	22,420,556	23,103,774
Total charity funds	20	39,361,400	40,332,237	35,946,685	36,757,069

The notes on pages 30 to 59 form part of these financial statements. As permitted by S408 Companies Act 2006, the Charity has not presented its own income and expenditure account and related notes. The Charity's net expenditure for the year was £810,384 (2017: net income of £4,039,269).

The financial statements were approved by the Board of Trustees on 21 September 2018 and were signed on their behalf by:


Kerry Rubie
Chair

Consolidated statement of cash flows for the year ended 31 March 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Cash flows from operating activities:					
Net cash provided by/(used in) operating activities	23		<u>613,778</u>		<u>(910,346)</u>
Cash flows from investing activities:					
Dividends, interest and rents from investments		472,925		451,367	
Interest payable		(34,998)		(36,357)	
Purchase of intangible fixed assets		(21,282)		(107,825)	
Purchase of property, plant and equipment		(1,144,918)		(939,882)	
Purchase of investments		(15,073,289)		(1,614,102)	
Proceeds from sale of investments		11,141,088		1,844,662	
Proceeds from sale of property, plant and equipment		556,500		4,250,000	
Net cash provided by/(used in) investing activities			<u>(4,103,974)</u>		<u>3,847,863</u>
Cash flows from financing activities:					
Repayments of borrowings		(89,479)		(87,490)	
Net cash used in financing activities			<u>(89,479)</u>		<u>(87,490)</u>
Change in cash and cash equivalents in the year			(3,579,675)		2,850,027
Cash and cash equivalents at the beginning of the year			<u>5,012,293</u>		<u>2,162,266</u>
Cash and cash equivalents at the end of the year			<u>1,432,618</u>		<u>5,012,293</u>
 Cash and cash equivalents comprise the following:					
Cash			1,432,618		4,651,521
Cash held within the investment portfolio for reinvestment			-		225,655
Cash instruments held within the investment portfolio			-		135,117
			<u>1,432,618</u>		<u>5,012,293</u>

Notes to the financial statements for the year ended 31 March 2018

1. Principal accounting policies

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

(a) Basis of accounting

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

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

Friends of the Elderly is a registered charity (number 226064) and a registered company (number 133850) limited by guarantee incorporated in England and Wales. The registered office is 40-42 Ebury Street, London SW1W 0LZ.

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

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

The trustees consider it appropriate to prepare the financial statements on the going concern basis.

(b) Consolidation

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

(c) Fund accounting

Unrestricted funds are those funds that are readily available for the use of the Charity, as the Charity's trustees see fit. These are made up of general reserves, designated funds and a pension reserve.

1. Principal accounting policies (continued)

(c) Fund accounting (continued)

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

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

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

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

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

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

(d) Income

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

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

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

(e) Expenditure

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

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

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

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

(f) Support costs

Support costs are those functions that assist the work of the Charity but do not directly undertake charitable activities. Support costs include management and administration costs incurred in Central Office, costs incurred by staff with regional responsibilities and governance costs which support the Group's charitable activities. These costs have been allocated between expenditure on raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in note 7.

1. Principal accounting policies (continued)**(g) Donated services and facilities**

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

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

(h) Intangible fixed assets and amortisation

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

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

Computer software: 3 years

i) Tangible fixed assets and depreciation

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

Depreciation is not charged on freehold land or on expenditure on assets in course of construction or not yet in use.

Depreciation on other tangible fixed assets is charged so as to write off the full cost or valuation less their estimated residual values over their expected useful economic lives at the following rates:

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

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

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

Residual values for care homes structure and external fabric is £25,000 per bed, based on sector information on the marketable value of older care homes. Residual values for other assets are deemed to be nil.

1. Principal accounting policies (continued)

(j) Impairment of fixed assets

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

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

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

(k) Investment properties

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

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

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

(l) Other investments

Investments in stocks and shares are valued at the mid-market price ruling at the balance sheet date. Unlisted investments comprise investments in managed funds, and are valued at the market price per unit of the fund at the balance sheet date. This gives rise to unrealised gains or losses which are included in the statement of financial activities. Realised gains or losses on disposal arise on the difference between the sales proceeds and carrying value which are also included in the statement of financial activities.

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

(m) Debtors

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

(n) Cash at bank and in hand

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

(o) Creditors and provisions

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

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

1. Principal accounting policies (continued)

(p) Financial instruments

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

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

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

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

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

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

(q) Operating leases

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

(r) Pension schemes

Prior to 1 October 1996 the Charity operated a defined benefit pension scheme; the benefits of the employees in this scheme have been preserved.

The pension liabilities and assets are recorded in line with FRS102, with a valuation undertaken by an independent actuary. FRS102 measures the value of pension assets and liabilities at the balance sheet date and determines the benefits accrued in the year and the interest on assets and liabilities.

The value of benefits accrued is used to determine the pension charge in the statement of financial activities and the expected return on scheme assets and the interest cost on scheme liabilities are allocated across the appropriate income/ expenditure categories.

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

Since 1 October 1996 the Charity has operated a defined contribution scheme, the assets of which are held in an independently administered fund. Triangle Community Services Limited and the Retired Nurses National Home also operate defined contribution schemes. Contributions are charged to the statement of financial activities as they become payable.

Since 1 April 2008 the Charity has participated in the Scottish Voluntary Sector Pension Scheme and the CARE Pension Scheme, both of which are multi-employer defined benefit schemes. It is not possible for the Charity to obtain sufficient information to enable it to account for these schemes as defined benefit schemes. Therefore it accounts for the schemes as if they were defined contribution schemes, and recognises only the present value of future deficit recovery contributions as a provision.

1. Principal accounting policies (continued)

(s) Key judgements and estimates

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

The review of impairment indicators and assessment of impairment loss

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

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

The key estimate in the 'value in use' calculation is the future operating results of the home, which are based on the most recent forecasts. Discount rates may be a key estimate depending on the sensitivity of the discounted cash flow and whether it may be higher than fair value less costs to sell. Depreciated replacement cost is based on the equivalent to the cost of buying a care home which is 50+ years of age. This is based on sector market information.

Pension Schemes

Key areas of judgement that impact on the valuation of defined benefit pension scheme assets and liabilities are: discount rates; inflation rates; mortality assumptions and life expectancies; and expected return on scheme assets.

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

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

Tangible fixed assets and depreciation

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

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

Investment property valuations

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

2. Consolidated statement of financial activities by fund 2017

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

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3. Subsidiaries' performance

Summary of results for the year ended 31 March 2018:

	Potential Limited £	Triangle Community Services Limited £	Friends of the Elderly Trading Limited £	The Retired Nurses National Home £
Total income	2,086	5,769,857	-	1,372,569
Total expenditure	(3,540)	(6,020,659)	-	(1,499,736)
Other realised and unrealised losses	-	-	-	(54,061)
Deficit	(1,454)	(250,802)	-	(181,228)
Net (liabilities)/ assets at 31 March 2018	(1,642)	(164,568)	10,000	3,453,385

Summary of results for the year ended 31 March 2017:

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

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

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

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

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

4. Donations and legacies

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total 2018 £	Total 2017 £
Donations	122,577	335,034	457,611	355,428
Legacies	57,374	227,429	284,803	77,766
Pro-bono services	-	34,530	34,530	80,875
	179,951	596,993	776,944	514,069

5. Investment income

	Unrestricted funds 2018 £	Restricted funds 2018 £	Endowment funds 2018 £	Total 2018 £	Total 2017 £
Dividends from investments	92,650	339,458	877	432,985	370,552
Investment property rental income	38,436	-	-	38,436	71,786
Interest receivable	1,504	-	-	1,504	9,029
	<u>132,590</u>	<u>339,458</u>	<u>877</u>	<u>472,925</u>	<u>451,367</u>

6. Other income

	Endowed funds 2018 £	Total 2018 £	Total 2017 £
Gain on disposal of fixed assets	178,250	178,250	3,514,209

7. Analysis of income and expenditure by charitable activity

	Residential care 2018 £	Community services 2018 £	Befriending services 2018 £	Grants and allowances 2018 £	Raising funds 2018 £	Total 2018 £
Direct income	19,255,467	5,581,184	25,226	-	-	24,861,877
Attributable fundraising income	227,254	97,355	174,046	63,148	215,141	776,944
Attributable investment income	298,835	-	-	40,623	133,467	472,925
Total income	19,781,556	5,678,539	199,272	103,771	348,608	26,111,746
Direct expenditure	16,670,639	4,881,830	187,794	-	344,176	22,084,439
Attributable support costs:						
Governance	169,745	56,025	9,660	6,322	5,989	247,741
Operations, quality and training	757,578	545,157	75,865	55,756	-	1,434,356
Property	264,631	12,367	-	-	3,324	280,322
Finance, HR and IT	1,120,319	641,507	16,002	8,370	44,925	1,831,123
Recruitment, marketing, communications	386,241	224,267	21,013	34,414	31,734	697,669
Strategic and executive	85,986	70,449	43,608	1,392	14,669	216,104
Total attributable support costs	2,784,500	1,549,772	166,148	106,254	100,641	4,707,315
Grant-funding of activities	-	-	-	149,372	-	149,372
Total expenditure	19,455,139	6,431,602	353,942	255,626	444,817	26,941,126
Net surplus/ (deficit)	326,417	(753,063)	(154,670)	(151,855)	(96,209)	(829,380)

This analysis does not include other income or other expenditure, as it does not relate to a specific activity.

7. Analysis of income and expenditure by charitable activity (continued)

The analysis for 2017 is as follows:

	Residential care	Community services	Befriending services	Grants and allowances	Raising funds	Total
	2017	2017	2017	2017	2017	2017
	£	£	£	£	£	£
Direct income	18,577,382	5,718,134	25,889	-	-	24,321,405
Attributable fundraising income	69,668	21,005	145,277	57,619	220,500	514,069
Attributable investment income	246,921	-	-	43,472	160,974	451,367
Total income	18,893,971	5,739,139	171,166	101,091	381,474	25,286,841
Direct expenditure	15,832,312	5,000,859	273,755	-	298,973	21,405,899
Impairment charge	350,000	-	-	-	-	350,000
Attributable support costs:						
Governance	119,263	42,801	5,262	3,304	8,581	179,211
Operations, quality and training	952,658	414,369	31,672	38,649	-	1,437,348
Property	244,325	20,309	-	-	5,073	269,707
Finance, HR and IT	953,715	407,501	12,464	10,903	38,459	1,423,042
Recruitment, marketing, communications	371,984	207,158	21,228	20,457	125,143	745,970
Strategic and executive	117,238	102,866	49,274	1,982	18,271	289,631
Total attributable support costs	2,759,183	1,195,004	119,900	75,295	195,527	4,344,909
Grant-funding of activities	-	-	-	142,731	-	142,731
Total expenditure	18,941,495	6,195,863	393,655	218,026	494,500	26,243,539
Net deficit	(47,524)	(456,724)	(222,489)	(116,935)	(113,026)	(956,698)

The impairment charge recorded in 2016-17 did not represent a cash outflow.

Support costs and costs of governance are apportioned between charitable activities and the activities for raising funds. The basis of apportionment is as follows:

Function	Basis of apportionment
Governance costs	Apportioned in proportion to overall support costs allocation
Operations, Quality and Training	Specific teams relate to different charitable operations, other costs are apportioned based on management estimate
Property	Apportioned based on management estimate
Finance and Information Technology	Apportioned based on the proportion of total operating and capital expenditure
Human Resources	Apportioned based on activity headcount
Marketing, Communications and Public Relations	Apportioned based on management estimate
Strategy and Executive	Apportioned based on management estimate

8. Net (expenditure)/income for the year

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

	2018 £	2017 £
Staff costs (Note 9)	18,792,237	18,047,841
Amortisation of intangible fixed assets (Note 12)	125,562	114,603
Depreciation of tangible fixed assets (Note 13)	947,361	1,050,377
Impairment of tangible fixed assets	-	350,000
Auditors' remuneration - Audit of the Charity	20,000	19,500
Auditors' remuneration - Audit of subsidiary undertakings	12,550	12,500
Auditors' remuneration - Other Services	1,800	1,200
Professional indemnity insurance	1,642	1,642
Pension scheme net finance charge	4,359	5,406
Operating lease rentals	186,903	194,582

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

9. Staff costs

	2018 £	2017 £
Staff costs were as follows:		
Salaries	14,193,219	13,610,715
Social security costs	1,059,958	907,617
Pension costs	480,240	388,554
	<u>15,733,417</u>	<u>14,906,886</u>
Agency - Care	1,811,965	1,934,811
Agency - Non-Care	92,156	64,046
Contract staff costs	1,166,674	1,142,098
Agency and contract costs	<u>3,070,795</u>	<u>3,140,955</u>

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

	2018 £	2017 £
Redundancy payments	1,353	7,184
Ex gratia payments	-	36,816
	<u>1,353</u>	<u>44,000</u>

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

	2018 No.	2017 No.
£60,001 - £70,000	2	2
£70,001 - £80,000	1	2
£80,000 - £90,000	2	-
£120,000 to £130,000	<u>1</u>	<u>1</u>

9. Staff costs (continued)

Key management personnel

The total emoluments paid to key management personnel are set out below. Key management personnel comprise the senior management team, and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2017: none).

	2018 £	2017 £
Total emoluments	734,445	792,032

10. Staff numbers

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

Employee numbers	2018 Headcount No.	2017 Headcount No.	2018 FTE No.	2017 FTE No.
				<i>Restated</i>
Care staff	772	796	562	573
Support staff	124	119	112	112
	<u>896</u>	<u>915</u>	<u>674</u>	<u>685</u>

Employee numbers for 2017 have been restated using updated estimates of full time equivalent staff, consistent with 2018, where staff work variable hours in Triangle. Total full time equivalent employee numbers for 2017 were previously disclosed as 743.

11. Related party transactions

Trustees

Robert Chapman, a trustee of Triangle Community Services, is also a councillor with the London Borough of Hackney. During the year ended 31 March 2018 £37,680 (2017: £78,035) was invoiced to the London Borough of Hackney for care services undertaken, and at 31 March 2018 £23,416 was outstanding (2017: £46,779).

The trustees received no remuneration for their services (2017: £nil).

During the year ended 31st March 2018, £1,744 in expenses were paid to one trustee for costs incurred in the course of their duties as trustee of the Charity (2017: £nil)

A donation of £2,000 was made by a related party of one trustee to the Group during the year (2017: £nil). Expenses waived by trustees during the year were not material (2017: not material).

11. Related party transactions (continued)

Intercompany transactions

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

	2018 £	2017 £
Amounts paid by and (payable to) Triangle:		
Rent charged	61,092	36,308
Management charge	229,500	300,000
Learning and Development recharge	55,916	90,166
Grant paid	43,000	-
	<u>389,508</u>	<u>426,474</u>

The management charge from the Charity to Triangle represents services provided by the Charity that are no longer within Triangle, including finance, human resources, IT support, governance, and business development. The grant paid to Triangle was to support its community engagement activities, in particular the Visiting Friends service transferred from the Charity to Triangle in June 2017.

	2018 £	2017 £
Amounts paid by the RNNH:		
Learning and Development recharge	17,664	16,152
Income from Potential:		
Management fee income	-	1,000
Gift aid receipt	-	2,261
	<u>-</u>	<u>3,261</u>
Expenditure charged by Potential:		
Property development costs recharged (capitalised within the Charity)	2,086	4,130

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

	2018 £	2017 £
Amounts due (to)/from Potential	(1,794)	1,914
Amounts due to Friends of the Elderly Trading Limited	(5,209)	(5,209)
Amounts due from Triangle	1,164,235	958,218
Provision against amounts due from Triangle	(249,605)	-
Amounts due from the RNNH	65,912	73,547
	<u>973,539</u>	<u>1,028,470</u>

12. Intangible fixed assets

Computer software	Group £	Charity £
Cost		
At 1 April 2017	722,168	590,771
Additions	21,282	21,282
Disposals	-	-
At 31 March 2018	<u>743,450</u>	<u>612,053</u>
Amortisation		
At 1 April 2017	510,226	427,632
Charge for the year	125,562	77,304
Eliminated on disposal	-	-
At 31 March 2018	<u>635,788</u>	<u>504,936</u>
Net book value 31 March 2018	<u>107,662</u>	<u>107,117</u>
Net book value 31 March 2017	<u>211,942</u>	<u>163,139</u>

13. Tangible fixed assets

(a) Group	Freehold & Long Leasehold Property £	Short Leasehold Property Improvements £	Fixtures, Equipment and Vehicles £	Total £
Cost				
At 1 April 2017	26,436,503	155,946	7,739,198	34,331,647
Additions	280,010	-	864,908	1,144,918
Disposals	-	-	(288,676)	(288,676)
At 31 March 2018	<u>26,716,513</u>	<u>155,946</u>	<u>8,315,430</u>	<u>35,187,889</u>
Depreciation				
At 1 April 2017	5,834,132	96,086	5,373,625	11,303,843
Charge for the year	267,603	3,773	675,985	947,361
Eliminated on disposal	-	-	(203,655)	(203,655)
At 31 March 2018	<u>6,101,735</u>	<u>99,859</u>	<u>5,845,955</u>	<u>12,047,549</u>
Net book value 31 March 2018	<u>20,614,778</u>	<u>56,087</u>	<u>2,469,475</u>	<u>23,140,340</u>
Net book value 31 March 2017	<u>20,602,371</u>	<u>59,860</u>	<u>2,365,573</u>	<u>23,027,804</u>
(b) Charity	Freehold & Long Leasehold Property £	Short Leasehold Property Improvements £	Fixtures, Equipment and Vehicles £	Total £
Cost				
At 1 April 2017	24,452,584	155,946	7,350,632	31,959,162
Additions	102,493	-	813,157	915,650
Disposals	-	-	(282,412)	(282,412)
At 31 March 2018	<u>24,555,077</u>	<u>155,946</u>	<u>7,881,377</u>	<u>32,592,400</u>
Depreciation				
At 1 April 2017	5,340,309	96,086	5,200,577	10,636,972
Charge for the year	252,810	3,773	614,993	871,576
Eliminated on disposal	-	-	(199,096)	(199,096)
At 31 March 2018	<u>5,593,119</u>	<u>99,859</u>	<u>5,616,474</u>	<u>11,309,452</u>
Net book value 31 March 2018	<u>18,961,958</u>	<u>56,087</u>	<u>2,264,903</u>	<u>21,282,948</u>
Net book value 31 March 2017	<u>19,112,275</u>	<u>59,860</u>	<u>2,150,055</u>	<u>21,322,190</u>

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

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

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

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14. Fixed asset investments

(a) Group	Investment	Investments	Investments	Cash	Total	
	Property	Listed	Unlisted			
	£	£	£	£	£	
Cost or valuation						
At 1 April 2017	2,839,378	8,517,944	1,873,751	360,772	13,591,845	
Additions	-	-	15,073,289	-	15,073,289	
Disposals (carrying value)	-	(8,517,944)	(2,443,751)	(360,772)	(11,322,467)	
Unrealised loss on revaluation	-	-	(492,074)	-	(492,074)	
At 31 March 2018	2,839,378	-	14,011,215	-	16,850,593	
Cost at 31 March 2018	585,360	1,641,557	14,503,289	-	16,730,206	

(b) Charity	Investment	Investments	Investments	Cash	Investments	Total
	property	Listed	Unlisted		in Subsidiaries	
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2017	2,839,378	6,617,919	1,873,751	326,592	10,002	11,667,642
Additions	-	-	13,141,732	-	-	13,141,732
Disposals (carrying value)	-	(6,617,919)	(2,153,751)	(326,592)	-	(9,098,262)
Unrealised losses on revaluation	-	-	(434,711)	-	-	(434,711)
At 31 March 2018	2,839,378	-	12,427,021	-	10,002	15,276,401
Cost at 31 March 2018	585,360	-	12,861,732	-	10,002	13,457,094

14. Fixed asset investments (continued)

'Investments in subsidiaries' relates to two trading companies – Potential Limited and Friends of the Elderly (Trading) Limited, which is dormant. Summary results for the subsidiaries can be found in note 3.

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

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

15. Debtors

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	1,949,837	2,175,971	896,292	1,111,686
Amounts due from subsidiary undertakings	-	-	980,541	1,033,679
Other debtors	205,688	545,222	185,895	532,009
Prepayments and accrued income	738,234	758,189	606,338	613,338
	<u>2,893,759</u>	<u>3,479,382</u>	<u>2,669,066</u>	<u>3,290,712</u>

16. Creditors: amounts falling due within one year

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	1,157,137	1,132,399	1,067,910	1,014,737
Amounts due to subsidiary undertakings	-	-	6,901	5,209
Other creditors	343,439	355,575	255,456	327,394
Resident deposits	794,969	355,948	794,969	355,948
Taxation and social security	320,636	255,601	231,266	165,902
Accruals and deferred income	648,591	673,281	430,917	457,098
Loans: Amounts Due Within One Year	91,513	89,479	91,513	89,479
	<u>3,356,285</u>	<u>2,862,283</u>	<u>2,878,932</u>	<u>2,415,767</u>

Movements in deferred income are as follows:

	£
Deferred income at 1 April 2017	7,087
Income invoiced in advance in year	91,714
Income recognised in year	(91,714)
Deferred income at 31st March 2018	<u>7,087</u>

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

	Group and Charity	
	2018	2017
	£	£
Secured bank loan:		
Falling due within more than one year but less than five years	387,248	378,640
Falling due after five years	1,019,949	1,120,070
Total amounts falling due after one year:	1,407,197	1,498,710
Amounts falling due within one year (Note 16)	91,513	89,479
Total of all loans	1,498,710	1,588,189

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

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

18. Provision for liabilities

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Onerous lease contracts	29,162	-	-	-
Dilapidations provision	25,000	-	-	-
	54,162	-	-	-

Provisions have been charged in the year for onerous lease contracts and relate to the remaining lease commitment on offices for branches which have been closed post year-end, and for dilapidation charges that may arise at the end of lease contracts.

19. Pension schemes

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

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

	Group and Charity	
Defined benefit pension scheme liability by Scheme	2018	2017
	£	£
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	(10,800)
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(223,000)	(240,000)
Career Average Revalued Earnings (CARE) Pension Scheme	(22,928)	(18,464)
	(245,928)	(269,264)

19. Pension schemes (continued)

Reconciliation of opening and closing provision by Scheme

	FotE Closed 2018 £	SVSPS Scheme 2018 £	CARE Scheme 2018 £	Total 2018 £
Provision at 1 April 2017	(10,800)	(240,000)	(18,464)	(269,264)
Interest expense	(100)	(4,000)	(259)	(4,359)
Contributions paid	15,000	18,000	1,721	34,721
Other gains/(losses)				
- Actuarial gains/(losses) on defined benefit obligation	22,100	-	-	22,100
- Return on assets excluding interest income	(21,700)	-	-	(21,700)
- Limit on recognition of assets	(4,500)	-	-	(4,500)
- Remeasurement - impact of changes in assumptions	-	3,000	568	3,568
- Remeasurement - amendments to the contribution schedule	-	-	(6,494)	(6,494)
Provision at 31 March 2018	-	(223,000)	(22,928)	(245,928)

(a) Defined contribution schemes

Since 1 October 1996, the Charity has operated a defined contribution scheme available to new and existing members, run by Scottish Widows. The pension cost relating to this scheme represents contributions payable by Friends of the Elderly and amounted to £374,760 in the year (2017: £324,860).

Triangle Community Services operates a stakeholder pension scheme for the benefit of its employees. With the introduction of auto-enrolment, the pension cost relating to this scheme represents contributions payable by Triangle and amounted to £58,400 in the year (2017: £55,455).

The Retired Nurses National Home operates a stakeholder pension scheme for the benefit of its employees. The pension cost relating to this scheme represents contributions payable by the Retired Nurses National Home and amounted to £13,000 in the year (2017: £8,239).

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

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

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

There are two categories of members:

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

The Scheme trustees are required to carry out an actuarial valuation every 3 years. The last actuarial valuation was performed by the Scheme actuary for the trustees as at 30 September 2015. The valuation revealed a funding shortfall of £113,900. In respect of the deficit of the Scheme as at 30 September 2015, the Charity has agreed to pay £1,250 per calendar month from December 2016 until September 2023 inclusive. Each contribution will be paid by the 19th of the following calendar month.

19. Pension schemes (continued)

In addition, all the administration and operating expenses of the Scheme, including the Pension Protection Fund (PPF) levy, will be met directly by the Charity.

During the accounting year beginning 1 April 2019, the Charity expects to pay £15,000, plus administration and operating expenses including the PPF levy.

The pension scheme surplus as at 31 March 2018 is not recognised in the balance sheet on the basis that the asset could not be retained by the Charity, but is recognised in the statement of financial activities to the extent that it reverses a prior liability.

The amounts recognised in the year, and the balance sheet positions, are as follows:

	Group and Charity		Net	Net
	Assets	Defined benefit obligation	position 2018	position 2017
	£	£	£	£
Fair value at 1 April 2017	2,025,900	(2,036,700)	(10,800)	32,800
Limit on recognition of assets	-	-	-	(32,800)
Scheme deficit recognised at 1 April 2017	2,025,900	(2,036,700)	(10,800)	-
Benefits paid	(180,000)	180,000	-	-
Employer contributions	15,000	-	15,000	17,200
<i>Amounts charged to Statement of Financial Activities:</i>				
Interest income/ (cost)	44,700	(44,800)	(100)	-
Remeasurement gains/(losses)				
- Actuarial gains/(losses)	-	22,100	22,100	(102,500)
- Return on assets excluding interest income	(21,700)	-	(21,700)	41,700
- (Limit on recognition of assets)/ limit reversed	(4,500)	-	(4,500)	32,800
<i>Total amounts charged to Statement of Financial Activities</i>	<i>18,500</i>	<i>(22,700)</i>	<i>(4,200)</i>	<i>(28,000)</i>
Fair value at 31 March 2018 (less surplus not recognised)	1,879,400	(1,879,400)	-	(10,800)

The fair value of the assets of the scheme was:

	Group and Charity		2017	2017
	2018	2018	£	% of total
	£	% of total plan assets		plan assets
Long-term, with profits insurance policy	512,900	27.2%	523,000	25.8%
Unit-linked fund	-	0.0%	6,600	0.3%
Trustees bank account/ net current assets	10,500	0.6%	8,500	0.4%
Annuities	1,360,500	72.2%	1,487,800	73.5%
Total	1,883,900	100.0%	2,025,900	100.0%

The assets valued above include an insurance policy invested in the with-profits and unit-linked Gilt and Fixed Interest funds with the Equitable Life Assurance Society. The value of assets held in the with-profits fund has been taken as the policy value that would have been available had all the members retired on 31 March 2018. The value of assets held in the unit-linked Gilt and Fixed Interest fund has been taken as the value of units at bid price on 31 March 2018. The value shown is not necessarily the value that would be available were the policy to be surrendered.

19. Pension schemes (continued)

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

Actuarial assumptions

	Group and Charity	
	2018	2017
Discount rate	2.4% pa	2.3% pa
RPI inflation	3.0% pa	3.0% pa
CPI inflation	2.0% pa	2.0% pa
Revaluation of deferred pensions	2.0% pa	2.0% pa

Mortality assumptions

	Group and Charity	
	2018	2017
Mortality (pre-retirement)	Nil	Nil
	100% of S2PA	100% of S2PA
Mortality (post-retirement)	CMI_2017_M/F [1.25%] (yob)	CMI_2016_M/F [1.25%] (yob)

Life expectancies

	2018		2017	
	Males	Females	Males	Females
For an individual aged 60	26.6	28.6	26.7	28.7
At age 60 for an individual aged 40	28.1	30.2	28.3	30.3

(c) Multi-employer pension schemes

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

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

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

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

19. Pension schemes (continued)

(c) Multi-employer pension schemes (continued)

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

SVSPS

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

A full actuarial valuation for the scheme was carried out at 30 September 2014. This valuation showed assets of £88.22m, liabilities of £122.15m and a deficit of £33.93m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1,073,000 pa until 31 October 2029 (increasing by 3% each year on 1 April), of which the Charity's contributions are £18,000 pa, rising to £24,000 pa over the 12-year period.

CARE

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

A full actuarial valuation for the scheme was carried out at 30 September 2013. This actuarial valuation showed assets of £35.56m, liabilities of £51.94m and a deficit of £16.38m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1,152,000 pa until 30 April 2027 (increasing by 3% each year on 1 July), of which the Charity's contributions are £2,060 pa, rising to £2,688 pa over the 12-year period.

Provision

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

Reconciliation of opening and closing provision:

	Group and Charity			
	SVSPS		CARE	
	2018 £	2017 £	2018 £	2017 £
Provision at start of year	(240,000)	(240,000)	(18,464)	(19,031)
Contribution paid	18,000	17,000	1,721	1,671
<i>Amounts charged to Statement of Financial Activities:</i>				
Interest expense	(4,000)	(5,000)	(259)	(406)
Other gains/(losses):				
- Remeasurement - impact of changes in assumptions	3,000	(12,000)	568	(698)
- Remeasurement - amendments to the contribution schedule	-	-	(6,494)	-
<i>Total amounts charged to Statement of Financial Activities</i>	<u>(1,000)</u>	<u>(17,000)</u>	<u>(6,185)</u>	<u>(1,104)</u>
Provision at end of year	<u>(223,000)</u>	<u>(240,000)</u>	<u>(22,928)</u>	<u>(18,464)</u>

19. Pension schemes (continued)
(c) Multi-employer pension schemes (continued)
Actuarial assumptions

	2018	2017	2016
Discount rate: SVSPS	2.01%	1.76%	2.55%
Discount rate: CARE	1.93%	1.47%	2.24%

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

20. Analysis of net assets between funds

Fund balances at 31 March 2018, represented by:

(a) Group	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds £
Intangible assets	107,117	545	-	107,662
Tangible assets	20,955,913	204,571	1,979,856	23,140,340
Investments	4,917,777	638,115	11,294,701	16,850,593
Current assets	(109,015)	2,779,717	1,655,675	4,326,377
Current liabilities	(2,020,570)	(1,335,715)	-	(3,356,285)
Non-current liabilities	(1,653,125)	(54,162)	-	(1,707,287)
	<u>22,198,097</u>	<u>2,233,071</u>	<u>14,930,232</u>	<u>39,361,400</u>

(b) Charity	Unrestricted funds £	Restricted funds £	Endowment funds £	Total funds £
Intangible assets	107,117	-	-	107,117
Tangible assets	21,047,762	-	235,186	21,282,948
Investments	4,927,779	589,899	9,758,723	15,276,401
Current assets	869,955	1,286,646	1,655,675	3,812,276
Current liabilities	(2,878,932)	-	-	(2,878,932)
Non-current liabilities	(1,653,125)	-	-	(1,653,125)
	<u>22,420,556</u>	<u>1,876,545</u>	<u>11,649,584</u>	<u>35,946,685</u>

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21. Movement in funds

Fund movements for the year ended 31 March 2018:

(a) Group	As at 1 April 2017 £	Net income/ (expenditure) £	Other gains and losses £	Depreciation charged £	Capital Expenditure £	Loan repayments £	Funds Transferred £	As at 31 March 2018 £
Unrestricted funds:								
Designated funds	19,611,911	-	-	(871,576)	633,238	89,479	-	19,463,052
General reserves:								
Revaluation reserve	2,333,118	-	-	-	-	-	-	2,333,118
Other reserve	1,235,458	(756,960)	20,498	871,576	(633,238)	(89,479)	-	647,855
Pension reserve	(299,729)	60,827	(7,026)	-	-	-	-	(245,928)
Total unrestricted funds	22,880,758	(696,133)	13,472	-	-	-	-	22,198,097
Restricted funds:								
Funds for the upkeep of residential homes	614,960	(13,187)	-	-	-	-	-	601,773
Funds for grants and allowances	757,270	(16,463)	2,275	-	-	-	-	743,082
Funds for residents' subsidies	24,863	578	2,128	-	-	-	-	27,569
Community services	49,425	(14,770)	-	-	-	-	-	34,655
Community projects	51,106	12,092	-	-	-	-	-	63,198
Funds of subsidiaries	334,096	23,886	(1,455)	-	-	-	-	356,527
Other restricted funds	385,735	4,575	15,957	-	-	-	-	406,267
Total restricted funds	2,217,455	(3,289)	18,905	-	-	-	-	2,233,071
Endowed funds:								
Expendable endowment - investments	1,882,917	(293,560)	(52,606)	-	-	-	-	1,536,751
Permanent endowment:								
Sir Thomas Lipton Memorial Home fund	5,308,728	178,250	(150,984)	-	-	-	-	5,335,994
Endowed properties	1,816,358	-	-	(14,793)	177,518	-	-	1,979,083
Funds for the upkeep of residential homes	2,509,730	877	(56,898)	-	-	-	-	2,453,709
Funds for residents' subsidies	2,765,144	-	(68,156)	-	-	-	-	2,696,988
Funds for grants and allowances	951,147	-	(23,440)	-	-	-	-	927,707
Total permanent endowment	13,351,107	179,127	(299,478)	(14,793)	177,518	-	-	13,393,481
Total endowed funds	15,234,024	(114,433)	(352,084)	(14,793)	177,518	-	-	14,930,232
Total funds	40,332,237	(813,855)	(319,707)	(14,793)	177,518	-	-	39,361,400

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21. Movement in funds (continued)

Fund movements for the year ended 31 March 2018:

(b) Charity	As at			Designated fund allocations:				Loan repayments	As at
	1 April 2017	Net income/ (expenditure)	Other gains and losses	Depreciation charged	Fixed asset movements	31 March 2018			
	£	£	£	£	£	£	£	£	£
Unrestricted funds:									
Designated funds	19,703,760	-	-	(871,576)	633,238		89,479	19,554,901	
General reserves:									
Revaluation reserve	2,333,118	-	-	-	-		-	2,333,118	
Other reserve	1,366,625	(757,517)	20,498	871,576	(633,238)		(89,479)	778,465	
Pension reserve	(299,729)	60,827	(7,026)	-	-		-	(245,928)	
Total unrestricted funds	23,103,774	(696,690)	13,472	-	-	-	-	22,420,556	
Restricted funds:									
Funds for the upkeep of residential homes	614,960	(13,187)	-	-	-		-	601,773	
Funds for grants and allowances	757,269	(16,463)	2,275	-	-		-	743,081	
Funds for residents' subsidies	24,863	578	2,128	-	-		-	27,569	
Community services	49,425	(14,770)	-	-	-		-	34,655	
Community projects	51,106	12,092	-	-	-		-	63,198	
Other restricted funds	385,737	4,575	15,957	-	-		-	406,269	
Total restricted funds	1,883,360	(27,175)	20,360	-	-	-	-	1,876,545	
Endowed funds:									
Sir Thomas Lipton Memorial Home fund	5,308,728	178,250	(150,984)	-	-		-	5,335,994	
Endowed properties	235,186	-	-	-	-		-	235,186	
Funds for the upkeep of residential homes	2,509,730	877	(56,898)	-	-		-	2,453,709	
Funds for residents' subsidies	2,765,144	-	(68,156)	-	-		-	2,696,988	
Funds for grants and allowances	951,147	-	(23,440)	-	-		-	927,707	
Total endowed funds	11,769,935	179,127	(299,478)	-	-	-	-	11,649,584	
Total funds	36,757,069	(544,738)	(265,646)	-	-	-	-	35,946,685	

Friends of the Elderly

Annual report and financial statements for the year ended 31 March 2018

21. Movement in funds (continued)

Fund movements for the year ended 31 March 2017:

(a) Group	As at		Other gains and losses	Designated fund allocations:					As at
	1 April 2016	Net income/ (expenditure)		Depreciation charged	Capital Expenditure	Loan repayments	Funds Transferred	31 March 2017	
	£	£	£	£	£	£	£	£	
Unrestricted funds:									
Designated funds	19,577,691	-	-	(880,050)	826,780	87,490	-	19,611,911	
General reserves:									
Revaluation reserve	3,333,118	-	-	-	-	-	(1,000,000)	2,333,118	
Other reserve	1,607,025	(531,938)	194,591	880,050	(826,780)	(87,490)	-	1,235,458	
Pension reserve	(259,031)	-	(40,698)	-	-	-	-	(299,729)	
Total unrestricted funds	24,258,803	(531,938)	153,893	-	-	-	(1,000,000)	22,880,758	
Restricted funds:									
Funds for the upkeep of residential homes	710,943	(95,983)	-	-	-	-	-	614,960	
Funds for grants and allowances	722,910	(773)	35,133	-	-	-	-	757,270	
Funds for residents' subsidies	16,811	1,180	6,872	-	-	-	-	24,863	
Community services	42,194	7,231	-	-	-	-	-	49,425	
Community projects	53,717	(2,611)	-	-	-	-	-	51,106	
Funds of subsidiaries	(4,580)	338,676	-	-	-	-	-	334,096	
Other restricted funds	326,468	11,867	47,400	-	-	-	-	385,735	
Total restricted funds	1,868,463	259,587	89,405	-	-	-	-	2,217,455	
Endowed funds:									
Expendable endowment - investments	1,884,311	(254,484)	253,090	-	-	-	-	1,882,917	
Permanent endowment:									
Sir Thomas Lipton Memorial Home fund	794,519	3,514,209	-	-	-	-	1,000,000	5,308,728	
Endowed properties	2,250,826	(434,468)	-	-	-	-	-	1,816,358	
Funds for the upkeep of residential homes	2,244,073	773	264,884	-	-	-	-	2,509,730	
Funds for residents' subsidies	2,554,022	-	211,122	-	-	-	-	2,765,144	
Funds for grants and allowances	878,413	125	72,609	-	-	-	-	951,147	
Total permanent endowment	8,721,853	3,080,639	548,615	-	-	-	1,000,000	13,351,107	
Total endowed funds	10,606,164	2,826,155	801,705	-	-	-	1,000,000	15,234,024	
Total funds	36,733,430	2,553,804	1,045,003	-	-	-	-	40,332,237	

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21. Movement in funds (continued)

Fund movements for the year ended 31 March 2017:

(b) Charity	As at 1 April 2016 £	Net income/ (expenditure) £	Other gains and losses £	Designated fund allocations:			Loan repayments £	Funds Transferred £	As at 31 March 2017 £
				Depreciation charged £	Capital Expenditure £				
Unrestricted funds:									
Designated funds	19,669,191	-	-	(880,050)	827,129		87,490	-	19,703,760
General reserves:									
Revaluation reserve	3,333,118	-	-	-	-		-	(1,000,000)	2,333,118
Other reserve	1,395,266	(188,663)	194,591	880,050	(827,129)		(87,490)	-	1,366,625
Pension reserve	(259,031)	-	(40,698)	-	-		-	-	(299,729)
Total unrestricted funds	24,138,544	(188,663)	153,893	-	-		-	(1,000,000)	23,103,774
Restricted funds:									
Funds for the upkeep of residential homes	710,943	(95,983)	-	-	-		-	-	614,960
Funds for grants and allowances	722,909	(773)	35,133	-	-		-	-	757,269
Funds for residents' subsidies	16,811	1,180	6,872	-	-		-	-	24,863
Community services	42,194	7,231	-	-	-		-	-	49,425
Community projects	53,717	(2,611)	-	-	-		-	-	51,106
Other restricted funds	326,470	11,867	47,400	-	-		-	-	385,737
Total restricted funds	1,873,044	(79,089)	89,405	-	-		-	-	1,883,360
Endowed funds:									
Sir Thomas Lipton Memorial Home fund	794,519	3,514,209	-	-	-		-	1,000,000	5,308,728
Endowed properties	235,186	-	-	-	-		-	-	235,186
Funds for the upkeep of residential homes	2,244,073	773	264,884	-	-		-	-	2,509,730
Funds for residents' subsidies	2,554,022	-	211,122	-	-		-	-	2,765,144
Funds for grants and allowances	878,413	125	72,609	-	-		-	-	951,147
Total endowed funds	6,706,213	3,515,107	548,615	-	-		-	1,000,000	11,769,935
Total funds	32,717,801	3,247,355	791,913	-	-		-	-	36,757,069

21. Movement in funds (continued)

Nature of funds

- Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The designated fund represents the net book value of the fixed assets, net of long-term borrowings used exclusively for the construction or acquisition of any residential homes.
- The revaluation reserve comprises unrealised gains on investment property, and forms part of general reserves.
- Funds for the upkeep of residential homes comprise endowments for the maintenance or gardening of individual homes, and other legacies and donations received specific to certain residential homes.
- Funds for grants and allowances comprise endowments and other income received for grants and allowances for older people. Funds within this category have specific criteria as to the beneficiaries or types of grant or allowance to be given.
- Funds for residents' subsidies provide income to subsidise the care of residents.
- Funds for community services are donations or grants received for specific branches within community services.
- Funds for community projects are donations or grants received to be spent on projects, particularly those tackling loneliness and isolation.
- The Sir Thomas Lipton Memorial Home endowment fund represents the proceeds from the sale of the Sir Thomas Lipton Memorial Home, which was an endowed property. The proceeds must be reinvested in the purchase of property in replacement of the Sir Thomas Lipton Memorial Home to be used for the object of the Sir Thomas Lipton Charity.

22. Operating leases

The following total amounts are payable for lease commitments:

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Land and buildings				
Within one year	104,200	104,200	58,000	58,000
Within 2 to 5 years	289,750	416,800	232,000	232,000
> 5 years	966,500	1,036,050	966,500	1,024,500
	<u>1,360,450</u>	<u>1,557,050</u>	<u>1,256,500</u>	<u>1,314,500</u>
Other				
Within one year	94,595	82,703	82,557	71,297
Within 2 to 5 years	97,478	103,256	82,958	87,054
	<u>192,073</u>	<u>185,959</u>	<u>165,515</u>	<u>158,351</u>
Total	<u>1,552,523</u>	<u>1,743,009</u>	<u>1,422,015</u>	<u>1,472,851</u>

As at 31 March 2018 there was £67,000 (2017: £286,000) of capital expenditure contracted for but not provided in the financial statements.

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

	2018 £	2017 £
Net movement in funds	(970,837)	3,598,806
Net losses/(gains) on investments	312,681	(1,085,701)
Net gains on sale of fixed assets	(93,229)	(3,493,517)
Actuarial losses on pension schemes	7,026	40,698
Investment income	(472,925)	(451,367)
Interest payable	34,998	36,356
Depreciation on tangible assets	947,361	1,050,377
Impairment of tangible assets	-	350,000
Amortisation on intangible assets	125,562	114,603
Difference between pension contributions and net finance charge	(30,362)	(30,465)
Decrease/(increase) in debtors	207,373	(1,326,555)
Increase in creditors	491,968	286,419
Increase in provisions	54,162	-
Net cash inflow/(outflow) from operating activities	613,778	(910,346)

24. Financial instruments

The Group and Charity have financial instruments categorised as follows:

Group	2018 £	2017 £
Financial assets measured at fair value through the SoFA	14,011,215	10,391,695
Debt instruments measured at amortised cost	2,512,982	2,832,027
Financial liabilities measured at amortised cost	(4,756,394)	(4,353,906)
Charity	2018 £	2017 £
Financial assets measured at fair value through the SoFA	12,427,021	8,491,670
Debt instruments measured at amortised cost	2,334,642	2,722,446
Financial liabilities measured at amortised cost	(4,279,042)	(3,907,390)

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

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

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

25. Post balance sheet events

The Charity's subsidiary, Triangle Community Services, announced the closure of its East London homecare branch in April 2018, with closure complete by 31 August 2018.

26. Taxation

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

27. Members

At 31 March 2018 there were 10 members (2017: 10 members) who each pledge to pay £1 on winding up.

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