

# **Friends of the Elderly**

*Registered charity no. 226064*

*Registered company no. 133850*

**Annual report and financial statements  
for the year ended 31 March 2019**

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## **Chief Executive's introduction**

Welcome to our 2018-19 annual report. This report shares our activities and progress over the last year, as well as setting out our plans for the future.

This has been a year of change for the Friends of the Elderly Group, but we end the year in a stronger position to be able to move forward with our strategy.

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.

In August 2018 we closed Woodcote Grove House, a 29-bed residential and nursing home on our Coulsdon site, in Surrey. The building was no longer fit for providing modern care, being a listed 1850s house with 1950s extensions. All of the residents whose needs could be met at our adjacent residential care home, Orford House, were given the choice of moving there – the majority of Woodcote Grove House residents moved to Orford House, which was refurbished in preparation for its new residents, or one of the Group's other care homes. A Care Quality Commission (CQC) inspection of Orford House that took place in December 2018 rated the home 'Good' and had positive comments about the effectiveness of the transfer arrangements and the support given to residents, their families and staff during this period.

We also closed our London East homecare branch, which provided care under public authority contracts. It was a difficult decision to take, but we had found it increasingly hard to agree fees with the public authorities that reflected the costs of providing good quality care for people with complex needs. Repeated late payments by public authorities also threatened our cash position. We worked with the local authority and clinical commissioning group to transfer all service users, and the majority of staff, to new providers.

In addition, we transferred our Stroke service in East London to another provider, partly because it no longer fitted as a core service offer with our strategy, but also because other local groups were better integrated in the relevant communities and the service fitted better with their other activities. Again, the performance expectations of public authorities were unrealistic when set against the loss-making rates that they offered.

We now have no exposure to any large public authority contracts, which we feel is necessary to protect our financial sustainability for the longer term.

As a result of these three significant service closures, the Group has recorded an operational deficit of £886,000 in the year, but this was planned and within budget, and funded by existing reserves. This is explained further in the Financial Review from page 12. We plan to return to at least a break-even operational position in 2019-20.

After these closures were complete, we were able to fully focus on our strategy. I personally welcomed the opportunity to visit all of our services to discuss our future vision for the Friends of the Elderly Group with staff, to hear their feedback and their ideas for the coming year.

## Chief Executive's introduction (continued)

As an essential part of delivering our five-year strategy (2018-2023), Friends of the Elderly's subsidiaries Triangle Community Services (Triangle) and the Retired Nurses National Home (the RNNH) transferred into Friends of the Elderly on 31 March 2019. Triangle operated our homecare and day care services, and the RNNH ran a single care home in Bournemouth. I am grateful for the hard work undertaken by all of our staff who delivered this merger on time and in budget, which not only makes us more efficient but will also enable older people who need our services to find it easier to choose the support that's right for them.

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

- Additional funds from the Edward Gostling Foundation (formerly known as the ACT Foundation) have helped us to give grants to a greater number of older people – 899 people compared to 546 last year. Our grants can be given for everyday items that are unaffordable to people with no disposable income, and which have a big impact on people's lives. One example is a new oven for Mrs S – she applied for a grant to replace her 25-year-old oven as the hob had been broken for two years. Mrs S told us: *"the first thing I did was scrambled eggs! And they were delicious. I've not had them for 2 years!"*
- Electronic care planning is being rolled out across our care homes following a successful trial. This helps us to provide better care and support for our residents because information is captured quickly and easily in real time so that our care can be adapted to meet changing needs.
- Sometimes it is the little things that make a big difference; in our day centres £50 soup makers provide a meaningful activity and help improve nutrition users of our service prepare the vegetables for the lunch time starter, and the cooking smells trigger their appetite.
- Our Woking services linked with the local community through the 'Wishing Washing Line', with local people helping to make residents' wishes come true – this included a spa experience, naming a kitten, finding a fellow Rummikub player and a fellow motorbike enthusiast.
- Workplace, an internal communications tool from Facebook, was introduced in the year. It is proving to be a great tool for securely sharing ideas and celebrating success. I particularly enjoy seeing photos of our residents and service users interacting with local children's groups – including toddler and parent messy play sessions, and regular pre-school visits that enable children and residents to form longer-term friendships.

I would like to thank our staff and volunteers, whose everyday kindness and care enables us to make a real difference to the quality of life for many older people. Thank you also to our supporters who have helped us to ensure older people feel valued and respected in their communities.

**Steve Allen**

Group Chief Executive

## **Trustees' report for the year ended 31 March 2019**

The trustees of Friends of the Elderly (the Charity) are pleased to present their annual report for the year ended 31 March 2019 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.

The Friends of the Elderly Group (the Group) includes the charitable subsidiaries Triangle Community Services (Triangle) and the Retired Nurses National Home (the RNNH), and development company Potential Limited. On 31 March 2019, we took a big step towards integrating the three charities by way of transfers of assets and liabilities from Triangle and the RNNH to Friends of the Elderly. We believe this integration into one charity will make us stronger and enable us to reach a greater number of older people and support them to live fulfilled lives, as well as strengthening governance and making us more efficient.

## **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.

## **Our objectives and activities**

### **Our aims**

- 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 10 registered care homes, we provide support and accommodation for those requiring residential, nursing or dementia care.
- Homecare – we provide personal care and support to people living in their own homes, 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.
- Community engagement – our befriending and community connector service supports people living with loneliness to reconnect with their community.
- Grant giving – 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**

### **Fundraising activities**

Our central fundraising activities focus on raising money to support our subsidised and free-to-access services. We raise funds from trusts and foundations, individual supporters, community fundraising and events and companies. We also benefit from the generosity of people leaving gifts to us in their wills. Our voluntary income has enabled us to support a range of services and activities including:

- Grants given to older people on low incomes, and the related necessary costs of grant administration. 899 people were supported through the grants programme in 2018-19.
- Our befriending service in Woking, which provided support for older people through 2,330 hours of time from trained volunteers during 2018-19.
- Preventing and overcoming loneliness for older men through our Football Friends programme which has supported 274 people over the last three years.

Our local teams also raise money in their communities for the 'added extras' for their services. Our day centre in Kidderminster has been able to replace all their furniture and decorate their lounge and quiet area to make the centre much more welcoming and comfortable for the clients. We also regularly benefit from legacies that are predominantly restricted to benefit specific care homes or other care services.

Although as a Charity we have a high value of net assets, the majority of these are tied up in care home assets and the working capital needed for our services, or are endowed funds for specific purposes. Fundraising income allows us to further enhance the lives of older people.

Fundraising income in 2018-19 was £653,000 (2017-18: £777,000).

## **Our activities, performance and achievements**

In last year's annual report, we set out our future plans for 2018-19 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**

- *Last year we reported that we expected to reach a greater number of older people with a financial need through our grants programme, due to a five-year annual grant of £100,000 from the Edward Gostling Foundation starting in 2018-19.*

The additional funds from the Edward Gostling Foundation (formerly known as the ACT Foundation) have been transformational, allowing us to support a greater number of older people living on low incomes. In 2018-19 we increased our direct grant and allowance spend from £150,000 to £234,000, supporting 899 people compared to 546 people in 2017-18. The most common help people need is to replace white goods such as ovens, fridges and washing machines. These items are often urgently needed and one of the goals of our service is to process applications quickly and efficiently. Last year, the average time taken from receipt of application to delivery of our grant was 26 days.

## **Our activities, performance and achievements (continued)**

- *We aimed to embrace the use of technology, and innovation generally, to encourage social interaction and activity, particularly for people living with dementia.*

Small scale technology has been used to enhance the lives of our service users – from using ‘Alexa’ to answer questions and encourage debate in day centres, to robotic animals reducing stress and encouraging interaction in our care homes. Introducing better Wi-Fi capacity in our homes has enabled us to take advantage of technology on a larger scale too, such as introducing electronic care planning and management.

- *We planned to work with The Men’s Sheds Association, which provides valuable social opportunities for older people in communities, especially isolated men. We aimed to launch our own Restoration Shed, built in our Coulsdon grounds, during Autumn 2018. We were expecting to be able to accommodate the Alton Men’s Sheds Association at The Lawn in Alton.*

The Alton Men’s Shed Association is now housed at The Lawn care home in Hampshire. This partnership makes good use of our assets for the benefit of the wider community and provides our residents with opportunities to enjoy interaction and activities with a community group.

We have built our Restoration Shed in Coulsdon and have some funding for equipment. However, we do still have a gap in funding towards the running costs and are continuing to work with the fundraising team to identify potential funders to support this. We are also working with the local teams at Orford House and our local day centre in Wallington to support them to use the shed with their residents and clients.

Other activities which supported this objective during the year include:

- Our stroke service and team, run in Hackney and the City of London, was transferred to the Shoreditch Trust in December 2018. We are proud of this service and the team, who deliver measurable positive outcomes – including early intervention to prevent strokes, and support given to stroke survivors that improves recovery times and reduces the risk of a further stroke. However, given the specialist nature of the service, and our lack of expertise in this area outside of the immediate delivery team, we felt it appropriate for this to be transferred to a local organisation better placed to support and develop the service. As part of this transfer, the commissioner committed to funding to the new provider for a minimum of two years.
- We are entering the third and final year of the Football Friends programme with the West Ham Foundation, jointly funded by the Football Association. Football Friends was shortlisted for a Third Sector Award in the year, which demonstrates the project’s success. It has progressed significantly with original pilot participants going on to become trained volunteers delivering a supporting social programme in the community with great impact. The Any Old Irons ‘social club’ meets once a month, is totally led by the volunteers and around 70 members regularly attend their sessions.



## **Our activities, performance and achievements (continued)**

### **Future plans**

- Our dementia education programme, for our trustees and staff, started in 2018-19 in conjunction with the Association for Dementia Studies at Worcester University. Over the coming year we will use this to help us formalise a dementia strategy, enriched by an increasing number of staff who will be dementia trained as part of the three-year programme. We have also commissioned research to map the gaps in dementia support in the catchment area of our Malvern services, and how our staff, services and buildings could best serve the community.

### **Objective: provide outstanding care**

- *We said that we would continue to develop new ways of linking our services and our communities.*

Our homecare clients often express feelings of isolation and loneliness. Our Malvern homecare branch partnered with a local school to deliver postcards made by the children to clients of the homecare service. The benefit for the children and older people can be summed up in this letter from a client: *"I think there is a natural affinity between the very young and old people. Maybe that affinity is because elderly people can see the enormous potential in the very young, and the young can sense the ability of the elderly to come down to their level of understanding."*

Our residents from our care home in Oxfordshire joined the Christmas fair at the local school, and sold their hand-made products (including soaps and flower pots). They had a great day chatting with local people, with a highlight being meeting Mary Berry, the food writer and TV presenter.

- *The operational, quality and training teams were working together to ensure the practices that led to The Old Vicarage being rated as having 'Outstanding' care by the Care Quality Commission (CQC) are embedded in all our homes.*

As at March 2019, all our services were rated 'Good' by the CQC, with informal feedback from several inspections being that some elements were close to 'Outstanding'. We were disappointed that one CQC inspection report received in early 2019-20 was 'Requires Improvement', for our Malvern care home, but we are satisfied that all actions have been completed to address the findings through the implementation of a robust improvement plan.

Many of our services have aspects of their care that we consider to be outstanding – we ensure our care managers learn from each other through managers' meetings, visits to each others' services, through supportive one-to-one sessions with the leadership team, and through sharing ideas on Workplace (our internal communications tool). Lessons learnt, including from CQC inspections, are also incorporated in our internal audit and quality monitoring process.

- *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.*

The Charity is an active member of sector organisations such as the National Care Forum and Care England. These memberships ensure we maintain our knowledge of trends in social care and give us a voice in the policy and campaign arena to positively impact our work and the people we support.

## **Our activities, performance and achievements (continued)**

### **Future plans**

- Electronic care planning completed a successful trial at our Malvern care homes in the year. We have therefore fully implemented the system at Malvern and the Bernard Sunley Nursing Home. In the coming year we will start to roll it out to a further three care homes. Capturing residents' data in real time improves our understanding of residents' needs, recording events such as falls, trips and hydration so we can respond better to those needs.

### **Objective: become an employer of choice**

- *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.*

We launched our strategy to our teams in the autumn of 2018, with visits to all 20 services in 12 locations. This allowed for discussion of the Group's history, current operations, and future changes and direction through the five-year strategy. Staff were able to compare this to their experience of change in the care sector, with an ageing population; clients presenting complex care and support needs; an increase in the recognition of early-stage dementia; national recruitment challenges; technological progress; and the need to bring the charity together and engage more widely with its communities. This is the start of a more open dialogue with staff, and more visits are planned later in 2019-20 to hear new ideas from local teams.

- *We launched 'Workplace', an internal communications tool from Facebook, in July 2018. We said we would be using this to improve our internal communications, sharing best practice, innovative ideas, and celebrating our achievements.*

Workplace has proved to be a success with a good level of engagement and posts by managers and activities coordinators in particular, which has given Central Office teams a good insight into the work that goes on in our services. It has provided the communications team with leads for media stories and has facilitated the sharing of ideas and good practice between services. In particular, a good level of activity was achieved at Christmas with homes and services sharing details of their Christmas events.

- *We said we would continue to adapt our recruitment paths to respond to the sector-wide recruitment challenge. In 2018-19 this was to include 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 was to reduce agency use in care homes for the year by a further 10%, compared to 2017-18.*

Recruitment of care staff and nurses remains a challenge, in particular for our services in areas of low unemployment. Brexit is likely to increase the future challenge for the care sector as a whole. Average agency hours in our care homes in 2018-19 were reduced by 5% compared to 2017-18, but this is lower than the target reduction. Outsourcing part of our recruitment process has given us clearer information over success of different recruitment campaigns and has helped us identify and deal with any blockages within the recruitment pipeline. We expect this approach to continue to improve recruitment success. At the end of June 2019, vacant hours have reduced by 20% compared to January 2019.

## **Our activities, performance and achievements (continued)**

- *We planned to continue to work towards the new Investors in People Framework 6 accreditation.*

We are not currently working towards Investors in People accreditation; instead we are concentrating on areas relating to career development, reward and recognition that will make the biggest difference to our staff.

Other activities relating to achieving a working environment and culture that attracts and retains the best people include:

- Our staff on-boarding/ induction programme has been enhanced to include dementia awareness.
- The Learning and Development team have designed a programme to support care home registered managers to deal with the operational and regulatory pressures of the post.

### **Future plans**

As well as continuing to drive recruitment, we will focus on staff retention, maintaining or improving on the current average staff turnover rate of 22%, which is below the care sector national average of 25%. Plans to address this include:

- Staff will be consulted with to help design a meaningful reward and benefits strategy.
- As part of our commitment to wellbeing, we are involving staff in developing our Wellbeing Manifesto through a series of focus groups and workshops in the year.
- An annual staff survey will be launched later in the year to benchmark staff engagement and develop action plans for improvement and sharing best practice.

### **Objective: deliver financial sustainability and accountability**

The key performance indicators that drive our financial success are: occupancy in care homes, homecare hours, and care home agency hours.

- *We reported in 2017-18 that we expected another operational deficit in 2018-19, as a result of the necessary closure of Woodcote Grove House and Triangle's London East branch in the first part of the year, but that we planned for an improved cash position due to an improved working capital position.*

The operational deficit for 2018-19 of £886,000 was in line with budget. The Group would have generated a surplus in the year without the losses made by services closed in the year, and without the transfer of restricted funds relating to a care home transferred to another charitable care home operator in March 2018.

The closure of the London East homecare branch saw the end of our last major contract with public authorities. These large public authority contracts had become financially unsustainable, with difficulty obtaining fee increases to reflect annual inflationary cost increases, and greater regulatory pressures combining with late payments and contract disputes. The end of these contracts has relieved pressure on working capital, allowing an unrestricted cash net inflow to be achieved despite the operational deficit for the year.

## **Our activities, performance and achievements (continued)**

Our targets for 2018-19 were:

- *To achieve an average occupancy in the homes, excluding Coulsdon, of 88% of available beds.*

Actual occupancy for 2018-19 averaged 86% (2017-18: 83%). High occupancy was achieved in the early part of the year, but higher than usual winter deaths had an impact on the last quarter. Occupancy was also impacted by expansion of our new dementia care facilities at the Retired Nurses National Home and in Malvern, leading to some bed vacancies while refurbished wings were filled. This compares to national average occupancy for self-funded care home residents of 85% (source: LaingBuisson report 'Care Homes for Older People', July 2018).

- *For unrestricted cash to be a net cash inflow during 2018-19, through careful management of working capital.*

Unrestricted cash was an inflow of £385,000, despite the operating deficit, due to the withdrawal from late-paying public authority contracts – a risk we no longer carry.

- *To use better key performance indicators for internal reporting, to reflect our strategy and improve accountability.*

Internal key performance indicators have been developed, to ensure priorities and objectives of all departments are aligned with overall strategy, to improve accountability, and clarity of reporting to trustees.

- *To finalise longer-term plans for our care homes, including schedules of refurbishment, and identify opportunities for development on our existing sites to create the community hubs that form part of our future strategy.*

We have formally reviewed the impact of our Woking community hub, and are now relating this learning to our larger Malvern services, linking our three care homes, day centre and homecare service there with each other across a single site, and with the Malvern community.

Other activities relating to sustainability and accountability in the year were:

- Integration of Triangle and the Retired Nurses National Home into one charity with Friends of the Elderly, from 31 March 2019. As well as facilitating closer working relationships between services, this is more financially efficient, and also removes potential governance conflicts of interest.
- The remaining four homecare branches increased their average weekly hours by 14%, compared to 2017-18, to just over 1,000 care hours a week.
- In preparation for the General Data Protection Regulation (GDPR) which came into force in May 2018, staff, trustees and volunteers received relevant training. In addition to ensuring the privacy and security of our service user and supporter data, this programme has delivered the additional benefit of more efficient internal processes, as well as improved data management and security.

## Our activities, performance and achievements (continued)

### Future plans

Our targets for 2019-20 are:

- A break-even operational result in 2019-20, with a return to surplus in 2020-21.
- Average occupancy in the homes of 84% of available beds. This target is lower than in other years, as it reflects one potential refurbishment and planned reconfiguration of some other homes, as well as national trends.
- To increase unrestricted reserves by March 2020, and be back on target by March 2021.

## Financial review

### Net movement in funds

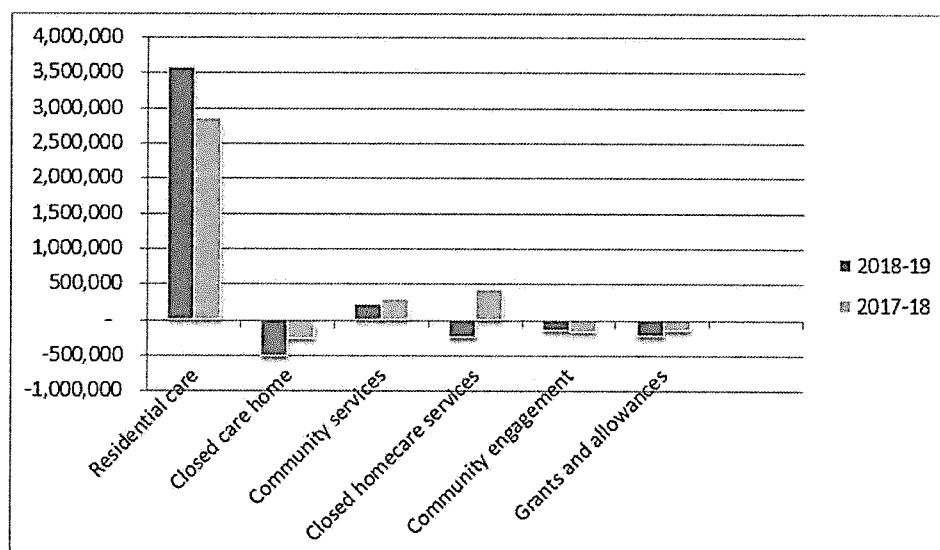
2018-19 recorded an operating deficit of £886,000, which was as planned. Of this, £520,000 related to losses from the closure of Woodcote Grove House, and £270,000 related to the closure of London East homecare. The operating deficit also reflects a cost of £145,000 which was the transfer of restricted funds relating to Sherwood House, a care home whose operations we transferred to a new charitable provider in March 2018.

Gains on investments of £675,000, and actuarial losses on pensions of £15,000, resulted in an overall net movement in funds of £226,000 deficit.

### Charitable activities

The following graph shows the comparison of the surplus or deficit by charitable activity, taking into account direct income and direct expenditure, but without allocation of indirect income and costs (attributable central support costs, related fundraising and investment income). The results of the services which closed in the year, or the previous year, are shown separately.

#### Surplus/ (deficit) on charitable activities before indirect income and costs



## **Financial review (continued)**

### **Residential care**

The closure of Woodcote Grove House in August 2018 has impacted on results since November 2017, when we ceased new admissions into both Woodcote Grove House and neighbouring Orford House while the closure was being considered and then planned. The total impact in 2018-19 is losses generated by the care home of £520,000 (2017-18 £259,000), shown on the graph above, which also includes £50,000 of related asset write-offs.

Excluding these closure costs, the residential care direct income less direct expenditure generated £3.6m (2017-18 £2.8m). This improvement in operations was predominantly due to higher occupancy in the care homes for the first half of 2018-19.

### **Community services**

These activities cover homecare and day care services carried out in the year by Triangle. Triangle recorded an operational deficit in the year of £603,000 (2017-18: deficit of £250,000), primarily as a result of service closures.

The closure of London East homecare in April 2018 resulted in losses for that branch of £270,000, including redundancy costs of £177,000. Other services ceased in 2017-18, which are included in the graph above as part of the £420,000 net income generated in 2017-18 for 'closed homecare services'. The services transferred to new providers in 2017-18 were Thurrock homecare and ExtraCare support services in Barking and Dagenham – these services generated operational surpluses, but we were either not successful in re-tenders, or we chose not to take new contracts that were only offered with lower volumes. In each of these cases all staff were able to be transferred to new providers through TUPE.

Central support costs were reduced to reflect this lower level of activity, but this could not be done until the closure of London East was completed later in the year, to ensure capacity to manage the closure process.

The remaining homecare and day care services increased their contribution to central costs by £218,000 compared to 2017-18.

### **Grants and allowances**

Direct grants and allowances were £234,000, an increase of £84,000 on 2017-18, made possible by a £100,000 contribution from the Edward Gostling Foundation.

The grants given were funded by fundraising income of £173,000 (including the Edward Gostling Foundation funds) and income from endowed investments of £38,000, with the remaining grant costs being funded by restricted funds brought forward from previous years. The costs of administering grants of £137,000 (including allocated support costs) are borne by the Charity's general reserves.

## **Financial review (continued)**

### **Community engagement**

Community engagement activities, including free-to-access befriending services, had direct running costs of £183,000 (2017-18: £188,000). This was supported by fundraising income of £151,000 (2017-18: £174,000) and grant income of £38,000 (2017-18: £25,000). This includes the net costs of our Visiting Friends service, which was partly funded by Woking Borough Council until partway through the year when the funding ended; the costs of volunteer recruitment for volunteers around our services; and local community activities through our hubs in Woking and Malvern.

### **The Retired Nurses National Home (the RNNH)**

The RNNH is a subsidiary of Friends of the Elderly, which operated a care home until the RNNH's activities, assets and liabilities were transferred to the Charity on 31 March 2019. The income and costs relating to this care home are consolidated within residential care activities. The RNNH recorded an operational deficit of £235,000 (2017-18: £127,000), which included a recharge for management costs from Friends of the Elderly of £158,000 (2017-18 the management recharge of £116,000 was a gift in kind, meaning there was no net cost to the RNNH).

We are still awaiting the finalisation of the master plan for the new Wessex Fields development and associated plans for the A338 Wessex Fields Link Road that is planned to pass close to the home's boundary. Until the details of the new road, and master plan, are finalised we cannot start to plan for the longer-term future of the care home.

### **Balance sheet**

The Charity's balance sheet at 31 March 2018 has been restated in these financial statements to include the assets and liabilities of Triangle and the RNNH, with this charity combination being accounted for under merger accounting. This does not impact on the Group balance sheet.

The Group's balance sheet has net assets of £39.1m (2018: £39.4m), and net current assets of £403,000 (2018: £970,000). Of these net assets, £19.2m are tied up in care home operations, and £17.3m are endowed or restricted for specific purposes. Further information on reserves is given on pages 15-16.

We invested £776,000 in our fixed assets in the year (2017-18: £1.1m), predominantly improvements to our care homes.

The value of our investments increased by £672,000 at March 2019 due to market movements. This compensated for adverse market movements in the previous financial year.

The Charity operates a defined benefit pension scheme which closed in 1996. The actuarial valuation of this scheme, in accordance with the applicable financial reporting standard, values the scheme at a net surplus of £32,000 (2018: £4,000). This is an asset that cannot be recognised on the Group's balance sheet. The Charity is also a member of two multi-employer defined benefit pension schemes. The overall provision of £146,000 (2018: £246,000) is the net present value of future contributions to the schemes.

Our future financial plans are discussed further on page 12.

## Financial review (continued)

### 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 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
				<i>restated</i>
Restricted funds	1,952,005	2,233,071	1,952,005	2,144,727
Endowments	15,395,946	14,930,232	15,395,946	14,930,232
<i>Unrestricted funds:</i>				
Designated funds	19,176,954	19,463,052	19,271,150	19,554,901
General reserves	2,755,998	2,980,973	2,766,771	3,101,172
Pension reserve	(145,649)	(245,928)	(145,649)	(245,928)
<i>Total unrestricted funds</i>	<u>21,787,303</u>	<u>22,198,097</u>	<u>21,892,272</u>	<u>22,410,145</u>
<b>Total charity funds</b>	<b><u>39,135,254</u></b>	<b><u>39,361,400</u></b>	<b><u>39,240,223</u></b>	<b><u>39,485,104</u></b>

**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 construction, acquisition or operation of 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 to generate income that is used per the wishes of the original donor. For permanent endowments the capital value of these funds needs to be maintained. 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. 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.



## **Financial review (continued)**

The general reserves target for Friends of the Elderly now incorporates the former Triangle and RNNH services. It includes:

- 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. This excludes the RNNH care home operation which has sufficient expendable endowment that could support its care home operations if necessary. Target general reserves relating to care home operations are £1.1m; and
- The costs that would arise if all homecare and all day care services were closed (given there are relatively few of them). This gives a general reserves target of £445,000.

The target levels of general reserves, and levels of reserves carried at 31 March 2019 were:

	<b>Charity</b>
	<b>£</b>
Target general reserves	1,545,000
General reserves	2,766,771

The Charity's general reserves at 31 March 2019 were in excess of the target levels; however 'free' reserves, excluding tangible and intangible fixed assets, are £1,150,000, and the remainder is heavily represented by investments in stocks and shares and investment property, the value of which fluctuate with market movements. In addition the value within investment property is not easily realisable. This is why the trustees do not consider the level of general reserves held to be sufficient, and have plans through improving operational income to increase accessible general reserves.

The amount of unrestricted reserves that is held in a designated fund, representing certain fixed assets less loan balances outstanding, is £19.2m (2018: £19.5m). The designated fund does not form part of general reserves.

### **Going concern**

The trustees have assessed the ability of the Charity and Group to continue as a going concern.

The assessment considers risks and uncertainties that could impact on the ability of the Charity and Group to continue as a going concern for at least the 12-month period from approval of the financial statements.

Risks and uncertainties include lower care home occupancy, delay in planned major transactions, forced closure of a service due to adverse events or for regulatory reasons, or cash outflows caused by other deteriorations 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, contingency plans and availability and liquidity of assets.

## Financial review (continued)

The trustees are satisfied that the strong net asset position of the Charity, the liquidity of assets in the short-term including unrestricted investments, and the ability to sell other assets over a longer time-frame are sufficient to address the risks and uncertainties considered as part of the assessment of going concern.

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 separate 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. Investment managers are Legal & General Investment Management (LGIM) and CCLA Investment Management Ltd (CCLA).

The overall performance of all investments was as follows:

#### Group investment return: year ended 31 March 2019

	<b>CCLA</b>	<b>LGIM - investment funds</b>	<b>LGIM - cash funds</b>
Average balance £	5,957,933	7,906,696	113,130
Income £	220,194	155,781	444
Income return %	4%	2%	0%
Realised & unrealised gains £	470,137	176,521	1,628
Capital return %	8%	2%	1%
Total return £	690,331	332,302	2,072
Return %	12%	4%	2%

The Group's investment policy is to target investment returns as follows:

- Income return – 3% of the investment value;
- Capital return – Inflation (RPI) plus 3% on a 5-year rolling basis.

Performance of our investment managers is monitored over the long-term. The income return target has been missed by one investment manager due to timing of income recognition only. The capital return target is monitored over a five-year period and was set in October 2016, with investments transferred to new investment managers during 2017-18, so the five-year result cannot yet be assessed.

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

## Structure, governance and management

The trustees' report also includes the administrative information on page 24.

### 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 24.

### 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.

## Structure, governance and management (continued)

- ***Triangle Community Services Limited*** (Triangle): Triangle is a charity and company limited by guarantee. It delivered homecare and public health services until its transfer to Friends of the Elderly on 31 March 2019. Friends of the Elderly is the sole company member. There was 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 retains strong links with its health and social care 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.

The business, assets and liabilities were transferred to Friends of the Elderly on 31 March 2019. The beneficial ownership of the endowed care home rests with the charity The Retired Nurses National Home 1937. On 29 May 2019 this charity was linked to Friends of the Elderly, as part of the integration process.

- ***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.
- ***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. Any deficit arising on the scheme is included as a liability of the Charity, but a scheme surplus is not recognised as an asset of the Charity.

## **Structure, governance and management (continued)**

### **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 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 Leadership Team (SLT) and the Senior Management Team (SMT), supported by heads of department.

The Charity has a dedicated Charity 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**

The trustees hold overall ownership for risk. Trustees, in conjunction with the SLT and 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. 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, the SLT 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 below.

## **Structure, governance and management (continued)**

### **Risk**

### **Key responses**

#### **Safeguarding failure**

Abuse or negligence by staff, volunteers or third parties.

- A permanent Quality and Innovation (Q&I) 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**

- Pre-employment and periodic verification of accreditations of clinical nursing staff. Training in clinical risks for staff and volunteers. Liaison with CCGs and community health teams.
- 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).

- Business continuity plans are in place. Insurance policies in place.
- Primary Authority Partnership entered into with Surrey Fire and Rescue Service. Fire detection and fire extinguishing systems. Fire training for staff.
- Health and Safety obligations overseen by Q&I team, including regulatory/ statutory obligations. Risk assessments carried out in line with policies. Health and Safety Sub-Committee scheduled to meet 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.

- Trustees provided with regular financial information, including forecasting of results and resources, and Key Performance Indicators and Management Information.
- Trustees have reviewed the Reserves Policy in the current year (discussed further on pages 15-16).
- The level of general reserves against targeted reserves levels is monitored at least annually.

#### **Failure to comply with legislation or regulatory requirements**

- Care quality policies, procedures and protocols established and kept under review.
- Quality assurance programme ongoing to monitor compliance and completion of actions from previous assessments.

### **Health and safety**

The health and safety of our staff and the people to whom we provide care and support services are of primary importance. Our dedicated in-house Q&I team is charged with keeping our staff and volunteers safe by providing the resources to oversee our health and safety obligations, provide training, maintain standard operating procedures, and pro-actively mitigate risks.

## **Structure, governance and management (continued)**

### **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. Harassment of any kind, of or by a service user or employee, is not tolerated and is dealt with under the terms of this policy.

We place a positive value on diversity in its widest sense and believe that a broad range of backgrounds, ethnicities, gender, 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 with diverse backgrounds and beliefs 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 Leadership Team, the Senior Management Team and trustees, although trustees are not remunerated other than the payment of reasonable expenses.

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 of Trustees on the recommendation of the Remuneration and Employment Committee. Any significant changes in structure or amount of key management personnel pay and remuneration (either in total or for an individual) are considered by the Remuneration and Employment Committee for recommendation to the Board.

### **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.

## **Structure, governance and management (continued)**

### **Grant policy**

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. Wherever possible, we signpost applicants to other potential sources of funding.

### **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.

### **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 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.

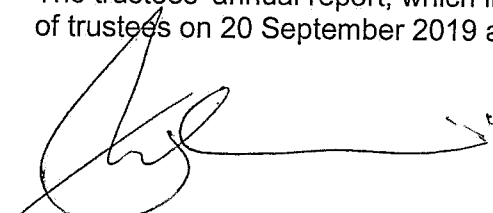
## **Structure, governance and management (continued)**

### **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 20 September 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Kerry Rubie', with a long horizontal line extending to the right.

**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  
Rob Chapman 1  
Viscount Devonport 4  
Rikki Garcia 2, 3  
Chris Maidment 1, 2  
Simon J. Passman 4  
Sharon Prosser (*from 19 April 2018*) 4  
James Ross 2, 4  
Kerry Rubie (*Chair*) 2  
Jeremy Withers Green (*Vice Chair*) 1, 2

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

### **Senior leadership team**

Steve Allen (*Chief Executive*)  
Jennifer Griffiths (*Finance Director*)  
Jo O'Boyle (*Social Impact Director*)  
Soo Smith (*Charity Secretary*)

### **Senior management team**

Peter Cottrell (*Property Director*)  
Janet Hawthorn (*Homecare Director*)  
Richard Macintyre (*Quality and Innovation Director*)  
Rosemary Naylor (*Care Homes Director*)  
Mark Wilson (*Engagement Director*)

### **Statutory auditors**

Saffery Champness LLP  
71 Queen Victoria Street  
London EC4V 4BE

### **Bankers**

HSBC plc  
89 Buckingham Palace Road  
Belgravia  
London SW1W 0QL

### **Investment managers**

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

CCLA Investment Management  
Limited  
80 Cheapside  
London EC2V 6DZ

### **Solicitors**

Anthony Collins Solicitors LLP  
134 Edmund Street  
Birmingham B3 2ES

## **Independent auditors' report to the members of Friends of the Elderly**

### **Opinion**

We have audited the financial statements of Friends of the Elderly for the year ended 31 March 2019 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 2019 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 auditors' 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 22, 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 auditors' 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](http://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: 27 September 2019

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 2019 (incorporating the consolidated income and expenditure account)

	Notes	Unrestricted funds £	Restricted funds £	Endowment funds £	Total Funds 2019 £	Total Funds 2018 £
<b>Income from:</b>						
Donations and legacies	5	229,584	423,870	-	653,454	776,944
<i>Income from charitable activities:</i>	8					
Residential care		17,695,855	1,530,925	-	19,226,780	19,255,467
Community services		8,462	2,528,129	-	2,536,591	5,581,184
Community engagement		28,059	9,998	-	38,057	25,226
		17,732,376	4,069,052	-	21,801,428	24,861,877
Investment Income	6	104,864	364,978	837	470,679	472,925
Other income	7	7,566	-	-	7,566	178,250
<b>Total</b>		18,074,390	4,857,900	837	22,933,127	26,289,996
<b>Expenditure on:</b>						
<i>Raising funds:</i>	8					
Fundraising costs		235,685	10,003	-	245,688	293,528
Investment management costs		69,309	-	-	69,309	133,364
Other costs		-	-	-	-	17,925
		304,994	10,003	-	314,997	444,817
<i>Charitable activities:</i>	8					
Residential care		16,813,355	2,097,708	105,780	19,016,843	19,455,139
Community services		808,232	2,868,654	-	3,676,886	6,431,602
Community engagement		156,481	228,294	-	384,775	353,942
Grants and allowances		137,304	233,820	-	371,124	255,626
		17,915,372	5,428,476	105,780	23,449,628	26,496,309
Other Expenditure	7	54,722	-	-	54,722	-
<b>Total</b>		18,275,088	5,438,479	105,780	23,819,347	26,941,126
<b>Net (expenditure) before gains/(losses) on investments</b>	9	(200,698)	(580,579)	(104,943)	(886,220)	(651,130)
Net gains/(losses) on investments	15	84,520	19,797	570,657	674,974	(312,681)
<b>Net (expenditure)/income</b>		(116,178)	(560,782)	465,714	(211,246)	(963,811)
<b>Other recognised gains/(losses)</b>						
Actuarial losses on defined benefit pension scheme	20	(14,900)	-	-	(14,900)	(7,026)
Transfers between funds	22	(279,716)	279,716	-	-	-
<b>Net movement in funds</b>		(410,794)	(281,066)	465,714	(226,146)	(970,837)
<b>Reconciliation of funds:</b>						
Total funds brought forward	21	22,198,097	2,233,071	14,930,232	39,361,400	40,332,237
<b>Total funds carried forward</b>	21	<b>21,787,303</b>	<b>1,952,005</b>	<b>15,395,946</b>	<b>39,135,254</b>	<b>39,361,400</b>

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 2018 by fund are disclosed in note 3.

The notes on pages 31 to 62 form part of these financial statements.

## Group and Charity balance sheets as at 31 March 2019

		Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £ <i>Restated</i>
<b>Fixed assets</b>	<i>Notes</i>				
Intangible assets	13	48,995	107,662	48,995	107,662
Tangible assets	14	22,896,792	23,140,340	22,990,987	23,252,400
Investments	15	17,322,568	16,850,593	17,332,570	16,860,595
<b>Total fixed assets</b>		<b>40,268,355</b>	<b>40,098,595</b>	<b>40,372,552</b>	<b>40,220,657</b>
<b>Current assets</b>					
Debtors	16	1,609,834	2,893,759	1,586,955	2,892,866
Cash at bank and in hand		2,061,528	1,432,618	2,061,059	1,431,937
<b>Total current assets</b>		<b>3,671,362</b>	<b>4,326,377</b>	<b>3,648,014</b>	<b>4,324,803</b>
<b>Creditors</b>					
Amounts falling due within 1 year	17	(3,268,491)	(3,356,285)	(3,244,371)	(3,353,069)
<b>Net current assets</b>		<b>402,871</b>	<b>970,092</b>	<b>403,643</b>	<b>971,734</b>
<b>Total assets less current liabilities</b>		<b>40,671,226</b>	<b>41,068,687</b>	<b>40,776,195</b>	<b>41,192,391</b>
<b>Creditors</b>					
Amounts falling due after more than one year	18	(1,303,723)	(1,407,197)	(1,303,723)	(1,407,197)
Provisions for liabilities	19	(86,600)	(54,162)	(86,600)	(54,162)
<b>Net assets excluding pension liabilities</b>		<b>39,280,903</b>	<b>39,607,328</b>	<b>39,385,872</b>	<b>39,731,032</b>
<b>Defined benefit pension scheme liability</b>	20	<b>(145,649)</b>	<b>(245,928)</b>	<b>(145,649)</b>	<b>(245,928)</b>
<b>Total net assets</b>		<b>39,135,254</b>	<b>39,361,400</b>	<b>39,240,223</b>	<b>39,485,104</b>
<b>The funds of the charity:</b>					
Restricted funds	23	1,952,005	2,233,071	1,952,005	2,144,727
Endowments	24	15,395,946	14,930,232	15,395,946	14,930,232
<b>Unrestricted funds:</b>					
Designated funds	22	19,176,954	19,463,052	19,271,150	19,554,901
General reserves - revaluation reserve	22	2,280,710	2,333,118	2,280,710	2,333,118
General reserves - other	22	475,288	647,855	486,061	768,054
Pension reserve	22	(145,649)	(245,928)	(145,649)	(245,928)
<b>Total unrestricted funds</b>		<b>21,787,303</b>	<b>22,198,097</b>	<b>21,892,272</b>	<b>22,410,145</b>
<b>Total charity funds</b>	21	<b>39,135,254</b>	<b>39,361,400</b>	<b>39,240,223</b>	<b>39,485,104</b>

The notes on pages 31 to 62 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. Charity balances at 31 March 2018 have been restated for merger accounting, as detailed in note 2. The Charity's net expenditure for the year is £229,981 (2017-18: net expenditure of £985,783 restated).

The financial statements were approved by the Board of Trustees on 20 September 2019 and were signed on their behalf by:

  
Kerry Rubie  
Chair

## Consolidated statement of cash flows for the year ended 31 March 2019

	Notes	2019 £	2019 £	2018 £	2018 £
<b>Cash flows from operating activities:</b>					
Net cash provided by operating activities	26		<u>871,077</u>		<u>613,778</u>
<b>Cash flows from investing activities:</b>					
Dividends, interest and rents from investments		470,679		472,925	
Interest payable		(34,328)		(34,998)	
Purchase of intangible fixed assets		(21,214)		(21,282)	
Purchase of property, plant and equipment		(776,357)		(1,144,918)	
Purchase of investments		-		(15,073,289)	
Proceeds from sale of investments		203,000		11,141,088	
Proceeds from sale of property, plant and equipment		7,566		556,500	
<b>Net cash used in investing activities</b>			<u>(150,654)</u>		<u>(4,103,974)</u>
<b>Cash flows from financing activities:</b>					
Repayments of borrowings		<u>(91,513)</u>		<u>(89,479)</u>	
<b>Net cash used in financing activities</b>			<u>(91,513)</u>		<u>(89,479)</u>
Change in cash and cash equivalents in the year			628,910		(3,579,675)
Cash and cash equivalents at the beginning of the year			<u>1,432,618</u>		<u>5,012,293</u>
<b>Cash and cash equivalents at the end of the year</b>			<u><b>2,061,528</b></u>		<u><b>1,432,618</b></u>

## **Notes to the financial statements for the year ended 31 March 2019**

### **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 lower care home occupancy, delay in planned major transactions, forced closure of a service due to adverse events or for regulatory reasons, or cash outflows caused by other deteriorations 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, contingency plans and availability and liquidity of assets.

The trustees are satisfied that the strong net asset position of the Charity, the liquidity of assets in the short-term including unrestricted investments, and the ability to sell other assets over a longer time-frame are sufficient to address the risks and uncertainties considered as part of the assessment of going concern.

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.

#### **(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).



## **1. Principal accounting policies (continued)**

### **(c) Merger accounting**

The merger of Triangle and the RNNH with the Charity on 31 March 2019 has been accounted for by using the merger accounting method. This means that the carrying values of the assets and liabilities transferred are not adjusted to fair value, but are reflected in the Charity's balance sheet at book value, with adjustments for balances held between the three charities at the date of the merger. The results and cash flows of all the combining charities are brought into the financial statements of the Charity from the beginning of the financial year, and the comparative information has been restated as though this combination existed in the previous financial year. The Charity's balance sheet for 31 March 2018 has therefore been restated in these financial statements.

This does not impact on the Group results or Group balances for the year ended 31 March 2019.

### **(d) 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.

**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, acquisition or operation 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.

### **(e) Income**

Resident, service user and statutory fees, 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.

## **1. Principal accounting policies (continued)**

### **(f) 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.

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

### **(g) Support costs**

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

### **(h) 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.

### **(i) 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

### **(j) 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 on a straight line basis 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

**1. Principal accounting policies (continued)**

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.

**(k) 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.

**(l) 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.

**(m) 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.

**1. Principal accounting policies (continued)**

**(n) 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.

**(o) Resident deposits**

Care home residents may pay a deposit on admission to a care home, which is fully refundable on departure less any amounts owed at that date. Resident deposits received are included within unrestricted cash, but are held within a separate bank account. Resident deposits are also included within creditors. Receipts and payments of resident deposits are not reflected in the income and expenditure of the Group.

**(p) 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.

**(q) (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.

**(r) 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.

**(s) Operating leases**

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

## **1. Principal accounting policies (continued)**

### **(t) 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.

### **(u) 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.

## 1. Principal accounting policies (continued)

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(j) 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 properties are valued by the trustees, 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. Charity merger

On 31 March 2019, the business, assets and liabilities of Triangle Community Services Limited (Triangle) and the Retired Nurses National Home (the RNNH) were transferred to Friends of the Elderly for nil consideration.

The combination has been accounted for as a merger, and results and balances restated as though this combination existed at 31 March 2018.

The results and balances of the individual charities, and the combined charity, are shown below.

### (a) Principal Statement of Financial Activities headings for the year ended 31 March 2019

	Charity (pre-merger)	Triangle (pre-merger)	RNNH (pre-merger)	Combination adjustments	Combined total
	£	£	£	£	£
Total income	19,020,918	3,651,451	1,571,247	(1,363,739)	22,879,877
Total expenditure	(19,818,381)	(3,274,140)	(1,806,445)	1,114,133	(23,784,833)
Net income/(expenditure) before other gains on investments	(797,463)	377,311	(235,198)	(249,606)	(904,956)
Gains on investments	641,420	-	33,555	-	674,975
Net (expenditure)/income	(156,043)	377,311	(201,643)	(249,606)	(229,981)
Other recognised losses	(14,900)	-	-	-	(14,900)
Total movement in funds	(170,943)	377,311	(201,643)	(249,606)	(244,881)

Combination adjustments are transactions between these charities in the year. This includes a £1,000,000 waiver of intercompany balances owed by Triangle to the Charity. This was recorded as income of £1,000,000 within Triangle, and expenditure of £750,395 within the Charity, with the remainder having been provided for within the Charity in the previous financial year.

## 2. Charity merger (continued)

### (b) Principal Statement of Financial Activities headings for the year ended 31 March 2018

	Charity	Triangle	RNNH	Combination adjustments	Combined total
	£	£	£	£	£
Total income	19,678,512	5,769,857	1,372,569	(530,940)	26,289,998
Total expenditure	(20,223,250)	(6,020,659)	(1,499,736)	780,545	(26,963,100)
Net income/(expenditure) before other gains on investments	(544,738)	(250,802)	(127,167)	249,605	(673,102)
Losses on investments	(258,620)	-	(54,061)	-	(312,681)
Net income/(expenditure)	(803,358)	(250,802)	(181,228)	249,605	(985,783)
Other recognised gains/(losses)	(7,026)	-	-	-	(7,026)
Total movement in funds	(810,384)	(250,802)	(181,228)	249,605	(992,809)

### (c) Analysis of net assets at the date of the merger

	Charity	Triangle	RNNH	Combination adjustments	Combined total
	£	£	£	£	£
Intangible assets	48,995	-	-	-	48,995
Tangible assets	21,041,534	32,267	1,917,186	-	22,990,987
Investments	15,787,821	-	1,544,749	-	17,332,570
Current assets	3,435,070	477,040	1,728	(265,824)	3,648,014
Current liabilities	(3,088,306)	(209,968)	(211,921)	265,824	(3,244,371)
Non-current liabilities	(1,449,372)	(86,600)	-	-	(1,535,972)
Net assets	35,775,742	212,739	3,251,742	-	39,240,223
Represented by:					
Unrestricted funds	21,775,757	116,515	37,678	(37,678)	21,892,272
Restricted funds	1,812,462	96,224	5,641	37,678	1,952,005
Endowed funds	12,187,523	-	3,208,423	-	15,395,946
Net assets	35,775,742	212,739	3,251,742	-	39,240,223

31 March 2019 is the date of the merger. Combination adjustments are balances between these entities at the merger date.

### 3. Consolidated statement of financial activities by fund 2018

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



#### 4. Subsidiaries' performance

Summary of results for the year ended 31 March 2019:

	Potential Limited	Triangle Community Services Limited	Friends of the Elderly Trading Limited	The Retired Nurses National Home
	£	£	£	£
Income excluding other income	145,099	2,651,451	-	1,571,247
Other income - intercompany loan waived	-	1,000,000	-	-
Total income	145,099	3,651,451	-	1,571,247
Total expenditure	(144,226)	(3,274,140)	-	(1,806,445)
Net income/(expenditure) before gains on investments and transfers	873	377,311	-	(235,198)
Gains on investments	-	-	-	33,555
Transfer of assets	-	(212,739)	-	(3,251,742)
Net movement in funds	873	164,572	-	(3,453,385)
Net (liabilities)/ assets at 31 March 2019	(768)	-	10,000	-

The results for Triangle include other income recorded of £1,000,000 representing waiver of an intercompany balance owed to Friends of the Elderly.

Refer to note 2 for information on the transfer of the business, liabilities and assets from the RNNH and Triangle to the Charity on 31 March 2019.

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)
Net (expenditure)/income before losses on investments	(1,454)	(250,802)	-	(127,167)
Losses on investments	-	-	-	(54,061)
Net movement in funds	(1,454)	(250,802)	-	(181,228)
Net (liabilities)/ assets at 31 March 2018	(1,642)	(164,568)	10,000	3,453,385

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; it provided homecare, 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 owned and operated a care home in Bournemouth, until its transfer to the Charity on 31 March 2019. The care home 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.

## 5. Donations and legacies

	Unrestricted funds 2019 £	Restricted funds 2019 £	Total 2019 £	Total 2018 £
Donations	87,291	376,810	464,101	457,611
Legacies	142,293	34,177	176,470	284,803
Pro-bono services	-	12,883	12,883	34,530
	<u>229,584</u>	<u>423,870</u>	<u>653,454</u>	<u>776,944</u>

## 6. Investment income

	Unrestricted funds 2019 £	Restricted funds 2019 £	Endowment funds 2019 £	Total 2019 £	Total 2018 £
Dividends from investments	18,253	364,978	837	384,068	432,985
Investment property rental income	82,508	-	-	82,508	38,436
Interest receivable	4,103	-	-	4,103	1,504
	<u>104,864</u>	<u>364,978</u>	<u>837</u>	<u>470,679</u>	<u>472,925</u>

## 7. Other income and other expenditure

### Other income

	Unrestricted funds 2019 £	Total 2019 £	Total 2018 £
Gain on disposal of fixed assets	<u>7,566</u>	<u>7,566</u>	<u>178,250</u>

### Other expenditure

	Unrestricted funds 2019 £	Total 2019 £	Total 2018 £
Loss on disposal of fixed assets	<u>54,722</u>	<u>54,722</u>	<u>-</u>

## 8. Analysis of income and expenditure by charitable activity

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2019 £	2019 £	2019 £	2019 £	2019 £	2019 £
Direct income	19,226,780	2,536,591	38,057	-	-	21,801,428
Attributable fundraising income	43,320	43,076	151,204	173,387	242,467	653,454
Attributable investment income	326,198	-	292	38,488	105,701	470,679
<b>Total income</b>	<b>19,596,298</b>	<b>2,579,667</b>	<b>189,553</b>	<b>211,875</b>	<b>348,168</b>	<b>22,925,561</b>
Direct expenditure	16,084,978	2,567,500	183,441	-	217,292	19,053,211
Restricted funds gifted	145,484	-	-	-	-	145,484
Grant-funding of activities	-	-	-	234,320	-	234,320
Attributable support costs:						
Governance	210,348	65,193	14,376	10,126	7,232	307,275
Operations, quality and training	756,036	528,203	68,111	63,137	-	1,415,487
Property	188,501	23,272	-	-	6,982	218,755
Finance, HR and IT	1,130,388	257,216	22,439	14,906	21,159	1,446,108
Recruitment, marketing, communications	347,974	153,045	61,069	36,855	50,552	649,495
Strategic and executive	153,134	82,457	35,339	11,780	11,780	294,490
<b>Total attributable support costs</b>	<b>2,786,381</b>	<b>1,109,386</b>	<b>201,334</b>	<b>136,804</b>	<b>97,705</b>	<b>4,331,610</b>
<b>Total expenditure</b>	<b>19,016,843</b>	<b>3,676,886</b>	<b>384,775</b>	<b>371,124</b>	<b>314,997</b>	<b>23,764,625</b>
<b>Net surplus/ (deficit)</b>	<b>579,455</b>	<b>(1,097,219)</b>	<b>(195,222)</b>	<b>(159,249)</b>	<b>33,171</b>	<b>(839,064)</b>

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

The analysis for 2018 is as follows:

	Residential care	Community services	Community engagement	Grants and allowances	Raising funds	Total
	2018 £	2018 £	2018 £	2018 £	2018 £	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
<b>Total income</b>	<b>19,781,556</b>	<b>5,678,539</b>	<b>199,272</b>	<b>103,771</b>	<b>348,608</b>	<b>26,111,746</b>
Direct expenditure	16,670,639	4,881,830	187,794	-	344,176	22,084,439
Grant-funding of activities	-	-	-	149,372	-	149,372
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
<b>Total attributable support costs</b>	<b>2,784,500</b>	<b>1,549,772</b>	<b>166,148</b>	<b>106,254</b>	<b>100,641</b>	<b>4,707,315</b>
<b>Total expenditure</b>	<b>19,455,139</b>	<b>6,431,602</b>	<b>353,942</b>	<b>255,626</b>	<b>444,817</b>	<b>26,941,126</b>
<b>Net surplus/ (deficit)</b>	<b>326,417</b>	<b>(753,063)</b>	<b>(154,670)</b>	<b>(151,855)</b>	<b>(96,209)</b>	<b>(829,380)</b>

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

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 expenditure
Human Resources	Apportioned based on headcount
Marketing, Communications and Public Relations	Apportioned based on management estimate
Strategy and Executive	Apportioned based on management estimate

## 9. Net expenditure for the year

Net expenditure for the year is stated after charging:

	2019	2018
	£	£
Staff costs (Note 10)	16,223,248	18,804,211
Amortisation of intangible fixed assets (Note 13)	79,882	125,562
Depreciation of tangible fixed assets (Note 14)	966,595	947,361
Auditors' remuneration - Audit of the Charity	21,667	20,000
Auditors' remuneration - Audit of subsidiary undertakings	11,033	12,550
Auditors' remuneration - Other Services	1,800	1,800
Professional indemnity insurance	1,680	1,642
Pension scheme net finance charge	4,520	4,359
Operating lease rentals	209,271	186,903

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

## 10. Staff costs

	2019	2018
	£	£
Staff costs were as follows:		
Salaries	11,782,634	14,193,219
Social security costs	867,413	1,059,958
Pension costs	401,719	480,240
	<u>13,051,766</u>	<u>15,733,417</u>
Agency - Care	1,797,834	1,811,965
Agency - Non-Care	12,583	92,156
Contract staff costs	1,361,065	1,166,674
Agency and contract costs	<u>3,171,482</u>	<u>3,070,795</u>

## 10. Staff costs (continued)

The following costs were incurred in relation to redundancies, and are included within the staff costs total above. Ex gratia payments represent redundancy payments above the statutory minimum.

	2019	2018
	£	£
Redundancy payments	229,013	1,353
Ex gratia payments	16,140	-
	<u>245,153</u>	<u>1,353</u>

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

	2019	2018
	No.	No.
£60,001 - £70,000	3	2
£70,001 - £80,000	3	1
£80,000 - £90,000	2	2
£90,000 to £100,000	1	-
£120,000 to £130,000	-	1
	<u>-</u>	<u>1</u>

### Key management personnel

The total emoluments paid to key management personnel are set out below. Key management personnel comprise the senior management team, and include the Chief Executive. The trustees are also key management personnel but received no remuneration in year (2018: none).

	2019	2018
	£	£
Total emoluments	<u>682,437</u>	<u>734,445</u>
	No.	No.
Average number of Senior Management Team	<u>9.0</u>	<u>9.5</u>

## 11. Staff numbers

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

Employee numbers	2019	2018	2019	2018
	Headcount	Headcount	FTE	FTE
	No.	No.	No.	No.
Care staff	589	772	405	562
Support staff	107	124	99	112
	<u>696</u>	<u>896</u>	<u>504</u>	<u>674</u>

## 12. Related party transactions

### Trustees

Robert Chapman, a trustee of Triangle Community Services, is also a councillor with the London Borough of Hackney. During the year ended 31 March 2019 £23,624 (2018: £37,680) was invoiced to the London Borough of Hackney for care services undertaken, and at 31 March 2019 £14,369 was outstanding (2018: £23,416).

The trustees received no remuneration for their services (2018: £nil). During the year ended 31 March 2019, £2,658 in expenses were paid to one trustee for costs incurred in the course of their duties as trustee of the Charity (2018: £1,744 to one trustee).

No donations were made by a related party of any trustee to the Group during the year (2018: £2,000). Expenses waived by trustees during the year were not material (2018: not material).

### Key Management Personnel

The Charity rented office space from a related party of Steve Allen, the Chief Executive of the Charity. The cost of rent and fully-inclusive service charges, from the date the party became a related party (September 2018), was £4,800. This is considered to be on an arms-length basis. £nil was due to the related party as at 31 March 2019. This was not a related party during 2017-18.

### Intercompany transactions

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

	2019	2018
	£	£
<b>Amounts charged/ (credited) to Triangle:</b>		
Rent charged	65,148	61,092
Management charge	242,022	229,500
Learning and Development recharge	38,332	55,916
Grant paid	(51,601)	(43,000)
Waiver of amounts due from Triangle	(1,000,000)	-
Transfer of net assets to the Charity	212,739	-
	<u>(493,360)</u>	<u>389,508</u>

The grant paid to Triangle was to support its community engagement activities, in particular the Visiting Friends service.

	2019	2018
	£	£
<b>Amounts charged to the RNNH:</b>		
Learning and Development recharge	16,830	17,664
Management charge	158,618	-
Transfer of net assets	3,251,742	-
	<u>3,427,190</u>	<u>17,664</u>

The management charges from the Charity to Triangle and the RNNH represent central support services provided by the Charity including finance, human resources, IT support, governance, business development, regional operational support, and quality support and assurance.

	2019	2018
	£	£
<b>Amounts charged/ (credited) to Potential</b>		
Management fee	1,000	-
Property development costs recharged (capitalised within the Charity)	(145,099)	(2,086)
	<u>(144,099)</u>	<u>(2,086)</u>

## 12. Related party transactions (continued)

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Amounts due (to)/from Potential	(47,396)	(1,794)
Amounts due to Friends of the Elderly Trading Limited	(5,209)	(5,209)
Amounts due from Triangle	-	1,164,235
Provision against amounts due from Triangle	-	(249,605)
Amounts due from the RNNH	-	65,912
	<u>(52,605)</u>	<u>973,539</u>

## 13. Intangible fixed assets

<b>Computer software</b>	<b>Group</b>	<b>Charity</b>
	<b>£</b>	<b>£</b>
<b>Cost</b>		
At 1 April 2018 as previously reported	743,450	612,053
Restatement - charity merger	-	131,397
At 1 April 2018 as restated	<u>743,450</u>	<u>743,450</u>
Additions	21,214	21,214
Disposals	<u>(131,397)</u>	<u>(131,397)</u>
At 31 March 2019	<u>633,267</u>	<u>633,267</u>
<b>Amortisation</b>		
At 1 April 2018 as previously reported	635,788	504,936
Restatement - charity merger	-	130,852
At 1 April 2018 as restated	<u>635,788</u>	<u>635,788</u>
Charge for the year	79,882	79,882
Eliminated on disposal	<u>(131,398)</u>	<u>(131,398)</u>
At 31 March 2019	<u>584,272</u>	<u>584,272</u>
<b>Net book value 31 March 2019</b>	<u><b>48,995</b></u>	<u><b>48,995</b></u>
Net book value 31 March 2018 as previously reported	107,662	107,117
Restatement - charity merger	-	545
Net book value 31 March 2018 as restated	<u>107,662</u>	<u>107,662</u>

## 14. Tangible fixed assets

(a) Group	Freehold & Long Leasehold Property £	Short Leasehold Property Improvements £	Fixtures, Equipment and Vehicles £	Total £
<b>Cost</b>				
At 1 April 2018	26,716,513	155,946	8,315,430	35,187,889
Additions	134,096	-	642,261	776,357
Disposals	-	-	(281,915)	(281,915)
At 31 March 2019	<u>26,850,609</u>	<u>155,946</u>	<u>8,675,776</u>	<u>35,682,331</u>
<b>Depreciation</b>				
At 1 April 2018	6,101,735	99,859	5,845,955	12,047,549
Charge for the year	278,303	3,773	684,519	966,595
Eliminated on disposal	-	-	(228,605)	(228,605)
At 31 March 2019	<u>6,380,038</u>	<u>103,632</u>	<u>6,301,869</u>	<u>12,785,539</u>
<b>Net book value 31 March 2019</b>	<u><b>20,470,571</b></u>	<u><b>52,314</b></u>	<u><b>2,373,907</b></u>	<u><b>22,896,792</b></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>
<b>(b) Charity</b>				
	Freehold & Long Leasehold Property £	Short Leasehold Property Improvements £	Fixtures, Equipment and Vehicles £	Total £
<b>Cost</b>				
At 1 April 2018 as previously reported	24,555,077	155,946	7,881,377	32,592,400
Restatement - charity merger	2,383,633	-	587,112	2,970,745
At 1 April 2018 as restated	<u>26,938,710</u>	<u>155,946</u>	<u>8,468,489</u>	<u>35,563,145</u>
Additions	136,442	-	578,175	714,617
Disposals	-	-	(329,270)	(329,270)
At 31 March 2019	<u>27,075,152</u>	<u>155,946</u>	<u>8,717,394</u>	<u>35,948,492</u>
<b>Depreciation</b>				
At 1 April 2018 as previously reported	5,593,119	99,859	5,616,474	11,309,452
Restatement - charity merger	638,963	-	362,330	1,001,293
At 1 April 2018 as restated	<u>6,232,082</u>	<u>99,859</u>	<u>5,978,804</u>	<u>12,310,745</u>
Charge for the year	278,303	3,773	640,644	922,720
Eliminated on disposal	-	-	(275,960)	(275,960)
At 31 March 2019	<u>6,510,385</u>	<u>103,632</u>	<u>6,343,488</u>	<u>12,957,505</u>
<b>Net book value 31 March 2019</b>	<u><b>20,564,767</b></u>	<u><b>52,314</b></u>	<u><b>2,373,906</b></u>	<u><b>22,990,987</b></u>
Net book value 31 March 2018 as previously reported	18,961,958	56,087	2,264,903	21,282,948
Restatement - charity merger	1,744,670	-	224,782	1,969,452
Net book value 31 March 2018 as restated	<u>20,706,628</u>	<u>56,087</u>	<u>2,489,685</u>	<u>23,252,400</u>

The loan (note 18) 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.



## 15. Fixed asset investments

(a) Group	Investment Property £	Investments Unlisted £	Total £
<b>Cost or valuation</b>			
At 1 April 2018	2,839,378	14,011,215	16,850,593
Disposals (carrying value)	-	(200,126)	(200,126)
Unrealised gain on revaluation	26,692	645,409	672,101
At 31 March 2019	<u>2,866,070</u>	<u>14,456,498</u>	<u>17,322,568</u>
Cost at 31 March 2019	<u>585,360</u>	<u>14,297,420</u>	<u>14,882,780</u>

b) Charity	Investment property £	Investments Unlisted £	Investments in Subsidiaries £	Total £
<b>Cost or valuation</b>				
At 1 April 2018 as previously reported	2,839,378	12,427,021	10,002	15,276,401
Restatement - charity merger	-	1,584,194	-	1,584,194
At 1 April 2018 as restated	2,839,378	14,011,215	10,002	16,860,595
Disposals (carrying value)	-	(200,126)	-	(200,126)
Unrealised gains on revaluation	26,692	645,409	-	672,101
At 31 March 2019	<u>2,866,070</u>	<u>14,456,498</u>	<u>10,002</u>	<u>17,332,570</u>
Cost at 31 March 2019	<u>585,360</u>	<u>14,297,420</u>	<u>10,002</u>	<u>14,892,782</u>

'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 4.

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

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

## 16. Debtors

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
				<i>Restated</i>
Trade debtors	552,152	1,949,837	552,050	1,948,944
Other debtors	246,416	205,688	223,639	205,688
Prepayments and accrued income	811,266	738,234	811,266	738,234
	<u>1,609,834</u>	<u>2,893,759</u>	<u>1,586,955</u>	<u>2,892,866</u>

**17. Creditors: amounts falling due within one year**

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
				<i>Restated</i>
Trade creditors	1,041,824	1,157,137	971,858	1,152,127
Amounts due to subsidiary undertakings	-	-	52,605	1,794
Other creditors	262,358	343,439	255,599	343,439
Resident deposits	1,078,644	794,969	1,078,644	794,969
Taxation and social security	242,903	320,636	242,903	320,636
Accruals and deferred income	539,288	648,591	539,288	648,591
Loans: Amounts Due Within One Year	103,474	91,513	103,474	91,513
	<u>3,268,491</u>	<u>3,356,285</u>	<u>3,244,371</u>	<u>3,353,069</u>

Movements in deferred income were as follows:

	£
Deferred income at 1 April 2018	7,087
Income invoiced in advance in year	8,462
Income recognised in year	<u>(15,549)</u>
Deferred income at 31st March 2019	<u>-</u>

**18. Creditors: amounts falling due after more than one year**

	Group and Charity	
	2019	2018
	£	£
Secured bank loan:		
Falling due within more than one year but less than five years	440,732	387,248
Falling due after five years	<u>862,991</u>	<u>1,019,949</u>
Total amounts falling due after one year:	<u>1,303,723</u>	<u>1,407,197</u>
Amounts falling due within one year (Note 17)	103,474	91,513
Total of all loans	<u>1,407,197</u>	<u>1,498,710</u>

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

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

**19. Provision for liabilities**

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
				<i>Restated</i>
Onerous lease contracts	61,600	29,162	61,600	29,162
Dilapidations provision	25,000	25,000	25,000	25,000
	<u>86,600</u>	<u>54,162</u>	<u>86,600</u>	<u>54,162</u>

## 19. Provision for liabilities (continued)

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.

Movements in provisions in the year were as follows:

	Group £	Charity £
Provisions at 1 April 2018 as previously reported	54,162	-
Restatement - charity merger	-	54,162
Provisions at 1 April 2018 as restated	54,162	54,162
Utilised in year	(29,162)	(29,162)
Charged in year	61,600	61,600
Provisions at 31 March 2019	86,600	86,600

## 20. Pension schemes

The Charity and Group operate or contribute to a number of pension schemes, both defined contribution schemes and defined benefit pension schemes. The liability recognised in respect of defined benefit pension schemes is as follows:

	Group and Charity	
Defined benefit pension scheme liability by Scheme	2019 £	2018 £
Friends of the Elderly Pension and Life Assurance Scheme (1978) (Closed)	-	-
Scottish Voluntary Sector Pension Scheme ("SVSPS")	(124,000)	(223,000)
Career Average Revalued Earnings (CARE) Pension Scheme	(21,649)	(22,928)
	<u>(145,649)</u>	<u>(245,928)</u>

### Reconciliation of opening and closing provision by Scheme

	FotE Closed 2019 £	SVSPS Scheme 2019 £	CARE Scheme 2019 £	Total 2019 £
Provision at 1 April 2018	-	(223,000)	(22,928)	(245,928)
Interest expense	(100)	(4,000)	(420)	(4,520)
Contributions paid	15,000	18,000	2,060	35,060
Remeasurement - impact of changes in assumptions	-	(2,000)	(361)	(2,361)
Remeasurement - amendments to the contribution schedule	-	87,000	-	87,000
Other gains/(losses)				
- Actuarial gains/(losses) on defined benefit obligation	(10,700)	-	-	(10,700)
- Return on assets excluding interest income	28,000	-	-	28,000
- Limit on recognition of assets	(32,200)	-	-	(32,200)
Provision at 31 March 2019	<u>-</u>	<u>(124,000)</u>	<u>(21,649)</u>	<u>(145,649)</u>

## **20. Pension schemes (continued)**

### **(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 the Charity and amounted to £402,000 in the year (2018: £374,760).

Triangle Community Services operated 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 £50,600 in the year (2018: £58,400).

The Retired Nurses National Home operated 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 £21,500 in the year (2018: £13,000).

### **(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 2018. The valuation revealed a funding shortfall of £2,000. No further recovery plan payments are required by the Charity. The Charity has paid £1,250 per month since 30 September 2018 in line with the previous recovery plan, which has been sufficient to cover the funding shortfall.

All the administration and operating expenses of the Scheme, including the Pension Protection Fund (PPF) levy, will continue to be met directly by the Charity.

The pension scheme surplus as at 31 March 2019 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.

## 20. Pension schemes (continued)

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

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

	Group and Charity			
	Assets	Defined benefit obligation	Net position 2019	Net position 2018
	£	£	£	£
Fair value at 1 April 2018	1,883,900	(1,879,400)	4,500	(10,800)
Limit on recognition of assets	(4,500)	-	(4,500)	-
Scheme deficit recognised at 1 April 2018	1,879,400	(1,879,400)	-	(10,800)
Benefits paid	(165,000)	165,000	-	-
Employer contributions	15,000	-	15,000	15,000
<i>Amounts charged to Statement of Financial Activities:</i>				
Interest income/ (cost)	43,000	(43,100)	(100)	(100)
Remeasurement gains/(losses)				
- Actuarial gains/(losses)	-	(10,700)	(10,700)	22,100
- Return on assets excluding interest income	28,000	-	28,000	(21,700)
- (Limit on recognition of assets)	(32,200)	-	(32,200)	(4,500)
<i>Total amounts charged to Statement of Financial Activities</i>	<i>38,800</i>	<i>(53,800)</i>	<i>(15,000)</i>	<i>(4,200)</i>
Fair value at 31 March 2019 (less surplus not recognised)	1,768,200	(1,768,200)	-	-

The fair value of the assets of the scheme was:

	Group and Charity			
	2019	2019	2018	2018
	£	% of total plan assets	£	% of total plan assets
Long-term, with profits insurance policy	-	0.0%	512,900	27.2%
Trustees bank account/ net current assets	3,600	0.2%	10,500	0.6%
Annuities	1,266,500	70.2%	1,360,500	72.2%
Gilts fund	457,100	25.3%	-	0.0%
Diversified fund	77,700	4.3%	-	0.0%
Total	1,804,900	100.0%	1,883,900	100.0%

#### Actuarial assumptions

	Group and Charity	
	2019	2018
Discount rate	2.1% pa	2.4% pa
RPI inflation	3.3% pa	3.0% pa
CPI inflation	2.3% pa	2.0% pa
Revaluation of deferred pensions	2.3% pa	2.0% pa

## **20. Pension schemes (continued)**

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

#### **Mortality assumptions**

	<b>Group and Charity</b>	
	<b>2019</b>	<b>2018</b>
Mortality (pre-retirement)	Nil	Nil
Mortality (post-retirement)	100% of S2PA CMI_2018_M/F [1.25%] (yob)	100% of S2PA CMI_2017_M/F [1.25%] (yob)

#### **Life expectancies (in years)**

	<b>2019</b>		<b>2018</b>	
	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>
For an individual aged 60	26.0	28.1	26.6	28.6
At age 60 for an individual aged 40	27.6	29.7	28.1	30.2

### **(c) Multi-employer pension schemes**

The Charity 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 Charity 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.

Where the scheme is in deficit and where the Charity has agreed to a deficit funding arrangement the Charity 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 with an effective date of 30 September 2017. This actuarial valuation was certified on 19 December 2018 and showed assets of £120.0m, liabilities of £145.9m and a deficit of £25.9m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that contributions will be paid, in combination from all employers, to the scheme of £1.5m per annum until 30 September 2026 (increasing by 3% each year on 1 April), plus £82,000 per annum from 1 April 2019 to 31 March 2024, of which the Charity's contributions are £16,000 per annum, rising to £19,000 pa over the 8-year period.

## 20. Pension schemes (continued)

### (c) Multi-employer pension schemes (continued)

#### 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 2016. This actuarial valuation showed assets of £60.5m, liabilities of £85.3m and a deficit of £24.8m. To eliminate this funding shortfall, the trustee asked the participating employers to pay additional contributions to the scheme of £1.4m per annum until 30 November 2028 (increasing by 3% each year on 1 April), of which the Charity's contributions are £2,122 per annum, rising to £2,688 pa over the 10-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	
	2019	2018	2019	2018
	£	£	£	£
Provision at start of year	(223,000)	(240,000)	(22,928)	(18,464)
Contribution paid	18,000	18,000	2,060	1,721
<i>Amounts charged to Statement of Financial Activities:</i>				
Interest expense	(4,000)	(4,000)	(420)	(259)
Remeasurement - impact of changes in assumptions	(2,000)	3,000	(361)	568
Remeasurement - amendments to the contribution schedule	87,000	-	-	(6,494)
<i>Total amounts charged to Statement of Financial Activities</i>	<u>81,000</u>	<u>(1,000)</u>	<u>(781)</u>	<u>(6,185)</u>
Provision at end of year	<u>(124,000)</u>	<u>(223,000)</u>	<u>(21,649)</u>	<u>(22,928)</u>

	2019	2018	2017
Discount rate: SVSPS	1.46%	2.01%	1.76%
Discount rate: CARE	1.58%	1.93%	1.47%

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

## 21. Analysis of net assets between funds

Fund balances at 31 March 2019, represented by:

<b>(a) Group</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Endowment funds</b>	<b>Total funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Intangible assets	48,995	-	-	48,995
Tangible assets	20,744,420	205,296	1,947,076	22,896,792
Investments	4,435,847	518,459	12,368,262	17,322,568
Current assets	1,357,152	1,233,602	1,080,608	3,671,362
Current liabilities	(3,263,139)	(5,352)	-	(3,268,491)
Non-current liabilities	(1,535,972)	-	-	(1,535,972)
	<u>21,787,303</u>	<u>1,952,005</u>	<u>15,395,946</u>	<u>39,135,254</u>

<b>(b) Charity</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Endowment funds</b>	<b>Total funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Intangible assets	48,995	-	-	48,995
Tangible assets	20,838,615	205,296	1,947,076	22,990,987
Investments	4,445,849	518,459	12,368,262	17,332,570
Current assets	1,333,804	1,233,602	1,080,608	3,648,014
Current liabilities	(3,239,019)	(5,352)	-	(3,244,371)
Non-current liabilities	(1,535,972)	-	-	(1,535,972)
	<u>21,892,272</u>	<u>1,952,005</u>	<u>15,395,946</u>	<u>39,240,223</u>

Fund balances at 31 March 2018 were:

<b>(a) Group</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Endowment funds</b>	<b>Total funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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>(b) Charity</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Endowment funds</b>	<b>Total funds</b>
<i>Restated</i>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Intangible assets	107,117	545	-	107,662
Tangible assets	21,047,762	224,782	1,979,856	23,252,400
Investments	4,927,779	638,115	11,294,701	16,860,595
Current assets	(2,034)	2,671,162	1,655,675	4,324,803
Current liabilities	(2,017,354)	(1,335,715)	-	(3,353,069)
Non-current liabilities	(1,653,125)	(54,162)	-	(1,707,287)
	<u>22,410,145</u>	<u>2,144,727</u>	<u>14,930,232</u>	<u>39,485,104</u>



## 22. Movement in unrestricted funds

Unrestricted fund movements for the year ended 31 March 2019:

(a) Group	Designated funds	General reserves		Pension reserve	Total
		Revaluation reserve	Other reserve		
	£	£	£	£	£
At 1 April 2018	19,463,052	2,333,118	647,855	(245,928)	22,198,097
Net income/(expenditure)	-	-	(315,877)	115,179	(200,698)
Other gains/(losses)	-	26,692	57,828	(14,900)	69,620
Depreciation charged	(796,763)	-	796,763	-	-
Capital expenditure	419,152	-	(419,152)	-	-
Loan repayments	91,513	-	(91,513)	-	-
Funds transferred	-	(79,100)	(200,616)	-	(279,716)
<b>At 31 March 2019</b>	<b>19,176,954</b>	<b>2,280,710</b>	<b>475,288</b>	<b>(145,649)</b>	<b>21,787,303</b>

(b) Charity	Designated funds	General reserves		Pension reserve	Total
		Revaluation reserve	Other reserve		
	£	£	£	£	£
At 1 April 2018 as previously reported	19,554,901	2,333,118	778,465	(245,928)	22,420,556
Restatement - charity merger	-	-	(10,411)	-	(10,411)
At 1 April 2018 as restated	19,554,901	2,333,118	768,054	(245,928)	22,410,145
Net income/(expenditure)	-	-	(682,303)	115,179	(567,124)
Other gains/(losses)	-	26,692	57,828	(14,900)	69,620
Depreciation charged	(796,762)	-	796,762	-	-
Capital expenditure	421,498	-	(421,498)	-	-
Loan repayments	91,513	-	(91,513)	-	-
Funds transferred	-	(79,100)	58,731	-	(20,369)
<b>At 31 March 2019</b>	<b>19,271,150</b>	<b>2,280,710</b>	<b>486,061</b>	<b>(145,649)</b>	<b>21,892,272</b>

Unrestricted fund movements for the year ended 31 March 2018 were:

(a) Group	Designated funds	General reserves		Pension reserve	Total
		Revaluation reserve	Other reserve		
	£	£	£	£	£
At 1 April 2017	19,611,911	2,333,118	1,235,458	(299,729)	22,880,758
Net income/(expenditure)	-	-	(756,960)	60,827	(696,133)
Other gains/(losses)	-	-	20,498	(7,026)	13,472
Depreciation charged	(871,576)	-	871,576	-	-
Capital expenditure	633,238	-	(633,238)	-	-
Loan repayments	89,479	-	(89,479)	-	-
<b>At 31 March 2018</b>	<b>19,463,052</b>	<b>2,333,118</b>	<b>647,855</b>	<b>(245,928)</b>	<b>22,198,097</b>

## 22. Movement in unrestricted funds (continued)

Unrestricted fund movements for the year ended 31 March 2018 were:

(b) Charity	Designated funds	General reserves		Pension reserve	Total
<i>Restated</i>		Revaluation reserve	Other reserve		
	£	£	£	£	£
At 1 April 2017 as previously reported	19,703,760	2,333,118	1,366,625	(299,729)	23,103,774
Restatement - charity merger	-	-	85,684	-	85,684
At 1 April 2017 as restated	19,703,760	2,333,118	1,452,309	(299,729)	23,189,458
Net income/(expenditure)	-	-	(853,612)	60,827	(792,785)
Other gains/(losses)	-	-	20,498	(7,026)	13,472
Depreciation charged	(871,576)	-	871,576	-	-
Capital expenditure	633,238	-	(633,238)	-	-
Loan repayments	89,479	-	(89,479)	-	-
<b>At 31 March 2018</b>	<b>19,554,901</b>	<b>2,333,118</b>	<b>768,054</b>	<b>(245,928)</b>	<b>22,410,145</b>

### 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, acquisition or operation of any residential homes.
- The revaluation reserve comprises unrealised gains on investment property, and forms part of general reserves.

### Fund transfers in the year

- Subsidiary reserves that were previously treated as being restricted on consolidation, that have become unrestricted following the charity merger;
- Interest charged from an restricted fund to an unrestricted fund, representing a loan between funds; and
- Revision of revaluation reserve.

## 23. Movement in restricted funds

Restricted fund movements for the year ended 31 March 2019:

(a) Group	As at 1 April 2018	Net income/ (expenditure)	Other gains and losses	Funds Transferred	As at 31 March 2019
	£	£	£	£	£
Restricted funds:					
Funds for the upkeep of residential homes	601,773	(71,137)	-	20,369	551,005
Funds restricted to RNNH	172,737	(129,418)	-	-	43,319
Funds for grants and allowances	743,082	(21,945)	19,333	-	740,470
Funds for residents' subsidies	27,569	(9,073)	55	-	18,551
Community services	34,655	(4,755)	-	69,643	99,543
Community projects	63,198	2,109	-	26,582	91,889
Funds restricted to Triangle	183,790	(346,912)	-	163,122	-
Other restricted funds	406,267	552	409	-	407,228
<b>Total restricted funds</b>	<b>2,233,071</b>	<b>(580,579)</b>	<b>19,797</b>	<b>279,716</b>	<b>1,952,005</b>

**23. Movement in restricted funds (continued)**

(b) Charity	As at 1 April 2018		Net income/ (expenditure)	Other gains and losses	Funds Transferred	As at 31 March 2019
	As previously reported	Restatement - charity merger	As restated			
	£	£	£	£	£	£
Restricted funds:						
Funds for the upkeep of residential homes	601,773	-	601,773	(71,137)	20,369	551,005
Funds restricted to RNNH	-	172,737	172,737	(129,418)	-	43,319
Funds for grants and allowances	743,081	-	743,081	(21,944)	19,333	740,470
Funds for residents' subsidies	27,569	-	27,569	(9,073)	55	18,551
Community services	34,655	95,445	130,100	(30,557)	-	99,543
Community projects	63,198	-	63,198	28,691	-	91,889
Other restricted funds	406,269	-	406,269	550	409	407,228
<b>Total restricted funds</b>	<b>1,876,545</b>	<b>268,182</b>	<b>2,144,727</b>	<b>(232,888)</b>	<b>19,797</b>	<b>1,952,005</b>

Fund movements for the year ended 31 March 2018:

(a) Group	As at 1 April 2017		Net income/ (expenditure)	Other gains and losses	As at 31 March 2018
	£	£			
Restricted funds:					
Funds for the upkeep of residential homes	614,960	(13,187)	-	-	601,773
Funds restricted to RNNH	170,524	3,668	(1,455)	-	172,737
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 restricted to Triangle	163,572	20,218	-	-	183,790
Other restricted funds	385,735	4,575	15,957	-	406,267
<b>Total restricted funds</b>	<b>2,217,455</b>	<b>(3,289)</b>	<b>18,905</b>	<b>2,233,071</b>	

(b) Charity <i>Restated</i>	As at 1 April 2017		Net income/ (expenditure)	Other gains and losses	As at 31 March 2018
	As previously reported	Restatement - charity merger	As restated		
	£	£	£	£	£
Restricted funds:					
Funds for the upkeep of residential homes	614,960	-	614,960	(13,187)	601,773
Funds restricted to RNNH	-	170,524	170,524	3,668	172,737
Funds for grants and allowances	757,269	-	757,269	(16,463)	743,081
Funds for residents' subsidies	24,863	-	24,863	578	27,569
Community services	49,425	550	49,975	80,125	130,100
Community projects	51,106	-	51,106	12,092	63,198
Other restricted funds	385,737	-	385,737	4,575	406,269
<b>Total restricted funds</b>	<b>1,883,360</b>	<b>171,074</b>	<b>2,054,434</b>	<b>71,388</b>	<b>2,144,727</b>

## 23. Movement in restricted funds (continued)

### Nature of funds

- 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.
- Prior to the Merger all of Triangle's funds were treated as restricted on consolidation. Following the merger, any funds that were unrestricted within Triangle have become unrestricted within the Charity, and funds which were restricted within Triangle have been allocated to community projects or community services as appropriate.
- All funds that were within the RNNH remain restricted, or endowed, within the Charity following the merger.

## 24. Movement in endowed funds

Endowed fund movements for the year ended 31 March 2019:

(a) Group	As at 1 April 2018	Net income/ (expenditure)	Other gains and losses	As at 31 March 2019
	£	£	£	£
Endowed funds:				
Expendable endowment - RNNH	1,536,751	(73,773)	33,555	1,496,533
Permanent endowment:				-
Sir Thomas Lipton Memorial Home fund	5,335,994	-	272,297	5,608,291
RNNH - endowed property	1,744,670	(32,780)	-	1,711,890
Endowed properties	234,413	773	-	235,186
Funds for the upkeep of residential homes	2,453,709	837	101,464	2,556,010
Funds for residents' subsidies	2,696,988	-	121,541	2,818,529
Funds for grants and allowances	927,707	-	41,800	969,507
Total permanent endowment	13,393,481	(31,170)	537,102	13,899,413
<b>Total endowed funds</b>	<b>14,930,232</b>	<b>(104,943)</b>	<b>570,657</b>	<b>15,395,946</b>

## 24. Movement in endowed funds (continued)

(b) Charity	As at 1 April 2018			Net income/ (expenditure)	Other gains and losses	As at 31 March 2019
	As previously reported	Restatement - charity merger	As restated			
	£	£	£	£	£	£
Endowed funds:						
Expendable endowment - RNNH	-	1,535,978	1,535,978	(73,000)	33,555	1,496,533
Permanent endowment:						
Sir Thomas Lipton Memorial Home fund	5,335,994	-	5,335,994	-	272,297	5,608,291
RNNH - endowed property	-	1,744,670	1,744,670	(32,780)	-	1,711,890
Endowed properties	235,186	-	235,186	-	-	235,186
Funds for the upkeep of residential homes	2,453,709	-	2,453,709	837	101,464	2,556,010
Funds for residents' subsidies	2,696,988	-	2,696,988	-	121,541	2,818,529
Funds for grants and	927,707	-	927,707	-	41,800	969,507
Total permanent endowment	11,649,584	1,744,670	13,394,254	(31,943)	537,102	13,899,413
<b>Total endowed funds</b>	<b>11,649,584</b>	<b>3,280,648</b>	<b>14,930,232</b>	<b>(104,943)</b>	<b>570,657</b>	<b>15,395,946</b>

Endowed fund movements for the year ended 31 March 2018 were:

(a) Group	As at 1 April 2017		Net income/ (expenditure)	Other gains and losses	As at 31 March 2018
	£	£			£
Endowed funds:					
Expendable endowment - RNNH	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
RNNH - endowed property	1,581,945	162,725			1,744,670
Endowed properties	234,413	-	-		234,413
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	341,852	(299,478)		13,393,481
<b>Total endowed funds</b>	<b>15,234,024</b>	<b>48,292</b>	<b>(352,084)</b>		<b>14,930,232</b>

(b) Charity	As at 1 April 2017			Net income/ (expenditure)	Other gains and losses	As at 31 March 2018
Restated	As previously reported	Restatement - charity merger	As restated			
	£	£	£	£	£	£
Endowed funds:						
Expendable endowment - RNNH	-	1,882,144	1,882,144	(293,560)	(52,606)	1,535,978
Permanent endowment:						
Sir Thomas Lipton Memorial Home fund	5,308,728	-	5,308,728	178,250	(150,984)	5,335,994
RNNH - endowed property	-	1,581,945	1,581,945	162,725	-	1,744,670
Endowed properties	235,186	-	235,186	-	-	235,186
Funds for the upkeep of residential homes	2,509,730	-	2,509,730	877	(56,898)	2,453,709
Funds for residents' subsidies	2,765,144	-	2,765,144	-	(68,156)	2,696,988
Funds for grants and allowances	951,147	-	951,147	-	(23,440)	927,707
Total permanent endowment	11,769,935	1,581,945	13,351,880	341,852	(299,478)	13,394,254
<b>Total endowed funds</b>	<b>11,769,935</b>	<b>3,464,089</b>	<b>15,234,024</b>	<b>48,292</b>	<b>(352,084)</b>	<b>14,930,232</b>

### Nature of funds

- 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.
- Other funds are explained under note 23 (restricted funds).

## 25. Operating leases

The following total amounts are payable for lease commitments:

	<b>Group</b>		<b>Charity</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Land and buildings</b>				<i>Restated</i>
Within one year	104,200	104,200	104,200	104,200
Within 2 to 5 years	243,550	289,750	243,550	289,750
> 5 years	908,500	966,500	908,500	966,500
	<u>1,256,250</u>	<u>1,360,450</u>	<u>1,256,250</u>	<u>1,360,450</u>
<b>Other</b>				
Within one year	115,548	94,595	115,548	94,595
Within 2 to 5 years	86,965	97,478	86,965	97,478
	<u>202,513</u>	<u>192,073</u>	<u>202,513</u>	<u>192,073</u>
<b>Total</b>	<u>1,458,763</u>	<u>1,552,523</u>	<u>1,458,763</u>	<u>1,552,523</u>

As at 31 March 2019 there was £23,000 (2018: £67,000) of capital expenditure contracted for but not provided in the financial statements.

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

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Net movement in funds</b>	(226,146)	(970,837)
Net (gains)/losses on investments	(674,974)	312,681
Net losses/ (gains) on sale of fixed assets	47,156	(93,229)
Actuarial losses on pension schemes	14,900	7,026
Investment income	(470,679)	(472,925)
Interest payable	34,328	34,998
Depreciation on tangible assets	966,595	947,361
Amortisation on intangible assets	79,882	125,562
Difference between pension contributions and net costs	(115,179)	(30,362)
Decrease in debtors	1,283,925	207,373
(Decrease)/ increase in creditors	(101,169)	491,968
Increase in provisions	32,438	54,162
<b>Net cash inflow from operating activities</b>	<u>871,077</u>	<u>613,778</u>

## 27. Financial instruments

The Group and Charity have financial instruments categorised as follows:

<b>Group</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
Financial assets measured at fair value through the SoFA	14,456,498	14,011,215
Debt instruments measured at amortised cost	1,272,172	2,512,982
Financial liabilities measured at amortised cost	(4,572,214)	(4,756,394)
<b>Charity</b>	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
		<i>Restated</i>
Financial assets measured at fair value through the SoFA	14,456,498	14,011,215
Debt instruments measured at amortised cost	1,249,293	2,512,982
Financial liabilities measured at amortised cost	(4,548,094)	(4,756,394)

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.

## 28. Post balance sheet events

In July 2019 contracts were exchanged for the sale of one of the Charity's care homes, Moor House, to a third party. The home is being sold as a going concern, so the residents will continue to be looked after by the same local staff team on a day-to-day basis. The sale has not completed at the time of signing these financial statements as registration of the change with the Care Quality Commission takes several weeks. We feel it is the right decision to take in light of our new strategy, and to guarantee the continued future of the home as well as the best use of Friends of the Elderly's funds.

## 29. 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.

## 30. Members

At 31 March 2019 there were 10 members (2018: 10 members) who each pledge to pay £1 on winding up.

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