


Company No: 2679915

Charity No: 1008587

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ALTERNATIVE FUTURES GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2016

ALTERNATIVE FUTURES GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2016

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ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

Report of the Trustees and Strategic Report

The Trustees, who are the Directors of the Charity for the purposes of the Companies Act 2006, have pleasure in presenting their Annual Report, together with the audited financial statements for the year ending 31st March 2016. The Trustees have prepared this report under the Companies Act 2006 and in accordance with the Charities Statement of Recommended Practice (SORP), in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and applicable accounting standards. This report evidences how we have delivered on our charitable purpose through our activities and the quality of our performance; and as a result demonstrates the benefit to the public of the work undertaken by Alternative Futures Group Limited.

Foreword

2015/16 was a very difficult year for the sector. The financial pressures on the NHS and Local Authorities who commission our services, and the significant changes in employment law particularly in relation to sleep-in costs and the introduction of the National Living Wage, have had a serious impact on all health and social care providers.

Importantly, the Board took the decision in June 2015 to move immediately to become legally compliant with all of the requirements around national minimum wage. The Executive then moved quickly to put action in place to respond to the challenges presented now and anticipated in future years following the announcement of the National Living Wage in July 2015. The resulting transformation and efficiency programme has taken the organisation further and more quickly towards full localisation through the regions, and these are an active catalyst for developing and implementing new models of support, including the development of our integrated pathways offer.

At the end 2015/16 we are therefore reporting a planned deficit of £4.1m – whilst at the same time delivering higher quality care and meeting more key performance indicators. We have negotiated price uplifts for 80% of our work within our pricing policy, within a new structure that launches the organisation into a new future.

In addition to the development and implementation of the change programme, we have invested circa £1.5m of capital improvements in our facilities for people we support, and are well on course to deliver our new Treatment and Recovery Centre in Manchester (Tesito House) during 2016. In terms of quality, of those Treatment and Recovery Centres which have been inspected in the last year, all have been rated by CQC as good, with two (Millbrook and Oak Lodge) being rated as outstanding in at least 1 of the 5 domains.

Our strategic intention over the next 5 years is to operate as a locally based care agent, focused on our individual customers and their families: advocating and supporting choice, control and bespoke services, underpinned by technological advances. How we will deliver on these intentions is set out in our 7 key strategic objectives, described later in this report.

Over the next year we expect to see the opening of Tesito House in Manchester and a number of innovative supporting living schemes in Lancashire, Cheshire and the Wirral. We will reconfigure our hospital based services and implement a new electronic HR/Payroll system to support our new ways of working.

As Chair and Chief Executive, we are happy to report that the action taken by Board and the Executive of Alternative Futures Group from April 2015 and continuing throughout the current year means that Alternative Futures Group is looking not just to a stable future but to an exciting one. We expect to achieve financial balance by the end of 2016/17 and move once more into surplus in 2017/18. This will enable us to build on this strong platform to implement our vision.

Chris Hannah
Chair of the Board of Trustees

Neil Campbell
Chief Executive

ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

GOVERNANCE: STRUCTURE AND MANAGEMENT

Alternative Futures Limited was founded in January 1992 and underwent a change of name to Alternative Futures Group Limited in April 2007. Alternative Futures Group Limited is a company (No. 02679915) limited by guarantee and a registered charity (No. 1008587) governed by its Articles of Association as last amended in May 2014. Membership of the Board of Trustees is set out below.

A new company, Red Hazels Developments Ltd (No.09498298), was established and registered as a private company limited by shares with Companies House on 19 March 2015. Red Hazels Developments Ltd is a wholly owned subsidiary of Alternative Futures Group. The financial statements consolidate the results of the charity and its wholly owned subsidiary, Red Hazels Development Limited, on a line by line basis.

The Directors of the Charity are its Trustees for the purposes of charity law and throughout this report are collectively referred to as the Trustees.

Directors and Trustees

Chris Hannah (Chair)
Angela Phillips
Karen Brookes
Andrew Lomas
Erica Boardman
Michael Parkinson
Mary Burrows (*deceased October 2015*)
Mike Clarke
Daniel Chaffer
Jonathan Lloyd (appointed 7 December 2015)
Iain Bell (appointed 15 March 2016)

Secretary

Kirstine Fergusson

Executive team

Chief Executive	Neil Campbell
Director of Finance	Catherine Conway (<i>resigned 15 April 2016</i>)
	Mark Rees (appointed 25 April 2016)
Managing Director: Business	Karen Wilson
Director of Quality and Performance	Mike Smith

Registered and Principal Office

Lion Court
Kings Business Park
Prescot
Knowsley
Merseyside
L34 1BN

Professional advisors

Bankers:

HSBC Bank plc	Barclays
99-101 Lord	Riverside 2,
Street	Campbell
Liverpool	Road, Stoke
L2 6PG	on Trent,
	Staffordshire.
	ST4 4RJ.

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GOVERNANCE: STRUCTURE AND MANAGEMENT (CONTINUED)

Principal Solicitors:	DWF 1 Scott Place 2 Hardman Street Manchester M3 3AA	Pannone Corporate LLP 378-380 Deansgate Manchester M3 4LY	Barbners LLP Horton House Exchange Flags Liverpool L2 3YL
Auditor:	RSM UK Audit LLP (formerly Baker Tilly Audit LLP) 3 Hardman Street Manchester M3 3HF		
Investment Advisor:	Stanhope Consulting 35 Portman Square London W1H 6LR		

Trustee Selection, Appointment and Competence

As a Board of Trustees, we have adopted the principles of *Good Governance, A Code for the Voluntary and Community Sector* and we take into account and observe best practice within the *UK Corporate Governance Code*. Under the Articles of Association, Trustees serve a term of up to three years and may be considered for a maximum of three terms, where that meets the needs of the Board. The Chair may serve a maximum two terms of office. A skills analysis of Board Members has been undertaken, and at each refresh of the Board consideration is given to the competencies and skills required to ensure Alternative Futures Group Board is fit for purpose to meet the current and future challenges the organisation faces. Trustee recruitment is led by the Trustee Appointments Committee and supported by external independent specialist recruitment agencies.

New Trustees receive an induction and training programme tailored to their needs and regular training events are held to build and maintain skills. Annual assessments of performance for the Board, the Committees and individual Trustees are led by the Chair. Two new trustees were appointed during the year, Jonathan Lloyd and Iain Bell. Sadly one of our trustees, Mary Burrows, died following a long illness in October 2015. Of striking intellect and ability, Mary's professional background and experience, both clinically and managerially, were of significant benefit to Alternative Futures Group. She carried out her responsibilities with integrity and humour and is greatly missed.

The Board sets the strategy, policy and priorities for Alternative Futures Group Limited. It meets formally at least five times a year and is supported by governance committees to which it has delegated specific powers.

- **Audit and Risk Committee**

- **Angela Phillips (Chair 2015/16)**

- Responsible for overseeing all matters of governance, audit, controls assurance and risk management on behalf of Alternative Futures Group Limited. In addition to monitoring the risk register, approving the external audit plan and reviewing the final audit findings report before recommending it to the Board, the committee also reviewed the findings of internal audit reports including those on core financial controls, performance management, service user finance, and data security and data protection.

- **Performance Committee**

- **Karen Brookes (Chair 2015/16)**

- Responsible for gaining assurance on all aspects of performance, including service user outcomes and quality compliance; workforce issues; finance; and performance against the Strategic Business Plan: ensuring that Alternative Futures Group is able to manage and evidence effective, high quality delivery of its charitable aims. During the year the committee oversaw the review of the performance management framework and the development of the Performance Management Office which will provide scrutiny and support for the local regions through the performance dashboard. This dashboard is based on a balanced scorecard approach translated into local targets for each region. In addition to reviewing the financial plan and agreeing the key performance indicators, the committee is also responsible for scrutinising the capital plan and any significant capital projects, as well as providing oversight of treasury management and investment performance.

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GOVERNANCE: STRUCTURE AND MANAGEMENT (CONTINUED)

• **Trustee Appointments/Remuneration Committee**

Angela Phillips (Chair 2015/16)

Responsible for Board governance, succession planning and trustee recruitment based on skills audits and the needs of the Board, this committee is also responsible for identifying, approving and appointing the Chair and Members for each committee. Trustees are recruited externally with the support of independent recruitment specialists and are interviewed and screened by the Trustee Appointments Committee, which makes recommendations to the Board for appointment, based on the needs of the Board. The committee has a duty to ensure that the Board and the Board committees reflect on their own performance and to identify the training, support and development needs of the Board as a whole, and of Board committees. In addition to focusing succession planning on performance and finance, two key skills requirements for the Board, the committee has also overseen the development and agreement of the governance arrangements for Red Hazels Developments Ltd.

The committee is also responsible for developing and maintaining a formal and transparent procedure for the remuneration of senior management and of the position of Chair. In terms of the policy, ethos and level of remuneration for senior positions the committee is instructed by the Board to position Alternative Futures Group relative to similar organisations, but be sensitive to the pay and employment conditions of other levels of staff within the organisation. For this purpose the committee has the authority to appoint suitably qualified remuneration consultants and to commission reports, surveys or other information deemed necessary; a power the committee makes measured use of. No person is involved in making decisions which affect their own position or remuneration. The committee also agrees the framework for the remuneration of all other levels of staff.

In line with good governance practice, the Trustee Appointments/Remuneration Committee is chaired by the Vice Chair/Senior Independent Director.

These three committees report directly to the Board and meet at least quarterly. Day-to-day responsibility for the running of the organisation and provision of services rests with the Chief Executive.

EMPLOYEE INVOLVEMENT

The Charity encourages the involvement of employees and has an elected Employee Partnership Forum (EPF) which is jointly chaired by the CEO and a staff representative. This Forum not only represents our staff but is representative of our workforce, 85% of whom are support workers. The group has significant powers and is the formal staff negotiating body for Alternative Futures Group, as well as the formal consultative body. It includes representatives from Unison and the RCN, unions recognised within Alternative Futures Group Limited. All staff representatives have responsibility for the dissemination of information of particular concern to employees and for receiving their views on important matters of policy. In line with the strategic direction of being connected, engaged and locally based, each area is connected to a dedicated staff representative and local group. These local groups feed into the Forum which meets several times a year.

RELATED PARTIES AND CO-OPERATION WITH OTHER ORGANISATIONS

Other than the Chair, Trustees receive no remuneration from their work with the charity. Remuneration for the Chair was agreed with the Charity Commission in 2011. The remuneration of the Chair is considered annually by the Trustees Appointments and Remuneration Committee which is chaired by the Vice Chair/Senior Independent Director. Details of the remuneration are set out in note 6. There were no transactions with Trustees and no connections between Trustees/senior managers have been disclosed during the year. Therefore no related party transactions have been reported.

SERVICE USER INVOLVEMENT AND ENGAGEMENT

Alternative Futures Group established the Service User Representative Forum (SURF) some years ago to ensure the views and opinions of the people we support have an impact. Originally set up as a central body this has now evolved into a broad range of local engagement forums, with an equally broad range of purpose and activities; including the Tuesday Club in Merseyside, the Confidence Group in Burnley, the All Stars in Warrington and the Rock Festival in Tameside. These groups and their members are involved in a range of activities, key amongst which include driving local recruitment campaigns and close involvement in interviewing their own staff; reviewing internal policies and strategy; and active involvement in staff training both within Alternative Futures Group and in local colleges. Although supported by Alternative Futures Group these groups are organised and driven locally. They meet on a regular basis

ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

GOVERNANCE: STRUCTURE AND MANAGEMENT (CONTINUED)

throughout the year and feedback is provided to and from these groups to local managers by appointed representatives. Attendance by trustees and others is by invitation.

Further engagement includes the annual customer satisfaction survey in the Treatment and Recovery Centres, work which has been commissioned through the School of Health and Social Sciences at Manchester Metropolitan University for 2016/17. Increasingly satisfaction and engagement is being monitored through the performance dashboard and the quarterly performance reviews held by the Executive with each region and reported through the Performance Committee.

DISABLED & DISADVANTAGED PERSONS

As an employer, Alternative Futures Group actively aims to recruit and offer opportunities to people who are disadvantaged in the labour market, including people who are long-term unemployed or who have physical or mental disabilities. Anyone meeting the criteria and skills base required for vacancies will be interviewed and every effort is made to ensure that their application is given full and fair consideration. Reasonable, and often innovative, adjustments are made to enable people with a disability to carry out the functions of the post, whether the disability is pre-existing or has arisen during their period of employment with the organisation. It should be noted however that, as 85% of our staff provide direct support to people with disabilities, many of them complex, this can be challenging. During employment the charity seeks to work with employees taking into account their personal circumstances to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

One result of quietly but actively working with staff to overcome issues they may have is that very few choose to formally declare a disability for recording purposes.

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OBJECTIVES AND ACTIVITIES

Alternative Futures' Group charitable purpose is to offer relief to people who are in need by reason of any disability arising from any physical or mental state, age, accident or as a result of any disease or infection or with learning disabilities, mental health or any other special needs, and to relieve the stresses and financial needs experienced by their families and carers through, but not limited to, the provision of accommodation, support, education and training.

Article 4 of the Articles of Association

Alternative Futures Group is a Public Benefit Entity. In accordance with our objectives for this year, and with due regard to the published Charity Commission guidance on the operation of the public benefit requirement of the Charities Act 2011, the Trustees have undertaken appropriate activities in furtherance of those aims for the public benefit.

Alternative Futures Group Limited's Vision is:

A world where people control their lives

Our three Strategic Aims are to *put people in control, to make a positive difference, and to be successful and sustainable*

How we deliver these aims is underpinned by our *Values* through which we commit to acting always in a way which is principled, reflective, with integrity, dynamic and empowering.

Each year, as Trustees, we lead the review of performance against our charitable objects, aims and objectives, using the results from that to inform and formulate our future plans and ensure that the Charity continues to deliver high quality services in line with its stated purpose.

Activities

Alternative Futures Group provides a broad range of services across an integrated care pathway which extends from clinical support in our treatment and recovery centres right through to outreach services, and which enables people to move up and down that pathway as their needs change. In this way we cover a wide expanse of need through a number of models in that pathway, including supported living (supporting people in their own homes to access their community and maintain their tenancies), care and treatment centres and a range of other community models, including crisis services and floating support.

'*Customerisation*' sits at the core of all of our work; personalised support and services tailored to the needs and aspirations of each individual, supporting them to lead the lives they want and to become active citizens in their communities. These services are provided from skilled and motivated staff teams, recruited specifically to meet the needs and aspirations of the individuals they are supporting.

At the end of March 2016, Alternative Futures Group Limited was supporting 1163 individuals, a net increase of 29 over the year. Of these [2014-15 figures in brackets]:

- 941 people (895) were supported in 322 (308) *supported living* schemes providing 24 hour support.
- 6 people (8) received accommodation, care and support in 1 (2) registered *Adult Care Home*.
- 103 people (110) with a range of mental health needs were cared for in 8 (9) *Treatment and Recovery Centres* (formerly independent hospitals), one of which is a purpose built hospital for older people with dementia.
- 113 people (121) received outreach or floating support services in their own homes.

Statement of Disclosure of Information to Auditors

The Trustees confirm that, insofar as they are aware, there is no relevant audit information of which the charitable company's and group's auditors are unaware; and, that they have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP) has provided Audit services to Alternative Futures Group since April 2007 and have audited these accounts for 2015/16. The appointment of auditors will be agreed by the Board in September 2016.

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REPORT OF TRUSTEES

STRATEGIC REPORT

The Trustees, as company directors, have pleasure in presenting their Strategic Report for Alternative Futures Group.

Achievements, Performance and Public Benefit

Objectives 2015-16

In March 2015 we agreed three core strategic aims and five strategic objectives to support our Vision and to ensure the Charity met its aims and purpose and could demonstrate public benefit throughout its activities.

Core Strategic Aims 2015-16

Our three Strategic Aims are:

<i>To put people in control</i>	<i>To make a positive difference</i>	<i>To be sustainable</i>
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Strategic Objectives (2015-16)

1. **Excellent personal support:** including developing customisation and exploring digital technologies.
2. **Growing our people:** looking at new structures, new job designs, new accountabilities.
3. **Maximise the impact of our resources:** including workforce redesign and development, value for money, business redesign.
4. **Grow the business:** developing treatment and recovery centres and partnerships with the NHS, stimulating growth and innovation.
5. **Transition to being local:** strengthened accountability, growth and quality through the regions.

Red Hazels Developments Limited was established as a subsidiary in March 2015 to support the delivery of these strategic objectives. This is a wholly owned private company aimed at enabling Alternative Futures Group to maximise the impact of resources in capital development projects, such as new treatment and recovery centres. A development manager was appointed in April 2016 to develop Red Hazels more widely as a social business, based on Alternative Futures Group's desire to do more for the communities the charity serves across the North West of England.

Excellent personal support

A key shift during 2015/16 is the focus we have given to 'customerisation': being responsive and offering bespoke services to our customers, which includes individuals and their families as well as other statutory commissioners and providers of services and new customers. Over the year we have worked with staff, families, universities and others to research and develop ideas and practical models, based on the aspirations and experiences of individuals, in our move to develop life pathways, not just care pathways. A prime example of this strategy in action is the closure of Childwall Brook. The building and model of support being no longer fit for purpose we worked closely with the residents, their families, the commissioners and the local communities to develop an enhanced community nursing support service which has radically improved the outcomes for these individuals.

We consistently received overall ratings of 'good' in our CQC inspections with some areas of performance being rated 'excellent'. In our Treatment and Recovery Centres we have exceeded our own target and achieved 14 months against a target of 2 years length of stay. A key element of improvement driven through our performance dashboard is assessing outcomes and 93% of the people we support now have clear and individual goals to be measured against.

A range of projects are being explored to develop Alternative Futures Group as a digitally enabled organisation, including electronic rostering and new systems for back office functions, as well as innovative solutions for digitally enabled care, based on the significant developments in this area.

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REPORT OF TRUSTEES

Achievements, Performance and Public Benefit contd.

Growing our People

Over the last 12 months considerable time and resource has been directed towards operationalising our strategy of 'being local' which has transposed the model of operational control from the centre to a regional basis. The strategy is aimed at achieving significant financial savings to enable AFG to meet its obligations relating to national living wage, whilst also bringing added value by situating our business activity closer to the communities we are connected with.

By 'being local' we are strengthening accountability for performance and service delivery. By being closer to the communities we serve we aim to be 'ahead of the curve' utilising 'local intelligence' and 'local partnerships' to deliver 'local' services that are new and different: ensuring that Alternative Futures Group is involved in shaping the market. The first phase of this transformation has now taken place. The regions have been restructured to create integrated service provision across clinical and community support and to provide additional capacity to lead the business locally, with new roles designed to transform how the organisation delivers and new local accountabilities. The new structures were formally agreed early in 2016 and implemented during March and April.

Maximise the impact of our resources

Alternative Futures Group faced significant challenges during 2015/16. These included a lack of sufficient funding from local authority commissioners to cover the inflationary costs of care and support and the impact of EU rulings on sleep-in payments, the apprenticeship levy and the implications of the introduction of the National Living Wage. It was vital to the success of the organisation that the resources of the charity were used to maximum impact. Work to address these issues began during 2015/16 through the costs reductions programme and the process of organisational redesign implemented through the Transformation Programme, referenced above.

Key elements to this redesign have included ensuring best value through efficiencies and sound procurement. In addition to developing new IT systems which will maximise efficiency, reducing both risk and duplication, a series of projects is evolving the service models - our products - based on life pathways for individuals. The organisation continues to develop existing services, investing £1.5m in modernising and upgrading existing facilities during 2015/16.

Grow the business

By 'being local' Alternative Futures Group benefits commercially from the connections and intelligence this brings, developing sustainable services and growing our business locally. In addition to raising awareness of the work we carry out, it also enables us to recruit locally and to work in close partnership with local providers and universities. Key partnerships with the NHS and other providers take time to foster but have been greatly strengthened during 2015/16, stimulating innovation and influencing areas of growth and development. One key example of the benefits of local working and preferred partnership working is the new treatment and recovery centre in Manchester, work for which was begun during 2015/16. This new service will come on line during 2016/17.

A further significant area is the joint approach taken with other local providers to the challenges faced in the sector and the great benefit and potential to forging those partnerships for joint work in the future.

Transition to being local

The work to redesign our operational structures across the organisation has been the focus of much of the change programme. Parallel work to underpin the governance and assurance systems to support these changes is in place. At the same time increased accountability and transparency has been achieved through the developing performance dashboard, together with the review of delegated responsibility from the Board to each level within the organisation. The charity has also strengthened relationships with commissioners and communities, developed a more robust approach to sustainable contract management and increasing both scrutiny and accountability for quality and compliance throughout. This has included local performance reviews and increased scrutiny of quality, safety and compliance through the Board.

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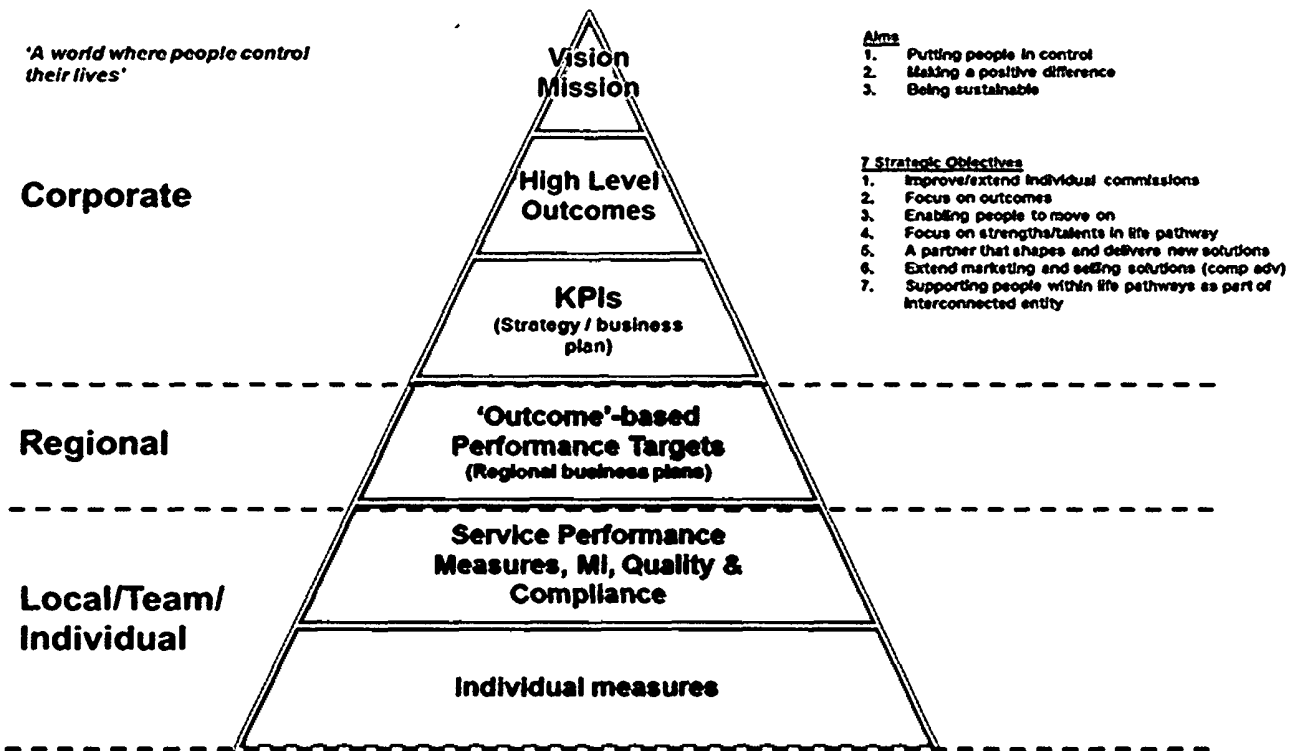
REPORT OF TRUSTEES

Achievements, Performance and Public Benefit contd.

Measuring impact

As Trustees we monitor the impact, and as a result the public benefit, of our activities through our Performance Framework. Detailed monthly performance reports to Trustees and managers provide a series of measures on the 'balanced scorecard' model monitoring: financial performance; staff performance, turnover and training; key risk indicators; and outcomes for the people we support.

Alternative Futures Group's Performance Management Framework also monitors delivery of the strategic business plan, the goals within each of the regional business plans being aligned with the relevant strategic objective. Our performance management framework can be demonstrated diagrammatically as follows:



ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

FINANCIAL REVIEW AND RESULTS

Statement of Trustees Responsibilities for the Annual Accounts

The Trustees (who are the directors of Alternative Futures Group Limited for the purpose of company law) are responsible for preparing the Directors' and Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company 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;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK 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 operation.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Financial Review and results

The Board of Trustees recognise the financial challenges faced during the year for the Charity in sustaining income levels and reacting to cost pressures relating to the national living wage, legislative changes around sleep in and holiday pay, during a continued period of public sector austerity. The results for the year reflect this with a reported deficit of £3,659,031 an increase on the FRS102 restated deficit of £916,881 for the previous year, excluding net gains in investments. These results are reported after the amortisation of contracts, amounting to £393,733. Incoming resources for charitable activities have increased by 3.4% to £59.7m (2015 £57.8m), however, operating costs increased by 7.8% to £63.7m (2015 £59.1m). The charity derives its income from funding from the NHS and Local Authority Social Services funding.

The Charity is obliged under FRS102 to provide for any reported pension deficit at the balance sheet date of those defined benefits schemes of which it is a member. The Lancashire County Pension Fund Defined Benefit and the Greater Manchester Pension Fund Defined Benefit scheme reported a pension asset of £398,000 at 31 March 2016, since the charity is unable to recover any surplus through either reduced contributions in the future or through refunds from the scheme this has not been recognised. The actuarial gain from the two schemes of £407,000 and the movement in the derecognised asset of £336,000 are both shown through other gains and losses on the face of the consolidated statement of financial position.

Trustees have fulfilled their duty of care to ensure best value for money by investing the surplus cash across a diversified portfolio of investments. At 31 March 2016 these investments amounted to £9,836,184 with an unrealised loss on investment of £978,352 and a realised gain of £501,059 for the year. The funds held in investments are being used to further the aims of the charity. The return on investment was £318,053 (excluding cash) for the year and was used non-recurrently to pump prime new initiatives within local communities in the delivery of 'the promise' to the people we support.

The Trustees are satisfied that the charity's assets attributable to each of its individual funds are available and adequate to fulfil its obligations in relation to those funds, and are pleased to report that the charity's internal financial controls conform with guidelines issued by the Charity Commission, as evidenced by the positive annual opinion from our internal auditors, Mazars LLP.

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REPORT OF TRUSTEES

FINANCIAL REVIEW AND RESULTS (CONTINUED)

Performance against the financial KPIs for 2015/16 was monitored throughout the year by the Performance Committee. Overall performance was sound with creditor days at 42 (against a target of >30), debtor days 31 (target <30), liquid reserves £9.0m (target £5.2m), investment return 3.3% (target 3%) and gearing 6.5% (target <35%).

Going Concern Status

As a result of the programme undertaken by the Executive to restructure the workforce, together with the partnership work with commissioners and the forecast budget for 2016/17 and targets for 2017/18 the Trustees consider it appropriate to adopt Going Concern basis.

Investments Policy and Performance

Under the Memorandum and Articles of Association, the charity has the power to make any investments, which the Trustees deem appropriate. Trustees apply their judgement and expertise in making decisions on investments with the support of a qualified investment adviser. The Performance Committee annually reviews the investment policy for the charity, setting a total return target, a risk tolerance, permitted asset classes and benchmark levels for each asset class. The Performance Committee have restricted investment into property and hedge funds each to 5% of the portfolio and do not allow investment into private equity or commodities due to risk. The remainder of the portfolio is split between equities (55%) and bonds (35%).

Investment performance is reviewed annually against a total return target of 3% per annum. The Trustees were satisfied with the total return of 3.3% achieved for the financial year. All investments have been made within the agreed policy.

Reserves Policy and Performance

It is the policy of the Charity to hold free reserves in its unrestricted funds in order to establish an appropriate level of working capital and to protect the future operations of the charity from the effects of any unforeseen variations in its income streams as part of a policy of good financial management practice. This is reviewed annually to take account of the current risks faced by the Charity and stood at £5,200,000 as at 31st March 2016.

The actual level of reserves is monitored against this policy and reviewed by the Trustees throughout the year. Funds held in reserves not needed for immediate use are invested in line with the agreed investment policy.

At 31 March 2016, Alternative Futures Group Limited reported the level of unrestricted, undesignated reserves at £7,460,313 (2015: £13,645,864), these figures are after excluding reserves equivalent to the net book value of fixed assets. The Reserves Policy sets a target of free reserves equivalent to £5,200,000 of which £1,200,000 is required in the short term. Trustees consider the level of free reserves held to be satisfactory. In the longer term the remaining unrestricted undesignated fund provides options for development and a clear plan for growth has been developed as part of the 5-year strategic business plan.

Assets held as Custodian Trustees

The Charity has corporate appointeeship responsibility for administering the personal funds of a number of service users. This includes state benefits, savings and day to day cash balances. Appointeeship enables Alternative Futures Group to provide underpinning support to people who lack capacity; helping them with their financial planning and budgeting, supporting them to plan their own outgoings or shared costs, helping them to pay bills, rent and living expenses and helping them to claim the benefits to which they are entitled. In addition to providing this service to those who lack capacity, and have no-one else willing or able to provide this support, a small number of mental health clients have a similar, but voluntary, agreement with us to help them manage their monies.

At 31 March 2016 the charity held funds of £27,394 of service users' personal monies, which are included in our balance sheet and can be seen in note 15.

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FINANCIAL REVIEW AND RESULTS (CONTINUED)

Financial Risk Management

The Audit and Risk Committee is responsible for reviewing financial risk, fraud and whistle blowing. The main financial risks currently facing the charity are the above inflation increases in minimum wage and the pressure to become a living wage provider and the retention of income at sustainable levels.

Although Alternative Futures Group prides itself on paying above the minimum wage it is becoming increasingly difficult to stay ahead of the minimum wage at a time when it is increasing at a rate faster than inflation and at a time when commissioners face significant budgetary pressures and are looking for efficiencies. The Charity aims to investigate ways to make its resources go further to be able to bridge this gap and continue to remunerate staff above the minimum wage in the future. Alternative Futures Group also aims to support more and more people and in doing so will be able to benefit from the economies of scale that come with being a larger provider and maintain remuneration at above minimum wage standards.

Public sector funding is under significant pressure and Alternative Futures Group is working actively with its current commissioners to retain income at sustainable levels. The Charity also aims to support a wider group of vulnerable people and move into new commissioning areas in an attempt to mitigate the risk of loss of income where levels do become unsustainable. This is closely measured monitored by the Performance Committee on a regular basis.

Given that all of the Charity's income comes from public sector bodies, Alternative Futures Group faces very low credit risk. There could be instances of delayed payment which could affect the Charity's liquidity but Alternative Futures Group has strong cash flow management and debt recovery procedures that mitigate this risk. The level of reserves held by Alternative Futures Group can also provide liquidity if required. Cash flow and liquidity is also closely monitored by the Performance Committee on a regular basis.

ALTERNATIVE FUTURES GROUP LIMITED

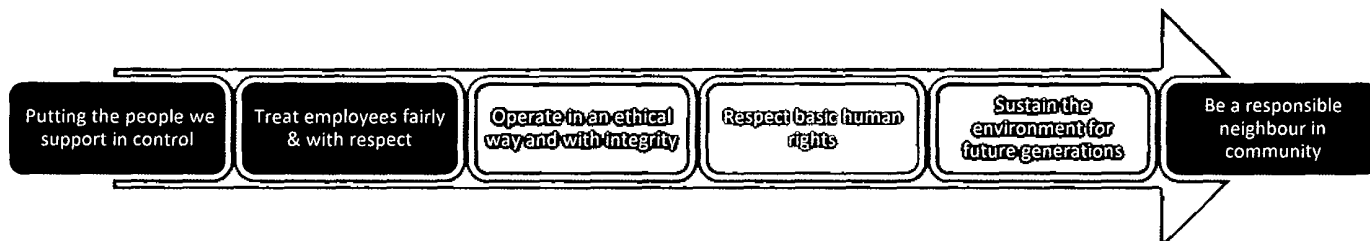
REPORT OF TRUSTEES

ENVIRONMENT

Environmental Impact

In Alternative Futures Group we take an ethical, values based and sustainability approach to how we conduct our business. As a charity providing support to people with disabilities, we are committed to being socially responsible.

Our key Corporate Social Responsibility objectives are to:



Our Charitable Objects, our Vision, and our Values evidence our position as a values-led organisation and a responsible corporate citizen. This is underpinned by our approach to service delivery and development and performance improvement. In addition we have developed and are continuing to develop our engagement with all our stakeholders, particularly our local communities.

Social Impact

To ensure the best possible outcomes for the people we support, we focus on working locally: with the people who use our services and their families, and with the local communities in which they live. We are conscious of our responsibilities as an ethical organisation and a responsible neighbour in the communities in which we work; it is our aim to work with our partners and stakeholders locally to increase capacity and social impact and to support communities to sustain them.

We recruit locally, to ensure that our service users are supported by people who know the area intimately and can connect people into their local communities in the way they want – enabling them to exercise their rights as citizens and to positively contribute to society, including recognising their responsibility for sustaining the environment – and we train and supervise those staff within a clear development programme enabling them to gain in skills and confidence. We expect our staff teams to be representative of the communities in which we work. In addition, we provide a range of opportunities for local young people, including 6th formers and students, to spend time in the organisation either on study placements or on short term work placements. These range from service placements, to corporate services, administration and records management. These have proved very successful with a range of local institutions requesting placements each year.

The detail of how we carry out our activities as a socially responsible organisation is set out in our CSR policy and includes guidance on reducing our adverse impact on the environment and increasing our positive impact in the sector. Alternative Futures Group continues to develop new relationships locally, nationally, and internationally, continuing our relationships with the International Mental Health Collaboration Network and Mobe Gambia, and working closely with other local providers in our sector.

ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

PRINCIPAL RISKS AND UNCERTAINTIES: THE MONITORING AND MANAGEMENT OF RISK

The Board of Trustees has ultimate responsibility for managing the risks faced by the Charity. Delegated responsibility has been given to the Audit and Risk Committee (ARC) for reviewing and maintaining an effective framework of risk management and internal control across the organisation, and for leading the debate on risk appetite and risk tolerance in the Board. Monitoring performance and quality, including regulatory standards, is delegated to the Performance Committee which feeds areas of emerging risk to both the ARC and the Board. The Audit and Risk Committee has a minimum of two and a maximum of four Trustees, with the Chair and Chief Executive of Alternative Futures Group Limited as ex officio members. Other officers are in regular attendance.

The Committee is responsible for appointing internal auditors and ensuring there is an effective internal audit function, currently provided through Mazars LLP, which provides appropriate assurance to the Committee and the Board. Mazars gave Alternative Futures Group a positive audit opinion for 2015-2016 and confirmed that an effective framework for identifying, evaluating and managing risk is in place. In addition this committee is responsible for recommending the appointment of external auditors; for approving the terms of engagement and audit fee; for reviewing the findings of the annual audit and monitoring compliance with Audit recommendations. The Committee is also responsible for reviewing financial risk, fraud and whistle blowing, and for financial reporting including the annual financial statements.

The Audit and Risk Committee reports to each meeting of the Board and is supported by the Executive Team. Other key areas of work reported to the Committee include health and safety; safeguarding; clinical governance; and emergency planning.

Three principal risks have been identified as key challenges to Alternative Futures Group during 2016/17. The first is the continuing pressures on public sector funding. Alternative Futures Group will continue to strongly manage the financial health of the organisation, monitoring the costs programme and working closely with commissioners to agree appropriate increases in revenue to meet the pressures of both commissioners and providers.

The changing macro political environment and the uncertainty that brings is a major risk; impacting as it does on local and national decision-making, on investment decisions, on national direction and local implementation and on confidence at all levels of business and society. Alternative Futures Group will continue to drive forward its strategy, whilst being constantly mindful of the need to understand and manage the impact of the current external environment and its changes over the next two years.

The third issue which presents a difficult challenge to Alternative Futures Group is the recruitment and retention of key personnel within a tight labour market and increasing costs of labour resulting from a number of rulings including the national living wage and the apprenticeship levy. As with the first risk, Alternative Futures Group will continue to negotiate closely with commissioners and other providers to alleviate these pressures.

As Directors and Trustees of the Company, we confirm that we have given consideration to the major risks to which Alternative Futures Group Limited is exposed and we are satisfied that appropriate and robust systems and procedures are and have been in place to review, evaluate, mitigate and manage these risks.

ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF TRUSTEES

FUTURE PLANS 2015-16

The Trustees and the Executive of Alternative Futures Group have during the last year undertaken a fundamental review of the five year strategy in order to respond to the financial challenges in the health and social care market and the political and commercial impact of changes in legislation, outlined above.

Three key themes provide the focus for the programme of work over the next five years: financial stability, sustainability, and business development and growth. These are rooted in our central strategic drive to be local. Local increasingly means being responsive, available, visible and relevantly connected to those we support and those we aspire to support.

More than ever our values underpin our approach to our business: principled, reflective, with integrity, dynamic and empowering.

Alternative Futures Group is in the second year of a three year programme of re-organisation to ensure the business is managed more locally and at a lower cost. We have and will continue to address the size of our central costs, allowing us to invest in our front line services to support the delivery of our charitable purpose.

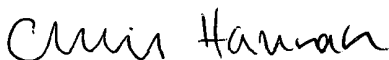
Over the next five years we will develop and operate as a locally based 'care agent', a 'customer focused' organisation, an advocate of choice and control and bespoke services, and a third sector leader providing care underpinned and influenced by technology advances.

As a Board we have agreed seven key strategic objectives to achieve this over those 5 years:

1. **Improve and extend the scale of individual commissions:** this will include increasing the income from services commissioned by individuals as well as strengthening control over other contracts, and moving away from block-contracted hospital based services to cost and volume contracts
2. **Developing services on the basis of outcome rather than hourly activity:** including new models of care and service and outcomes-based commissioning through pathways
3. **Enabling people to move on:** developing key preferred providers across the north-west to support our business growth and development, as well as entering new markets through the pathway development and implementation
4. **Focusing on people's strengths and talents within a life pathway:** and therefore reducing dependence on statutory services, building business confidence with customers and commissioners
5. **Working with commissioners to become a partner that shapes and delivers new solutions:** creating sustainable contracts which enable investment and growth in new services
6. **Increasing competitive advantage by marketing and selling solutions to people and partners:** developing robust business intelligence and stronger and broader stakeholder relationships
7. **Continue supporting individuals within their life pathway as part of an interconnected entity:** using a range of partners with expertise in different parts of the pathway to keep people connected as citizens within their community

These seven key strategic objectives will be supported by the work of our subsidiary, Red Hazels Developments Ltd. Red Hazels' vision is to be recognised as one of the most approachable, entrepreneurial and value-driven social business development organisations in the north west, establishing a diverse portfolio of profitable business ventures which will support the work of Alternative Futures Group.

The Report of the Trustees and the Directors' Strategic Report are approved on behalf of the Trustees by:



Chris Hannah - Chair

14 October 2016

ALTERNATIVE FUTURES GROUP LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALTERNATIVE FUTURES GROUP LIMITED

We have audited the financial statements of group and charitable company for the year ended 31 March 2016 on pages 19 to 45. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and group and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on page 12, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and charitable company's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.


Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



KEITH WARD (Senior Statutory Auditor)

For and on behalf of RSM UK AUDIT LLP (FORMERLY BAKER TILLY UK AUDIT LLP), Statutory Auditor
Chartered Accountants
3 Hardman Street
Manchester
M3 3HF

21/10/2016

ALTERNATIVE FUTURES GROUP LIMITED**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES****(INCLUDING CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT)**

For the year ended 31 March 2016

Company no. 2679915

	Note	Unrestricted funds	Restricted funds	Total 2016	Total 2015
		£	£	£	£
Income					
Charitable activities	1	59,697,360	-	59,697,360	57,791,667
Investments	2	323,078	-	323,078	373,164
Total income		60,020,438	-	60,020,438	58,164,831
Expenditure on:					
Charitable activities	3	63,126,251	489,324	63,615,575	59,013,459
Raising funds		63,894	-	63,894	68,253
Total expenditure		63,190,145	489,324	63,679,469	59,081,712
Net (loss) / gains on investments	11	(477,293)	-	(477,293)	1,242,174
Net income		(3,647,000)	(489,324)	(4,136,324)	325,293
Other recognised gains/(losses)					
Actuarial gain/(loss) on defined benefit pension scheme	21	407,000	-	407,000	(437,000)
Movement in pension scheme asset derecognised	21	(336,000)	-	(336,000)	476,000
Total other recognised gains and losses		71,000	-	71,000	39,000
Net movement in funds		(3,576,000)	(489,324)	(4,065,324)	364,293
Reconciliation of funds					
Total funds brought forward		34,124,112	2,634,522	36,758,634	36,394,341
Total funds carried forward		30,548,112	2,145,198	32,693,310	36,758,634
Income and expenditure account					
Total income				60,020,438	58,164,831
Total expenditure				63,679,469	59,081,712
Net expenditure				(3,659,031)	(916,881)

ALTERNATIVE FUTURES GROUP LIMITED
CONSOLIDATED BALANCE SHEET
For the year ended 31 March 2016

Company no. 2679915

	Note	2016		2015	
		£	£	£	£
Fixed assets					
Intangible assets	8		262,488		656,221
Tangible assets	9		23,564,010		20,478,248
Investments	10		10,186,184		14,042,895
			<u>34,012,682</u>		<u>35,177,364</u>
Current assets					
Stocks	12	22,232		28,425	
Debtors	13	7,108,290		6,082,597	
Cash in hand		1,287,177		1,533,912	
		<u>8,417,699</u>		<u>7,644,934</u>	
Creditors: amounts falling due within one year	14	(7,622,071)		(6,063,664)	
Net current assets			<u>795,628</u>		<u>1,581,270</u>
Total assets less current liabilities			<u>34,808,310</u>		<u>36,758,634</u>
Creditors: amounts falling due after more than one year	15		(2,115,000)		-
Total net assets			<u><u>32,693,310</u></u>		<u><u>36,758,634</u></u>
Funds:					
Unrestricted funds	17		30,548,112		34,124,112
Restricted funds			2,145,198		2,634,522
			<u><u>32,693,310</u></u>		<u><u>36,758,634</u></u>

The financial statements were approved and authorised for issue by the Board of Trustees on 14 October 2016, and signed on their behalf by:

Chris Hannah


Chris Hannah – Chair
14 October 2016

ALTERNATIVE FUTURES GROUP LIMITED**COMPANY BALANCE SHEET**

For the year ended 31 March 2016

	Note	2016		2015	
		£	£	£	£
Fixed assets					
Intangible assets	8		262,488		656,221
Tangible assets	9		20,701,796		20,478,248
Investments in subsidiary	10		10		10
Investments	11		10,186,184		14,042,885
			<u>31,150,478</u>		<u>35,177,364</u>
Current assets					
Stocks	12	22,232		28,425	
Debtors	13	9,479,916		6,082,597	
Cash in hand		1,286,730		1,533,912	
		<u>10,788,878</u>		<u>7,644,934</u>	
Creditors: amounts falling due within one year	14	(7,072,620)		(6,063,664)	
			<u>3,716,258</u>		<u>1,581,270</u>
Net current assets					
			<u>34,866,736</u>		<u>36,758,634</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	15		(2,115,000)		-
			<u>32,751,736</u>		<u>36,758,634</u>
Total net assets					
			<u><u>32,751,736</u></u>		<u><u>36,758,634</u></u>
Funds:					
Unrestricted funds	17		30,606,538		34,124,112
Restricted funds			2,145,198		2,634,522
			<u>32,751,736</u>		<u>36,758,634</u>

The financial statements were approved and authorised for issue by the Board of Trustees on 14 October 2016, and signed on their behalf by:



Chris Hannah – Chair
14 October 2016

ALTERNATIVE FUTURES GROUP LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2016

	Notes	2016 £	2015 £
Cash flows from operating activities	19	(2,531,574)	300,333
Net cash from operating activities		<u>(2,531,574)</u>	<u>300,333</u>
Investing activities			
Purchase of investment in subsidiary		-	(10)
Purchase of fixed assets		(4,069,185)	(2,546,590)
Purchase of investments		(768,392)	(1,176,863)
Proceeds from sale of investments		4,147,801	1,257,475
Proceeds from sale of tangible assets		774,615	11,860
Net cash generated from/ (used in) investing activities		<u>84,839</u>	<u>(2,454,138)</u>
Financing activities			
Proceeds of new bank loans		2,200,000	-
Net cash generated from/ (used in) financing activities		<u>2,200,000</u>	<u>-</u>
Net decrease in cash and cash equivalents		(246,735)	(2,153,805)
Cash and cash equivalents at beginning of year		1,533,912	3,687,717
Cash and cash equivalent at end of year		<u>1,287,177</u>	<u>1,533,912</u>
Relating to			
Cash at bank and in hand		<u>1,287,177</u>	<u>1,533,912</u>

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2016

GENERAL INFORMATION

Alternative Futures Limited was founded in January 1992 and underwent a change of name to Alternative Futures Group Limited in April 2007. Alternative Futures Group Limited is a company (No. 02679915) limited by guarantee and a registered charity (No. 1008587) governed by its Articles of Association as last amended in May 2014.

ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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) (effective 1 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

Monetary amounts in the financial statements are rounded to the nearest whole £1, except where otherwise indicated.

REDUCED DISCLOSURE EXEMPTION

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements in respect of its individual financial statements. These disclosures are given on a consolidated basis;

- Section 7 'Statement of Cash Flows' – presentation of a statement of cashflow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income

RECONCILIATION WITH PREVIOUS GENERALLY ACCEPTED ACCOUNTING PRACTICE

These financial statements are the first financial statements of Alternative Futures Group Limited prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102). The financial statements of for the year ended 31 March 2015 were prepared in accordance with previous UK GAAP. The date of transition to FRS102 is 1 April 2014.

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The following adjustments were required:

Short-term compensated absences

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlement of the charity to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year which was due but not taken. The initial liability was for £467,388. The subsequent liability as at 31 March 2015 was £538,823. The change in the liability from the 1 April 2014 to the 31 March 2015 is shown in the reconciliation of reported net income below.

Investment gains/losses

In accordance with the requirements of FRS 102 there has been a change in the presentation of investment gains/(losses), which under FRS102 are required to be included as a component of reported income.

Interest income on plan asset

The expected rate of return of £285,000 on plan assets held in retirement benefit plans was recognised in profit or loss under previous UK GAAP for the year ended 31 March 2015. In the same period a difference of £291,000 between the actual return and the expected return was recognised in other comprehensive income. Under FRS 102, interest income of £208,000 was recognised on the plan assets using the discount rate applied to the defined benefit obligations which is based on market yields for high quality corporate bonds. The amount recognised in other comprehensive income was £368,000, being the difference between the actual return and the interest income recognised in profit or loss.

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2016

ACCOUNTING POLICIES (CONTINUED)

GOING CONCERN

Alternative Futures Group Limited has contracts in place with commissioners to secure the necessary income and cash flows for the foreseeable future. The five year financial plan demonstrates ongoing positive cash flows and has assessed any risks with clear plans in place to mitigate against them. As a result the going concern basis of accounting has been adopted.

BASIS OF CONSOLIDATION

The financial statements consolidate the results of the charity and its wholly owned subsidiary Red Hazel Developments Limited on a line by line basis. A separate Statement of Financial Activities and Income and Expenditure Accounts for the charity have not been presented because the Charity has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

The investment in the subsidiary undertaking is stated at cost.

INCOME

All income is recognised once the Trust has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Benefits and other income from charitable activities

Benefits and other charitable income is the total amount receivable by the company, after determination by outside agencies and consideration of an individual's entitlement.

Investment income

Investment income is recognised on a receivable basis.

EXPENDITURE

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the Trust to that expenditure. Expenditure is recognised when, and to the extent that, a liability is incurred or increases without a commensurate increase in recognised assets or decrease in liabilities. All expenditure is accounted for on an accruals basis and is classified under appropriate headings that aggregate all costs relating to the category. Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

Charitable expenditure

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated to such activities and those costs of an indirect nature necessary to support them.

Support costs

Support costs include central functions and have been allocated on activity cost categories in proportion to the income of each category.

ACCOUNTING POLICIES (CONTINUED)

Other expenditure

Other expenditure represents those items not falling into any other heading.

INTANGIBLE FIXED ASSETS AND AMORTISATION

Intangible fixed assets relate to contracts acquired in 2013 and are stated at cost, net of amortisation and impairment. The amortisation rate is 3 years, over the life of the contract.

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2016

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at historical cost, net of depreciation and any provision for impairment.

Tangible fixed assets comprise freehold land and buildings, office furniture and equipment, vehicles and property furniture and furnishings. Property furniture and fittings for new schemes are capitalised as tangible fixed assets for the charity's own use, whilst replacement items are capitalised if their value as a single item or as a group of items purchased together, is £300 or more.

Depreciation is provided so as to write off the cost of the assets, other than freehold land, on a straight line basis over their estimated useful lives. Freehold land is not depreciated. The estimated useful lives are:

Freehold properties	2-10% on cost
Furniture & Equipment	5-33% on cost
Motor vehicles	25% on cost
Assets under construction	Not depreciated until brought in to use

INVESTMENTS

Investments are stated at fair value at the balance sheet date (except subsidiary). The SoFA includes the net gains and losses arising on revaluation and disposals throughout the year.

STOCK

Stock relates to catering supplies held at the year-end in the Independent Hospitals. Stocks are stated at the lower of cost and net realisable value and the cost formula applied is first-in first out.

FINANCIAL INSTRUMENTS

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

DEBTORS

Operating and other debtors are recognised at the settlement amount due after any discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

CASH AT BANK AND IN HAND

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

CREDITORS

Creditors are recognised where the charity has 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.

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2016

ACCOUNTING POLICIES (CONTINUED)

RETIREMENT BENEFITS

Pension Schemes

Contributions are made by the Charity to the four pension schemes that are in operation, as follows:

- The NHS Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury.
- The scheme is not designed to be run in a way that would enable employers of eligible employee's to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounting for as if it were a defined contribution scheme: the amount charged against profits represents the contributions payable to the scheme.
- A stakeholder pension scheme, for certain senior members of staff, at a contribution rate of 7% of annual basic pay. The amount charged to the Statement of Financial Activities in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.
- Two defined benefit pension schemes in respect of admissions of staff as a result of TUPE transfers are funded by the participating employees and employers in the scheme. Current service costs, past service costs and gains and losses on settlements and curtailments are charged to the income and expenditure account. Past service costs are recognised over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs, the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the income and expenditure account during the period in which the settlement or curtailment occurs.

The interest cost and the expected return on assets are shown as a net amount in the income and expenditure account as other finance costs or income. Actuarial gains and losses are recognised immediately as other recognised gains and losses in the statement of financial activities.

Pension scheme assets are valued at fair value at the balance sheet date. Fair value is based on market price information and in the case of quoted securities is the published bid price. Pension scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted to their present value using a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. Pension scheme surpluses (to the extent that they can be recovered) or deficits are recognised in full on the balance sheet.

The assets of these schemes are administered by Trustees in funds independent from those of the Charity.

LEASING COMMITMENTS

Rentals paid under operating leases are charged to the statement of financial activities over the life of the lease.

REALISED GAINS AND LOSSES

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

ALTERNATIVE FUTURES GROUP LIMITED
ACCOUNTING POLICIES
FOR THE YEAR ENDED 31 MARCH 2016

ACCOUNTING POLICIES (CONTINUED)

FUND ACCOUNTING

Unrestricted funds

These are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

Restricted funds

Restricted funds are subject to specific restrictive conditions imposed by the donor or grant making body. All restricted funds are accounted for as restricted income and expenditure for the purposes charged to the fund, together with a fair allocation of overheads and support costs.

Critical accounting estimates and areas of judgement

In the application of the group's accounting policies the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The assumptions and area of judgement applied by Alternative Futures Group Limited are as follows;

Consideration of the recoverability of debtors outstanding at the balance sheet date.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

1 CHARITABLE ACTIVITIES INCOME

	Unrestricted funds £	Restricted funds £	2016 £
Supported living services	48,391,499	-	48,391,499
Independent Hospitals	10,528,499	23,467	10,551,966
Adult Care Homes	232,368	453,891	686,259
Adult Care Homes with Nursing	55,670	11,966	67,636
	<u>59,208,036</u>	<u>489,324</u>	<u>59,697,360</u>
	Unrestricted funds £	Restricted funds £	2015 £
Supported living services	46,238,137	-	46,238,137
Independent Hospitals	10,121,931	-	10,121,931
Adult Care Homes	722,577	-	722,577
Adult Care Homes with Nursing	709,022	-	709,022
	<u>57,791,667</u>	<u>-</u>	<u>57,791,667</u>

2 INVESTMENT INCOME

	Unrestricted funds £	Restricted funds £	2016 £	2015 £
Dividends – UK equity	119,107	-	119,107	112,133
Dividends – Overseas equities	79,044	-	79,044	73,855
Dividends – other	30,894	-	30,894	50,685
Interest – UK fixed interest securities	89,008	-	89,008	129,881
Interest on cash deposits	5,025	-	5,025	6,610
	<u>323,078</u>	<u>-</u>	<u>323,078</u>	<u>373,164</u>

All prior year income was unrestricted.

3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct staff costs £	Direct other costs	Support costs £	2016 £	2015 £
Provision of support and care					
Supported living	43,092,957	639,862	7,625,149	51,357,968	46,678,818
Independent Hospitals	5,561,169	3,726,871	1,616,000	10,904,040	10,263,427
Adult Care Homes	566,129	616,878	10,658	1,193,665	887,640
Adult Care Homes with Nursing	36,129	15,638	108,135	159,902	1,183,574
Total charitable activities	<u>49,256,384</u>	<u>4,999,249</u>	<u>9,359,942</u>	<u>63,615,575</u>	<u>59,013,459</u>

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

3 ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES (CONTINUED)

	Unrestricted	Restricted	2016	Unrestricted	Restricted	2015
	£	£	£	£	£	£
Provision of support and care						
Supported living	50,868,644	489,324	51,357,968	46,678,818	-	46,678,818
Independent Hospitals	10,904,040	-	10,904,040	10,240,024	23,403	10,263,427
Adult Care Homes	1,193,665	-	1,193,665	871,526	16,114	887,640
Adult Care Homes with Nursing	159,902	-	159,902	1,003,517	180,057	1,183,574
Total charitable activities	63,126,251	489,324	63,615,575	58,659,823	219,574	59,013,459

Expenditure on charitable activities was £62,788,696 (2015: £58,879,397) of which £62,299,372 (2015: £58,659,823) was unrestricted and £489,324 (2015: £219,574) was restricted.

4 ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

	2016	2015
	£	£
Finance	570,656	442,526
Administration	-	221,688
Human resources and training	2,131,035	2,220,548
Service development	1,186,699	452,619
Information, communication and technology	902,576	716,159
Executive	2,613,085	2,446,156
Premises	1,955,891	1,058,769
Other	-	9,569
	9,359,942	7,568,034

Other relates to the direct costs associated with the effective governance of the charity. These include internal audit fees of £68,726 (2015: £nil) and external audit fees of £37,000 (2015: £45,712), Trustee development £nil (2015: £7,586), and Trustee indemnity insurance £8,263 (2015: £7,972).

Staff costs included within support costs amount to £6,445,772 (2015: £5,110,617).

5 NET (EXPENDITURE) FOR THE YEAR

This is stated after charging:

	2016	2015
	£	£
Operating leases	199,570	226,507
Depreciation and amortisation:		
Tangible fixed assets, owned	1,092,369	989,292
Impairment properties	-	168,124
Loss on disposal	387,298	11,860
Goodwill amortisation	393,733	393,732
Bank interest payable	81,112	14,600
Auditor's remuneration:		
- audit fees	37,000	45,712
- consultancy fees	68,726	-
Accountancy services	5,733	-
	2,171,538	2,045,831

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

6 ANALYSIS OF STAFF COSTS, TRUSTEE REMUNERATION AND EXPENSES, AND THE KEY MANAGEMENT PERSONNEL

Staff costs during the year were as follows:

	2016 £	2015 £
Wages and salaries	50,287,693	45,980,384
Social security costs	3,133,185	3,311,758
Other pension costs	946,403	1,139,755
Other employee benefits	9,409	38,264
Redundancy payments	377,785	9,569
	<u>54,754,475</u>	<u>50,479,730</u>

In response to the cost pressures placed upon the organization and the move to a more local regional approach, a restructuring plan has been put in place, under which a number of roles were made redundant giving rise to a £377,785 (2015 £9,569) cost in the year.

Employees' emoluments for the staff earning more than £60,000 for the year fell into the following bands:

	2016 No of employees	2015 No of employees
£70,001 to £80,000	1	2
£80,001 to £90,000	-	3
£90,001 to £100,000	3	1
£160,001 to £170,000	1	1
	<u>5</u>	<u>7</u>

The key management personnel of the charity comprise the executive management team. The total employee benefits of the key management personnel of the Trust were £712,337 (2015: £915,063).

During the year the following amounts were paid to pension schemes:

	2016 £	2015 £
Pension contributions to money purchase scheme	1,027,897	490,410
Pension contributions to defined benefit scheme	582,598	610,441
	<u>1,610,495</u>	<u>1,100,851</u>

Pension contributions are allocated to unrestricted funds. Costs are allocated to activity cost categories in proportion to the income generated by each activity.

The numbers of staff to whom retirement benefits are accruing are as follows:

	2016	2015
Money Purchase Scheme	1,765	2,081
Defined Benefit Scheme	202	224
	<u>1,967</u>	<u>2,305</u>

During the year five higher paid employees (2015: five) participated in a money purchase pension scheme. Employer contributions for the higher paid employees were £44,638 (2015: £92,220).

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

Three higher paid employees (2015: one) are accruing retirement benefits under the NHS Superannuation Scheme, a final salary scheme administered by the charity under the terms of a NHS Direction Order. Contributions paid in the year were £40,898 (2015: £23,240).

None of the higher paid employees (2015: one) were not in the pension scheme.

The Chairman received remuneration in the year of £15,951 (2015: £15,972), as allowed per Memorandum and Articles of Association and agreement from the Charity Commission in June 2011.

No other Trustees, or persons with a family or business connection with a Trustee received remuneration in the year, directly or indirectly, from either the charity or an institution or company controlled by the charity. The trustees received no pension contributions. Travelling expenses of £368 (2015: £517) were reimbursed to one Trustee in the year.

7 STAFF NUMBERS

The average number of employees during the year was as follows:

	2016	2015
	No of employees	
Care and support staff	2,737	2,722
Management and administration of the charity	11	7
	<u>2,748</u>	<u>2,729</u>

The average number of employees on a full time equivalent basis during the year was as follows:

	2016	2015
	No of employees	
Care and support staff	2,218	2,180
Management and administration of the charity	11	7
	<u>2,229</u>	<u>2,187</u>

8 INTANGIBLE ASSETS

	Goodwill £
Costs as at 31 March 2015 and 31 March 2016	1,300,000
Amortisation:	
At 1 April 2015	643,779
Provided in the year	393,733
At 31 March 2015	1,037,512
Net book amount at 31 March 2016	262,488
Net book amount at 31 March 2015	<u>656,221</u>

The amortisation charge for the year is recognised within charitable activities expenditure.

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

9 TANGIBLE FIXED ASSETS Group

	Assets under construction £	Freehold land and buildings £	Furniture and equipment £	Motor vehicles £	Total £
Cost					
As at 1 April 2015	222,698	21,402,235	4,174,126	7,383	25,806,442
Additions	2,639,516	1,339,865	586,048	-	4,565,429
Disposals	-	(584,537)	(785)	-	(585,322)
As at 31 March 2016	2,862,214	22,157,563	4,759,389	7,383	29,786,549
Depreciation					
As at 1 April 2015	-	3,167,268	2,153,543	7,383	5,328,194
Provided in the year	-	528,987	563,382	-	1,092,369
Disposals	-	(197,239)	(785)	-	(198,024)
As at 31 March 2016	-	3,499,016	2,716,140	7,383	6,222,539
Net book amount at 31 March 2016	2,862,214	18,658,547	2,043,249	-	23,564,010
Net book amount at 31 March 2015	222,698	18,234,967	2,020,583	-	20,478,248

The cost of land held within freehold land and buildings amounts to £5,779,322 (2015: £5,193,744) and is not depreciated.

Company

	Assets under construction £	Freehold land and buildings £	Furniture and equipment £	Motor vehicles £	Total £
Cost					
As at 1 April 2015	222,698	21,402,235	4,174,126	7,383	25,806,442
Additions	-	1,339,865	586,048	-	1,925,913
Disposals	-	(584,537)	(785)	-	(585,322)
Amounts transferred to another group company	(222,698)	-	-	-	(222,698)
As at 31 March 2016	-	22,157,563	4,759,389	7,383	26,924,335
Depreciation					
As at 1 April 2015	-	3,167,268	2,153,543	7,383	5,328,194
Provided in the year	-	528,987	563,382	-	1,092,369
Disposals	-	(197,239)	(785)	-	(198,024)
As at 31 March 2016	-	3,499,016	2,716,140	7,383	6,222,539
Net book amount at 31 March 2016	-	18,658,547	2,043,249	-	20,701,796
Net book amount at 31 March 2015	222,698	18,234,967	2,020,583	-	20,478,248

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

10 INVESTMENTS

Company	Country of registration or incorporation	Principal activity	Shares held Class	%
Red Hazels Developments Limited	United Kingdom	Property development	Ordinary	100

The charity holds one shares of £10 in its wholly owned trading subsidiary company Red Hazels Developments Limited. This is the only share allotted, called up and fully paid. The company is included within the consolidated accounts.

11 FIXED ASSET INVESTMENTS

Movement in fixed assets investments

	Group		Company	
	2016	2015	2016	2015
Fixed asset investments held for return:	£	£	£	£
Listed investment	9,836,184	13,692,895	9,836,184	13,692,885
Investment properties	350,000	350,000	350,000	350,000
	<u>10,186,184</u>	<u>14,042,895</u>	<u>10,186,184</u>	<u>14,042,885</u>

	Group		Company	
	2016	2015	2016	2015
Listed investments	£	£	£	£
Fair value brought forward	13,692,885	12,531,323	13,692,885	12,531,323
Add: additions to investments at costs	768,392	1,176,863	768,392	1,176,863
Disposal at carrying value	(4,147,800)	(1,257,475)	(4,147,800)	(1,257,475)
Add net (loss)/gain on revaluation	(477,293)	1,242,174	(477,293)	1,242,174
Fair value carried forward	<u>9,836,184</u>	<u>13,692,885</u>	<u>9,836,184</u>	<u>13,692,885</u>
Historical cost at 31 March	8,060,422	10,938,773	8,060,422	10,938,773

Investments at fair value comprised:

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Equities - UK	3,024,880	4,338,256	3,024,880	4,338,256
Equities - Overseas	3,116,542	4,412,482	3,116,542	4,412,482
Fixed interest securities - UK	2,965,876	4,260,376	2,965,876	4,260,376
Property - UK	728,896	681,771	728,896	681,771
Fair value carried forward	<u>9,836,194</u>	<u>13,692,885</u>	<u>9,836,194</u>	<u>13,692,885</u>

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

11 FIXED ASSET INVESTMENTS(CONTINUED)

The following holdings each constituted more than 5% of the year end fair value of the portfolio:

Artemis Income	1,036,838
iShares Index Linked	1,002,220
Baillie Gifford Int	817,431
Troy Trojan	795,066
M&G	794,928
Baillie Gifford	763,918
Charities Fund	728,896
iShares MSCI World	639,976

Investment properties held at the year-end include The Newlands building valued at £350,000 (2015: £350,000). The property is valued on a fair value basis with consideration to the value of similar properties in the area.

12 STOCK

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Food products	22,232	28,425	22,232	28,425
	<u>22,232</u>	<u>28,425</u>	<u>22,232</u>	<u>28,425</u>

There were no stock write downs in the current or preceding year.

13 DEBTORS

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Accrued income	1,714,189	1,845,064	1,714,189	1,845,064
Operating debtors	4,861,474	3,690,045	4,293,398	3,690,045
Amounts owed from group	-	-	2,939,702	-
Prepayments	532,627	547,488	532,627	547,488
	<u>7,108,290</u>	<u>6,082,597</u>	<u>9,479,916</u>	<u>6,082,597</u>

ALTERNATIVE FUTURES GROUP LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 March 2016

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loan	125,732	-	125,732	-
Funds owed due to bank overdraft	27,394	-	27,394	-
Operating creditors	2,467,113	3,309,764	2,467,113	3,309,764
Social security and other taxes	918,897	844,172	918,897	844,172
Other creditors and accruals	2,389,012	1,133,489	1,839,561	1,133,489
Deferred income	1,693,923	776,239	1,693,923	776,239
	<u>7,622,071</u>	<u>6,063,664</u>	<u>7,072,620</u>	<u>6,063,664</u>

Included in operating creditors is an amount of £149,293 (2015: £155,100) due to pension schemes which was paid subsequent to the year end.

15 CREDITORS DUE AFTER ONE YEAR

	Group		Company	
	2016	2015	2016	2015
	£	£	£	£
Bank loans	2,115,000	-	2,115,000	-
	<u>2,115,000</u>	<u>-</u>	<u>2,115,000</u>	<u>-</u>

16 FINANCIAL INSTRUMENTS

	2016	2015
	£	£
Financial assets:		
Debt instruments measured at amortised cost	6,485,985	5,535,109
Instruments measured at fair value through profit or loss	10,186,184	14,042,885
	<u>16,672,169</u>	<u>19,577,994</u>
Financial liabilities:		
Measured at amortised cost	<u>4,706,832</u>	<u>4,288,153</u>

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

17 MOVEMENT IN FUNDS**GROUP**

	At 1 April 2015	Income	Expenditure	Transfer	(Loss) on investment assets	Pension	At 31 March 2016
	£	£	£	£	£	£	£
Unrestricted funds:							
Unrestricted funds	34,124,112	60,020,438	(63,190,145)	-	(477,293)	71,000	30,548,112
Restricted funds: gifted properties	2,634,522	-	(489,324)	-	-	-	2,145,198
Total funds	36,758,634	60,020,438	(63,679,469)	-	(477,293)	71,000	32,693,310

COMPANY

	At 1 April 2015	Income	Expenditure	Transfer	(Loss) on investment assets	Pension	At 31 March 2016
	£	£	£	£	£	£	£
Unrestricted funds:							
Unrestricted funds	34,124,112	60,074,828	(63,186,109)	-	(477,293)	71,000	30,820,338
Restricted funds: gifted properties	2,634,522	-	(489,324)	-	-	-	2,145,198
Total funds	36,758,634	60,074,828	(63,675,433)	-	(477,293)	71,000	32,751,736

Purpose of Restricted Fund

Restricted funds represent the book value of properties held which were gifted for use as treatment centres within Alternative Futures Group and are subject to restrictions should there be any proposed change of use.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

18 ANALYSIS OF NET ASSETS BETWEEN FUNDS

GROUP	Unrestricted funds	Restricted funds	2016
	£	£	£
Intangible fixed assets	262,488	-	262,488
Tangible fixed assets	20,942,601	2,145,198	23,087,799
Investments	10,186,184	-	10,186,184
Current assets	8,355,845	-	8,355,845
Current liabilities	(7,084,006)	-	(7,084,006)
Long term liabilities	(2,115,000)	-	(2,115,000)
Net assets	30,548,112	2,145,198	32,693,310

COMPANY	Unrestricted funds	Restricted funds	2016
	£	£	£
Intangible fixed assets	262,488	-	262,488
Tangible fixed assets	18,528,787	2,145,198	20,673,985
Investments	10,186,194	-	10,186,194
Current assets	10,816,702	-	10,816,702
Current liabilities	(7,072,633)	-	(7,072,633)
Long term liabilities	(2,115,000)	-	(2,115,000)
Net assets	30,606,538	2,145,198	32,751,736

19 RECONCILIATION OF NET OUTGOING RESOURCES TO NET CASH INFLOW FROM CONSOLIDATED OPERATING ACTIVITIES

	2016 £	2015 £
Profit for the period	(4,065,324)	364,293
Adjustments for:		
(Profit)/loss on disposal of tangible asset	(387,297)	-
(Gains)/losses on investments	477,293	(1,242,174)
Amortisation charges	393,732	393,732
Depreciation charges	1,072,326	989,292
Impairment – fixed assets	-	168,124
	(2,509,270)	673,267
Movements in working capital:		
Decrease / (Increase) in stock	6,193	327
Decrease / (Increase) in debtors	(963,839)	(193,761)
Decrease / (Increase) in creditors	935,342	(179,500)
Balance as at 31 March	(2,531,574)	300,333

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2016

20 CAPITAL COMMITMENTS

The charity had capital commitments of £2,522,643 at 31 March 2016 (2015: £1,557,667).

21 RETIREMENT BENEFITS

Contributions are made by group member companies to the four pension schemes that are in operation, as follows:

- The NHS Superannuation Scheme in respect of certain employees who have the benefit of existing membership of the scheme by virtue of their NHS employment. The NHS Scheme is an unfunded final salary scheme operated by the National Health Service. The contributions are calculated so as to spread the cost of pensions over employees' working lives, whilst they remain in qualifying employment, in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by the

Government Actuary on the basis of periodic valuations, and any deficit is underwritten by the Treasury.

The scheme is not designed to be run in a way that would enable employers of eligible employee's to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounting for as if it were a defined contribution scheme: the amount charged against profits represents the contributions payable to the scheme.

- A stakeholder pension scheme, for certain senior members of staff, at 14% of annual basic pay.
- Two defined benefit schemes (as noted below) as a result of staff joining the company by means of TUPE transfer.

The assets of these schemes are administered by Trustees in funds independent from those of the group.

Contributions to the scheme are charged in the SOFA as they become payable in accordance with the rules of the scheme.

Defined benefit plans

Lancashire County Pension Fund

These figures arise as a result of an admission of staff, as a result of a TUPE transfer, which commenced 10 November 2008. The figures cover the period from 1 April 2010 to 31 March 2016 and all the data items relate to the same period.

Greater Manchester Pension Fund

These figures arise as a result of an admission of staff, as a result of a TUPE transfer, which commenced in June 2007.

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

21 RETIREMENT BENEFITS (CONTINUED)

The Balance Sheet and other disclosures as at 2016 are based on actuarial valuations as at 31 March 2016, and include the pension schemes in aggregate.

Overall assumptions:

Key assumptions used:	Total of pension schemes	Total of pension schemes
	2016	2015
	%	%
Discount rate	3.6	3.3
Expected return on plan assets		
Equities	3.3	3.3
Bonds	3.3	3.3
Property	3.3	3.3
Cash	3.3	3.3
Other	3.3	3.3
Rate of inflation	2.0	2.0
Expected rate of salary increases	3.5	3.5
Future pension increases	2.0	2.1

The average life expectancy for a pensioner retiring at 65 on the balance sheet date is:

	Total of pension schemes	Total of pension schemes
	2016	2015
	Years	Years
Male	22.6	22.6
Female	25.2	25.1

The average life expectancy for a pensioner retiring at 65 aged at the balance sheet date:

	Total of pension schemes	Total of pension schemes
	2016	2015
	Years	Years
Male	24.9	24.9
Female	27.6	27.5

The assumptions used by the actuaries are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Amounts recognised in the statement of financial activities in respect of these defined benefit schemes are as follows:

	Total of pension schemes	Total of pension schemes
	2016	2015
	£000	£000
Current service cost	96	90
Interest cost	168	182
Expected return on scheme asset	170	(285)
	<u>434</u>	<u>(13)</u>

ALTERNATIVE FUTURES GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

21 RETIREMENT BENEFITS (CONTINUED)

Of the charge for the period, a charge of £71,000 (2015: charge of £39,000) has been included in expenditure. Actuarial gains and losses are reported in the statement of financial activities. The loss recognised in 2015 was £407,000 (2015: £435,000 gain).

An additional gain of £336,000 (2015: £476,000 loss) has been included in the Statement of Financial Activities this year in relation to the movement in the asset in the Greater Manchester Pension Fund and the Lancashire County Pension Fund being derecognised from the Balance Sheet, in accordance with Charities SORP requirements, since the charity is unable to recover any surplus through either reduced contributions in the future or through refunds from the scheme.

The actual return on scheme assets was £455,000 (2015: £455,000) for Lancashire County Pension Fund and £122,000 (2015: £122,000) for Greater Manchester Pension Fund.

The amount included in the Balance Sheet arising from the Group's obligation in respect of defined benefit retirement schemes is as follows:

	Total 2016 £000	Total 2015 £000
Fair value of scheme assets	5,343	5,205
Present value of defined benefit obligations	(4,945)	(5,143)
Asset in scheme	398	62
Asset on Greater Manchester scheme derecognised in year	(90)	(5)
Asset on Lancashire scheme derecognised in year	(308)	(57)
Recognised in balance sheet	-	-

Movements in the present value of defined benefit obligations in the current period were as follows:

	Total 2016 £000	Total 2015 £000
At start of period	5,143	4,151
Current service cost	96	90
Interest cost	168	183
Actuarial (gains) and losses	(391)	805
Contributions by plan participants	19	23
Benefits paid	(90)	(109)
At the end of the period	4,945	5,143

Movements in the fair value of scheme assets in the current period were as follows:

	Total 2016 £000	Total 2015 £000
At start of period	5,205	4,689
Expected return on scheme assets	170	207
Administrative expenses	(1)	-
Actuarial gains	16	369
Employer contributions	24	26
Members contributions	19	23
Benefits paid	(90)	(109)
At the end of the period	5,343	5,205

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21 RETIREMENT BENEFITS (CONTINUED)

The analysis of the scheme assets and the expected rate of return at the balance sheet data were as follows:

Basis for determining the overall expected rate of return on assets:

Lancashire County Pension Fund

Long-term rate of return on assets

The expected rate of return on plan assets is based on fair expectations, at the beginning of the period, or investment returns over the entire life of the related obligation. The assumption used is the average of the following assumptions appropriate to the individual asset classes weighted by the proportion of the assets in the particular asset class. The rates quoted are gross of expenses.

Asset class Investment return as at 31 March 2016

	Total of pension schemes Fair value assets 2016 £000	Total of pension schemes Fair value assets 2015 £000
Equity Instruments	2,290	2,845
Government bonds	282	325
Other bonds	83	56
Property	471	477
Cash / liquidity	189	240
Other assets	2,028	1,262
	5,343	5,205
	5,343	5,205

Greater Manchester Pension Fund:

Basic principle

The expected return on pension fund assets is derived from the HRAM model.

The HRAM model for equity returns is based on total returns which are specified by a risk premium relative to cash. The general formulation is: equity total return in month t = cash return in month t + risk premium in month t + random component in month t.

Asset class Investment return as at 31 March 2016

Equity Instruments
Government bonds
Other bonds
Property
Cash / liquidity
Other assets

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21 RETIREMENT BENEFITS (CONTINUED)

The history of experience adjustments is as follows:

	Total of pension schemes 2016 £000	Total of pension schemes 2015 £000	Total of pension schemes 2014 £000	Total of pension schemes 2013 £000	Total of pension schemes 2012 £000
Present value of defined benefit obligations	(4,945)	(5,143)	(4,151)	(4,789)	(3,939)
Fair value of scheme assets	5,343	5,205	4,689	4,266	3,626
(Deficit) / surplus in scheme	398	62	538	(523)	(313)
Experience adjustments on scheme liabilities	6	6	549	-	-
Experience adjustments on scheme assets	177	291	177	342	(177)

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2016 are £12,000 (2015: £12,000) in respect of Lancashire County Pension Fund and £16,000 (2015: £15,000) in respect of Greater Manchester Pension Fund.

22 LEASING COMMITMENTS

At the reporting end date the Charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2016 £	2015 £	2016 £	2015 £
Within one year	180,740	171,135	180,740	171,135
Between two and five years	408,179	179,222	408,179	179,222
After five years	1,906	12,196	1,906	12,196
	590,825	362,553	590,825	362,553

23 TAXATION

Alternative Futures Group Limited as a registered charity is exempt from Corporation Tax under the Corporation Tax Act 2010 (chapters 2 and 3 of part ii, section 466 onwards) or Section 256 of the Taxation for Chargeable Gains Act 1992, to the extent that surpluses are applied to its charitable purposes.

24 LEGAL STATUS OF THE CHARITY

The charity is a company limited by guarantee incorporated within the United Kingdom and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

As at 31 March 2016, the company had 10 members (2015: 10).

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25 FIRST TIME ADOPTION OF FRS 102

Reconciliation of funds:

	01 April 2014 £	31 March 2015 £
Funds balance as previously stated	36,861,729	37,297,457
Short-term compensated absences	(467,388)	(538,823)
	<hr/>	<hr/>
Fund balances as restated	<u>36,394,341</u>	<u>36,758,634</u>

Reconciliation of reported net income:

	31 March 2015 £
Net income / (expenditure) as previously stated	(768,446)
Adjusted for gains/(losses) on investments now treated as a components of net income	1,242,174
Adjustments for interest on defined benefit pension scheme	(77,000)
Movement in short term absence accrual	(71,435)
	<hr/>
	<u>325,293</u>