

Agenda Item 4.1

Company No: 2679915

Charity No: 1008587

ALTERNATIVE FUTURES GROUP LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2013

ALTERNATIVE FUTURES GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2013

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ALTERNATIVE FUTURES GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2013

Legal and Administrative Details

Alternative Futures Group Limited is a company limited by guarantee and a registered charity governed by its Articles of Association as last amended 1st May 2013. 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.

Company Registration Number: 02679915

Charity Registration Number 1008587

Registered and Principal Office: Lion Court
Kings Business Park
Prescot
Knowsley
Merseyside
L34 1BN

Directors and Trustees: Edward Pysden – Chairman
Chris Hannah – Vice Chair
Angela Phillips
Karen Brookes
Peter Johns – (appointed 19 June 2012)
Doug Haynes – (retired 24 April 2013)
Helena Culshaw – (retired 29 October 2012)
Sylvia Smith – (retired 8 October 2012)
Roy Barker – (retired 1 February 2013)
Andrew Paterson – (retired 23 April 2012)
Andrew Lomas – (appointed 23 April 2013)
Robert Harris – (appointed 23 April 2013, resigned 12 June 2013)

Secretary: Samantha Proffitt (resigned 1 July 2013)
Kirstine Fergusson (appointed 1 July 2013)

Chief Executive Neil Campbell
Director of Finance Samantha Proffitt
Managing Director of Angela Boyle
Community Services
Clinical Director Mike Smith
Director of HR & OD Peter Flynn

Bankers: HSBC Bank plc
99-101 Lord Street
Liverpool
L2 6PG

Principal Solicitors: DWF Hill Dickinson
1 Scott Place No. 1 St Paul's Square
2 Hardman Street Liverpool
Manchester L3 9SJ
M3 3AA

Auditor: Baker Tilly UK Audit LLP
3 Hardman Street
Manchester
M3 3HF

Investment Advisor: Stanhope Jewson
35 Portman Square
London, W1H 6LR

ALTERNATIVE FUTURES GROUP LIMITED

REPORT OF THE TRUSTEES

Trustees Annual 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 2013. The Trustees have prepared this report under the Companies Act 2006 and in accordance with the Statement of Recommended Practice (SORP) 2005 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.

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. It is governed by its Articles of Association as last amended in May 2013. Membership of the Board of Trustees is set out on page 3.

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 the *UK Corporate Governance Code*. Under the Articles of Association, Trustees serve a term of up to three years and can normally serve a maximum of two terms. During 2012/13 Alternative Futures' Group Board moved to a new structure of three committees as set out below with ad hoc committees for specific purposes or projects as agreed by Board. A skills analysis of Board Members has been undertaken which considered 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. As a result a full recruitment process is underway supported by an external specialist recruitment agency.

New Trustees receive a comprehensive induction and training programme directed specifically towards 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 also take place, led by the Chairman.

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

- **Integrated Governance Audit and Risk Committee**

- **Doug Haynes (Chair 2012/13)**

- Responsible for overseeing all matters of governance, audit, controls assurance and risk management on behalf of Alternative Futures Group Limited.

- **Integrated Performance Committee**

- **Angela Phillips (Chair 2012/13)**

- Responsible for gaining assurance on all aspects of performance, including service user outcomes, complaints and quality compliance; workforce issues; finance; and performance against the Integrated Strategic Business Plan: ensuring that Alternative Futures Group is able to manage and evidence effective, high quality delivery of its charitable aims. An Investments Committee has been established as a sub committee of Integrated Performance Committee and is responsible for investment and treasury performance. It is now chaired by Peter Johns.

- **Trustee Appointments/Remuneration Committee**

- **Chris Hannah (Chair 2012/13)**

- Responsible for Board governance, succession planning and trustee recruitment, this Committee is also responsible for identifying, approving and appointing the Chair and Members for each Committee. The Committee is also responsible for ensuring that the Board and the Board Committees reflect on their own performance and identifies the training, support and development needs of the Board as a whole, Board Committees, and of individual Trustees.

- The Committee also holds responsibility for developing and maintaining a formal and transparent procedure for the remuneration of senior management and of the position of Chair. It agrees the framework for the remuneration of all other levels of staff.

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.

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Risk Management

The Board of Trustees has ultimate responsibility for managing the risks faced by the Charity. Delegated responsibility has been given to the Integrated Governance Audit and Risk Committee (IGARC) for reviewing and maintaining an effective framework of risk management and control across the organisation. This Committee consists in general of three Trustees, with the Director of Finance in attendance. The Chair and Chief Executive Officer of Alternative Futures Group Limited are 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, that meets the UK auditing standards and provides appropriate independent assurance to the Committee and the Board. In addition this committee is responsible for recommending the appointment of external auditors; for approving the terms of engagement and audit fee; and for reviewing the findings of the annual audit. The Committee is responsible for reviewing financial risk, fraud and whistle blowing, and for financial reporting including the annual financial statements.

IGARC reports regularly to the Board and is supported by the Corporate Management Executive Team and underpinned by a series of groups looking at Safeguarding, Clinical Practice Governance and Emergency Planning. These groups have day to day responsibility for the operational management of risk. The Health & Safety Manager has a small team of health and safety co-ordinators, reports to the Managing Director Community Services, and is responsible for leading the work on health and safety and providing professional advice to the organisation.

The Business plan for 2012/13 identified 3 principal risks facing the organisation, one of which was low cost competitors and larger merged organisations reducing the market rate to a level that would impact on our ability to deliver our required standard of quality services. During the year, Alternative Futures Group successfully completed a modernisation change programme. This has resulted in rationalised costs and transformed service provision, ensuring Alternative Futures Group maintains high quality services within current market rates.

A second strategic risk was that unless Alternative Futures Group was flexible and genuinely responsive to both local and individual need, the people we support may use the opportunity provided by the Choice agenda to choose other support providers. The emphasis on Alternative Futures Group: **Being Local** is developing both our structures and our local presence, allowing the charity to become both more responsive and more visible in local communities. This is supported by the developing relationships with small charities whose work complements our own and with housing associations.

Finally the major structural changes that the NHS is undergoing and the impact on NHS Commissioning arrangements raised the risk that existing networks and partnerships would become significantly disconnected. This was a significant issue in 2012/13 but has been managed through the new focus on mental health services in Alternative Futures Group, led by the Clinical Services Director, and the drive to take forward radical plans for the development of the clinical pathway and crisis services; an approach that has been welcomed by the new NHS Clinical Commissioning Groups.

Our strategic vision around transforming service provision, Being Local and the delivery of Clinical Services will provide the key framework for continuing to manage these risks moving forward in what is a challenging environment. In addition to the recognised need to continue to develop our managers and staff, as the drivers of the new models and frameworks, we are conscious of the challenges that we will face during 2013/14 as the NHS beds down into its new structure and culture, and as Local Authorities strive to meet major funding pressures.

As Trustees, 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.

EMPLOYEE INVOLVEMENT

The Charity encourages the involvement of employees and has an elected Employee Partnership Forum which is jointly chaired by the CEO and a staff representative. This body includes representatives from Unison and the RCN, unions which have been formally recognised by 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 a larger central group which meets several times a year.

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SERVICE USER INVOLVEMENT

Alternative Futures Group has established the Service User Representative Forum (SURF) to represent the views and opinions of Service Users to Senior Management and the Board of Trustees. In line with the charity's move towards being locally based, each area has established its own local group, each with a number of Service User representatives to support that area. The Chair of SURF, a former user of our support services and now employed by AFG, is responsible for representing these local groups to the Board of Trustees. The Chair of the SURF meets with the Chairman, the CEO and the Managing Director Community Services at least 4 times a year.

DISABLED PERSONS

The charity takes a proactive approach to employing people with a disability. 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 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. 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 declare a disability. The number of people with a declared disability employed by the charity during the year was **0.4%** of the total workforce, with an increasing number of these being our service users.

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AIMS, OBJECTIVES AND ACTIVITIES, AND ACHIEVEMENTS

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.

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 2006, 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

And our Mission is:

Working creatively with people and their aspirations to make positive things happen in a challenging world – people fully living their lives

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 Limited's aim, purpose and vision is to support vulnerable adults with disabilities or enduring mental health challenges to lead ordinary lives and to maintain citizenship. We work across the North West of England, delivering support and care in a range of different settings: supported living (supporting people in their own homes to access their community and maintain their tenancies); independent hospitals; adult care homes; and an adult care home with nursing.

Personalised support sits at the core of our work, tailoring services 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 2013, Alternative Futures Group Limited was supporting 861 individuals in a variety of community-based settings. Of these:

- 678 people were supported in 258 supported living schemes providing 24 hour support.
- 11 people received accommodation, care and support in 2 registered Adult Care Homes, and 1 registered Adult Care Home with Nursing. 25 people were supported to move to more independent living, enabling the closure of a number of small Adult Care Homes.
- 126 people with a range of mental health needs were cared for in 9 Independent Hospitals, one of which is a purpose built hospital for older people with dementia, as part of the developing clinical pathway
- 46 people received outreach or floating support services in their own homes.

Measuring impact

As Trustees we monitor the impact, and as a result the public benefit, of our activities through our Performance Assurance Framework. Detailed monthly performance reports to Trustees and managers include indicators and targets which measure progress towards achieving positive outcomes for service users against seven high level outcomes:

- Improve Health and Emotional Wellbeing
- Improve Quality of Life
- Increase Positive Contribution
- Increase Choice and Control
- Freedom from Discrimination and Harassment

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- Economic Wellbeing
- Increase Personal Dignity and Respect

Achievements, Performance and Public Benefit 2012-13

Objectives 2012-13

In March 2012 we agreed, as Trustees, three core strategic aims and 6 Strategic objectives to support our Vision and Mission and to ensure the charity met its aims and purpose and could demonstrate public benefit throughout its activities.



To make a positive difference

During 2012/13 the most significant programme of work was that around the Modernisation Change Programme which sought to develop our workforce and model of support in line with the individual needs of the people we support and the constraints that our commissioners must work within. Through close partnership work with our staff we have ensured that we can lead the sector on value for money and quality, through a flexible, innovative staff team that delivers the right support to the right people at the right times for them.

Against this backdrop and the national concerns and scrutiny raised by a number of high profile failures in some care services, we have maintained our position as fully compliant against the standards set by CQC. We have further developed our values base – measuring our work and decisions against our values of being Principled, Reflective, having Integrity, and of being Dynamic and Empowering: taking a PRIDE in Alternative Futures Group.

The Service User Representative Forum has increased in its profile and impact significantly, with new local groups picking up the baton and many of the members having developed into skilled public speakers on national forums. This year has also seen significant development in our therapeutic services and the development of the toolkit for dementia care, in partnership with Helen Sanderson Associates.

Key partnerships have also been forged to support our people into both volunteering and work opportunities – and broadening their connections and circle of support within that. We are also pleased to note that Alternative Futures Group is a key member of the Think Local Act Personal group in the North West.

To support people to have control

Alternative Futures Group gave its commitment to the Service User Promise in 2009 and this continues to form the backbone of quality measures within the charity. Performance is monitored by the Service User Representative

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Forum and by the Board. Increasingly the impact of the Promise will be measured in a multi dimensional way as we roll out the Working Together for Change, a national programme which we are leading in Knowsley and Rochdale. During the year a group of people we support, working with the British Institute of Human Rights, developed a range of easy read documents on aspects of dignity and care.

Having control is as important for our staff as it is for the people we support, and the Employee Representative Forum continues to represent staff views and opinions to the senior management team and the Board. This forum is jointly chaired by the CEO and a staff representative. It was reviewed and re-developed as a direct outcome of both the challenges and the opportunities emanating from the Modernisation Change Programme. Alternative Futures Group led the Better Partnerships programme in the north-west – a national programme aimed at bringing commissioners, family members and providers together and producing the Stronger Partnerships for Better Outcomes protocol. In addition, under the Skills for Care programme, we led the pilot on sector leadership.

During 2012 we completed the transformation programme for the majority of our care homes on the Wirral - transforming the model of support from residential care to supported tenancies, enabling people to live more independently as citizens.

To be successful and sustainable

Over the year Alternative Futures Group, despite the challenging economic climate, continued to grow and retained all of its current contracts. The Modernisation Change Programme has enabled us to transform services in terms of their cost, within the current economic climate, creating flexibility and responsiveness across our teams to meet personalised individual need. Reductions in income have been experienced as our commissioners have responded to government savings targets and a reduced market rate for the work has driven the need to reduce costs. The transformation programme revised terms and conditions across the organisation through consultation with staff, enabling greater flexibility in working patterns and thereby facilitating better personalised support to our service users. This was a key factor in enabling Alternative Futures Group to retain 100% of its contracts by ensuring we were able to provide good quality but cost effective services that met the needs of commissioners in the current economic climate. Importantly this provides the platform from which we are launching our Being Local strategy as we move forward into 2013/14.

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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 Annual report and Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including income and expenditure, of the charitable 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 Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy the financial position of the Charitable Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the Charitable Company's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Financial Review and results

The Board of Trustees is pleased with the underlying financial performance in the year. Significant costs incurred during the last financial year have been repaid this financial year. The results for the year show a surplus of £2,468,671 as a consequence compared to the reported deficit of £4,295,205 for the previous year. Incoming resources for charitable activities have decreased by 1.7% to £54.4m (2012 £55.4m). The charity derives its income from funding from Primary Care Trusts, Local Authority Social Services and Supporting People funding.

The Charity is obliged under FRS17 to provide for any reported pension deficit at the balance sheet date of those defined benefits schemes of which it is a member. For the Lancashire County Pension Fund Defined Benefit scheme the deficit as at 31 March 2013 amounts to £555,000. The Greater Manchester Pension Fund Defined Benefit scheme reported a pension asset of £32,000 at 31 March 2013, 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 loss from the two schemes of £215,000 and the derecognised asset of £32,000 are both shown through other gains and losses on the face of the SOFA.

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 2013 these investments amounted to £12,552,843 with an unrealised gain on investment of £1,118,518 and a realised gain of £58,445 for the year. The funds held in investments are being used to further the aims of the charity. The return on investment was £367,388 (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.

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. The Investments Sub Committee has considered the most appropriate investment policy for the charity having

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consideration for the expectation that a level of surplus funds are required in the short to medium term to meet existing commitments and that any residual surplus funds be invested on a longer term basis.

Investment performance is reviewed annually against a benchmark for each asset class. Cash was benchmarked against Bank of England base rate, which for the year under review was 0.5%. Interest received on cash balances held in interest earning accounts received in the year was 0.25%, net, a return that Trustees consider satisfactory in the current economic climate. The return for other asset classes was 9.95% for the year, a return exceeding the target set by the Finance and Performance Committee.

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.

The Trustees consider it prudent that unrestricted reserves should be sufficient to avoid the necessity of realising fixed assets held for the Charity's use. The reserve level has been calculated to ensure that a 2:1 liquidity ratio is maintained. This requires the Charity to hold £3m of liquid cash. Further funding has been identified to fund potential risks weighted for their likelihood.

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 2013, Alternative Futures Group Limited reported the level of unrestricted, undesignated reserves at £14,850,896 (2012: £10,303,078), 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 £4,550,000 of which £3,000,000 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 is being developed in 2012/13 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. At 31 March 2013 the charity held funds of £36,259 of service users personal monies, which are not included on the balance sheet.

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 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. Baker Tilly UK Audit LLP will be proposed for re-appointment as auditors at the Annual General Meeting.

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FUTURE PLANS 2013-14

Our plans for the next five years are set out in our Integrated Strategic Business Plan, 2013-2018 and are based on the delivery of 3 core strategic aims:

Core Strategic Aims 2013-14

| | | |
|--------------------------------------|--|---|
| <i>To make a positive difference</i> | <i>To support people to have control(to be citizens)</i> | <i>To be successful and sustainable</i> |
|--------------------------------------|--|---|

Strategic Objectives 2013-2018

7 key strategic objectives have been agreed for the next 12 months:

1. Being Local - Having the systems, frameworks and policies to enable flexible, devolved decision making.
2. Being Local - To invest in key local presence in all areas where we work.
3. Being Local - To align corporate functions to ensure continued strong stewardship, efficient transaction processing and value added effective support to deliver the visions for Community Services and Clinical Services locally.
4. To enable our people to be effective and successful in delivering excellent personalised support.
5. To increase our Market Share.
6. To extend our pathways and diversify our service offer to complex individuals.
7. To demonstrate the difference AFG makes in the lives of the people we support.

Approved by the Board of Alternative Futures Group and signed on behalf of the Trustees by

24 September 2013

ALTERNATIVE FUTURES GROUP LIMITED

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

We have audited the financial statements of Alternative Futures Group Limited for the year ended 31 March 2013 which comprise the Statement of Financial Activities, incorporating the Summary Income and Expenditure Account, the Balance Sheet, the Cash flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 10, the trustees (who are also the directors of the 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2013 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' 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.

ALTERNATIVE FUTURES GROUP LIMITED

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

E ROBERT AITKEN (Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

3 Hardman Street

Manchester

M3 3HF

Date _____

ALTERNATIVE FUTURES GROUP LIMITED

ACCOUNTING POLICIES

For the year ended 31 March 2013

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and follow the recommendations in the Statement of Recommended Practice: Accounting by Charities (the SORP) issued in 2005. The financial statements have been prepared under the historical cost convention with the exception of fixed asset investments which are stated at market value and in accordance with the Companies Act 2006.

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.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

INCOMING RESOURCES

Grants receivable

Revenue grants are credited as incoming resources when they are receivable provided conditions for receipt, as determined by the grant making body have been complied with, unless they relate to a specified future year in which case they are deferred.

Grants for the purchase of fixed assets are credited to either restricted or unrestricted incoming resources, as appropriate, when receivable. Depreciation on the fixed assets purchased with such grants is charged against the respective restricted/unrestricted fund.

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.

RESOURCES EXPENDED

Expenditure is recognised when there is a legal or constructive obligation to make a payment to a third party. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates:

- 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.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.
- Support costs include central functions and have been allocated on activity cost categories in proportion to the income of each category.

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ACCOUNTING POLICIES

For the year ended 31 March 2013

FUND ACCOUNTING

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.

Unrestricted funds are donations and other incoming resources received or generated and are available for use or retention at the discretion of the Trustees, in accordance with the charity's objectives. Free reserves are undesignated funds available for the furtherance of the general objectives of the charity.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at 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.

It is the policy of the charity to ensure that the cost or value of all assets that wear out in use, or otherwise lose value over time, is depreciated. Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets, other than freehold land and encumbered properties, by equal annual instalments over their estimated useful economic lives and is charged to the SoFA. The rates generally applicable are:

| | |
|--------------------------------------|---|
| Freehold properties | Equal instalments over the estimated remaining life of the property |
| Furniture & Equipment: | |
| Office equipment (excl IT equipment) | 20% on cost |
| IT software | 20% on cost |
| IT hardware | 25% on cost |
| Fixtures and fittings | 33.3% on cost |
| Motor vehicles | 25% on cost |

INVESTMENTS

Investments are stated at market value as at the balance sheet date. The SoFA includes the net gains and losses arising on revaluation and disposals throughout the year.

All gains and losses are taken to the SoFA as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value. Unrealised gains and losses are calculated as the difference between the market value at the end of the year and opening market value.

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.

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

ALTERNATIVE FUTURES GROUP LIMITED

ACCOUNTING POLICIES

For the year ended 31 March 2013

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 employees 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 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.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the statement of financial activities over the year of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the Statement of Financial Activities on a straight line basis over the lease term.

PROVISIONS

Provisions are recognised when the company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is based on the present value of future outflows, discounted at the pre-tax discount rate that reflects the risks specific to the liability. Provisions for restructuring costs are recognised when the company has a detailed formal plan for the restructuring which has been notified to affected parties.

ALTERNATIVE FUTURES GROUP LIMITED

STATEMENT OF FINANCIAL ACTIVITIES, incorporating SUMMARY INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2013

| | Note | Unrestricted funds £ | Restricted funds £ | Total 2013 £ | Total 2012 £ |
|--|------|-------------------------|-----------------------|--------------------|--------------------|
| Income | | | | | |
| Incoming resources | | | | | |
| Generated from charitable activities: | | | | | |
| *Supported living services | | 42,511,022 | - | 42,511,022 | 44,033,501 |
| *Independent Hospitals | | 8,580,834 | - | 8,580,834 | 7,653,648 |
| *Adult Care Homes | | 2,433,745 | - | 2,433,745 | 1,445,084 |
| *Adult Care Homes with Nursing | | 896,308 | - | 896,308 | 2,253,146 |
| Incoming resources from generated funds: | | | | | |
| Investment income | 1 | 380,909 | - | 380,909 | 323,573 |
| Other incoming resources: | | | | | |
| Gain on disposal of Adult Care Homes | | 261,708 | - | 261,708 | - |
| Total incoming resources | | 55,064,526 | - | 55,064,526 | 55,708,952 |
| Expenditure | | | | | |
| Resources expended | | | | | |
| Charitable activities: | | | | | |
| *Supported living services | | 40,147,213 | - | 40,147,213 | 41,502,675 |
| *Independent Hospitals | | 8,555,801 | 33,976 | 8,589,777 | 7,813,342 |
| *Adult Care Homes | | 2,644,184 | 23,188 | 2,667,372 | 1,586,039 |
| *Adult Care Homes with Nursing | | 953,545 | 13,629 | 967,174 | 2,646,379 |
| Exceptional items: | | | | | |
| Redundancy costs | 3 | (416,335) | - | (416,335) | 6,287,034 |
| Legal charge buyout | | - | 409,064 | 409,064 | - |
| Investment management costs | | 63,176 | - | 63,176 | 61,837 |
| Governance costs | | 168,414 | - | 168,414 | 106,851 |
| Total resources expended | | 52,115,998 | 479,857 | 52,595,855 | 60,004,157 |
| Net incoming / (outgoing) resources and (deficit) / surplus for the year before transfers | | 2,948,528 | (479,857) | 2,468,671 | (4,295,205) |
| Transfers | | | | | |
| Transfer between funds | | 173,664 | (173,664) | - | - |
| Net incoming / (outgoing) resources and (deficit) / surplus for the year before other recognised gains and losses | | 3,122,192 | (653,521) | 2,468,671 | (4,295,205) |
| Other recognised gains and losses | | | | | |
| Actuarial (loss) / gain on pension schemes | 19 | (215,000) | - | (215,000) | (225,000) |
| Derecognise pension scheme asset | 19 | (32,000) | - | (32,000) | - |
| Unrealised gain on investment assets | 7 | 1,118,518 | - | 1,118,518 | 113,240 |
| Realised gain on investment assets | 7 | 58,445 | - | 58,445 | (111,668) |
| Total other recognised gains and losses | | 929,963 | - | 929,963 | (223,428) |
| Net movement in funds | | 4,052,155 | (653,521) | 3,398,634 | (4,518,633) |
| Total funds brought forward at 1 April 2012 | | 26,531,835 | 3,559,067 | 30,090,902 | 34,609,535 |
| Total funds carried forward at 31 March 2013 | | 30,583,990 | 2,905,546 | 33,489,536 | 30,090,902 |

ALTERNATIVE FUTURES GROUP LIMITED

STATEMENT OF FINANCIAL ACTIVITIES, incorporating SUMMARY INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2013

All activities of the charity are classed as continuing.

The statement of financial activities includes all gains and losses recognised in the year.

The accompanying accounting policies and notes form an integral part of these financial statements.

ALTERNATIVE FUTURES GROUP LIMITED

BALANCE SHEET

As at 31 March 2013

| | Note | 2013 £ | 2013 £ | 2012 £ | 2012 £ |
|---|------|--------------------|-------------------|-------------|-------------------|
| Fixed assets | | | | | |
| Tangible assets | 6 | | 18,638,640 | | 19,787,824 |
| Investments | 7 | | 12,552,843 | | 11,392,242 |
| | | | 31,191,483 | | 31,180,066 |
| Current assets | | | | | |
| Stock | 8 | 24,991 | | 23,984 | |
| Assets held for sale | 9 | 470,000 | | 350,000 | |
| Debtors | 10 | 5,720,269 | | 5,259,867 | |
| Cash at bank | | 1,674,878 | | 4,850,796 | |
| | | 7,890,138 | | 10,484,647 | |
| Creditors: amounts falling due within one year | 11 | (5,015,133) | | (4,845,043) | |
| Net current assets | | | 2,875,005 | | 5,639,604 |
| | | | 34,066,488 | | 36,819,670 |
| Provisions for liabilities and charges | 13 | | (21,952) | | (6,415,768) |
| Pension scheme liability | 19 | | (555,000) | | (313,000) |
| Net assets | | | 33,489,536 | | 30,090,902 |
| Funds | | | | | |
| Restricted | 14 | | 2,905,546 | | 3,559,067 |
| Unrestricted | 14 | | 30,583,990 | | 26,531,835 |
| | | | 33,489,536 | | 30,090,902 |

The financial statements were approved and authorised for issue by the Board of Trustees on 24 September 2013, and signed on their behalf by:

Trustee

ALTERNATIVE FUTURES GROUP LIMITED

CASH FLOW STATEMENT

For the year ended 31 March 2013

| | Note | 2013 £ | 2013 £ | 2012 £ | 2012 £ |
|---|------|--------------------|---------------------------|----------------|---------------------------|
| Net cash outflow from operating activities | 16 | | (4,115,957) | | (136,733) |
| Returns of investments and servicing of finance | | | | | |
| Interest received | | 170,658 | | 163,368 | |
| Dividend received | | 210,251 | | <u>160,205</u> | |
| Net cash inflow from returns on Investments and servicing of finance | | | 380,909 | | 323,573 |
| Capital expenditure and Financial Investment | | | | | |
| Purchase of tangible fixed assets | | (521,233) | | (784,074) | |
| Proceeds from sale of fixed assets | | 1,064,000 | | - | |
| Purchased fixed asset investments | | (1,903,365) | | (3,493,811) | |
| Proceeds from sale of fixed asset investments | | 1,919,728 | | <u>795,321</u> | |
| Net cash outflow from capital expenditure | | | 559,130 | | <u>(3,482,564)</u> |
| Financing | | | | | |
| Repayment of borrowing | | | - | | (3,357) |
| (Decrease) / Increase in cash | 17 | | <u>(3,175,918)</u> | | <u>(3,299,081)</u> |

The accompanying accounting policies and notes form an integral part of these financial statements

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

1 INVESTMENT INCOME

| | 2013 £ | 2012 £ |
|---|----------------|----------------|
| Dividends - UK equities | 85,940 | 59,360 |
| Dividends - Overseas equities | 76,080 | 62,363 |
| Dividends - Other | 48,231 | 38,482 |
| Interest - UK fixed interest securities | 157,137 | 142,854 |
| Interest on cash deposits | 13,521 | 20,514 |
| | <u>380,909</u> | <u>323,573</u> |

2 ANALYSIS OF RESOURCES EXPENDED

| | Direct Staff costs £ | Direct Other costs £ | Support costs £ | Total 2013 £ | Total 2012 £ |
|-------------------------------------|----------------------------|----------------------------|-----------------------|--------------------|--------------------|
| Charitable expenditure | | | | | |
| Provision of support and care | | | | | |
| Supported Living | 34,238,636 | 1,050,341 | 4,858,236 | 40,147,213 | 41,502,675 |
| Independent Hospitals | 4,610,277 | 2,998,867 | 980,633 | 8,589,777 | 7,813,342 |
| Adult Care Homes | 1,909,174 | 480,066 | 278,132 | 2,667,372 | 1,586,039 |
| Adult Care Homes with Nursing | 491,732 | 373,010 | 102,432 | 967,174 | 2,646,379 |
| Total Charitable Expenditure | 41,249,819 | 4,902,284 | 6,219,433 | 52,371,536 | 53,548,435 |
| Redundancy costs | (416,335) | - | - | (416,335) | 6,287,034 |
| Legal charge buyout | - | - | 409,064 | 409,064 | - |
| Investment management costs | - | - | 63,176 | 63,176 | 61,837 |
| Governance costs | - | - | 168,414 | 168,414 | 106,851 |
| Total | <u>40,833,484</u> | <u>4,902,284</u> | <u>6,860,087</u> | <u>52,595,855</u> | <u>60,004,157</u> |

Support costs can be broken down as follows:

| | 2013 £ | 2012 £ |
|---|------------------|------------------|
| Finance | 537,132 | 565,128 |
| Administration | 424,533 | 383,916 |
| Human resources & training | 1,706,632 | 1,611,167 |
| Service development | 473,812 | 434,811 |
| Information, communication & technology | 576,648 | 578,492 |
| Executive | 1,441,624 | 957,865 |
| Premises | 1,059,052 | 834,276 |
| Investment management costs | 63,176 | 61,837 |
| Legal charge buyout | 409,064 | - |
| Redundancy costs | - | 73,000 |
| Governance costs | 168,414 | 106,851 |
| | <u>6,860,087</u> | <u>5,607,343</u> |

Governance costs relate to the direct costs associated with the effective governance of the charity. These include audit fees of £118,907 (2012 £96,911), Trustee development £21,018 (2012 £nil), Trustee recruitment £2,065 (2012 £nil) and professional indemnity insurance £8,480 (2012 £7,026).

Staff costs included within support costs amount to £3,829,654.

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

Total resources expended include:

| | 2013 | 2012 |
|---|-------------------------|-------------------------|
| | £ | £ |
| External audit remuneration | 43,255 | 37,087 |
| Other services provided by Baker Tilly Tax and Accounting Limited | 8,400 | - |
| Depreciation and amortisation: | | |
| Tangible fixed assets, owned | 700,769 | 739,025 |
| Impairment of properties | 42,230 | 30,000 |
| Operating leases: | | |
| Hire of plant and equipment | 155,670 | 168,455 |
| Property leases | 96,977 | 76,301 |
| Pension contributions | <u>1,305,728</u> | <u>1,698,399</u> |

3 EXCEPTIONAL ITEM

As a result of the modernisation of the workforce undertaken in the last financial year, an amount of £416,335 has been written back as no longer required with a balance of £21,952 being carried forward to meet payments provided for last year which had yet to be paid out by 31 March 2013. The balance carried forward will be utilised in April 2013 (see note 13).

During the year Alternative Futures Group purchased the legal charges of £409,064 secured by Wirral PCT on 6 Wirral properties of £409,064. These properties were subsequently sold to a third party during the year.

4 EMPLOYEES

Staff costs during the year were as follows:

| | 2013 | 2012 |
|-----------------------|--------------------------|--------------------------|
| | £ | £ |
| Wages and salaries | 40,619,880 | 48,205,869 |
| Social security costs | 3,147,492 | 3,769,513 |
| Other pension costs | <u>1,307,102</u> | <u>1,698,399</u> |
| | <u>45,074,474</u> | <u>53,673,781</u> |

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

| | 2013 | 2012 |
|--|--|---------------------------------|
| | Number of full time equivalents | Number of full time equivalents |
| Care and support staff | 1,787 | 1,838 |
| Management and administration of the charity | 7 | 8 |
| | <u>1,794</u> | <u>1,846</u> |

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

The emoluments of higher-paid employees fell within the following ranges:

| | 2013 | 2012 |
|----------------------|-----------------|-----------------|
| | Number | Number |
| £70,001 to £80,000 | 3 | 5 |
| £80,001 to £90,000 | 1 | - |
| £90,000 to £100,000 | 1 | - |
| £110,00 to £120,000 | 1 | 2 |
| £170,000 to £180,000 | 1 | 1 |
| | <u>7</u> | <u>8</u> |

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

| | 2013 | 2012 |
|--|-------------------------|-------------------------|
| | £ | £ |
| Pension contributions to money purchase schemes | 238,092 | 188,678 |
| Pension contributions to defined benefit schemes | <u>1,074,010</u> | <u>1,476,721</u> |
| | <u>1,312,102</u> | <u>1,665,399</u> |

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

| | 2013 | 2012 |
|------------------------|-------------------|-------------------|
| | Number | Number |
| Money Purchase Scheme | 73 | 75 |
| Defined Benefit Scheme | 238 | 428 |
| | <u>311</u> | <u>503</u> |

During the year four higher paid employees (2012: four) participated in a money purchase pension scheme. Contributions for the higher paid employees were £72,050 (2012:£69,882).

Two higher paid employees (2012: three) 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.

One of the higher paid employees (2012: one) was not in the pension scheme.

5 PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

The Chairman received remuneration in the year of £15,000, as allowed per Memorandum and Articles of Association and agreement from the Charity Commission in June 2011. No other person 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. No trustees were paid any pension contributions. Travelling expenses were reimbursed in the year to Mrs Helena Culshaw £57 (2012: £344), Mrs Sylvia Smith £697 (2012: £nil), Ms Angela Phillips £168 (2012: £nil), Ms Christine Hannah £218 (2012: £nil), Mr Roy Barker £nil (2012: £381) and Mr Doug Haynes £767 (2012: £nil).

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

6 TANGIBLE FIXED ASSETS

| | Freehold land and buildings £ | Furniture & equipment £ | Motor vehicles £ | Total £ |
|--------------------------------------|-------------------------------------|----------------------------------|------------------------|--------------------------|
| Cost | | | | |
| At 1 April 2012 | 21,026,690 | 2,159,326 | 11,495 | 23,197,511 |
| Additions | 355,538 | 165,694 | - | 521,232 |
| Disposals | (1,115,120) | (46,200) | - | (1,161,320) |
| Assets transferred to current assets | (249,792) | - | - | (249,792) |
| At 31 March 2013 | <u>20,017,316</u> | <u>2,278,820</u> | <u>11,495</u> | <u>22,307,631</u> |
| Depreciation | | | | |
| At 1 April 2012 | 2,198,262 | 1,199,930 | 11,495 | 3,409,687 |
| Provided in the year | 315,075 | 385,694 | - | 700,769 |
| Disposals | (322,119) | (31,784) | - | (353,903) |
| Assets transferred to current assets | (129,792) | - | - | (129,792) |
| Impairment | 42,230 | - | - | 42,230 |
| At 31 March 2013 | <u>2,103,656</u> | <u>1,553,840</u> | <u>11,495</u> | <u>3,668,991</u> |
| Net book amount at 31 March 2013 | <u>17,913,660</u> | <u>724,980</u> | <u>-</u> | <u>18,638,640</u> |
| Net book amount at 31 March 2012 | <u>18,828,428</u> | <u>959,396</u> | <u>-</u> | <u>19,787,824</u> |

The value of land held within freehold land and buildings amounts to £5,098,901 (2012: £5,564,255) and is not depreciated.

7 FIXED ASSET INVESTMENTS

Fixed asset investments are held to provide an investment return

| Listed Investments | 2013 £ | 2012 £ |
|---|--------------------------|-------------------|
| Market Value brought forward at 1 April | 11,392,242 | 8,692,179 |
| Add: additions to investments at cost | 1,903,365 | 3,493,812 |
| Disposals at carrying value | (1,919,728) | (795,321) |
| Add net gain on revaluation | 1,176,964 | 1,572 |
| Market value as at 31 March | <u>12,552,843</u> | <u>11,392,242</u> |
| Historical cost at 31 March | 10,896,197 | 10,891,024 |

| Investments at market value comprised: | 2013 £ | 2012 £ |
|--|--------------------------|-------------------|
| Equities | 7,804,196 | 6,800,532 |
| Fixed interest securities | 4,253,641 | 4,085,948 |
| Property | 495,006 | 505,762 |
| Total | <u>12,552,843</u> | <u>11,392,242</u> |

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

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

| | |
|----------------------------------|------------------|
| iShares Index Linked | 1,655,109 |
| Baillie Gifford Corporate Bond | 1,316,071 |
| M&G Corporate Bond | 1,282,461 |
| Artemis Income UK Equity | 1,061,777 |
| Newton UK Equity | 856,543 |
| Veritas Global Equity | 815,642 |
| Franklin Templeton Global Equity | 709,305 |
| Sarasin Equisar Global Equity | 667,416 |
| Baillie Gifford Global Equity | 663,742 |

8 STOCK

Stock held at the end of the year represents catering supplies at the Independent Hospitals.

9 ASSETS HELD FOR SALE

| | 2013 £ | 2012 £ |
|-------------------------------|----------------|----------------|
| Balance at 1 April 2012 | 350,000 | 380,000 |
| Transferred from fixed assets | 120,000 | - |
| Impairment | 0 | (30,000) |
| Balance as at 31 March 2013 | <u>470,000</u> | <u>350,000</u> |

Assets due to be sold in the next 12 months include The Lindens office property at a net book value of £120,000, and Newlands property at a net book value of £350,000 (2012: £350,000). The Lindens office property was written down to expected sale value and transferred from fixed assets in the year.

10 DEBTORS

| | 2013 £ | 2012 £ |
|---------------------------|------------------|------------------|
| Accrued and sundry income | 1,115,915 | 2,071,431 |
| Operating debtors | 4,146,695 | 2,767,253 |
| Prepayments | 457,659 | 421,183 |
| | <u>5,720,269</u> | <u>5,259,867</u> |

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2013 £ | 2012 £ |
|--|------------------|------------------|
| Operating creditors | 1,968,979 | 2,759,292 |
| Social security and other taxes | 764,812 | 890,191 |
| Other creditors and accruals | 855,774 | 536,520 |
| Deferred income - benefits and revenue grants income | 1,425,568 | 659,040 |
| | <u>5,015,133</u> | <u>4,845,043</u> |

Included in operating creditors is an amount of £102,056 (2012: £179,250) due to pension schemes which was paid subsequent to the year end.

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

12 DEFERRED INCOME

| | 2013 £ | 2012 £ |
|--|------------------|----------------|
| Balance at 1 April 2012 | 659,040 | 761,568 |
| Amounts released to incoming resources | (659,040) | (761,568) |
| Amounts deferred in the year | <u>1,425,568</u> | 659,040 |
| Balance at 31 March 2013 | <u>1,425,568</u> | <u>659,040</u> |

Deferred income relates to timing (amounts charged in March 2013 relating to April 2013) of £358,167 and £1,067,401 relating to timing differences between what has been invoiced and commissioned.

13 PROVISIONS FOR LIABILITIES AND CHARGES

| | 2013 £ | 2012 £ |
|--------------------------------|---------------|------------------|
| Balance at 1 April 2012 | 6,415,768 | 2,961,502 |
| Provision utilised in year | (5,977,481) | (2,832,768) |
| Provision no longer required | (416,335) | (43,966) |
| Provision required in the year | <u>-</u> | 6,331,000 |
| Balance at 31 March 2013 | <u>21,952</u> | <u>6,415,768</u> |

The balance of the provision of £21,952 for the modernisation programme review relates to a final payment that has been made in April 2013.

14 MOVEMENT IN FUNDS

| | At 1 April 2012 £ | Incoming Resources £ | Resources Expended £ | Transfer £ | Gain on investment assets £ | FRS 17 Adjustment £ | At 31 March 2013 £ |
|----------------------------|-------------------------|----------------------------|----------------------------|---------------|--------------------------------------|---------------------------|--------------------------|
| Restricted Funds: | | | | | | | |
| Gifted properties | 3,559,067 | - | (479,857) | (173,664) | - | - | <u>2,905,546</u> |
| Total Restricted Funds | 3,559,067 | - | (479,857) | (173,664) | - | - | <u>2,905,546</u> |
| Unrestricted Funds: | | | | | | | |
| Unrestricted Funds | 26,531,835 | 55,064,526 | (52,115,998) | 173,664 | 1,176,963 | (247,000) | <u>30,583,990</u> |
| Total funds | <u>30,090,902</u> | <u>55,064,526</u> | <u>(52,595,855)</u> | <u>-</u> | <u>1,176,963</u> | <u>(247,000)</u> | <u>33,489,536</u> |

Purpose of Restricted Fund

Restricted funds represent the book value of properties held, which are subject to a legal charge. The transfer of £173,664 from restricted funds to unrestricted funds represents the alignment of restricted reserves to reflect the original cost and accumulated depreciation to date of the restricted properties held.

ALTERNATIVE FUTURES GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2013

15 ANALYSIS OF NET ASSETS BETWEEN FUNDS

| | Unrestricted Funds £ | Restricted Funds £ | 2013 Total £ |
|--------------------------|----------------------------|--------------------------|--------------------------|
| Tangible fixed assets | 15,733,094 | 2,905,546 | 18,638,640 |
| Investments | 12,552,843 | - | 12,552,843 |
| Other current assets | 7,890,138 | - | 7,890,138 |
| Liabilities | (5,037,085) | - | (5,037,085) |
| Pension scheme liability | (555,000) | - | (555,000) |
| Net assets | <u>30,583,990</u> | <u>2,905,546</u> | <u>33,489,536</u> |

16 RECONCILIATION OF CHANGES IN RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2013 £ | 2012 £ |
|--|---------------------------|------------------|
| Net incoming/(outgoing) resources | 3,398,634 | (4,518,633) |
| Depreciation | 700,769 | 739,025 |
| Impairment | 42,230 | 30,000 |
| Increase in stock | (1,007) | (23,984) |
| Increase in debtors | (460,402) | (486,567) |
| (Decrease) / Increase in creditors | 170,089 | 735,731 |
| (Decrease) / Increase in provisions | (6,393,816) | 3,454,266 |
| FRS 17 SOFA charges | (5,000) | 33,000 |
| (Profit)/Loss on sale of fixed assets | (256,582) | 574 |
| Net interest (received) | (380,909) | (323,573) |
| Unrealised gain on fixed asset investments | (1,118,518) | (113,240) |
| Realised gain on fixed asset investments | (58,445) | 111,668 |
| Actuarial loss on pension scheme | 215,000 | 225,000 |
| Asset fund derecognised | 32,000 | - |
| Net cash outflow from operating activities | <u>(4,115,957)</u> | <u>(136,733)</u> |

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2013 £ | 2012 £ |
|------------------------------|-------------------------|------------------|
| Decrease in cash in the year | (3,175,918) | (3,299,081) |
| Cash outflow from financing | - | 3,357 |
| Net funds at 1 April 2012 | <u>4,850,796</u> | <u>8,146,520</u> |
| Net funds at 31 March 2013 | <u>1,674,878</u> | <u>4,850,796</u> |

18 ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 April 2012 £ | Cash Flows £ | At 31 March 2013 £ |
|--------------|-------------------------|---------------------------|--------------------------|
| Cash at bank | <u>4,850,796</u> | <u>(3,175,918)</u> | <u>1,674,878</u> |
| | <u>4,850,796</u> | <u>(3,175,918)</u> | <u>1,674,878</u> |

19 RETIREMENT BENEFITS

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

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- 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 7% 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. As a result 5 year comparative data is not available. The figures cover the period from 1 April 2010 to 31 March 2013 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.

The Balance Sheet and other disclosures as at 2013 are based on actuarial valuations as at 31 March 2013.

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| Key assumptions used: | Total of pension Schemes 2013 % | Total of pension Schemes 2012 % |
|-----------------------------------|--|---|
| Discount rate | 4.4 | 5.0 |
| Expected return on plan assets | | |
| Equities | 6.7 | 6.9 |
| Bonds | 3.4 | 3.7 |
| Property | 5.3 | 5.7 |
| Cash | 1.0 | 1.1 |
| Other | 5.6 | 5.6 |
| Rate of inflation | 2.4 | 2.6 |
| Expected rate of salary increases | 4.4 | 4.5 |
| Future pension increases | 2.5 | 2.6 |

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

| | 2013 Years | 2012 Years |
|--------|-----------------------|---------------|
| Male | 21.7 | 21.4 |
| Female | 24.4 | 24.0 |

The average life expectancy for a pensioner retiring at 65, aged 45 at the balance sheet date:

| | | |
|--------|-------------|------|
| Male | 23.6 | 23.0 |
| Female | 26.4 | 25.7 |

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 income statement in respect of these defined benefit schemes are as follows:

| | Total of pension schemes 2013 £'000 | Total of pension schemes 2012 £'000 |
|----------------------------------|--|---|
| Current service cost | 122 | 153 |
| Interest cost | 202 | 200 |
| Expected return on scheme assets | (208) | (233) |
| Curtailments | - | 31 |
| | <u>116</u> | <u>151</u> |

Of the charge for the period, a credit of £5,000 has been included in administrative expenses. Actuarial gains and losses are reported in the statement of financial activities. The loss recognised in 2013 was £215,000 (2012: £225,000 loss). In addition this year

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a cost of £nil (2012: £31,000) has been recognised in relation to the effect of curtailment.

An additional loss of £32,000 has been included in the Statement of Financial Activities this year in relation to the asset in the Greater Manchester 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 £443,000 (2012: £47,000) for Lancashire County Pension Fund and £109,000 (2012: £11,000) 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 2013 £'000 | TOTAL 2012 £'000 |
|---|---------------------------------|------------------------|
| Fair value of scheme assets | 4,266 | 3,626 |
| Present value of defined benefit obligations | (4,789) | (3,939) |
| (Deficit) in scheme | (523) | (313) |
| Asset on Greater Manchester scheme derecognised in year | (32) | - |
| (Liability) recognised in balance sheet | (555) | (313) |

Analysis for reporting purposes:

| | TOTAL 2013 £'000 | TOTAL 2012 £'000 |
|-------------------------|---------------------------------|------------------------|
| Non-current assets | - | 71 |
| Current assets | - | - |
| Current liabilities | - | - |
| Non-current liabilities | (555) | (384) |
| | (555) | (313) |

Of the defined benefit plan obligations, £nil relates to unfunded schemes.

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

| | TOTAL 2013 £'000 | TOTAL 2012 £'000 |
|------------------------------------|---------------------------------|------------------------|
| At start of period | 3,940 | 3,590 |
| Current service cost | 122 | 153 |
| Past service cost | - | - |
| Interest cost | 202 | 200 |
| Actuarial gains and losses | 557 | 48 |
| Contributions by plan participants | 41 | 53 |
| Curtailements | - | 31 |
| Benefits paid | (73) | (135) |
| At end of period | 4,789 | 3,940 |

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

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| | TOTAL 2013 £'000 | TOTAL 2012 £'000 |
|----------------------------------|---------------------------------|------------------------|
| At start of period | 3,626 | 3,535 |
| Expected return on scheme assets | 208 | 233 |
| Actuarial gains and losses | 342 | (177) |
| Employer contributions | 121 | 117 |
| Member contributions | 41 | 53 |
| Benefits paid | (72) | (135) |
| At end of period | <u>4,266</u> | <u>3,626</u> |

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

| | Total of pension schemes | | Total of pension schemes | |
|--------------------|----------------------------------|---|--------------------------|----------------------------------|
| | Expected Return % | Fair value of assets £'000 | Expected Return % | Fair value of assets £'000 |
| | 2013 | 2013 | 2012 | 2012 |
| Equity instruments | 6.7 | 2,731 | 6.8 | 2,193 |
| Government bonds | 3.0 | 415 | 3.5 | 278 |
| Other bonds | 3.9 | 586 | 4.1 | 432 |
| Property | 5.5 | 360 | 5.8 | 325 |
| Cash /liquidity | 1.3 | 171 | 1.3 | 196 |
| Other assets | 7.0 | 3 | 7.0 | 202 |
| | | <u>4,266</u> | | <u>3,626</u> |

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 market 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 2013

| | |
|---------------------|----------------------------|
| Equities | 7.00% |
| Government Bonds | 2.80% |
| Other Bonds | 3.90% |
| Property | 5.70% |
| Cash/current assets | 0.50% |
| Other | Dependent on type of asset |

Greater Manchester Pension Fund:

Basic principle

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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 2013

| | |
|----------|-------|
| Equities | 5.70% |
| Bonds | 3.50% |
| Property | 3.90% |
| Cash | 3.00% |

The history of experience adjustments is as follows:

| | Total of pension Schemes 2013 | Total of pension Schemes 2012 | Total of pension Schemes 2011 | Total of pension Schemes 2010 | Total of pension Schemes 2009 |
|--|--------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Present value of defined benefit obligations | (4,789) | (3,939) | (3,590) | (3,933) | (2,306) |
| Fair value of scheme assets | 4,266 | 3,626 | 3,535 | 3,517 | 2,466 |
| (Deficit) / surplus in scheme | (523) | (313) | (55) | (416) | 160 |
| Experience adjustments on scheme liabilities | - | - | - | - | - |
| Experience adjustments on scheme assets | 342 | (177) | (383) | 694 | (281) |

The estimated amounts of contributions expected to be paid to the schemes during the financial period ending 31 March 2014 are £67,000 (2013 £89,000) in respect of Lancashire County Pension Fund and £15,000 (2013 £30,000) in respect of Greater Manchester Pension Fund.

20 LEASING COMMITMENTS

The amounts payable in respect of operating leases shown below are analysed according to the expiry of the leases as follows:

| | Land and buildings | Other | Total | Total |
|----------------------------|---------------------------|----------------|----------------|--------------|
| | 2013 | 2013 | 2013 | 2012 |
| | £ | £ | £ | £ |
| In one year or less | 85,154 | 32,384 | 117,538 | 66,229 |
| Between two and five years | <u>10,344</u> | <u>73,934</u> | 84,278 | 136,029 |
| | <u>95,498</u> | <u>106,318</u> | 201,816 | 202,258 |

21 TAXATION

The charitable company, as a registered charity, is exempt from mainstream Corporation Tax.

22 LIABILITY OF MEMBERS

The company is a company limited by guarantee and in the event of winding up the liability of individual members is a maximum of £1.