

HF Trust Limited

**Annual Report and Consolidated Financial Statements
for the year ended 31 March 2018**

Company Registration No. 734984
Charity Registration No. 313069

REFERENCE AND ADMINISTRATIVE DETAILS

| | |
|---------------------------------|---|
| ROYAL PATRON | HRH The Princess Royal |
| TRUSTEES | Baroness Judith Jolly (Chairman) Simon Llewellyn (Vice Chairman) Amanda Bunce (<i>appointed 1.2.18</i>) Ian Cooper Madeleine Cowley Nigel Doggett (<i>resigned 20.10.17</i>) Prof Anthony Holland CBE Simon Jones (<i>appointed 20.10.17</i>) Barbara McIntosh (<i>resigned 01.07.18</i>) Martin Taylor Dr Rowena Tye OBE John Waite (<i>resigned 20.10.17</i>) Ros Wells Werner White (<i>appointed 20.10.17</i>) |
| EXECUTIVE MANAGEMENT | Robert Longley-Cook (<i>Chief Executive</i>) Hilary Crowhurst (<i>Executive Director of Operations and Development</i>) Chris Hughes (<i>Executive Director of Environments</i>) Louisa McCann (<i>Executive Director of Finance and Company Secretary</i>) Jacqui Roynon (<i>Executive Director of People and Communications</i>) Emma Sambrook (<i>Director of Fundraising</i>) |
| PRINCIPAL BANKERS | Lloyds TSB Bank plc Canons House Canons Way Bristol BS1 5LL |
| AUDITORS | RSM UK Audit LLP 25 Farringdon Street London EC4A 4AB |
| SOLICITORS | TLT Solicitors 1 Redcliff Street Bristol BS1 6TP |
| INVESTMENT MANAGERS | Investec 2 Gresham Street London EC2V 7QN |
| REGISTERED OFFICE | 5/6 Brook Office Park Folly Brook Road Emerson's Green Bristol BS16 7FL |
| REFERENCE DETAILS | HF Trust Limited often uses the abbreviation "Hft". The company is registered charity number 313069. The company is registered in England and Wales as company number 734984. |
| WEBSITE | Website address is: www.hft.org.uk |

REPORT OF THE COUNCIL

The Council submits its Annual Report and the Financial Statements for the year ended 31 March 2018.

The annual report and financial statements have been prepared in accordance with the requirements of the Companies Act 2006, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), Statement of Recommended Practice 'Accounting and Reporting by Charities' ('FRS102'), and the Charities Act 2011.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and status

HF Trust Limited ("Hft") is a company limited by guarantee and is registered in England and Wales under Registration No. 734984. It is also a registered charity and its charity registration No. is 313069. The company's governing document is the Memorandum and Articles of Association, dated 29 October 2016. Hft is a membership organisation and the liability of each member is £1. Trustees of Hft are either elected or nominated from the membership and members of the Council of Trustees are the Directors of the Company.

Organisational structure and governance

Council

The Council is made up of the Trustees of Hft appointed from the membership.

There are two categories of Trustee:-

- a) Elected:** A minimum of four and a maximum of seven members are elected by the members of Hft to serve as Elected Trustees for a maximum of two three year terms. An Elected Trustee must then take a break from office until the AGM following the AGM at which his or her second period of office concluded and may only be elected for a third period of office with the agreement of the Chair and the unanimous consent of Council.
- b) Nominated:** A minimum of four and a maximum of seven members can be appointed by the Council for their expertise to serve for a maximum of two three year terms. A Nominated Trustee must then take a break from office for a period of one year following the conclusion of his or her second period of office of three years and may only be appointed for a third or further period of office with the agreement of the Chair and the unanimous consent of the Council.

In addition, a member can be co-opted by Council to fill a Trustee vacancy during the year. Co-opted Trustees, if they wish to continue, have to either seek election at the first Annual General Meeting after their appointment or shall be eligible for appointment as a Nominated Trustee by the Council following such Annual General Meeting.

The total number of Trustees cannot be less than eight or more than fourteen. The Council of Trustees meets at least 4 times a year, and also holds an Annual General Meeting for members. The Executive Management team members also attend the Council meetings, together with other members of the senior staff management team as appropriate.

Trustees cannot also be members of staff and Trustees do not receive any remuneration or any other benefits from Hft other than payment of reasonable expenses.

Council Committees

The Council of Trustees delegates some of its powers and functions to standing Committees, each of which covers specific aspects of the Trust's work.

Each Committee has its own terms of reference, and their reports and minutes are standing agenda items for the main Council meetings. Each Committee is chaired by a Trustee and includes appropriate members of the senior executive management. The Committees are as follows:

Operations Committee – meets at least four times a year

- Reviews current and proposed Government policy, standards and practice relevant to Hft's operations
- Monitors the overall quality of the services delivered by Hft
- Reviews all aspects of Hft's resources, finances, properties, investments and people
- Oversees Hft's marketing strategy in response to the changing demands of the marketplace in which we operate
- Oversees the current and proposed developments in Hft, and ensures Hft's on-going financial stability
- Reviews all aspects of the Trust's fundraising strategy and operations

Nominations, Governance and Remuneration Committee – meets at least three times a year

- Ensures that Hft has an up to date governance model, which maximises the overall effectiveness of the Trust
- Responsible for the recruitment, evaluation, induction and on-going training of Trustees, with a prime objective of ensuring an appropriate balance of skills and experience on the Council of Trustees. All new Trustees undergo a detailed induction programme and sign up to a Trustees' Code of Conduct. Trustees participate in the detailed work of the Council's committees in line with their skills and experience
- Regularly assesses on-going Trustee training needs and ensures these are met accordingly
- Reviews and determines the remuneration levels of the senior management of the Trust by regularly benchmarking remuneration levels with other similar organisations.

Audit & Risk Committee – meets at least three times a year

- Responsible for reviewing Hft's Annual Report and Financial Statements prior to their approval by Council
- Oversees Hft's relationship with the external auditors
- Responsible for ensuring that Hft has adequate and appropriate systems of financial control
- Oversees internal audit and risk management both financial and non-financial
- Reviews and updates Hft's risk register in detail regularly

VtbH@Council ("Voices to be heard at Council") – meets at least three times a year

This Committee is comprised of three Trustees together with representatives from each Division of the Voices to be Heard groups and involves members of the Executive management team as appropriate. Two Trustees are permanent members of the Committee and one place is "revolving" so a different Trustee attends each meeting.

It has a joint chair – one Trustee nominated by Council and one person supported by Hft nominated by the National Voices to be Heard Group. It receives items for discussion which have been brought forward from local and regional meetings of Voices to be Heard groups and reports directly to Council. This Committee ensures that the voices and opinions of the people we support are at the centre of our governance and decision making. Representatives from this Committee are supported to attend Council meetings to give a presentation on items which the Committee decide are currently of importance to them and which then inform Council's strategy decisions.

Other committees and working parties are established from time to time, in order to address specific issues (for example pensions and investments).

The Trustees who have served on Council and its Committees during the financial year and at the date of this report are as follows:

| Name | Committees | Status | Date last appointed/(left) |
|---------------------------------------|------------|-----------|------------------------------|
| Baroness Judith Jolly <i>Chairman</i> | - | Nominated | 29 January 2016 |
| Simon Llewellyn <i>Vice-Chairman</i> | N | Nominated | 22 September 2015 |
| Amanda Bunce | - | Nominated | 1 February 2018 |
| Ian Cooper | O, A | Nominated | 23 July 2016 |
| Madeline Cowley | O, N, V | Elected | 26 September 2015 |
| Nigel Doggett | N | Elected | 26 September 2015 (20.10.17) |
| Prof Anthony Holland CBE | O | Nominated | 23 July 2016 |
| Simon Jones | O, A | Elected | 20 October 2017 |
| Barbara McIntosh | N, V | Nominated | 20 June 2015 (01.07.18) |
| Martin Taylor | N | Nominated | 23 July 2016 |
| Dr. Rowena Tye OBE | O, A | Elected | 26 September 2015 |
| John Waite | O, A | Elected | 26 September 2015 (20.10.17) |
| Ros Wells | A | Elected | 26 September 2015 |
| Werner White | O | Elected | 20 October 2017 |

Key to Committees:

N = Nominations, Governance & Remuneration Committee

A = Audit & Risk Committee

V = VtbH@Council

O = Operations Committee

Operational structure

For day to day operational management, Hft is split into 2 Operating Divisions: Service Operations and Fundraising & Trading.

Related parties and subsidiaries

At the balance sheet date and throughout the year, Hft had two active wholly owned subsidiary companies, which are both incorporated in the United Kingdom. Hft Trading Limited undertakes non-primary purpose trading activities, whilst Hft Property Limited develops property to provide residential accommodation for people with learning disabilities.

In addition, Hft is the parent company of Luv2meetU Community Interest Company, which is incorporated in the United Kingdom and undertakes the activities of the friendship agencies which were previously operated under the “Stars in the Sky” franchise.

STRATEGIC REPORT OBJECTIVES, ACTIVITIES AND PUBLIC BENEFIT

Aims and objectives

Hft's principal objectives, as stated in the Memorandum and Articles of Association, are as follows:

- To enable and support people with learning disabilities to experience fulfilling lives in ways which maximise their involvement in the community and participation as citizens, and to exercise choice.
- To offer advice to and support for those who care for people with learning disabilities.

Principal activities

The principal activities of Hft in support of these objectives are as follows:

- Day to day care, support and personal development of adults with learning disabilities. Hft is delivering care packages supporting over 2,900 people with learning disabilities in a variety of ways. Hft provides care and support in over 450 locations across the UK. Services are designed and delivered in accordance with each person's individual care plan, and include registered care, supported living care, day services, domiciliary care and other services.
- We deliver care through providing personalised care packages based on our "Fusion" Model of Support. At the centre of the model, and everything we do, are the people we support and our commitment to a person centred active support approach. Everything we do is based on their view of what a 'best life possible' looks like; all the support we offer is aimed at helping them to live with more independence and choice. Surrounding the people we support in the model are eight segments that reflect everything we believe is necessary for providing excellent person-centred support. These segments also include some of the ethical and moral things that we want to do when providing services. Supporting these segments are three important themes: 'care about' runs through everything we do ensuring we provide 'quality' services that are 'continually improving'.
- Most of our operations are now based in smaller community based supported living services and individualised flexible services funded by personal budgets. We are continuing to review the position of our remaining campus sites to ensure we have robust plans for the future.
- We are increasing our service provision for those with more complex needs and challenging behaviour, alongside our traditional model of providing services for people with low to moderate needs.
- We actively engage the support and encourage the involvement of family members in developing and delivering services. Furthermore, we have developed a local and national support network for carers of people with learning disabilities. The Family Carer Support Service (FCSS) is available for any carer to access (free of charge), and provides online and telephone help, support and signposting for carers, together with other resources, such as guides to new care legislation and guides to state benefit changes.
- Hft is exploring new, transformational models of care to ensure that services for people who have challenging behaviour achieve evidenced outcomes and are financially sustainable. We are now into the second year of the formal pilot of our Expert Practitioner Model which involves innovative ways of service delivery.

Public benefit

Hft's Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing Hft's aims and objectives, and in developing plans for future activities.

Hft is committed to using a combination of fundraised money and reserves in order to fund the vital charitable services and projects which are provided, over and above the day to delivery of care services on behalf of local authorities.

The 3 principal projects which fall under the "charitable projects" umbrella are the Family Carer Support Service (see above); the Personalised Technology Project and the Luv2meetU project (see note 6).

Modern Slavery Statement

The Modern Slavery Act 2015 came into force on 29 October 2015 and introduced changes in UK law focused on increasing transparency in recruitment and supply chains. It sets out a duty on larger organisations to publicly report steps they have taken to ensure their operations and supply chains are trafficking and slavery free. As such any organisation, including charities, which supply goods or services and have a minimum annual turnover of £36 million, are required to produce an annual Anti-Slavery and Human Trafficking Statement that is approved at the highest level in the organisation and is made available on the organisation's website. Our statement can be found at www.hft.org.uk/ModernSlaveryActStatement.

ACHIEVEMENTS AND PERFORMANCE

Strategic plan and key drivers

Hft's aspiration is to be a leading provider of adult learning disability services in the UK, particularly for those with the most complex and challenging needs. We want the best life possible for all of the people we support. This is despite the funding cuts we have faced. To achieve the best life possible we recognise that efficiency and productivity continue to be critical, that investment in staff training and technology are key enablers, and that ultimately a move towards outcome-based commissioning provides a route to long-term sustainability.

Our strategy is continuing to focus on growth opportunities – organic growth, strategic growth (services for people with complex needs and challenging behaviours, working with third party housing providers) and exploring opportunities for future sector consolidation.

Our strategic plan runs from 2013 to 2018 and will be refreshed in 2018.

The 2013-18 strategy is underpinned by 10 key drivers which we believe remain robust to the current Learning Disability sector environment, namely:

- **Responding to the needs of more people as the demand grows** - through organic growth, strategic growth and mergers
- **Delivery of “OneHft”** – consistently excellent service delivery in all parts of the organisation, underpinned by common values, purpose, high quality training, systems and processes, enabling staff to support everyone to achieve great outcomes, irrespective of their level of disability. The Fusion model is key to delivery of “OneHft”
- **Delivery of Fusion** – everyone we support should be supported through the Fusion model, with the individual and their needs and wishes at the centre.
- **Building capacity** – we need to build both organisational and staff capability and also appropriate environments (housing) to support more people with more complex needs and challenging behaviours.
- **Efficient central support** – cost effective and efficient central support services supporting operational teams to enable them to remain fully compliant and able to deliver the best outcomes for the people we support
- **Developing a caring performance culture** – using data, analysis and insight to empower decision making and optimise performance
- **Keeping on innovating** – investing in skills, models and technology to deliver greater wellbeing, independence, and improved health for the people we support. To maintain our leadership in personalised technology, and help the move towards outcomes based commissioning
- **Growing our charitable services/projects** – investing in services supporting those who have reduced or no funding, and helping carers to get advice
- **Fundraising** – continuing to fundraise in compliant and innovative ways to both support charitable services and investment in housing and technology
- **Developing Hft's voice** – we will be a strong advocate for those we support, and their families.

The loss we posted in 2016-17 accelerated our drive to reevaluate our business processes and systems and target further efficiencies in support and back office activities, whilst keeping focused on maintaining a 94% Good and Outstanding rating with CQC in our front line services.

We also faced some ongoing challenges in 2017-18:

- The National Living Wage (NLW) sleep-in issues remained unresolved and there was a lack of clarity around the implementation of a scheme from the Government to fund this
- Local Authority fees continue to be cut in real terms and in cash terms
- The introduction of the Apprenticeship Levy at 0.5% on employment costs further added to our staffing cost base, and again was unfunded by Local Authorities
- The increase in NLW to £7.83/hour was positive news for staff but, without similar increases in fees, this was a real challenge to service sustainability
- We faced an inability to keep differentials between grades of support worker which undermined morale
- We had to implement the third year of pay freeze in all non-service departments

Externally the key themes were funding and sleep-ins. Whilst the funding drought has been with us since 2010/11, we have unfortunately got to the point where we have had to look at handing back some of our services. Culturally this is totally at odds with how Hft has previously operated: to us, handing back contracts feels like ‘giving up’ on people we have supported for much of their lives. Yet the reality is that we have needed to do this, when funding is insufficient to run a service to our standard, to ensure that the whole organisation is sustainable for the majority of the people we support. This has led to a more robust approach to contracts and Local Authorities moving forward.

Sleep-ins, and the change in the interpretation of the law to mean that they need to be paid at NLW for 'each hour slept', continued to consume significant time and resource this year and Hft has continued to be at the cutting edge of this process. The upside of this is that we have built a depth of expertise that has allowed us to exert considerable influence on the direction and pace of the sector's engagement with this issue: one of ensuring a fair and equitable outcome for staff, those we support, the charity and the sector as a whole. Our reputation has grown as a result of this work: however, the downside has been the time commitment involved at a senior level within the organisation, both management and Trustees.

Considerable resources have been applied to the complex modelling of payments required as part of the self-correction agreed when we became one of the first providers to enter the Social Care Compliance Scheme in November 2017, as well as time invested working closely with HMRC and the Pension regulator to give both of them guidance on the payment methodology and rationale.

In order to ensure that Hft remains robust and sustainable going forward, we accelerated the sale of property assets and held back on investments in new services in order to ensure we had the funds to cover any liabilities.

A critical Appeals Court Judgement was still ongoing at 31 March 2018 and at that point we made a £4.84m provision to cover potential sleep-in back-payment commitments. In July 2018, the Court gave a Judgement that sleep-ins were not working time. Given this change in interpretation of the law, we have taken the decision to remove this provision but, as we do not have clarity from key Government departments – including HMRC – and there is the possibility of an appeal, we will retain the contingent liability and retain the resources on our balance sheet so as to ensure we are robust to any further changes. Once again, this means delaying investment in much needed services.

Despite the severity and scale of the funding and sleep-in issues, and the need for a Government led national solution, the political scene has been dominated by Brexit. Despite social care being clearly in crisis, there does not appear to have been the bandwidth in Westminster to address the issue: Social Care did not even get a mention in the Autumn Statement and the issue of sleep-ins, which clearly present an existential threat to the Learning Disability sector, has remained low on the ministerial agenda until the time of writing.

The labour market has been impacted by the implementation of the NLW in April 2016 which by April 2017 had increased wages to £7.50hr and further to £7.83 for the start of April 2018. An increase in inflation has also continued to squeeze the value of pay for everyone, particularly those at the lowest levels. With some Local Authorities still yet to fund the increase in the NLW, any differentials the care sector has managed to achieve have been reduced. This has added to the recruitment challenge that the whole sector faces due to low rates of funding for support workers.

For fundraising, scrutiny and regulation have further increased and whilst trust in charities had sunk significantly last year, we have been working hard to restore faith and confidence in Hft in advance of establishing new marketing plans. Rightly, this has demanded a complete review of how we fundraise, ensuring that we remain compliant with all new and existing legislation, which has necessarily impacted on our delivery this year.

In continuing to deliver against our Target Operating Model we have reviewed our systems and processes and challenged ourselves to review the type of support functions we want to be delivering in the future. This has been the start point for the Fusion Business (FusBiz) model of back office delivery and stands in support of our Fusion model of service delivery. This is a very positive move given how critical efficient systems and greater granularity of data and insight will be to deliver performance improvements in the future and the FusionBiz project is supported by a full programme team of specialist and cross functional personnel from within and outside the organisation.

In spite of the significant amount of non-service activity in the year we delivered a surplus from the service operations and a positive working capital result. In addition, we completed several large disposals of property, the funds from which were held to satisfy the estimated liability for the sleep-in back pay assessment. It is disappointing that these funds could have been used to start the proposed autism site in Essex and facilitate the move on from the Campus site in Oxford, creating more services for people with Learning Disabilities.

Whilst the above outlines significant challenges, there is much that we are celebrating.

- We continue to achieve excellent quality ratings, a critical aspect of the service we deliver to those we support.
- Our reputation as a provider of complex needs services has grown and the development of services in Lancashire for someone from Calderstones under the Transforming Care initiative is ready to go live
- The Expert Practitioner Model continues to gain traction with some key Local Authorities and we believe we have the opportunity to develop a game changing approach to delivering great outcomes for those with complex needs, in a sustainable way.

- The Gloucestershire campus move-on completed in October 2016. The Princess Royal opened the wonderful new service at Ryeford Court, and Oldends Lane is following that new tradition of offering exceptional and flexible personalised accommodation. We now have accommodation for everyone we supported in this region. November marked us finally vacating and subsequently selling Frocester Manor – the very first Hft ‘home’ and the Old Quarries site was vacated in November 2017.
- We have made significant improvements in how we manage the maintenance of our properties, and additionally have identified where we have been under-claiming housing benefits and we are now rectifying this.

Despite all of the challenges from the last year three things stand out:

Firstly, despite having to ask people to do more with less, and not being able to fully reward people in the way we would like to, we achieved Silver Investors in People (under the new, tougher ‘Generation 6’ framework). This is an excellent result and is an acknowledgement of both the work of our management teams and staff engagement via our Partnerships Forum, as well as our investment in everything from learning and development to Fusion and internal communications.

Secondly, our reputation as a provider who is evidence-driven, solution-focused, and confident to engage with the media has been widely acknowledged. We do now believe we are one of the recognised voices in the sector.

A final highlight is the transformation of our Governance structure and development of strong working relationships between the Trustees and Executive/Senior Management Team. At a time when the sector is facing unprecedented pressures, a relationship that challenges, supports and stretches the Senior Management Team is invaluable for the success of the charity.

Fundraising

In the year to 31 March 2018, Hft restructured the Fundraising Department to more closely align with Operations; giving the team closer access to the charity’s work for exploring external funding possibilities. We aim to comply with all standards set by the Fundraising Regulator and have a quarterly review to measure our compliance with them. The Trustee Operations Committee also reviews our fundraising activity at regular meetings to ensure we are acting responsibly within fundraising regulations particularly relating to vulnerable adults. They also monitor the performance of fundraising activity to ensure we deliver value for money for our donors. We value our relationship with supporters and donors and are therefore pleased that the year to 31 March 2018 saw only 14 complaints about our fundraising activity which is a reduction on the previous year.

On 30 April 2017 we received the assets of The Development Trust which included £0.7m in cash and the charges over properties owned by Mencap and a number of Local Authorities totalling £6.8m. The details of the assets are included in the ‘Income from the Development Trust’ note to the accounts (note 28).

We would like to express our thanks to the following organisations who have supported us in the year to 31 March 2018 as well as to those trusts and individuals who prefer not to be named:

ABF, The Soldiers’ Charity
The Alan Baillie Charitable Trust
The Albert Hunt Charitable Trust
The Bernard Sunley Charitable Foundation
The Big Lottery Fund
The Blair Foundation
CHK Charities Ltd
The Development trust
The David Thomas Charitable Trust
East Somerset Friends of Hft
The Eveson Charitable Trust
John Martin’s Charity
The Helen Roll Charity
The Princess Anne’s Charities Trust
The Simon and Elizabeth Batey Charitable Trust
St James’s Place Charitable Foundation
The Theodore Roussel Memorial Trust
West Chilton Friends of Hft
The Wolfson Foundation

People and Communications

In addition to ongoing challenges with NLW Sleep-Ins, recruitment and retention challenges we have been proactively engaged in the design, delivery and support of the FusionBiz transformation project recognising that new systems and processes must be supported by confident, trained and engaged employees. This ongoing change programme will deliver measurable benefits within the defined period as stated in the “by 2020” target statements.

We have continued to focus on attracting and retaining good quality staff during the year with the addition of Resource Coordinator roles to focus on recruitment in areas with particular issues and have seen positive results from this investment. Our staff turnover ratios are lower than sector averages which we attribute, in part, to the excellent training and support we provide to our employees, however, we still suffer the sector-wide pressure to use increasingly expensive agency staff.

At the start of April the NLW rose to £7.83, the increase of 4.4% took 56% of our key support staff into the NLW bracket and further reduced differentials with more senior support staff. We are working to drive efficiencies elsewhere in order to fairly reward our staff at all levels within the constraints of fees paid by Local Authorities which do not address the issue of differentials or wider costs of employing staff.

Considerable resource has been applied to the issue of NLW back pay on sleep-ins and we have modelled payments required as a part of the self-correction agreed when we entered the Social Care Compliance Scheme in November 2017 as well as working with HMRC, and the Pensions Regulator on the payment methodology and rationale.

We have worked during the year to understand how we are best able to support our staff in using the £260k we have invested in the Apprenticeship Levy in order to deliver focussed developmental training to enhance skills and better support our customers.

The Communications and Marketing team has followed up the Fusion-focussed messaging framework, with the business support project, FusionBiz, continuing to champion our unique approach to service delivery and the support in place to enable that delivery.

Gender Pay Reporting

Hft's gender pay gap report provides a snapshot of our data on 5 April 2017. At this time our total workforce consisted of 698 men and 2,039 women, meaning we employ around three times as many women as we do men – a circumstance that is not unusual in the social care sector.

Pay quartiles by gender

| Quartile | Male | Female |
|------------------|-------|--------|
| A (upper) | 25.6% | 74.4% |
| B (upper middle) | 22.5% | 77.5% |
| C (lower middle) | 26.9% | 73.1% |
| D (lower) | 27.0% | 73.0% |

Hft's gender pay gap

While Hft's gender pay gap is far smaller than the national average, we remain committed to eliminating it altogether.

- The mean hourly rate shows that we pay 3% less to female workers
- The median hourly rate show that we pay 2.6% more to female workers

Bonuses

- The mean bonus rate shows we have paid 35.4% more to female employees
- The median bonus rate shows we have paid 16.7% more to male employees

At Hft everyone has the same opportunities to undertake job-related training, and bonuses have been paid to our support staff when they pass relevant qualifications. We also pay one-off bonuses for staff that have taken a developmental role and lead in certain areas, such as Health and Safety, or where staff have taken on extra responsibilities within their role.

We continue to review, monitor and improve our pay systems to diminish the pay gap between men and women, and improve our organisation. Hft remains committed to equal opportunities, welcoming job applications from all sections of the community, and treating people equally and without discrimination.

Investments

Hft's investments underperformed the benchmark this year with a growth of 1.6% against a benchmark of 2.2% with a final valuation at March 2018 of £5m. Hft has a prudent investment strategy which balances potential returns with an appropriate level of risk.

Environmental policy

Hft is fully committed to safeguarding the environment. In this respect it will specifically endeavour to:

- Encourage the reduced consumption of natural resources and energy. This is achieved through a rolling capital improvement programme addressing both building fabric and installed plant and equipment upgrades where economically viable.
- Operate a Purchasing Policy that avoids the use of environmentally damaging products whenever feasible.
- Prevent environmental pollution arising from its own operations.
- Try to safeguard natural habitats and species and preserve the nature and character of the countryside and gardens and grounds associated with our built environment.
- Provide information and support to both the service users and staff to encourage interest in environmental matters and soon proposed mandatory staff energy awareness training.
- Continue to employ a part time Energy Manager.
- Encourage economical and environmentally sound use of its vehicles, this is continually reviewed through policy, which has set reduced benchmarks for company vehicles in terms of harmful emissions allowances from 160g/km to 131g/km in the last 5 years.

Equality and Diversity Policy

Hft's policy states that;

"We value people equally without discrimination with regard to gender, sexual orientation, age, race, beliefs, culture, chosen lifestyle or disability. This approach applies to the people we support, their families, Hft staff and others with whom we have contact."

We ensure that the policy is implemented through clear statements in our recruitment advertisements and reinforced in the induction training. Specific training is given to any member of staff in a managerial or recruiter position ensuring that they are aware of the law and Hft's policies.

There are policies in place to :

- Give full and fair consideration to applicants for employment by Hft made by disabled persons having regard to their particular aptitudes and disabilities
- Continue the employment of, and for arranging appropriate training for employees of the company who have become disabled persons during their employment
- Support the training, career development and promotion of disabled persons employed by the company

Employee Consultation

Hft entered into a Partnership Agreement with all employees in 2013. The purpose of the Agreement is to provide a framework for the Management and the Employees to participate in joint planning and decision-making processes, working as partners to jointly drive the organisation forward and solve problems. The parties in the Agreement have given a commitment to work together to promote a positive and effective relationship with the following principles;

- Joint commitment to the success of the organisation
- Joint recognition of each other's legitimate interests
- Joint commitment to employment security
- Joint focus on the quality of working life
- Joint commitment to operating in a transparent manner
- Joint commitment to add value to the arrangement

The implementation of the Partnership Agreement is facilitated through the Partnership Forum. Representatives from all areas of the organisation receive training and support to act on behalf of all employees at a local or national level.

FINANCIAL REVIEW

Income

Total income from organisational activities totalled £85m in the year to 31 March 2018 with the increase of £6.8m driven significantly by a capital disposal programme, charitable activities and grants.

Income from charitable activities includes service income, special projects and community interest company income. In addition to this are trading activities, fundraising, and investment income. Service income delivered 92% of total income for the year compared to 96% in the previous year due to increased capital activity during this year. All other sources of income remained marginal and relatively static over the year.

Service income from the provision of residential and supported living care services to Local Authorities in the UK in the year to 31 March 2018 of £77.1m represents an increase of 3.5% on 2016/17: £74.5m. This growth reflects the full year impact of new and closed services from the previous year and services opened and closed in the year together with fee uplifts including sleep-in top ups received during the year.

Income from donations and legacies was £2.4m which is £0.3m down on the previous year being the difference in receipts from major trusts.

There were significant asset disposals during the year (2017:£57k) which generated a profit of £4.1m. The funds from these disposals have been held as cash throughout the year should they be required to satisfy back payments for sleep-ins rather than invest in new services and development projects.

Expenditure

Total expenditure in the year to 31 March 2018 of £78.7m is a £1.9m and 2.4% decrease on the prior year expenditure of £80.6m.

The savings have been generated from efficiencies made within services and the administration offices as well as a reduction in project costs. Project activity for the review of the operating processes and systems cost £0.78m in the year, which was a reduction of £0.5m on the previous year.

The income and costs and surpluses of the core operational services are as follows:

| | 2018 | 2017 |
|--|-----------------|----------|
| | £'000 | £'000 |
| Services income (note 3) | 77,147 | 74,503 |
| Services direct costs (note 8) | (67,877) | (69,066) |
| Services surplus before support costs | 9,270 | 5,437 |
| Support costs | (7,146) | (6,869) |
| Services (deficit) / surplus after support costs | 2,124 | (1,432) |

The 2017 result was due to agency usage, increased agency rates, payment of unfunded sleep-in top-ups and the addition of new services at lower than average returns and increased property costs. During the current year, some of those underperforming new services have been discontinued, processes and new personnel have been put in place to monitor and manage agency use and the causes of agency use, and fees have been negotiated to cover sleep-in top-up payments.

Performance is measured at a service level to measure resources required to maintain sustainable services. Throughout the year the following key performance indicators are monitored and reported monthly, these are the annual comparisons;

| | 2018 | 2017 |
|---|-------------|------|
| Fee Income per day (£k) | 211 | 204 |
| Occupancy rates | 93 | 94 |
| Total Employment Costs (TEC) as % income | 73 | 73 |
| Agency costs as % Total Employments Costs | 9 | 10 |
| Operating Contribution as % Income | 12 | 9 |
| Overheads as % Income | 10 | 10 |

Trading activity

The principal component of trading activities is the sale of seasonal cards and gifts. In 2016/17 Hft had also occupied two loss making charity shops which have been closed in the year to 31 March 2018. The total trading surplus in 2018 amounted to £12k (2017: £12k surplus). HF Trust makes no administration charge to this trading subsidiary and costs are charged as incurred.

Special projects

The net expenditure on special projects in the year to 31 March 2018 of £1.5m is a decrease on the 2016/17 net cost of £1.8m. Special projects include the public benefit projects such as FCSS, Luv2meetU and the Personalised Technology project. The decrease in net expenditure is due to reduced funding, efficiency savings and the generation of income from providing chargeable Personalised Technology services.

Balance Sheet

Reserves have increased by £6m as a result of the year's activities; the main changes in the balance sheet during the year are as follows:

Intangible assets, at cost, increased by £0.6m (£0.3m after depreciation) following successful implementation of a new finance system and further modular developments to the CoreHR system

Tangible fixed assets including properties held for resale decreased by £4.6m to £64.1 which includes;

- Net book value of disposals of £5m
- Cost of acquisitions during the year of £1.5m which include refurbishments and capital improvements across the estate as well as the final costs for the Gloucestershire move.

Current Assets

- Fee and Grant debtors have decreased due to the timing of invoices raised and should be viewed in conjunction with the income accrual, the net decrease is £2.7m.
- The capital disposal programme generated significant cash income during the year and closing reserves were held against future potential liabilities for the NLW pay back, with a closing balance of £7m.
- Loans have reduced by £40k of scheduled capital repayments.
- The pension fund surplus (unrecognised) in the closed final salary pension scheme has increased from £2.0m to £2.6m.

Reserves

At 31st March 2018 the total funds of the charity were £76.1m of which £17.6m were restricted leaving a total of unrestricted funds of £58.5m.

As explained in the note to the accounts the Trustees have designated £50.2m funds for fixed assets and capital projects, the reduction of £5.5m reflects the disposal of land and buildings during the period and resolves the issues of the general reserves brought forward standing at £(3.1)m, the Trustees will continue to manage a small undesignated balance available for general charitable activity.

The general reserve policy was last reviewed in November 2016 and it was agreed to maintain the level of general reserves sufficient to cover 6 weeks payroll (£5.2m), excluding the Bradford service payroll costs which are underwritten by a full cost recovery contract with the sponsoring local authority. At the year-end, the general reserve balance was £8.2m (see notes 21 & 22) which is £3m more than the requirement.

This level of general reserve would be sufficient to cover payroll costs (excluding Bradford payroll and excluding agency) and provide working capital support for major projects.

Investment powers, policy and objectives

Investment powers are governed by the Articles of Association, which permit the funds to be invested in the manner shown in note 12 to the financial statements. The Trustees intend that the real value of Hft's investments be maintained and enhanced over the long term by investment in a portfolio comprising common investment funds, unit trusts and equities (quoted on a recognised international stock exchange). Hft employs professional investment managers to advise on and invest the portfolio in accordance with the investment policy and mandate which is given to them.

PLANS FOR FUTURE PERIODS

Our plans for 2018/19 reflect a continued focus on 10 key strategic drivers (see page 6) and the resolution of key challenges. If conditions begin to support initiatives and investment we will review development and growth plans which have been postponed whilst the NLW back pay case required significant funding.

Growth

The demand for learning disability services continues to grow and the complexity of many of those services is increasing. We will continue strengthening our position within existing regions, pursue our strategy of growing and developing services for people with more complex needs, and explore opportunities for sector consolidation, when these arise.

Delivery of OneHft, Fusion and FusionBiz

The Fusion Model of Support is our strategic approach to delivering support across all Hft services and remains at the heart of Hft. It has become fully integrated and is “the way we do things around here”. This has been evidenced in both our liP achievements and also through independent staff surveys.

The aspirational targets for 2015 we had set when we developed the Fusion model were reviewed with evidence showing positive progress and achievements. These have been built upon and we now have challenging stretch targets working towards ‘OneHft – Destination 2020’. These strategic Fusion goals have been created collaboratively by staff across Hft and are what we believe is required if we are to provide specialist services for people with the most complex needs.

Building capacity

We will continue to invest in accommodation for people we support; in the autumn of 2017 we completed the final houses for those moving on from our Frocester and Old Quarries services in Gloucestershire. This has been the biggest move-on the Hft has ever undertaken and will complete the move from some of our very first campuses to smaller houses sitting within local communities.

We will continue to invest heavily in upkeep and maintenance of our housing estate whilst working proactively to design affordable and sustainable cutting edge housing to support people with complex needs.

Developing Caring Performance Culture and Efficient Central Support

Given the nature of the People We Support and our role as lifelong carers for those who no longer have family to actively support them, our obligation to remain sustainable is both moral and financial. Given ongoing funding challenges, we have implemented a review of our operating model in order to be as efficient as possible in the delivery of excellent care. This review includes all systems and processes and will deliver its objective through the FusionBiz transformation project, building on the success of Fusion.

During the year we finalised two key parts of the project with additional modules to the HR/payroll system and a finance system going live on 1st April 2018. The programme of change will continue throughout 18/19 with upgrading and integration of all other key systems.

Keep Innovating - Expert Practitioner Model

Last year we stated that at Hft, we believe that the current model of commissioning by hours - ‘the input model’ - is ineffective, particularly when commissioning services for people with complex needs and challenging behaviour. A paradigm shift in thinking and approach is needed to transform the commissioning and delivery of services in the sector.

We believe that the Hft Expert Practitioner Model will deliver this change.

The Expert Practitioner Model will create a transformation via three different routes.

- Evidencing outcomes – underpinned by the Fusion Model of Support
- Development of highly skilled, graduate level professional teams
- Creating financial efficiencies through investment in working practise, productivity and technology

We are now a year into a 2 year pilot of the Expert Practitioner Model in a transition service for young adults with very complex needs and challenging behaviour, in partnership with a Local Authority. We have partnered with Bangor University to finalise the post graduate qualification and have successfully recruited our first tranche of Trainee Expert Practitioners.

Initial measurement of outcomes is positive and we continue to measure and report on progress throughout this pilot period.

Charitable Services

The cuts in funding for services and challenges around Fundraising means that we are reviewing the delivery models for our key charitable services: FCSS, Personalised Technology, Luv2meetU and our Volunteering as well as other activity which we have provided in the past and which is explicitly unfunded by Local Authorities.

We are fully committed to these activities and believe they offer significant benefits to all those with a learning disability and their families. We need to ensure that they are properly funded, sustainable for the future, offer the kind of services that people want for the future, and have greater scalability.

Fundraising

Fundraising has become marginally less challenging across the sector as the Fundraising Regulator guidance becomes more widespread and public confidence returns, however the improvement is taking longer than hoped.

While we have restricted our donor recruitment activity while confidence was low, we will look to ensure our current and future donors have a satisfying experience supporting us. We restructured the team during the year in order to align with the challenges faced by Hft in creating new models of delivery and services.

Developing Hft's Voice

We have worked to maintain a voice of reason during this stressful and chaotic year and will continue to champion sensible change and reform to benefit the whole sector as well as the people we support.

RISK MANAGEMENT

The Trustees identify key areas of risk and seek to mitigate these through established reporting and monitoring systems. The Audit & Risk Committee regularly reviews Hft's detailed risk register and receives reports from management of key areas of risk to the Trust. The risk register is a comprehensive list of the major internal and external risks which Hft faces in the short term and long term, including risks such as market risk, reputational risk and systems risks. Each risk has a named risk owner and identified mitigating strategies.

During the year Hft used a combination of internal auditors and external risk assurance experts to ensure the integrity and efficacy of key financial processes and controls in services and in the Central Support Finance Department. These teams worked closely with the health and safety advisors/auditors and the Operations Quality Assurance and Compliance team. The following statements summarise Hft's policies in managing identified forms of financial risk:

Price and cost risk

The fees we receive from our Local Authority purchasers are set by agreement with the purchasers, by reference to an assessed level of hours of support needed and the Local Authority framework hourly rate. This price setting mechanism provides us with an income "envelope" in which we have to fit our costs. Our principal costs are salaries and wages (and associated on-costs). Salary levels are set by reference to prevailing market rates and are communicated to staff each year during the annual salary review process. Other costs are controlled by contract negotiations and competitive tendering with suppliers. Over time, we expect this income "envelope" to be squeezed even more than it has been to date, as a result of the future upward cost pressures which has been exacerbated by the National Living Wage.

Credit risk

Counterparty risk on amounts owed to Hft by its customers is low, as the majority of debtors are Local Authorities. We have a good track record of working with Local Authority care/finance/contract teams to get invoices paid on a timely basis. The critical fee issue we have with funders is getting an appropriate and acceptable fee level agreed at the inception of a service, and also getting the fee subsequently changed as the service changes over time (for example more hours of support needed to help someone as they age.)

Liquidity risk

The company has no long term borrowings (other than the mortgages listed in note 19), and will make use of its short term overdraft facility when required. During 2016/17 the overdraft facility remained at £7.5m (unsecured). If necessary, the investment portfolio could be realised at short notice.

Interest rate cash flow risk

Historically, the company placed surplus funds on short term deposit with a selection of major UK banks and building societies. There have been minimal surpluses in the year as we have invested in capital projects. In the event of planned asset disposals being delayed, we will utilise the full bank facility in order to be able to maintain our investment programme in the short to medium term.

Non-financial risk

Non-financial risks which are documented on Hft's risk register include;

- Risk of death or serious injury of a person we support, staff or third party
- Serious abuse of people we support
- Environmental non compliance
- Poor quality service provision
- Systems outage and cyber threat
- Failure to recruit and retain staff
- Changes to government policy
- Implications of Brexit

Each is assigned an Executive lead individual to manage and report on the risk and the associated risk mitigation strategies. The risk register captures both short term operational risks, as well as longer term strategic risks. The risk register is reviewed at its monthly meetings by the Executive management, and periodically by Trustees. The risk register feeds into our short term operational and long term strategic planning processes.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The group has insurance to cover Trustees' and Officers' liability, as permitted by the Companies Act 2006 at a cost of £13k (2017 £13k).

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees are required by UK Company Law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the incoming resources and application of resources, including the income and expenditure, of the group for that period.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006, for safeguarding the assets of the company and the group, and hence, for taking reasonable steps to prevent and detect fraud and other irregularities. The Trustees confirm that in their opinion suitable accounting policies have been used and applied consistently, and reasonable judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2018. The Trustees also confirm that in their opinion applicable accounting standards have been followed, that the methods and principles in the Charities SORP have been followed and that the financial statements have been prepared on a going concern basis.

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 information may differ from legislation in other jurisdictions.

Going Concern

The trustees have reviewed the groups and the charity's forecasts and projections covering a period exceeding 12 months from the date of signing of the financial statements.

Based on the level of existing cash and estimated levels of income and expenditure, the trustees are satisfied that the group has adequate levels of reserves to continue in operation for the foreseeable future.

Accordingly, the going concern basis has been used in preparing these financial statements. Trustees also consider there to be no material uncertainties in the operating environment.

Statement on Disclosure of Information to the Auditor

So far as each Trustee is aware, there is no relevant audit information of which the company's auditor is unaware.

Each Trustee has taken all the steps (such as making enquiries of other Trustees and any other steps required by the Trustee's duty to exercise due care, skill and diligence) that he or she ought to have taken in his duty as a Trustee in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The Report of the Council and Incorporated Strategic Report were approved and signed on behalf of the Council by:

Judith Jolly
Chair

Date

Independent Auditors' report to the members of HF Trust Limited

Opinion

We have audited the financial statements of HF Trust Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group and Company Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Report of the Council and the incorporated Strategic Report prepared for the purpose of company law for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Council and the incorporated Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Council and the incorporated Strategic Report.

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on page 16, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the charitable company's members, 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.

NICHOLAS SLADDEN (Senior Statutory Auditor)
For and on behalf of RSM UK AUDIT LLP, Statutory Auditor
25 Farringdon Street, London, EC4A 4AB

Date:

Consolidated Statement of Financial Activities
(including Consolidated Income and Expenditure Account)
for the year ended 31 March 2018

| | Notes | Unrestricted Funds £'000 | Restricted Funds £'000 | Total 2018 £'000 | Total 2017 £'000 |
|--|-------|--------------------------------|------------------------------|---------------------------------|------------------------|
| Income and endowments from: | | | | | |
| Donations and legacies | 3 | 1,177 | 1,236 | 2,414 | 2,709 |
| Charitable activities | 3 | 77,833 | - | 77,833 | 75,100 |
| Other trading activities | | 113 | - | 113 | 165 |
| Investments | | 315 | - | 315 | 226 |
| Other | 7 | 4,343 | - | 4,343 | 57 |
| Total | | <u>83,782</u> | <u>1,236</u> | <u>85,018</u> | <u>78,257</u> |
| Expenditure on: | | | | | |
| Raising funds | 8 | 1,173 | - | 1,173 | 1,466 |
| Charitable activities | 8 | 75,558 | 1,063 | 76,621 | 77,826 |
| Other | 8 | 914 | - | 914 | 1,306 |
| Total | 8 | <u>77,644</u> | <u>1,063</u> | <u>78,707</u> | <u>80,598</u> |
| Net gains/(losses) on investments | 12 | (216) | - | (216) | 435 |
| Net income/(expenditure) | 9 | <u>5,922</u> | <u>173</u> | <u>6,095</u> | <u>(1,906)</u> |
| Other recognised gains/(losses): | | | | | |
| Re-measurement of defined benefit pension scheme | 25 | (75) | - | (75) | (105) |
| Net movement in funds | | <u>5,847</u> | <u>173</u> | <u>6,020</u> | <u>(2,011)</u> |
| Total funds brought forward | 20 | <u>52,634</u> | <u>17,455</u> | <u>70,089</u> | <u>72,100</u> |
| Total funds carried forward | 20 | <u>58,481</u> | <u>17,628</u> | <u>76,109</u> | <u>70,089</u> |

Balance Sheets as at 31 March 2018

| | Notes | Group | | Company | |
|--|--------|---------------|----------------|---------------|----------------|
| | | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Fixed assets | | | | | |
| Intangible assets | 11 (a) | 1,594 | 1,266 | 1,594 | 1,266 |
| Tangible assets | 11 (b) | 64,121 | 68,689 | 64,121 | 68,689 |
| Investments | 12 | 5,060 | 4,988 | 5,060 | 4,988 |
| Total fixed assets | | <u>70,775</u> | <u>74,943</u> | <u>70,775</u> | <u>74,943</u> |
| Current assets | | | | | |
| Stocks | 13 | 8 | 12 | - | - |
| Debtors: amounts falling due within one year | 14 | 6,357 | 9,030 | 6,477 | 9,113 |
| Cash at bank and in hand | 15 | 6,976 | - | 6,844 | - |
| Total current assets | | <u>13,341</u> | <u>9,042</u> | <u>13,321</u> | <u>9,113</u> |
| Current liabilities | | | | | |
| Creditors: Amounts falling due within one year | 16 | 7,393 | 13,221 | 7,386 | 13,307 |
| Net current assets | | <u>5,947</u> | <u>(4,179)</u> | <u>5,935</u> | <u>(4,194)</u> |
| Total assets less current liabilities | | 76,723 | 70,764 | 76,710 | 70,749 |
| Creditors | | | | | |
| Amounts falling due after more than one year | 16 | 440 | 480 | 440 | 480 |
| Provisions for liabilities | 17 | 173 | 195 | 173 | 195 |
| Net assets | | <u>76,109</u> | <u>70,089</u> | <u>76,097</u> | <u>70,074</u> |
| The funds of the group/company | | | | | |
| Restricted funds | 20/23 | 17,627 | 17,455 | 17,627 | 17,455 |
| General reserve | 20 | 8,137 | (3,124) | 8,125 | (3,139) |
| Designated funds | 20/22 | 50,345 | 55,758 | 50,345 | 55,758 |
| Unrestricted funds excluding pension liability | 20 | 58,482 | 52,634 | 58,470 | 52,619 |
| Pension reserve | | - | - | - | - |
| Unrestricted funds | | <u>58,482</u> | <u>52,634</u> | <u>58,470</u> | <u>52,619</u> |
| Total funds | 21/22 | <u>76,109</u> | <u>70,089</u> | <u>76,097</u> | <u>70,074</u> |

As permitted by s408 Companies Act 2006, the Charity has not presented its own Income and Expenditure and related notes. The Charity's surplus for the year was £6.02m (2017- deficit £2.004m).

The financial statements on pages 19 to 43 were approved and authorised for issue by the Council and signed on its behalf by:

Ian Cooper
Trustee

Date

**Cash Flow Statement
for the year ended 31 March 2018**

| | Notes | Group | | Company | |
|---|--------|---------------|----------------|----------------|----------------|
| | | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Cash flows from operating activities: | | | | | |
| Net cash provided by operating activities | | <u>1,122</u> | <u>2,790</u> | <u>1,119</u> | <u>2,758</u> |
| Cash flows from investing activities: | | | | | |
| Proceeds from assets held for disposal | | 9,109 | 54 | 9,110 | 54 |
| Purchase of property, plant and equipment | | (1,528) | (6,573) | (1,528) | (6,573) |
| Purchase of intangible assets | | (582) | (204) | (582) | (204) |
| Purchase of assets held for resale | | - | (52) | - | (53) |
| Proceeds from sale of investments | | 814 | 624 | 814 | 624 |
| Purchase of investments | | (985) | (706) | (985) | (706) |
| Gift aid received from subsidiaries | | - | - | - | - |
| Net cash used in investing activities | | <u>6,828</u> | <u>(6,857)</u> | <u>6,829</u> | <u>(6,858)</u> |
| Cash flows from financing activities: | | | | | |
| Repayments of borrowing | | (40) | (40) | (40) | (40) |
| Net cash used in financing activities | | <u>(40)</u> | <u>(40)</u> | <u>(40)</u> | <u>(40)</u> |
| Change in cash and cash equivalents in the reporting period | | <u>7,910</u> | <u>(4,107)</u> | <u>7,908</u> | <u>(4,140)</u> |
| Cash and cash equivalents at the beginning of the reporting period | | <u>(934)</u> | <u>3,173</u> | <u>(1,064)</u> | <u>3,076</u> |
| Cash and cash equivalents at the end of the reporting period | | <u>6,976</u> | <u>(934)</u> | <u>6,844</u> | <u>(1,064)</u> |
| Reconciliation of net income/(expenditure) to net cash flow from operating activities | | | | | |
| Net income/(expenditure) for the reporting period (as per the statement of financial activities) | | 6,095 | (1,906) | 6,098 | (1,906) |
| Adjustments for: | | | | | |
| Depreciation and amortisation charges | 11 | 1,263 | 2,265 | 1,263 | 2,248 |
| Investment management charges | 12 | 28 | 26 | 28 | 26 |
| (Losses)/gains on investments | 12 | 216 | (435) | 216 | (435) |
| Returns on investment and servicing of finance | | (145) | (144) | (145) | (144) |
| Profit on the sale of tangible fixed assets | | (4,143) | (54) | (4,143) | (54) |
| Fixed asset impairment | 11 (b) | 120 | 892 | 120 | 892 |
| (Increase) / decrease in stocks | | 5 | 7 | - | - |
| Decrease/(increase) in debtors | | 2,673 | (3,361) | 2,636 | (3,363) |
| Increase/(decrease)in creditors | | (4,894) | 5,410 | (4,857) | 5,397 |
| Decrease in provisions | | (22) | 195 | (22) | 195 |
| Non-actuarial decrease in liability | 24 | (75) | (105) | (75) | (105) |
| Net cash provided by operating activities | | <u>1,122</u> | <u>2,790</u> | <u>1,119</u> | <u>2,758</u> |
| Analysis of cash and cash equivalents | | | | | |
| Cash at bank and in hand | | <u>6,976</u> | <u>-</u> | <u>6,844</u> | <u>-</u> |
| Overdraft | | <u>-</u> | <u>(934)</u> | <u>-</u> | <u>(1,064)</u> |
| Total cash and cash equivalents | | <u>6,976</u> | <u>(934)</u> | <u>6,844</u> | <u>(1,064)</u> |

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2018

1. PRINCIPAL ACCOUNTING POLICIES

Hf Trust Limited is a private company limited by guarantee (registration number 734984) and registered charity regulated by the Charity Commission (registered number 313069) with a registered address at 5/6 Brook Office Park, Folly Brook Road, Emerson's Green, Bristol.

The financial statements have been prepared in accordance with the requirements of the Companies Act 2006, 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)) and the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

Hft meets the definition of a public benefit entity under FRS 102.

A summary of the more important group accounting policies, which have been applied consistently, is set out below. The trustees have reviewed and approved the future plans and financial forecasts underpinning the going concern assumption. The core business model is operating at high levels of occupancy and with fee levels from purchasers in excess of the costs of service delivery and associated support costs, and this is expected to continue to be the case for the foreseeable future.

Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments to market value and on a going concern basis. There are no material uncertainties about going concern.

Basis of consolidation

The consolidated statement of financial activities, the consolidated balance sheet and the consolidated cash flow statement include the financial statements of the company and its subsidiaries made up to 31 March 2018. Intra group transactions and profits are eliminated fully on consolidation.

The results of the subsidiary undertakings are shown in the consolidated statement of financial activities within income and expenditure. The assets and liabilities of the subsidiary undertakings are combined with those of the company in the consolidated balance sheet and consolidated cash flow statement on a line by line basis. A separate statement of financial activities for the company is not presented as permitted by section 408 of the Companies Act 2006.

Income

Income from all sources is included in the statement of financial activities at its fair value on a receivable basis, subject to the following specific criteria:

- Donations are recognised as soon as there is evidence of entitlement, subject to any conditions attached it is probable that the income will be received and the amount can be measured reliably.
- Legacies are recognised on receipt of income or on formal notification of entitlement to the income within a short timeframe where the income is reliably measurable.
- No amounts are included in the financial statements in respect of services donated by volunteers.

Income from charitable activities

Fees receivable and charges for services and projects are accounted for in the period in which the service is provided or the project undertaken.

Other income

Other income is credited to the statement of financial activities in the year in which it is receivable.

Grant income

Grant income is recognised when recognition criteria are fulfilled, and deferred into future periods if it is a multi-period grant.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. All irrecoverable VAT on costs is charged as a cost against the activity for which the expenditure was incurred.

Expenditure on raising funds

Expenditure incurred on raising funds does not include the costs of promoting or marketing the charity and is apportioned to individual restricted funds on the basis of funds raised during the year.

Expenditure on charitable activities

Service costs comprise the direct and indirect costs, including staff, attributable to the delivery of front line care services for service users.

Apportionment of support costs

Support costs are apportioned to activities, based on the relative income of the activities.

General reserve

The general reserve comprises the working capital operating reserve of the group.

Designated funds

The designated capital project fund comprises unrestricted funds that have been set aside by the Council to be expended on specific current capital development commitments. The aim and use of each designated fund is set out in the notes to the financial statements.

The designated fixed asset fund represents the aggregate net book value of tangible fixed assets acquired or constructed partly or fully from unrestricted funds, less associated mortgage liabilities.

Restricted funds

The restricted project fund comprises funds, which are to be used in accordance with specific restrictions imposed by donors, or which have been raised by the charity for particular purposes. The cost of raising such funds is charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

The restricted fixed asset fund represents the aggregate net book value of tangible fixed assets acquired or constructed partly or fully from restricted funds.

Intangible fixed assets

Intangible fixed assets represent the cost of purchasing, configuring and bringing to operational readiness significant computer software applications, which have an anticipated life of between 5 to 10 years. These assets are amortised on a straight line basis over their estimated lives, once they are fully operational.

Tangible fixed assets

All tangible fixed assets are included in the financial statements on initial recognition at cost or fair value. Individual assets with a cost below £2,500 are not capitalised unless they form part of a series of purchases in respect of the fitting out of a new service or project. Irrecoverable VAT incurred on the purchase of fixed assets is included in the capitalised cost.

Depreciation

The depreciation being applied to freehold buildings was reviewed during the year and a range of rates was extended to cover different categories of buildings based on their expected useful lives and residual values. Accordingly buildings which are substantially residential properties in good order and with residual values that exceed historical cost no longer have a requirement to be depreciated. The impact of this change in estimation is further disclosed under “Critical accounting judgements and judgements and key sources of estimation uncertainly” on page 25.

Depreciation is calculated to write off the cost of buildings, plant and equipment over their expected useful lives at the following rates, on a straight line basis:

| | 2018 | 2017 |
|-------------------------------------|-------------------------------|-------------------------------|
| Assets due for disposal | Nil | Nil |
| Freehold land | Nil | Nil |
| Freehold buildings and additions | 0-5% pa on cost | 2% pa on cost |
| Cyclical refurbishment of buildings | 15% pa on cost | 15% pa on cost |
| Equipment | 8 - 15% pa on cost | 8 - 15% pa on cost |
| Computers | 33 $\frac{1}{3}$ % pa on cost | 33 $\frac{1}{3}$ % pa on cost |
| Motor vehicles | 25% pa on cost | 25% pa on cost |

Operating leases

Income and costs in respect of operating leases are respectively credited and charged to the Statement of Financial Activities on a straight-line basis over the lease term.

Provisions

- Dilapidation
Provisions for dilapidations are recognised on a lease by lease basis and are based on the best estimate of the likely committed expenditure.
- Onerous leases
Hft provides for all future lease costs where there is no reasonable expectation of future operating income relating to the leased asset.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

No provision for Corporation Tax has been made in these financial statements as the company, a registered charity, is entitled to certain exemptions on its charitable activities. Taxation recoverable represents amounts deducted at source in respect of gift aid donations from individuals.

Investments

Listed investments are valued at fair value based on bid price at the balance sheet date. Realised and unrealised gains or losses on revaluation or disposal are combined in the Consolidated Statement of Financial Activities. Income from these investments is recognised in the year in which it arises.

Pension scheme arrangements

During the year, the group operated eleven pension schemes (see note 24):

- a defined benefit pension scheme (The HFT Retirement Benefits Scheme or “RBS”). The RBS is valued every three years by a professionally qualified independent actuary, the rates of contribution payable being agreed by the actuary. In the intervening years the actuary reviews the continuing appropriateness of these rates. The RBS ceased accepting new members from 25 January 1996 and on 26 October 2005 the company ceased contributions to this scheme in respect of future accruals. Consequently, there are now no active members of this scheme.
- the HF Trust Limited group personal pension plan provided by Aegon: with effect from the date of commencement of automatic enrolment in to The Peoples Pension Scheme (see below), this pension plan closed to new members.
- contributions have been made into either the National Health Service Pension Fund or the West Yorkshire Pension Fund (part of the Local Government Pension Scheme), in respect of staff who transferred to Hft under the Bradford day services contract.
- contributions have been made into the Oxford County Council Pension Fund (part of the Local Government Pension Scheme); in respect of staff who transferred to Hft under the Oxford Vale contract.
- from April 2013, contributions have been made into the Care Fund group personal pension plan, in respect of staff joining Hft on the acquisition of the Care Fund group; with effect from the date of commencement of automatic enrolment in to The Peoples Pension Scheme (see below), the Group Personal Pension Plan closed to new members.
- from April 2013, contributions have been made into a Scottish Equitable personal pension plan, in respect of staff joining Hft on the acquisition of the Care Fund group. This pension plan is closed to new members.
- from April 2013, contributions have been made into a Friends Provident personal pension plan, in respect of staff joining Hft on the acquisition of the Care Fund group. This pension plan had one member who left in the year and the scheme is now closed.
- following the commencement of automatic enrolment, from November 2013 contributions have been made into The Peoples Pension Scheme. This is the only pension scheme offered to new members of staff.
- from April 2013, contributions have been made into a Standard Life personal pension plan, in respect of staff joining Hft on the acquisition of the Care Fund group. This pension plan is closed to new members.
- from April 2016, contributions have been made into a Nest pension plan, in respect of staff joining Hft on the acquisition of The Edward Lloyd Trust. This pension plan is closed to new members.
- from April 2016, contributions have been made into a Legal & General pension plan, in respect of staff joining Hft on the acquisition of The Edward Lloyd Trust. This pension plan is closed to new members.

- from February 2018, contributions have been made into the Clwyd pension scheme in respect of staff joining Hft on the acquisition of Flintshire day services contract.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, which are described in this note, trustees are required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Depreciation and the remaining useful life of fixed assets:

The remaining useful life and expected residual values of the group's freehold buildings is a key area of estimation. During the year the remaining useful life and expected residual values of the group's freehold buildings were reviewed and reassessed. This led to a change in the accounting estimates used to depreciate these categories of assets. The revised estimation basis has been applied with effect from 1 April 2017 and has resulted in a reduction in the depreciation charged for the year ended 31 March 2018 of £1,086k.

2. PRIOR YEAR CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

| | Unrestricted Funds £'000 | Restricted Funds £'000 | Total 2017 £'000 |
|--|--------------------------------|------------------------------|---------------------------------|
| Income and endowments from: | | | |
| Donations and legacies | 1,083 | 1,626 | 2,709 |
| Charitable activities | 74,934 | 166 | 75,100 |
| Other trading activities | 165 | - | 165 |
| Investments | 226 | - | 226 |
| Other | 57 | - | 57 |
| Total | <u>76,465</u> | <u>1,792</u> | <u>78,257</u> |
| Expenditure on: | | | |
| Raising funds | 572 | 894 | 1,466 |
| Charitable activities | 77,686 | 140 | 77,826 |
| Other | 1,306 | - | 1,306 |
| Total | <u>79,564</u> | <u>1,034</u> | <u>80,598</u> |
| Net gains/(losses) on investments | 435 | - | 435 |
| Net income/(expenditure) | <u>(2,664)</u> | <u>758</u> | <u>(1,906)</u> |
| Other recognised gains/(losses): | | | |
| Re-measurement of defined benefit pension scheme | (105) | - | (105) |
| Net movement in funds | <u>(2,769)</u> | <u>758</u> | <u>(2,011)</u> |
| Total funds brought forward | <u>55,403</u> | <u>16,697</u> | <u>72,100</u> |
| Total funds carried forward | <u>52,634</u> | <u>17,455</u> | <u>70,089</u> |

3. INCOME AND ENDOWMENTS**(a) Donations and legacies**

| Group and Company | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Strategic Partnerships | 1,218 | 344 |
| Regional & community | 121 | 154 |
| Donor marketing | 304 | 251 |
| Acquisition transfer | - | 877 |
| Grants | 200 | - |
| Release of mortgage to grant (note 20) | - | - |
| Donations | 1,844 | 1,626 |
| Legacies | 570 | 1,083 |
| Total donations and legacies | 2,414 | 2,709 |

Included within donations is £63k of Gift Aid reclaimed (2017: £65k). Income from Friends Groups of £70k (2017: £77k) is included in donations and includes amounts held by groups, but not remitted to the Registered Office of Hft before the year-end.

The expenditure incurred by the Friends Groups of £20k (2017: £20k) is included in the costs of raising funds, based on management estimates. It has not proved practical to obtain expenditure records from individual Friends Groups, however, the Council does not consider that the effect is material and it has no effect on the net incoming resources for the year (2017: no effect).

(b) Income from Charitable Activities

| Group and Company | 2018 £'000 | 2017 £'000 |
|-----------------------------------|---------------|---------------|
| Service income | 77,147 | 74,503 |
| Special projects | 616 | 523 |
| Community Interest Company income | 70 | 74 |
| Total | 77,833 | 75,100 |

4. HFT TRADING LIMITED

Hft has a wholly owned trading subsidiary, which is incorporated in England and Wales, with a registered office at 5/6 Brook Office Park, Folly Brook Road, Emersons Green, Bristol. Hft Trading Limited (company registration 02764761) undertakes non-primary purpose trading activities, namely the retail sale of Hft branded cards and gifts. The distributable net profit is distributed to Hft. A summary of the trading results of the subsidiary is shown below. Audited financial statements have been filed with the Registrar of Companies.

| | 2018 £'000 | 2017 £'000 |
|---------------------------------------|---------------|---------------|
| Turnover | 98 | 100 |
| Cost of sales | (74) | (77) |
| Gross profit | 24 | 23 |
| Administration | (12) | (11) |
| Profit before Gift Aid payment | 12 | 12 |
| Gift Aid payment to the company | (12) | (12) |
| Retained losses brought forward | - | - |
| Retained in subsidiary | - | - |
| Analysis of net assets / liabilities: | | |
| Current assets | 44 | 33 |
| Current liabilities | (44) | (33) |
| Net assets | - | - |

5. HFT PROPERTY LIMITED

Hft has a wholly owned property subsidiary, which is incorporated in the England and Wales, with a registered office at 5/6 Brook Office Park, Folly Brook Road, Emersons Green, Bristol. Hft Property Limited (company registration 03216502) develops property to provide residential accommodation for people with learning disabilities. The company distributes its taxable profits to HF Trust Limited. A summary of the trading results is shown below. Audited financial statements have been filed with the Registrar of Companies.

| | 2018 | 2017 |
|--|--------------|-------------|
| | £'000 | £'000 |
| Depreciation | - | (17) |
| Administration | (3) | (3) |
| Net expenditure | (3) | (20) |
| Deferred capital grant credited to profit and loss account | | 17 |
| Lease income from HF Trust Limited | 24 | 24 |
| Rent payable to HF Trust Limited | (9) | (9) |
| Profit before dividend payment | 12 | 12 |
| Gift Aid payment | (12) | (12) |
| Retained profits/ loss brought forward | - | - |
| Retained in subsidiary | - | - |
| Analysis of net assets: | | |
| Tangible fixed assets | - | - |
| Current assets | 16 | 16 |
| Current liabilities | (16) | (16) |
| Net assets | - | - |

6. LUV2MEETU COMMUNITY INTEREST COMPANY

Hft is the sole member of a company limited by guarantee. Luv2meetU Community Interest Company (company registration 07399511) is incorporated as a Community Interest Company and is registered in England and Wales, with a registered office at Listonshiels Resource Centre, Bierley Lane, Bierley, Bradford, West Yorkshire. A summary of the trading results is shown below. Audited financial statements have been filed with the Registrar of Companies.

| | 2018 | 2017 |
|---------------------------------|--------------|-------------|
| | £'000 | £'000 |
| Turnover | 70 | 74 |
| Operating expenditure | (84) | (63) |
| Net income | (14) | 11 |
| Retained profit brought forward | 15 | 4 |
| Retained in subsidiary | 1 | 15 |
| Current assets | 90 | 109 |
| Current liabilities | (89) | (94) |
| Net assets | 1 | 15 |

7. OTHER INCOME

Other income comprises:

| | 2018 | 2017 |
|--|--------------|-------|
| | £'000 | £'000 |
| Interest receivable | - | 3 |
| Insurance Claim funds | 200 | - |
| Gains on disposal of tangible fixed assets | 4,143 | 54 |
| Total other income | 4,343 | 57 |

8. EXPENDITURE

| a) Analysis of expenditure | Direct staff costs £'000 | Other direct costs £'000 | Support costs £'000 | Total 2018 £'000 | Total 2017 £'000 |
|-----------------------------------|--------------------------------|-----------------------------------|---------------------------|---------------------------------|------------------------|
| Raising funds | 718 | 281 | 174 | 1,173 | 1,466 |
| Charitable activities: | | | | | |
| Service costs | 55,718 | 12,332 | 6,972 | 75,023 | 75,935 |
| Special projects | 546 | 965 | - | 1,511 | 1,806 |
| Community Interest company costs | 84 | - | - | 84 | 64 |
| Property subsidiary expenditure | - | 3 | - | 3 | 21 |
| | <u>56,348</u> | <u>13,301</u> | <u>6,972</u> | <u>76,621</u> | <u>77,826</u> |
| Other: | | | | | |
| Marketing and publicity costs | 300 | 192 | - | 492 | 601 |
| Trading activities costs | - | 146 | - | 146 | 170 |
| Investment management fees | - | 28 | - | 28 | 26 |
| Merger and acquisition costs | - | 62 | - | 62 | 263 |
| Governance | 134 | 52 | - | 186 | 246 |
| | <u>435</u> | <u>479</u> | <u>-</u> | <u>913</u> | <u>1,306</u> |
| Total expenditure | <u>57,501</u> | <u>14,060</u> | <u>7,146</u> | <u>78,707</u> | <u>80,598</u> |

Special project costs relate to projects funded from charitable sources and the purchase of specific items of equipment for services. All activities are carried out directly by the company. Included in service costs is £nil (2017: £250k) in relation to restructuring.

| b) Analysis of support costs | Raising funds costs £'000 | Service costs £'000 | Total 2018 £'000 | Total 2017 £'000 |
|-------------------------------------|------------------------------------|---------------------------|---------------------------------|------------------------|
| Operations | 33 | 1,331 | 1,365 | 1,469 |
| Human Resources | 47 | 1,889 | 1,936 | 1,888 |
| Finance and Company Secretary | 27 | 1,076 | 1,103 | 1,163 |
| Estates | 37 | 1,496 | 1,533 | 1,407 |
| Information Technology | 25 | 992 | 1,017 | 886 |
| Corporate Management | 5 | 187 | 192 | 228 |
| Total support costs | <u>174</u> | <u>6,972</u> | <u>7,146</u> | <u>7,041</u> |

| c) Analysis of governance costs | 2018 £'000 | 2017 £'000 |
|---|-----------------------|---------------|
| Allocation of staff and other costs | - | 60 |
| Internal audit | 75 | 65 |
| External audit | 52 | 52 |
| Legal, professional & consultancy fees | 26 | 19 |
| Trustee expenses and meeting costs | 16 | 27 |
| Trustee training | 2 | 4 |
| Trustee liability and other insurance costs | 12 | 13 |
| AGM costs | 1 | 6 |
| Total governance costs | <u>184</u> | <u>246</u> |

9. NET INCOME/ (EXPENDITURE)

| | 2018 | 2017 |
|--|--------------|-------|
| | £'000 | £'000 |
| Net income/(expenditure) is stated after charging: | | |
| Operating lease charges: | | |
| Land & buildings | 1,304 | 1,226 |
| Motor vehicles | 680 | 723 |
| Auditor's remuneration (company £48k; 2016: £46k) | 45 | 52 |
| Auditor's remuneration – tax advice | 2 | 2 |
| Impairment losses | 120 | - |
| Depreciation (company £1,383k; 2017: £2,248k) | 1,130 | 2265 |
| Amortisation | 253 | - |
| Post-acquisition restructuring costs | - | 263 |
| Impairment of fixed assets | - | 892 |
| Profit on the sale of fixed assets | 4,143 | 54 |

10. EMPLOYEES

The average number of persons employed by the group & parent charity during the year and their salary and wages costs were:

| | 2018 | | 2017 |
|--------------------------|---------------|---------------|---------------|
| | Number | £'000 | Number |
| | | | £'000 |
| Salaries: | | | |
| Fundraising & Trading | 27 | 663 | 28 |
| Services & Projects | 3,240 | 46,318 | 2,995 |
| Special Projects | 35 | 574 | 37 |
| Support & Governance | 145 | 4,157 | 147 |
| Acquisition | - | - | - |
| | 3,447 | 51,712 | 3,207 |
| Other staff costs: | | | |
| National Insurance costs | | 3,843 | 3,682 |
| Pension costs | | 1,043 | 1,113 |
| | | 56,598 | 55,494 |

The total emoluments of employees earning more than £60k (including benefits in kind, but excluding employer's pension contributions) fall within the following bandings:

| | 2018 | 2017 |
|--------------------|-------------|------|
| | No. | No. |
| £60,001 - £70,000 | 5 | 8 |
| £70,001 - £80,000 | 1 | - |
| £80,001 - £90,000 | 1 | 2 |
| £90,001 - £100,000 | 3 | 1 |
| £120,001- £130,000 | - | 1 |
| £130,001- £140,000 | 1 | 1 |

For those staff whose emoluments exceed £60k, pension contributions amounting to £31k (2017:£36k) were paid for the provision of money purchase benefits. All of these staff benefits accruing under the Group Personal Pensions Plan and, in addition, two have accrued benefits under the defined benefit pension scheme (prior to the closure of the scheme).

Key management personnel are deemed to be the Trustees together with the Executive Management team. The total emoluments of the Executive Management team were as follows.

| | 2018 | 2017 |
|--|--------------|------------|
| | £'000 | £'000 |
| Emoluments | 570 | 618 |
| Employers national insurance contributions | 65 | 71 |
| Employers pension fund contributions | 32 | 33 |
| | 667 | 722 |

No member of the Executive management team received any other remuneration such as long term incentive schemes, shares or compensation for loss of office. No member of the Executive Management team waived any emoluments.

Included within the employment costs above are redundancy and termination payments totalling £218k (2017: £393k). These payments are recognised as soon as the liability to the charity crystallises under the terms of the agreement with the employee.

The Trustees received no emoluments during the year (2017: £nil). The aggregate amount of expenses incurred by Trustees during the year amounted to £12k (2017: £12k). These were in respect of 13 Trustees (2017:13) and represented reimbursement of travel and subsistence expenditure and the costs of meetings and visits.

11. (a) INTANGIBLE FIXED ASSETS

| Group and company | | Computer software £'000 |
|-------------------|------------------------------------|----------------------------|
| Cost: | At 1 April 2017 | 1,266 |
| | Additions | 582 |
| | Transfer from tangible fixed asset | - |
| | At 31 March 2018 | <u>1,848</u> |
| Amortisation: | At 1 April 2017 | - |
| | Charge for the year | 253 |
| | At 31 March 2018 | <u>253</u> |
| Net book value: | At 31 March 2018 | <u>1,594</u> |
| | At 31 March 2017 | <u>1,266</u> |

Included within the computer software is £568k (2017:£204k) of assets in the course of construction.

11. (b) TANGIBLE FIXED ASSETS

| | | Freehold land & buildings £'000 | Plant and equipment £'000 | Motor vehicles £'000 | Total £'000 |
|-----------------|---------------------|--|---------------------------------|----------------------------|----------------------|
| Company | | | | | |
| Cost: | At 1 April 2017 | 82,528 | 937 | 869 | 84,334 |
| | Additions | 1,514 | 14 | - | 1,528 |
| | Disposals | (4,966) | - | - | (4,966) |
| | Transfers | (1,258) | 1,258 | - | - |
| | At 31 March 2018 | <u>77,818</u> | <u>2,209</u> | <u>869</u> | <u>80,896</u> |
| Depreciation: | At 1 April 2017 | 14,335 | 708 | 602 | 15,645 |
| | Charge for the year | 757 | 128 | 125 | 1,010 |
| | Impairment loss | 120 | - | - | 120 |
| | Disposals | - | - | - | - |
| | At 31 March 2018 | <u>15,212</u> | <u>836</u> | <u>727</u> | <u>16,775</u> |
| Net book value: | At 31 March 2018 | <u>62,606</u> | <u>1,374</u> | <u>142</u> | <u>64,121</u> |
| | At 31 March 2017 | <u>68,193</u> | <u>229</u> | <u>267</u> | <u>68,689</u> |
| Group | | | | | |
| Cost: | At 1 April 2017 | 82,885 | 937 | 869 | 84,691 |
| | Additions | 1,514 | 14 | - | 1,528 |
| | Disposals | (4,966) | - | - | (4,966) |
| | Transfers | (1,258) | 1,258 | - | - |
| | At 31 March 2018 | <u>79,433</u> | <u>951</u> | <u>869</u> | <u>81,253</u> |
| Depreciation: | At 1 April 2017 | 14,692 | 708 | 602 | 16,002 |
| | Charge for the year | 757 | 128 | 125 | 1,010 |
| | Impairment loss | 120 | - | - | 120 |
| | Disposals | - | - | - | - |
| | At 31 March 2018 | <u>15,569</u> | <u>836</u> | <u>727</u> | <u>17,132</u> |
| Net book value: | At 31 March 2018 | <u>63,864</u> | <u>116</u> | <u>142</u> | <u>64,121</u> |
| | At 31 March 2017 | <u>68,193</u> | <u>229</u> | <u>267</u> | <u>68,689</u> |

In the opinion of the Trustees there is no material difference between the carrying value of the land and buildings above, and the market value.

Impairment charges are shown as a cost to Charitable Activities in the SOFA.

12. FIXED ASSET INVESTMENTS

| | Group | | Company | |
|--------------------------------------|---------------------|---------------|---------------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Market value: | | | | |
| At 1 April 2017 | 4,988 | 4,353 | 4,988 | 4,353 |
| Income reinvestment | 145 | 144 | 145 | 144 |
| Additions | 985 | 706 | 985 | 706 |
| Disposals | (814) | (624) | (814) | (624) |
| Net gain/(loss) on investment assets | (216) | 435 | (216) | 435 |
| Investment management charges | (28) | (26) | (28) | (26) |
| At 31 March 2018 | <u>5,060</u> | <u>4,988</u> | <u>5,060</u> | <u>4,988</u> |

Investments are represented by:

| | Cost | Market value | | Gross income | |
|------------------------------------|---------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Investments listed in the UK: | | | | | |
| Common investment funds | 60 | 61 | 64 | (3) | 2 |
| Fixed Interest | 813 | 807 | 1,069 | 26 | 37 |
| Equity shares | 1,276 | 1,552 | 1,425 | 58 | 48 |
| Property funds | 1,067 | 1,223 | 1,285 | 44 | 46 |
| Cash | 400 | 400 | 166 | 1 | - |
| Interest | - | 3 | 7 | - | - |
| | <u>3,616</u> | <u>4,046</u> | <u>4,016</u> | <u>126</u> | <u>133</u> |
| Investments listed outside the UK: | | | | | |
| Equity shares | <u>741</u> | <u>1,014</u> | <u>972</u> | <u>15</u> | <u>11</u> |
| Company & Group | <u>4,357</u> | <u>5,060</u> | <u>4,988</u> | <u>141</u> | <u>144</u> |

There are no particular investments which are considered to be individually material in the context of the overall investment portfolio, in either year. Hft owns the whole of the issued share capital of Hft Trading Limited: 100 ordinary shares of £1 each issued at par. Hft Trading Limited is registered in England and Wales.

Hft owns the whole of the issued share capital of Hft Property Limited: two ordinary shares of £1 each issued at par registered in England and Wales. In addition, as the sole member of a company limited by guarantee, Hft wholly controls Luv2meetU Community Interest Company. Luv2meetU Community Interest Company is incorporated as a Community Interest Company and registered in England and Wales.

On 31 May 2016 Hft acquired Edward Lloyd Trust assets and liabilities (Company Registration No. 2632235, Charity No. 1005124) and closed the Trust on 2nd January 2018.

13. STOCKS

Stocks comprise bought in items for Hft Trading Limited.

14. DEBTORS

| | Group | | Company | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Due within one year: | | | | |
| Loan due from Hft Trading Limited | - | - | 10 | 10 |
| Other amounts due from subsidiary | | | | |
| -Hft Trading Limited | - | - | 25 | 14 |
| -Hft Property Limited | - | - | 12 | 12 |
| -Luv2meetu CIC | - | - | 83 | 63 |
| Loan due from Dimensions (UK) Ltd | 42 | 42 | 42 | 42 |
| Fees and grants | 3,270 | 7,283 | 3,259 | 7,283 |
| Other debtors | 428 | 449 | 428 | 433 |
| Prepayments | 640 | 596 | 640 | 596 |
| Accrued income | 1,978 | 660 | 1,978 | 660 |
| | <u>6,357</u> | <u>9,030</u> | <u>6,477</u> | <u>9,113</u> |

The loan due from Hft Trading Limited is unsecured and renewable annually. Interest is charged at the base lending rate of Lloyds Bank plc.

The loan due from Dimensions (UK) Limited represents an advance for the purchase of a property and is secured against this property. The loan is repayable only on the sale of the property, together with specified proportions of the excess of the sale proceeds over the advance. The loan carries no interest.

15. CASH AT BANK AND IN HAND

| | Group | | Company | |
|------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Cash and bank balances | 6,976 | - | 6,844 | - |
| | 6,976 | - | 6,844 | - |

Cash includes £nil (2017: £380k) held for the benefit of people that we support and represents amenity funds, savings and personal allowances. Creditors include a corresponding liability in respect of these monies (see note 16).

16. CREDITORS

| | Group | | Company | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Due within one year: | | | | |
| Mortgage loans (see note 19) | 40 | 40 | 40 | 40 |
| Interest free loans (see note 18) | 165 | 165 | 165 | 165 |
| Bank overdraft | - | 934 | - | 1,064 |
| Trade creditors | 1,980 | 1,908 | 1,980 | 1,908 |
| Taxation and social security payable | 998 | 952 | 998 | 952 |
| Other creditors | 801 | 661 | 801 | 620 |
| Amenity funds, etc. (see note 15) | - | 380 | - | 380 |
| Accruals | 2,936 | 4,169 | 2,929 | 4,166 |
| Deferred income | 473 | 4,012 | 473 | 4,012 |
| | 7,393 | 13,221 | 7,386 | 13,307 |

Due after more than one year:

| | | | | |
|------------------------------|------------|-----|------------|-----|
| Mortgage loans (see note 19) | 440 | 480 | 440 | 480 |
| | 440 | 480 | 440 | 480 |

Mortgage loans – repayable after more than one year:

| | | | | |
|----------------------------|------------|-----|------------|-----|
| Between one and two years | 40 | 40 | 40 | 40 |
| Between two and five years | 120 | 120 | 120 | 120 |
| In more than five years | 280 | 320 | 280 | 320 |
| | 440 | 480 | 440 | 480 |

Deferred income reconciliation

| | Group £'000 | Company £'000 |
|----------------------|----------------|------------------|
| At 1 April 2017 | 4,012 | 4,012 |
| Released during year | (4,012) | (4,012) |
| Provided during year | 473 | 473 |
| At 31 March 2018 | 473 | 473 |

17. PROVISIONS FOR LIABILITIES

We have provided for a lease which has a termination date of July 2019, this was brought forward from previous years. £22k was released during the year against rental payments made. In the year to 31st March 2018 we reviewed all leases and found no additional need for lease provisions.

In November 2017 we joined the Social Care Compliance Scheme and committed to calculate and pay salary arrears at National Minimum Wage for the period between November 2011 and January 2017 with sleep-in shifts as working hours. Whilst conversations regarding specific liabilities and calculations were ongoing with HMRC we believed that the liability would amount to £4.84m in total and provided for this amount throughout the year. The impact of the Mencap case in February 2018 indicates that the back pay will not materialise and we have made no provision in these accounts. Until the time has passed for appeals we will treat the amount as a Contingent Liability.

| Group & Company - Movement during the year | At 1 April 2017 £'000 | Movement £'000 | At 31 March 2018 £'000 |
|--|--------------------------------|-------------------|---------------------------------|
| Lease provision | 106 | (22) | 84 |
| Repairs provision | 89 | - | 89 |
| | <u>195</u> | <u>(22)</u> | <u>173</u> |

18. INTEREST FREE LOANS

The interest free loans are repayable on demand. At 31 March 2018, the interest free loans were wholly covered by cash and investments of £165k (2017: £165k).

19. MORTGAGE

Mortgage loans

| | Group | | Company | |
|-------------------------|---------------|---------------|---------------|---------------|
| | 2018 £'000 | 2017 £'000 | 2018 £'000 | 2017 £'000 |
| Cornwall County Council | 250 | 250 | 250 | 250 |
| People 2000 Limited | 230 | 270 | 230 | 270 |
| | <u>480</u> | <u>520</u> | <u>480</u> | <u>520</u> |

- (a) The mortgage loan of £250k is an interest free loan secured by a first charge on the freehold property of the Cornwall Day Centre which is held in the books with a net book value of £673k. The loan will become repayable if Hft should terminate the agreement, dated January 1992, with Cornwall County Council for the provision by Hft of accommodation and services for individuals with learning disabilities. In addition, the loan will become repayable if Hft should sell, lease or cease to use the day centre for individuals with learning disabilities.
- (b) The mortgage loan of £230k is a 10 year amortising loan from People 2000 Limited, to fund developments in St Austell and is secured on three properties in Devon which are held in the books with a combined net book value of £669k. The loan carries an interest rate of 2% above base rate, subject to a minimum rate of 2.5% and a maximum of 7.5%.

20. STATEMENT OF FUNDS

| | Restricted Funds £'000 | General Reserve £'000 | Designated Funds £'000 | Pension Reserve £'000 | Total Unrestricted Funds £'000 | Total Funds £'000 |
|--------------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|---|-------------------------|
| Company | | | | | | |
| At 1 April 2017 | 17,455 | (3,139) | 55,758 | - | 52,619 | 70,074 |
| Income | 1,236 | 83,614 | - | - | 83,614 | 84,850 |
| Expenditure | (1,063) | (76,788) | (760) | 75 | (77,473) | (78,536) |
| Other recognised gains / (losses) | - | (216) | - | (75) | (291) | (291) |
| Fixed asset transfers | - | 4,774 | (4,774) | - | - | - |
| At 31 March 2018 | <u>17,628</u> | <u>8,245</u> | <u>50,224</u> | <u>-</u> | <u>58,469</u> | <u>76,097</u> |
| At 1 April 2016 | 16,697 | 3,482 | 51,899 | - | 55,381 | 72,078 |
| Income | 1,792 | 76,242 | - | - | 76,242 | 78,034 |
| Expenditure | (1,034) | (77,657) | (1,864) | 105 | (79,416) | (80,450) |
| Other recognised gains / (losses) | - | 517 | - | (105) | 412 | 412 |
| Fixed asset transfers | - | (5,723) | 5,723 | - | - | - |
| At 31 March 2017 | <u>17,455</u> | <u>(3,139)</u> | <u>55,758</u> | <u>-</u> | <u>52,619</u> | <u>70,074</u> |
| Group | | | | | | |
| At 1 April 2017 | 17,455 | (3,124) | 55,758 | - | 52,634 | 70,089 |
| Income | 1,236 | 83,782 | - | - | 83,782 | 85,018 |
| Expenditure | (1,063) | (76,959) | (760) | 75 | (77,644) | (78,707) |
| Other recognised gains / (losses) | - | (216) | - | (75) | (291) | (291) |
| Fixed asset transfers | - | 4,774 | (4,774) | - | - | - |
| At 31 March 2018 | <u>17,628</u> | <u>8,257</u> | <u>50,224</u> | <u>-</u> | <u>58,481</u> | <u>76,109</u> |
| At 1 April 2016 | 16,697 | 3,487 | 51,916 | - | 55,403 | 72,100 |
| Income | 1,792 | 76,383 | - | - | 76,383 | 78,175 |
| Expenditure | (1,034) | (77,788) | (1,881) | 105 | (79,564) | (80,598) |
| Other recognised gains / (losses) | - | 517 | - | (105) | 412 | 412 |
| Fixed asset transfers | - | (5,723) | 5,723 | - | - | - |
| At 31 March 2017 | <u>17,455</u> | <u>(3,124)</u> | <u>55,758</u> | <u>-</u> | <u>52,634</u> | <u>70,089</u> |

Restricted funds

Comprises the project fund and the fixed asset fund (see note 23).

Unrestricted funds

The general reserve represents the working capital operating reserve of the group. The designated fund comprises the capital project fund and the fixed asset fund (see note 22).

Transfers

The fixed asset transfers reflect the net funds expended on tangible fixed assets during the year. Land and buildings acquired from restricted funds are held in the restricted fixed asset fund.

The fund transfer of £nil (2017: £5,723k) from the general reserve to designated funds reflects the designation of funds towards capital development commitments. There has been no transfer during the year in order to establish the agreed level of general reserves and contingent liabilities.

21. ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS**Representation of fund balances**

| | Restricted Funds £'000 | General Reserve £'000 | Designated Funds £'000 | Total Funds 2018 £'000 | Total Funds 2017 £'000 |
|---------------------------------------|------------------------------|-----------------------------|------------------------------|---|---------------------------------|
| Group | | | | | |
| Tangible & intangible assets | 13,417 | 1,594 | 50,704 | 65,715 | 64,804 |
| Fixed asset investments | - | 5,060 | - | 5,060 | 4,988 |
| Cash and bank balances | 4,211 | 2,765 | - | 6,976 | (934) |
| Other current assets | - | 6,365 | - | 6,365 | 14,193 |
| Current liabilities | - | (7,353) | (40) | (7,393) | (12,287) |
| Long-term liabilities | - | - | (440) | (440) | (480) |
| Provision for liabilities and charges | - | (173) | - | (173) | (195) |
| Net assets | <u>17,628</u> | <u>8,257</u> | <u>50,224</u> | <u>76,109</u> | <u>70,089</u> |
| Company | | | | | |
| Tangible & intangible assets | 13,417 | 1,594 | 50,704 | 65,715 | 64,804 |
| Fixed asset investments | - | 5,060 | - | 5,060 | 4,988 |
| Cash and bank balances | 4,211 | 2,633 | - | 6,844 | (1,064) |
| Other current assets | - | 6,478 | - | 6,478 | 14,264 |
| Current liabilities | - | (7,346) | (40) | (7,386) | (12,243) |
| Long-term liabilities | - | - | (440) | (440) | (480) |
| Provision for liabilities and charges | - | (173) | - | (173) | (195) |
| Net assets | <u>17,628</u> | <u>8,245</u> | <u>50,224</u> | <u>76,097</u> | <u>70,074</u> |

22. DESIGNATED FUNDS - GROUP

Designated funds comprise the following individual funds:

| | At 1 April 2017 £'000 | Expend- iture £'000 | Fixed asset transfers £'000 | At 31 March 2018 £'000 |
|-----------------------------|--------------------------------|---------------------------|--------------------------------------|---|
| Designated fixed asset fund | <u>55,758</u> | <u>(760)</u> | <u>(4,774)</u> | <u>50,224</u> |

The fixed asset fund represents the net book value of all unrestricted tangible fixed assets, less associated mortgage liabilities.

23. RESTRICTED FUNDS – GROUP AND COMPANY

| | At 1 April 2017 | Income | Expend- iture | Fixed asset transfers | At 31 March 2018 |
|--------------------------------------|--------------------|--------------|------------------|-----------------------------|------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| General service restrictions: | | | | | |
| Gloucestershire | 13 | 161 | (75) | (67) | 32 |
| Sheffield | 20 | 9 | (2) | (4) | 23 |
| The Wirral | 9 | 20 | (3) | (3) | 23 |
| Kent South | 1 | 47 | (28) | - | 19 |
| South Oxfordshire | 108 | 34 | (18) | (3) | 121 |
| Herts & Essex | 59 | 14 | (8) | (9) | 56 |
| Devon East | 42 | - | - | - | 42 |
| Devon North East legacy | 211 | 213 | (112) | - | 312 |
| Leeds | 21 | 16 | (2) | (0) | 34 |
| Bedfordshire | 0 | 21 | (3) | (1) | 17 |
| Arden Vale | 46 | 37 | (37) | - | 46 |
| Cornwall | 4 | 19 | (20) | - | 3 |
| Cornwall (RMH) | 17 | - | - | - | 17 |
| Kingston-upon-Thames | 24 | 20 | (10) | - | 34 |
| North Oxfordshire | 31 | 8 | (1) | - | 38 |
| Bristol | 4 | 4 | (4) | - | 4 |
| Bradford | 51 | 18 | (7) | - | 62 |
| Kent North | 10 | 249 | (143) | - | 116 |
| Sussex | 144 | 114 | (135) | - | 123 |
| Shropshire | 22 | 10 | (7) | - | 24 |
| Leicestershire | 38 | 6 | (2) | (21) | 20 |
| London | 8 | 12 | (4) | - | 16 |
| Wiltshire | 122 | 2 | (10) | - | 114 |
| Lancashire | 1 | 5 | (4) | (1) | 0 |
| Newcastle | 5 | 11 | (5) | - | 11 |
| Forest of Dean | 8 | - | - | - | 8 |
| Other project grants: L2MU, PT | 84 | 188 | (55) | - | 216 |
| Newcastle Edward Lloyd Trust | 877 | - | - | - | 877 |
| Other restrictions: | | | | | |
| Edenbridge legacy | 645 | - | - | - | 645 |
| Tiverton Drop-In Centre | 57 | - | - | - | 57 |
| Design for Life - East Midlands | 408 | - | - | - | 408 |
| Design for Life - Lancashire | 53 | - | - | - | 53 |
| West Sussex - Community Fund | 137 | - | - | - | 137 |
| Others Grants & Donations | 498 | - | - | - | 498 |
| Restricted project fund | <u>3,778</u> | <u>1,236</u> | <u>(694)</u> | <u>(109)</u> | <u>4,211</u> |
| Restricted fixed asset fund | <u>13,677</u> | <u>-</u> | <u>(369)</u> | <u>109</u> | <u>13,417</u> |
| Total restricted funds | <u>17,455</u> | <u>1,236</u> | <u>(1,063)</u> | <u>-</u> | <u>17,628</u> |

General Service restrictions: Funds donated specifically for services which comprises of donations to be spent locally on people we support and larger donations to be spent on building works.

Edenbridge Legacy: A specific donation of £1m from Mrs Potts for general use benefitting the people we support in Kent North – funds have been used to develop the hostel on site.

Tiverton Drop-in Centre: In 2009 Sea Mead Charitable Trust donated £408k to support development of the Tiverton Drop-in Centre and to support an individual in his woodwork craft.

Design for Life - East Midlands: For the building and furnishing of 8 apartments in Kibworth Leicestershire.

Design for Life – Lancashire: A long term appeal headed primarily by Andrew Collinge and Joan McClarnon to refurbish buildings at Stanley Grange, Preston. The majority of these funds were transferred with the sale of Stanley Grange in the year ending 31st March 2016.

West Sussex - Community Fund: Since 2011 the Gerald Micklem Charitable Trust has donated £458k primarily for day services at Walberton concentrating mainly on Sussex Orchards. Money is given annually for the coming financial year.

Other grants & donations: This includes individual smaller donations of less than £30k.

24. PENSION COMMITMENTS

(a) Home Farm Trust Retirement Benefits Scheme

During the year, the group operated a defined benefits pension scheme (the "RBS"). On 26 October 2005 the company ceased contributions to this scheme in respect of future accruals. The members of the scheme were offered membership of the new Group Personal Pension Plan with effect from 1 November 2005, as detailed in (b) below.

The scheme is administered by the Trustees of the scheme and provides benefits based on final pensionable salary. The assets of the fund are held independently from those of the group and are invested with Legal & General Investment Management, M&G Investments and Newton Investment Management. Contributions are assessed on the advice of an independent qualified actuary on the basis of valuations using the projected unit method. The most recent full valuation of the scheme was as at 31 March 2017.

In July 2008 the company granted the RBS a £1m floating charge over its assets. The costs to the group of funding the RBS are accounted for in accordance with the rules on accounting for defined benefit pension schemes in FRS102.

FRS 102 - assumptions, asset, liability and reserves disclosures

The full valuation of the scheme as at 31 March 2018 was performed by the scheme actuary, an employee of Capita plc.

Employee benefit obligations

The assets and liabilities of the scheme on an FRS102 basis were:

| | 2018 | 2017 |
|--|-----------------|-----------------|
| | £'000 | £'000 |
| Group and Company | | |
| Fair value of scheme assets | 15,837 | 16,575 |
| Present value of defined benefit obligation | <u>(13,203)</u> | <u>(14,619)</u> |
| Surplus in scheme | 2,634 | 1,956 |
| Restriction on asset limit under paragraph 28.22 FRS 102 | <u>(2,634)</u> | <u>(1,956)</u> |
| Defined benefit asset/(liability) recognised in the balance sheet | <u>-</u> | <u>-</u> |

Expense Recognised in the Statement of Financial Activities

The amounts recognised in the Consolidated Statement of Financial Activities are as follows:

| | 2018 | 2017 |
|--|----------|----------|
| | £'000 | £'000 |
| Group and Company | | |
| Net interest on defined benefit liability | - | - |
| Restriction on net interest due to paragraph 28.22 FRS 102 asset limit | - | - |
| Total recognised in statement of financial activities | <u>-</u> | <u>-</u> |

Amounts taken to Other Comprehensive Income

| | 2018 | 2017 |
|---|--------------|----------------|
| | £'000 | £'000 |
| Group and Company | | |
| Actual return on scheme assets – gains and (losses) | <u>91</u> | <u>2,913</u> |
| Less: amounts included in net interest on the defined benefit liability | <u>(347)</u> | <u>(412)</u> |
| Return on scheme assets excluding interest income | <u>(256)</u> | <u>2,501</u> |
| Actuarial gains and (losses) | <u>859</u> | <u>(2,260)</u> |
| Changes to the asset restriction under paragraph 28.22 FRS 102 | <u>(678)</u> | <u>(346)</u> |
| Re-measurement loss recognised in Consolidated SoFA | <u>(75)</u> | <u>(105)</u> |

**Changes in the present value of the defined benefit obligation
Group and Company**

| | 2018 | 2017 |
|------------------------------------|---------------|---------|
| | £'000 | £'000 |
| Opening defined benefit obligation | 14,619 | 13,040 |
| Benefits paid | (904) | (1,093) |
| Interest cost | 347 | 412 |
| Remeasurement (gains) and losses | (859) | 2,260 |
| Closing defined benefit obligation | 13,203 | 14,619 |

**Changes in the fair value of scheme assets
Group and Company**

| | 2018 | 2017 |
|--|---------------|---------|
| | £'000 | £'000 |
| Fair value of scheme assets at beginning of period | 16,575 | 14,650 |
| Interest income | 347 | 412 |
| Re-measurement gains and (losses) | (256) | 2,501 |
| Return on scheme assets excluding interest income | | |
| Contributions by employer | 75 | 105 |
| Benefits paid including expenses | (904) | (1,093) |
| Closing fair value of scheme assets | 15,837 | 16,575 |

The major categories of scheme assets as a percentage of total scheme assets :

| | 2018 | 2017 |
|----------------------------------|----------------|---------|
| Equities and other growth assets | 19.00% | 24.40% |
| Government bonds | 52.30% | 36.80% |
| Corporate bonds | 26.70% | 36.70% |
| Insured annuities | 1.30% | 1.40% |
| Cash | 0.70% | 0.70% |
| Total | 100.00% | 100.00% |

Pension costs are allocated solely against unrestricted reserves.

Principal actuarial assumptions

| Group and Company | 2018 | 2017 |
|---|--------------|-----------|
| | | Per annum |
| Discount rate | 2.55% | 2.45% |
| Retail prices index (RPI) inflation | 3.20% | 3.30% |
| Consumer prices index (CPI) inflation | 2.20% | 2.30% |
| Future increases in deferred pensions | 2.20% | 2.30% |
| Rate of increase to pensions in payment | 2.20% | 2.30% |
| RPI (max 5% pa) | 3.05% | 3.10% |
| Discretionary increase (per 6/4/1997 pension) | none | none |

Post retirement mortality

S2PA tables with CMI 2013 projections subject to a long term improvement of 1.25%

| | 2018 | 2017 |
|--|------|------|
| Cash commutation | | |
| Members assumed to commute pensions benefits for tax free cash at retirement equal to 75% of the maximum permitted | | |
| Future life expectancy of male aged 65 at balance sheet date | 22.1 | 22.5 |
| Future life expectancy of male achieving age 65 20 years after balance sheet date | 23.5 | 24.4 |
| Future life expectancy of female aged 65 at balance sheet date | 24.0 | 24.5 |
| Future life expectancy of female achieving age 65 20 years after balance sheet date | 25.5 | 26.5 |

(b) Group Personal Pension Plan

During the year, the company operated a Group Personal Pension Plan provided through Scottish Equitable plc. With effect from the date of commencement of automatic enrolment in to The Peoples Pension Scheme (see below), the Group Personal Pension Plan closed to new members.

The company contributions to this plan are dependent on individual contracts of employment, varying between 3% and 9% of earnings. Members of this plan will contribute a minimum of 3% of earnings.

The assets of the plan, which are held separately from those of the company, are invested with Aegon Plc. The pension charge for the year was £244k (2017: £357k). The charge for the year includes £114k (2017: £167k) contributed under an employee salary sacrifice scheme. An amount of £19k was owing to the plan in respect of contributions as at 31 March 2018 (2017: £45k).

Contributions paid and costs incurred, by the company, are charged as expenditure in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS 102.

(c) NHS Pension Scheme

Contributions have been made to the NHS Pension Scheme in respect of staff transferred to the company under the Bradford day services contract (since February 2012) and Oxford Vale contract (since September 2012).

The NHS Pension Scheme is an approved multi-employer defined benefit scheme. Hft is unable to identify its share of the assets and liabilities of the scheme at the balance sheet date and as such is treated as a defined contribution scheme in accordance with FRS102.

Contributions to the scheme are charged to the SOFA in the period in which they fall due. The current contribution rate is 14.3% as determined by Government Actuary using the Projected Unit Method. The amount charged to the SOFA was £382k (2017: £303k) and contributions owing to the scheme as at 31 March 2018 were £30k (2017: £36k).

(d) Local Government Pension Scheme

The company is classified as an admitting body for the West Yorkshire Pension Fund and Oxford County Council Pension Fund following the transfer of staff under the Bradford day services and Oxford Vale contracts.

The share of the deficit on each of these schemes attributable to the company has been calculated by the scheme actuaries and in the opinion of the Trustees is not material individually or in total. The schemes are accordingly accounted for as defined contribution schemes and contributions to the scheme are charged to the SOFA in the period in which they fall due.

The company's contribution rate payable to the West Yorkshire Pension Fund is 15.7% and to the Oxford County Council Pension Fund is 19.9% of earnings, as determined by the scheme actuary in each case.

The amount charged to the SOFA in respect of both schemes was £76k (2017: £62k) and contributions owing to the schemes as at 31 March 2018 were £6k (2017: £7k).

In respect of the NHS pension scheme, and the West Yorkshire Pension Fund and the Oxford County Council Pension Fund, the main contributory bodies to these 3 schemes are publically funded statutory bodies. Hft is responsible, under the agreements by which it provides pensions from these 3 pensions funds to its staff, for the contributions in respect of those employees only, and has no liability for any other participating entities' obligations in respect of the schemes.

As a part of the new service in Flintshire Hft pays into the Clwyd Pension Fund. Contributions into the scheme are 20.7% and totalled £41k during the year with £19k owing to the scheme in respect of contributions at 31st March 2018.

(e) Care Fund Group Personal Pension Plan

During the year, contributions have been made to the Care Fund Limited group personal pension plan in respect of employees transferred on acquisition of the Care Fund group. With effect from the date of commencement of automatic enrolment into The Peoples Pension Scheme (see below), the Group Personal Pension Plan closed to new members.

The group contributions to this plan are dependent on individual contracts of employment, varying between 3% and 13% of earnings and are calculated based on individual salaries at 1 April each year.

Contributions paid and costs incurred, by the group, are charged to expenditure in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS 102.

The assets of the plan, which are held separately from those of the group, are invested with Standard Life plc. The pension charge for the year was £77k (2017: 61k). An amount of £6k was owing to the plan in respect of contributions as at 31 March 2018 (2017: £8k).

(f) The Peoples Pension Scheme

To meet its legal obligations, from its staging date of 1 September 2013, the group commenced automatic enrolment of staff into The Peoples Pension Scheme; the scheme operates under a multi-employer Super Trust.

In addition to the statutory contribution levels of 1% of salary, which will rise in coming years, the group will contribute a maximum of a further 3% of salary, to match an employee's voluntary increase.

Contributions paid and costs incurred, by the group, are charged as expenditure in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS102.

The pension charge for the year was £478k (2017: £220k). An amount of £41k was owing to the plan in respect of contributions as at 31 March 2018 (2017: £36k).

(g) Other pension schemes

During the year, contributions have been made towards schemes in respect of employees transferred on acquisition of the Care Fund group and the Edward Lloyd Trust. The group contributions to this plan are fixed amounts, dependent on individual contracts of employment.

Contributions paid & costs incurred, by the group, are charged as expenditure in the year in which they are payable, in accordance with the rules on accounting for defined contribution pension schemes in FRS 102.

The assets of the plan, which are held separately from those of the group, are invested with Scottish Equitable plc, Friends Provident plc, Nest and Legal & General. The pension charge for the year was £27k (2017: £22k). An amount of £3k was owing to the plan in respect of contributions as at 31 March 2018 (2017: £3k).

25. FINANCIAL COMMITMENTS

| | 2018 | | 2017 | |
|--|-----------------------------|----------------|-----------------------------|----------------|
| | Land and buildings £'000 | Other £'000 | Land and buildings £'000 | Other £'000 |
| Total minimum commitments for non-cancellable operating leases are as follows: | | | | |
| Amounts payable within one year | 760 | 625 | 1,156 | 530 |
| Amounts payable between one and five years | 2,574 | 1,390 | 2,581 | 1,197 |
| Amounts payable in over five years | 4,295 | - | 3,214 | - |
| | 7,629 | 2,015 | 6,951 | 1,727 |

26. CAPITAL COMMITMENTS

| | 2018 £'000 | 2017 £'000 |
|--|---------------|---------------|
| Contracted for and not provided | - | - |
| Authorised by the Council but not contracted for | 1,800 | 4,300 |

The amounts authorised by the Council but not contracted for are based on the approved budgets and plans for 2018/19.

27. CONTINGENT LIABILITIES

Hft has been working with Local Authorities and Government Departments to understand the legal position around historic payment rates for overnight Sleep-In shifts which has recently received clarification in the High Court. The decision indicates that Hft will not be liable for the payments before the completion of the appeals. For this reason we are noting a contingent liability of £4.84m relating to these payments. Before the High Court decision was made there had been no suggestion of reimbursement to the charity should these payments fall due.

A grant of £0.29m was received in respect of the new property at the Calderstones service against the cost of developing the specialist property. The amount received equates to 54% of the cost of the land and buildings and a charge equivalent to this has been placed on the building.

28. INCOME FROM THE DEVELOPMENT TRUST

On 30th April 2017 the assets of The Development Trust were consolidated into HF Trust Limited. These consisted of £0.7m of cash and charges over properties in relation to grants which are repayable only if the beneficiaries fail to fulfil the conditions of the grants. Hft do not consider it probable that any of them will become repayable.

29. RELATED PARTY TRANSACTIONS

HF Trust Limited is the parent company within a group that prepares consolidated financial statements. The parent company has the following transactions with other group companies:

Hft leased a property from Hft Property Limited at an annual rent of £24k until February 2018, and has an outstanding balance of £12k due from Hft Property Limited. A management charge of £500 is incurred by Hft Property Limited (2017: £500)

Hft has a loan of £10k due and an outstanding balance of £25k from Hft Trading Limited. This loan attracts interest in accordance with Lloyds bank base rate. A management charge of £1,550 is incurred by Hft Trading Limited (2017: £1,500)

Hft has an outstanding balance of £63k due from LUV2MEETU CIC. A management charge of £82k is incurred by LUV2MEETU CIC (2018: £62k)

(a) Related transactions in parent company for year ending 31st March 2018:

| | Sales £'000 | Purchases £'000 | Debtor £'000 | Creditor £'000 |
|----------------------|----------------|--------------------|-----------------|-------------------|
| HFT Property Limited | 9 | 24 | 12 | - |
| HFT Trading Limited | 2 | - | 25 | - |
| Luv2meetU | - | - | 83 | - |
| Total | <u>10</u> | <u>24</u> | <u>121</u> | <u>-</u> |

(b) Related transactions in parent company for year ending 31st March 2017:

| | Sales £'000 | Purchases £'000 | Debtor £'000 | Creditor £'000 |
|----------------------|----------------|--------------------|-----------------|-------------------|
| HFT Property Limited | 9 | 24 | 12 | - |
| HFT Trading Limited | 2 | - | 24 | - |
| Luv2meetU | - | - | 63 | - |
| Total | <u>11</u> | <u>24</u> | <u>99</u> | <u>-</u> |

During the year, two of the Trustees of Hft were also Trustees of related parties. J Waite is also a Trustee of the Forbes Charitable Foundation, donations from the Foundation during the year amounted to £10k (2017: £52k). No balances were outstanding at 31st March 2018 (2017 :nil)

S Llewellyn is also a trustee of the Extra Special Trust, donations from the Foundation during the year amounted to £44k (2017: £26k). No balances were outstanding at 31st March 2018 (2017 :nil)

30. CAPITAL

The charity is a parent company limited by guarantee. Each member has undertaken to contribute £1 to the assets of the group to meet its liabilities if called on to do so. The total amount guaranteed by members at 31 March 2018 is £1k (2017: £1k).

31. FINANCIAL INSTRUMENTS

The company's financial instruments are as follows:

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets that are debt instruments measured at amortised cost: | | | | |
| Debt instruments | | | | |
| Trade debtors | 6,357 | 7,283 | 3,259 | 7,283 |
| Accrued Income | 1,978 | 660 | 1,978 | 660 |
| Intercompany debtors | 0 | 0 | 131 | 99 |
| Loan due from Dimensions UK | 42 | 42 | 42 | 42 |
| Other debtors | 428 | 449 | 428 | 433 |
| | <u>8,805</u> | <u>8,434</u> | <u>5,838</u> | <u>8,517</u> |
| Equity Investments measured at fair value | | | | |
| Listed investments | 5,060 | 4,988 | 5,060 | 4,988 |
| Financial Liabilities measured at amortised cost | | | | |
| Mortgage loans | 480 | 520 | 480 | 520 |
| Interest free loans | 165 | 165 | 165 | 165 |
| Bank overdraft | 0 | 934 | 0 | 1,064 |
| Accruals | 3,025 | 4,169 | 3,018 | 4,166 |
| Trade creditors | 1,998 | 1,908 | 1,980 | 1,908 |
| Other creditors | 801 | 661 | 801 | 620 |
| | <u>6,469</u> | <u>8,357</u> | <u>6,444</u> | <u>8,443</u> |

Equity Instruments

Equity instruments that are listed on a regulated stock exchange are measured at fair value using observable market inputs. The inputs used in valuing the instruments include indexes provided by these regulated markets.