

PILGRIMS' FRIEND SOCIETY

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31st March 2018

Charity Registration No. 1045920

Company Registration No. 3027071 (England and Wales)

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PILGRIMS' FRIEND SOCIETY

LEGAL AND ADMINISTRATIVE INFORMATION FOR THE YEAR ENDED 31ST MARCH 2018

Trustees and members of the charity

Alan Copeman (Chairman)	Thomas Creedy
Bryan Jarvis (Vice Chairman)	Genefer Espejo
Andrew Symonds (Vice Chairman)	Alan Hare (Treasurer)
Robin Turnbull	Dr Judy McLaren
John Edwards (appointed 15 August 2017)	Ray Thurgood (retired 28 November 2017)

The trustees of APFS 1807, a subsidiary charity which acted as trustee of Pilgrim Homes during the period of these accounts were as follows:-

Alan Copeman (Chairman)	Bryan Jarvis (Vice-Chairman)
Alan Hare (Treasurer)	Andrew Symonds (Vice-Chairman)
John Edwards	Ray Thurgood (retired 28 November 2017)
Judy McLaren	Jonathan Gulliford

Secretary Mr G R Norris (retired 31 December 2017)
Mr A P Bray (appointed 1 January 2018)

Principal office 175 Tower Bridge Road
London
SE1 2AL

Charity number 1045920

Company number 3027071

Auditors Jacob Cavenagh & Skeet
5 Robin Hood Lane
Sutton
Surrey
SM1 2SW

Bankers Lloyds Bank plc
25 Gresham Street
London
EC2V 7HN

Key Management Personnel The Key Management Personnel of the charity were the Trustees and the members of Senior Management Team whose names and responsibilities are listed below:-

Stephen Hammersley	Chief Executive Officer
Maureen Sim	Director of Operations
Adrian Bray	Director of Finance Company Secretary (appointed 1 January 2018)
Andy Walsh	Director of Property Services
Phil Wainwright	Director of Human Resources and IT
Carl Knightly	Director of Engagement (appointed 23 August 2017)
Geoff Norris	Company Secretary (retired 31 December 2017)

PILGRIMS' FRIEND SOCIETY

TRUSTEES' REPORT FOR THE YEAR ENDED 31ST MARCH 2018

The trustees are pleased to present their report, together with the financial statements of the group for the year ended 31st March 2018. The annual report serves the purposes of both a Trustees' Report and a Directors' Report under company law.

Annual Review

The vision for the Society and focus of our planning is summed up as "Fulfilled Living" by which we mean: older people receiving the Christian encouragement, care and support that they need to live fruitful, productive and dignified lives. To monitor progress, we set goals and then agree strategies to achieve those goals. In this report we will comment on the progress made against each of those goals.

Goal 1: "Homes and schemes delivering our vision of care and increasingly supporting churches' ministries in the community"

The trustees thank God that significant progress has been made against this goal in the year.

Locally our managers monitor the quality of what we do through rolling surveys of people who live and work with us and through monthly internal audit visits. These show us that we are doing well overall and highlight where we can do even better. We are pleased that all 9 CQC inspections that we had in the year were "Good" and our home in Plymouth received an "Outstanding" rating for its care.

We have invested in the leadership of our homes and each of our managers now have their vision for what "fulfilled living" will mean to their stakeholders. It has been encouraging to see some of these visions being realised as improvements have been made and new ventures that benefit our communities have been started such as the "Friendship Café" for residents at our Royd Court scheme and local people.

We have continued to roll out our "Way We Care" project, a major investment in the way that we organise and run things to create homes and "family" settings that work well for people living with dementia. We use the language of "family" in this programme and our training and organisation is designed to enable our staff colleagues to live alongside people, helping as required and helping people to contribute to life at home as would be the case in a "family".

We have been able to make improvements to our existing homes. In Suffolk we completed a 12-bed extension to our Great Finborough home. We give thanks to our God for this Ormonde Wing made possible by the closure of the Ormonde Trust from where some of the new residents came and most of the funds will eventually come. We have appreciated the opportunity to work with the Ormonde Trustees to deliver this sustainable increase in Christian care provision that will carry on the work of the Trust but in a different way. In Wantage we have continued with the programme of adding ensuite facilities to a number of care rooms and improved the laundry facilities.

It has become increasingly clear to us that we need to escalate our investment in several of our homes. It is now some 25 years since we built our last new care home. The world of care for older people has moved on and several of our homes are beyond economic updating and the sensible way forward is to re-provide with new buildings. The first of these in our programme is in Chippenham.

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Shortly after the year end, our offer for a site was accepted and we are moving towards a purchase. We have selected an architect and lead consultant for the project and a design brief has been agreed by the Board. This is a wonderful opportunity to build a new care home to invest in standards that meet our goals for caring for older saints with the widest possible range of needs in the years to come.

The start of what we have called our "reprovision programme" is significant. It will take us over a decade and will require an investment of around £25m. The trustees are prepared to borrow if the Lord leads, but we are also mindful of the fact that when we have developed new facilities in the past God has prompted our supporters to give so that we have been able to open the facility debt free.

Goal 2: "Christian Care available in every town and city through people and churches inspired and equipped by us"

This is a longer-term goal that reflects the reality that many more people than we can provide supportive homes for are going to be living in the community facing the end of life alone with little fellowship and only transactional domiciliary care.

To achieve this goal we work to equip, encourage and inspire Churches and individual Christians by providing resources that help them to provide support and care to older people. We continue to produce the Pilgrims' Magazine, distributed to our regular supporters which addresses topical issues relating to older people and gives news and updates from our homes. We continue to send out occasional updates and topical email bulletins and maintain a 'blog'.

We have had another year of church conferences to promote local involvement that have been attended by over a thousand people and we are delighted to note that in some locations we are being invited back to further support church-based outreach into communities and ministries within congregations.

To build on this, and to help our own schemes be more effective "beacons on a hill" with their local volunteers, a Director of Engagement was appointed in August 2017. One result already noted is that we have dispensed with appeal letters and replaced them by prayer newsletters – leading to more prayer and no let-up in giving!

But this goal is not going to be realised in any significant way by this charity alone, which is why we were a significant contributor to the launch of "Faith in Later Life" in October 2017 supported by Lord Mackay at the House of Lords. This is a joint initiative with London City Mission; Mission Care; the Keychange Charity; and the Salvation Army. Our prayer here is that God will use the resources and influence of all these Christian organisations to transform the attitudes and capacities of Churches and individual Christians so that many older people find Jesus as a friend in later life; find Christian fellowship and support; and find purpose and direction in later life.

Goal 3: "Influence policy and practice in society and attitudes to older people"

There is no doubt that our society needs to discover the Biblical pattern of seeing older people as valued and valuable, created in the image of God with a distinct role to play and calling to live out. The media generally focuses on "decline, dependency and death", but a small number of influential thinkers now see that our society is about to age in such a dramatic way that we need older people's wisdom, experience, and ongoing proactive participation in society.

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We have tried to play a part in shaping this debate through the conferences described above and through the writing and media work that we undertake. We have been very encouraged during the year that there has been an accelerating demand for Louise Morse to appear in Christian media to the extent that she is now a "regular". During the year Louise published her latest book "What's Age Got To Do With It?" which has been very well received and is a wonderful Christian response to outdated but powerful ageist attitudes that discourage fulfilled living in older age.

We have also been delighted to have been able to provide Dr Jennifer Bute with a more significant Christian platform for her ministry to help Churches and Christians better understand people living with dementia and to see that in God's kingdom people living with dementia are important with much to give as well as a need for fellowship and support. Louise has started work with Dr Bute on her autobiography which we await eagerly later in 2018.

The charity has also participated in "Christians Together Against Loneliness" which is an attempt with others to make sure that there is a Christian input and influence present in what has been going on around the Campaign to End Loneliness; the Jo Cox Commission and the appointment of Tracey Crouch as the Minister for Loneliness.

Goal 4: "Sustainable growth"

During the year we have started to think and plan about what we sense is God's calling that we should be doing more given the scale of need and opportunity that we see. As a result, the Board formed an Organisational Development Committee to oversee our investments in people, systems and ways of working. The committee approved a review of how the central team support the work of our homes and this will report back in the 2018/19 year with a view to it being the basis for an organisational development plan.

One of our most significant investments has been in the leadership of our homes and schemes. The trustees are hugely appreciative of the wonderful work that our home managers do and lead, and our plan is to invest in training and development and support so that they can play an increasingly significant role in the development of the Society's work in their areas. During the year we completed a leadership project that set in place the necessary foundations for this work and approach.

At the end of the last financial year we were pleased to be awarded Silver Investors in People (IIP) accreditation. The Society has been an IIP since 1999 and it recognises our good staff practices in many areas. We are mindful that there is always room for improvement and one benefit from the IIP reviews is an analysis of ways in which we can improve our practices even further.

A previous IIP review indicated that we need to better define what "Leaders" look like in PFS, and the current review highlighted the need for more open staff recognition. We have been pleased to be able to put both recommendations into practice. As a result, we have produced a Leadership Competency Framework, which defines what qualities we expect in our managers and leaders. As mentioned above, this has, in turn, informed our development of leaders within the organisation.

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We undertook a major staff consultation in 2017 to understand our colleagues' perceptions on issues around staff retention and recruitment as this is one of the most significant challenges facing all organisations working in adult social care. Consequently, we put in place a range of measures to reward and recognise staff, especially those who go the extra mile or show commitment to those in their care, to the Society and to their own personal development. Our aim is to be a great place to work, and have a committed staff team driven by the values that are important to us and to those who use our services. We held successful conferences during the year for our Senior Team that includes trustees and managers, and for our senior carers.

Our supporters, and their prayer for our work is also essential to our sustainable growth. We have increased the frequency of prayer newsletters and continued with our half yearly magazine and recruited over 300 new supporters. The annual meeting in 2017 was attended by 400 people and 380 in 2018 - over twice as many as in 2016. The trustees thank God for each supporter.

The financial sustainability of the charity is part of this goal as well. The accounts show a similar pattern to recent years with challenging "trading" being offset by much needed charitable giving. The financial results are discussed in more detail in the annual financial review.

Restructuring update

On 1 September 2017, the activities of the Evington Care Home were transferred to Pilgrims' Friend Society and are now operated within the Pilgrim Homes Restricted Fund. From that date the operation of all of our care homes and housing schemes has been carried out by Pilgrims' Friend Society, with the results for homes with admissions requirements which mirror the objects of the Pilgrim Homes Charity (people with a Protestant Christian testimony) separately accounted for by the Pilgrim Homes Restricted Fund within PFS. This has greatly simplified the operations of all members of the group of charities.

In the year, continued correspondence took place with the Charity Commission with the goal of eliminating APFS 1807, as the charity has no role other than to act as trustee for Pilgrim Homes. In the course of this correspondence, the Charity Commission advised us that further work is required on our restructuring. They have suggested a way forward which will see the incorporation of Pilgrim Homes and the transfer of the assets currently held within the Pilgrim Homes Restricted Fund to the newly incorporated charity. The trustees are progressing this work.

After the year end the Commission approved the merger of Anna Victoria Nursing Home with Pilgrims' Friend Society and this was effected in the current financial year.

Annual Financial review

The overall results for 2017/18 were disappointing, with net expenditure for the year of £223K as shown on the Consolidated Statement of Financial Activities (SOFA) on page 18 of the accounts. The principal issues that led to this below budget performance were the cost of empty rooms (occupancy) and the shortfall between what local authorities pay for care and the actual cost of sustaining a healthy and growing care operation.

The table on the following page illustrates the effect of these significant costs on the finances of the charity.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31ST MARCH 2018

Pilgrims Friend Society - A summary showing effects of low occupancy, Local authority shortfall and depreciation for the year ended 31 March 2018

	Notes	Homes £'000	Wellbeing and Housing £'000	Charity and Outreach £'000	Total £'000
Income if full occupancy at Basic care fee levels	2.1	10,822			10,822
Less: Cost of Empty Rooms	2.2	-1,495			-1,495
Less: Local Authority Shortfall	2.3	-1,145			-1,145
Charges for extra care		379			379
Rental income			2,110		2,110
Donations & Legacies		174		556	730
Income from Investments				126	126
Trading income				11	11
Net Gains on Shares				54	54
Total income		8,735	2,110	747	11,592
Care and Housing costs		8,606	1,612		10,218
Engagement and Outreach Costs				216	216
Head Office Costs not charged elsewhere				296	296
Faith in Later Life/Futures Fund Costs				86	86
Total Expenses		8,606	1,612	598	10,816
EBITDA (Earnings Before Interest, Depreciation and Amortisation)		129	498	149	776
Depreciation of Properties and Equipment used for each category	2.4	-723	-226	-50	-999
Surplus/Deficit from Operations		-594	272	99	-223

1. Overall Summary

This table above helps to illustrate more clearly the macro factors which influence our results. The heading "Homes" refers to the caring work that goes on in our residential homes. The column headed "Housing and Well Being" refers to the financial performance of the housing accommodation and associated services that we provide through both our bespoke housing provision at Mirfield, Leicester, Walton on the Naze, Redbourn and Bedford and the housing provision co-located with our homes at Great Finborough, Tunbridge Wells, Chippenham and Brighton. The "Charity and Outreach" column shows all other activities of the charity including encouraging caring in the community; communications, finding and looking after supporters and donors; and the governance and other charity costs that are not part of our caring or housing operations.

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Although there are some challenging messages from this analysis, it is important to stress that, the charity overall effectively broke even in cashflow terms during the year as the actual capital spent on plant and equipment was around £200k lower than the depreciation charge. The ways in which cash were generated and applied are shown in the cashflow statement on page 22 of the accounts.

That said, a trading loss on care of £594K (5.2% of income) is a serious matter. Clearly the Local Authority Shortfall of £1.145M is a key factor but the following are also relevant:

- ▶ As noted in section 2.2 we had a significant drop in occupancy in the early months of the year, which was addressed successfully in that, according to the management accounts, EBITDA (earnings before interest, tax, depreciation and amortisation) for the second half of the year was 65% ahead of results in the first half of the year, and this positive trend has carried on into the new year.
- ▶ The majority of our trading loss was at two homes, both of which are part of our planned reprovision strategy which will address these home specific issues.
- ▶ At the EBITDA level, all areas of the charity made a contribution.

The "Wellbeing and Housing" surplus of £272k illustrates that this is an important source of income for the charity that is relatively stable as occupancy changes more slowly and our fixed and semi-fixed costs are a lower percentage of our income than for our caring work in our homes. This is, however, a very modest surplus given that in the last ten years the charity has spent close to £15m on new housing schemes at Mirfield (Royd Court) and Leicester (Pilgrim Gardens). At this rate it would take 60 years for the charity to recoup its capital outlay and, all other factors apart, be ready to invest in another housing scheme.

The Charity and Outreach column shows that donated and other "non-fee" income not specifically allocated to homes covered all the other costs of the charity. This includes the costs of "Faith in Later Life (referred to under Goal 2 on page 3); and the modest costs of developing the "Futures Fund" which is where we place money that we plan to use to build new homes and schemes.

2. Major factors influencing this year's results

2.1 Income if full occupancy

The amount shown under this heading is the income we would receive if every care room had been filled with someone paying the appropriate basic full fee for that care room.

2.2 Income foregone due to empty rooms

It is very difficult to keep care homes completely full, as it is not always possible to admit new residents at exactly the time when a room becomes vacant. That difficulty is exacerbated when we lose a number of residents in a short time. Industry averages suggest most care homes are not full but instead operate at about 90% of capacity. This is reflected in our budgeting. This year however the occupancy rates achieved have been less than budget.

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We have often found that occupancy falls over the winter months, as winter death rates are greater than summer death rates. However at the end of March 2017 average occupancy across the care side of the charity fell to only 83.5%, and continued well below budget until September 2017. There was a pronounced 3% occupancy improvement between September and October, which 'coincided' with making our low occupancy a particular focus for both prayer and marketing. But, despite the improvement, overall occupancy remained below budget, with a particular issue at our Chippenham Home. If we had been able to fill these empty rooms, our income would have been almost £1.5 million greater.

2.3 Local Authority Shortfall

Our 2017/18 outturn was also affected by the amount we receive towards the cost of looking after residents who are unable to meet the cost of a place at one of our homes. The table below shows the costs of this shortfall between what the local authorities pay and the basic full fee rate we need to sustain investment in our charitable work.

Year	Local Authority Shortfall
2013/14	835,056
2014/15	757,807
2015/16	631,285
2016/17	793,934
2017/18	1,145,295

This shortfall has a very significant effect on the accounts of the charity. The relentless increase in this number, with an increase of just over £350K this year, is a real challenge for the charity. Hitherto we have maintained our approach to admit people on the basis of need and we seek 'top-ups' from families where possible. All care operators are grappling with this issue which is a symptom of recent failures to adequately fund adult social care. In 2017 the Competition and Markets Authority found that Local Authorities were paying less than the cost of care and it is our prayer that a more just settlement results from the Government's delayed reform of the system.

2.4 Depreciation and Cashflow

The final major factor which always has a significant effect on our results is depreciation. The overall cost of depreciation indicates the amount that the charity has invested in property and equipment. However depreciation is not a 'cash' cost. The actual amount invested in Fixed assets, ignoring the Investment at Finborough, was £791K compared with the EBITDA surplus of £776K, and so we just about covered the amount invested in improving our homes from the EBITDA surplus generated by our work.

Other Costs

Note 6 on pages 26 and 27 of the accounts also gives a breakdown in more detail of some of our other costs. The figure of repairs stands out on this summary as this includes a major refurbishment and updating of the existing care and housing facilities at Great Finborough. This cost £190K and was in addition to the cost of building the new care wing. The trustees acknowledge with grateful thanks the support of the local auxiliary who agreed to make a generous contribution of £120K from the Homes Voluntary Support Fund towards the overall costs of the work. This transfer is not reflected in these accounts, but will effectively be shown as general fund income in next year's accounts.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31ST MARCH 2018

Note 10 shows the additional fixed assets acquired and disposed of. The most significant addition is to 'assets in the course of construction' which reflects the cost of the Finborough extension. This will be transferred to Freehold Properties in next year's accounts following its opening at the end of April 2018. Capital improvements have been carried out at a number of homes, often supported by local fundraising efforts. The freehold property disposal essentially reflects the disposal of the surplus land and buildings at our Walton site.

Other Income

Legacies and donations in 2017/18 were also lower than we had expected, although it is always difficult to predict the level of legacies. Where the income is general, this has been included in the Charity and Outreach column, where income specifically for homes has been included in the Care Column. At the end of the year we received a significant gift of £263K from the Trustees of the Manse at Hope Chapel. This gift was designated by the trustees to the Futures Fund, a fund established towards the costs of redeveloping our homes estate.

Statutory Information

Our objects and how we seek to fulfil them

Pilgrims' Friend Society is a charitable company which controls a number of subsidiary charities. During this financial period, only Pilgrims' Friend Society and Pilgrim Homes have been financially active.

Pilgrims' Friend Society has as its objectives "the advancement of the Christian faith and the relief of poverty, sickness, disablement, old age and infirmity for the public benefit to the glory of God".

Pilgrims' Friend Society exists to advance the Christian faith by operating care and housing for older people and Christian missionaries and by producing resources that inspire, encourage and equip others in their work of caring for older people.

Pilgrims' Friend Society operates the Pilgrim Homes Restricted Fund, which delivers care and support to Protestant Christians in accordance with the trust deeds of Pilgrim Homes.

The objects of Pilgrim Homes which was founded in 1807 are: "the relief either individually or collectively of poverty, sickness, disablement, old age and infirmity among elderly persons of the Protestant Christian Faith, who are in agreement with the Society's Doctrinal Statement and can give scriptural testimony as shall in the judgement of the Trustees show them to be of the 'Household of Faith'".

Pilgrim Homes fulfils these objectives through the ownership of care homes and housing schemes which are operated on its behalf by Pilgrims' Friend Society.

Neither APFS 1807 nor Anna Victoria Nursing Home, the other two charities which are part of the group, have traded within this financial year but APFS 1807 has in this period acted as trustee of Pilgrim Homes allowing for independent decision making within that Charity.

Further details of our vision can be found within the Annual Review section of this report.

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FOR THE YEAR ENDED 31ST MARCH 2018

Provision of Accommodation and Care

The principal way in which the two major operating charities, Pilgrim Homes and Pilgrims' Friend Society, seek to carry out their objects is through the provision of Christian care in a residential setting to those who are over 65 and in need of such accommodation or care as a result of their age, poverty, sickness or disablement. Care can also be provided for adults below the age of 65 who are suffering from a disease, illness or medical condition normally associated with old age. The homes operated by the different charities have different admission processes that allow them to focus on their different target beneficiary groups. Pilgrim Homes and Pilgrims' Friend Society also provide housing, support and other services to those over the age of 60 who wish to maintain an independent lifestyle but are in need of assistance as a result of their age, poverty, sickness or disablement.

Both Pilgrims' Friend Society and Pilgrim Homes promote the Christian faith by ensuring that beneficiaries have every opportunity to pursue their Christian lives. Regular devotions are led by residents, visitors and ministers from a range of Protestant denominations.

Since the transfer of the work of Redbourn Missionary Trust to Pilgrims' Friend Society, the work of providing provision of accommodation to those engaged in full time missionary work and those who have now retired from active service overseas has continued at the existing Redbourn site under the oversight of Pilgrims' Friend Society.

Domiciliary care for residents in our extra care housing scheme at Royd Court in Mirfield is provided by Pilgrim Care, part of Pilgrims' Friend Society.

The benefits of our work are people living safe and fulfilled lives in their latter years when they need Christian care and support.

Pilgrims' Friend Society and its subsidiary charities provide a safe, secure environment with opportunities for fellowship with like-minded Christian people. We promote the Christian faith by providing quality care in our homes and we seek to share what we have learned about effective Christian care with individuals and churches to enable them to care more effectively in the community.

Public Benefit

The charity's trustees have considered the guidance regarding public benefit when considering and planning their objectives and activities for the year.

Employment Policies

Pilgrims' Friend Society always selects staff colleagues on the basis of their ability to do the job on offer based on a "Person Specification" for each post. We are fully compliant with Equalities legislation and recognise our obligations, under Disability Discrimination legislation, to consider reasonable modifications to allow people living with a disability to take up employment. We have a genuine occupational requirement for some posts to be filled by Protestant Christians, who are in agreement with our doctrinal basis, to maintain our founding Christian ethos. These issues are dealt with fully under the charity's Equal Opportunities policies.

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All our homes hold regular meetings for all colleagues which are designed to impart information regarding developments within the charity and to give staff opportunity to raise issues. Where any specific proposal is likely to have a significant impact on individual members of staff, such staff are consulted in line with current legislation and good practice.

We are in regular communication with our staff colleagues on all matters relating to their terms and conditions of employment. This included a specific consultation with staff at all homes to consider how to improve remuneration structures to deal with specific 'pinch points' at each home. The managers of our homes meet twice a year as the "senior team" and this includes discussion with the trustees as to the future direction of the Society. Significant changes to the work of the Society are typically preceded by a consultation with colleagues in our homes and our volunteers sometimes involving a visit by a members of the executive team and a trustee. We encourage colleagues involvement in the Society's performance and their awareness of the factors affecting our work through a monthly prayer bulletin that is posted on the noticeboards in all of our homes and schemes.

Volunteers

Our home visitors, friends and auxiliaries are a vital aspect of our work. As well as raising some of the finances we need they also make them go much further through their volunteering. We are particularly grateful to visitors who provide much needed comfort and company to residents and those who lead the regular acts of worship in our homes. The Charity Commission requires we state a number for these volunteers, and we estimate this to be around 380.

Future developments

These are discussed in the Annual Review section of this report.

Related parties

The trustees of the charity consider the following to be related parties:

1. Key Management Personnel of Pilgrims' Friend Society
2. The following charities:
 - a) Pilgrim Homes (formerly Aged Pilgrims' Friend Society) (charity no. 242266)
 - b) APFS 1807 (charity no. 1134979)
 - c) Anna Victoria Nursing Home (charity no. 288915)
3. Pilgrim Homes Trading Limited - a limited company
4. Aged Pilgrims' Friend Society Trust Limited - a limited company which holds title to the properties owned by Pilgrim Homes.

Investment policy

These accounts include £3.7 million of investments which are divided between a listed portfolio managed by Rathbones and properties owned by Pilgrim Homes which are not suitable to be let to beneficiaries of the Charity and are therefore let as investments to third parties. Some of these properties are close to our care homes and such properties are, where possible, let to staff members.

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The cost of the works required at Chippenham are likely to absorb all of the charity's cash reserves and may necessitate the disposal of some or all of these investments within a five year threshold. For this reason the trustees take the view that it is better to retain the majority of the charity's funds in bank deposits, rather than investing more of the cash resources into other forms of investment.

Principal sources of funding

The group expects to continue to raise the majority of its income from fees charged to residents of its homes.

Accommodation charges policy

As with the other related charities, this charity sets the level of charges for accommodation in its care homes on the basis of local market conditions. It does not discriminate against older Christians who may not have the resources to meet the costs of their own care and we accept residents whose fees are met on their behalf by local authorities, notwithstanding the shortfall that then arises. In these circumstances we seek a 'top-up' from family or friends where possible.

Risks and regulations

The charity maintains a comprehensive register of risks which is reviewed by the Key Management Personnel at their monthly meetings and by trustees at every trustee meeting. Risks are rated as to both their likelihood and severity. The greatest risks affecting the Charity are the failure of the state to fund care adequately, which results in residents supported by local authorities often contributing less towards their care than its cost and therefore makes it difficult particularly to remunerate staff and keep buildings in good repair. The next three risks in order of severity are: the increasing difficulty of filling care rooms at some of the charities older homes, the loss of finance resulting from this difficulty, and issues caused by the minimum wage which, coupled with difficulties relating to employment of EU citizens as a result of the uncertainty caused by Brexit, make it difficult to keep all homes fully staffed without resorting to expensive Agency cover.

Reserves

In addition to the various restricted and designated funds, the group holds general reserves sufficient to ensure that, in the event of a downturn in its primary purpose trading activities, the charities would be able to cover immediate costs. A policy has been agreed whereby the group maintains at least £1,000,000 of these reserves in cash, or cash equivalent funds to cover short term cash-flow requirements, capital commitments, and three months of operating costs. On completion of the restructuring the charity intends to review and update this policy. The total balance held in unrestricted funds at the period end amounted to £6,560K as can be seen from the Consolidated Statement of Financial Activities on page 18 of the accounts.

Trustee recruitment and training

Trustees are appointed at a board meeting following a nomination process. Candidates must meet a strict set of specifications concerning personal competence, specialist skills, availability and Christian belief. Once the Board and new trustee decide to proceed with a formal appointment there follows an induction period to familiarise the new trustee with the charity's operations. Newly appointed trustees meet with the Chief Executive and where appropriate members of the Senior Management Team to provide an introduction to the affairs of the charity, key operational methods and the current strategic plan. Trustee performance is subject to an annual review by the Chairman.

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At the September 2017 Board meeting a session was held led by a Charity Governance Specialist considering topical governance issues.

Disclosure of information to auditors

Each of the trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditors are aware of such information.

This report was approved by the trustees on 26 September 2018 and signed on their behalf by:

Mr A Copeman
Chairman

A handwritten signature in black ink, appearing to be 'A Copeman', written over a circular stamp or seal.

PILGRIMS' FRIEND SOCIETY

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its income and expenditure for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enables it to ascertain the financial position of the charity and which ensure that the financial statements comply with the Companies Act 2006 and the Charities Act 2011. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF PILGRIMS' FRIEND SOCIETY

Opinion

We have audited the financial statements of Pilgrims' Friend Society for the year ended 31st March 2018 which comprise the Consolidated Income and Expenditure Account, the Company Income and Expenditure Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows and related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31st March 2018, and of 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 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 charity'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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. 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.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF PILGRIMS' FRIEND SOCIETY

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charity and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included with the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charity, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charity 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, the trustees 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 charity'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 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 located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF
PILGRIMS' FRIEND SOCIETY

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' 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 charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.



R I Haffenden MA(Cantab) FCA (Senior Statutory Auditor)

for and on behalf of Jacob Cavenagh & Skeet, Chartered Accountants and Statutory Auditor
5 Robin Hood Lane, Sutton, Surrey, SM1 2SW

Date: 10 OCTOBER 2018

PILGRIMS' FRIEND SOCIETY

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating Income and Expenditure account)
FOR THE YEAR ENDED 31ST MARCH 2018**

	Note	Year ended 31st March 2018			6 month period ended 31st March 2017		
		Unrestricted Funds £000	Restricted Funds £000	Total Funds £000	Unrestricted Funds £000	Restricted Funds £000	Total Funds £000
Income from:							
Donations and legacies	2	363	367	730	69	459	528
Investments	3	1	125	126	-	58	58
Charitable activities	4	2,880	7,791	10,671	1,372	3,483	4,855
Gain on disposal of tangible fixed asset		-	-	-	304	-	304
Other sources: commercial trading operations		11	-	11	4	-	4
Total income		3,255	8,283	11,538	1,749	4,000	5,749
Expenditure on:							
Raising funds	5	9	22	31	9	-	9
Charitable activities	6	3,465	8,319	11,784	1,648	3,541	5,189
Total expenditure		3,474	8,341	11,815	1,657	3,541	5,198
Net gains/(losses) on investments		-	54	54	-	118	118
Net (expenditure)/income		(219)	(4)	(223)	92	577	669
Transfers between funds		3	(3)	-	116	(116)	-
Net movement in funds		(216)	(7)	(223)	208	461	669
Funds brought forward at 1st April 2017		6,776	28,219	34,995	6,568	27,758	34,326
Funds carried forward at 31st March 2018		6,560	28,212	34,772	6,776	28,219	34,995

PILGRIMS' FRIEND SOCIETY

**STATEMENT OF COMPANY'S FINANCIAL ACTIVITIES (incorporating Income and Expenditure account)
FOR THE YEAR ENDED 31ST MARCH 2018**

	Year ended 31st March 2018		6 month period ended 31st March 2017	
	Unrestricted Funds £000	Restricted Funds £000	Unrestricted Funds £000	Restricted Funds £000
		Total Funds £000		Total Funds £000
Income from:				
Donations and legacies	363	239	171	85
Charitable activities	2,878	6,620	1,367	1,453
Investments	1	66	-	18
Other sources	2	707	5	13
Total income	3,244	7,632	1,543	1,569
Expenditure on:				
Raising funds	-	14	-	3
Charitable activities	3,421	7,780	1,640	1,689
Total expenditure	3,421	7,794	1,640	1,692
Net assets gifted by Pilgrim Homes: Pilgrim Homes restricted fund	-	32	-	11,155
Net gains/(losses) on investments	-	(3)	-	73
Net (expenditure)/income	(177)	(133)	(97)	11,008
Transfers between funds	3	(3)	116	(116)
Net movement in funds	(174)	(136)	19	11,008
Funds brought forward at 1st April 2017	5,297	11,071	5,278	82
Funds carried forward at 31st March 2018	5,123	10,935	5,297	11,071
		16,058		16,368

PILGRIMS' FRIEND SOCIETY

**CONSOLIDATED BALANCE SHEET
AS AT 31ST MARCH 2018**

	<i>Note</i>	<i>As at 31st March 2018</i>		<i>As at 31st March 2017</i>	
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets					
Tangible assets	10		25,207		24,952
Investments	11		3,734		3,644
			<u>28,941</u>		<u>28,596</u>
Current assets					
Stock	12	1,037		1,198	
Debtors and prepayments	13	761		611	
Short term deposits		-		-	
Cash at bank and in hand		5,070		5,478	
		<u>6,868</u>		<u>7,287</u>	
Creditors: amounts falling due within one year	14	1,037		888	
Net current assets			<u>5,831</u>		<u>6,399</u>
Total assets less current liabilities			<u>34,772</u>		<u>34,995</u>
Reserves and equity					
Unrestricted Funds	15,16		6,560		6,776
Restricted Funds	17		28,212		28,219
Total assets less current liabilities			<u>34,772</u>		<u>34,995</u>

Approved by the trustees on 26 September 2018 and signed on their behalf by:

A R COPEMAN



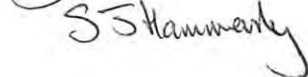
Chairman

A J HARE



Treasurer

S HAMMERSLEY



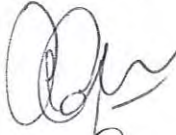
Chief Executive


PILGRIMS' FRIEND SOCIETY


**COMPANY BALANCE SHEET
AS AT 31ST MARCH 2018**

	<i>Note</i>	<i>As at 31st March 2018</i>		<i>As at 31st March 2017</i>	
		<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Fixed assets					
Tangible assets	10		8,267		8,844
Investments	11		1,891		1,860
			<u>10,158</u>		<u>10,704</u>
Current assets					
Stock of leasehold flats held for resale	12	1,021		1,180	
Debtors and prepayments	13	1,860		1,077	
Cash at bank and in hand		3,958		4,451	
		<u>6,839</u>		<u>6,708</u>	
Creditors: amounts falling due within one year	14	939		1,044	
Net current assets			<u>5,900</u>		<u>5,664</u>
Total assets less current liabilities			<u>16,058</u>		<u>16,368</u>
Creditors: amounts falling due after more than one year			-		-
Net assets			<u>16,058</u>		<u>16,368</u>
Reserves and equity					
Unrestricted Funds	15,16		5,123		5,297
Restricted Funds	17		10,935		11,071
Total assets less current liabilities			<u>16,058</u>		<u>16,368</u>

Approved by the trustees on 26 September 2018 and signed on their behalf by:

A R COPEMAN  Chairman

A J HARE  Treasurer

S HAMMERSLEY  Chief Executive

PILGRIMS' FRIEND SOCIETY

**STATEMENT OF CONSOLIDATED CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2018**

	Year ended 31st March 2018 £000	6 month period ended 31st March 2017 £000
Cash flows from operating activities		
<i>Trading and donations</i>		
Net income	(223)	669
Depreciation	986	466
Interest and dividends included in investing activities	(126)	(58)
(Gain)/loss on disposal of fixed assets	12	(298)
Impairment losses	-	48
Realised (gains)/losses on disposal of investments	7	48
Movement in fair value of investments	(61)	(166)
<i>Net cash provided by trading and donations</i>	595	709
<i>Working capital movements</i>		
Decrease/(increase) in housing stocks at Royd Court and Pilgrim Gardens	161	(536)
(Increase) in debtors	(150)	(141)
Increase in creditors	149	126
<i>Net cash provided by/(used in) working capital movements</i>	160	(551)
Net cash provided by operating activities	755	158
Cash flows from investing activities		
<i>Tangible Fixed Assets</i>		
Payments on additions of tangible fixed assets	(2,079)	(1,083)
Proceeds on disposal of tangible fixed assets	826	1,430
<i>Net cash (used in)/provided by tangible fixed assets</i>	(1,253)	347
<i>Fixed Asset Investments</i>		
Interest and dividends received	126	58
Payments on additions of fixed asset investments	(292)	(594)
Proceeds on disposal of fixed asset investments	256	141
<i>Net cash provided by/(used in) fixed asset investments</i>	90	(395)
Net cash (used in) investing activities	(1,163)	(48)
Net cash (outflow)/inflow	(408)	110
Cash and cash equivalents at 1st April 2017	5,478	5,368
Cash and cash equivalents at 31st March 2018	5,070	5,478

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2018

1. ACCOUNTING POLICIES

The company is registered as a charitable company limited by guarantee incorporated in England and Wales and is governed by its Memorandum and Articles of Association. Its registered office is 175 Tower Bridge Road, London SE1 2AL.

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

Basis of accounting

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice. The charity is a Public Benefit Entity as defined by FRS 102.

The accounting period has returned to the normal twelve month accounting period ended 31 March 2018. The comparative figures are for a 6 month period from 1 October 2016 to 31 March 2017.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £1,000.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include certain financial instruments at fair value. The principal accounting policies adopted are set out below.

Going concern

At the time of approving the financial statements, the trustees have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2018

1. ACCOUNTING POLICIES (continued)

Fixed assets

Expenditure on existing properties is capitalised when works result in an enhancement of economic benefits of the asset. Other expenditure on the properties is charged to the income and expenditure account. Where appropriate, the historic cost less accumulated depreciation of any replaced components is released from the asset and recognised as a loss on disposal.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset over its expected useful life. The following rates are used on a straight line basis:

Land	nil
Buildings	100 years
Roof	70 years
Electrics	40 years
Windows, doors, heating & plumbing	30 years
Bathrooms & lifts	20 years
Kitchens – sheltered	20 years
Boilers	15 years
Kitchens – residential	10 years
Furniture and equipment - sheltered	10 years
Hard landscaping	5 years
Motor vehicles	4 years
Computer equipment	4 years

Investment properties

Investment properties comprise properties, all owned by Pilgrim Homes (formerly Aged Pilgrims' Friend Society) which are not suitable for occupation by beneficiaries of the charities within the group and are therefore let on commercial terms to either staff members or third parties. These properties are revalued every year with the surplus or deficit taken to the reserves of the group.

Income

Rental and ancillary income is recognised on the basis of when the service was provided to the resident. Voluntary income and donations (including legacies) are accounted for once the charity has entitlement to the income, it is probable the income will be received and the amount of income receivable can be reliably measured. Where material assets are donated to the company for its use, these are capitalised at the estimated market value at the date of the gift and included under income.

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2018

Expenditure

Expenditure is accrued as soon as a liability is considered probable, discounted to present value for longer term liabilities. Charitable expenditure includes all support costs in respect of the company's activities.

Governance costs

This comprises expenditure on compliance with statutory legal requirements and is included in charitable activities.

Fund accounting

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

Designated funds comprise unrestricted funds that have been set aside by the trustee for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in note 17 to the financial statements.

Leases

Rentals payable under operating leases are dealt with on a straight line basis over the lease term. Total lease repayments have been disclosed over the remaining life of the lease.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

Debtors

Debtors are included at the settlement amount due. Prepayments are valued at the amount prepaid.

Cash and cash equivalents

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

Creditors and provisions

Creditors and provisions are recognised where the group has a present obligation arising from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are recognised at their settlement amount. Concessionary loans are included at historic cost.

Financial instruments

The charity only has financial assets and liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018

2. DONATIONS AND LEGACIES

	<i>Unrestricted Funds £000</i>	<i>Restricted Funds £000</i>	<i>Year ended 31st March 2018 Total £000</i>	<i>6 month period ended 31st March 2017 Total £000</i>
Donations	85	218	303	191
Legacies	278	149	427	337
	<u>363</u>	<u>367</u>	<u>730</u>	<u>528</u>

3. INCOME FROM INVESTMENTS

	<i>Unrestricted Funds £000</i>	<i>Restricted Funds £000</i>	<i>Year ended 31st March 2018 Total £000</i>	<i>6 month period ended 31st March 2017 Total £000</i>
Bank interest	1	22	23	19
Rental of investment properties	-	58	58	20
Dividends	-	45	45	19
	<u>1</u>	<u>125</u>	<u>126</u>	<u>58</u>

4. INCOME FROM CHARITABLE ACTIVITIES

	<i>Unrestricted Funds £000</i>	<i>Restricted Funds £000</i>	<i>Year ended 31st March 2018 Total £000</i>	<i>6 month period ended 31st March 2017 Total £000</i>
Care fees	2,697	5,867	8,564	4,353
Housing income	183	1,236	1,419	500
Extra Care Housing lease sales	-	688	688	2
	<u>2,880</u>	<u>7,791</u>	<u>10,671</u>	<u>4,855</u>

5. EXPENDITURE ON RAISING FUNDS

	<i>Unrestricted Funds £000</i>	<i>Restricted Funds £000</i>	<i>Year ended 31st March 2018 Total £000</i>	<i>6 month period ended 31st March 2017 Total £000</i>
Publicity and deputation	9	22	31	9

6. EXPENDITURE ON CHARITABLE ACTIVITIES

Split by funds:

	<i>Unrestricted Funds £000</i>	<i>Restricted Funds £000</i>	<i>Year ended 31st March 2018 Total £000</i>	<i>6 month period ended 31st March 2017 Total £000</i>
Housing	100	824	924	139
Care	2,775	5,831	8,606	4,003
Cost of extra care leases sold	-	688	688	-
Education and training	66	52	118	43
Raising awareness	31	36	67	22
General support costs	137	245	382	462
	<u>3,109</u>	<u>7,676</u>	<u>10,785</u>	<u>4,669</u>
Depreciation	356	643	999	520
	<u>3,465</u>	<u>8,319</u>	<u>11,784</u>	<u>5,189</u>

PILGRIMS' FRIEND SOCIETY

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018**

6. EXPENDITURE ON CHARITABLE ACTIVITIES (continued)

Split by expenditure category:

	Housing £000	Care £000	Extra Care leases £000	Education and training £000	Raising awareness £000	General support £000	Year ended 31st March 2018 Total £000	6 month period ended 31st March 2017 Total £000
Salaries and Wages	291	5,859	-	20	7	1,012	7,189	3,317
Food	121	419	-	-	-	-	540	271
Administrative expenses	57	208	-	17	5	400	687	311
Repairs and maintenance	186	537	-	-	-	-	723	296
Heat and Light	95	181	-	-	-	-	276	177
Other expenses	70	357	-	81	55	-	563	198
Cost of extra care leases sold	-	-	688	-	-	-	688	-
Professional fees	-	7	-	-	-	119	126	90
Governance costs: audit fees	-	-	-	-	-	22	22	27
Allocated administrative costs	104	1,038	-	-	-	(1,171)	(29)	(18)
	924	8,606	688	118	67	382	10,785	4,669
Buildings depreciation	197	529	-	-	-	-	726	348
General depreciation	43	187	-	-	-	31	261	118
Loss/(gain) on disposal	(14)	7	-	-	-	19	12	6
Impairment losses	-	-	-	-	-	-	-	48
	1,150	9,329	688	118	67	432	11,784	5,189

The auditors were paid £13,800 in 2017 for accountancy services (2016: £13,800).

7. SUPPORT COSTS

	Year ended 31st March 2018 £000	6 month period ended 31st March 2017 £000
Staff costs	1,012	429
Depreciation and losses on disposal	31	-
Impairment losses	-	48
Loss/(gain) on disposal	19	4
Professional fees	100	77
Other administrative expenses	396	191
	1,558	749

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2018

8. STAFF COSTS

	Year ended 31st March 2018 £000	6 month period ended 31st March 2017 £000
Wages and salaries	6,629	3,090
Social security	379	168
Other pension costs	131	59
	<hr/>	<hr/>
	7,139	3,317
	<hr/> <hr/>	<hr/> <hr/>

The average number of staff employed in the period on headcount was:

	Year ended 31st March 2018 No.	6 month period ended 31st March 2017 No.
Homes	491	437
Head Office	27	23
	<hr/>	<hr/>
	518	460
	<hr/> <hr/>	<hr/> <hr/>

The emoluments of two employees exceeded £60,000 in the year ended 31st March 2018. One of those employees earned between £60,000 and £70,000 and the other earned between £80,000 and £90,000. Because the preceding period was only six months in length, no employees received more than £60,000 in that period.

No remuneration was paid to any trustee during the year (2017: £nil). Travel expenses of £3,158 (2017: £551) were reimbursed to 5 trustees (2017: 3 trustees) for items incurred wholly, exclusively and necessarily in the course of the charity's business.

The total aggregate remuneration of Key Management Personnel for the 12 month period was £353,014. On a monthly basis this was equivalent to £29,417.

The Senior Management Team are employed on joint contracts of service. For accounting purposes their time is split between general management activities (30%) and work on the affairs of individual homes 70%. This 70% is recharged to the individual operating charity homes and schemes on the number of residents at each home or scheme.

9. PENSION COMMITMENTS

The pension cost charge represents contributions payable by the group to the pension funds. There were contributions of £26,000 due to the fund at the period end (2016: £15,000).

PILGRIMS' FRIEND SOCIETY

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018**

10. TANGIBLE FIXED ASSETS

Group:	Freehold properties £000	Assets in the course of construction £000	Furniture, fittings and equipment £000	Motor vehicles £000	Total £000
Cost or valuation					
As at 1st April 2017	27,399	84	911	51	28,445
Additions	499	1,288	262	30	2,079
Disposals	(677)	(64)	(191)	(15)	(947)
As at 31st March 2018	27,221	1,308	982	66	29,577
Depreciation					
As at 1st April 2017	3,668	-	(184)	9	3,493
Charge for the year	726	-	241	19	986
Released on disposals	(31)	-	(68)	(10)	(109)
As at 31st March 2018	4,363	-	(11)	18	4,370
Net book value					
As at 31st March 2018	22,858	1,308	993	48	25,207
As at 31st March 2017	23,731	84	1,095	42	24,952

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018

10. TANGIBLE FIXED ASSETS (continued)

Company:

	<i>Land and buildings £000</i>	<i>Motor vehicles £000</i>	<i>Furniture, fittings and equipment £000</i>	<i>Total £000</i>
Cost or valuation				
As at 1st April 2017	8,631	59	1,362	10,052
Additions	164	30	262	456
Disposals	(539)	(15)	(43)	(597)
As at 31st March 2018	8,256	74	1,581	9,911
Depreciation				
As at 1st April 2017	819	17	372	1,208
Charge for the year	211	19	234	464
Released on disposals	-	(10)	(18)	(28)
As at 31st March 2018	1,030	26	588	1,644
Net book value				
As at 31st March 2018	7,226	48	993	8,267
As at 31st March 2017	7,812	42	990	8,844

11. INVESTMENTS

Group:

	<i>Listed investments £000</i>	<i>Unlisted investments £000</i>	<i>Investment properties £000</i>	<i>Total £000</i>
Valuation				
As at 1st April 2017	1,817	-	1,827	3,644
Additions	288	-	4	292
Disposals	(261)	-	(2)	(263)
Revaluation	4	-	57	61
As at 31st March 2018	1,848	-	1,886	3,734
Held by:				
General	-	-	-	-
Restricted	1,848	-	1,886	3,734
	1,848	-	1,886	3,734
Historic cost:				
As at 31st March 2018	1,572	-	1,293	2,865

PILGRIMS' FRIEND SOCIETY

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018**

11. INVESTMENTS (continued)

<i>Company:</i>	<i>Listed investments £000</i>	<i>Unlisted investments £000</i>	<i>Investment properties £000</i>	<i>Total £000</i>
Valuation				
As at 1st April 2017	1,817	43	-	1,860
Additions	288	-	-	288
Disposals	(261)	-	-	(261)
Revaluation	4	-	-	4
As at 31st March 2018	1,848	43	-	1,891

The unlisted investments relate to the charity's 100% interest in the ordinary share capital of Pilgrim Homes Trading Ltd, a company incorporated in England. The company carries out the trading activities of the group, including the development of certain properties and the sale of books.

12. STOCK

<i>Group:</i>	<i>As at 31st March 2018</i>		<i>As at 31st March 2017</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Stock of leasehold flats held for resale	1,021	1,021	1,180	1,180
Stock of books	16	-	18	-
	1,037	1,021	1,198	1,180

Contingent liabilities on housing stock

Under the terms of the sale of leases at Royd Court, the Society is committed to repurchase leases should leaseholders cease to be residents. The total potential value of these is £3.7 million.

Under the terms of the sale of leases at Pilgrim Gardens, the Society is committed to repurchase leases should leaseholders cease to be residents. The total potential value of these is £1.75 million.

At the year end the group held eight flats for sale (2017: nine flats). As of 26 September 2018, three of these flats had been sold.

PILGRIMS' FRIEND SOCIETY

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018**

13. DEBTORS AND PREPAYMENTS

	<i>As at 31st March 2018</i>		<i>As at 31st March 2017</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Arrears of local authority and residents' contributions	247	247	176	176
Amounts due from group entities	-	1,120	-	473
Amounts owed from Pilgrim Gardens service charge	-	-	15	15
Amounts owed from Royd Court service charge	-	-	29	29
Other debtors and prepayments	514	493	391	384
	<u>761</u>	<u>1,860</u>	<u>611</u>	<u>1,077</u>

14. CREDITORS: amounts falling due within one year

	<i>As at 31st March 2018</i>		<i>As at 31st March 2017</i>	
	<i>Group £000</i>	<i>Company £000</i>	<i>Group £000</i>	<i>Company £000</i>
Residents' contributions in advance	-	-	1	-
Trade creditors	500	402	363	332
Taxation and social security	85	88	79	83
Other creditors	452	449	445	629
	<u>1,037</u>	<u>939</u>	<u>888</u>	<u>1,044</u>

15. ANALYSIS OF NET ASSETS BY FUND

<i>Group:</i>	<i>General Funds £000</i>	<i>Designated Funds £000</i>	<i>Restricted Funds £000</i>	<i>Total £000</i>
Fixed assets				
Tangible	8,202	263	16,742	25,207
Investments	-	-	3,734	3,734
Current assets	(868)	-	7,736	6,868
Current liabilities	(1,037)	-	-	(1,037)
As at 31st March 2018	<u>6,297</u>	<u>263</u>	<u>28,212</u>	<u>34,772</u>
		See note 16	See note 17	

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018

15. ANALYSIS OF NET ASSETS BY FUND (continued)

<i>Charity:</i>	<i>General Funds £000</i>	<i>Designated Funds £000</i>	<i>Restricted Funds £000</i>	<i>Total £000</i>
Fixed assets				
Tangible	7,415	263	589	8,267
Investments	109	-	1,782	1,891
Current assets	1,275	-	5,564	6,839
Current liabilities	(939)	-	-	(939)
Interfund loan	(3,000)	-	3,000	-
As at 31st March 2018	4,860	263	10,935	16,058

<i>Assets and liabilities transferred from Pilgrim Homes to Pilgrims' Friend Society:</i>	<i>General Funds £000</i>	<i>Designated Funds £000</i>	<i>Restricted Funds £000</i>	<i>Total £000</i>
Fixed assets				
Tangible	-	-	371	371
Investments	-	-	2	2
Net current assets	-	-	(341)	(341)
As at 31st March 2018	-	-	32	32

16. DESIGNATED FUNDS

<i>Group as restated:</i>	<i>Brought forward at 1st October 2016 £000</i>	<i>Income £000</i>	<i>Expenditure £000</i>	<i>Revaluations and transfers £000</i>	<i>Carried forward at 31st March 2018 £000</i>
Futures Fund (Designated)	-	-	-	263	263
	-	-	-	263	263
Company:					
Futures Fund (Designated)	-	-	-	263	263
	-	-	-	263	263

Futures Fund (designated)

During the year, the charity became entitled to receive 90% of the sales proceeds arising from the sale of the manse formerly owned by Hope Baptist Chapel. The Charities share of these proceeds amounted to £263K and the trustees decided to designate these funds within Pilgrims' Friend Society to be used for future building developments.

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018

17. RESTRICTED FUNDS

<i>Group as restated:</i>	<i>Brought forward at 1st April 2017 £000</i>	<i>Income £000</i>	<i>Expenditure £000</i>	<i>Revaluations and transfers £000</i>	<i>Carried forward at 31st March 2018 £000</i>
Funds restricted by Pilgrim Homes scheme:					
<i>Pilgrim Homes Unrestricted Funds</i>					
Pilgrim Homes Fund	8,944	8,109	(8,250)	17	8,820
Operational Assets Equity Fund	13,900	-	-	-	13,900
Operational Risk Reserve	1,030	-	-	-	1,030
Futures Fund	549	32	(50)	121	652
Watford Almshouse Designated Fund	723	-	-	-	723
Total unrestricted funds restricted by Pilgrim Homes scheme:	25,146	8,141	(8,300)	138	25,125
<i>Pilgrim Homes Restricted Funds</i>					
St Albans Home	433	2	-	-	435
Lucy McNeil Home	1,822	7	-	-	1,829
Homes Voluntary Support Funds - see end of note	156	64	-	(71)	149
Watford	581	11	(4)	(1)	587
Total restricted funds restricted by Pilgrim Homes scheme:	2,992	84	(4)	(72)	3,000
Other Pilgrims' Friend Society restricted Funds:					
NYCC Grant	1	-	-	-	1
Faith in Later Life	50	-	(36)	-	14
Homes Voluntary Support Funds - see end of note	22	3	-	(3)	22
Local Homes Project Funds	8	43	-	(12)	39
Lonely No Longer Fund	-	11	-	-	11
Dementia Fund	-	1	(1)	-	-
Total other Pilgrims' Friend Society restricted funds:	81	58	(37)	(15)	87
Total restricted funds	28,219	8,283	(8,341)	51	28,212

Pilgrim Homes Fund

This heading includes both the reserves of Pilgrim Homes and the Pilgrim Homes Restricted Fund within Pilgrims' Friend Society.

Operational Assets Equity Fund

Established by the trustee to reflect the value of fixed assets, principally the properties owned by Pilgrim Homes which would not be capable of disposal without affecting the ongoing work of the charity.

Descriptions of other funds may be found following the analysis of reserves held within the Company

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018

17. RESTRICTED FUNDS (continued)

Company:	Brought forward at 1st April 2017 £000	Transfer from Pilgrim Homes £000	Income £000	Expenditure £000	Revaluations and transfers £000	Carried forward at 31st March 2018 £000
Funds restricted by Pilgrim Homes scheme:						
<i>Pilgrim Homes Unrestricted Funds</i>						
Pilgrim Homes Fund	5,710	18	7,489	(7,703)	81	5,595
Operational Risk Reserve	1,030	-	-	-	-	1,030
Futures Fund	549	-	1	(50)	-	500
Watford Almshouse Designated Fund	723	-	-	-	-	723
Total unrestricted funds restricted by Pilgrim Homes scheme:	8,012	18	7,490	(7,753)	81	7,848
<i>Pilgrim Homes Restricted Funds</i>						
St Albans	433	-	2	-	-	435
Lucy McNeil Home	1,822	-	7	-	-	1,829
Homes Voluntary Support Funds - see end of note	142	14	64	-	(71)	149
Watford	581	-	11	(4)	(1)	587
Total restricted funds restricted by Pilgrim Homes scheme:	2,978	14	84	(4)	(72)	3,000
Other Pilgrims' Friend Society restricted Funds:						
NYCC Grant	1	-	-	-	-	1
Faith in Later Life	50	-	-	(36)	-	14
Homes Voluntary Support Funds - see end of note	22	-	3	-	(3)	22
Local Homes Project Funds	8	-	43	-	(12)	39
Lonely No Longer Fund	-	-	11	-	-	11
Dementia Fund	-	-	1	(1)	-	-
Total other Pilgrims' Friend Society restricted funds:	81	-	58	(37)	(15)	87
Total restricted funds	11,071	32	7,632	(7,794)	(6)	10,935

Pilgrim Homes Fund

This fund represents the value of assets transferred from Pilgrim Homes to Pilgrims' Friend Society. Since all profits and losses from trading accrue to this fund, the value of the fund, which must legally be used for the benefit of Protestant Christians will vary from year to year. All transactions relating to the Fund are effected using a different bank account to the one used for regular Pilgrims' Friend Society Transactions.

Operational Assets Equity Fund

Established by the trustee to reflect the value of fixed assets, principally the properties owned by Pilgrim Homes which would not be capable of disposal without affecting the ongoing work of the charity.

Operational Risk Reserve

This fund consists of funds required to ensure the continuity of care in the event of a major disruption to the operation of the charity.

PILGRIMS' FRIEND SOCIETY

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018**

17. RESTRICTED FUNDS (continued)

Futures Fund

Futures Fund: The charities' plan envisages that the group of charities will close some of their properties which do not meet current standards and provide better quality alternative accommodation. The trustees have agreed to designate all legacies received over £100,000 to this fund, which would then be available to meet the costs of redeveloping the properties owned by the charity.

Ernest Luff Building Reserve

The building reserve was established to accumulate the necessary funds to provide for the continued improvement, re-building and expansion of the buildings comprising the Ernest Luff Homes. This fund was utilised in the year towards the cost of the renovation of Luff House.

St Albans and Lucy McNeil Home Funds

These funds relate to the receipt of donations and the proceeds of various fundraising activities for the purpose of establishing new homes.

Watford

During 2004, Pilgrim Homes became responsible for the management of the various funds which constitute the Watford Tabernacle Almshouse Trust. The site was then sold and suitable accommodation was found for the two remaining residents. The funds continue to be held for use in the Watford Area.

NYCC grant (Emmaus)

This relates to £2,250 received from NYCC in the year ended 31 December 2007 for the purchase of the Conservatory Heating and a Hospital Bed and Mattress. The grant is being released at the same rate as the depreciation of the assets to which it relates, i.e 15% reducing balance basis. Therefore the deduction is the brought forward amount multiplied by 15%.

Faith In Later Life

This represents donations from the Outlook Trust and a number of partner charities for use towards the costs of the 'Faith in Later Life' initiative mentioned in the

Local Homes Project Funds

These represent the amounts raised and also spent by local homes towards specific locally agreed initiatives within specific homes.

Dementia Fund

This fund is utilised to assist in meeting the costs of new initiatives to better look after our residents with dementia.

PILGRIMS' FRIEND SOCIETY

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018**

17. RESTRICTED FUNDS (continued)

Homes Voluntary Support Fund

These represent the amounts raised and also spent by local homes towards specific locally agreed initiatives within specific homes.

Homes Voluntary Support Fund - group:

	Brought forward at 1st April 2017 £000	Transfer from Pilgrim Homes £000	Income £000	Expenditure £000	Revaluations and transfers £000	Carried forward at 31st March 2018 £000
Funds restricted by Pilgrim Homes articles:						
Brighton	-	-	2	-	(1)	1
Chippenham	24	-	3	-	(27)	-
Great Finborough	110	-	29	-	(18)	121
Evington	14	-	5	-	(14)	5
Tunbridge Wells	1	-	11	-	(11)	1
Wantage	-	-	7	-	-	7
Shottermill	3	-	6	-	-	9
Bedford	4	-	1	-	-	5
Total funds restricted by Pilgrim Homes articles:	156	-	64	-	(71)	149
Other Restricted Funds:						
Ernest Luff Care	1	-	1	-	(2)	-
Bethany	2	-	-	-	-	2
Emmaus House	19	-	1	-	-	20
Florence House	-	-	1	-	(1)	-
Total Homes Voluntary Support Funds	178	-	67	-	(74)	171

PILGRIMS' FRIEND SOCIETY

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018

17. RESTRICTED FUNDS (continued)

Homes Voluntary Support Fund - company:

	Brought forward at 1st April 2017 £000	Transfer from Pilgrim Homes £000	Income £000	Expenditure £000	Revaluations and transfers £000	Carried forward at 31st March 2018 £000
Brighton	-	-	2	-	(1)	1
Chippenham	24	-	3	-	(27)	-
Great Finborough	110	-	29	-	(18)	121
Evington	-	14	5	-	(14)	5
Tunbridge Wells	1	-	11	-	(11)	1
Wantage	-	-	7	-	-	7
Shottermill	3	-	6	-	-	9
Bedford	4	-	1	-	-	5
Total funds restricted by Pilgrim Homes articles:	142	14	64	-	(71)	149
Other Restricted Funds:						
Ernest Luff Care	1	-	1	-	(2)	-
Bethany	2	-	-	-	-	2
Emmaus House	19	-	1	-	-	20
Florence House	-	-	1	-	(1)	-
Total Homes Voluntary Support Funds	164	14	67	-	(74)	171

Homes Voluntary support funds represents donations made by supporters for the purpose of improving care at specific homes. These funds are also available, in the event that a home makes a trading loss in a financial year, to reduce the loss sustained.

18. RELATED PARTY TRANSACTIONS

Details of trustees' and key management personnel and remuneration are disclosed in note 8 to the financial statements.

PILGRIMS' FRIEND SOCIETY

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2018**

19. OPERATING LEASE COMMITMENTS

At 31st March 2018 the total remaining commitments payable by the charity on operating leases were as follows:

	As at 31st March 2018			As at 31st March 2017		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
Within one year	17	1	18	17	(6)	11
Between two and five years	-	-	-	-	-	-
After five years	-	-	-	-	-	-
	17	1	18	17	(6)	11

The amount paid during the period on operating leases was as follows:

	Year ended 31st March 2018			6 months ended 31st March 2017		
	Land and buildings £000	Other £000	Total £000	Land and buildings £000	Other £000	Total £000
	34	4	38	28	15	43

The lease over 175 Tower Bridge Road, London expired on 31 December 2014. Since that date the charity has continued to pay rent at the existing annual rate of £67,437. The charity is required to give 3 months' notice under Section 27 of the Landlord & Tenant Act 1954 to vacate the premises.

The Society makes certain ex-gratia pension payments to a small number of former employees. The annual commitment of these payments is approximately £12,000 per annum. The trustees have considered whether to accrue for this liability but, given the amounts payable, the age of those receiving a pension and the complexity of determining an appropriate reserve, no provision has been made.

20. LIFE TENANCY

In 2012 the charity was notified of a legacy which included a share of a freehold property, which is subject to a life tenancy. The conditions for recognition of this income have not been met and therefore this legacy is not included as income in the accounts. The estimated value of the legacy is unknown at present.

