

**THE DURNFORD SOCIETY LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 MARCH 2018**

**REGISTERED CHARITY NUMBER 228561R**

**THE DURNFORD SOCIETY LIMITED**  
**TRUSTEES REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2018**

The Committee of Management present their annual report and the audited financial statements of the Society for the year ended 31 March 2018 which are also prepared to meet the requirements for directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Rules of the Society and Accounting and Reporting by Charities Statement of Recommended Practice applicable to Charities preparing their accounts in accordance with the Financial Reporting Standards applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

**Reference and Administrative Details**

Charity registered number: 228561R  
Registered office: The Barn, 31 Parkstone Lane, Plympton, Plymouth, PL7 4DX

**Advisors**

Auditors: Thomas Westcott, Plym House, 3 Longbridge Road,  
Marsh Mills, Plymouth, PL6 8LT

Bankers: National Westminster Bank Plc, St Andrews Cross, Plymouth, PL1 1DG

Solicitors: Wolferstans, 60/64 North Hill, Plymouth, PL4 8EP

**Directors and Trustees**

The directors of the Society are its Committee of Management for the purposes of Charitable Law. The Committee members and officers who served during the year were as follows:

**Committee of Management**

P Whatty	Chair
R Baker	Treasurer
C Rai	Secretary
M James	
D & A Bebb (resigned 13/09/17)	
S Retallick	
J Banks	
Mr & Mrs Pinhey (appointed 05/02/18)	

**General and Financial Purpose Committee**

P Whatty  
R Baker  
C Rai  
P Rose  
N Pankhurst  
M Smith  
J Banks

## **THE DURNFORD SOCIETY LIMITED**

### **TRUSTEES REPORT FOR THE YEAR** **ENDED 31 MARCH 2018**

#### **Key Management Personnel**

N Pankhurst  
P Rose  
M Smith

#### **Chairman's Report**

It was most pleasing to see that the Society has recorded another surplus on unrestricted funds. This has been despite minimal funding increases from our Commissioners. A tremendous amount of credit must go to all senior management and staff throughout the organisation who have watched the pennies and introduced a wide raft of economies enabling this much healthier financial position to be achieved. As welcome as this is now is not the time to rest on our laurels. We know that with increases in the minimum wage and the introduction of the living wage, coupled with continuing funding limits, that difficult times ahead remain inevitable. However, the Society will continue to review its costings and hopes to be able to remain financially viable.

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

##### **Governing Document**

The Society is registered in England and Wales under the Co-operative and Community Benefit Societies Act 2014. The Society has charitable status (Registered number 228561R). It is governed by the Rules of the Durnford Society Limited and registered with The Financial Conduct Authority on 15 May 1980.

##### **Recruitment and Appointment of Committee Members**

Committee Members may only be appointed from amongst the Members of the Society. The Society may also co-opt Members to the Committee of Management but these co-opted Members do not have the right to vote.

The Society endeavours to have the membership of the Committee of Management as high as possible to maintain the balance of skills and professional backgrounds. This is normally achieved through approaches to potentially suitable people. Following initial discussions potential members are invited to sit in on meetings as co-opted members for a period and if they prove suitable and are agreeable, they are recommended for appointment as a member of the Committee of Management at the next Annual General Meeting.

Proposals to elect new members to the Committee of Management must be submitted to the Secretary. These proposals must be signed by the Proposer and Seconder and also by the person being proposed indicating their willingness to be appointed.

## **THE DURNFORD SOCIETY LIMITED**

### **TRUSTEES REPORT FOR THE YEAR** **ENDED 31 MARCH 2018**

#### **Trustee Induction and Training**

New trustees are invited by the Chief Executive and Treasurer to attend an informal "introduction to The Durnford Society" day. The day includes a trip around the homes operated by the Society and includes a discussion on the aims and objectives of the Society. The new trustees are briefed on the Society's Annual Plan and its recent financial performance. They are informed of their legal obligations as a trustee under charity and company law.

All new trustees are given a copy of the Rules of the Durnford Society and a copy of the Charities Commission guide "The Essential Trustee".

#### **Organisational Structure of the Society**

The Society is governed by a Committee of Management. The Committee of Management determine the policies of the Society and they meet formally on a quarterly basis. The Society also has a Finance and General Purposes Committee. This Committee drafts the financial budgets and policies which are submitted to the Committee of Management for approval and it oversees the senior management team. The Finance and General Purposes Committee meet formally on a quarterly basis prior to the Committee of Management meetings.

The Committee of Management delegate the day to day running of the Society to the Senior Management team. The Senior Management Team is under the leadership of the Chief Executive, Nigel Pankhurst, and also consists of two general managers.

The Senior Management Team meet formally on a monthly basis and also monthly with the homes managers. They follow specific delegated authority. The Senior Management team reports formally to the Finance and General Purposes Committee of which they are all members.

The Committee of Management shall have a minimum of seven Committee members, but shall not exceed fifteen. One third of the Committee retire each year by rotation. The Committee of Management are not formal trustees of the Society but are members of the Committee of Management. Any reference to Trustees is a generic term used when talking about people in charge of a charity.

The society operates a Trustee Indemnity Insurance policy on behalf of the Committee of Management. The Premium is included in insurance paid of £2,364 for the year.

#### **Pay Policy for Key Management Personnel**

The trustees consider the Committee of Management, who are the Society's trustees, and the senior management team comprise the key management personnel of the Society in charge of directing and controlling, running and operating the Society on a day to day basis. Details of remuneration paid to the Committee of Management is disclosed in note 9 to the financial statements. The Society aims to pay salaries which are fair, competitive with the charity sector and proportionate to the complexity of each role. The pay of the senior staff is reviewed annually and any increases are normally in accordance with average earnings. The Trustees benchmark against pay levels of managerial roles with similar levels of responsibility in the charitable sector and local community

## **THE DURNFORD SOCIETY LIMITED**

### **TRUSTEES REPORT FOR THE YEAR** **ENDED 31 MARCH 2018**

#### **Related Parties**

Two members of the Committee of Management, Richard Baker and Cindy Rai, and the finance officer, Paul Rose, are also trustees of The Durnford Society Trust Limited. The Trust rents three properties from the Society.

#### **Objects**

The objects of the Society are to provide support and management in a range of settings for people with learning difficulties. The objects are met by providing residential and nursing care for people with learning difficulties. These homes are fully staffed and supported by the Society. In addition, many individuals live as tenants in rented accommodation where they are supported by the Society's staff to enable them to live in the community.

#### **Aims**

The Society seeks to meet its objectives by aiming to:

- Give comfortable, secure and homely surroundings to its residents.
- Support individuals to live in their own property in the community.
- Provide fully trained and qualified staff to ensure that care is at a level suitable to the tenants needs.
- Invest in its staff through continued training and support.
- Maintain to a high standard its portfolio of properties.
- Carefully manage funding provided for the residents care and needs.

During the financial year the Society has continued to achieve these aims.

#### **Significant Activities**

During this year the Society has continued to provide further supported living and domiciliary care assistance to several of its clients. The services are distinct from residential care. It seeks to improve and promote the resident's independence within the community whilst providing support for their individual care needs.

#### **Future Plans**

The Society aims to continue to provide quality residential care and to extend supported living assistance.

### **FINANCIAL REVIEW**

#### **1. Financial Position**

The Society continues to receive severe pressure from its core funders in relation to the funds received. In light of these cutbacks stringent controls have been put in place on expenditure. Revised budgets should ensure that the Society can continue to maintain their high levels of care provided to the residents. The Society's principal funding sources are:

## **THE DURNFORD SOCIETY LIMITED**

### **TRUSTEES REPORT FOR THE YEAR ENDED 31 MARCH 2018**

- Contracted income from Local Government, Health Authority and Social Services
- Investment income.

The Society's incoming resources reduced to £3039453 from £3293501. Resources expended decreased to £3099145 from £3230988. Consequently net outgoing resources for the year were £89892 (2017 incoming resources £62513).

During the year the Society sold Tor Vale Nursing Home. The proceeds of sale were paid back to The Primary Care Trust under the terms of the original grant funding.

Previously the Society made the decision to separate the services of landlord and care provision in relation to supported living services. Consequently The Durnford Society Trust Limited (Registered Charity Number 1077847) now acts as landlord for Edgar Terrace, Pasley Street and Pendeen Crescent. Transactions between the Society and the Durnford Society Trust Limited are disclosed in note 9 to the financial statements.

All changes to fixed assets are shown in the note 10 to the financial statements.

## **2. Principal Financial Management Policies Adopted**

The financial management policies adopted include:

- Regular financial reviews of performance to budget are carried out by the finance team in conjunction with each budget holder.
- Regular meetings of the General and Financial Purposes Committee to review the performance of the Society and future plans to ensure a robust and stable position to fulfil the aims and obligations of the Society.

## **3. Risk Management**

The significant risks to the Society have been identified and documented for assessment. The Committee of Management review all potential risks to the Society including the potential reduction or loss of funding, the effective use of personnel and material resources and disaster management. They are satisfied that systems are in place to mitigate any exposure to these risks.

## **4. Reserves**

- The total funds held by the Society at 31 March 2018 amounted to £2039124.
- Included within the total funds are £245874 of restricted funds. All of the sum relates to the carrying value of fixed assets.
- Unrestricted funds held at 31 March 2018 totalled £1793250, which is within the Society's reserves policy of between four and six months expenditure.

## **THE DURNFORD SOCIETY LIMITED**

### **TRUSTEES REPORT FOR THE YEAR** **ENDED 31ST MARCH 2018**

#### **5. Reserves Policy**

The Society needs to hold reserves for the following principal reasons:

- (a) To produce income to be used for funding such deficits as arise from the Society's operations.
  - (b) To meet any deficits not covered by income in any one year.
  - (c) To meet major items of unforeseen expenditure.
  - (d) To enable the Society to continue its operations for a period of at between four to six months, even in the event of major withdrawal of external funding.
- ♦ The Society will not operate a "rainy day" policy of setting aside part of its income for unspecified future purposes. Any surpluses arising from its operations will be used either for the purposes of meeting future deficits or for the further development of its operations.
  - ♦ The Society will, therefore, endeavour to maintain a level of Reserves appropriate to the financial climate in which it is operating, with particular reference to the potential major financial risks (e.g. loss of contract funding) and the Society's commitment to the many people it serves.
  - ♦ The Society recognizes that investments held within its unrestricted funds are technically available to be spent on the general purposes of the Society, but recognizes also that usage of the investments in this matter would correspondingly reduce their income earning capacity.
  - ♦ The Society considers that its present levels of reserves, together with the changes anticipated in these during the forthcoming year, satisfy the criteria set out above, and no action is deemed to be necessary at the present time to change these levels.
  - ♦ The Society will review both the level of its reserves and its policy on reserves annually, normally at the time of consideration of the Annual Budget.

#### **6. Going Concern**

The Committee of Management are of the view that the Society continue to operate as a going concern.

## **THE DURNFORD SOCIETY LIMITED**

### **TRUSTEES REPORT FOR THE YEAR** **ENDED 31ST MARCH 2018**

#### **PUBLIC BENEFIT**

In shaping our objectives for the year the Committee of Management have considered the Charity Commission's guidance on public benefit, including the guidance Public Benefit: running a charity (PB2).

The Trustees consider that the Society clearly provided an important service to people with learning difficulties who are in need of care. The service is carefully managed within tight financial constraints imposed by the funding organisations. Any shortfalls in funding fall upon the Society reserves. Due to the very high quality of services provided by the Society to people with learning difficulties the Society remains a favoured provider with Social Services.

#### **TRUSTEE RESPONSIBILITIES**

Co-operative and Community Benefit Law and the Charities Act 2011 requires the Committee of Management to prepare financial statements for each year which give a true and fair view of the state of affairs of the Society and its financial results for the year then ended. In preparing those financial statements, generally accepted accounting practice entails that the Committee of Management:-

- ◆ select suitable accounting policies and then apply them consistently. These accounting policies are listed on pages 14 to 16.
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ follow applicable accounting standards and the Charities SORP, disclosing and explaining any departures in the Financial Statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue its activities.

The Committee of Management are responsible for keeping proper accounting records which are such as to disclose, with reasonable accuracy, the financial position of the Society at any time, and to enable them as members to ensure that the Financial Statements comply with Co-operative and Community Benefit and Charity Law. The Committee of Management are also responsible for safeguarding the Society's assets, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



**TRUSTEES REPORT FOR THE YEAR**  
**ENDED 31ST MARCH 2018**

So far as each Trustee is aware, there is no relevant audit information (information needed by the Society's Auditors in connection with preparing their Report) of which the Society's Auditors are unaware. Each Trustee has taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the company's Auditors are aware of the information.

The objects of the Society are set out in the Trustees Report and the achievements in meeting these objectives are set out below.

This report was approved by the Committee of Management at a meeting held on and signed on their behalf by:

C Rai  
Secretary

Date:

**REPORT OF THE INDEPENDENT AUDITORS**  
**TO THE TRUSTEES OF THE DURNFORD SOCIETY LIMITED**

**Opinion**

We have audited the financial statements of The Durnford Society Limited (the Society) for the year ended 31 March 2018. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including the Co-operative and Community Benefit Societies Act 2014.

This report is made solely to the Society's trustees, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society'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 Society and the Society's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2018 and of its incoming resources and application of resources for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014.

**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 Society 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 Society's ability to continue to adopt the going concern basis of accounting for a period of a least twelve months from the date when the financial statements are authorised for issue.

**REPORT OF THE INDEPENDENT AUDITORS**  
**TO THE TRUSTEES OF THE DURNFORD SOCIETY LIMITED**

**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.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the information given in the trustees' report is inconsistent in any material respect with the financial statements; or
- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of the Trustees**

As explained more fully in the trustees' responsibilities statement, 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 are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **THE DURNFORD SOCIETY LIMITED**

### **REPORT OF THE INDEPENDENT AUDITORS**

#### **TO THE TRUSTEES OF THE DURNFORD SOCIETY LIMITED**

In preparing the financial statements, the trustees are responsible for assessing the Society'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 intends to liquidate the charity or to cease operations, or has 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**REPORT OF THE INDEPENDENT AUDITORS**  
**TO THE TRUSTEES OF THE DURNFORD SOCIETY LIMITED**

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Thomas Westcott Chartered Accountants  
Statutory Auditors  
Plym House  
3 Longbridge Road  
Marsh Mills  
Plymouth  
Devon  
PL6 8LT

Date:

**THE DURNFORD SOCIETY LIMITED**  
**STATEMENT OF FINANCIAL ACTIVITIES**  
**(INCORPORATING AN INCOME AND EXPENDITURE ACCOUNT)**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	NOTES	Unrestricted Funds £	Restricted Funds £	Total Funds 2018 £	Total Funds 2017 £
<b>INCOME FROM</b>					
Charitable activities		2948919	-	2948919	3234387
Investments	4	215	-	215	791
Other	3	60319	-	60319	58323
<b>TOTAL INCOME</b>		<b>3009453</b>	<b>-</b>	<b>3009453</b>	<b>3293501</b>
<b>EXPENDITURE ON:</b>					
Charitable activities	5	2868471	230674	3099145	3230988
<b>TOTAL EXPENDITURE</b>		<b>2868471</b>	<b>230674</b>	<b>3099145</b>	<b>3230988</b>
<b>NET INCOME/(EXPENDITURE) BEFORE TRANSFERS</b>					
Transfers between funds	14	140982	(230674)	(89692)	62513
		-	-	-	-
		140982	(230674)	(89692)	62513
<b>TOTAL FUNDS BROUGHT FORWARD</b>		<b>1652268</b>	<b>476548</b>	<b>2128816</b>	<b>2066303</b>
<b>TOTAL FUNDS CARRIED FORWARD</b>	14	<b>£1793250</b>	<b>£245874</b>	<b>£2039124</b>	<b>£2128816</b>

There were no recognised gains or losses other than the results above. There were no acquisitions or discontinued operations during the year.

The notes on pages 16 to 27 form an integral part of these financial statements.

**THE DURNFORD SOCIETY LIMITED**  
**REGISTRATION NUMBER 228561R**  
**BALANCE SHEET**  
**AS AT 31 MARCH 2018**

	NOTES	£	2018 £	£	2017 £
<b><u>Employment of funds</u></b>					
<b><u>FIXED ASSETS</u></b>					
Tangible assets	10		805794		1046987
<b><u>CURRENT ASSETS</u></b>					
Debtors	11	85255		128202	
Cash at bank and in hand		<u>1378237</u>		<u>1168886</u>	
		<u>1463492</u>		<u>1297088</u>	
<b><u>CREDITORS: Amounts falling due within one year</u></b>					
Sundry creditors	12	<u>230154</u>		<u>215251</u>	
<b><u>NET CURRENT ASSETS</u></b>			<u>1233338</u>		<u>1081837</u>
<b><u>NET ASSETS</u></b>			<u>£2039132</u>		<u>£2128824</u>
<b><u>Funds employed</u></b>					
<b><u>CAPITAL AND RESERVES</u></b>					
Called up share capital	13		8		8
Unrestricted funds	14		1793250		1652268
Restricted funds	14		<u>245874</u>		<u>476548</u>
			<u>£2039132</u>		<u>£2128824</u>

The notes on pages 16 to 27 form an integral part of these financial statements.

These financial statements were approved by the Committee of Management at a meeting held on the

..... **RICHARD BAKER**

..... **PAT WHATTY**

..... **CINDY RAI**

**THE DURNFORD SOCIETY LIMITED**  
**CASHFLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2018**

	2018	2017
	£	£
<b>NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>	148817	(79260)
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>		
Income from other fixed asset investments	60534	59114
Interest element of finance lease rental payments	-	-
	<hr/>	<hr/>
Net cash inflow from returns on investments and servicing of finance	60534	59114
<b>CAPITAL EXPENDITURE</b>		
Payments to acquire tangible fixed assets	-	-
Receipts from sale of fixed assets	-	-
	<hr/>	<hr/>
Net cash inflow/(outflow) from capital expenditure	-	-
	<hr/>	<hr/>
Cash inflow/(outflow) before financing	209351	(20146)
<b>FINANCING</b>	-	-
	<hr/>	<hr/>
<b>INCREASE/ (DECREASE) IN CASH</b>	<u>£209351</u>	<u>£(20146)</u>
<b>RECONCILIATION OF CHANGES IN RESOURCES TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES</b>		
	2018	2017
	£	£
Net movement in funds for the year	(89692)	62513
Income from investments	(60534)	(59114)
Depreciation	13511	17227
Exceptional items	227681	-
Decrease in debtors	42947	73950
Increase/(Decrease) in creditors	14904	(173836)
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	<u>£148817</u>	<u>£(79260)</u>

The notes on pages 16 to 27 form an integral part of these financial statements.



**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**31 MARCH 2018**

**1. ACCOUNTING POLICIES**

**a) Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015) – (Charities SORP (FRS102)), The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The Durnford Society Limited meets the definition of a public benefit entity under FRS102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

**b) Company status**

The Society is registered under the Co-operative and Community Benefit Societies Act 2014. The Society has charitable status. The Members of the Society are the Trustees named in the Trustees Report.

**c) Income**

Income from charitable activities are the fees receivable for the provision of residential care and supported living services. These fees are accounted for on an accrual basis in the period to which the service was provided.

**d) Capital based grants**

All capital based grants previously received have been credited to restricted funds in the year of receipt.

These grants will continue to be treated in this way whilst the terms of the grant are met. If the properties are sold or cease to be used for their permitted purpose the grants will need to be repaid to the Health Authority.

**e) Expenditure and irrecoverable VAT**

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure on charitable activities comprises of all the direct costs associated with the provision of the society's residential care and supported living services.

The Society is not registered for VAT and consequently all expenditure is stated gross of irrecoverable VAT.

## **THE DURNFORD SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

#### **1. ACCOUNTING POLICIES (continued)**

##### **f) Allocation of support costs**

Support costs are those functions that assist the work of the Society but do not directly undertake charitable activities. Support costs include head office costs, finance, personnel, payroll and governance costs which supports the Society's residential care and supported living services. These costs have been disclosed separately in note 6 to the financial statements and have been included within expenditure on charitable activities on the Statement of Financial Activities.

##### **g) Activities undertaken**

The Society provides the following services for people with learning difficulties:

- Residential Care
- Supported Living

##### **h) Tangible fixed assets and depreciation**

All fixed assets are initially recorded at cost.

Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over the expected useful lives on the following basis:

Freehold land	-	Nil
Freehold property	-	1% of cost of building
Leasehold property	-	Life of lease
Fixtures and fittings	-	25% on reducing balance
Motor vehicles	-	25% on reducing balance

Assets which are of a replacement nature, other than motor vehicles, are written off against income in the year in which the expenditure is incurred. All assets costing below £500 are also written off against income in the year.

##### **i) Operating leases**

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the term of the lease.

##### **j) Debtors**

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

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**1. ACCOUNTING POLICIES (continued)**

**k) Cash at bank and in hand**

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

**l) Creditors and provisions**

Creditors and provisions are recognised where the Society has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

**m) Financial instruments**

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

**n) Pensions**

The Society operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Society in an independently administered fund. The pension cost charge represents contributions payable by the Society to the fund in respect of the accounting period.

The Society also contributes to the National Health Service Pension Scheme for those employees who are ex-N.H.S. employees and have remained members of that scheme. This scheme is a final salary scheme. However, as it is not possible to obtain the relevant information identifying the Society's share of the underlying assets/liabilities of the Scheme the figures shown in note 17 are the employer's contributions paid to the scheme for the year.

**o) Taxation**

H M Revenue & Customs have confirmed that the Society is not liable to Corporation Tax.

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**2. INCOME, EXPENDITURE AND SURPLUS/DEFICIT ON CHARITABLE ACTIVITIES**

	<b>Residential Care £</b>	<b>Supported Living £</b>	<b>Total £</b>
<b>2018</b>			
Income	1239586	1709333	2948919
Expenditure	1396523	1702622	3099145
(Deficit)/Surplus	<u>£(156937)</u>	<u>£6711</u>	<u>£(150226)</u>
<b>2017</b>			
Surplus/(Deficit)	<u>£28402</u>	<u>£(25003)</u>	<u>£3399</u>

**3. OTHER INCOME**

	<b>Unrestricted Funds 2018 £</b>	<b>Unrestricted Funds 2017 £</b>
Rental	33000	33000
Other sundry income	<u>27319</u>	<u>25323</u>
	<u>£60319</u>	<u>£58323</u>

**4. INVESTMENT INCOME**

All of the Society's investment income of £215 (2017: £791) arises from money held in interest bearing deposit accounts.

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**5. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES**

	<b>Residential Care £</b>	<b>Supported Living £</b>	<b>Total £</b>
Salaries	842560	1436081	2278641
Provisions	26853	521	27374
Repairs and maintenance	56803	2402	59205
Rent, rates and water	11683	18428	30111
Telephone	1327	10177	11504
Motor and travel	6582	3041	9623
Refuse	4552	5730	10282
Insurance	10612	10917	21529
Heat and light	10969	951	11920
Printing and stationery	1561	3540	5101
Sundry expenses	17486	1308	18794
Bank charges	697	822	1519
Registration	2696	3060	5756
Equipment leasing	6108	-	6108
Disposables	6213	690	6903
Depreciation	13511	-	13511
Governance costs (see note 6)	9276	12792	22068
Support costs (see note 6)	139353	192162	331515
Exceptional items (see below)	227681	-	227681
	<u>£1396523</u>	<u>£1702622</u>	<u>£3099145</u>

The expenditure on charitable activities was £3099145 (2017: £3230988) of which £2868471 was unrestricted (2017: £3224995) and £230674 was restricted (2017: £5993).

The exceptional cost during the year relates to the grant repayment following the sale of Tor Vale Nursing Home as well as a small loss on the sale. The grant was repayable in line with the original purchase agreement which resulted in an amount being repaid of £228,000 to the Primary Care Trust. The resulting loss on the sale was £319. The exceptional item in 2017 arose due to a deduction in the accrual for the potential rent at Oaklands.

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**6. ANALYSIS OF EXPENDITURE ON CHARITABLE SUPPORT COSTS**

	<b>Unrestricted 2018 £</b>	<b>Unrestricted 2017 £</b>
Salaries	261531	303565
Office overheads	1921	5833
Printing, stationery and telephone	7013	10324
Professional fees	19708	33044
Auditor's remuneration	5253	6360
Motor expenses	1803	3139
Repairs and renewals	10742	18903
Insurance	2520	2343
Equipment leasing	1528	1528
Training	20481	15447
Sundry expenses	21083	20577
	<u>£353583</u>	<u>£421063</u>

Included within the above costs are the following governance expenses:

	<b>2018 £</b>	<b>2017 £</b>
Salaries	16130	14922
Auditor's remuneration	5253	6360
Legal fees	685	4200
	<u>£22068</u>	<u>£25482</u>

Governance costs includes an allocation of payroll costs and associated employer's costs for those individuals who are involved with the general running of the Society.

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**7. NET INCOME**

This is stated after charging or (crediting):

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Depreciation of owned assets	13511	17227
Auditor's remuneration	<u>5253</u>	<u>6260</u>
Exceptional items	<u>227681</u>	<u>(192500)</u>

**8. STAFF COSTS**

	<b>2018</b> <b>£</b>	<b>2017</b> <b>£</b>
Wages and salaries - non agency	2231246	2511724
- agency costs	76654	191092
Social Security costs	174213	186569
Pension costs	<u>58059</u>	<u>63600</u>
	<u>£2540172</u>	<u>£2952985</u>

Agency staff are used to ensure that appropriate levels of cover are maintained at all times.

There were no employees paid over £60,000 during the year (2017 none).

The key management personnel of the Society comprise the Trustees, the Chief Executive, Head of Finance and Head of Operations. The total employee benefits of the key management personnel of the Society were £136251 (2017: £138636).

No Committee members were reimbursed for any expenses during the year.

The average number of employees, excluding the Committee of Management analysed by function was:

	<b>2018</b>	<b>2017</b>
Care services	126	144
Management and administration of society	<u>7</u>	<u>7</u>
	<u>133</u>	<u>151</u>

The Society has a death in service policy for the benefit of those employees in the Scottish Widows pension scheme. The cost for the year was £3960 (2017: £3543).

## **THE DURNFORD SOCIETY LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

#### **9. RELATED PARTY TRANSACTIONS**

One member of the Committee of Management who received remuneration was Richard Baker, as Treasurer. During the year Condyl Mathias Eldercare Limited of whom Richard Baker is a director, were paid £8000 (2017: £8000) as remuneration for these services.

Cindy Rai is a partner in Wolferstans, Solicitors. During the year Wolferstans were paid £91 (2017: £420) as remuneration for various legal services provided.

Sian Retallick is a director of Poolearth Limited. Poolearth Limited invoiced £750 during the year and £Nil was outstanding at the year-end (2017: £855) as remuneration for medication training provided.

John Banks was paid consultancy fees £Nil (2017: £264) during the year.

Pat Whatty is employed as Chairman by the Society. His salary for the year was £5075 (2017: £5075).

Two members of the committee of Management, Richard Baker and Cindy Rai, and its finance officer, Paul Rose, are also trustees of The Durnford Society Trust Limited. The Durnford Society Trust Limited was set up to ensure that the provider of care, i.e. The Durnford Society Limited, was a separate entity from the organisation who provides accommodation for the service user. The Trust rents three properties from the Society and rent of £33000, (2017: £33000) was paid during the year. The Society charged the Trust management fees of £8000 (2017: £8000) during the year.

Neither Mr and Mrs Bebb or Mr and Mrs Pinhey received any remuneration from the Society. No expenses were reimbursed to any member of the Committee of Management.



**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**10. TANGIBLE FIXED ASSETS**

	<b>Freehold Property</b>	<b>Long Leasehold Property</b>	<b>Short Leasehold Property</b>	<b>Fixtures &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>TOTAL</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>						
As at 1 April 2017	1087605	196381	171402	202897	27666	1685951
Additions	-	-	-	-	-	-
Disposals	(265052)	-	-	(39289)	-	(304741)
As at March 2018	<u>822553</u>	<u>196381</u>	<u>171402</u>	<u>163608</u>	<u>27666</u>	<u>1381610</u>
<b>DEPRECIATION</b>						
As at 1 April 2017	228038	21740	171402	193813	23971	638964
Charge for year	7225	3092	-	2271	923	13511
Eliminated on disposal	(37370)	-	-	(39289)	-	(76659)
As at 31 March 2018	<u>197893</u>	<u>24832</u>	<u>171402</u>	<u>156795</u>	<u>24894</u>	<u>575816</u>
<b>NET BOOK VALUES</b>						
As at 31 March 2018	<u>£624660</u>	<u>£171549</u>	<u>£Nil</u>	<u>£6813</u>	<u>£2772</u>	<u>£805794</u>
As at 31 March 2017	<u>£859567</u>	<u>£174641</u>	<u>£Nil</u>	<u>£9084</u>	<u>£8695</u>	<u>£1046987</u>

No depreciation is charged on the value of freehold land. The value of this land was estimated by the trustees to be £100,000.

**11. DEBTORS**

	<b>2018 £</b>	<b>2017 £</b>
Arrears of fees	66832	116497
Other debtors	<u>18423</u>	<u>11705</u>
	<u>£85255</u>	<u>£128202</u>

**12. CREDITORS:** Amounts falling due within one year

	<b>2018 £</b>	<b>2017 £</b>
Other creditors	-	-
Accruals	<u>230154</u>	<u>215251</u>
	<u>£230154</u>	<u>£215251</u>

Accruals include £165000 (2017: £165000) relating to rent owed for Oaklands which is one of the properties used by the Society to provide residential care.

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**13. CALLED UP SHARE CAPITAL**

	<b><u>Authorised</u></b>
At 31 March 2018 and 2017	
20 Ordinary shares of £1 each	<u>£20</u>
	<b>Allotted, called up and fully paid</b>
	<b>£</b>
At 1 April 2017 and 31 March 2018	<u>£8</u>

Under the Society's Constitution only members are entitled to hold shares. Consequently under the Society's rules share capital relating to former members have been cancelled and the amount paid up transferred to the Society's reserves.

**14. MOVEMENT IN FUNDS**

	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Total £</b>
As at 1 April 2017	1652268	476548	2128816
Incoming resources	3009453	-	3009453
Resources expended	(2868471)	(230674)	(3099145)
Transfer between funds	-	-	-
At 31 March 2018	<u>£1793250</u>	<u>£245874</u>	<u>£2039124</u>

**15. ANALYSIS OF NET ASSETS BETWEEN FUNDS**

	<b>Share Capital £</b>	<b>Unrestricted Funds £</b>	<b>Restricted Funds £</b>	<b>Total £</b>
Represented by:				
Tangible fixed assets	-	559920	245874	805794
Debtors	-	85255	-	85255
Cash at bank and in hand	8	1378229	-	1378237
Creditors due within one year	-	(230154)	-	(230154)
	<u>£8</u>	<u>£1793250</u>	<u>£245874</u>	<u>£2039132</u>

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**16. FUNDS**

Restricted funds represent capital grants received from various funding organisations. These grants were given to allow the Society to acquire new homes and to improve other homes. The grants are repayable in full should the Society either sell the properties or change their use from that of a home for people with learning difficulties. The Secretary of State for Health has a legal charge over Tor Vale and Parkstone Lane to support these grants.

Unrestricted funds are monies available to the Society that can be used at the Society's discretion provided it is within their objects.

**17. PENSION SCHEME**

The Society operates a defined contribution pension scheme and also a new auto enrolment scheme. There were 30 members in this scheme during the year. It also contributes to the N.H.S. Pension Scheme for 1 of its employees.

The charge for the year is comprised of:

	<b>2018</b>	<b>2017</b>
	<b>£</b>	<b>£</b>
Contribution to the defined contribution scheme	28657	30393
Contribution to the N.H.S. Scheme	2303	25860
Auto enrolment scheme (NEST)	<u>27098</u>	<u>25861</u>
	<u><b>£58058</b></u>	<u><b>£63600</b></u>

There were no contributions payable at the end of the year (2017 - £NIL)

**18. COMMITMENTS**

At 31 March 2018 the Society had the following total commitments under non-cancellable operating leases:

	<b>2018</b>		<b>2017</b>	
	<b>Land and buildings</b>	<b>Equipment</b>	<b>Land and buildings</b>	<b>Equipment</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expiry date</b>				
within one year	<u>£Nil</u>	<u>£382</u>	<u>£Nil</u>	<u>£Nil</u>
Between two and five years	<u>£32913</u>	<u>£8694</u>	<u>£18603</u>	<u>£19768</u>

**THE DURNFORD SOCIETY LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**31 MARCH 2018**

**19. CONTINGENT LIABILITY**

The Society acquired new homes on 7 March 1994 and 5 September 1998.

If the Society:-

- ♦ disposes of all or part of the properties;
- ♦ fails to observe or perform any of the grant conditions; or
- ♦ uses the properties other than for the project with the Authority's consent;

Then an amount equal to the portion of the open market value of the properties as is attributable to the expenditure of the capital grant must be repaid to the Primary Care Trust.

As at 31 March 2018 the grant expended was £439138.

**20. CAPITAL COMMITMENT**

At the year end the company had no capital commitments (2017: £Nil).

**21. CONTROL**

The Society is ultimately controlled by the Committee of Management by virtue of the powers entrusted to them as part of the governing rules of the Society.