

COMPANY NUMBER 4504443

hafal

Registered Charity No. 1093747

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 MARCH 2006



A42
COMPANIES HOUSE

ASSBKKYN

181
30/11/2006

www.hafal.org

CONTENTS	PAGE
Reference and administrative information	1 - 2
<i>Trustees' report</i>	3 - 7
Statement of Trustees' responsibilities	8
Audit Report	9
Statement of Financial Activities	10
Statement of Total Recognised Gains and Losses	11
Balance sheet	12
Notes to the accounts	13 - 25

REFERENCE AND ADMINISTRATIVE INFORMATION

Hafal is a charitable company incorporated on 6 August 2002 and registered with the Charity Commissioners of England and Wales (number 1093747). It is also a company limited by guarantee (number 4504443) and is governed by its Memorandum and Articles of Association.

Hafal's Mission Statement is as follows:

"Hafal empowers people with severe mental illness and their families to achieve a better quality of life, to fulfil their ambitions for recovery, to fight discrimination, and to enjoy equal access to health and social care, housing, income, education, and employment."

Registered Office and Head Office: Suite C2 William Knox House
Britannic Way
Llandarcy, Neath
SA10 6EL

**The Trustees of the Charity
in 2005/06 were:**

Chair: Peter Davey

Vice Chair: Elin Jones

Honorary Treasurer:
Dilwyn Voyle (Co-opted Trustee)

Other Trustees:
Jazz Gerrard
Rosalie Murray
Christine Price (retired 17 November 2005)
Ceinwen Rowlands
Brian Watkiss (Co-opted Trustee)
Matthew Butcher
Linda Biaggi
Suzanne Smith (Co-opted Trustee)
Kay Reed (from 17 November 2005)

Executive Officers:

Chief Executive	Bill Walden-Jones
Deputy Chief Executive:	Alun Thomas
Company Secretary	Nicola Thomas

REFERENCE AND ADMINISTRATIVE INFORMATION (continued)**Auditors:**

Harris Bassett & Co.
Chartered Accountants
5 New Mill Court
Phoenix Way
Enterprise Park
Swansea
SA7 9FG

Bankers:

The Co-operative Bank PLC
34 The Kingsway
Swansea
SA1 5LG

Solicitors:

Hutchinson Thomas
19 London Road
Neath
SA11 1LF

**TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2006****INTRODUCTION**

The Trustees, as Directors of Hafal, present their annual report and the audited financial statements of the Charity for the year ended 31 March 2006. This report has been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

OBJECTIVES AND ACTIVITIES

The Charity's objectives ("the objects") as stated in the Memorandum of Association are to act as a non-sectarian non-party-political charitable organisation based in Wales for the relief and support of people with severe mental illness and their families and carers; for research and education as to the causes, consequences and management of such illness; and for advice and assistance in the field of mental health and welfare.

The principal activities and aims of the Charity are to:

- Provide information, advice, support and services of the highest standard to those experiencing severe mental illness, their families and carers, in areas such as housing, education and training, rehabilitation and employment and recreation.
- Spread understanding of the problems arising from severe mental illness.
- Campaign nationally and locally for high quality care, including both acute and long stay services.

The Charity provides this wide range of services through a number of local groups, members and volunteers together with staff employed in operational and functional departments at local and national level. During 2005/6 over 110 volunteers across Wales assisted Hafal to provide a service to over 650 individuals with severe mental illness every day.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Hafal has no subsidiary or associated companies and operates as a single company with up to twelve Trustees serving as Directors. The Trustees of Hafal constitute its Board of Directors, are the subscribers to the Memorandum, and serve for terms of up to three years following either election through a ballot of Members or co-option.

Hafal is managed by its Trustees who meet four times a year for that purpose; there are no sub-committees or similar. The majority of Trustees are nominated and elected by the Charity's Members. Training for Trustees is provided both internally and externally through accessing information from the Charities Commission, Companies House and other relevant organisations.

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2006

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

A formal system of delegation of authority is in place enabling the day-to-day running of the Charity by executive officers with reference as required to the Chair, Vice Chair and Honorary Treasurer. The Trustees employ a Chief Executive, Deputy Chief Executive, Company Secretary and other staff located in all parts of Wales. In addition to the Head Office in Neath, Hafal has a North Wales Office in Holywell and a National Resource Centre in Cardiff.

Hafal works closely with the Wales Alliance for Mental Health in Wales and the Mental Health Alliance in Wales and England.

Risk Assessment

Hafal's Trustees have agreed a Health & Safety Policy incorporating risk assessment. Hafal has also assessed risk in relation to business and financial management and incorporated safeguards in Financial Regulations and Delegated Authorities and Financial Standing Orders adopted in February 2003 by the Trustees.

Hafal's Health & Safety Committee convened as necessary during the year and continued to monitor and review the safety of activities. Risk Assessments for all premises were carried out as a matter of routine in January and acted upon during the year.

Following the assessment of risk, Hafal purchased the following insurance cover for 2005/06: Employers' Liability £10,000,000; Public/Products Liability £5,000,000; Travel Insurance (including medical and other expenses whilst travelling) £5,000,000; Charity Indemnity £250,000, and Material Damage cover for buildings and contents of £1,156,725.

FINANCIAL REVIEW OF YEAR

The Charity performed well during the year further strengthening its position; this was mainly as a result of further development of strong partnerships with funders in the Welsh NHS and local authorities.

Sound financial management in this year and the previous financial years has strengthened the reserves position enabling Trustees to work towards securing the Charity's future and to develop a number of national projects while continuing to provide a high standard of local services.

The business of the Charity substantially depends on commissioned work in local areas; fundraising on a larger scale will be considered in the future alongside an intention to develop legacy donations.

The Charity has undertaken a review of its Purchase Ledger system during the year, and through re-negotiating contracts, identified cost savings for the organisation. In addition, Hafal has worked with the Co-Operative Bank to maximise the interest paid on funds held at the bank.

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2006

FINANCIAL REVIEW OF YEAR (continued)

Reserves policy

Hafal's Trustees have agreed a Business Plan which targets steady growth in reserves. The Trustees aim to secure a safe level of uncommitted general reserves equivalent to not less than six months operating costs of the Charity in addition to reserves committed by Trustees to specific purposes. The designation of reserves is described in detail in Note 13 on Page 24 of this report and amounts designated to each fund are shown in Note 13 on Page 23.

Trustees plan to incorporate expenditure into the forthcoming financial year in line with new national developments described under 'Plans for Future Periods' on page 6.

Investment Policy

Hafal's Trustees have agreed an Investment Policy which depends mainly on placing funds in interest-bearing accounts with the Charity's bankers. Income from interest amounted to £56,974 for 2005/06.

ACHIEVEMENTS AND PERFORMANCE

Hafal has spent its first three years of operation consolidating its independent operation and managing rapid developments in services, policy and campaigns. The Charity continued to develop its services and registered as a Domiciliary Care Agency in order to develop a high-needs supported housing project in Ceredigion. This service, provided 24 hours a day by a minimum of two staff, supports the recovery of up to 7 tenants in high quality accommodation. Hafal is seen as an innovator through the development of the service with our partners Tai Cantref, Ceredigion County Council Social Services, Ceredigion Local Health Board and the Pembrokeshire and Derwen NHS Trust.

The Members of the Charity, largely comprising people with severe mental illness and their families (many of whom work actively for the Charity as volunteers) increased to over 800. Client involvement at the projects continued to develop with Partnerships working with staff to manage the operations and informing staff for future developments.

The Charity has been awarded two grants from the Big Lottery Fund with a combined value of over £275,000. One grant will fund a new Information Officer and one will build on Hafal's successful Empowerment Programme, delivering Hafal's Recovery Programme beyond Hafal's current client group to a new set of clients who will be supported at a distance.

TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2006

ACHIEVEMENT AND PERFORMANCE (Continued)

Employees

During 2005/2006 Hafal employed just over 125 full and part-time staff across Wales and had staff located in all 22 local authority/Local Health Board areas. Consistent policies and procedures on pay and conditions apply to all staff. During the year, the Charity launched an online 'Staff Area' on its website to provide a fast, efficient way to distribute information and to provide access to Hafal's Staff Learning Programme.

Employee Involvement

Hafal's Trustees see their employees as key stakeholders in the Charity and consult staff both formally and informally on the policies and direction of the Charity. The Charity has a recognised trade union (UNISON) to represent staff and staff have free, non-voting, associate membership of the Charity.

PLANS FOR FUTURE PERIODS

Hafal is committed to developing a range of new national projects which will help lead the organisation through the medium-to-long term. These national projects will help Hafal to fulfil its mission and realise its vision of maximum recovery being the rightful expectation of people who experience severe mental illness. The national projects will also be implemented to specifically assist and support Hafal's local service delivery and implementation of the Recovery Programme.

A number of ideas and proposals have been agreed by Trustees including a Centre of Excellence, a North Wales Recovery Centre, development of an International Research Arm, and Hafal's Promise – a commitment to tackle the isolation of people with severe mental illness in Wales.

A trial operation of Hafal's Promise was undertaken during the year and results are currently being evaluated.

Suitable property has been purchased since the year-end in Colwyn Bay for a North Wales Recovery Centre.

During 2005/2006 Hafal produced a number of publications and redesigned and updated its website. Future plans for these include publication of information in eight ethnic minority languages. Over 20,000 copies of Hafal's Users Guide to the Care Programme Approach have been distributed in Wales. The Guide won "Best Care Programme Approach Information for Service users from a Voluntary Organisation" Award in the UK Care Programme Approach Association Awards.

**TRUSTEES' REPORT (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

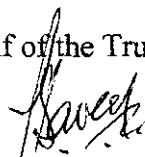
ACHIEVEMENT AND PERFORMANCE (Continued)

AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of Harris Bassett & Co. as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities (issued in March 2005) and in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities.

Signed on behalf of the Trustees



.....
PETER DAVEY - CHAIR

25th November

2006

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

Law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and of its financial position at the end of the year (unless the Charity is entitled to prepare accounts on the alternative receipts and payments basis). In preparing financial statements giving a true and fair view, the Trustees should follow best practice and:

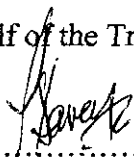
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy the financial position of the Charity and to ensure that the financial statements comply with the Companies Act 1985. 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.

Statement of Disclosure to Auditor

- a) so far as the Trustees are aware, there is no relevant audit information of which the Charity's auditors are unaware; and
- b) they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

Signed on behalf of the Trustees



.....
PETER DAVEY - CHAIR

25th November

2006

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF HAFAL

We have audited the financial statements of Hafal on pages 10 to 25 for the year ended 31 March 2006. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the Charitable Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Trustees and auditors

As described in the Statement of Trustees' Responsibilities on page 8 the Charitable Company's Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility, is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' report is not consistent with the financial statements, if the Charitable Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the Charitable Company is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charitable Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion, the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Charitable Company's affairs as at 31 March 2006 and of the Charitable Company's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Harris Bassett and Co

HARRIS BASSETT & CO
Chartered Accountants
Registered Auditor

25 November 2006
5 New Mill Court
Phoenix Way
Enterprise Park
Swansea
SA7 9FG

**STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account)
FOR THE YEAR ENDED 31 MARCH 2006**

	Note	General & Designated Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	347,313	33,152	380,465	328,402
Activities for generating funds	3	46,580	33,869	80,449	119,630
Investment income		56,974	-	56,974	37,470
Incoming resources from charitable activities					
Service level agreements and project grants		570,994	2,007,129	2,578,123	2,330,437
Other incoming resources					
Management fees		299,208	-	299,208	258,364
Services provided by core and recharged		<u>246,223</u>	<u>-</u>	<u>246,223</u>	<u>422,246</u>
Total incoming resources	4	<u>1,567,292</u>	<u>2,074,150</u>	<u>3,641,442</u>	<u>3,496,549</u>
RESOURCES EXPENDED					
Costs of generating funds					
Fund raising trading costs of goods sold and other costs	5	20,819	20,456	41,275	41,578
Charitable activities		1,059,094	2,125,249	3,184,343	2,890,448
Governance costs		<u>19,777</u>	<u>-</u>	<u>19,777</u>	<u>21,379</u>
Total resources expended	6	<u>1,099,690</u>	<u>2,145,705</u>	<u>3,245,395</u>	<u>2,953,405</u>
Net incoming/(outgoing) resources before transfers		467,602	(71,555)	396,047	543,144
TRANSFERS					
Gross transfers between funds		(102,176)	102,176	-	-
Net income/(expenditure) before other recognised gains and losses		<u>365,426</u>	<u>30,621</u>	<u>396,047</u>	<u>543,144</u>
OTHER RECOGNISED GAINS/(LOSSES)					
		-	-	-	-
Net movement in funds		<u>365,426</u>	<u>30,621</u>	<u>396,047</u>	<u>543,144</u>
RECONCILIATION OF FUNDS					
Fund balances brought forward at 1 April 2005		<u>1,567,037</u>	<u>366,297</u>	<u>1,933,334</u>	<u>1,390,190</u>
Fund balances carried forward at 31 March 2006	13	<u>1,932,463</u>	<u>396,918</u>	<u>2,329,381</u>	<u>1,933,334</u>

The statement of financial activities has been prepared on the basis that all operations are continuing operations and includes all gains and losses recognised in the year.

**STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account)
FOR THE YEAR ENDED 31 MARCH 2006 (continued)**

**Statement of Total Recognised Gains and Losses
Year to 31 March 2006**

	31/3/06 £	31/3/05 £
Increase in funds	396,047	543,144
Unrealised (deficit)/surplus on revaluation of properties	—	—
Total recognised gains and losses relating to the year	<u>396,047</u>	<u>543,144</u>

Note of historical cost surpluses and deficits

Increase in funds	396,047	543,144
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>15,702</u>	<u>15,702</u>
Historical cost increase in funds from activities	<u>411,749</u>	<u>558,846</u>

BALANCE SHEET AS AT 31 MARCH 2006

	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible fixed assets	10		<u>359,555</u>		<u>403,981</u>
CURRENT ASSETS					
Debtors	11		128,396		115,119
Cash at bank			<u>2,046,013</u>		<u>1,558,665</u>
			<u>2,174,409</u>		<u>1,673,784</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR					
Creditors	12		<u>204,583</u>		<u>144,431</u>
NET CURRENT ASSETS					
			<u>1,969,826</u>		<u>1,529,353</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
			2,329,381		1,933,334
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
			-		-
NET ASSETS					
			<u>2,329,381</u>		<u>1,933,334</u>
FUNDS					
General funds:					
Gwyn Jones Fund		486,022		418,064	
		<u>46,441</u>		<u>48,973</u>	
	13		532,463		467,037
Designated funds:					
Capital equipment reserve		100,000		100,000	
Centre of Excellence		300,000		250,000	
Property development and maintenance		200,000		150,000	
Fund for housing support		200,000		200,000	
Hafal Solutions		150,000		-	
All Wales Capital Project		<u>450,000</u>		<u>400,000</u>	
	13		1,400,000		1,100,000
Restricted funds:					
Fund balance		133,503		102,882	
Revaluation reserve		<u>263,415</u>		<u>263,415</u>	
	13		<u>396,918</u>		<u>366,297</u>
			<u>2,329,381</u>		<u>1,933,334</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small charitable companies.

Approved by the Trustees on *16th November* 2006 and signed on behalf of Hafal.

Peter Davey
.....
PETER DAVEY - CHAIR

The notes on pages 13 to 25 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with the Companies Act 1985 and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 and in accordance with applicable Accounting Standards. The particular accounting policies adopted are described below:

a) Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed assets.

b) 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 Trustees for particular purposes. The aim and use of each designated fund is set out in note 13 to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The aim and use of restricted funds is set out in the notes to the financial statements.

A transfer of funds from general funds to restricted funds will be made in order to prevent any deficits arising on individual projects which are funded from restricted funds.

c) Incoming resources

All incoming sources are included in the SOFA when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. No amounts are included in the financial statements for services donated by volunteers.

Members subscriptions are taken to income on a received basis. Grants, service agreements and fee income are recognised in the SOFA in the period in which they are receivable. Income is deferred only when the Charity has to fulfil conditions before becoming entitled to it or where the donor/funder has specified that the income is to be expended in a future period.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**1. ACCOUNTING POLICIES (Continued)****c) Incoming resources (continued)**

Services provided by core charged to projects are shown gross as incoming resources within the General Fund, and, as resources expended – charitable activities within the restricted funds. This is a change to the previous accounting policy adopted where amounts charged to projects were negated against the expenditure incurred. This policy has been changed in order to show a fairer representation of the value of services provided by the Charity as a whole. The change in policy is of presentation only and has no effect on the amount of net movement in funds as previously reported, however comparative figures in the SOFA and notes 2 to 8 have been restated to show the gross income and expenditure after applying this new policy.

d) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been apportioned to activities on a basis of time spent.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the cost of disseminating information in support of the charitable activities.

Charitable expenditure comprises those costs incurred by the Charity in the delivery of its activities and services for its beneficiaries.

All costs are allocated between the expenditure categories of the SOFA on a basis designed to reflect the use of the resources.

e) Taxation

Hafal is an exempt Charity within the meaning of the Taxes Acts and, accordingly, is not liable to Corporation Tax or Capital Gains Tax in respect of charitable activities.

f) Local groups

The results of the Charity's local groups are included in the SOFA and their cash balances at the year-end are included in the balance sheet.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES (Continued)

g) Pensions

The Charity participates in money purchase pension schemes. The pension scheme currently offered to employees is the Pensions Trust's Money Purchase Plan which encompasses the Growth Plan and the Unitised Ethical Plan.

The Growth Plan is a multi employer pension scheme where it is not possible to separately identify the assets and liabilities of participating employers.

The amount charged to the SOFA represents the contributions payable to the scheme in respect of the accounting period.

h) Tangible fixed assets

Tangible fixed assets costing more than £1,500 are capitalised and other than freehold land and buildings, are included at cost including any incidental expenses of acquisition.

Freehold land and buildings are included at valuation.

Depreciation is provided at rates calculated to write-off the cost less estimated residual value on a straight line basis over their expected economic lives as follows:

Land and buildings	5%
Furniture and equipment	33⅓%
Motor vehicles	33⅓%

Tangible fixed assets are carried at the valuation assigned to them when the assets were transferred to Hafal from Rethink on 31 March 2003. All additions to tangible fixed assets since that date are included at cost. The Charity has adopted the revaluation policy for its land and buildings in accordance with FRS15.

i) Leasing commitments

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

j) Cash Flow statement

No cash flow statement is included in accordance with FRS 1 as the Charity has taken advantage of the exemption granted to smaller charities.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

2. VOLUNTARY INCOME	2006	2005
	£	£
Voluntary income is stated after crediting:		
Government Grants - National Assembly for Wales	237,493	231,700
Donations	<u>124,622</u>	<u>88,101</u>
3. ACTIVITIES FOR GENERATING FUNDS	2006	2005
	£	£
Income stated in this category is after crediting:		
Sales	46,580	53,968
Grant received from Community Fund – Wales	<u>33,869</u>	<u>65,662</u>
4. ANALYSIS OF TOTAL INCOMING RESOURCES		
Sales	46,580	53,968
Family and carers support	710,656	689,479
Clubs and centres	362,059	285,001
Supported housing	995,359	815,566
Befriending/advocacy	47,241	47,853
Employment	474,941	500,411
Management and administration	<u>1,004,606</u>	<u>1,104,271</u>
	<u>3,641,442</u>	<u>3,496,549</u>
5. FUNDRAISING TRADING		
Cost of goods sold	20,456	23,974
Allocated support costs	<u>20,819</u>	<u>17,604</u>
	<u>41,275</u>	<u>41,578</u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

	Staff costs £	Other costs £	Total costs 2006 £	Total costs 2005 £
Costs of generating funds	-	20,456	20,456	23,974
Family and carers support	418,501	297,267	715,768	694,861
Clubs and centres	181,705	203,408	385,113	292,096
Supported housing	570,279	388,171	958,450	817,148
Befriending/advocacy	32,322	19,266	51,588	49,217
Employment	198,907	327,113	526,020	523,222
Management and administration	<u>353,489</u>	<u>234,511</u>	<u>588,000</u>	<u>552,887</u>
	<u>1,755,203</u>	<u>1,490,192</u>	<u>3,245,395</u>	<u>2,953,405</u>

Included in the above costs:

Management and administration - Audit	5,000	5,317
- Accountancy	4,706	6,862
- Operating lease rentals	1,349	1,349
Motor expenses	21,403	20,097
Depreciation	51,322	49,043
Rents paid on leasehold premises	<u>165,260</u>	<u>135,293</u>

7. TRUSTEES ENDOWMENTS

Trustees are not remunerated.

Expenses for travelling and subsistence on Charity business in the amount of £455 (2005 - £957) were reimbursed to two Trustees.

The Charity has paid premiums in respect of Trustees' liability indemnity insurance of £1,208.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

8. STAFF COSTS	2006	2005
	£	£
Wages and salaries	1,651,435	1,349,425
Social Security Costs	145,825	117,876
Pension costs	<u>34,174</u>	<u>34,758</u>
	1,831,434	1,502,059
Less: Costs reimbursed externally	(99,702)	(-)
Add: Recruitment costs	22,850	22,221
Life Assurance	<u>621</u>	<u>2,467</u>
Total Staff Costs per Statement of Financial Activities (Note 6)	<u>1,755,203</u>	<u>1,526,747</u>

There were no employees whose emoluments amounted to over £60,000 in the year.

The average number of employees calculated on a full-time equivalent basis, analysed by function, was:

	2006	2005
	No.	No.
Charitable activities	87	86
Management and administration	<u>6</u>	<u>5</u>

9. PENSION OBLIGATIONS

Defined contribution	£	£
Contributions payable by the Charity for the year	<u>34,174</u>	<u>34,758</u>

Hafal makes contributions for 12 staff members into the Pensions Trust's Growth Plan.

The Charity is exploring the accuracy of the information provided by the Pensions Trust detailed below.

The Growth Plan is a multi-employer pension Plan which is in most respects a money purchase arrangement but it has some guarantees. Contributions paid into the Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The Plan is funded and is not contracted out of the state scheme. The rules of the Growth Plan allow for the declaration of bonuses and / or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses / investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

9. PENSION OBLIGATIONS (Continued)

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The main purpose of the valuation is to determine the financial position of the Plan and so determine the future prospects for discretionary bonuses and / or investment credits.

The actuarial valuation assesses whether the Plan's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Growth Plan state that the proportion of obligatory contributions to be borne by the Member and the Member's Employer shall be determined by agreement between them. Such agreement shall require the Employer to pay part of such contributions and may provide that the Employer shall pay the whole of them.

Hafal paid contributions at the rate of 8% during the accounting period. Members paid contributions at the rate of 4.5% during the accounting period.

As at the balance sheet date there were 12 active members of the Plan employed by Hafal. Hafal continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of the Plan was performed at 30 September 2002 by a professionally qualified actuary. The market value of the Plan's assets at the valuation date was £418 million. The financial assumptions underlying the valuation were as follows:

	%pa
Rate of return on accumulated assets	6.7
Bonuses on accrued benefits	0.0
Rate of price inflation	2.5

The valuation revealed that the assets of the Plan broadly equalled the accrued liabilities as at the valuation date.

The results of the actuarial valuation carried out to 30 September 2005 will be available before the end of September 2006.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006**9. PENSION OBLIGATIONS (continued)**

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of security benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

10. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Leasehold Land and Buildings £	Equipment £	Motor Vehicles £	Total £
Cost/valuation					
At 1 April 2005	87,500	293,017	9,817	87,159	477,493
Additions	-	-	6,896	-	6,896
Disposals	-	-	-	-	-
	<u>87,500</u>	<u>293,017</u>	<u>16,713</u>	<u>87,159</u>	<u>484,389</u>
Depreciation					
At 1 April 2005	4,375	16,163	5,721	47,253	73,512
Charge for year	4,375	14,650	3,084	29,213	51,322
Eliminated on disposals	-	-	-	-	-
	<u>8,750</u>	<u>30,813</u>	<u>8,805</u>	<u>76,466</u>	<u>124,834</u>
NET BOOK VALUE					
At 31 March 2006	<u>78,750</u>	<u>262,204</u>	<u>7,908</u>	<u>10,693</u>	<u>359,555</u>
At 31 March 2005	<u>83,125</u>	<u>276,854</u>	<u>4,096</u>	<u>39,906</u>	<u>403,981</u>

All fixed assets held are used for direct charitable purposes.

The freehold land and buildings at Porthmadog (valuation £87,500) were valued independently on 7 February 2004 at open market value on the basis of existing use by Messrs Robert Parry & Sons, Chartered Surveyors.

Leasehold land and buildings at Aberystwyth (valuation £240,000) were valued independently on 13 January 2004 at open market value on the basis of existing use by J.O. Peel & Associates, Chartered Building Surveyors.

The Trustees are not aware of any material changes in value since the last valuation.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

10. TANGIBLE FIXED ASSETS (continued)

Comparable original transferred value for leasehold Land and Buildings included at valuation

Original transferred value £

At 1 April 2005 and 31 March 2006 66,462

Depreciation based on original transferred value

At 1 April 2005 3,323

Charge for period 3,323

At 31 March 2006 6,646

Net book value

At 31 March 2006 59,816

At 31 March 2005 63,139

11. DEBTORS	2006 £	2005 £
-------------	-----------	-----------

Amounts falling due within one year:

Grants and other debtors	99,367	114,919
--------------------------	--------	---------

Prepayments	29,029	-
-------------	--------	---

Sundry debtors	-	200
----------------	---	-----

	<u>128,396</u>	<u>115,119</u>
--	----------------	----------------

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Creditors	65,856	62,042
-----------	--------	--------

Tax and Social Security	43,453	32,504
-------------------------	--------	--------

Accruals	53,139	9,802
----------	--------	-------

Grant creditors	42,051	40,083
-----------------	--------	--------

Other creditors	<u>84</u>	<u>-</u>
-----------------	-----------	----------

	<u>204,583</u>	<u>144,431</u>
--	----------------	----------------

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

13. STATEMENT OF FUNDS

	Balance at 1 April 2005 £	Incoming resources £	Expend- iture £	Transfers £	Balance at 31 March 2006 £
General funds	418,064	1,567,292	(1,097,158)	(402,176)	486,022
Gwyn Jones fund	48,973	-	(2,532)	-	46,441
Designated funds					
Capital equipment reserve fund	100,000	-	-	-	100,000
Centre of excellence fund	250,000	-	-	50,000	300,000
Property development and maintenance	150,000	-	-	50,000	200,000
Fund for housing Support	200,000	-	-	-	200,000
Hafal Solutions	-	-	-	150,000	150,000
All Wales capital project fund	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>450,000</u>
Total general funds and designated funds	<u>1,567,037</u>	<u>1,567,292</u>	<u>(1,099,690)</u>	<u>(102,176)</u>	<u>1,932,463</u>
Restricted funds					
Donations & Trusts	-	25,304	(25,304)	-	-
Community fund	1,183	33,869	(35,052)	-	-
Capital property fund	100,643	272,020	(240,922)	-	131,741
Other restricted fund Balances (projects)	1,056	1,742,957	(1,844,427)	102,176	1,762
Revaluation reserve	<u>263,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>263,415</u>
Total restricted funds	<u>366,297</u>	<u>2,074,150</u>	<u>(2,145,705)</u>	<u>102,176</u>	<u>396,918</u>
Total funds	<u>1,933,334</u>	<u>3,641,442</u>	<u>(3,245,395)</u>	<u>-</u>	<u>2,329,381</u>

The transfer of general funds to restricted funds has been made in order to prevent deficits on individual charitable projects.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

13. STATEMENT OF FUNDS (continued)

Analysis of net assets between funds				Total Funds
	General £	Designated £	Restricted £	£
Fund balances at 31 March 2006 are represented by:				
Tangible fixed assets	64,030	-	295,525	359,555
Current assets	626,507	1,400,000	147,902	2,174,409
Current liabilities	(158,074)	-	(46,509)	(204,583)
Total net assets	<u>532,463</u>	<u>1,400,000</u>	<u>396,918</u>	<u>2,329,381</u>

GENERAL FUNDS**Gwyn Jones Fund**

This fund represents the net book value of "Soar Glyd" a property purchased in Cardigan from donations received in memory of Gwyn Jones. This fund is to remain unrestricted.

DESIGNATED FUNDS**Capital equipment reserve fund**

This fund represents income set aside to purchase capital items.

Centre of Excellence Fund

Hafal Trustees are committed to the development of a national Centre of Excellence which will furnish a new Headquarters and facilities for residential therapy, education, and health promotion. This fund has been established to provide revenue funding for the development and initial operation of the Centre which Trustees aim to complement with capital funds from external sources.

Property repair, maintenance and development fund

This fund represents provision for long-term repair and maintenance of the Charity's properties and also for further necessary development of properties in order to meet new legislation or standards, the revaluation of properties removing any significant depreciation of the Charity's assets.

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2006

13. STATEMENT OF FUNDS (continued)

DESIGNATED FUNDS (continued)**Fund for housing support**

Hafal has, in the last three years, engaged in new large-scale housing support operations using short-term "spot purchase" funding sources which are unpredictable in the medium-to-long term. This fund will be available in the event that large-scale funding is withdrawn resulting in major liabilities for redundancy and other obligations. The fund would not be used to sustain services where external funding is withdrawn.

Hafal Solutions

Hafal Solutions would provide an audit, advice and solutions service to commissioners and other service providers based on the knowledge and expertise of Hafal staff and clients in delivering, improving and receiving mental health services. These services may be provided free or on a fee payable basis.

All Wales capital project fund

This fund provides for national and/or local projects which Trustees agree complement organisational aims and objectives. The fund will enable Trustees to support national projects including the Centre of Excellence, a Recovery Learning Centre and a Holiday Respite Centre.

RESTRICTED FUNDS**Community fund**

The Community Fund has provided three-year funding (October 2002 – September 2005) for the Hafal Empowerment Programme. The Project aims to empower adults with severe mental illness to manage their own development alongside the input from mental health professionals by assisting individuals to exercise choice, gain skills, confidence and experience in order to lead more productive lives.

Capital property fund

This fund represents income that has been received on projects which have included funds specifically for the purchase of property. The property has remained within the restricted fund.

14. CONTINGENT LIABILITIES

The Pensions Trust has indicated that as of 30 September 2005, the estimated debt on withdrawal from the Plan for Hafal was £105,005.