

COMPANY NUMBER 4504443

# hafal

Registered Charity No 1093747

## TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 MARCH 2007

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## REFERENCE AND ADMINISTRATIVE INFORMATION

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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 2006/07 were:**

**Chair** Peter Davey

**Vice Chair:** Elin Jones

**Honorary Treasurer:**  
Dilwyn Voyle (Co-opted Trustee)

**Other Trustees**  
Jazz Gerrard  
Rosalie Murray (retired 7 August 2006)  
Ceinwen Rowlands  
Brian Watkiss (Co-opted Trustee)  
Matthew Butcher  
Linda Biaggi  
Suzanne Duval (Co-opted Trustee)  
Kay Reed  
Dennis Postlethwaite (from 16 November 2006)

**Executive Officers:**

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

**REFERENCE AND ADMINISTRATIVE INFORMATION (CONTINUED)**

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<b>Auditors:</b>	Harris Bassett & Co Chartered Accountants 5 New Mill Court Phoenix Way Enterprise Park Swansea SA7 9FG
<b>Bankers:</b>	The Co-operative Bank PLC 34 The Kingsway Swansea SA1 5LG
<b>Solicitors</b>	Hutchinson Thomas 19 London Road Neath SA11 1LF

**TRUSTEES' REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**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 2007. 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.

**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 2007**

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**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 Colwyn Bay 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 and services 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 2006/07: Employers' Liability £10,000,000, Public/Products Liability £10,000,000, Travel Insurance (including medical and other expenses whilst travelling) £1,000,000, Charity Indemnity £250,000, and Material Damage cover for buildings and contents of £1,339,000.

**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. The business of the Charity substantially depends on commissioned work in local areas but the Charity continues to develop fund-raising from other sources.

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 in line with 'Hafal Ymlaen' – the Charity's Strategic Vision and plan for 2006 - 2015.

The Charity has continued to review 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 2007**

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**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 27 of this report and amounts designated to each fund are shown in Note 13 on Page 26.

Trustees plan to incorporate expenditure into the forthcoming financial year in line with new national developments described under 'Plans for Future Periods' on page 7.

**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 £80,695 for 2006/07 compared with £56,974 for 2005/06.

**ACHIEVEMENTS AND PERFORMANCE**

Hafal has spent its first four years of operation consolidating its independent operation and managing rapid developments in services, policy and campaigns.

The Charity was successful in its 3 year funding bid to Comic Relief for a Mentally Disordered Offenders project to provide a consultancy service throughout Wales. The service is working to raise awareness of the issues faced by people with severe mental illness who come into contact with the criminal justice system and encourage action to address these problems. Hafal was also successful in its funding bid to the Lloyds TSB Foundation for England and Wales for a Prison Information and Liaison Officer post to enhance and complement this work.

The development of local services was particularly successful in 2006/7 with Hafal attracting funding for ten new services and significant expansion in five others. Among these developments were

- Specialist support for families in contact with acute services
- Hospital early discharge support for patients and families
- More carer advocates
- Tenancy services to patients on hospital wards assisting them in finding accommodation and moving to their new home

During 2006/7 over 140 volunteers across Wales assisted Hafal to provide a service to over 835 individuals with severe mental illness every day.

Hafal continues to engage with statutory sector commissioners on potential developments for housing services with Hafal Ceredigion services seen as a model for service delivery.

**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**ACHIEVEMENT AND PERFORMANCE (Continued)**

The Members of the Charity, mainly comprising people with severe mental illness and their families (many of whom work actively for the Charity as volunteers) increased to over 950. Client involvement at the projects continued to develop as clients work with staff to manage the services and plan future developments

At the start of the year the Charity introduced "Hafal's Promise" a standard for access to Hafal's support which aims to ensure friendly contact for people with severe mental illness across Wales.

During the year, the Charity was awarded NVQ Assessment Centre Accreditation and is now providing staff with nationally recognised qualifications in Health and Social Care for Adults. The Charity will further develop its training centre by continuing to provide assessed placements for social work students

The Charity launched its Big Lottery funded 'Next Step Programme' during the year. This initiative, designed to encourage mental health service users across Wales to work towards their recovery, is based on the experiences and insights of clients, and provides people with a strategic way to take control of their illness.

During 2006/2007 Hafal produced a number of publications and information was published in eight ethnic minority languages. Local leaflets were updated to reflect the service developments across Wales, and new publications included 'A Guide to Schizophrenia' and 'A Guide to Bi-Polar Disorder'. Future plans for publications include A Guide for People Leaving Hospital and an MDO publication

**Employees**

During 2006/2007 Hafal employed just over 135 full and part-time staff across Wales and had staff located in all 22 local authority/Local Health Board areas. Consistent policies and consulted procedures on pay and conditions apply to all staff. During the year, the Charity communicated and consulted regularly with its employees through quarterly staff learning days, staff newsletters and mailings; local and national meetings and the online 'Staff Area' on its website

**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

**TRUSTEES' REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**ACHIEVEMENT AND PERFORMANCE (Continued)**

**PLANS FOR FUTURE PERIODS**

Hafal's future strategic plans are guided by our vision statement "Hafal Ymlaen – Strategic Vision and Plan (2006-2015)"

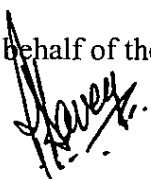
Hafal is committed to developing a range of new national projects which will help lead the organisation through the medium-to-long term. These national projects will help Hafal to fulfil its mission and realise its vision of maximum recovery being the rightful expectation of people who experience severe 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. Proposed national projects include a national Centre of Excellence which will be located in south Wales. One aspect of Hafal's vision for national projects has been taken forward – during 2006/7 a property was purchased in Colwyn Bay which has been fully refurbished and is now being developed as a North Wales Recovery Centre.

**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

15 | 11 | 2007

## STATEMENT OF TRUSTEES' RESPONSIBILITIES

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The trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The trustees are required to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charity and of its incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to

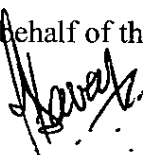
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them 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

15/11/2007

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAFAL

We have audited the financial statements of Hafal for the year ended 31 March 2007 which comprise the Statement of Financial Activities incorporating an Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. 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 charity'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 charity'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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of Hafal for the purposes of company law) responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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 information given in the Trustees' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charity 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 other transactions 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 charity'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 charity's affairs as at 31 March 2007 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Report is consistent with the financial statements.

*Harris Bassett and Co*

HARRIS BASSETT & CO  
Chartered Accountants  
Registered Auditor

*15 November* 2007  
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 2007**

	Note	General & Designated Funds £	Restricted Funds £	Total 2007 £	Total 2006 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	399,039	47,055	446,094	380,465
Activities for generating funds	3	57,628	92,377	150,005	80,449
Investment income		80,695	-	80,695	56,974
<b>Incoming resources from charitable activities</b>					
Service level agreements and project grants		1,119,140	2,131,817	3,250,957	2,578,123
<b>Other incoming resources</b>					
Management fees		356,291	-	356,291	299,208
Services provided by core and recharged		-	-	-	246,223
Profit from sale of fixed assets		166	-	166	-
Total incoming resources	4	<u>2,012,959</u>	<u>2,271,249</u>	<u>4,284,208</u>	<u>3,641,442</u>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Fund raising trading costs of goods sold and other costs	5	34,704	-	34,704	41,275
Charitable activities		1,335,858	2,297,332	3,633,190	3,184,343
Governance costs		<u>25,493</u>	<u>-</u>	<u>25,493</u>	<u>19,777</u>
Total resources expended	6	<u>1,396,055</u>	<u>2,297,332</u>	<u>3,693,387</u>	<u>3,245,395</u>
Net incoming/(outgoing) resources before transfers		616,904	(26,083)	590,821	396,047
<b>TRANSFERS</b>					
Gross transfers between funds		<u>(19,271)</u>	<u>19,271</u>	<u>-</u>	<u>-</u>
Net income/(expenditure) before other recognised gains and losses		597,633	(6,812)	590,821	396,047
<b>OTHER RECOGNISED GAINS/(LOSSES)</b>					
		<u>-</u>	<u>106,982</u>	<u>106,982</u>	<u>-</u>
Net movement in funds		597,633	100,170	697,803	396,047
<b>RECONCILIATION OF FUNDS</b>					
Fund balances brought forward at 1 April 2006		<u>1,932,463</u>	<u>396,918</u>	<u>2,329,381</u>	<u>1,933,334</u>
Fund balances carried forward at 31 March 2007	13	<u>2,530,096</u>	<u>497,088</u>	<u>3,027,184</u>	<u>2,329,381</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

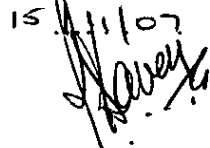
**STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account)**  
**FOR THE YEAR ENDED 31 MARCH 2007 (continued)**

<b>Statement of Total Recognised Gains and Losses</b>	<b>31/3/07</b>	<b>31/3/06</b>
<b>Year to 31 March 2007</b>	<b>£</b>	<b>£</b>
Increase in funds	590,821	396,047
Unrealised (deficit)/surplus on revaluation of properties	<u>106,982</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u>697,803</u>	<u>396,047</u>
Note of historical cost surpluses and deficits		
Increase in funds	590,821	396,047
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>13,170</u>	<u>15,702</u>
Historical cost increase in funds from activities	<u>603,991</u>	<u>411,749</u>

**BALANCE SHEET**  
**AS AT 31 MARCH 2007**

	Note	£	2007 £	2006 £
<b>FIXED ASSETS</b>				
Tangible fixed assets	10		613,381	359,555
<b>CURRENT ASSETS</b>				
Debtors	11	181,056	128,396	
Cash at bank		<u>2,531,424</u>	<u>2,046,013</u>	
		2,712,480	2,174,409	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>				
Creditors	12	<u>(298,677)</u>	<u>(204,583)</u>	
<b>NET CURRENT ASSETS</b>			<u>2,413,803</u>	<u>1,969,826</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			3,027,184	2,329,381
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			-	-
<b>NET ASSETS</b>			<u>3,027,184</u>	<u>2,329,381</u>
<b>FUNDS</b>				
General funds		725,322	486,022	
Gwyn Jones Fund		<u>43,909</u>	<u>46,441</u>	
	13		769,231	532,463
Designated funds				
Capital equipment reserve		100,000	100,000	
Centre of Excellence		300,000	300,000	
Property development and maintenance		185,865	200,000	
Fund for housing support		200,000	200,000	
Hafal consultancy services		150,000	150,000	
All Wales capital project		325,000	450,000	
Residential properties		<u>500,000</u>	-	
	13		1,760,865	1,400,000
<b>Restricted funds:</b>				
Fund balance		126,691	133,503	
Revaluation reserve		<u>370,397</u>	<u>263,415</u>	
	13		<u>497,088</u>	<u>396,918</u>
			<u>3,027,184</u>	<u>2,329,381</u>

The financial statements on pages 10 – 28 were approved by the Board of Trustees on 15.11.07 and signed on their behalf by



PETER DAVEY - CHAIR

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31 MARCH 2007**

	2007	2006
	£	£
<b>Net cash inflow from operating activities</b>	591,421	437,270
Returns on investment interest received	80,695	56,974
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible assets	(188,905)	(6,896)
Receipts from sales of tangible assets	<u>2,200</u>	<u>-</u>
<b>Net cash outflow for capital expenditure</b>	(186,705)	(6,896)
<b>Management of liquid resources</b>		
Increase in short term deposits	<u>(221,005)</u>	<u>(651,370)</u>
<b>Increase/(decrease) in cash in the year</b>	<u>264,406</u>	<u>(164,022)</u>

**NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2007**

		2007 £	2006 £	
1	<b>Net cash inflow from operating activities</b>			
	Net incoming resources before transfers	590,821	396,047	
	Increase in debtors	(52,660)	(13,277)	
	Increase in creditors	94,094	60,152	
	Depreciation of tangible assets	40,027	51,322	
	Profit from sale of fixed assets	(166)	-	
	Investment income	(80,695)	(56,974)	
	<b>Net cash inflow from operating activities</b>	<u>591,421</u>	<u>437,270</u>	
2	<b>Analysis of net cash resources</b>			
		<b>01/04/2006 £</b>	<b>Cashflow £</b>	<b>31/03/2007 £</b>
	Net cash:			
	Petty cash imprests	20,000	850	20,850
	Bank current accounts	284,417	263,556	547,973
	Liquid resources			
	Bank deposit accounts	<u>1,741,596</u>	<u>221,005</u>	<u>1,962,601</u>
	<b>Net funds</b>	<u>2,046,013</u>	<u>485,411</u>	<u>2,531,424</u>
			<b>2007 £</b>	<b>2006 £</b>
3	<b>Reconciliation of net cash flow to movement in net funds</b>			
	Increase/(decrease) in cash and current accounts		264,406	(164,022)
	Cash outflow from increase in liquid resources		<u>221,005</u>	<u>651,370</u>
	Movement in net funds in the year		485,411	487,348
	Net funds at 1 April		<u>2,046,013</u>	<u>1,558,665</u>
	<b>Net funds at 31 March</b>		<u>2,531,424</u>	<u>2,046,013</u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2007**

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**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 FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**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 where it is not possible to clearly identify the actual costs of that service. Where costs are clearly identifiable these are recoded from core to the projects.

**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 FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

<b>2. VOLUNTARY INCOME</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Voluntary income is stated after crediting		
Government Grants - National Assembly for Wales	249,930	237,493
Donations	<u>137,568</u>	<u>124,622</u>
<b>3. ACTIVITIES FOR GENERATING FUNDS</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Income stated in this category is after crediting		
Sales	57,628	46,580
Grant received from Big Lottery Fund	<u>92,377</u>	<u>33,869</u>
<b>4. ANALYSIS OF TOTAL INCOMING RESOURCES</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Sales	57,628	46,580
Family and carers support	1,035,269	710,656
Clubs and centres	490,839	362,059
Supported housing	1,219,354	995,359
Befriending/advocacy	70,662	47,241
Employment	457,624	474,941
Management and administration	<u>952,832</u>	<u>1,004,606</u>
	<u>4,284,208</u>	<u>3,641,442</u>
<b>5. FUNDRAISING TRADING</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Cost of goods sold	12,050	20,456
Allocated support costs	<u>22,654</u>	<u>20,819</u>
	<u>34,704</u>	<u>41,275</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**6. ANALYSIS OF TOTAL RESOURCES EXPENDED**

	<b>Staff costs £</b>	<b>Other costs £</b>	<b>Total costs 2007 £</b>	<b>Total costs 2006 £</b>
Costs of generating funds	-	12,050	12,050	20,456
Family and carers support	581,727	444,480	1,026,207	715,768
Clubs and centres	219,570	259,372	478,942	385,113
Support housing	754,036	404,537	1,158,573	958,450
Befriending/advocacy	40,381	30,663	71,044	51,588
Employment	215,665	251,538	467,203	526,020
Management and Administration	322,244	157,124	479,368	588,000
	<u>2,133,623</u>	<u>1,559,764</u>	<u>3,693,387</u>	<u>3,245,395</u>

<b>Included in the above costs:</b>		<b>2007 £</b>	<b>2006 £</b>
Management and administration	Audit	6,000	5,000
	Accountancy	8,871	4,706
	Operating lease rentals	-	1,349
Motor expenses		19,754	21,403
Depreciation		40,027	51,322
Rents paid on leasehold premises		<u>172,084</u>	<u>165,260</u>

**7. TRUSTEES ENDOWMENTS**

Trustees are not remunerated

Expenses for travelling and subsistence on Charity business in the amount of £702 (2006 - £455) were reimbursed to two Trustees

The Charity has paid premiums in respect of Trustees' liability indemnity insurance of £1,365

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

<b>8. EMPLOYEE INFORMATION</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Staff Costs</b>		
Wages and salaries	1,989,699	1,651,435
Social security cost	177,430	145,825
Pension cost	<u>40,017</u>	<u>34,174</u>
	2,207,146	1,831,434
Less, Salaries reallocated to service charge internally	(126,531)	(99,702)
Add Recruitment costs	48,860	22,850
Life assurance	<u>4,148</u>	<u>621</u>
Total Staff Cost per Statement of Financial Activities (Note 6)	<u>2,133,623</u>	<u>1,755,203</u>

**Staff Numbers**

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

	<b>2007</b>	<b>2006</b>
	<b>No.</b>	<b>No.</b>
Charitable activities	112	87
Management and administration	<u>7</u>	<u>6</u>

**Emoluments of Employees**

The number of employees whose emoluments (salaries, wages, and benefits in kind) fell within the following bands

	<b>2007</b>	<b>2006</b>
	<b>No.</b>	<b>No.</b>
£60,001 - £70,000	<u>1</u>	<u>-</u>

During the year pension contributions on behalf of this employee amounted to approximately £4,760

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**9. PENSION OBLIGATIONS**

Defined contribution	£	£
Contributions payable by the Charity for the year	<u>40,017</u>	<u>34,174</u>

Hafal makes contributions for 20 staff members into the Pensions Trust's Growth Plan

The plan is funded and is not contracted-out of the state scheme

Hafal participates in the Pensions Trust's Growth Plan. The Plan is funded and is not contracted-out of the state scheme. The Growth Plan is a multi-employer pension Plan.

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 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.

The rules of the Growth Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

The Trustee commissions an actuarial valuation of the Growth Plan every 3 years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**9 PENSION OBLIGATIONS (Continued)**

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 17 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 2005 by a professionally qualified actuary. The financial assumptions underlying the valuation were as follows:

	%
	Per annum
- Investment return pre retirement	6.6
- Investment return post retirement	4.5
- Bonuses on accrued benefits	0.0
- Rate of price inflation	2.5

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions, such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

As at 30 September 2005, based on the valuation assumptions, the market value of the Plan's assets was £675 million and the Plan's Technical Provisions (i.e. past service liabilities) were £704 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million (equivalent to a past service funding level of 96%).

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall. A copy of the recovery plan must be sent to the Pensions Regulator.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**9 PENSION OBLIGATIONS (Continued)**

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million will be cleared within 5 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 7.6% per annum pre retirement and 4.8% per annum post retirement.

A copy of the recovery plan has been sent to the Pensions Regulator. The Regulator had not issued his response to the recovery plan as at the date of this document.

The next full actuarial valuation will be carried out as at 30 September 2008. Actuarial Reports will be prepared as at 30 September 2006 and September 2007 in line with statutory regulations.

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 securing 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 FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**10. TANGIBLE FIXED ASSETS**

	<b>Freehold Land and Buildings £</b>	<b>Leasehold Land and Buildings £</b>	<b>Equipment £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<b>Cost/valuation</b>					
At 1 April 2006	87,500	293,017	16,713	87,159	484,389
Additions	125,000	-	15,742	48,163	188,905
Disposals	-	-	-	(7,322)	(7,322)
Revaluation	<u>40,625</u>	<u>66,357</u>	<u>-</u>	<u>-</u>	<u>106,982</u>
<b>As 31 March 2007</b>	<b><u>253,125</u></b>	<b><u>359,374</u></b>	<b><u>32,455</u></b>	<b><u>128,000</u></b>	<b><u>772,954</u></b>
<b>Depreciation</b>					
At 1 April 2006	8,750	30,813	8,805	76,466	124,834
Charge for year	9,063	14,651	2,800	13,513	40,027
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,288)</u>	<u>(5,288)</u>
<b>As 31 March 2007</b>	<b><u>17,813</u></b>	<b><u>45,464</u></b>	<b><u>11,605</u></b>	<b><u>84,691</u></b>	<b><u>159,573</u></b>
<b>NET BOOK VALUE</b>					
At 31 March 2007	<u>235,312</u>	<u>313,910</u>	<u>20,850</u>	<u>43,309</u>	<u>613,381</u>
At 31 March 2006	<u>78,750</u>	<u>262,204</u>	<u>7,908</u>	<u>10,693</u>	<u>359,555</u>

All fixed assets held are used for direct charitable purposes

The freehold land and buildings at Porthmadog (valuation £115,000) were valued independently on 31 March 2007 at open market value on the basis of existing use by G Taylor-Shaw ARICS

Leasehold land and buildings at Aberystwyth (valuation £270,000) were valued independently on 14 March 2007 at open market value on the basis of existing use by J E Charles Raw-Rees FRICS

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**10. TANGIBLE FIXED ASSETS (continued)**

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

**Original transferred value** **£**

At 1 April 2006 and 31 March 2007 66,462

**Depreciation based on original transferred value**

At 1 April 2006 6,646

Charge for period 3,323

At 31 March 2007 9,969

**Net book value**

At 31 March 2007 56,493

At 31 March 2006 59,816

<b>11. DEBTORS</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>

Amounts falling due within one year

Grants and other debtors	143,514	99,367
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Prepayments	<u>37,542</u>	<u>29,029</u>
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	<u>181,056</u>	<u>128,396</u>
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**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

Creditors	108,766	65,856
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Tax and Social Security	52,834	43,453
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Accruals	40,316	53,139
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Grant creditors	96,390	42,051
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Other creditors	<u>371</u>	<u>84</u>
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	<u>298,677</u>	<u>204,583</u>
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**13. STATEMENT OF FUNDS**

	Balance at 1 April 2006 £	Incoming resources £	Expendi- ture £	Transfers £	Balance at 31 March 2007 £
<b>General funds</b>	486,022	2,012,959	(1,254,388)	(519,271)	725,322
Gwyn Jones fund	46,441	-	(2,532)	-	43,909
<b>Designated funds</b>					
Capital equipment reserve fund	100,000	-	-	-	100,000
Centre of Excellence fund	300,000	-	-	-	300,000
Property development and maintenance	200,000	-	(14,135)	-	185,865
Fund for housing support	200,000	-	-	-	200,000
Hafal consultancy services	150,000	-	-	-	150,000
All Wales capital project fund	450,000	-	(125,000)	-	325,000
Residential properties fund	-	-	-	500,000	500,000
<b>Total general funds and designated funds</b>	<u>1,932,463</u>	<u>2,012,959</u>	<u>(1,396,055)</u>	<u>(19,271)</u>	<u>2,530,096</u>
<b>Restricted funds</b>					
Donations & Trusts	-	20,000	(20,000)	-	-
Big Lottery fund	-	92,377	(93,089)	712	-
Capital property fund	131,741	49,557	(49,667)	(73,144)	58,487
Other restricted fund					
Balances (projects)	1,762	2,109,315	(2,134,576)	91,703	68,204
Revaluation reserve	<u>263,415</u>	<u>106,982</u>	<u>-</u>	<u>-</u>	<u>370,397</u>
<b>Total restricted funds</b>	<u>396,918</u>	<u>2,378,231</u>	<u>(2,297,332)</u>	<u>19,271</u>	<u>497,088</u>
<b>Total funds</b>	<u>2,329,381</u>	<u>4,391,190</u>	<u>(3,693,387)</u>	<u>-</u>	<u>3,027,184</u>

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

**13. STATEMENT OF FUNDS (continued)**

**Analysis of net assets between funds**

	<b>General</b>	<b>Designated</b>	<b>Restricted</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>Funds</b>
				<b>£</b>
Fund balances at 31 March 2007 are represented by				
Tangible fixed assets	201,377	-	412,004	613,381
Current assets	1,131,006	1,400,000	181,474	2,712,480
Current liabilities	(202,287)	-	(96,390)	(298,677)
Total net assets	<u>1,130,096</u>	<u>1,400,000</u>	<u>497,088</u>	<u>3,027,184</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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 MARCH 2007**

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**13. STATEMENT OF FUNDS (continued)**

**DESIGNATED FUNDS (continued)**

**Hafal consultancy services**

Hafal consultancy services 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.

**Residential properties fund**

This fund provides for national and/or local residential projects which Trustees agree complement organisational aims and objectives. The fund will enable Trustees to develop and support residential services for people recovering from severe mental illness.

**RESTRICTED FUNDS**

**Big Lottery fund**

The Big Lottery fund has provided two three-year funding grants (April 2006 – March 2009). 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.

**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 2006, the estimated debt on withdrawal from the Plan for Hafal was nil.

**15. FINANCIAL COMMITMENTS**

At the year end the Charity had agreed to purchase a property for £158,500 in Port Talbot for the development of Neath Port Talbot Services. Whilst legal contracts had not been exchanged at the year end the Charity has completed this purchase post year end.