

COMPANY NUMBER 4504443

hafal

Registered Charity No. 1093747

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 MARCH 2008

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TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2008

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 2007/08 were:**

Chair Peter Davey

Vice Chair Elin Jones

Honorary Treasurer:
 Dilwyn Voyle (Co-opted Trustee)

Other Trustees:
 Linda Biaggi
 Matthew Butcher
 Suzanne Duval (Co-opted Trustee)
 Jazz Gerrard
 Carol Morgan (from 15 November 2007)
 Dennis Postlethwaite
 Kay Reed (retired 16 April 2007)
 Ceinwen Rowlands
 Brian Watkiss (Co-opted Trustee)

Executive Officers:

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

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

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 Peter Lynn & Partners 109 Clase Road Morriston Swansea SA6 8DY

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

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 2008.

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 2008

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 with similar charities in other parts of the British Isles

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 2007/08: 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 £1,230,000.

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. The Charity also 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 continued to review its purchase contracts 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 and to minimise charges levied on the accounts held.

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

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 14 on Page 25 of this report and amounts designated to each fund are shown in Note 14 on Page 24. Hafal's Strategic Plan – "Hafal Ymlaen – Strategic Vision and Plan (2006-2015)" – refers to the planned expenditure from these funds.

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 £114,727 for 2007/08 compared with £80,695 for 2006/07.

ACHIEVEMENTS AND PERFORMANCE

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

During 2007/8 Hafal reviewed its Volunteer Policy in order to improve support and ensure high standards. The majority of the 965 individuals accessing Hafal services daily provide informal voluntary support to the organisation and about 60 are registered formally as volunteer staff or volunteer drivers.

The development of local services was particularly successful in 2007/8 with Hafal attracting funding for new services and achieving significant expansion in others. A new Regional Management Team was established during the year with an increased capacity to support developments in each regional area. Among these developments were:

- A support group for young carers who care for adults in Powys
- Partnership working between the First Access Team and Hafal Wrexham to provide training courses in stress management
- A 5 year contract to run a new flagship core and cluster floating support service in Bridgend
- Support services in Pembrokeshire for clients recently discharged from hospital

Following Hafal's success in securing funding from Comic Relief for a Mentally Disordered Offenders project and the Lloyds TSB Foundation for England and Wales for a Prison Information and Liaison Officer, Hafal's Consultancy Service has established firm relationships with prison in-reach teams via contact with every prison in Wales and the prisons in England which take women from Wales. The project has worked to bridge the gap in information and signposting between custody and the community and an action plan published by Hafal is widely used by many agencies as a guide for people with severe mental illness who become involved in the criminal justice system.

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

ACHIEVEMENT AND PERFORMANCE (Continued)

Extensive media and campaigning work during the year responded to current affairs and included in-depth features and interviews on both television and radio, and in the local and national press

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 1,000 (including staff who are Associate Members) Client involvement at the projects continued to develop as clients work with staff to manage the services and plan future developments.

Hafal's Training and NVQ Assessment Centre received its first post-accreditation inspection from the City & Guilds external examiners. Following a thorough assessment, City & Guilds awarded the Centre an A Grade which underscores the quality of Hafal's training. During the year, external purchasers of Hafal's training included the Welsh Assembly Government, housing associations and the police service.

During 2007/2008 Hafal produced a number of publications and information which was published in eight ethnic minority languages with the addition of Portuguese during 2007/08. Local leaflets were updated to reflect the service developments across Wales, and new publications included 'Treatments for Severe Mental Illness' and 'Reducing Risk, Achieving Recovery'.

Property purchased in Colwyn Bay at the end of 2006/07 was fully refurbished and is now operational as a North Wales Recovery Centre. Three further properties were purchased during 2007/08 Godwin Hall in Abertillery from which Hafal Blaenau Gwent provides Seibiant and employment training services, a property in Port Talbot where Hafal Neath Port Talbot provide recovery-focused employment training, Seibiant services and Carers Support Groups, and a property in Ammanford, Carmarthenshire which has operated as the project base for Hafal Ty Aman for a number of years. Refurbishment of the property in Abertillery was completed during the year and refurbishment of both Ty Aman and the Port Talbot property is ongoing.

Employees

During 2007/2008 Hafal employed just over 145 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 2008

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 will continue to develop, expand, and improve the performance of its wide range of direct services throughout Wales

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.

During 2007/08 Hafal submitted funding bids to the Big Lottery and at the end of the year was notified that funding totalling over £1.5 million had been awarded. The grants, which will run over a five year period, will expand Hafal's Short Steps (employment) Project and develop a Criminal Justice Link Service which will engage Hafal staff in each of the four Probation Service areas of Wales supporting offenders with serious mental illness.

Hafal expects to be actively engaged in the coming period in three matters: implementation of the Mental Health Act 2007 including development of a Code of Practice, development of a possible "Measure" (Welsh law) according rights to patients; and the likely restructuring of general health services and mental health services in particular in Wales.

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 medium sized entities

Signed on behalf of the Trustees



PETER DAVEY – CHAIR

13/11/2008

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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:

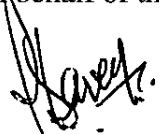
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate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

13/01/2008

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAFAL

We have audited the financial statements of Hafal for the year ended 31 March 2008 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 2008 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

13 November 2008
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 2008

	Note	General & Designated Funds £	Restricted Funds £	Total 2008 £	As restated Total 2007 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	405,856	70,057	475,913	446,094
Activities for generating funds	3	22,911	89,745	112,656	150,005
Investment income		114,727	-	114,727	80,695
Incoming resources from charitable activities					
Service level agreements and project grants		1,070,694	2,287,507	3,358,201	3,250,957
Other incoming resources					
Profit from sale of fixed assets		<u>2,310</u>	<u>-</u>	<u>2,310</u>	<u>166</u>
Total incoming resources	4	<u>1,616,498</u>	<u>2,447,309</u>	<u>4,063,807</u>	<u>3,927,917</u>
RESOURCES EXPENDED					
Costs of generating funds					
Fund raising trading costs of goods sold and other costs	5	31,390	-	31,390	34,704
Charitable activities		1,620,203	2,256,341	3,876,544	3,276,899
Governance costs		<u>26,341</u>	<u>-</u>	<u>26,341</u>	<u>25,493</u>
Total resources expended	6	<u>1,677,934</u>	<u>2,256,341</u>	<u>3,934,275</u>	<u>3,337,096</u>
Net incoming/(outgoing) resources before transfers		(61,436)	190,968	129,532	590,821
TRANSFERS					
Transfers to eliminate project deficits	1c	(175,083)	175,083	-	-
Transfer of management fees	7	<u>372,070</u>	<u>(372,070)</u>	<u>-</u>	<u>-</u>
Total transfers		<u>196,987</u>	<u>(196,987)</u>	<u>-</u>	<u>-</u>
Net income/(expenditure) before other recognised gains and losses		135,551	(6,019)	129,532	590,821
OTHER RECOGNISED GAINS/(LOSSES)					
		<u>-</u>	<u>-</u>	<u>-</u>	<u>106,982</u>
Net movement in funds		135,551	(6,019)	129,532	697,803
RECONCILIATION OF FUNDS					
Fund balances brought forward at 1 April 2007		<u>2,530,096</u>	<u>497,088</u>	<u>3,027,184</u>	<u>2,329,381</u>
Fund balances carried forward at 31 March 2008	14	<u>2,665,647</u>	<u>491,069</u>	<u>3,156,716</u>	<u>3,027,184</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 2008 (continued)

Statement of Total Recognised Gains and Losses	31/3/08	31/3/07
Year to 31 March 2008	£	£
Increase in funds	129,532	590,821
Unrealised (deficit)/surplus on revaluation of properties	-	106,982
Total recognised gains and losses relating to the year	<u>129,532</u>	<u>697,803</u>
Note of historical cost surpluses and deficits		
Increase in funds	129,532	590,821
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>15,927</u>	<u>13,170</u>
Historical cost increase in funds from activities	<u>145,459</u>	<u>603,991</u>

BALANCE SHEET
AS AT 31 MARCH 2008

	Note	2008	2007
		£	£
FIXED ASSETS			
Tangible fixed assets	11	944,638	613,381
CURRENT ASSETS			
Debtors	12	123,384	181,056
Cash at bank		<u>2,390,694</u>	<u>2,531,424</u>
		2,514,078	2,712,480
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Creditors	13	<u>(302,000)</u>	<u>(298,677)</u>
NET CURRENT ASSETS		<u>2,212,078</u>	<u>2,413,803</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		3,156,716	3,027,184
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		-	-
NET ASSETS		<u>3,156,716</u>	<u>3,027,184</u>
FUNDS			
General funds:			
Gwyn Jones Fund	14	863,405 <u>41,377</u>	725,322 <u>43,909</u>
Designated funds		904,782	769,231
Capital equipment reserve		100,000	100,000
Centre of Excellence		300,000	300,000
Property development and maintenance		185,865	185,865
Fund for housing support		200,000	200,000
Hafal consultancy services		150,000	150,000
All Wales capital project		325,000	325,000
Residential properties		<u>500,000</u>	<u>500,000</u>
	14	1,760,865	1,760,865
Restricted funds:			
Fund balance		120,672	126,691
-Revaluation reserve		<u>370,397</u>	<u>370,397</u>
	14	<u>491,069</u>	<u>497,088</u>
		<u>3,156,716</u>	<u>3,027,184</u>

The financial statements on pages 10 – 26 were approved by the Board of Trustees on 13/11/08 and signed on their behalf by:

... .. - CHAIR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008

	2008	2007
	£	£
Net cash inflow from operating activities	139,146	591,421
Returns on investment: interest received	114,727	80,695
Capital expenditure and financial investment		
Payments to acquire tangible assets	(397,503)	(188,905)
Receipts from sales of tangible assets	<u>2,900</u>	<u>2,200</u>
Net cash outflow for capital expenditure	(394,603)	(186,705)
Management of liquid resources		
Decrease/(increase) in short term deposits	<u>219,629</u>	<u>(221,005)</u>
Increase in cash in the year	<u>78,899</u>	<u>264,406</u>

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2008**

	2008 £	2007 £	
1 Net cash inflow from operating activities			
Net incoming resources before transfers	129,532	590,821	
Decrease/(increase) in debtors	57,672	(52,660)	
Increase in creditors	3,323	94,094	
Depreciation of tangible assets	65,656	40,027	
Profit from sale of fixed assets	(2,310)	(166)	
Investment income	(114,727)	(80,695)	
Net cash inflow from operating activities	<u>139,146</u>	<u>591,421</u>	
2 Analysis of net cash resources			
	01/04/2007 £	Cashflow £	31/03/2008 £
Net cash:			
Petty cash imprests	20,850	(6,000)	14,850
Bank current accounts	547,973	84,899	632,872
Liquid resources:			
Bank deposit accounts	<u>1,962,601</u>	<u>(219,629)</u>	<u>1,742,972</u>
Net funds	<u>2,531,424</u>	<u>(140,730)</u>	<u>2,390,694</u>
		2008 £	2007 £
3 Reconciliation of net cash flow to movement in net funds			
Increase in cash and current accounts		78,899	264,406
Cash (inflow)/outflow from change in liquid resources		<u>(219,629)</u>	<u>221,005</u>
Movement in net funds in the year		(140,730)	485,411
Net funds at 1 April		<u>2,531,424</u>	<u>2,046,013</u>
Net funds at 31 March		<u>2,390,694</u>	<u>2,531,424</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2008**

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) Changes in accounting policy

The comparative figures in the SOFA have been restated to reflect a change in accounting policy on the treatment of management fees incurred by projects. Management fees that are charged to individual projects are now shown as a transfer from restricted funds to general funds on the face of the SOFA. Previously these fees were shown as income into the general fund and expenditure from restricted funds. The accounting policy has been changed because the Trustees consider that the new policy gives a fairer presentation of the income and actual expenditure incurred.

c) 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 14 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 that are funded from restricted funds.

d) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES (Continued)

d) Incoming resources (continued)

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.

e) 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.

Services provided by core and charged to projects as management fees are shown as transfers from the Restricted Funds to the General Funds. Where costs are clearly identifiable these are recoded from core to the projects.

f) 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.

g) 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.

h) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

1. ACCOUNTING POLICIES (Continued)

h) Pensions (continued)

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

i) 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.

j) Leasing commitments

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

2. VOLUNTARY INCOME	2008	2007
	£	£
Voluntary income is stated after crediting.		
Welsh Assembly Government Grants:		
Grant scheme for all Wales voluntary organisations in the social and health care sector (mental health)	252,016	249,930
Health Challenge Wales	12,500	12,500
Equity Training Funding	5,207	10,000
Donations	<u>200,161</u>	<u>137,568</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

3.	ACTIVITIES FOR GENERATING FUNDS	2008	2007
		£	£
	Income stated in this category is after crediting		
	Sales	22,911	57,628
	Grant received from Big Lottery Fund	<u>89,745</u>	<u>92,377</u>
4.	ANALYSIS OF TOTAL INCOMING RESOURCES	2008	2007
		£	£
	Sales	22,911	57,628
	Family and carers support	1,046,081	922,713
	Clubs and centres	372,366	436,588
	Supported housing	1,036,054	1,088,501
	Befriending/advocacy	136,834	62,811
	Employment	434,159	406,844
	Management and administration	<u>1,015,402</u>	<u>952,832</u>
		<u>4,063,807</u>	<u>3,927,917</u>
5.	FUNDRAISING TRADING	2008	2007
		£	£
	Cost of goods sold	9,387	12,050
	Allocated support costs	<u>22,003</u>	<u>22,654</u>
		<u>31,390</u>	<u>34,704</u>
6.	ANALYSIS OF TOTAL RESOURCES EXPENDED		
		Total costs	Total costs
		2008	2007
		£	£
	Costs of generating funds	-	12,050
	Family and carers support	657,594	913,652
	Clubs and centres	225,613	424,691
	Support housing	794,195	1,027,720
	Befriending/advocacy	91,338	63,192
	Employment	259,589	416,423
	General charitable activities	369,746	287,573
	Management and Administration	<u>160,316</u>	<u>191,795</u>
		<u>2,558,391</u>	<u>3,337,096</u>
		1,375,884	3,934,275

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

6. ANALYSIS OF TOTAL RESOURCES EXPENDED (Continued)

Included in the above costs:		2008	2007
		£	£
Management and administration	Audit	6,000	6,000
	Accountancy	9,693	8,871
Motor expenses		25,952	19,754
Depreciation		65,656	40,027
Rents paid on leasehold premises		<u>182,915</u>	<u>172,084</u>

7. TRANSFER OF MANAGEMENT FEES

	2008	As restated 2007
	£	£
Family and carers support	130,041	112,554
Clubs and centres	46,532	54,252
Supported housing	124,171	130,854
Befriending/advocacy	17,104	7,851
Employment	<u>54,222</u>	<u>50,780</u>
	<u>372,070</u>	<u>356,291</u>

8. TRUSTEES REMUNERATION & RELATED PARTY TRANSACTIONS

Trustees are not remunerated.

Expenses for travelling and subsistence on Charity business in the amount of £849 (2007 - £702) were reimbursed to two Trustees

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

No Trustee or other person related to the Charity had any personal interest in any contract or transaction entered into by the Charity during the year (2007 – Nil)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

9. EMPLOYEE INFORMATION	2008	2007
	£	£
Staff Costs		
Wages and salaries	2,403,201	1,989,699
Social security cost	216,226	177,430
Pension cost	<u>51,622</u>	<u>40,017</u>
	2,671,049	2,207,146
Less; Salaries reallocated to service charge internally	(163,903)	(126,531)
Add: Recruitment costs	46,579	48,860
Life assurance	<u>4,666</u>	<u>4,148</u>
Total Staff Cost per Statement of Financial Activities (Note 6)	<u>2,558,391</u>	<u>2,133,623</u>

Staff Numbers

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

	2008	2007
	No.	No.
Charitable activities	121	112
Management and administration	<u>5</u>	<u>7</u>

Emoluments of Employees

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

	2008	2007
	No.	No.
£60,001 - £70,000	=	<u>1</u>
£70,001 - £80,000	<u>1</u>	=

During the year pension contributions on behalf of this employee amounted to approximately £5,495

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

10. PENSION OBLIGATIONS

	2008	2007
	£	£
Defined contribution		
Contributions payable by the Charity for the year	<u>51,622</u>	<u>40,017</u>

Hafal makes contributions for 30 staff members into the Pensions Trust's Growth Plan.

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.

The Pensions Trust has indicated that as of 30 September 2007, the estimated debt on withdrawal from the Plan for Hafal was nil. It is unlikely that the Charity would withdraw from the scheme when it was not fully funded.

11. TANGIBLE FIXED ASSETS

	Freehold Land and Buildings £	Leasehold Land and Buildings £	Equipment £	Motor Vehicles £	Total £
Cost/valuation					
At 1 April 2007	240,000	320,640	32,455	128,000	721,095
Additions	358,934	-	17,721	20,848	397,503
Disposals	-	-	-	(11,289)	(11,289)
Revaluation	-	-	-	-	-
At 31 March 2008	<u>598,934</u>	<u>320,640</u>	<u>50,176</u>	<u>137,559</u>	<u>1,107,309</u>
Depreciation					
At 1 April 2007	4,687	6,731	11,605	84,691	107,714
Charge for year	18,019	16,032	9,783	21,822	65,656
Eliminated on disposals	-	-	-	(10,699)	(10,699)
At 31 March 2008	<u>22,706</u>	<u>22,763</u>	<u>21,388</u>	<u>95,814</u>	<u>162,671</u>
NET BOOK VALUE					
At 31 March 2008	<u>576,228</u>	<u>297,877</u>	<u>28,788</u>	<u>41,745</u>	<u>944,638</u>
At 31 March 2007	<u>235,312</u>	<u>313,910</u>	<u>20,850</u>	<u>43,309</u>	<u>613,381</u>

All fixed assets held are used for direct charitable purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

11. TANGIBLE FIXED ASSETS (continued)

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

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

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

Original transferred value	£
At 1 April 2007 and 31 March 2008	<u>66,462</u>
Depreciation based on original transferred value	
At 1 April 2007	9,969
Charge for period	<u>3,323</u>
At 31 March 2008	<u>13,292</u>
Net book value	
At 31 March 2008	<u>53,170</u>
At 31 March 2007	<u>56,493</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

12. DEBTORS	2008	2007
	£	£
Amounts falling due within one year		
Grants and other debtors	123,384	143,514
Prepayments	-	<u>37,542</u>
	<u>123,384</u>	<u>181,056</u>
 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Creditors	103,239	108,766
Tax and Social Security	64,621	52,834
Accruals	65,031	40,316
Grant creditors	69,109	96,390
Other creditors	-	<u>371</u>
	<u>302,000</u>	<u>298,677</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

14. STATEMENT OF FUNDS

	Balance at 1 April 2007 £	Incoming resources £	Expendi- ture £	Transfers £	Balance at 31 March 2008 £
General funds	725,322	1,988,568	(1,632,091)	(218,394)	863,405
Gwyn Jones fund	43,909	-	(2,532)	-	41,377
Designated funds					
Capital equipment reserve fund	100,000	-	(43,311)	43,311	100,000
Centre of Excellence fund	300,000	-	-	-	300,000
Property development and maintenance	185,865	-	-	-	185,865
Fund for housing support	200,000	-	-	-	200,000
Hafal consultancy services	150,000	-	-	-	150,000
All Wales capital project fund	325,000	-	-	-	325,000
Residential properties fund	<u>500,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Total general funds and designated funds	<u>2,530,096</u>	<u>1,988,568</u>	<u>(1,677,934)</u>	<u>(175,083)</u>	<u>2,665,647</u>
Restricted funds					
Donations & Trusts	-	13,333	(13,333)	-	-
Big Lottery fund	-	89,745	(91,673)	1,928	-
Other restricted fund balances (projects)	68,204	2,299,882	(2,464,170)	173,155	77,071
Capital property fund	58,487	44,349	(59,235)	-	43,601
Revaluation reserve	<u>370,397</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>370,397</u>
Total restricted funds	<u>497,088</u>	<u>2,447,309</u>	<u>(2,628,411)</u>	<u>175,083</u>	<u>491,069</u>
Total funds	<u>3,027,184</u>	<u>4,435,877</u>	<u>(4,306,345)</u>	<u>-</u>	<u>3,156,716</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 2008

14. STATEMENT OF FUNDS (continued)

Analysis of net assets between funds	General	Designated	Restricted	Total
	£	£	£	Funds
				£
Fund balances at 31 March 2008 are represented by				
Tangible fixed assets	546,677	-	397,961	944,638
Current assets	536,388	1,760,865	216,825	2,514,078
Current liabilities	(178,283)	-	(123,717)	(302,000)
Total net assets	<u>904,782</u>	<u>1,760,865</u>	<u>491,069</u>	<u>3,156,716</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

It is planned to review the designated funds during the forthcoming year to reflect the changes to Hafal's Strategic Vision and Plan.

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 FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2008

14. 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 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.

Other restricted fund balances

This fund represents unexpended income on services that has been received for a specific purpose.