

COMPANY NUMBER 4504443

hafal

Registered Charity No. 1093747

TRUSTEES' REPORT AND FINANCIAL STATEMENTS

31 MARCH 2011

TUESDAY



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CONTENTS

| | Page |
|---|----------------|
| Trustees' report | 1 - 8 |
| Statement of Trustees' responsibilities | 9 |
| Independent auditors' report | 10 - 11 |
| Statement of financial activities | 12 |
| Statement of total recognised gains and losses | 13 |
| Balance sheet | 14 |
| Cash flow statement | 15 |
| Notes to the cash flow statement | 16 |
| Notes to the financial statements | 17 – 27 |

**TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2011**

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 serious 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 2010/11 were:

Chair: Elin Jones

Vice Chair: Christopher Eastwood

Honorary Treasurer: Dilwyn Voyle (Co-opted Trustee)

Other Trustees: Colette Dawkin
Suzanne Duval (Co-opted Trustee)
Richard Ebley (from 11 November 2010)
James Gerrard
Dennis Postlethwaite
Ceinwen Rowlands
Brian Watkiss (Co-opted Trustee to 10 November 2010;
elected Trustee from 11 November 2010)

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 2011

REFERENCE AND ADMINISTRATIVE INFORMATION (CONTINUED)

| | |
|-------------------|---|
| Auditors: | Harris Bassett Ltd. 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 | Peter Lynn & Partners 2 nd Floor, Langdon House Langdon Road SA1 Swansea Waterfront Swansea SA1 8QY |

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

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 2011

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 projects and groups, members and volunteers together with staff employed in operational and functional departments at local and national level. Hafal's charitable activities are all undertaken to further its charitable purposes for the public benefit. The guidance contained in the Charity Commission's general guidance on public benefit has been referred to when reviewing Hafal's aims and objectives and in planning future activities. In particular the Trustees consider how planned activities will contribute to the aims and objectives they have set

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 by Hafal's National Learning Centre and externally through accessing information from the Charity Commission, Companies House and other relevant organisations

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

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, a National Resource Centre in Cardiff, and a Learning Centre in Aberystwyth.

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 an updated General Statement of Policy under the Health & Safety at Work Act 1974. 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 and updated in 2009 by the Trustees. During the year Trustees reviewed Hafal's corporate risk assessment which addressed the major risks to which the Charity could be exposed.

During the year Hafal's Trustees agreed a Health and Safety Audit Report and Action Plan and Hafal's Health & Safety Committee convened as necessary to monitor and review the safety of activities. Hafal continues to engage Portico Associates to provide specialist support and advice on Health & Safety processes and procedures with the aim of continuing to work in line with the Health and Safety Executive's model for "Successful Health and Safety Management". During the year all Hafal core operational staff and Practice Leaders across Wales successfully completed the Institute of Safety and Health's 'Managing Safely' Award.

Following an assessment of risk in January and February 2010, Hafal purchased the following insurance cover for 2010/11: 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 £1,000,000, Material Damage and All Risks cover for buildings and contents of £4,052,775, and Employment and Legal Expenses cover £1,000,000.

FINANCIAL REVIEW OF YEAR

The Charity performed well during the year further strengthening its position, this was mainly as a result of continuing 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.

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

FINANCIAL REVIEW OF YEAR (continued)

The Charity continued to review its purchase contracts during the year, and through re-negotiating contracts, identified cost savings for the organisation. Trustees continued to safeguard the financial security of the Charity by dividing money held on deposit between two financial institutions.

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 and amounts designated to each fund are described in detail in the accounts section of this report.

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 £19,485.87 for 2010/11 compared with £13,311.48 for 2009/10.

ACHIEVEMENTS AND PERFORMANCE

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

Hafal's Volunteer Policy ensures support and high standards for volunteers. The majority of the individuals accessing Hafal services daily provide informal voluntary support to the organisation and 80 are registered formally as volunteer staff or volunteer drivers.

During 2010/2011 Hafal's services had contact with 2,473 clients with serious mental illness each week and 923 carers each week. Hafal also had contact with 1,501 health, social care and other professionals involved in supporting people with serious mental illness, their families and carers.

The development of local services continued in 2010/11 with Hafal attracting funding for new services and achieving expansion in others. Among these developments were:

- Additional Big Lottery funding was awarded to Hafal's Criminal Justice Link Service and Short Steps projects to establish best practice in their respective fields and to counter the impact of the economic downturn.
- A major new housing service was developed in Pembrokeshire providing clients with a dynamic and modern accommodation service in their own locality.
- Denbighshire Family Support extended its service to Glan Traeth Day Hospital delivering an important service to carers of individuals with serious mental illness who are over 65.

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

ACHIEVEMENTS AND PERFORMANCE (Continued)

Hafal's Short Steps Employment project continued to build on the success of its first year of operation delivering a support service for people recovering from serious mental illness who are interested in education or work-related activity. The project continued to work with employers and education providers across Wales to deliver training on mental health issues in the workplace and to provide guidance and advice on these matters.

During 2010/11 Short Steps exceeded its projected outcomes with 55 clients gaining employment, 309 clients entering mainstream education and training, and over 1000 clients and carers being referred onto partner agencies such as JobCentre Plus, the Shaw Trust and COASTAL for complementary support.

In October 2010 Hafal's Big Lottery funded Short Steps project was awarded additional funding to engage the services of the Expert Patient Team in years two, three and four of the service and to produce web-based materials to further enhance the project.

Hafal's Criminal Justice Link Service continued to develop, maintaining strategic relationships with National Offender Management Service Cymru, the four Probation Trusts of Wales, the four police services in Wales and key professionals in health and social care.

During 2010/11 Hafal's Link Service supported 125 clients, delivered mental health awareness training to the Crown Prosecution Service and the four police services in Wales. The Link Service will continue to develop in 2011/2012 including disseminating comprehensive and individually tailored guidance and advice to clients.

Hafal's Public Affairs work during 2010/2011 was both influential and far-reaching. 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.

Crucial work to ensure the effective implementation of the Mental Health (Wales) Measure was undertaken by Hafal clients and staff:

The Members of the Charity, mainly comprising people with serious mental illness and their families (many of whom work actively for the Charity as volunteers) increased to 1,205 (including staff who are Associate Members) (1,118 in 2009/2010). Client involvement at the projects continued to develop as clients work with staff to manage the services and plan future developments.

TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

ACHIEVEMENTS AND PERFORMANCE (Continued)

Hafal's National Learning centre broadened its range of training to clients, staff and external agencies in 2010/2011. During the year the Centre launched its first qualified group of Expert Patient Trainers as part of its Comic Relief funded Expert Patient Trainer programme. The trainers are all individuals with experience of a serious mental illness who qualified as mental health trainers in order to share their experiences and skills

During 2010/2011 Hafal produced a number of publications and information leaflets which were distributed throughout Wales. Local leaflets were updated to reflect the service developments across Wales, and new publications included "Growing Up and Serious Mental Illness. a report aimed at improving the lives of children and young people who experience serious mental illness", "The Road to Recovery - Hafal's guide for people with a serious mental illness", "Your Choice a revised and updated guide to medications for schizophrenia", and "12 Lives" which was produced in collaboration with the Mental Health Foundation and MDF the Bipolar Organisation Cymru

Hafal's website was regularly updated with weekly news information and in October 2010 launched the Young People's section of the website delivering tailored information and advice. Hafal also continued to update and develop the Mental Health Wales website and produced a quarterly Journal which was circulated widely throughout Wales.

During 2010/11 Hafal completed the purchase of property in Pembrokeshire and Newport and undertook major refurbishment of both properties. The property in Pembrokeshire opened as a high-quality accommodation service in December 2010 and was fully occupied by March 2011. Hafal Newport moved into the new premises in May 2011 where much improved facilities will enable the service to develop further in 2011/12 and beyond.

Employees

During 2010/2011 Hafal employed just over 160 full and part-time staff across Wales and had staff located in all 22 counties. Consistent policies and 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 2011

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.

We are committed to developing a range of 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. In April 2011 Hafal was awarded £199,907 of Big Lottery funding for its Ty Adferiad project in Porthmadog which will begin operation during 2011/12 following a full refurbishment of the owned property.

Hafal plans to continue to further develop its work undertaken in 2010/2011 with young people and those in contact with the criminal justice system. In July 2011 Hafal was awarded a three year contract to deliver an Appropriate Adult service throughout South Wales. The contract follows a successful pilot project in partnership with South Wales Police and Hafal will continue to seek opportunities to develop this service throughout Wales.

We are mindful of the continuing constraints on public expenditure and will as a priority both campaign to protect general mental health services and also work to secure and expand the resources required for Hafal's services.

AUDITORS

A resolution for the re-appointment of Harris Bassett Ltd as auditors of the company will be proposed at the forthcoming Annual General Meeting, in accordance with S485 of the Companies Act 2006.


 ELIN JONES – CHAIR

... 10th November 2011

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

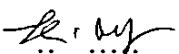
Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company 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 charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware: there is no relevant audit information of which the charitable company's auditors are unaware; and the trustees have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Signed on behalf of the Trustees


 ELIN JONES – CHAIR

10th November 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAFAL

We have audited the financial statements of Hafal for the year ended 31 March 2011 which comprise the Statement of Financial Activities incorporating an Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement, the trustees' (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAFAL
(CONTINUED)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



**Mrs Sharon Warrington (Senior Statutory Auditor)
for and on behalf of Harris Bassett Limited**

**Chartered Accountants
Statutory Auditor**

10th November 2011

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

**STATEMENT OF FINANCIAL ACTIVITIES (Incorporating an Income & Expenditure Account
& Statement of Total Recognised Gains and Losses)
FOR THE YEAR ENDED 31 MARCH 2011**

| | Note | General & Designated Funds £ | Restricted Funds £ | Total 2011 £ | Total 2010 £ |
|--|------|---------------------------------------|--------------------------|--------------------|--------------------|
| INCOMING RESOURCES | | | | | |
| Incoming resources from generated funds | | | | | |
| Voluntary income | 2 | 439,599 | 223,592 | 663,191 | 639,500 |
| Activities for generating funds | 3 | 18,773 | 374,950 | 393,723 | 323,899 |
| Investment income | | 19,486 | - | 19,486 | 13,312 |
| Incoming resources from charitable activities | | | | | |
| Service level agreements and project grants | | 1,059,358 | 2,469,139 | 3,528,497 | 3,610,067 |
| Other incoming resources | | | | | |
| Profit from sale of fixed assets | | - | - | - | - |
| Total incoming resources | 4 | <u>1,537,216</u> | <u>3,067,681</u> | <u>4,604,897</u> | <u>4,586,778</u> |
| RESOURCES EXPENDED | | | | | |
| Costs of generating funds | | | | | |
| Fund raising trading costs of goods sold and other costs | 5 | 37,980 | - | 37,980 | 40,651 |
| Charitable activities | | 1,689,722 | 2,753,267 | 4,442,989 | 4,345,381 |
| Governance costs | | 28,419 | - | 28,419 | 27,686 |
| Total resources expended | 6 | <u>1,756,121</u> | <u>2,753,267</u> | <u>4,509,388</u> | <u>4,413,718</u> |
| Net incoming/(outgoing) resources before transfers | | (218,905) | 314,414 | 95,509 | 173,060 |
| TRANSFERS | | | | | |
| Transfers to eliminate project deficits | 1c | (61,945) | 61,945 | - | - |
| Transfer of management fees | 7 | <u>391,301</u> | <u>(391,301)</u> | - | - |
| Total transfers | | <u>329,356</u> | <u>(329,356)</u> | - | - |
| Net income/(expenditure) before other recognised gains and losses | | 110,451 | (14,942) | 95,509 | 173,060 |
| OTHER RECOGNISED GAINS/(LOSSES) | | | | | |
| Gains on revaluation of fixed assets for charity's own use | | 43,747 | 29,332 | 73,079 | - |
| Losses on revaluation of fixed assets for charity's own use | | <u>(31,848)</u> | - | <u>(31,848)</u> | - |
| Net movement in funds | | 122,350 | 14,390 | 136,740 | 173,060 |
| RECONCILIATION OF FUNDS | | | | | |
| Fund balances brought forward at 1 April 2010 | | <u>3,025,696</u> | <u>459,896</u> | <u>3,485,592</u> | <u>3,312,532</u> |
| Fund balances carried forward at 31 March 2011 | 13 | <u>3,148,046</u> | <u>474,286</u> | <u>3,622,332</u> | <u>3,485,592</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
& Statement of Total Recognised Gains and Losses)
FOR THE YEAR ENDED 31 MARCH 2011 (continued)**

| Statement of Total Recognised Gains and Losses Year to 31 March 2011 | 31/3/11 £ | 31/3/10 £ |
|--|----------------------|----------------------|
| Increase in funds | 95,509 | 173,060 |
| Unrealised surplus on revaluation of properties | 73,079 | - |
| Unrealised loss on revaluation of properties | (31,848) | - |
| Total recognised gains and losses relating to the year | <u>136,740</u> | <u>173,060</u> |
| Note of historical cost surpluses and deficits | | |
| Increase in funds | 95,509 | 173,060 |
| Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount | <u>4,517</u> | <u>16,395</u> |
| Historical cost increase in funds from activities | <u>100,026</u> | <u>189,455</u> |

BALANCE SHEET
AS AT 31 MARCH 2011

| | Note | £ | 2011 £ | £ | 2010 £ |
|--|------|------------------|------------------|------------------|------------------|
| FIXED ASSETS | | | | | |
| Tangible fixed assets | 11 | | 1,634,003 | | 1,175,819 |
| CURRENT ASSETS | | | | | |
| Debtors | | 270,620 | | 139,721 | |
| Cash at bank | | <u>1,948,429</u> | | <u>2,411,876</u> | |
| | | 2,219,049 | | 2,551,597 | |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | | | | | |
| Creditors | 12 | (230,720) | | <u>(241,824)</u> | |
| NET CURRENT ASSETS | | | <u>1,988,329</u> | | <u>2,309,773</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | 3,622,332 | | 3,485,592 |
| CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR | | | | | |
| | | | — | | — |
| NET ASSETS | | | <u>3,622,332</u> | | <u>3,485,592</u> |
| FUNDS | | | | | |
| General funds: | | | | | |
| Fund balance | | 418,493 | | 987,511 | |
| Revaluation reserve | | — | | <u>21,155</u> | |
| | 13 | | 418,493 | | 1,008,666 |
| Designated funds: | | | | | |
| Fund balance | | 2,664,651 | | 2,017,030 | |
| Revaluation reserve | | <u>64,902</u> | | — | |
| | 13 | | 2,729,553 | | 2,017,030 |
| Restricted funds: | | | | | |
| Fund balance | | 74,557 | | 89,499 | |
| Revaluation reserve | | <u>399,729</u> | | <u>370,397</u> | |
| | 13 | | <u>474,286</u> | | <u>459,896</u> |
| | | | <u>3,622,332</u> | | <u>3,485,592</u> |

The financial statements on pages 12 – 27 were approved by the Board of Trustees on 10th November 2011 and signed on their behalf by:

..... 
 ELIN JONES - CHAIR

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011

| | 2011 | 2010 |
|--|----------------|------------------|
| | £ | £ |
| Net cash (outflow)/inflow from operating activities | (16,125) | 274,660 |
| Returns on investment interest received | 19,486 | 13,312 |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible assets | (466,808) | (203,349) |
| Receipts from sales of tangible assets | <u>-</u> | <u>-</u> |
| Net cash outflow for capital expenditure | (466,808) | (203,349) |
| Management of liquid resources | | |
| Decrease/(increase) in short term deposits | <u>499,062</u> | <u>(433,526)</u> |
| Increase/(decrease) in cash in the year | <u>35,615</u> | <u>(348,903)</u> |

**NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 MARCH 2011**

| | 2011 £ | 2010 £ | |
|---|-------------------------|-------------------------|-------------------------|
| 1 Net cash inflow from operating activities | | | |
| Net incoming resources before transfers | 95,509 | 173,060 | |
| (Increase)/decrease in debtors | (130,899) | 186,438 | |
| Decrease in creditors | (11,104) | (161,220) | |
| Depreciation of tangible assets | 49,855 | 89,694 | |
| Investment income | (19,486) | (13,312) | |
| Net cash (outflow)/inflow from operating activities | (16,125) | <u>274,660</u> | |
| 2 Analysis of net cash resources | | | |
| | 01/04/2010 £ | Cashflow £ | 31/03/2011 £ |
| Net cash: | | | |
| Petty cash imprests | 15,533 | (583) | 14,950 |
| Bank current accounts | 595,043 | 36,198 | 631,241 |
| Liquid resources. | | | |
| Bank deposit accounts | <u>1,801,300</u> | (499,062) | <u>1,302,238</u> |
| Net funds | <u>2,411,876</u> | (463,447) | <u>1,948,429</u> |
| | | 2011 £ | 2010 £ |
| 3 Reconciliation of net cash flow to movement in net funds | | | |
| Increase/(decrease) in cash and current accounts | 35,615 | (348,903) | |
| Cash (outflow)/inflow from change in liquid resources | (499,062) | <u>433,526</u> | |
| Movement in net funds in the year | (463,447) | | 84,623 |
| Net funds at 1 April | <u>2,411,876</u> | | <u>2,327,253</u> |
| Net funds at 31 March | | <u>1,948,429</u> | <u>2,411,876</u> |

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011**

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the Companies Act 2006 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 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 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 2011

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 Flexible Retirement Plan.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

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 | 2% |
| 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 | 2011 | 2010 |
|---|----------------|----------------|
| | £ | £ |
| Voluntary income is stated after crediting: | | |
| Welsh Government Grants: | | |
| Grant scheme for all Wales voluntary organisations in the social and health care sector (mental health) | 257,668 | 255,750 |
| User and Carer Participation Mechanism Research Grant | - | 9,133 |
| Miscellaneous grant | 1,500 | 1,058 |
| Donations | <u>345,744</u> | <u>373,038</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

| | | | |
|-----------|---|------------------|------------------|
| 3. | ACTIVITIES FOR GENERATING FUNDS | 2011 | 2010 |
| | | £ | £ |
| | Income stated in this category is after crediting. | | |
| | Sales | 18,758 | 23,079 |
| | Grant received from Big Lottery Fund - | | |
| | Criminal Justice Link | 177,888 | 161,778 |
| | Short Steps | 143,966 | 121,485 |
| | Young People's Info Hub | <u>49,811</u> | <u>12,364</u> |
| 4. | ANALYSIS OF TOTAL INCOMING RESOURCES | 2011 | 2010 |
| | | £ | £ |
| | Sales | 18,758 | 23,079 |
| | Family and carers support | 1,147,338 | 1,174,472 |
| | Clubs and centres | 413,071 | 401,186 |
| | Supported housing | 1,312,391 | 1,456,885 |
| | Befriending/advocacy | 174,881 | 177,288 |
| | Employment | 533,786 | 503,305 |
| | General charitable activities | <u>1,004,672</u> | <u>850,563</u> |
| | | <u>4,604,897</u> | <u>4,586,778</u> |
| | Included in the above are the following sources of income: | | |
| | Local Health Board/Social Services Joint Funding | 439,699 | 439,700 |
| | Social Services | 1,079,248 | 906,440 |
| | Local Mental Health Grant Scheme/SPD | 423,475 | 421,127 |
| | Housing Benefit | 178,278 | 143,386 |
| | Supporting People Grant | 276,749 | 846,141 |
| | Supporting People Revenue Grant | 321,359 | |
| | Local Health Boards | 520,179 | 296,960 |
| | Health Trusts | 4,310 | 4,310 |
| | Comic Relief | 42,150 | 33,035 |
| | Lloyds TSB Foundation | 97,900 | 99,500 |
| | ESF Funding for COAST project Pembrokeshire  | <u>43,040</u> | <u>-</u> |
| 5. | FUNDRAISING TRADING | 2011 | 2010 |
| | | £ | £ |
| | Purchase of goods for sale | 8,966 | 11,009 |
| | Staff time dedicated to fundraising | <u>29,014</u> | <u>29,642</u> |
| | | <u>37,980</u> | <u>40,651</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

6. ANALYSIS OF TOTAL RESOURCES EXPENDED

| | Staff costs £ | Other costs £ | Total costs 2011 £ | Total costs 2010 £ |
|---|------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| Purchase of goods for sale | - | 8,966 | 8,966 | 11,009 |
| Family and carers support | 708,653 | 360,880 | 1,069,533 | 1,083,078 |
| Clubs and centres | 209,603 | 168,813 | 378,416 | 394,514 |
| Supported housing | 834,740 | 537,529 | 1,372,269 | 1,344,218 |
| Befriending/advocacy | 116,430 | 43,233 | 159,663 | 155,905 |
| Employment | 302,768 | 190,331 | 493,099 | 447,920 |
| General charitable activities | 509,691 | 257,286 | 766,977 | 715,883 |
| Management and Administration | <u>196,144</u> | <u>64,321</u> | <u>260,465</u> | <u>261,191</u> |
| | <u>2,878,029</u> | <u>1,631,359</u> | <u>4,509,388</u> | <u>4,413,718</u> |
| Included in the above costs: | | | 2011 £ | 2010 £ |
| Management and administration | | Audit | 8,500 | 8,500 |
| | | Accountancy | 5,506 | 6,402 |
| Motor expenses | | | 34,561 | 24,144 |
| Depreciation | | | 49,855 | 89,694 |
| Rents paid on leasehold premises | | | <u>232,004</u> | <u>225,703</u> |

7. TRANSFER OF MANAGEMENT FEES

| | 2011 £ | 2010 £ |
|---------------------------|-------------------|-------------------|
| Family and carers support | 126,962 | 129,656 |
| Clubs and centres | 45,259 | 44,227 |
| Supported housing | 140,725 | 156,950 |
| Befriending/advocacy | 19,431 | 19,699 |
| Employment | <u>58,924</u> | <u>55,838</u> |
| | <u>391,301</u> | <u>406,370</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

8. TRUSTEES REMUNERATION & RELATED PARTY TRANSACTIONS

Trustees are not remunerated. Expenses for travelling and subsistence on Charity business in the amount of £976 (2010 - £1,129) were reimbursed to four Trustees

The Charity has paid premiums in respect of Trustees' liability indemnity insurance of £1,822. 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 (2010 – Nil).

| 9. EMPLOYEE INFORMATION | 2011 | 2010 |
|---|------------------|------------------|
| | £ | £ |
| Staff Costs | | |
| Wages and salaries | 2,792,052 | 2,826,038 |
| Social security cost | 249,540 | 250,197 |
| Pension cost | <u>51,899</u> | <u>53,162</u> |
| | 3,093,491 | 3,129,397 |
| Less Salaries reallocated to service charge internally | (247,762) | (168,135) |
| Add. Recruitment costs | 27,587 | 31,019 |
| Life assurance | <u>4,713</u> | <u>5,890</u> |
| Total Staff Cost per Statement of Financial Activities (Note 6) | <u>2,878,029</u> | <u>2,998,171</u> |

Staff Numbers

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

| | 2011 | 2010 |
|-------------------------------|-------------|-------------|
| | No. | No. |
| Charitable activities | 152 | 135 |
| Management and administration | <u>6</u> | <u>6</u> |

Emoluments of Employees

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

| | 2011 | 2010 |
|--------------------------------|-------------|-------------|
| | No. | No. |
| £60,001 - £70,000 | = | 1 |
| £70,001 - £80,000 ¹ | 1 | = |
| £80,001 - £90,000 ² | 1 | 1 |

¹Salary: £63,479, benefits in kind (vehicle): £2,884, employer contributions to defined contribution pension scheme: £5,078

²Salary: £78,123, benefits in kind (vehicle): £2,116, employer contributions to defined contribution pension scheme: £6,250.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

10. PENSION OBLIGATIONS

| | 2011 | 2010 |
|---|---------------|---------------|
| | £ | £ |
| Defined contribution | | |
| Contributions payable by the Charity for the year | <u>51,899</u> | <u>53,162</u> |

Hafal makes contributions for 20 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 2010, 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 2010 | 954,220 | 330,000 | 53,418 | 165,758 | 1,503,396 |
| Additions | 416,844 | - | 8,952 | 41,012 | 466,808 |
| Disposals | - | - | - | - | - |
| Revaluation | <u>(64,750)</u> | <u>(19,494)</u> | <u>-</u> | <u>-</u> | <u>(84,244)</u> |
| At 31 March 2011 | <u>1,306,314</u> | <u>310,506</u> | <u>62,370</u> | <u>206,770</u> | <u>1,885,960</u> |
| Depreciation | | | | | |
| At 1 April 2010 | 99,803 | 43,500 | 47,523 | 136,751 | 327,577 |
| Charge for year | 22,356 | 6,150 | 6,847 | 14,502 | 49,855 |
| Eliminated on disposals | - | - | - | - | - |
| Revaluation | <u>(84,975)</u> | <u>(40,500)</u> | <u>-</u> | <u>-</u> | <u>(125,475)</u> |
| At 31 March 2011 | <u>37,184</u> | <u>9,150</u> | <u>54,370</u> | <u>151,253</u> | <u>251,957</u> |
| NET BOOK VALUE | | | | | |
| At 31 March 2011 | <u>1,269,130</u> | <u>301,356</u> | <u>8,000</u> | <u>55,517</u> | <u>1,634,003</u> |
| At 31 March 2010 | <u>854,417</u> | <u>286,500</u> | <u>5,895</u> | <u>29,007</u> | <u>1,175,819</u> |

All fixed assets held are used for direct charitable purposes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

11. TANGIBLE FIXED ASSETS (continued)

The freehold land and buildings at 110, High Street, Porthmadog (valuation £106,076) were valued internally on 1 April 2010

Freehold land and buildings at Colwyn Bay (valuation £135,000) were valued independently on 9 February 2011 at open market value on the basis of existing use by Sterling Estate Agents & Valuers

Freehold land and buildings at Llanhilleth (valuation £25,000), Taibach, Port Talbot (valuation £140,000) and Ammanford (valuation £150,000) were valued independently on 24 February 2011 at open market value on the basis of existing use by John Francis RICS

Leasehold land and buildings at Aberystwyth (valuation £250,506) were valued internally on 1 April 2010, and at Cardigan (valuation £60,000) on 31 March 2009 at open market value on the basis of existing use by J E Charles Raw-Rees FRICS.

Comparable original transferred value/historical cost for the freehold and leasehold land and buildings included at valuation:

| Original transferred value/cost | £ |
|--|----------------|
| At 1 April 2010 and 31 March 2011 | <u>632,111</u> |
| Depreciation based on original transferred value/cost | |
| At 1 April 2010 | 104,205 |
| Charge for period | <u>12,642</u> |
| At 31 March 2011 | <u>116,847</u> |
| Net book value | |
| At 31 March 2011 | <u>515,264</u> |
| At 31 March 2010 | <u>527,906</u> |

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2011 | 2010 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Creditors | 79,328 | 118,556 |
| Tax and Social Security | 72,405 | 69,142 |
| Accruals | 50,697 | 35,112 |
| Deferred income | 19,279 | 10,003 |
| Grant creditors | <u>9011</u> | <u>9,011</u> |
| | <u>230,720</u> | <u>241,824</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

13. STATEMENT OF FUNDS

| | Balance at 1/04/10 £ | Incoming resources £ | Expendi- ture £ | Transfer £ | Other Gains/ Losses £ | Balance at 31/3/11 £ |
|---|-------------------------------|----------------------------|-----------------------|------------------|--------------------------------|-------------------------------|
| General funds: | | | | | | |
| General fund | 951,666 | 1,537,216 | (1,718,753) | (351,636) | | 418,493 |
| Designated funds: | | | | | | |
| Gwyn Jones fund | 57,000 | - | (1,140) | - | - | 55,860 |
| Housing Projects fund | 880,000 | - | (4,341) | (605,617) | - | 270,042 |
| Day Service Facilities fund | 317,030 | - | (15,807) | 454,888 | 11,899 | 768,010 |
| National Study / Outdoor Centre fund | 195,000 | - | (2,758) | 217,882 | - | 410,124 |
| National Centre fund | 425,000 | - | - | 525,000 | - | 950,000 |
| Vehicles fund | - | - | (13,322) | 88,839 | - | 75,517 |
| Repairing Properties fund | <u>200,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>200,000</u> |
| Total general funds and designated funds | <u>3,025,696</u> | <u>1,537,216</u> | <u>(1,756,121)</u> | <u>329,356</u> | <u>11,899</u> | <u>3,148,046</u> |
| Restricted funds: | | | | | | |
| Donations & Trusts | - | 135,283 | (135,283) | - | - | - |
| Big Lottery fund | - | 371,665 | (371,665) | - | - | - |
| Other restricted fund balances (projects) | 78,031 | 2,530,366 | (2,208,695) | (329,356) | - | 70,346 |
| Capital property fund | <u>381,865</u> | <u>30,367</u> | <u>(37,624)</u> | <u>-</u> | <u>29,332</u> | <u>403,940</u> |
| Total restricted funds | <u>459,896</u> | <u>3,067,681</u> | <u>(2,753,267)</u> | <u>(329,356)</u> | <u>29,332</u> | <u>474,286</u> |
| Total funds | <u>3,485,592</u> | <u>4,604,897</u> | <u>(4,509,388)</u> | <u>-</u> | <u>41,231</u> | <u>3,622,332</u> |

The total of the Revaluation Reserve at 31 March 2011 is £464,631. This comprises revaluation of properties held within the following funds: Gwyn Jones fund - £21,155, Day Service Facilities fund - £43,747 and Capital Property fund - £399,729

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

13. STATEMENT OF FUNDS (continued)

Analysis of net assets between funds

| | General | Designated | Restricted | Total |
|--|----------------|-------------------|-------------------|------------------|
| | £ | £ | £ | Funds |
| | | | | £ |
| Fund balances at 31 March 2011 are represented by | | | | |
| Tangible fixed assets | - | 1,284,553 | 349,450 | 1,634,003 |
| Current assets | 620,924 | 1,445,000 | 153,125 | 2,219,049 |
| Current liabilities | (202,431) | - | (28,289) | (230,720) |
| Total net assets | <u>418,493</u> | <u>2,729,553</u> | <u>474,286</u> | <u>3,622,332</u> |

GENERAL FUNDS

General fund

This represents funds not designated for specific purposes

DESIGNATED FUNDS

As well as meeting costs for projects which are related to Hafal's mission, Hafal's designated funds are also all designed to strengthen Hafal's asset base as a counterbalance to reliance on short-term service contracts and likely exposure to pressure on public expenditure in coming years. These include both fixed and current assets designated for a specified use.

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

Housing Projects fund

This fund covers Hafal's ownership, planned purchase and upgrading of properties across Wales in order to address the chronic shortage of high-needs community-based residential services for people with serious mental illness

Day Service Facilities fund

This fund is for the ownership, planned purchase and upgrading of properties across Wales in order to provide high quality bases for day services

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2011

13. STATEMENT OF FUNDS (continued)

DESIGNATED FUNDS (continued)

National Study/Outdoor Centre

This fund covers Hafal's ownership and planned development of the centre in Porthmadog; completion date anticipated to be March 2012.

National Centre

This fund is for the purchase and development of a National Centre for Hafal providing a 15 bed residential service together with Hafal's head office, Hafal's learning centre, and for a range of national services. The centre is also intended to give Hafal a secure base in place of current uncertainty in leasing arrangements. Timetable for expenditure 2012-2014.

Vehicles fund

This fund represents Hafal's current fleet of vehicles, anticipated replacement costs and costs for major repairs.

Repairing Properties fund

This fund is for major repairs and refurbishment of Hafal's properties to maintain and preserve the Charity's assets.

RESTRICTED FUNDS

Big Lottery fund

The Big Lottery fund has provided three grants, one grant is funding an Information Officer; one grant is funding Hafal's Criminal Justice Link and one grant is funding Hafal's Short Steps Employment Service.

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.