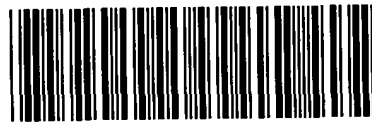


Company number: 6893564
Charity Number: 1139891
OSCR No. SC043881

Affinity Trust

Report and financial statements
For the year ended 30 September 2016

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Affinity Trust

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Affinity Trust

Reference and administrative information

For the year ended 30 September 2016

Status The organisation is a company limited by guarantee, incorporated on 30 April 2009 in the name of Affinity Trust. It transmogrified from an Industrial and Provident Society named TACT UK Limited, which was recognised as charitable by HM Revenue & Customs. Affinity Trust registered as a charity on 18 January 2011 and with the Office of the Scottish Charity Regulator (OSCR) on 21 March 2013.

Company number 6893564

Charity number 1139891

OSCR No SC043881

Governing document The organisation is governed by its articles of association dated 30 April 2009 as amended by special resolution registered at Companies House on 11 January 2011.

Registered office and operational address 1 St Andrew's Court
Wellington Street
Thame
Oxfordshire
OX9 3WT

Country of registration England & Wales and Scotland.

Country of incorporation United Kingdom

Senior Management	L Sowerby	Chief Executive and Company Secretary
Team	N Brittle	Development Director
	C Brooks	Finance Director
	V Niesh	Director of Operations and Quality
	D Leedham	Director of Operations and Quality
	S Blaney	Interim Human Resources Director

Trustees Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

M Thomas	Chairman
K Cameron	Vice Chairman, and Chair of the Remuneration Committee and Asset Allocation Committee
C Gabriel	
J Hawthorne	
M Moody	
A Taylor	
A Anketell	
Dr S Ross	Chair of the Quality Committee
T Tamblyn	Chair of the Finance and Audit Panel
D Walden	

Affinity Trust

Reference and administrative information

For the year ended 30 September 2016

Bankers	Bank of Scotland Phase 2 Canons House Canons Way Bristol BS99 7LB
	Nat West Willow Court Minns Business Park 7 West Way Oxford OX2 0JB
	Barclays Wytham Court 11 West Way Oxford OX2 0JB
Investment Manager	Coutts & Co 440 Strand London WC2R 0QS
Solicitors	Simons Muirhead & Burton LLP 8-9 Frith Street London W1D 3JB
Auditors	Sayer Vincent LLP Chartered Accountants and Statutory Auditors Invicta House 108-114 Golden Lane LONDON EC1Y 0TL

The trustees present their report and the audited financial statements for the year ended 30 September 2016.

Reference and administrative information set out on pages 1 and 2 forms part of this report. The financial statements comply with current statutory requirements and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their accounts in accordance with FRS 102.

Objectives and activities

Purposes and aims

The Board has set the following as Affinity Trust's mission statement and values:

Mission statement

To enable people with learning disabilities to pursue active and fulfilling lives, gain increased independence and achieve equal rights as citizens.

Values

In all our dealings with everyone we work with, we will be:

Committed to doing our very best for the people we support and never giving up on someone we support;

Reliable and always do what we say we will do;

Honest and open in all of our relationships and transactions;

Respectful of others, their views and their rights;

Inclusive in how we value diversity, support equality of access to opportunities and challenge discrimination;

Creative and flexible in our thinking, in our work and in how we use our resources

The main activities of the organisation have been the provision of: –

Supported living services - providing personalised support for people living in their own home. The levels of support are substantial but flexible to meet the needs of the individual. Increasingly, the emphasis on support is more towards people who have more complex and specialist needs, for example people with a dual diagnosis of mental health and learning disability, learning disability with autism and/or people who challenge.

Outreach services - providing smaller amounts of support on a flexible basis.

Shared living services - support to small numbers of people who live together.

Day opportunities - helping people with learning disabilities to access work, sporting, leisure, creative and other opportunities in the community.

Housing - Affinity Trust owns a number of properties, most of which provide accommodation for people in our supported living services. We also work with our commissioning partners to help find accommodation that the Trust does not own, typically via Housing Associations or occasionally through private landlord short term leasing arrangements.

Social Enterprise - Affinity Trust runs a social enterprise garden centre that provides employment and day opportunities for the people that we support.

The main source of funding for the organisation is Local Government contractual income, and to a much lesser extent income from the NHS and also contributions from the people we support (as shown in Note 3).

Strategic Report

The trustees review the aims, objectives and activities of the charity each year. The review looks at the charity's achievements and the outcomes of its work in the reporting period. The trustees review the success of each key activity and the benefits the charity has brought to those groups of people that it is set up to help. The review also helps the trustees ensure the charity's aims, objectives and activities remained focused on its stated purposes.

The trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objectives and in planning its future activities. In particular, the trustees consider how planned activities will contribute to the aims and objectives that have been set.

Achievements and performance

The charity's main activities and beneficiaries are described below. All its charitable activities focus on people with learning disabilities and are undertaken to further Affinity Trust's charitable purposes for the public benefit.

Beneficiaries of our services

The beneficiaries of Affinity Trust are primarily the people to whom we provide direct support in our services across England and Scotland, whereby people are provided with the person centred support that they need to achieve their personal goals. As a result there is a direct and tangible benefit for each person in terms of being more independent and enabled to live a valued and fulfilled life in the particular community where they choose to live, with equality of access to services and the same opportunities and choices that all citizens have. There is also an indirect benefit for the families and friendship groups of the people we support, and beyond this the obvious wider benefits as a result of integrating people into their local communities. This is particularly the case where Affinity Trust helps support people to move back to their local community eg. where they may have been supported by another provider in a different local authority area in the past, often remote from family and friends and at a greater financial cost.

At the start of the year ended 30 September 2016, the Board of Trustees reviewed the key aims and objectives for the organisation and set them out in a Strategic Plan. The Strategic Plan identified three overarching key objectives for the organisation - i) To provide high quality, person centred, safe support; ii) To provide skilled and engaged staff iii) To support an increased number of people.

The main achievements during the year were:-

- An increase in annual income from charitable activities to £45.1m (from £41.6m in the prior year)
- Continued growth in the number of people we support through both local referrals and award of new contracts with support packages for 100 new people awarded with an annual value of c £4.9m.
- An important initiative in furtherance of our quality objective saw the completion of the implementation of person centred, proactive crisis intervention training for all staff.
- 11 new framework places gained during the year including 1 specialist framework (a framework place being a prerequisite to securing future referrals and contracts)

Early in the year we created a new post of Head of Children's Services Development to develop a platform for future growth of services to support children and young people. This has included proactive engagement with commissioners and parent's forums, the development of our service offer and of policies, marketing materials

and an outcomes model. Towards the end of the year we were delighted to be shortlisted for the Department for Education's Children's Social Care Innovation Programme, the outcome of which will be known in early 2017.

The organisation has continued to expand its services across England and Scotland and was successful in securing a significant new group of services in Oxfordshire in April 2016 for 40 people which has been successfully integrated into our South division. In our South division we were also successful in Portsmouth with the award of three new services for 20 people which commenced in November 2016. As part of the NHS Transforming Care Programme we worked successfully with our commissioning partners in Leicestershire to establish a 4 person service in Blaby, which consists of two short term accommodation flats and two permanent supported living flats and this opened in early January 2016. A property was acquired by Affinity Trust for this purpose, with assistance from a Central Government grant. In our East division we also opened a number of new services in Peterborough and Northamptonshire.

In total, Affinity Trust now supports 904 people in communities across England and Scotland with support arrangements which range from a few hours per month to "24/7" intensive support. A key part of our ethos is to help support people to live in their own homes.

Financial review

For the year ended 30 September 2016 Affinity Trust achieved a positive net movement in funds of £0.6m being 1.2% on all its activities (prior year £1.6m being 3.7% on all activities, reflecting the one-off disposal of a property that was surplus to operational requirements which generated a gain of £1.1m). There was a growth in income from operational activities of approximately 9% (at a similar level to the 10% growth reported last year) due to the impact of the new services described above and it is extremely positive to report that the organisation managed to retain all of its existing major support contracts during the year.

Internal financial reviews of management performance are based on key performance indicators as follows:

- Income, costs and surplus comparisons to budget, prior year amounts and forecasts;
- Staff turnover and absence management;
- Payroll and agency staff costs, trend and comparison to targets;
- Aged debtor management
- Cash balances

Staff turnover remains a challenging area for the broader social care sector, with staff turnover rates increasing generally over the past few years. The rate of staff turnover at Affinity Trust has stabilised over the last year with the turnover rate at a similar level to the prior year at 31%. Achievement of our financial targets for the year enabled the organisation to make a one-off pay award to staff in October 2016 with an overall cost value of c £510k. Agency costs continued at similar levels to the prior year (6.4% as a percentage of income vs 6.1% last year) and this is directly linked to the staff turnover performance and challenges in many geographic areas with recruitment of permanent staff.

In relation to our property assets, as referred to above Affinity Trust refurbished a property in Blaby, Leicestershire in the first quarter of the year to provide supported living accommodation for people coming out of assessment and treatment units. In addition we disposed of a small residential property in Gloucestershire

which was surplus to operational requirements. Planned and responsive maintenance activities continued to be undertaken by our partners the Salvation Army Housing Association during the year as part of our strategy to provide improved quality and in particular more reliable response times for our tenants.

Reserves policy

The Board has reviewed the reserves policy and confirmed the need to hold reserves to meet all creditor obligations as they fall due and to meet future expenditure for which no liability currently exists. A level of reserves equivalent to one month's net payroll expenditure (£2.2m) is required to ensure staff payroll commitments are always met, as staff are typically paid in advance of Local Authorities paying for the support provided. The current level of cash backed reserves (including investments, which are held for the long term but are in effect "liquid" assets) is £5.4m and the organisation is well placed as it enters the new financial year.

Total designated funds are £3.0m. The majority (£2.3m) is fixed assets net of loans as the fixed assets are mainly properties that are people's homes that could not be realised in the short or medium term. The balance is designated reserves for a series of projects that the organisation intends to invest in and these project funds will mostly be expended within the next 12 months.

Any cash funds not immediately required for working capital are held as fixed short term (less than one year) fixed interest bank deposits. This position is reviewed regularly and decisions as to alternative investments are considered by the Board when considered necessary. When cash balance levels increase (and where these additional funds are not invested with Coutts) transfers are made from our main account with Natwest to holdings in Barclays and Bank of Scotland to reduce the organisation's overall financial risk in the event of a banking sector failure.

Investment policy

Affinity Trust's investment policy is documented within the Treasury Management and Investment Policy, which is reviewed annually by the Asset Allocation Committee. To summarise the policy, a widely diversified investment portfolio is established within which a range of investments across the whole risk spectrum from high to low may be held with the expectation that there will be no concentration of assets at the high or low end of the risk spectrum at any point in time. The Asset Allocation Committee is responsible for determining a suitable investment strategy using this approach. The objective is to invest the portfolio to provide a return that exceeds the real (inflation adjusted) value of capital over the longer term. The portfolio is well diversified and avoids over dependence on individual companies, industry sectors, geographic markets or asset classes. In managing the investments, Affinity Trust expects its fund manager to actively manage currency risk, credit risk and counter-party risk. In order to manage inflation risk, Affinity Trust follows an investment strategy that contains a reasonable proportion of equities and real assets.

Affinity Trust reserves the right to ask its fund manager to dispose of any collective investment where it is felt that the funds represent a conflict with Affinity Trust's values.

During the year stock markets globally performed well and the overall value of the investment portfolio increased by c £0.4m. This was despite mid year market uncertainty in relation to the EU Referendum and the eventual "Brexit" outcome. Due to the market highs that had been reached a decision was taken post year end to crystallise some of the unrealised gains that had been generated over the year and also to de-risk the portfolio slightly ahead of the US election outcome. This was achieved through a disposal of £350k of the

investment portfolio with the proceeds transferred to bank deposits. The investments are made for the long term and short term fluctuations in value do not present a concern.

Principal risks and uncertainties

During the year the Board of Trustees has also reviewed the risks facing the organisation and determined specific activities to be carried out in order to reduce and manage these risks. The Board uses an assessment method which identifies risk and then assesses the probability of the risk materialising and the impact on Affinity Trust if it did. This produces a rating for each aspect of risk which enables risks to be prioritised for action and actions are agreed which are designed to manage the risk. The principal risks and uncertainties managed during the year were:

- Local Authority planned reductions in spending and cost pressures created by the National Living Wage and the Scottish Living Wage. These areas are managed by regular financial forecasting and regular discussions and negotiations with local authority commissioning and contract partners.
- Potential loss of high value contracts – this risk is largely managed by ensuring that the services we provide are of the highest quality, that we are responsive to any requests for changes to our approaches and proactive in suggesting different ways of providing support and are seen to provide value for money.
- Difficulties in recruiting and retaining staff which may have an impact on the quality of support provision – this is the greatest area of challenge for the organisation at the present time and continued focus is placed on our recruitment processes and engagement with staff to identify improved methods of candidate attraction and reduce the number of reasons for staff leaving the organisation.
- The risk of a serious incident involving people supported by the organisation – this risk is predominantly managed through rigorous internal quality control processes including self audit and an extensive programme of staff induction, training and development

The Board of Trustees acknowledges that the work in which Affinity Trust is engaged is never risk free, and nor would the Board wish to completely avoid risk, but it is satisfied that the identified risks are being positively managed.

Plans for the future

Affinity Trust's strategic objectives remain largely unchanged from those set out at the start of the year. The focus remains on being a provider of high quality with a strong desire to support more people with learning disabilities, especially those people who may have more complex needs. There are numerous challenges facing the broader social care sector at the current time and Affinity Trust intends to continue to work with all stakeholders to tackle these and ensure that it continues to support people safely and with a personalised approach and to continue to grow in pursuit of these overall objectives for the benefit of more people with learning disabilities, their families and their friends. The challenges facing the broader sector are mainly in relation to pressures on Local Authority funding however as well as financial challenges we recognise that opportunities are also apparent, for example the Transforming Care Programme, which will create greater opportunities for people with specialist and complex needs to be supported in the community. The organisation's day to day focus and longer term focus will remain the recruitment and retention of the right people to provide a stable and skilled staff team that will be well trained with development opportunities provided to all those who desire further progression. We will also continue to seek opportunities to support children and young people.

Structure, governance and management

The organisation is a charitable company limited by guarantee and is registered with the Charity Commission and OSCR. Governance is led by a Board of Trustees, who are the directors of the company, and who serve fixed terms of office. The company was established and is governed by its articles of association which establish the objects and powers of the company.

The objects of the organisation are the provision of support and other services for people with learning disabilities and other groups who need support.

Appointment of trustees

Recruitment of new Trustees takes place through a formal open recruitment process.

Trustee induction and training

A formal induction process for new trustees is in place which includes the visiting of services delivered and meeting all levels of staff. Annual appraisals are conducted for individual trustees.

The Board of Trustees has established a number of Committees which receive more detailed information and provide greater scrutiny of their designated areas than would be possible by the Board itself. However, the Board continues to receive regular reports and information concerning these areas. The Committees are:

The Finance and Audit Panel which meets six times a year and reviews management accounts, draft financial statements, budgets and forecasts, compliance with financial regulations, appointment of auditors, bankers and other external service providers, financial risk assessments, the Treasury Management and Investment Policy and Reserves Policy;

The Asset Allocation Committee which meets twice a year to review and monitor non-cash investments in accordance with the risk tolerance set out in the Treasury Management and Investment Policy; and

The Quality Committee which meets four times a year to review quality assurance of support services, safeguarding, health and safety, staff training and other areas relating to and affecting the quality of support which is delivered.

The Finance and Audit Panel consists of five Trustees one of whom is the Chair as an ex-officio member, the Quality Committee and the Asset Allocation Committee each consist of four Trustees including the Chair of the Board as an ex-officio member. All Committees are attended by members of the Senior Management Team.

Trustees are remunerated and are able to claim expenses for any work undertaken on behalf of the charity and such remuneration is reviewed and determined by an independent panel. Remuneration and expenses reclaimed from the charity are set out in note 7 to the financial statements.

The Board of Trustees delegates day to day responsibility for the management of the organisation to the Chief Executive and Senior Management Team consisting of the Finance Director, Human Resources Director, two

Affinity Trust

Trustees' annual report

For the year ended 30 September 2016

Directors of Operations and Quality and the Development Director. The company's activities are structured into seven geographic operating divisions each headed by a Divisional Director.

The seven divisions and their related County (or unitary) councils for whom we provide services are:-

East – Cambridgeshire, Bedfordshire and Peterborough City Council

East Anglia – Norfolk, Suffolk and Essex

North - West Yorkshire, South Yorkshire, and Tameside MBC

Scotland - South Ayrshire, Argyll and Bute

South – West Berkshire, Hampshire, Oxfordshire, Wokingham BC and Surrey

South East - Kent and East Sussex

Midlands - Leicestershire, Sandwell MBC, Herefordshire and Staffordshire.

Remuneration policy for key management personnel

As outlined above under Structure, Governance and Management, the Remuneration Committee is a sub committee of the Board comprised of three trustees which meets annually to review and determine the remuneration of the Senior Management Team. The Committee uses all available relevant benchmark data to determine levels of remuneration including any comparable sector remuneration information.

Policy for employment of disabled persons

Affinity Trust aims to provide full and fair opportunities for employment of disabled applicants and to ensure, through training and practical assistance when required, their continued employment and promotion. Staff who become disabled will be given support and accorded every possible opportunity for maintaining their position or for retraining if appropriate. The company's health and safety policy ensures safe and healthy work environments for all staff. The organisation is committed to ensuring that those staff who require extra equipment, facilities or assistance, both routinely and in an emergency, will have such needs met.

All disabled employees have the opportunity to contribute to discussions about workplace health and safety through the staff forum, team meetings and in individual meetings with their manager.

Newly appointed disabled staff and staff who become disabled will receive specific information and training on all relevant matters of health and safety. Affinity Trust will ensure that the information is presented in such a way as to be readily understood.

Employee information

Affinity Trust involves its employees in the affairs, policy and performance of the organisation through a system of staff forums in each geographic division, team meetings, newsletters and staff surveys (including an organisation wide employee engagement survey launched in November 2016). The annual Business Plan is communicated to managers by the Senior Management Team either at divisional meetings each autumn or at the annual Managers Conference.

Statement on Modern Slavery

Affinity Trust abhors the practice of any form of slavery and is committed to taking measures to prevent this occurring within the organisation or within any of its suppliers. The approach reflects a commitment to act ethically and responsibly in all business relationships and to ensure that slavery and human trafficking are not present in any part of our business or in our supply chain. We recognise that the nature of Affinity Trust's work does not make it a high risk business, but we accept and understand our obligations under the Act and are

Trustees' annual report

For the year ended 30 September 2016

ensuring that we comply with the requirements of the Act and fulfil our obligations. Affinity Trust is committed to ensuring that human trafficking is not taking place in any part of the organisation and is not being carried out by any of our suppliers. However, we recognise potential risk e.g. in suppliers of agency staff and are taking further measures to seek confirmation from our major suppliers that human trafficking is not taking place within their organisations.

If any supplier was found to have engaged in modern slavery Affinity Trust would immediately cease using them as a supplier. To tackle slavery and human trafficking, Affinity Trust will:

1. Identify, monitor and assess categories of third party spend most at risk from slavery and human trafficking;
2. Incorporate anti-slavery and human trafficking obligations into procurement agreements and subcontracting arrangements on a risk assessed basis;
3. Provide training to relevant employees, to ensure a high level of understanding of the risks of slavery and human trafficking;
4. Publicise our whistleblowing policy.

Affinity Trust's work on this subject is led by our Director of Human Resources and the work and our approach is implemented by a robust management structure throughout our organisation. The subject of modern slavery and human trafficking has been included in the induction training provided to all of our managers.

Statement of responsibilities of the trustees

The trustees (who are also directors of Affinity Trust for the purposes of company law) are responsible for preparing the trustees' annual report including the strategic 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 and statements of recommended practice 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 charity will continue in operation

The trustees are responsible for keeping adequate 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.

Affinity Trust

Trustees' annual report

For the year ended 30 September 2016

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware
- The trustees have taken all 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

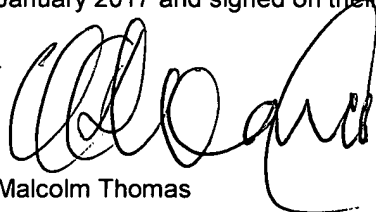
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Guarantees

Members of the company guarantee to contribute an amount not exceeding £1 to the assets of the company in the event of winding up. The total number of guarantees at 30 September 2016 was 20 (2015 - 20).

Members of the Board of Trustees have no beneficial interest in the organisation

The trustees' annual report which includes the strategic report has been approved by the trustees on 12 January 2017 and signed on their behalf by



Malcolm Thomas
Chairman

Independent auditors' report

To the members of

Affinity Trust

We have audited the financial statements of Affinity Trust for the year ended 30 September 2016 which comprise the statement of financial activities, balance sheet, statement of cash flows 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 and trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members and trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, 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.

We have been appointed as auditors under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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 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. In addition, we read all the financial and non-financial information in the trustees' annual report including the strategic report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report

To the members of

Affinity Trust

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 30 September 2016 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
- Have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' annual report, including the strategic 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 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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

Helen Elliott (Senior statutory auditor)

12 January 2017

for and on behalf of Sayer Vincent LLP, Statutory Auditors

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditors in terms of section 1212 of the Companies Act 2006

Affinity Trust

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 30 September 2016

	Note	Unrestricted £	Restricted £	2016 Total £	Unrestricted £	Restricted £	2015 Total £
Income from:							
Donations and legacies	2	13,336	3,201	16,537	240	-	240
Charitable activities							
Supported living	3	37,600,992	-	37,600,992	33,627,041	1,024	33,628,065
Shared living	3	3,668,322	-	3,668,322	4,104,782	-	4,104,782
Outreach services	3	2,232,515	-	2,232,515	1,863,655	-	1,863,655
Supported employment & day opportunities	3	889,874	-	889,874	948,849	30	948,879
Social enterprises	3	408,652	-	408,652	-	-	-
Housing	3	298,498	-	298,498	317,373	300,000	617,373
Investments	4	81,982	-	81,982	51,015	-	51,015
Surplus on disposal of property		40,513	-	40,513	1,097,796	-	1,097,796
Total income		45,234,684	3,201	45,237,885	42,010,751	301,054	42,311,805
Expenditure on:							
Raising funds							
Investment manager's fees	5	18,579	-	18,579	16,120	-	16,120
Charitable activities							
Supported living	5	37,652,451	12,076	37,664,527	33,567,046	2,944	33,569,990
Shared living	5	3,536,716	-	3,536,716	3,976,893	585	3,977,478
Outreach services	5	2,118,105	-	2,118,105	1,850,569	-	1,850,569
Supported employment & day opportunities	5	758,235	-	758,235	801,074	3,043	804,117
Social enterprises	5	397,197	-	397,197	391,947	-	391,947
Housing	5	520,358	-	520,358	387,105	-	387,105
Total expenditure		45,001,641	12,076	45,013,717	40,990,754	6,572	40,997,326
Net income / (expenditure) before net gains / (losses) on investments		233,043	(8,875)	224,168	1,019,997	294,482	1,314,479
Net gains / (losses) on investments		338,594	-	338,594	(165,854)	-	(165,854)
Net movement in funds	20	571,637	(8,875)	562,762	854,143	294,482	1,148,625
Reconciliation of funds:							
Total funds brought forward		9,446,369	312,627	9,758,996	8,592,226	18,145	8,610,371
Total funds carried forward		10,018,006	303,752	10,321,758	9,446,369	312,627	9,758,996

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 20 to the financial statements.

Affinity Trust

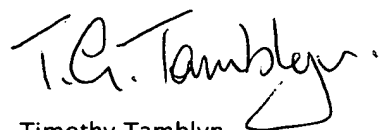
Balance sheet

Company no. 6893564

As at 30 September 2016

	Note	£	2016 £	£	2015 £
Fixed assets:					
Housing properties	11		4,294,031		4,137,216
Other tangible fixed assets	12		127,971		78,809
Investments	13		2,740,264		2,355,045
			<u>7,162,266</u>		<u>6,571,070</u>
Current assets:					
Stocks	14	83,702		87,131	
Debtors	15	6,943,969		5,075,246	
Cash at bank and in hand		2,617,454		3,300,858	
			<u>9,645,125</u>	<u>8,463,235</u>	
Liabilities:					
Creditors: amounts falling due within one year	16	4,555,921		3,410,839	
			<u>5,089,204</u>	<u>5,052,396</u>	
Net current assets					
			<u>12,251,470</u>	<u>11,623,466</u>	
Total assets less current liabilities					
Creditors: amounts falling due after one year	18		1,516,921		1,449,887
			<u>10,734,549</u>	<u>10,173,579</u>	
Total net assets					
The funds of the charity:	20				
Restricted income funds			303,752		312,627
Unrestricted income funds:					
Designated funds		2,989,002		3,275,432	
Fair value reserve		104,882		-	
General funds		7,338,704		6,585,520	
			<u>10,432,588</u>	<u>9,860,952</u>	
Total unrestricted funds					
Total charity funds			<u>10,736,340</u>	<u>10,173,579</u>	

Approved by the trustees on 12 January 2017 and signed on their behalf by



Timothy Tamblyn
Trustee and Chair of the Finance and Audit Panel

Affinity Trust

Statement of cash flows

For the year ended 30 September 2016

	Note	2016 £	£	2015 £	£
Cash flows from operating activities					
Net cash (used in) operating activities	21	(521,140)		(50,747)	
Cash flows from investing activities:					
Dividends from investments		65,100		35,172	
Interest received		16,882		15,843	
Interest paid		(33,083)		(29,810)	
Proceeds from the sale of fixed assets		159,516		1,517,217	
Purchase of fixed assets		(420,192)		(745,011)	
Proceeds from sale of investments		641,307		172,731	
Purchase of investments		(599,113)		(1,259,628)	
Net cash (used in) investing activities		(169,583)		(293,486)	
Cash flows from financing activities:					
Repayments of borrowing		(179,067)		(150,916)	
Cash inflows from new borrowing		277,000		160,000	
Repayment of grants		-		(219,875)	
Net cash provided by / (used in) financing activities		97,933		(210,791)	
Change in cash and cash equivalents in the year		(592,790)		(555,024)	
Cash and cash equivalents at the beginning of the year		3,300,858		3,788,037	
Change in cash and cash equivalents in respect of cash held by investment manager		(88,822)		67,845	
Cash and cash equivalents at the end of the year		2,619,246		3,300,858	

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (August 2014) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

b) Reconciliation with previously Generally Accepted Accounting Practice (GAAP)

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was required. The transition date was 1 October 2014. No adjustments on transition were identified.

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

d) Going concern

The trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

Key judgements that the charitable company has made which have a significant effect on the accounts include the impact of potential future reductions in Local Authority funding that may or may not then have an impact on contractual hourly rates; the impact of increases in future costs such as the national living wage; and the potential loss of contracts following retendering processes.

The trustees do not consider that there are any sources of estimation uncertainty, including from reviewing any impact of the contingent liabilities in note 24, at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

e) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Income from investments

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due. This is normally upon notification by our investment advisor of the dividend yield of the investment portfolio.

g) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

1 Accounting policies (continued)

h) Expenditure and irrecoverable VAT

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

Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charitable company in generating investment income via its investment portfolio managed by Coutts & Co.
- Expenditure on charitable activities includes the costs of delivering the supported living, registered care and outreach/opportunities services in addition to the cost of the social enterprise and housing activities.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

i) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity.

However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function is apportioned based on staff cost attributable to each activity.

Governance costs are the costs associated with the governance arrangements of the charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

j) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

k) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £2,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life on a straight line basis. The depreciation rates in use are as follows:

● Freehold property	0%
● Property alterations	10%
● Cars	25% – 33%
● Office equipment	10% – 50%

A rate of 0% depreciation is provided on freehold property because the company has a policy to maintain the properties to a high standard through a continuing programme of refurbishment and maintenance.

Consequently the lives of the properties and their residual values are such that any depreciation charge would be immaterial.

An annual impairment review is undertaken in accordance with Financial Reporting Standard 102. When the carrying amount of the asset is higher than the recoverable amount the asset is written down. Should the recoverable amount of the asset then exceed its carrying amount, the impairment provision will be reversed.

l) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be shown as a fair value reserve in the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

1 Accounting policies (continued)**m) Stocks**

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

n) Debtors

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

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Cash balances exclude any funds held by the charitable company on behalf of the people supported.

p) Creditors

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

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

q) Pensions

Affinity Trust operates a defined contribution pension scheme. The assets of the scheme are held separately from those of Affinity Trust in an independently administered fund. The pension cost charge represents contributions payable under the scheme by Affinity Trust to the fund. Affinity Trust has no liability under the scheme other than for the payment of those contributions.

Certain employees are members of the NHS Pension Scheme, a defined benefit scheme. The company makes contributions on behalf of employees who are members in accordance with the requirements of the scheme. Other than those contributions there is no additional liability to Affinity Trust in respect of the scheme (See details in note 25).

In addition the charity makes contributions to the West Yorkshire Pension Fund and the Essex Pension Fund (both defined benefit schemes). The employer's contributions are determined in relation to the current service period only, and consequently the charity accounts for contributions to the schemes as if they were defined contribution schemes (See details in note 25).

r) Contingent liabilities

The payment of interest accrued on grants payable to the Secretary of State for Health is contingent on Affinity Trust intending to sell the properties purchased with the grants. The accrued interest is therefore disclosed as a contingent liability. The substance of the agreements Affinity Trust has with the Secretary of State for Health is for the Secretary of State to receive their share of the increase in the value of the properties (see note 24).

2 Income from donations and legacies

	Unrestricted £	Restricted £	2016 total Total £	2015 Total £
Donations	13,336	3,201	16,537	240
	<u>13,336</u>	<u>3,201</u>	<u>16,537</u>	<u>240</u>

3 Income from charitable activities

	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Supported living				
Local and NHS authorities	36,826,217	–	36,826,217	33,064,322
Supporting People	–	–	–	3,677
Contributions from the people we support	774,775	–	774,775	560,066
Sub-total for Supported living	37,600,992	–	37,600,992	33,628,065
Shared living				
Local authorities	3,638,762	–	3,638,762	4,048,904
Contributions from the people we support	29,560	–	29,560	55,878
Sub-total for Shared living	3,668,322	–	3,668,322	4,104,782
Outreach services				
Local authorities	1,878,898	–	1,878,898	1,360,920
Supporting People	183,897	–	183,897	348,100
Contributions from the people we support	169,720	–	169,720	154,635
Sub-total for Outreach services	2,232,515	–	2,232,515	1,863,655
Supported employment & day opportunities				
Local authorities	704,297	–	704,297	720,974
Contributions from the people we support	185,577	–	185,577	227,905
Sub-total for Supported employment & day opportunities	889,874	–	889,874	948,879
Social enterprises				
Trading sales	408,652	–	408,652	414,583
Sub-total for Social enterprises	408,652	–	408,652	414,583
Housing				
Local authorities	238,651	–	238,651	192,260
Housing benefit	59,847	–	59,847	125,113
Capital grant	–	–	–	300,000
Sub-total for Housing	298,498	–	298,498	617,373
Total income from charitable activities	45,098,853	–	45,098,853	41,577,337

4 Income from investments

	Unrestricted £	Restricted £	2016 Total £	2015 Total £
Bank interest	16,882	–	16,882	15,843
Income from investments	65,100	–	65,100	35,172
	81,982	–	81,982	51,015

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2016

5 Analysis of expenditure

	Charitable activities							Support costs £	Governance costs £	2016 Total £	2015 Total £
	Cost of raising funds £	Supported living £	Shared living £	Outreach services £	Supported employment & day opportunities £	Social enterprises £	Housing £				
Staff costs (Note 7)	-	31,886,100	2,657,213	1,720,124	582,904	114,372	47,445	2,758,914	51,830	39,818,902	36,110,274
Training	-	534,380	44,338	33,704	11,971	2,410	264	53,200	-	680,266	700,751
Recruitment	-	186,348	16,361	6,779	7,202	789	-	139,717	-	357,195	241,478
Insurance	-	199,394	16,016	11,831	4,054	808	286	12,080	390	244,859	239,215
Transport and travel costs	-	448,313	92,817	80,055	31,856	-	1,828	137,841	15,083	807,794	715,436
Property related costs	-	495,482	219,150	18,251	30,616	34,143	428,482	153,666	8,503	1,388,293	1,144,974
Office costs	-	300,291	45,112	54,647	15,235	25,693	377	243,031	980	685,366	883,630
Regulatory, advisory & professional fees payable	18,579	185,127	14,839	6,355	2,622	8,326	34,616	118,996	21,532	410,993	356,176
Trading purchases	-	-	-	-	-	197,171	-	-	-	197,171	205,397
Activities	-	51,674	38,160	50	7,940	-	-	2,529	-	100,353	94,825
Food and household goods	-	48,779	117,924	427	3,991	1,435	-	5,108	-	177,664	180,073
Sundries	-	89,809	4,879	11,162	637	432	2,241	35,392	310	144,862	125,097
	18,579	34,425,698	3,266,810	1,943,383	699,026	385,580	515,539	3,660,474	98,628	45,013,717	40,997,326
Support costs	-	3,153,852	262,825	170,137	57,655	11,313	4,693	(3,660,474)	-	-	-
Governance costs	-	84,978	7,082	4,584	1,553	305	126	-	(98,628)	-	-
Total expenditure 2016	18,579	37,664,527	3,536,716	2,118,105	758,235	397,197	520,358	-	-	45,013,717	40,997,326
Total expenditure 2015	16,120	33,569,990	3,977,478	1,850,569	804,117	391,947	387,105	-	-	40,997,326	

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2016 £	2015 £
Depreciation	95,215	111,869
Profit on disposal of non-property fixed assets	–	(292)
Interest payable on long term loans	33,083	29,810
Surplus on disposal of properties	(40,513)	(1,097,796)
Operating lease rentals:		
Property	447,146	393,683
Other	73,818	68,637
Auditors' remuneration (excluding VAT):		
Audit	18,000	17,800
Other services	3,000	–

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2016 £	2015 £
Salaries and wages	33,608,009	30,408,240
Social security costs	2,473,221	2,276,932
Employer's contribution to defined contribution pension schemes	366,493	351,203
Operating costs of defined benefit pension schemes	504,295	480,607
	36,952,018	33,516,982
Agency costs	2,866,884	2,593,292
	39,818,902	36,110,274

The following number of employees received employee benefits (excluding employer pension costs) during the year between:

	2016 No.	2015 No.
£60,000 – £69,999	1	1
£80,000 – £89,999	2	2
£90,000 – £99,999	–	1
£110,001 – £120,000	1	1

The total employee benefits (including pension contributions and employers' national insurance) of the key management personnel were £549,323 (2015: £589,766). In addition, the following was paid to trustees:

	2016 £	2015 £
Board of trustees' remuneration	50,297	51,165
Board of trustees' expenses	20,932	24,178
	71,229	75,343

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel (continued)

Board members were paid £4,293 each (2015: £4,367). Board members who are also members of the Finance and Audit Panel were paid £5,050 each (2015: £5,137) and Board members who are also members of the Quality Committee were paid £4,670 each (2015: £4,751). The Chairman was paid £7,878 (2015: £8,014). Board members are paid with the approval of the Charity Commission.

Travel, subsistence, phone and IT expenses were incurred on behalf of 10 (2015: 10) Trustees in the course of their duties.

Affinity Trust holds professional indemnity insurance which includes indemnity for members of the Board of Trustees and officers. This policy also includes fidelity guarantee insurance.

Individual amounts paid to each Trustee for the current and prior year were as follows:-

	2016 £	2015 £
M Thomas (Chairman)	7,878	8,014
K Cameron (Vice Chair)	5,050	5,137
S Ross	4,670	4,751
T Tamblyn	5,050	5,137
D Walden	5,050	5,137
A Taylor	4,293	4,367
J Hawthorne	5,050	5,137
A Anketell	4,293	4,367
M Moody	4,670	4,751
C Gabriel	4,293	4,367
	<u>50,297</u>	<u>51,165</u>

8 Staff numbers

The average number of employees (head count based on number of staff employed and number of full time equivalents) during the year was as follows:

	2016		2015	
	No.	Fte.	No.	Fte.
Shared living	113	93	175	142
Supported living	1,514	1,240	1,293	1,052
Outreach services	104	85	100	81
Supported employment & day opportunities	42	34	44	36
Social enterprises	12	10	6	5
Housing	1	1	1	0
Support	118	96	121	99
	<u>1,904</u>	<u>1,559</u>	<u>1,740</u>	<u>1,416</u>

9 Related party transactions

There are no related party transactions to disclose for 2016 (2015: none) other than those disclosed in note 7.

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

10 Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

11 Tangible fixed assets

Housing Assets Owned Outright			
	Freehold property £	Alterations £	Total £
Cost			
At the start of the year	3,390,429	388,374	3,778,803
Additions in year	312,840	7,755	320,595
Disposals in year	(119,000)	–	(119,000)
At the end of the year	3,584,269	396,129	3,980,398
Depreciation			
At the start of the year	–	262,029	262,029
Charge for the year	–	19,849	19,849
At the end of the year	–	281,878	281,878
Net book value			
At the end of the year	3,584,269	114,251	3,698,520
At the start of the year	3,390,429	126,345	3,516,774
Other Housing Assets			
	Freehold property £	Alterations £	Total £
Cost			
At the start of the year	755,000	249,310	1,004,310
Additions in year	–	–	–
At the end of the year	755,000	249,310	1,004,310
Depreciation			
At the start of the year	229,282	154,586	383,868
Charge for the year	–	24,931	24,931
At the end of the year	229,282	179,517	408,799
Net book value			
At the end of the year	525,718	69,793	595,511
At the start of the year	525,718	94,724	620,442

Housing assets which are the subject of a legal charge in favour of the Secretary of State are shown separately from those which are owned outright by Affinity Trust. A review was undertaken but no additional impairment provision was needed.

Total Housing Assets			
	Freehold property £	Alterations £	Total £
Net book value			
At the end of the year	4,109,987	184,044	4,294,031
At the start of the year	3,916,147	221,069	4,137,216

12 Other tangible fixed assets

	Cars and office equipment		
	Cars £	Office equipment £	Total £
Cost or valuation			
At the start of the year	106,905	369,696	476,601
Additions in year	–	99,597	99,597
At the end of the year	106,905	469,293	576,198
Depreciation			
At the start of the year	94,748	303,044	397,792
Charge for the year	5,747	44,688	50,435
At the end of the year	100,495	347,732	448,227
Net book value			
At the end of the year	6,410	121,561	127,971
At the start of the year	12,157	66,652	78,809

All of the above assets are used for charitable purposes.

13 Investments

	2016 £	2015 £
Fair value at the start of the year	2,340,217	1,419,177
Additions	599,113	1,259,628
Disposal proceeds	(641,307)	(172,731)
Net gain / (loss) on change in fair value	338,594	(165,854)
Cash balance held by investment manager	2,636,617 103,647	2,340,220 14,825
Fair value at the end of the year	2,740,264	2,355,045
Historic cost at the end of the year	2,635,382	2,528,781
Investments comprise:		
	2016 £	2015 £
UK/Europe/North America/Emerging markets common investment funds	2,636,616	2,340,220
Cash	103,647	14,825
	2,740,263	2,355,045

14 Stocks

	2016 £	2015 £
Stocks held at Englefield Garden Centre	83,702	87,131
	83,702	87,131

Affinity Trust

Notes to the financial statements

For the year ended 30 September 2016

15 Debtors

	2016 £	2015 £
Trade debtors	4,446,153	3,669,659
Other debtors	93,375	89,770
Prepayments and accrued income	2,404,441	1,315,817
	<u>6,943,969</u>	<u>5,075,246</u>

16 Creditors: amounts falling due within one year

	2016 £	2015 £
Bank loans	187,699	156,800
Trade creditors	579,846	318,669
Taxation and social security	671,994	831,316
Other creditors	477,575	342,561
Accruals and deferred income	2,638,807	1,761,493
	<u>4,555,921</u>	<u>3,410,839</u>

17 Deferred income

Deferred income comprises income that has been invoiced in advance or where credit notes are due.

	2016 £	2015 £
Balance at the beginning of the year	677,218	473,587
Amount released to income in the year	(677,218)	(473,587)
Amount deferred in the year	964,062	677,218
	<u>964,062</u>	<u>677,218</u>
Balance at the end of the year		

18 Creditors: amounts falling due after one year

	2016 £	2015 £
Bank loans	1,053,121	986,087
Repayable grants:		
Secretary of State for Health	463,800	463,800
	<u>1,516,921</u>	<u>1,449,887</u>

Bank loans are secured by first mortgages held by NatWest plc on Affinity Trust's housing properties owned outright. Interest is accruing on the NatWest loans at rates between 1.25% and 2.25% above base rate.

Amounts owed to the Secretary of State for Health are secured by a second charge on the properties shown as Other Housing Assets in note 11. Any ultimate sale proceeds from these houses will be used to repay the Secretary of State for Health to a maximum of the original input in addition to rolled up compound interest of four percent above bank base rate.

18 Creditors: amounts falling due after one year (continued)

Maturity of total debt is as follows

	2016 £	2015 £
In one year or less	187,699	156,800
Between one and two years	191,708	160,387
Between two and five years	497,597	468,908
Over five years	827,616	820,592
	<u>1,704,620</u>	<u>1,606,687</u>

19 Analysis of net assets between funds

	General unrestricted £	Designated £	Restricted £	Total funds £
Tangible fixed assets	-	4,122,002	300,000	4,422,002
Investments	2,740,264	-	-	2,740,264
Net current assets	4,701,531	383,921	3,752	5,089,204
Creditors due after more than one year	-	(1,516,921)	-	(1,516,921)
Net assets at the end of the year	<u>7,441,795</u>	<u>2,989,002</u>	<u>303,752</u>	<u>10,734,549</u>

20 Movements in funds

	At the start of the year £	Income & gains £	Expenditure & losses £	Transfers £	At the end of the year £
Restricted funds:					
Ayrshire Activity club	3,025	-	-	-	3,025
Tudor House Improvement	9,415	-	(9,415)	-	-
Score Fund	187	3,201	(2,661)	-	727
Glen Road	300,000	-	-	-	300,000
Total restricted funds	<u>312,627</u>	<u>3,201</u>	<u>(12,076)</u>	<u>-</u>	<u>303,752</u>
Unrestricted funds:					
Designated funds:					
Property improvement	117,440	-	-	-	117,440
Property fund	2,230,529	-	(44,780)	(13,778)	2,171,971
Other tangible fixed assets	78,809	-	(50,435)	99,597	127,971
Project management fund	662,796	-	(191,167)	-	471,629
Systems development fund	94,516	-	(94,111)	-	405
Assistive technology fund	16,322	-	(2,883)	-	13,439
Research fund	75,000	-	-	-	75,000
Midlands Rugby Fund	20	11,250	(123)	-	11,147
Total designated funds	<u>3,275,432</u>	<u>11,250</u>	<u>(383,499)</u>	<u>85,819</u>	<u>2,989,002</u>
Fair value reserve	-	338,594	-	(233,712)	104,882
General funds	<u>6,585,520</u>	<u>45,223,434</u>	<u>(44,618,142)</u>	<u>147,893</u>	<u>7,338,704</u>
Total unrestricted funds	<u>9,860,952</u>	<u>45,573,278</u>	<u>(45,001,641)</u>	<u>-</u>	<u>10,432,588</u>
Total funds	<u>10,173,579</u>	<u>45,576,479</u>	<u>(45,013,717)</u>	<u>-</u>	<u>10,736,340</u>

20 Movements in funds (continued)**Purposes of restricted funds**

Ayrshire Activity Club: A club set up for the use of people with learning disabilities in Ayr.

Tudor House Improvement: A grant that was to be used by one person we support at this service but now refunded.

Score Fund: Donations to provide opportunities for People with Learning Disabilities.

Little Glen Road: Grant given to cover property alterations to make suitable for People with Learning Disabilities.

Purposes of designated funds

Property improvement: This fund has been set aside for major repairs of properties.

Property fund: This fund accounts for the net assets held as property and the outstanding loans/repayable grants due on the property. The annual property depreciation expense is charged to the fund, and net loan repayment is transferred into the fund.

Other tangible fixed assets: This fund is set aside to account for the fixed assets held excluding properties. The annual depreciation expense is charged to this fund.

Project management fund: This fund has been set aside to provide resources to manage growth and planned changes in the organisation.

Systems development fund: This fund was set up to provide for the set up of a new IT system to assist the organisation monitor and measure quality and performance.

Assistive technology fund: This fund was set up to promote the introduction of assistive technology within services for the benefit of people supported and where funds are not available to meet the cost of the technology.

Research fund – This fund was set up to extend the organisation's knowledge base in relation to supporting people with more complex needs.

Midlands Rugby Fund: Donations to provide opportunities for People with Learning Disabilities.

Fair value reserve

This reserve represents the net cumulative unrealised gains on the investment portfolio.

21 Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2016 £	2015 £
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	562,762	1,148,625
(Gains)/losses on investments	(338,594)	165,854
Dividends and interest from investments	(81,982)	(51,015)
Interest payable	33,083	29,810
Depreciation charges	95,215	111,869
(Profit) on the disposal of properties	(40,513)	(1,097,796)
(Profit) on the disposal of fixed assets	-	(292)
(Increase)/decrease in stocks	3,429	(6,794)
(Increase) in debtors	(1,868,723)	(758,135)
Increase/(decrease) in creditors	1,114,183	(7,456)
Net cash provided by / (used in) operating activities	(521,140)	(465,330)

22 Operating lease commitments

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods

	Land and buildings		Other items	
	2016	2015	2016	2015
	£	£	£	£
Less than one year	258,464	242,752	24,836	25,108
One to two years	174,551	198,042	18,725	24,497
Two to five years	139,153	218,436	23,604	31,859
Over five years	68,000	78,200	–	–
	<u>640,168</u>	<u>737,430</u>	<u>67,165</u>	<u>81,464</u>

23 Capital commitments

	2016	2015
	£	£
Authorised and contracted for but not provided in the financial statements: Freehold property improvements and purchases.	<u>–</u>	<u>277,000</u>

24 Contingent liabilities

Affinity Trust has a contingent liability with regard to grants used to purchase six properties. Affinity Trust will be liable to pay the interest accrued on grants to the Secretary of State for Health if the properties are sold, but only to the maximum amount of any proceeds received.

The substance of the agreements Affinity Trust has with the Secretary of State for Health is for the Secretary of State for Health to retain ownership over any change in the value of the properties and consequently the interest paid is offset against the sale proceeds.

At 30 September 2016, the contingent liability due to the Secretary of State for Health in the event of Affinity Trust selling all of the properties is:

	2016	2015
	£	£
Accrued interest payable to the Secretary of State for Health	<u>2,285,249</u>	<u>2,176,880</u>

In common with other social care providers there is a risk in relation to HMRC's treatment of sleep in shifts under the National Minimum Wage regulations. However the potential liability, if any, cannot yet be quantified.

25 Defined benefit pension schemes**NHS Pension Scheme**

The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for Affinity Trust to identify its share of the underlying scheme. Affinity Trust has no liability in respect of the scheme except in relation to the ongoing employers contribution rate which is currently 14.3%.

The most recently published full valuation report was based on data at 31 March 2012 (prior to this, the last published valuation was as at March 2004) and published in 2014.

The employer's contribution rate payable is 14.3% (2015: 14.3%) of pensionable pay with employees contributing between 5 and 8.5% of pensionable pay depending on the level of their pay. The employer's contribution rate increased to 14.3% with effect from 1 April 2015 as a result of the notional deficit at March 2012 (see below).

25 Defined benefit pension schemes (continued)

There are 1.3 million contributors to the scheme, 700,000 pensions in payment and 519,000 deferred pensioners. Notional liabilities of the Scheme at 31 March 2012 were £240.4bn with notional assets of £230.3bn giving a notional past service deficit of £10.1bn.

Employers' pension contribution costs are applied to resources expended as and when they become due. On advice from the Actuary the contribution may be varied from time to time to reflect changes in the Scheme's liabilities. The total employer contribution payable in the year ended 30 September 2016 by Affinity Trust was £463,295 (2015 – £436,607). Employees pay contributions of 6.5% (manual staff 5%) of their pensionable pay.

The scheme is a "final salary" scheme. Following consultation in 2006, a number of changes to the NHS Pension Scheme were introduced. On 1 April 2008 a new "2008 Section" of the Scheme was set up for new joiners on or after 1 April 2008. Joiners prior to this date are in the "1995 Section". For 1995 Section members, annual pensions are based on 1/80th of the best of the last three years' pensionable pay for each year of service. For members of the 2008 section, pensions are based on 1/60th of the average of the best three consecutive years in the last ten. A lump sum normally equivalent to 3 years' pension is payable on retirement; for members of the 2008 section the lump sum will be a maximum of 25% of the value of their fund at retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and have historically been based on changes in Retail Prices in the twelve months ending 30 September in the previous calendar year. From 2011/12, the Consumer Price Index replaced the Retail Price Index. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement in some circumstances, is available to members of the Scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension (subject to certain conditions) for death after retirement, is payable.

The scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement Affinity Trust can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

West Yorkshire Pension Fund

Following the transfer of services from the Bradford and District Care Trust in December 2011, 12 employees retained their membership of the West Yorkshire Pension Fund (WYPF) which is a defined benefit scheme and operates under the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). The employer's normal contribution rate is 15.8% of salary and employees pay 6.5%. Total employer contributions to the WYPF for the year ended September 2016 were £nil (2015: £nil). Affinity Trust and the City of Bradford Metropolitan District Council entered into an Admission Agreement and a separate commercial contract dated December 2012 and the substance of these agreements in relation to pension costs is that Affinity Trust's only liability is to pay the monthly employer contributions as determined from time to time by the Scheme actuary. Any actuarial deficit relating to the 12 employees at the end of the contract remains with the Council. The financial statements therefore reflect only the value of the monthly employer contributions described above. Following a triannual actuarial revaluation of the scheme, Affinity Trust were advised that an actuarial surplus had accumulated since the contract commenced and as a result no monthly contributions were required to be paid after March 2014.

25 Defined benefit pension schemes (continued)

Essex Pension Fund

Following the transfer of services from Southend On Sea Borough Council in May 2014, 11 employees (9 active members, 2 non-active members) retained their membership of the Essex Pension Fund which is a defined benefit scheme and operates under the provisions of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended). Affinity Trust pays an employer's contribution of 22.2% of salary and employees pay 6.5%. Total employer contributions to the Essex Pension Fund for the year ended September 2016 were £41,000 (2015 £44,000). The outstanding amount at 30 September was £4,254 (2015 £4,845). Affinity Trust, Essex County Council and Southend on Sea Borough Council entered into an Admission Agreement and a separate commercial contract and the substance of these agreements in relation to pension costs is that Affinity Trust's only liability is to pay the monthly employer contributions as determined from time to time by the Scheme actuary (currently 22.2%). Any actuarial deficit relating to the employees at the end of the contract remains with the Council (with the exception of any strain costs caused by early retirement through redundancy, and no redundancies occurred during the year). The financial statements therefore reflect only the value of the monthly employer contributions described above. In connection with the process for gaining Admitted Body status for the Essex Pension Fund, a commercial bond with a value of £201,000 was agreed to underwrite any outstanding pension related payments to the Essex Pension Fund. The bond agreement is a tripartite agreement between Affinity Trust, Natwest Bank plc and Essex County Council (the Administering Authority for the Essex Pension Fund) and as security for the bond Natwest Bank plc has a floating charge over a number of Affinity Trust's freehold properties.

26 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.