

The Retreat

Mental healthcare as unique as you are

THE RETREAT YORK

REPORT AND FINANCIAL STATEMENTS

PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002



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Charity No. 1089826
Company No. 4325622



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LEGAL AND ADMINISTRATIVE INFORMATION

Legal status

The Retreat York Limited is a charitable company limited by guarantee and governed by its Memorandum and Articles of Association. The company was incorporated on 20 November 2001 and the new company obtained charitable status on 18 December 2001.

Company number

4325622

Charity number

1089826

Trustees and Directors

Dorothy Crowther	(Appointed 1 January 2002)
Cedric Dennis *	(Appointed 1 January 2002)
John Eversley **	(Appointed 1 January 2002)
Valerie Humby	(Appointed 18 June 2002)
Mavis Iredale #	(Appointed 1 January 2002)
Roger Mattingly *	(Appointed 13 December 2001)
Ian Ramage	(Appointed 1 January 2002)
	(Retired 31 December 2002)
Michael Thompson	(Appointed 13 December 2001)
	(Retired 31 December 2002)
Colin Wicks	(Appointed 1 January 2002)

* Member of the Finance Committee

Member of the Marketing Committee

Chief Executive

Jenny McAleese

Registered Office

107 Heslington Road, York YO10 5BN

Auditors

Barber Harrison & Platt, 2 Rutland Park, Sheffield S10 2PD

Investment Managers

Chiswell Associates Limited, 4 Chiswell Street, London EC1Y 2PD

Solicitors

Ford & Warren, Westgate Point, Westgate, Leeds LS1 2AX

Bankers

HSBC Bank Plc, 13 Parliament Street, York YO1 1XS



REPORT OF THE DIRECTORS FOR THE PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002

The Trustees, who are also the Directors of the charity for the purposes of the Companies Act 1985, submit their annual report and the audited financial statements for the period 20 November 2001 to 31 December 2002. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000 and the Companies Act 1985, in preparing the annual report and financial statements of the charity.

Constitution

The Retreat York Limited is a charitable company limited by guarantee. In accordance with decisions made by the various Quaker Bodies this company was formed on 20 November 2001 and the new company was granted charitable status on 18 December 2001. The assets of the old charity, The Retreat, York were transferred to the new charitable company on 1 January 2002.

Objects

The objects of the charity are:

- To serve as a hospital for the benefit of persons suffering from mental illness.
- To undertake such other ancillary activities of a charitable nature as can, in the opinion of the Trustees, be conveniently and properly carried on by them.

Financial results

The Statement of Financial Activities for the period is set out on page 9 of the financial statements.

The operating results of The Retreat in 2002 produced a surplus of £524,692. Other net income from investments, donations, legacies and grants produced income of £286,418. After deducting costs amounting to £64,580 for the management and administration of the charity, grants of £42,965 towards patients' fees (see below), the result was an overall surplus for the year of £703,565. After taking into account total investment losses of £1,426,545 there was a net deficit of £722,980. Following the transfer of the assets from The Retreat, York, the Retreat had total funds at 31 December 2002 of £14,716,855.

Grants towards patients' fees

Following the exhaustion of the resources of the Grants Fund in 2001 The Retreat has agreed to meet the shortfall of fees for two long-stay residents. In the financial period ended 31 December 2002 a total of £23,925 was paid out of restricted funds and £19,040 out of unrestricted funds in order to meet this shortfall.

REPORT OF THE DIRECTORS FOR THE PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 - continued

Review of activities and future developments

The most significant challenge we faced in 2002 was the complicated set of moves necessary in order to vacate a unit for elderly people. This involved the move of 20 residents to a nursing home in Haxby, which we acquired on a three year lease, an upgrade of an area to accommodate some of the most physically frail residents and a general wholesale movement of groups of residents and staff. Although these moves have all gone well and are working to the benefit of residents, there has naturally been a financial consequence. We have taken on a number of additional costs associated with the operation of a stand-alone facility some five miles away, as well as undergoing a reduction in overall bed capacity as a result of the various moves.

In view of the above, the financial performance of the organisation was a very respectable one, and it was extremely disappointing that the losses on investments completely wiped out this surplus and led to an overall decrease in funds. We can but hope, along with many others, that the stock market will rally over time and the value of our investments recover.

Our main objective for 2003 is to bring on line the second phase of the brain injury service and to continue to plan ahead, working towards extending our range of specialist services and thereby ensuring the sustainable financial viability of The Retreat.

Investment powers and policy

The Retreat York Limited has adopted a total return policy for its investment income. As permitted by the charity's memorandum and articles of association, the Trustees have given the investment managers discretion to manage the portfolio within an agreed risk profile.

Subject only to compatibility with the principles of the Religious Society of Friends, the Trustees have unrestricted powers of investment.

The Retreat operates an ethical investment policy, whereby it does not invest in companies which derive a significant proportion of their turnover from any of the following activities:

- Gambling
- The production or sale of alcohol, tobacco or armaments

Connected charities

The Retreat York Limited has a connected charity, The Retreat Benevolent Fund, which provides funds for the care of individuals at The Retreat on both an inpatient and outpatient basis. This charity, whose Trustees include some of the Trustees of The Retreat York Limited, is administered from The Retreat York Limited.

The Retreat Benevolent Fund provides grants to help Friend patients (or those closely associated with Friends) who are unable to meet the lowest fees. Grants made during 2002 amounted to £17,996 for four patients. The total funds of the Benevolent Fund at 31 December 2002 amounted to £754,500.

Audited financial statements for The Retreat Benevolent Fund are available from The Retreat York Limited.



REPORT OF THE DIRECTORS FOR THE PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 - continued

Reserves policy

It is the policy of the charity to maintain undesignated funds, which are the free reserves of the charity, at a level sufficient to cover 12 months of expenditure, approximately £5,700,000. Presently the undesignated reserves amount to £3,366,728.

Our policy is, therefore, to continue building up reserves to the required level by means of annual operating surpluses and judicious management of our investment assets.

Reserves for the necessary upgrade and development of the charity's properties are segregated into a separate development fund, currently totalling £2,600,000.

Risk management

The Trustees have conducted a review of the major strategic, financial and operational risks to which the charity is exposed, and systems have been established to mitigate those risks. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects. Systems have been established to ensure that risks are reviewed on a regular basis.

Changes in fixed assets

The movements in fixed assets during the year are set out in note 6 of the financial statements.

Governance and internal control

The Governors of the company are the members of the company and, with effect from 1 January 2002, number 24 individuals. The membership of the Governors from 1 January 2002 consists of:

- Twelve Governors appointed through Britain Yearly Meeting of the Religious Society of Friends.
- Twelve Governors appointed by Northern General Meetings as follows:

- Cumberland	1
- Derbyshire, Lincolnshire and Nottinghamshire	1
- Scotland	1
- Westmorland	1
- Durham	2
- Lancashire and Cheshire	2
- Yorkshire	4

Governors, who must be members of the Religious Society of Friends, are appointed for a period of three years and are eligible for re-appointment for a further three years.

The Governors are responsible for appointing Directors (Trustees) with the maximum number of Directors being nine and the minimum three.

The Governors are entitled to appoint Friends and non-Friends as Directors but there must always be more Friend Directors than non-Friend Directors. The chairman and deputy chairman of the Board of Directors must be Friends. The management of The Retreat York Limited is vested in the Board of Directors.



REPORT OF THE DIRECTORS FOR THE PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 - continued

Trustees responsibilities in relation to the financial statements

Company and charity 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 charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the Trustees have:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that are reasonable and prudent;
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepared the financial statements on the going concern basis.

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- The charity is operating efficiently and effectively;
- Its assets are safeguarded against unauthorised use or disposition;
- Proper records are maintained and financial information used within the charity or for publication is reliable;
- The charity complies with relevant laws and regulations.

The systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. These include:

- A business plan and an annual budget approved by the Trustees;
- Regular consideration by the Trustees of financial results, variance from budgets and non-financial performance indicators;
- Delegation of authority and segregation of duties;
- Identification and management of risks.

Volunteers

The charity is grateful for the unstinting efforts of its volunteers who are involved in the provision of services and social activities for residents, and fund-raising.



REPORT OF THE DIRECTORS FOR THE PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 - continued

Employee involvement and employment of the disabled

Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The charity carries out exit interviews for all staff leaving the organisation.

In accordance with the charity's equal opportunities policy, the charity has long established fair employment practices in the recruitment, selection, retention and training of disabled staff.

Auditors

A resolution proposing that Barber Harrison & Platt be re-appointed as auditors of the charity will be put to the Annual General Meeting.

This report was approved by the Board on

22 May 2003.

JOHN EVERSLEY
CHAIRMAN



INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS OF THE RETREAT YORK LIMITED

We have audited the financial statements of The Retreat York Limited for the period ended 31 December 2002. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, the inclusion of investments at market value and the accounting policies set out therein.

This report is made solely to the company's Governors as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's Governors 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 company and the company's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and Auditors

As described in the statement of Trustees' responsibilities on page 5 the company's Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We are not required to consider whether the statement in the Directors' Report concerning the major risks to which the charity is exposed covers all existing risks and controls or to form an opinion on the effectiveness of the charity's risk management and control procedures.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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



**INDEPENDENT AUDITORS' REPORT
TO THE GOVERNORS OF THE RETREAT YORK LIMITED - Continued**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2002 and of its incoming resources and application of resources in the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Barber Harrison & Platt

Barber Harrison & Platt
Chartered Accountants
Registered Auditors
Sheffield

23 May 2003



STATEMENT OF FINANCIAL ACTIVITIES
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002

	Note	Restricted Funds £	Unrestricted Funds £	Total £
INCOMING RESOURCES				
Activities in furtherance of charity objectives:				
Patient fees and other charges	2	-	5,881,004	5,881,004
Other activities to generate funds				
Rents		-	58,584	58,584
Joint venture income	17	-	190,054	190,054
Investment income	3	-	203,713	203,713
Legacies		-	4,500	4,500
Donations		30,353	47,852	78,205
Total incoming resources		30,353	6,385,707	6,416,060
RESOURCES EXPENDED				
Costs of generating funds				
Investment management fees		-	32,116	32,116
Net incoming resources available for charitable application		30,353	6,353,591	6,383,944
Charitable expenditure				
Patient care costs	4a	16,660	5,588,290	5,604,950
Grants towards patient fees		19,040	23,925	42,965
Management and administration	4b	-	32,464	32,464
Total resources expended		35,700	5,644,679	5,680,379
Net incoming/(outgoing) resources before transfers		(5,347)	708,912	703,565
Transfer between funds	13	5,045	(5,045)	-
Net incoming/(outgoing) resources for the period		(302)	703,867	703,565
OTHER RECOGNISED GAINS AND LOSSES				
Losses on investments				
Realised		-	(76,070)	(76,070)
Unrealised		-	(1,350,475)	(1,350,475)
		-	(1,426,545)	(1,426,545)
NET MOVEMENT IN FUNDS		(302)	(722,678)	(722,980)
Assets transferred from The Retreat		43,571	15,396,264	15,439,835
Fund balance at 31 December 2002		43,269	14,673,586	14,716,855

All amounts derive from continuing activities.

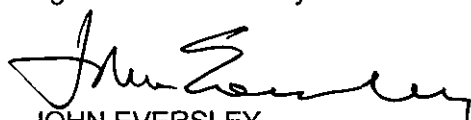
All gains and losses recognised in the year are included in the Statement of Financial Activities.



BALANCE SHEET AS AT 31 DECEMBER 2002

	Note	£	£
Fixed assets			
Tangible assets	6	8,706,858	
Investments	7	4,643,410	
			13,350,268
Current assets			
Stock		20,110	
Debtors	8	778,239	
Cash at bank and in hand		1,562,391	
		2,360,740	
Creditors: amounts falling due within one year	9	357,153	
Net current assets			2,003,587
Total assets less current liabilities			15,353,855
Provisions for liabilities and charges	10		637,000
Net assets			14,716,855
Unrestricted Funds	11		
General			3,366,728
Designated:			
Tangible fixed assets fund		4,206,054	
- Cost		4,500,804	
- Revaluation		2,600,000	
Development fund			11,306,858
			14,673,586
Restricted funds	12		43,269
Total funds			14,716,855

The financial statements on pages 9 to 23 were approved by the Board of Directors and are signed on its behalf by:



JOHN EVERSLEY
CHAIRMAN

22 May 2003.



CASH FLOW STATEMENT
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002

	£
Reconciliation of Surplus of Income to Net Inflow from Operating Activities	
Net incoming resources for the period	703,565
Add: Depreciation charges	123,013
Less: Investment income received	(203,713)
	<u>622,865</u>
Increase in stock	(2,238)
Increase in debtors	(18,374)
Decrease in creditors	(49,878)
Net Cash Inflow from Operating Activities	<u>552,375</u>
Returns on Investments	
Investment income received	<u>203,713</u>
Capital Expenditure and Financial Investment	
Purchase of tangible fixed assets	(515,561)
Purchase of investments	(1,198,959)
Sale proceeds of investments	1,072,777
	<u>(641,743)</u>
Increase in Cash in the Period	<u>114,345</u>
Movement in Cash	
Cash in bank and in hand:	
Balance at 20 November 2001	-
Transferred from The Retreat	1,448,046
Movement in the Period	<u>114,345</u>
Balance at 31 December 2002	<u>1,562,391</u>
Major Non-Cash Transaction	
Net assets transferred from The Retreat, York	
Fixed assets	8,314,310
Investments	5,943,773
Stock	17,872
Debtors	759,865
Creditors	(407,031)
Pension provision	(637,000)
	<u>13,991,789</u>



NOTES TO THE FINANCIAL STATEMENTS

PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of certain fixed assets at valuation and investments at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in October 2000, the Companies Act 1985 and applicable accounting standards.

(b) Company status

The charity is a company limited by guarantee. The members of the company are the Governors. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

(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 the notes 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 cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income and gains are allocated to the appropriate fund.

(d) Incoming resources

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Patient fees and other charges are accounted for in the period in which the service is provided.

Income from quoted and other securities is accounted for in the year it is received.

Income from deposits is accrued in to the year for which it is due.

Investment income includes all tax recoverable since The Retreat York Limited is not liable to tax on income that it is used for charitable purposes.



NOTES TO THE FINANCIAL STATEMENTS

PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

1. Accounting policies - continued

(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.

The costs of management and administration of the charity comprise the costs of holding Directors' and Governors' meetings, the production of the Annual Report and professional costs directly related to the administration of the charity.

All other administration costs incurred in running the hospital are included as direct charitable expenditure.

(f) Depreciation

Depreciation is provided at rates estimated to write off the cost of fixed assets over their useful lives. The annual rates used are:

➤ Furniture, plant and equipment	12.5% on the reducing balance
➤ Vehicles	25.0% on the reducing balance
➤ Fire precaution work	7.5% on the reducing balance
➤ Computer equipment and software	25.0% straight line

Freehold buildings are not depreciated because the buildings are maintained in good condition so that their value is not impaired by the passage of time and in consequence any element of depreciation would be immaterial. The Trustees perform annual impairment reviews in accordance with the requirements of FRS 15 and FRS 11 to ensure that the carrying value is not greater than the recoverable amount. Fire precaution work is included within land and buildings and is depreciated at the rates shown above.

(g) Investments

Investments are included at their market value on 31 December 2002 and the increase or decrease in value between accounting dates, together with the profits and losses on disposals, is recognised in the Statement of Financial Activities.

(h) Joint venture

The Retreat York Limited has undertaken a joint venture. Surpluses from this venture are distributed in full and included in the Statement of Financial Activities on a receivable basis.



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

1. Accounting policies - continued

(i) Pension costs

In accordance with SSAP24, the cost of providing pensions and related benefits is charged to the Statement of Financial Activities (SOFA) over the employees' service lives on the basis of a constant percentage of earnings, which is an estimate of the regular cost. Variations from regular cost, arising from periodic actuarial valuations are allocated over the expected remaining service lives of the current employees on the basis of a constant percentage of current and estimated future earnings. Any difference between the charge to the SOFA and the contributions payable to the scheme is shown as an asset or liability in the balance sheet.

(j) Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred.

2. Patients fees and other charges

	£
Fees from patients	5,821,183
Grants to cover full cost of reduced fees: Benevolent Fund for Friend patients	17,996
	<hr/>
	5,839,179
Sundry income	41,825
	<hr/>
	<u>5,881,004</u>

3. Investment income

Listed securities	149,947
Cash deposits	53,766
	<hr/>
	<u>203,713</u>



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

4. Analysis of total resources expended

	£	£
(a) Salaries and employment costs		
Salaries		4,200,570
Employer's NI		304,208
Pension scheme (see note 5)		-
Training costs		36,435
Other staff costs		37,679
		<hr/>
		4,578,892
		<hr/>
Other patient care costs		
Patient health expenditure		372,260
Property related costs		329,559
Other operational costs		184,566
Depreciation of furniture, plant, equipment and vehicles		123,013
Amenity fund expenditure		9,220
Other restricted expenditure		
Staff fund	1,273	
Grant for services to refugee children	1,500	
Resource Centre expenditure	487	
Patients' clothing fund	160	
Staff/patients' relatives flats expenditure	4,020	
	<hr/>	
		7,440
		<hr/>
		1,026,058
		<hr/>
		5,604,950
		<hr/>
		<hr/>
		£
(b) Management and administration costs		
Audit fee		9,706
Directors' and Governors' expenses		5,284
Incorporation costs		9,522
Other professional fees		7,952
		<hr/>
		32,464
		<hr/>
		<hr/>



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

4. Analysis of total resources expended – continued

(c) Employees

The average number of employees in the period was 295.

The numbers of employees whose emoluments exceeded £50,000 were as follows:

	Number
Band of earnings	
£50,000 - £59,999	1
£60,000 - £69,999	0
£70,000 - £79,999	3
£80,000 - £89,999	1

The number of staff to whom retirement benefits are accruing under the defined benefit pension scheme at 31 December 2002 is 123.

5. Provision for employees' pensions

SSAP 24 – Accounting for pension costs

The company operates a defined benefit scheme in the UK called The Retreat, York, Pension Scheme. Regular funding reviews are made by an independent qualified actuary and contribution rates are adjusted accordingly.

An actuarial valuation of the scheme was carried out as at 31 December 2001 using the projected unit method. For the purposes of this valuation, the principal actuarial assumptions are an investment return of 6.25% per annum, pensionable remuneration increases of 4.5% per annum and pension increases of 2.5% per annum to represent increases at the lower of 5% per annum or the increase in prices. At 31 December 2001 the market value of the scheme's assets was £22,457,000. On an ongoing basis the scheme had a valuation surplus in respect of past service rights of £7,971,000, equivalent to an ongoing funding level of 155%.

If the surplus were to be accounted for in accordance with SSAP24 a credit of £396,000 would be included in the statement of financial activities. However as there has been a dramatic fall in the stock market over the period since the valuation the Trustees have decided not to take account of this and to review the situation again when the result of the next triennial valuation is known.

The company did not contribute to the scheme in the period ended 31 December 2002. The company contribution rate was reviewed as part of the actuarial valuation and the advice was that the employer's contribution holiday could continue.



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

5. Provision for employees' pensions - continued

FRS 17 – Retirement benefits

Financial Reporting Standard 17 – 'Retirement benefits' was issued on 30 November 2000. Full implementation of the new standard has been delayed pending proposals from the International Accounting Standards Board. In the meantime, the provisions of Statement of Standard Accounting Practice 24 – 'Accounting for pension costs' continue to apply. FRS 17 includes transitional arrangements that require various disclosures are made this year and these are set out below.

The major assumptions used by the actuary were:

Inflation assumption	2.4%
Rate of increase in salaries	3.9%
Discount rate	5.4%
Rate of increase in pensions in payment where increases are linked to inflation	2.4%

The assets of the scheme and the expected rates of return were:

	Long term rate Return Expected at 31 December 2002	Value at 31 December 2002 £,000
Equities	7.5%	14,390
Bonds	4.5%	2,426
Property	7.5%	2
Cash and net current assets	4.0%	512
		<hr/> 17,330 <hr/>

The results of the valuation of the scheme's assets and liabilities are as follows:

	£,000
Total market value of assets	17,330
Present value of scheme liabilities	16,799
	<hr/>
Surplus	531 <hr/>

If the above amounts had been recognised in the financial statements, the company's net assets would be as follows:

	2002 £,000
Net assets excluding pension surplus	14,674
FRS 17 pension surplus	531
	<hr/>
Net assets including pension surplus	15,205 <hr/>



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

5. Provision for employees' pensions - continued

The FRS 17 surplus has decreased during the year ended 31 December 2002 as follows:

	£,000
Surplus in scheme at 1 January 2002	7,305
Movement in year:	
Current service cost	(488)
Contributions	11
Other finance income	654
Actuarial loss	(6,951)
Surplus in scheme at 31 December 2002	<u>531</u>

If FRS 17 had been fully operational, the following amounts would have been included in the statement of financial activities:

	£,000
Current service cost which would have been charged to net incoming resources	<u>488</u>
Expected return on pension scheme assets	1,540
Interest on scheme liabilities	<u>(886)</u>
Net amount which would have been included as other finance income	<u>654</u>
Total which would have been credited to net incoming resources	<u>166</u>

In addition, the following amounts would have been recognised in the statement of total recognised gains and losses:

Actual less expected return on scheme assets	(6,433)
Experience gains and losses arising on the scheme liabilities	176
Changes in assumptions underlying the present value of the scheme liabilities	<u>(694)</u>
Actuarial loss recognised in statement of total recognised gains and losses	<u>(6,951)</u>



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

5. Provision for employees' pensions - continued

Details of experience gains and losses for the year to 31 December 2002:

Difference between the expected and actual return on scheme assets	(6,433)
Percentage of scheme assets	-37%
Experience gains and losses on scheme liabilities	176
Percentage of the present value of scheme liabilities	1%
Total amount recognised in statement of total recognised gains and losses	(6,951)
Percentage of the present value of scheme liabilities	-41%

6. Fixed assets

Cost or Valuation	Freehold land and buildings £	Furniture plant, equipment vehicles £	Total £
Transferred from The Retreat	7,816,210	1,811,091	9,627,301
Additions in year	325,006	190,555	515,561
At 31 December 2002	8,141,216	2,001,646	10,142,862
Depreciation			
Transferred from The Retreat	41,033	1,271,958	1,312,991
Charge for the year	11,680	111,333	123,013
At 31 December 2002	52,713	1,383,291	1,436,004
Net book value			
At 31 December 2002	8,088,503	618,355	8,706,858

The freehold land and buildings were valued as at 31 December 1998 by Messrs Weatherall Green and Smith and the valuations incorporated into the accounts. The operational properties were valued at £6.695m on a depreciated replacement cost basis. The non-operational properties included in fixed assets were valued at £355,000 on an open market basis, and at the valuation date were let producing rental income of £30,500 per annum. From that date up to the 31 December 2001 additions costing £766,210 were capitalised and are included in the balance of £7,816,210 transferred from The Retreat. During the period 1 January 2002 to 31 December 2002 additions at a cost of £325,006 have been capitalised and are included in the balance of £8,141,216 above.

On a historical cost basis the freehold land and buildings would have a net book value at 31 December 2002 of £3,587,699.



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

7. Investments

(a) Movements in year at market value	£
Transferred from The Retreat	5,943,773
Acquisitions at cost	1,198,959
Disposals at book value	(1,148,847)
Net losses on revaluation at 31 December 2002	(1,350,475)
Market value at 31 December 2002	4,643,410
Historical cost	
At 31 December 2002	5,271,588
(b) Realised gains in the year	£
Proceeds	1,072,777
Disposals at book value	(1,148,847)
	(76,070)
(c) Reconciliation of movement in unrealised gains/losses	
Transferred from The Retreat	831,421
Deduct in respect of disposals in the period	(109,124)
Add net losses arising on revaluation in the period	(1,350,475)
Unrealised losses at 31 December 2002	(628,178)
(d) Analysis of Market Value	£
Listed Securities - UK	3,197,116
- Overseas	1,272,886
Cash deposits	173,408
	4,643,410

Included within investments is a holding in BP plc representing 5.4% of the value of the portfolio at 31 December 2002.

8. Debtors	£
Trade debtors	557,176
Amount due from joint venture	218,606
Amount due from Benevolent Fund	75
Tax recoverable	2,382
	778,239



NOTES TO THE FINANCIAL STATEMENTS **PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued**

9. Creditors: amounts falling due within one year

Trade creditors	69,690
Accruals	181,342
Tax and social security	96,957
Patient fees in advance	9,164
	<hr/>
	357,153
	<hr/>

10. Provisions for liabilities and charges

	£
At 20 November 2001	-
Transferred from The Retreat	637,000
Charged to Statement of Financial Activities	-
	<hr/>
At 31 December 2002	637,000
	<hr/>

11. Unrestricted funds

	<u>Designated funds</u>			Total £
	General fund £	Tangible fixed asset fund £	Development fund £	
Transferred from The Retreat	4,181,954	8,314,310	2,900,000	15,396,264
Incoming resources	6,385,707	-	-	6,385,707
Resources expended	(5,376,795)	-	(300,000)	(5,676,795)
Investment losses	(1,426,545)	-	-	(1,426,545)
Transfers	(397,593)	392,548	-	(5,045)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2002	3,366,728	8,706,858	2,600,000	14,673,586
	<hr/>	<hr/>	<hr/>	<hr/>

General fund

The general fund represents the free funds of the charity which are not designated for particular purposes.

Tangible fixed assets fund

This fund has been set up to identify those funds which are not free funds and it represents the net book value of the charity's fixed assets, which are used almost entirely for the provision of care services. The fund includes a revaluation reserve of £4,500,804.

Development fund

An amount of £2,600,000 has been earmarked for capital projects for development of care services at The Retreat.



NOTES TO THE FINANCIAL STATEMENTS
PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

11. Unrestricted funds - continued

Transfers

	£	£
Net addition to tangible fixed asset fund		
Additions	515,561	
Depreciation	(123,013)	
		392,548
Transfer to amenity funds (note 13)		5,045
		<u>397,593</u>

12. Restricted funds

	Rehab flats £	Staff flats £	Shop £	Amenity fund £	Patient fees £	Total £
Transferred from The Retreat	3,000	4,020	3,500	33,051	-	43,571
Incoming resources	-	-	-	11,313	19,040	30,353
Expenditure during the period	-	(4,020)	-	(12,640)	(19,040)	(35,700)
Transfers from unrestricted funds	-	-	-	5,045	-	5,045
Balance at 31 December 2002	<u>3,000</u>	<u>-</u>	<u>3,500</u>	<u>36,769</u>	<u>-</u>	<u>43,269</u>

The assets comprising the restricted fund balances are cash at bank and in hand.

13. Transfer between funds

The transfer from unrestricted to restricted funds is a donation from The Retreat to the patient amenity fund and the patient clothing fund, which will be spent on specific items for patient care.

14. Operating leases

At 31 December 2002 the company had annual commitments under non cancellable operating leases as set out below.

	2002 £	2001 £
Operating leases which expire:		
Two to five years	<u>34,000</u>	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS

PERIOD 20 NOVEMBER 2001 TO 31 DECEMBER 2002 – Continued

15. Capital commitments

Capital expenditure authorised by the Board of Directors but not provided for in the accounts amounted to:

	2002 £
Contracted for	445,000
Not contracted for	-
	<u>445,000</u>

16. Trustees' expenses and remuneration

Travel expenses reimbursed to Trustees	<u>2,283</u>
Number of Trustees reimbursed	<u>6</u>

The Trustees neither received nor waived any emoluments during the year.

17. Joint venture

The Retreat York Limited has undertaken a joint venture to operate a unit for individuals with an acquired brain injury. The unit is known as York House. The year end of the joint venture is 31 May.

The company's share of the net assets of the joint venture as at 31 May 2002 are as follows:

	£,000
Fixed assets	362
Current assets	310
Liabilities due within one year	(672)

As all surpluses are distributed equally to the two joint venture partners, there are no net assets in the balance sheet at 31 December 2002.

18. Related party transactions

During the year the following amounts were received for services provided to the company's joint venture, York House.

	£
Services provided	48,506
Overheads recharged	59,997
Rent	13,545
	<u>122,048</u>

The amount owing by York House at 31 December 2002 is £218,606.