



# The Retreat

Mental healthcare as unique as you are

THE RETREAT YORK  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2006

Charity No. 1089826  
Company No. 4325622

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## CONTENTS

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	Page
Trustees' Annual Report	1 - 7
Auditors' Report	8
Statement of Financial Activities	9
Balance Sheet	10
Cash Flow Statement	11
Notes to the Accounts	12 - 23

## **TRUSTEES' ANNUAL REPORT**

### **YEAR ENDED 31 DECEMBER 2006**

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#### **LEGAL AND ADMINISTRATIVE INFORMATION**

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 year ended 31 December 2006. The Trustees have adopted the provisions of the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) issued in 2005 and the Companies Act 1985, in preparing the annual report and financial statements of the charity.

#### **Legal status**

The Retreat York 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 obtained charitable status on 18 December 2001.

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.

#### **Company number**

4325622

#### **Charity number**

1089826

#### **Trustees and directors**

Douglas Hambleton  
Valerie Humby  
Roger Mattingly \*  
John Park\*  
Paul Redgate  
Lucy Sheard  
Martin Sykes  
David Taylor\*  
Kay Whittle

\* Member of the Finance Committee

#### **Chief executive**

Jenny McAleese

#### **Company secretary**

Robert Brownlow

#### **Senior management team**

Jenny McAleese	- Chief Executive
Robert Brownlow	- Director of Finance and Facilities
Dr Susan Mitchell	- Medical Director
Steve Trenchard	- Director of Clinical Services

#### **Address and registered office**

107 Heslington Road, York YO10 5BN

## TRUSTEES' ANNUAL REPORT – continued

### YEAR ENDED 31 DECEMBER 2006

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#### LEGAL AND ADMINISTRATIVE INFORMATION - continued

##### Auditors

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

##### Investment managers

Sarasin Chiswell Juxon House 100 St Paul's Churchyard London EC4M 8BU

##### Solicitors

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

##### Bankers

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

#### STRUCTURE GOVERNANCE AND MANAGEMENT

##### Constitution

The Retreat York 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 was granted charitable status on 18 December 2001. Its governance arrangements are set out in its Memorandum and Articles of Association.

##### Governors and directors

The Governors of the company are the members of the company and number 24 individuals. The membership of the Governors 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 is vested in the Board of Directors.

##### Induction and training

All Governors and Directors receive induction upon appointment to their respective roles. Directors receive training in relation to their role as Trustees.

## **TRUSTEES' ANNUAL REPORT – continued**

### **YEAR ENDED 31 DECEMBER 2006**

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#### **STRUCTURE GOVERNANCE AND MANAGEMENT – continued**

##### **Management**

Whilst strategic decisions are taken by the Directors, the day-to-day management of the charity is the responsibility of the senior management team which comprises four individuals who come from a range of disciplines. The senior management team reports directly to the Board of Directors.

##### **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.

##### **Connected charities**

The Retreat York 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, is administered from The Retreat York.

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 2006 amounted to £35,227 for three individuals. The total funds of the Benevolent Fund at 31 December 2006 amounted to £1,244,692.

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

The Retreat York has undertaken a joint venture with The Disabilities Trust to operate a unit for individuals with an acquired brain injury. The unit is known as York House.

#### **OBJECTIVES AND ACTIVITIES**

##### **Objects**

The objects for which the Company is established are

"The relief of persons suffering from mental illness (including, but without limitation, persons who are members of the Religious Society of Friends) by such charitable means as the Directors from time to time determine, including the provision of a hospital, of mental health services and by undertaking related activities provided that such facilities, services and activities will be conducted in accordance with the principles of the Religious Society of Friends."

##### **Aims**

The Retreat endeavours to improve or maintain the mental health and quality of life of those who use or provide its services, through care that is of the highest quality and seeks to reflect the tolerance, humanity and spiritual values of its Quaker roots. All patients and staff have equal value as human beings and the experience and contribution of each individual is listened to, valued and respected, whilst everyone is encouraged to develop or maintain their full potential and well-being. The Retreat seeks to promote a spirit of enquiry based on honesty and openness and supports an attitude of informed and balanced common sense towards treatment methods, being open to evaluation and new ideas within a constant set of values. All staff members within The Retreat seek to maintain the highest standards of professional and personal integrity and work to provide a safe physical and social environment as a secure base for therapy and rehabilitation. These constituted the main objectives of The Retreat in 2006.

## **TRUSTEES' ANNUAL REPORT – continued**

### **YEAR ENDED 31 DECEMBER 2006**

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#### **OBJECTIVES AND ACTIVITIES - continued**

##### **Strategies for the achievement of its aims**

For an organisation of The Retreat's size and complexity to achieve its objectives, active strategic management of both the financial and human resources is crucial, along with the need constantly to review both service delivery and service developments, which must respond to local and national trends. To this end Directors and senior managers held a strategic planning day during the year.

Mechanisms for achieving the stated objectives are in place. These include the Strategic Plan which is reviewed annually and supported by a more detailed annual Business Plan. Directors review progress on the Business Plan targets on a three monthly basis. Staff supervision and appraisals are a key means by which progress on targets is monitored to ensure that the agreed work programme is achieved.

##### **Activities**

The Retreat's services are split into three areas: Specialist Psychosis and Recovery Services, Specialist Older People's Services and Specialist Adult Services. A service review and development day was held in September, which involved senior staff, Governors and Directors and reviewed all our services.

##### **Volunteers**

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

#### **ACHIEVEMENTS AND PERFORMANCE**

##### **Review of performance against objectives set**

Our main mechanism for monitoring performance in 2006 was regular review against our Business Plan for the year. This contained fifty-six individual targets and by the end of the year nearly all of this had either been completed or were in the process of being so. Key achievements included a review of The Retreat's Pension Scheme and the resulting move to a career average revalued earnings basis of accruing benefits, the renegotiation of the provision of General Practitioner services to our clients and a major management restructuring, reducing the number of senior managers and increasing that of operational managers.

##### **Management of investments**

The Retreat York is looking to maximise the return in terms of both income and capital. 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
- The publishing or distribution of pornography

The investment managers, Sarasin Chiswell, are monitored by the Trustees by reference to a number of indices and benchmarks including the performance achieved by other similar funds. In 2006 the fund's performance of 14.0% growth matched the median return achieved by other funds in the survey used.

## **TRUSTEES' ANNUAL REPORT – continued**

### **YEAR ENDED 31 DECEMBER 2006**

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#### **ACHIEVEMENTS AND PERFORMANCE - continued**

##### **Factors affecting performance**

The Retreat is affected by a number of external influences outside its control. The single most significant of these is the National Health Service, from which The Retreat generates the majority of its income and with which it has to compete for staff. The continuing downward pressure on fees and upward pressure on salary levels, coupled with an increasingly demanding inspection regime, make this a particularly challenging time for the organisation. Furthermore, The Retreat's local Primary Care Trust is the most financially challenged Primary Care Trust in the country so there is certainly no opportunity for growth from them.

#### **FINANCIAL REVIEW**

##### **Financial performance for the year**

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

The operating results of The Retreat which include expenditure on the charity's key areas of operation of Specialist Psychosis and Recovery Services, Specialist Older People's Services and Specialist Adult Services, in 2006 produced a surplus of £485,686. Other net income from investments, donations, legacies and grants produced income of £344,347. After deducting costs amounting to £113,874 for the governance of the charity, the result was an overall surplus for the year of £716,159. After taking into account total investment gains of £805,903 and an actuarial gain on the defined benefit pension scheme of £3,439,000 there was a net surplus of £4,961,062.

Our financial results for the year have been affected by a net pension charge of £453,000. In addition to this an actuarial gain of £3,439,000 has been added to reserves. Company contributions recommenced in January 2006 at a rate of £50,000 per month, but as the Directors were clear that the company could not afford such an expense they agreed with members and Trustees of the Pension Scheme to reduce this to an affordable level. Changes to achieve this were agreed with effect from 1 August 2006, thus reducing the cash contribution by the company to £25,000 per month. The principal change involved benefits from 1 August 2006 being calculated by reference to career revalued average earnings rather than final salary.

##### **Changes in fixed assets**

The movements in fixed assets during the year are set out in note 7 of the financial statements.

##### **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 £8,300,000. Presently the undesignated reserves amount to £3,883,917. This figure excludes the pension asset of £3,439,000 on the basis that this asset does not result in an immediate cash flow on the charity and it is not an asset that can be immediately drawn down. Details on the present cash flow situation, in relation to contributions to the scheme, are given above.

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 operational properties are segregated into a separate development fund, currently totalling £7,810,384.

## **TRUSTEES' ANNUAL REPORT – continued**

### **YEAR ENDED 31 DECEMBER 2006**

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#### **PLANS FOR FUTURE PERIODS**

The next few years promise to be just as challenging for The Retreat as have been the past few. There is significant structural change afoot in the National Health Service and this, coupled with an unprecedented focus on cost-driven commissioning, means that we have to think carefully about our position in the market place.

Our Business Plan for 2007 is one of consolidation as we focus on continuing to improve the experience of those who use our services and improving our financial performance, thereby ensuring we are in good health to take advantage of the opportunities for partnership and growth offered by the new structure of the Health Service.

#### **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.



## TRUSTEES' ANNUAL REPORT – continued

### YEAR ENDED 31 DECEMBER 2006

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#### PLANS FOR FUTURE PERIODS - 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.

##### Statement of disclosure to auditor

- (a) so far as the Trustees are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

##### 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



ROGER MATTINGLY  
CHAIRMAN

22 May 2007

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

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We have audited the financial statements of The Retreat York on pages 9 to 23 for the year ended 31 December 2006. 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 6 the Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual Report is 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 read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of audit opinion

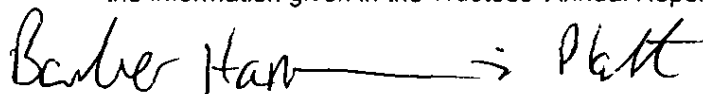
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements and of whether the accounting policies are appropriate to the 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.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its incoming resources and application of resources including its income and expenditure in the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Annual Report is consistent with the financial statements



**Barber Harrison & Platt**  
Chartered Accountants  
Registered Auditors  
Sheffield

16 October 2007

**STATEMENT OF FINANCIAL ACTIVITIES – CONSOLIDATED**  
**(incorporating consolidated income and expenditure account)**  
**YEAR ENDED 31 DECEMBER 2006**

	Note	Restricted Funds £	Unrestricted Funds £	Total 2006 £	Total 2005 £
<b>INCOMING RESOURCES</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income (donations and legacies)		6,872	74,809	81,681	245,115
Rents		-	140,000	140,000	145,551
Investment income	2	-	299,674	299,674	274,333
Other finance income	3	-	508,000	508,000	441,000
<b>Incoming resources from charitable activities</b>					
Patient fees and other charges - The Retreat	4	-	8,109,985	8,109,985	7,549,472
- Joint Venture	5	-	1,904,482	1,904,482	1,880,902
<b>Incoming resources including Joint Venture Income</b>					
		6,872	11,036,950	11,043,822	10,536,373
<b>Share of Joint Venture income</b>		-	(1,904,482)	(1,904,482)	(1,880,902)
<b>Total incoming resources</b>		6,872	9,132,468	9,139,340	8,655,471
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Investment management fees		-	37,008	37,008	27,277
<b>Charitable activities</b>					
Specialist psychosis and recovery services		-	3,104,742	3,104,742	2,991,297
Specialist older people's services		16,719	2,603,538	2,620,257	2,766,815
Specialist adult services		-	2,878,368	2,878,368	2,509,728
<b>Governance costs</b>	6c	-	113,874	113,874	37,184
<b>Total resources expended</b>	6a	16,719	8,737,530	8,754,249	8,332,301
<b>Net incoming/(outgoing) resources</b>		(9,847)	394,938	385,091	323,170
<b>Net income from Joint Venture</b>	5	-	331,068	331,068	352,934
<b>Net incoming/(outgoing) resources for the year</b>		(9,847)	726,006	716,159	676,104
<b>OTHER RECOGNISED GAINS AND LOSSES</b>					
<b>Gains on investments</b>					
Realised	8	-	137,114	137,114	361,985
<b>NET INCOME/(EXPENDITURE) FOR THE YEAR</b>		(9,847)	863,120	853,273	1,038,089
<b>Gains on investments</b>					
Unrealised	8	-	668,789	668,789	736,395
<b>Actuarial gain/(loss) on defined benefit pension scheme</b>	3	-	3,439,000	3,439,000	(712,000)
<b>NET MOVEMENT IN FUNDS</b>		(9,847)	4,970,909	4,961,062	1,062,484
<b>Balance 1 January</b>		27,538	20,217,322	20,244,860	19,182,376
<b>Fund balance at 31 December</b>		17,691	25,188,231	25,205,922	20,244,860

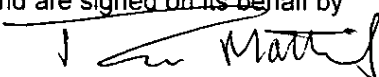
All amounts derive from continuing activities. All gains and losses recognised in the year are included in the Statement of Financial Activities.

# **BALANCE SHEET**

## **YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £	2005 £
<b>Fixed assets</b>			
Tangible assets	7	9,870,321	9,585,465
Investments	8	8,304,214	7,268,534
Investment in Joint Venture	8e	500	500
		<u>18,175,035</u>	<u>16,854,499</u>
<b>Current assets</b>			
Stock		19,788	24,823
Debtors	9	1,527,963	1,319,086
Cash at bank and in hand		2,694,782	2,509,506
		<u>4,242,533</u>	<u>3,853,415</u>
<b>Creditors: amounts falling due within one year</b>	10	818,646	609,054
<b>Net current assets</b>		<u>3,423,887</u>	<u>3,244,361</u>
<b>Total assets less current liabilities excluding pension asset</b>		<u>21,598,922</u>	<u>20,098,860</u>
<b>Defined benefit pension scheme asset</b>		<u>3,607,000</u>	<u>146,000</u>
<b>Net assets including pension asset</b>		<u>25,205,922</u>	<u>20,244,860</u>
<b>Unrestricted funds</b>	11		
General		7,490,917	2,521,857
Designated			
Tangible fixed assets fund - Cost		5,369,517	5,084,661
- Revaluation		4,500,804	4,500,804
		<u>9,870,321</u>	<u>9,585,465</u>
Development fund		7,810,384	8,100,000
Amenity fund		16,609	10,000
		<u>17,697,314</u>	<u>17,695,465</u>
<b>Total unrestricted funds</b>		<u>25,188,231</u>	<u>20,217,322</u>
<b>Restricted funds</b>	12	<u>17,691</u>	<u>27,538</u>
<b>Total funds</b>		<u>25,205,922</u>	<u>20,244,860</u>

The financial statements on pages 9 - 23 were approved by the Board of Directors on 27 May 2007 and are signed on its behalf by

  
 ROGER MATTINGLY  
 CHAIRMAN

**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2006**

	2006 £	2005 £
<b>Reconciliation of surplus of income to net inflow from operating activities</b>		
Net incoming resources for the period	716,159	676,104
Add Depreciation charges	178,781	171,495
Less Investment income received	(299,674)	(274,333)
other finance income	(508,000)	(441,000)
	<u>87,266</u>	<u>132,266</u>
Decrease/(increase) in stock	5,035	(3,185)
Increase in debtors	(208,877)	(292,041)
Increase in creditors	209,592	3,588
Pension cost in excess of contributions made	486,000	832,000
	<u>579,016</u>	<u>672,628</u>
<b>Returns on investments</b>		
Investment income received	<u>299,674</u>	<u>274,333</u>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(463,637)	(482,556)
Purchase of investments	(5,976,244)	(1,654,848)
Sale proceeds of investments	5,746,467	1,506,125
	<u>(693,414)</u>	<u>(631,279)</u>
<b>Increase in cash in the period</b>	<u>185,276</u>	<u>315,682</u>
<b>Movement in cash</b>		
Cash in bank and in hand		
Balance at 1 January 2006	2,509,506	2,193,824
Movement in the period	<u>185,276</u>	<u>315,682</u>
Balance at 31 December 2006	<u>2,694,782</u>	<u>2,509,506</u>

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2006

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#### 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 - Accounting and Reporting by Charities (SORP 2005) published in March 2005, the Companies Act 1985 and applicable UK Accounting Standards.

##### (b) Joint venture

A joint venture is an entity in which the company holds a long term interest and which is jointly controlled by the company and one or more ventures under a contractual arrangement. The results of joint ventures are accounted for using the gross equity method of accounting.

Where joint ventures exist SORP 2005 requires a consolidated Statement of Financial Activities (SOFA) to be prepared even though the company has no subsidiary companies. The only impact of this requirement is that gross incoming resources includes the company's share of the total incoming resources of the joint venture. This figure is deducted to arrive at the company's total incoming resources.

The company's share of income from joint ventures is disclosed after net incoming/(outgoing) resources.

As the surpluses generated by the joint venture are distributed in full, the carrying value of the company's investment in the joint venture does not change and therefore a consolidated balance sheet has not been prepared.

The figures included in the financial statements have been based on audited accounts, adjusted where necessary by reference to unaudited management accounts for the subsequent period to 31 December.

##### (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 costs 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.

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2006 - continued

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#### 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

Charitable activities include expenditure associated with Specialist Psychosis and Recovery Services, Specialist Older People's Services and Specialist Adult Services and include both the direct costs and support costs relating to these activities

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements

Support costs include central functions and have been allocated to activity cost categories on the basis of time spent

##### (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

➤ Short leasehold buildings	Over the remaining period of the lease
➤ Furniture, plant and equipment	12.5% on the reducing balance
➤ Vehicles	25% on the reducing balance
➤ Fire precaution work	7.5% on the reducing balance
➤ Computer equipment and software	25% 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.

Items costing less than £200 are not capitalised

##### (g) Investments

Investments are included at their market value on 31 December 2006 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) Pensions

The costs of providing pensions for employees are charged in the Statement of Financial Activities (SOFA) in accordance with Financial Reporting Standard 17 - 'Retirement Benefits'.

##### (i) Operating leases

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

# NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2006 - continued

2. Investment income	2006 £	2005 £
Dividend income	173,608	189,652
Interest receivable	126,066	84,681
	<u>299,674</u>	<u>274,333</u>

### 3 Provision for employees' pensions

#### Actuarial valuation

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.

A full actuarial valuation of the scheme was carried out as at 31 December 2004 using the projected unit method. At 31 December 2004 the market value of the scheme's assets was £21,438,000. On an ongoing basis the scheme had a valuation surplus in respect of past service rights of £1,249,000, equivalent to an ongoing funding level of 106%. The assumptions used in the report are as follows:

	2004 valuation % per annum	2001 valuation % per annum
Investment return pre retirement	6.75	6.25
Investment return post retirement	5.25	6.25
Salary growth	5.00	4.50
Price inflation	3.00	2.50
Pensions increases	2.75	2.50

Company contributions to the Scheme recommenced in January 2006. A review of the Scheme was carried out with the objective of reducing the costs to the company, and a number of changes were introduced with effect from 1 August 2006 following extensive consultations with members and Scheme trustees. The principal change involves the move from benefits accrued after 1 August 2006 being calculated on the basis of final salary to calculation by reference to career average revalued earnings.

#### FRS 17 details

The major assumptions used by the actuary were:

	2006	2005	2004
Inflation assumption	3.00%	3.00%	2.75%
Rate of increase in salaries	5.00%	5.00%	4.25%
Discount rate	5.10%	4.70%	5.25%
Rate of increase in pensions in payment where increases are linked to inflation	2.9%	2.90%	2.75%

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

	Long term rate return expected at 31.12.06	Value at 31.12.06 £,000	Long term rate return expected at 31.12.05	Value at 31.12.05 £,000	Long term rate return expected at 31.12.04	Value at 31.12.04 £,000
Equities	7.50%	25,641	7.00%	22,959	7.5%	18,782
Bonds	4.75%	1,988	4.25%	2,026	4.5%	2,343
Property	6.00%	616	7.00%	2	7.5%	2
Cash and net current assets	4.50%	281	4.00%	482	4.0%	311
		<u>28,526</u>		<u>25,469</u>		<u>21,438</u>



# NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2006 - continued

### 3. Provision for employees' pensions - continued

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

	2006 £,000	2005 £,000
Total market value of assets	28,526	25,469
Present value of scheme liabilities	24,919	25,323
Surplus	3,607	146

The FRS 17 surplus has decreased during the year ended 31 December 2006 as follows.

	2006 £,000	2005 £,000
Surplus in scheme at 1 January 2006	146	1,249
Movement in year		
Current service cost	(961)	(832)
Contributions	475	-
Other finance income	508	441
Actuarial gain/(loss)	3,439	(712)
Surplus in scheme at 31 December 2006	3,607	146

#### Analysis of the amount charged to charitable expenditure

Current service cost	(961)	(832)
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#### Analysis of the amount credited to other finance income

Expected return on pension scheme assets	1,701	1,512
Interest on scheme liabilities	(1,193)	(1,071)
Net return	508	441

#### Analysis of amount recognised in the statement of total recognised gains and losses (STRGL)

Actual less expected return on scheme assets	1,704	2,943
Experience gains and losses arising on the scheme liabilities	143	(650)
Changes in assumptions underlying the present value of the scheme liabilities	1,592	(3,005)
Actuarial gain/(loss) recognised in STRGL	3,439	(712)

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006 - continued**

**3. Provision for employees' pensions - continued**

**Details of experience gains and losses**

	2006	2005	2004
Difference between the expected and actual return on scheme assets	1,704	2,943	630
Percentage of scheme assets	6%	12%	3%
Experience gains and losses on scheme liabilities	143	(650)	495
Percentage of the present value of scheme liabilities	1%	-3%	2%
Total amount recognised in statement of total recognised gains and losses	3,439	(712)	(38)
Percentage of the present value of scheme liabilities	12%	-3%	0%

**4 Patient fees and other charges**

	2006 £	2005 £
Fees from patients	7,970,860	7,428,008
Grants to cover full cost of reduced fees		
Benevolent fund for friend patients	35,227	22,877
	<u>8,006,087</u>	<u>7,450,885</u>
Sundry income	103,898	98,587
	<u>8,109,985</u>	<u>7,549,472</u>

**5 Joint venture**

The Retreat York 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 results of the joint venture as at 31 December 2006 are as follows

	£
Fee income and contributions received	1,904,482
Expenditure on charitable activities	(1,573,414)
Expenditure on management and administration	-
	<u>331,068</u>

The company's share of the net assets of the joint venture as at 31 May 2006 (the figures as at 31 December 2006 are not available) are as follows

	£
Fixed assets	77,466
Current assets	244,389
Liabilities due within one year	(320,641)
Provision for liabilities and charges	(714)
	<u>500</u>

As all surpluses are distributed equally to the two joint venture partners, there are no net assets in the balance sheet at 31 December 2006 other than the share capital.

With effect from 1 June 2004 this joint venture has operated via a limited company, York House Ventures Limited a company whose share capital is owned 50% by The Retreat York and 50% by The Disabilities Trust.

# NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2006 - continued

### 6(a) Analysis of expenditure

	Direct costs £	Support costs £	2006 Total £	2005 Total £
Specialist psychosis and recovery services	1,805,216	1,299,526	3,104,742	2,991,297
Specialist older people's services	1,572,251	1,048,006	2,620,257	2,766,815
Specialist adult services	1,864,070	1,014,298	2,878,368	2,509,728
Investment management fees	37,008	-	37,008	27,277
Governance costs (Note c)	113,874	-	113,874	37,184
	<u>5,392,419</u>	<u>3,361,830</u>	<u>8,754,249</u>	<u>8,332,301</u>

(b) Support costs totalling £3,361,830 have been allocated across activities. These include costs associated with providing IT, payroll, personnel, finance, property and other central services to the charity.

(c) Governance costs	2006 £	2005 £
Audit fee - audit services	12,896	10,389
- non audit services	-	6,586
Directors' and Governors' expenses	8,235	5,813
Pension scheme legal costs	77,154	-
Other professional fees	15,589	14,396
	<u>113,874</u>	<u>37,184</u>

(d) Employees	2006 £	2005 £
Salaries	5,456,347	5,458,956
Employer's NI	439,472	441,195
Pension scheme (note 3)	916,000	832,000
	<u>6,811,819</u>	<u>6,732,151</u>

The average number of full time equivalent employees in the year was

Medical staff	4	4
Nursing staff	115	117
Other clinical staff	20	20
Administration and support staff	24	27
Estate maintenance	13	11
Hotel services	68	65
	<u>244</u>	<u>244</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006 - continued**

**6 Analysis of expenditure – continued**

**(d) Employees - continued**

The numbers of employees whose emoluments exceeded £60,000 were as follows

	<b>2006</b>	<b>2005</b>
	<b>No</b>	<b>No</b>
Band of earnings		
£60,000 - £69,999	1	1
£70,000 - £79,999	0	0
£80,000 - £89,999	1	2
£90,000 - £99,999	0	0
£100,000 - £109,000	2	1
£110,000 - £120,000	1	2

Of the above, the number of staff to whom retirement benefits are accruing under the defined benefit pension scheme at 31 December 2006 is five

**(e) Other expenditure**

	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Other expenditure includes		
Amounts paid under operating leases		
- land and buildings	36,380	35,785

**7. Fixed assets**

	<b>Freehold land and buildings £</b>	<b>Short leasehold land and buildings £</b>	<b>Furniture plant, equipment vehicles £</b>	<b>Total £</b>
<b>Cost or Valuation</b>				
At 1 January	8,926,546	65,682	2,487,390	11,479,618
Additions in year	339,547	6,691	117,399	463,637
<b>At 31 December 2006</b>	<b>9,266,093</b>	<b>72,373</b>	<b>2,604,789</b>	<b>11,943,255</b>
<b>Depreciation</b>				
At 1 January	130,869	6,568	1,756,716	1,894,153
Charge for the year	28,067	18,257	132,457	178,781
<b>At 31 December 2006</b>	<b>158,936</b>	<b>24,825</b>	<b>1,889,173</b>	<b>2,072,934</b>
<b>Net book value</b>				
<b>At 31 December 2006</b>	<b>9,107,157</b>	<b>47,548</b>	<b>715,616</b>	<b>9,870,321</b>
<b>At 31 December 2005</b>	<b>8,795,677</b>	<b>59,114</b>	<b>730,674</b>	<b>9,585,465</b>

# NOTES TO THE FINANCIAL STATEMENTS

## YEAR ENDED 31 DECEMBER 2006 - continued

### 7 Fixed assets - continued

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 temporarily 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 £35,900 per annum. From that date up to the 31 December 2006 additions costing £2,216,093 have been capitalised and are included in the balance of £9,266,093 above.

The company has taken advantage of the transitional provisions contained within FRS 15 not to adopt a policy of revaluation.

On a historical cost basis the freehold land and buildings would have a net book value at 31 December 2006 of £4,606,353.

8 Investments	2006 £	2005 £
<b>(a) Movements in year at market value</b>		
Market value at 1 January 2006	7,268,534	6,021,431
Acquisitions at cost	5,976,244	1,654,848
Disposals at book value	(5,609,353)	(1,144,140)
Net gains on revaluation at 31 December 2006	668,789	736,395
<b>Market value at 31 December 2006</b>	<b>8,304,214</b>	<b>7,268,534</b>
<b>Historical cost</b>		
<b>At 31 December 2006</b>	<b>7,151,158</b>	<b>5,754,283</b>
<b>(b) Realised gains in the year</b>		
Proceeds	5,746,467	1,506,125
Disposals at book value	(5,609,353)	(1,144,140)
	137,114	361,985
<b>(c) Reconciliation of movement in unrealised gains/losses</b>		
Unrealised gains at 1 January 2006	1,514,251	777,855
Less in respect of disposals in the period	(1,029,984)	(246,054)
Add net gains arising on revaluation in the period	668,789	982,450
<b>Unrealised gains at 31 December 2006</b>	<b>1,153,056</b>	<b>1,514,251</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006 - continued**

<b>8 Investments - continued</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
<b>(d) Analysis of market value</b>		
Listed Securities - UK	5,434,841	5,170,354
- Overseas	2,671,240	1,894,781
Cash deposits	198,133	203,399
	<u>8,304,214</u>	<u>7,268,534</u>

Included within investments are holdings in the following investments representing more than 5% of the value of the portfolio at 31 December 2006

Sarasin Sterling Bond CLS 'A' INC	7 2%
Sarasin CI Equisar Sterling Global Thematic Fund Dist Units	29 1%

**(e) Investment in joint venture**

The company owns 500 ordinary shares of £1 each in York House Ventures Limited representing 50% of its share capital. Further details relating to York House Ventures Limited are given in note 16

<b>9 Debtors</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors	1,335,855	995,248
Other debtor	-	35,000
Amount due from Joint Venture	192,108	286,754
The Retreat Benevolent Fund	-	2,084
	<u>1,527,963</u>	<u>1,319,086</u>

<b>10 Creditors amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade creditors	106,921	116,550
Accruals	300,104	159,582
Tax and social security	153,457	161,301
Patient fees in advance	5,166	6,957
Monies due to patients	251,454	164,664
The Retreat Benevolent Fund	1,544	-
	<u>818,646</u>	<u>609,054</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006 - continued**

**11. Unrestricted funds**

	General fund £	Designated funds			Total £
		Tangible fixed asset fund £	Development fund £	Amenity fund £	
At 1 January 2006	2,521,857	9,585,465	8,100,000	10,000	20,217,322
Incoming resources	9,463,536	-	-	-	9,463,536
Resources expended	(8,737,530)	-	-	-	(8,737,530)
Gains and losses	4,244,903	-	-	-	4,244,903
Transfers	(1,849)	284,856	(289,616)	6,609	-
At 31 December 2006	<u>7,490,917</u>	<u>9,870,321</u>	<u>7,810,384</u>	<u>16,609</u>	<u>25,188,231</u>

**General fund**

	2006 £	2005 £
General fund excluding pension asset	3,883,917	2,375,857
Pension asset	<u>3,607,000</u>	<u>146,000</u>
General fund	<u>7,490,917</u>	<u>2,521,857</u>

The general fund represents the free funds of the charity which are not designated for particular purposes and includes the pension liability

**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 £7,810,384 in total has been earmarked for capital projects for the development of care services at The Retreat, York

**Amenity fund**

This represents money put aside for the patient amenity fund and the patient clothing fund, to be spent on specific items for patient care

**Transfers**

	£	£
Net addition to tangible fixed asset fund		
Additions	463,637	
Depreciation	<u>(178,781)</u>	
		284,856
Transfer to amenity funds		6,609
Transfer from development fund		<u>(289,616)</u>
		<u>1,849</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006 - continued**

**12. Restricted funds**

	Library £	Shop £	Other funds £	Total £
At 1 January 2006	5,342	8,255	13,941	27,538
Incoming resources	-	5,141	1,731	6,872
Expenditure during the period	(14)	(776)	(15,929)	(16,719)
Transfers between funds	-	(400)	400	-
Balance at 31 December 2006	<u>5,328</u>	<u>12,220</u>	<u>143</u>	<u>17,691</u>

**Library** - This fund comprises donations from external bodies to be spent on the library

**Shop** - This fund comprises amounts raised by the sale of refreshments from a shop staffed by volunteers. The monies are donated to the charity to be used for specific purposes

**Other funds** - These funds comprise specific donations from external bodies to be spent on other benefits for patients

**13. Analysis of net assets between funds**

	Fixed assets £	Investment £	Net current assets £	Pension liability £	Fund balances £
Restricted funds	-	-	17,691	-	17,691
Unrestricted					
Designated funds					
Tangible fixed asset fund	9,870,321	-	-	-	9,870,321
Development fund	-	7,810,384	-	-	7,810,384
Amenity fund	-	-	16,609	-	16,609
General fund	-	494,330	3,389,587	3,607,000	7,490,917
	<u>9,870,321</u>	<u>8,304,714</u>	<u>3,423,887</u>	<u>3,607,000</u>	<u>25,205,922</u>

**14. Operating leases**

At 31 December 2006 the company had annual commitments under non cancellable operating leases as set out below

	Land and buildings	
	2006 £	2005 £
Operating leases which expire		
Within one year	<u>36,380</u>	<u>36,380</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2006 - continued**

**15 Capital commitments**

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

	2006	2005
	£	£
Contracted for	737,000	0

**16 Trustees' expenses and remuneration**

Travel expenses reimbursed to Trustees	4,639	2,846
Number of Trustees reimbursed	6	7

The Trustees neither received nor waived any emoluments during the year. A premium of £1,942 for trustee indemnity insurance was paid by the Company during the year.

**17 Related party transactions**

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

	2006	2005
	£	£
Services provided	164,696	108,649
Overheads recharged	2,940	1,534
Rent	124,687	117,117
	292,323	227,300

The amount owing by York House at 31 December 2006 in respect of services and unremitted surpluses is £192,108.