



# **The Retreat**

**Mental healthcare as unique as you are**

**THE RETREAT YORK  
REPORT AND FINANCIAL STATEMENTS  
YEAR ENDED 31 DECEMBER 2003**



**Charity No. 1089826  
Company No. 4325622**



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## **LEGAL AND ADMINISTRATIVE INFORMATION**

### **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.

### **Company Number**

4325622

### **Charity Number**

1089826

### **Trustees and Directors**

Dorothy Crowther

Cedric Dennis \*

John Eversley \* (Retired 31 December 2003)

Valerie Humby

Mavis Iredale (Retired 31 December 2003)

Roger Mattingly \*

John Park (Appointed 1 January 2004)

David Taylor\* (Appointed 1 January 2004)

Colin Wicks

\* Member of the Finance Committee

### **Chief Executive**

Jenny McAleese

### **Company Secretary**

Robert Brownlow

### **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 YEAR ENDED 31 DECEMBER 2003**

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 2003. 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 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.

### **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 2003 produced a surplus of £501,327. Other net income from investments, donations, legacies and grants produced income of £248,865. After deducting costs amounting to £31,063 for the management and administration of the charity, grants of £47,913 towards patients' fees (see below), the result was an overall surplus for the year of £671,216. After taking into account total investment gains of £713,852 there was a net surplus of £1,385,068.

### **Grants towards patients' fees**

Following the exhaustion of the resources of the Grants Fund in 2001 The Retreat agreed to meet the shortfall of fees for two long-stay residents. In the year ended 31 December 2003 a total of £19,939 was paid out of restricted funds and £27,974 out of unrestricted funds in order to meet this shortfall.

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003 - continued**

### **Review of activities and future developments**

The re-arrangement of services initiated in 2002, to facilitate the creation of a second phase of the joint venture brain injury unit, York House, was finally completed when the new unit opened in June 2003. The construction contract was completed on time and within budget and by the end of 2003 the unit was approaching capacity and producing trading surpluses. The surplus generated by the combined units of York House over the year was however significantly reduced by the impact of the start-up costs of this new phase. The areas of The Retreat which had been rearranged in 2002 to accommodate this move had a full year of operating in their new settings and this resulted in them producing an improved financial performance.

Significant progress was made in 2003 in clinical governance and the requirements placed on the organisation by the new regulatory authorities. These factors however inevitably impact on our costs as extra resources are required.

After three consecutive years of falls in the value of our stock market investments it was pleasing to see a turnaround with investment gains adding to the trading surplus and producing an increase in funds.

The main challenge for 2004 is to expand and diversify our services in specialist niche areas of the market utilising the mix of healthcare skills and property assets which we have at The Retreat.

### **Investment powers and policy**

The Retreat York 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 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.

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003 - continued**

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 2003 amounted to £25,534 for four patients. The total funds of the Benevolent Fund at 31 December 2003 amounted to £868,388.

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

### **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 £6,000,000. Presently the undesignated reserves amount to £4,059,754.

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 £2,800,000.

### **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:

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003 - continued**

- 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.

### **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:

## **REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2003 - continued**

- 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.

### **Employee involvement and employment of the disabled**

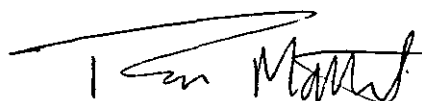
Employees have been consulted on issues of concern to them by means of regular consultative committee and staff meetings and have been kept informed on specific matters directly by management. The charity carries out exit interviews for all staff leaving the organisation.

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 27<sup>th</sup> MAY  
2004



**ROGER MATTINGLY  
CHAIRMAN**



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

We have audited the financial statements of The Retreat York for the year ended 31 December 2003. 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**

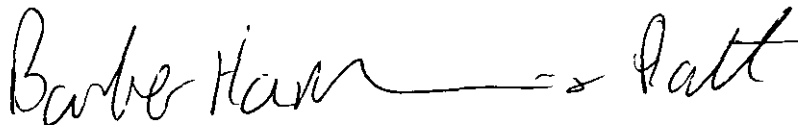
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

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

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 of the state of the company's affairs as at 31 December 2003 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.

A handwritten signature in cursive script, reading "Barber Harrison & Platt". The signature is written in dark ink and is positioned above the printed name of the firm.

**Barber Harrison & Platt**  
Chartered Accountants  
Registered Auditors  
Sheffield  
27 May 2004

**STATEMENT OF FINANCIAL ACTIVITIES  
YEAR ENDED 31 DECEMBER 2003**

	Note	Restricted Funds 2003 £	Unrestricted Funds 2003 £	Total 2003 £	Total 2002 £
<b>INCOMING RESOURCES</b>					
<b>Activities in furtherance of charity objectives:</b>					
Patient fees and other charges	2	-	6,242,867	6,242,867	5,881,004
<b>Other activities to generate funds</b>					
Rents		-	103,124	103,124	58,584
Joint venture income	17	-	91,677	91,677	190,054
Investment income	3	-	188,505	188,505	203,713
Legacies		-	210	210	4,500
Donations		27,261	32,889	60,150	78,205
<b>Total incoming resources</b>		<u>27,261</u>	<u>6,659,272</u>	<u>6,686,533</u>	<u>6,416,060</u>
<b>RESOURCES EXPENDED</b>					
<b>Costs of generating funds</b>					
Investment management fees		-	21,122	21,122	32,116
<b>Net incoming resources available for charitable application</b>		<u>27,261</u>	<u>6,638,150</u>	<u>6,665,411</u>	<u>6,383,944</u>
<b>Charitable expenditure</b>					
Patient care costs	4a	16,264	5,898,955	5,915,219	5,604,950
Grants towards patient fees		19,939	27,974	47,913	42,965
Management and administration	4b	-	31,063	31,063	32,464
<b>Total resources expended</b>		<u>36,203</u>	<u>5,957,992</u>	<u>5,994,195</u>	<u>5,680,379</u>
<b>Net incoming/(outgoing) resources before transfers</b>		<u>(8,942)</u>	<u>680,158</u>	<u>671,216</u>	<u>703,565</u>
Transfer between funds	13	5,512	(5,512)	-	-
<b>Net incoming/(outgoing) resources for the period</b>		<u>(3,430)</u>	<u>674,646</u>	<u>671,216</u>	<u>703,565</u>
<b>OTHER RECOGNISED GAINS AND LOSSES</b>					
<b>Gains/(losses) on investments</b>					
Realised		-	57,835	57,835	(76,070)
Unrealised		-	656,017	656,017	(1,350,475)
		<u>-</u>	<u>713,852</u>	<u>713,852</u>	<u>(1,426,545)</u>
<b>NET MOVEMENT IN FUNDS</b>		<u>(3,430)</u>	<u>1,388,498</u>	<u>1,385,068</u>	<u>(722,980)</u>
Balance 1 January		<u>43,269</u>	<u>14,673,586</u>	<u>14,716,855</u>	<u>-</u>
Assets transferred from The Retreat		-	-	-	15,439,835
<b>Fund balance at 31 December</b>		<u>39,839</u>	<u>16,062,084</u>	<u>16,101,923</u>	<u>14,716,855</u>

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 2003**

	Note	2003		2002
		£	£	£
<b>Fixed assets</b>				
Tangible assets	6	9,202,330		8,706,858
Investments	7	<u>5,473,254</u>		<u>4,643,410</u>
			14,675,584	13,350,268
<b>Current assets</b>				
Stock		20,626		20,110
Debtors	8	1,102,924		778,239
Cash at bank and in hand		<u>1,441,239</u>		<u>1,562,391</u>
		2,564,789		2,360,740
<b>Creditors: amounts falling due within one year</b>	9	<u>501,450</u>		<u>357,153</u>
<b>Net current assets</b>			2,063,339	2,003,587
<b>Total assets less current liabilities</b>			16,738,923	15,353,855
<b>Provisions for liabilities and charges</b>				
	10		<u>637,000</u>	<u>637,000</u>
<b>Net assets</b>			<u>16,101,923</u>	<u>14,716,855</u>
<b>Unrestricted Funds</b>	11			
General			4,059,754	3,366,728
Designated:				
Tangible fixed assets fund				
- Cost		4,701,526		4,206,054
- Revaluation		<u>4,500,804</u>		<u>4,500,804</u>
		9,202,330		8,706,858
Development fund		<u>2,800,000</u>		<u>2,600,000</u>
			12,002,330	11,306,858
<b>Restricted funds</b>	12		16,062,084	14,673,586
			<u>39,839</u>	<u>43,269</u>
<b>Total funds</b>			<u>16,101,923</u>	<u>14,716,855</u>

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

  
ROGER MATTINGLY  
CHAIRMAN

27<sup>th</sup> MAY 2004

**CASH FLOW STATEMENT**  
**YEAR ENDED 31 DECEMBER 2003**

	2003 £	2002 £
<b>Reconciliation of Surplus of Income to Net Inflow from Operating Activities</b>		
Net incoming resources for the period	671,216	703,565
Add: Depreciation charges	135,756	123,013
Less: Investment income received	(188,505)	(203,713)
	<u>618,467</u>	<u>622,865</u>
Increase in stock	(516)	(2,238)
Increase in debtors	(324,685)	(18,374)
Increase/(Decrease) in creditors	144,297	(49,878)
<b>Net Cash Inflow from Operating Activities</b>	<u>437,563</u>	<u>552,375</u>
<b>Returns on Investments</b>		
Investment income received	188,505	203,713
<b>Capital Expenditure and Financial Investment</b>		
Purchase of tangible fixed assets	(631,228)	(515,561)
Purchase of investments	(908,878)	(1,198,959)
Sale proceeds of investments	792,886	1,072,777
	<u>(747,220)</u>	<u>(641,743)</u>
<b>(Decrease)/Increase in Cash in the Period</b>	<u>(121,152)</u>	<u>114,345</u>
<b>Movement in Cash</b>		
Cash in bank and in hand:		
Balance at 1 January 2003	1,562,391	-
Transferred from The Retreat	-	1,448,046
Movement in the period	<u>(121,152)</u>	<u>114,345</u>
Balance at 31 December 2003	<u>1,441,239</u>	<u>1,562,391</u>
<b>Major Non-Cash Transaction</b>		
<b>Net assets transferred from The Retreat York</b>		
Fixed assets	-	8,314,310
Investments	-	5,943,773
Stock	-	17,872
Debtors	-	759,865
Creditors	-	(407,031)
Pension provision	-	(637,000)
	<u>-</u>	<u>13,991,789</u>

## **NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2003**

### **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 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.

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 is not liable to tax on income that it is used for charitable purposes.



**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

**1. Accounting policies - continued**

**(h) Joint venture**

The Retreat York 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.

**(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**

	2003 £	2002 £
Fees from patients	6,155,244	5,821,183
Grants to cover full cost of reduced fees: Benevolent Fund for Friend patients	25,534	17,996
	6,180,778	5,839,179
Sundry income	62,089	41,825
	<u>6,242,867</u>	<u>5,881,004</u>

**3. Investment income**

Listed securities	146,257	149,947
Cash deposits	42,248	53,766
	<u>188,505</u>	<u>203,713</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

**4. Analysis of total resources expended**

	2003	2002
	£	£
<b>(a) Salaries and employment costs</b>		
Salaries	4,430,778	4,200,570
Employer's NI	329,802	304,208
Pension scheme (see note 5)	-	-
Training costs	41,245	36,435
Other staff costs	26,502	37,679
	<u>4,828,327</u>	<u>4,578,892</u>
<b>Other patient care costs</b>		
Patient health expenditure	380,083	372,260
Property related costs	281,548	329,559
Other operational costs	273,241	184,566
Depreciation of furniture, plant, equipment and vehicles	135,756	123,013
Amenity fund expenditure	11,522	9,220
Other restricted expenditure		
Staff fund	108	1,273
Grant for services to refugee children	-	1,500
Resource Centre expenditure	-	487
Patients' clothing fund	1,370	160
Staff/patients' relatives flats expenditure	-	4,020
Rehabilitation flats expenditure	3,000	-
Patients' library expenditure	61	-
Snoezelan room expenditure	203	-
	<u>4,742</u>	<u>-</u>
	<u>1,086,892</u>	<u>1,026,058</u>
	<u>5,915,219</u>	<u>5,604,950</u>
<b>(b) Management and administration costs</b>		
Audit fee	11,873	9,706
Directors' and Governors' expenses	7,299	5,284
Incorporation costs	8,008	9,522
Other professional fees	3,883	7,952
	<u>31,063</u>	<u>32,464</u>
<b>(c) Employees</b>		

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 2003 is 123.

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

**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 2003. 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**  
**YEAR ENDED 31 DECEMBER 2003 - 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:

	2003	2002
Inflation assumption	2.5%	2.4%
Rate of increase in salaries	4.0%	3.9%
Discount rate	5.4%	5.4%
Rate of increase in pensions in payment where increases are linked to inflation	2.5%	2.4%

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

	Long term rate return expected at 31.12.03	Value at 31.12.03 £,000	Long term rate return expected at 31.12.02	Value at 31.12.02 £,000
Equities	7.5%	17,255	7.5%	14,390
Bonds	4.5%	2,354	4.5%	2,426
Property	7.5%	2	7.5%	2
Cash and net current assets	4.0%	395	4.0%	512
		<u>20,006</u>		<u>17,330</u>

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

	2003 £,000	2002 £,000
Total market value of assets	20,006	17,330
Present value of scheme liabilities	<u>18,475</u>	<u>16,799</u>
Surplus	<u>1,531</u>	<u>531</u>

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

	2003 £,000	2002 £,000
Net assets	16,102	14,717
Add pension liability under SSAP24	637	637
Net assets excluding liability under SSAP 24	<u>16,739</u>	<u>15,354</u>
FRS17 pension surplus	<u>1,531</u>	<u>531</u>
Net assets including FRS 17 pension surplus	<u>18,270</u>	<u>15,885</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

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

The FRS 17 surplus has increased during the year ended 31 December 2003 as follows:

	31.12.03 £,000	31.12.02 £,000
Surplus in scheme at 1 January 2003	531	7,305
Movement in year:		
Current service cost	(609)	(488)
Contributions	8	11
Other finance income	286	654
Actuarial gain (loss)	1,315	(6,951)
Surplus in scheme at 31 December 2003	1,531	531

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

Current service cost which would have been charged to net incoming resources	609	488
Expected return on pension scheme assets	1,196	1,540
Interest on scheme liabilities	(910)	(886)
Net amount which would have been included as other finance income	286	654
Total which would have been (debited)/credited to net incoming resources	(323)	166

**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	1,967	(6,433)
Experience gains and losses arising on the scheme liabilities	(374)	176
Changes in assumptions underlying the present value of the scheme liabilities	(278)	(694)
Actuarial gain/(loss) recognised in statement of total recognised gains and losses	1,315	(6,951)

**Details of experience gains and losses for the year to 31 December 2003:**

Difference between the expected and actual return on scheme assets	1,967	(6,433)
Percentage of scheme assets	10%	-37%
Experience gains and losses on scheme liabilities	(374)	176
Percentage of the present value of scheme liabilities	-2%	1%
Total amount recognised in statement of total recognised gains and losses	1,315	(6,951)
Percentage of the present value of scheme liabilities	7%	-41%

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

**6. Fixed assets**

	Freehold land and buildings £	Furniture plant, equipment vehicles £	Total £
<b>Cost or Valuation</b>			
At 1 January	8,141,216	2,001,646	10,142,862
Additions in year	539,454	91,774	631,228
Disposals in year	-	-	-
<b>At 31 December 2003</b>	<b>8,680,670</b>	<b>2,093,420</b>	<b>10,774,090</b>
<b>Depreciation</b>			
At 1 January	52,713	1,383,291	1,436,004
Disposals in year	-	-	-
Charge for the year	21,659	114,097	135,756
<b>At 31 December 2003</b>	<b>74,372</b>	<b>1,497,388</b>	<b>1,571,760</b>
<b>Net book value</b>			
<b>At 31 December 2003</b>	<b>8,606,298</b>	<b>596,032</b>	<b>9,202,330</b>
<b>At 31 December 2002</b>	<b>8,088,503</b>	<b>618,355</b>	<b>8,706,858</b>

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 2003 additions costing £1,630,670 have been capitalised and are included in the balance of £8,680,670 above.

On a historical cost basis the freehold land and buildings would have a net book value at 31 December 2003 of £4,105,494.

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

**7. Investments**

<b>(a) Movements in year at market value</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Market value at 1 January 2003	4,643,410	5,943,773
Acquisitions at cost	908,878	1,198,959
Disposals at book value	(735,051)	(1,148,847)
Net gains/(losses) on revaluation at 31 December	<u>656,017</u>	<u>(1,350,475)</u>
<b>Market value at 31 December 2003</b>	<b><u>5,473,254</u></b>	<b><u>4,643,410</u></b>
<b>Historical cost</b>		
<b>At 31 December 2003</b>	<b><u>5,213,817</u></b>	<b><u>5,271,588</u></b>
<b>(b) Realised gains in the year</b>		
Proceeds	792,886	1,072,777
Disposals at book value	<u>(735,051)</u>	<u>(1,148,847)</u>
	<b><u>57,835</u></b>	<b><u>(76,070)</u></b>
<b>(c) Reconciliation of movement in unrealised gains/losses</b>		
Unrealised losses at 1 January 2003	(628,178)	831,421
Add in respect of disposals in the period	231,598	(109,124)
Add net gains/(losses) arising on revaluation in the period	<u>656,017</u>	<u>(1,350,475)</u>
<b>Unrealised gains/(losses) at 31 December 2003</b>	<b><u>259,437</u></b>	<b><u>(628,178)</u></b>
<b>(d) Analysis of Market Value</b>		
Listed Securities - UK	3,961,822	3,197,116
- Overseas	1,345,224	1,272,886
Cash deposits	<u>166,208</u>	<u>173,408</u>
	<b><u>5,473,254</u></b>	<b><u>4,643,410</u></b>

Included within investments is a holding in Vodafone Group representing 5.2% of the value of the portfolio at 31 December 2003

**8. Debtors**

Trade debtors	838,794	557,176
Amount due from Joint Venture	263,169	218,606
Amount due from Benevolent Fund	-	75
Tax recoverable	<u>961</u>	<u>2,382</u>
	<b><u>1,102,924</u></b>	<b><u>778,239</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

<b>9. Creditors: amounts falling due within one year</b>	<b>2003</b>	<b>2002</b>
	£	£
Trade creditors	144,840	69,690
Accruals	243,072	181,342
Tax and social security	108,446	96,957
Patient fees in advance	4,279	9,164
Benevolent Fund	813	-
	<u>501,450</u>	<u>357,153</u>

**10. Provisions for liabilities and charges**

At 1 January 2003 and 31 December 2003	<u>637,000</u>	<u>637,000</u>
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**11. Unrestricted funds**

	<u>Designated funds</u>			
	<b>General Fund</b>	<b>Tangible fixed asset fund</b>	<b>Development fund</b>	<b>Total</b>
	£	£	£	£
At 1 January 2003	3,366,728	8,706,858	2,600,000	14,673,586
Incoming resources	6,659,272	-	-	6,659,272
Resources expended	(5,979,114)	-	-	(5,979,114)
Investment gains	713,852	-	-	713,852
Transfers	(700,984)	495,472	200,000	(5,512)
At 31 December 2003	<u>4,059,754</u>	<u>9,202,330</u>	<u>2,800,000</u>	<u>16,062,084</u>

**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 £2,800,000 has been earmarked for capital projects for the development of care services at The Retreat, York.

**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

**11. Unrestricted funds - continued**

**Transfers**

	£	£
Net addition to tangible fixed asset fund		
Additions	631,228	
Depreciation	(135,756)	
		495,472
Transfer to amenity funds (note 13)		5,512
Transfer to development fund		200,000
		<u>700,984</u>

**12. Restricted funds**

	Rehab Flats £	Shop £	Other Funds £	Patient Fees £	Total £
At 1 January 2003	3,000	3,500	36,769	-	43,269
Incoming resources	-	-	7,322	19,939	27,261
Expenditure during the period	(3,000)	-	(13,264)	(19,939)	(36,203)
Transfers from unrestricted funds	-	-	5,512	-	5,512
Balance at 31 December 2003	<u>-</u>	<u>3,500</u>	<u>36,339</u>	<u>-</u>	<u>39,839</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, York 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 2003 the company had annual commitments under non cancellable operating leases as set out below.

	2003 £	2002 £
Operating leases which expire:		
Two to five years	<u>34,000</u>	<u>34,000</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003 - continued**

**15. Capital commitments**

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

	2003	2002
	£	£
Contracted for	-	445,000
Not contracted for	-	-
	<u>-</u>	<u>445,000</u>

**16. Trustees' expenses and remuneration**

Travel expenses reimbursed to Trustees	<u>3,742</u>	<u>2,283</u>
Number of Trustees reimbursed	<u>6</u>	<u>6</u>

The Trustees neither received nor waived any emoluments during the year. A premium of £1,680 for trustee indemnity insurance was paid by the Company during the year.

**17. 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 turnover and net assets of the joint venture as at 31 May 2003 are as follows:

	£,000
Turnover	949
Fixed assets	370
Current assets	341
Liabilities due within one year	(709)
Provision for liabilities and charges	(2)

As all surpluses are distributed equally to the two joint venture partners, there are no net assets in the balance sheet at 31 December 2003.

**18. Related party transactions**

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

	2003	2002
	£	£
Services provided	69,868	48,506
Overheads recharged	67,896	59,997
Rent	<u>52,574</u>	<u>13,545</u>
	<u>190,338</u>	<u>122,048</u>

The amount owing by York House at 31 December 2003 in respect of services and unremitted surpluses is £263,169.