

**The British  
Home and  
Hospital for  
Incurables**

**Report and Financial Statements  
for the year to**

31 March 2015

Charity Registration Number  
206222

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## Reference and administrative details

<b>Patron</b>	Her Royal Highness Princess Alexandra
<b>Honorary President</b>	Professor, The Lord McColl of Dulwich
<b>Chairman</b>	Mrs Kay Sonneborn BA
<b>Deputy Chairman</b>	Mr David Green MA (Cantab) FRSA
<b>Board of Trustees</b>	Mrs Patricia Collinson RN, Dip NUR, RNT Mr Kenneth Dunn MA, DipMS Mr David Green MA (Cantab), FRSA Ms Alison Hughes RN, MHSM Mrs Rowenna Hughes GradDip MCSP, SRP Mr James Mill TD, CA Mr Derek Prentice Mrs Kay Sonneborn BA Mr Dennis Vine FRICS
<b>Director and Secretary to the Board</b>	Mr Larry Gunning FCA
<b>Address</b>	Crown Lane Streatham London SW16 3JB
<b>Website</b>	<a href="http://www.britishhome.org.uk">www.britishhome.org.uk</a>
<b>Charity registration number</b>	206222
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL

## Reference and administrative details

<b>Investment advisors</b>	CCLA Investment Management Limited 80 Cheapside London EC2V 6DZ
	Sarasin & Partners LLP Juxon House 100 St Paul's Churchyard London, EC4M 8BU
<b>Bankers</b>	Barclays Bank plc Clapham Common Group PO Box 4038 London, SW12 9YB
<b>Legal advisers</b>	Hempsons 40 Villiers Street London, WC2N 6NJ
<b>Property advisers</b>	Bilfinger GVA 65 Gresham Street London EC2V 7NQ

The Board of Trustees ('the Board') presents the statutory report and financial statements of The British Home and Hospital for Incurables ('The British Home') for the year ended 31 March 2015.

The financial statements have been prepared in accordance with the accounting policies set out on pages 17 and 18 and comply with The British Home's Charter of Incorporation and Regulations, applicable laws and the requirements of the Statement of Recommended Practice on "Accounting and Reporting by Charities" (SORP 2005).

### **Board Responsibilities Statement**

The charity's trustees are responsible for preparing the report and financial statements in accordance with applicable law and United Kingdom generally accepted accounting practice. Charity law requires the Board, as trustees, to prepare accounts which give a true and fair view of The British Home's financial activities during the year and its financial position at the end of the year. In preparing the attached accounts, the Board is required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the accounts;
- ◆ prepare the accounts on the going concern basis unless it is inappropriate to presume that The British Home will continue to operate.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of The British Home and which enable it to ensure that the accounts comply with the Charities Act 2011. It is also responsible for safeguarding the assets of The British Home and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Structure, governance and management**

The British Home was granted a Royal Charter on 1 November 1899. It is governed by a Charter of Incorporation and Regulations (revised 8 January 2009) and is a registered Charity (No. 206222). Responsibility for The British Home rests with the Board who are the trustees of the charity for the purposes of charity legislation.

The British Home is regulated by the Charity Commission and by the Care Quality Commission (CQC).

The Board met six times in the year to 31 March 2015 and more informally on a number of occasions to discuss the future strategy of the Home. At 31 March 2015 the Board comprised nine members eight of whom who held office throughout the year. Mr Kenneth Dunn was co-opted to the Board on the 26 November 2014.

**Structure, governance and management** (continued)

At the 2014 annual meeting held on the 26 September 2014 the Chairman and Deputy Chairman were re-elected as the officers of the charity through to 31 December 2015.

No member of the Board received any remuneration for services as a member of the Board (2014 - £ nil). Travel expenses of £67 were reimbursed (2014 - £67).

The Board announced in March 2014 an ambitious vision for the future of The British Home. In late 2014 the Board and management of the Home, with the assistance of property advisers Bilfinger GVA, entered into a pre-planning discussion with Lambeth Council to explore what might be possible by way of redevelopment options for the site. Once these discussions have concluded, the Board hopes to be in a position later in 2015 to be able to share with its various stakeholders, options for the creation of a new British Home and the redevelopment of the Crown Lane site. The objective of this initiative is to meet the 21st century challenges of supporting people with physical disability and long term life limiting medical conditions while securing the longer term financial viability of the charity. The Board will consult widely and throughout any redevelopment it will prioritise minimising disruption and safeguarding the quality of life of residents of the Home.

***Management of The British Home***

As of 1 April 2015, The British Home entered into a further agreement to 31 March 2018 for the day to day running of the home with the MHA Care Group (MHA), part of the Methodist Housing Association. The British Home remains an independent charity and the Board remain fully responsible for all aspects of The British Home.

There have been two CQC unannounced inspections during the period of this report. An unannounced inspection took place in April 2014 when The British Home was judged not to have met two of the six standards inspected namely Reporting of Other Incidents, and a CQC concern with regard to staffing levels that residents' needs may not always be met on a timely basis. A plan of action was submitted to CQC to address these issues and following a further unannounced visit in September 2014, The British Home was judged to fully meet the required standards.

***Trustee recruitment, induction and training***

The Board from time to time reviews the mix of skills and experience of its members and seeks new trustees where particular skill gaps are identified. The Board in November 2014 welcomed Mr Kenneth Dunn as a trustee. Kenneth brings a wide range of social care experience to the Board.

Trustees are kept up to date with the issues The British Home faces. Working groups of trustees and management are formed from time to time to tackle specific issues and trustees participate in the monthly Board visitor programme where they have the opportunity to hear and see first-hand how well The British Home achieves its aims.

**Structure, governance and management** (continued)

***Trustee recruitment, induction and training*** (continued)

*Executive Management*

Mr. Larry Gunning is the Director of The British Home, a position he holds on a part-time basis. Larry originally joined The British Home in 2006 and has worked closely with trustees in developing the future of the charity. The Director has overall responsibility to the Board for the operation and development of The British Home through MHA. In September 2014 The Board appointed Mr Keith Crowhurst as its new Home Manager. Keith is a registered nurse and an experienced care home manager with qualifications in the leadership and management of care services. Keith holds a MSc. from University College London and has written and lectured on care matters.

*Risk Management*

The Board regularly reviews the potential major risks to the operation of The British Home to ensure adequate control measures are in place and to identify any additional risks that the Home may be exposed to. The Board maintains a comprehensive suite of insurance policies.

**Aims, objectives and strategy**

The aim of the Home is to provide residential nursing care, social and emotional support to adults who are chronically sick and severely physically disabled. Residents are consulted with regard to their care and the running of the home. Each resident has a named member of staff as their 'key worker'. Through formal reviews, surveys and resident meetings, residents' views and concerns are sought and acted on.

The Board has previously concluded that the current operational model where the fees charged do not cover the cost of providing care in an expensive to maintain and modernised building is not sustainable, and has announced its intention to build a new care home as part of an ambitious vision to redevelop the existing site at Crown Lane.

The Board believes that The British Home continues to meet the Charity Commission's public benefit test in that the majority of residents in The British Home have for many years benefited from the availability of external statutory funding, by the charitable subsidising of the running cost of the Home and from the provision of a range of additional services provided out of The British Home's charitable funds.

***Volunteering***

Our volunteers and The Friends of The British Home continue to provide much appreciated support to our residents through involvement in a wide range of activities from running the in-house shop, assisting at meal times, maintaining our gardens, visiting and accompanying residents on outings. Additionally, a number of church groups provide pastoral support.

**Aims, objectives and strategy** (continued)

***Fundraising***

The shortfall in our income is made up from donations, legacies and the return on our investments. We are grateful to the many individuals and organisations who are long term supporters of The British Home. The importance of legacies is well demonstrated in the results to 2015 where falling occupancy was compensated by generous legacy receipts.

**Achievements, performance and outcomes**

The British Home is registered to look after a maximum of 127 residents. Given the need to modernise some of the facilities and in response to falling occupancy The British Home operates today with an effective capacity of some 75 single rooms (2014 - 80) of which some 60 are en-suite. Average occupancy over the year on this basis was 93% or 70 residents (2014 – 93%: 75 residents).

The British Home provides a range of social and individual activities through a dedicated team and with the help of many volunteers. To enhance the Home's social and emotional care a new appointment of a Wellbeing Co-ordinator was made in February 2015. The Home continues its programme of maintenance and improvement to our building but given its age there is the ever present concern of having to spend large sums to ensure the building remains fit for purpose.

As set out below, in striving to provide the best possible care, support and range of services for its beneficiaries The British Home continues to incur a significant annual operating deficit. In recent years many initiatives have been undertaken to lower the cost of running the Home. However, there is a limit to what can be achieved while the charity continues to operate from a very large, outdated and expensive to maintain building. The charity, to meet its costs, continues to be reliant on very generous public support in terms of donations and legacies and supplementing this from the investment funds built up through such generosity over previous years. As previously reported, the Board has concluded that longer term such reliance gives the charity too precarious an existence and it has announced an exciting vision to re-provide a new 21<sup>st</sup> century state of the art environment care home as part of a proposed redevelopment of the Crown Lane site.

## Financial review

### *Performance in the year*

#### a) *Operating deficit*

The operating deficit for the period was £1,005,040 (2014 - £837,188) as shown in the table below

	2015 £	2014 £
Fees	<b>3,175,135</b>	3,306,185
Less: Resources expended	<b>(4,180,175)</b>	(4,143,373)
<b>Operating deficit</b>	<b>(1,005,040)</b>	(837,188)
Donations	<b>70,991</b>	80,068
Investment income	<b>501,622</b>	511,754
Other income	<b>75</b>	29,682
<b>Deficit before legacies</b>	<b>(432,352)</b>	(215,684)
Legacies	<b>580,560</b>	228,884
<b>Net incoming resources for the period</b>	<b>148,208</b>	13,200

#### b) *Fees*

Income from fees charged amounted to £3,175,135 (2014 - £3,306,185). The decline in average occupancy was partially compensated by the higher fees generated in respect of new admissions with greater care needs. As in recent years a very low level of fee increase was awarded and again only by a small number of funders putting continued pressure on the charity's resources.

#### c) *Resources expended*

Resources expended in 2015 amounted to £4,180,175 (2014 - £4,143,373). Within this total, staffing costs of £2,309,813 (2014 - £2,357,419) were slightly lower than last year, Governance costs of the charity increased to £150,822 (2014 - 117,312) reflecting higher spend on professional advisory fees as the charity sought to clarify redevelopment options for the Crown Lane site. A number of other savings were however more than offset by expenditure of some £200,000 (2014 - £nil) on non-routine building maintenance.

#### d) *Fundraising and publicity*

Costs, with allocated support costs, totalled £78,831 (2014 - £73,008). Donations decreased from last year to £70,991 (2014 - £80,068). Income from legacies increased to £580,560 (2014 - £228,884). Historically legacy income has fluctuated and is unpredictable from year to year. The Board believes it appropriate to rebuild public and particularly our local community awareness of the work of the charity. A national advertising campaign has been launched as part of this strategy. Additionally, the charity has staged more ambitious events and engaged with a wide range of organisations in our local area as we seek to engender support for our future plans.

**Financial review** (continued)

***Pension Liabilities***

The most recent triennial actuarial valuation of the Home's final salary pension scheme was carried out as at 31 March 2013. The initial outcome from this reappraisal identified a funding shortfall of £543,000 with a funding level of 94%. Subsequent to the evaluation as at 31 March 2013 a one-off contribution to the scheme of £1million was made in September 2013. Additionally, contributions of £5,600 per month to discharge the balance of the shortfall identified in the 2010 Triennial over a five year period commencing April 2011 to March 2016 agreed as part of the 2010 Recovery Plan continued to be made up to 31 March 2014. The Employer Future Service Contribution Rate continued at 19% of pensionable payroll.

Following consultation with staff and agreement with the Corporate Trustee the Scheme closed to new members and future accrual as of 31 March 2014. Following the closure of the Scheme, the Actuary estimated that the funding shortfall identified in the 2013 Triennial of £543,000 would reduce by some £300,000. This and the additional £1million contribution ensure that the closed Scheme is fully funded and no additional contributions are currently estimated to be required from The British Home over the next five years. With the closed Scheme estimated to be fully funded the £5,600 a month additional contribution as part of the 2010 Recovery Plan ceased at 31 March 2014. The funding of the Scheme will be formally reassessed as part of the next Triennial Valuation due in 2016

The replacement to the now closed final salary scheme is a defined contribution Group Personal Pension Plan provided through Scottish Life. Under this arrangement The British Home contributes 10% of pensionable salary while employees contribute 5%. From the 1 June 2015 employees who have not elected to join the GPPP will, if eligible, be subject to auto-enrolment at contribution rates set as part of the Government's pension membership initiative.

The reduction in funding shortfall resulting from the closure of the scheme, together with the additional contributions paid into the Scheme and a positive investment climate during the year more than compensating worsening liability discount factors, the FRS 17 pension assessment identified an unrefundable surplus as of 31 March 2015. Hence a nil pension asset / liability is shown in the balance sheet (2014 - £nil). More information is set out in Note 19.

***The Home's Net Assets***

The net assets of The British Home at 31 March 2015 were £16,357,908 (2014 - £15,009,273). Of these £864,939 (2014 - £994,263) comprise buildings, furniture and equipment with purchases and disposals during the year shown in the notes to the accounts.

The improvement in the value of The British Home's assets is largely due to the improvement in the market value of investment assets.

**Financial review** (continued)

***Reserves policy and financial position***

In determining the level of reserves necessary to continue the work of The British Home, the Board balances its long term obligations and risks with the needs of current residents. Where there is a capital commitment or a need to generate income for a specific purpose, the Board establishes designated funds out of the General fund.

The balance sheet shows that as at the 31 March 2015 £864,939 (31 March 2014 - £994,263) of the Home's funds are represented by tangible fixed assets, mostly in freehold buildings, which are wholly used for charitable purposes and are represented by a specific designated fund.

For 2015 the Board has again decided that the designation of its reserves should remain unchanged and that any future re-designation should be based on the needs identified once the cost of the proposed future redevelopment of the Crown Lane site, including the provision of a new care home, are better known. Accordingly for 2015 the funds designated as Continuity of Care, the Major and Cyclical Maintenance Fund remain unchanged. The designated Bursary Fund £2,226,074 (2014 - £ 2,215,174) currently supports payment to a small number of annuitants and is credited each year with notional interest income. As a result the Home's general funds at 31 March 2015 increased to £4,436,326 (2014 - £2,969,267).

**Investment policy and performance**

The Home's investment portfolio is spread between direct holdings in the COIF Charity Investment and Fixed Income Funds and the Sarasin Consolidated Alpha Fund for Endowments. The performance of these funds is periodically reviewed by the Board. The Board's objectives are to maximise total return at an acceptable level of risk so as to supplement the Home's income.

The market value of the portfolio at 31 March 2015 was £15,273,248 (31 March 2014 - £13,545,123). The value of the Home's investments can rise and fall. There is no guarantee that the Home's investments will realise the value as shown in the balance sheet.

Investment income, produced from our investments, amounted to £501,662 (2014 - £511,754). As at the 31 March 2015 there were net unrealised investment gains of £1,216, 027 (2014 - £472,799) reflecting the change in market value of investments since 31 March 2014.

**Auditor**

Buzzacott LLP, The British Home's auditor have indicated their willingness to remain in office for a further year.

### **Plans for future periods**

The Board believes it has made considerable progress in the last year to enhance the position of the charity having appointed a new Home Manager, entered into a management agreement to 31 March 2018 for oversight of the day to day running of the Home with the MHA Care Group, secured CQC affirmation as to the quality of service provision, had a continuing dialogue with Lambeth Planning as to what might be feasible with regard to the future redevelopment of the site and continued to be the beneficiary of some very generous public support. The Board anticipates that in its 2015 report it will be able to give substantially more detail with regard to its future plans to redevelop the Crown Lane site, including the building of a new care home, to meet the challenge of a very different 21st century social care environment that now exists compared to when the charity was established 150 years ago. The Board hopes in 2015 to be able to start a wide consultation as to how best to turn this vision into a reality. An imperative for the Board will be to ensure that all our residents will be accommodated in the new home, to keep disruption to residents lives and the working environment for staff to a minimum and to maintain the highest standards of care during the re-development.

The Board continues to be highly appreciative of the support for the Home shown by commissioners of social care. The British Home as an independent charity well understands the cost pressures associated with the provision of social care and hope that the Board and Commissioners can work together to ensure the ongoing provision of first class, affordable care at Crown Lane.

The success of The British Home as a charity is down to the combined efforts of many individuals and organisations. However one group clearly stand out as being the bedrock on which the charity stands and that group is its dedicated and caring staff. The Board would like to say 'thank you' to every member of our staff who day in day out do a wonderful job in supporting, caring and enriching the lives of the residents of The British Home.

### **Honorary President**

The Board would like to thank the Home's Honorary President, Professor, the Lord McColl of Dulwich CBE for lending his support to the Home.

### **Royal Patronage**

The Board wishes to express its gratitude to our Royal Patron, Princess Alexandra for her continuing support for the Home.

Approved by the Board of Trustees and  
signed on its behalf by:

Kay Sonneborn - Chairman  
Trustee

Approved on 15 July 2015

**Independent auditor's report to the trustees of The British Home and Hospital for Incurables**

We have audited the financial statements of The British Home and Hospital for Incurables for the year ended 31 March 2015, which comprise the statement of financial activities, the balance sheet, cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and with regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of trustees and auditor**

As explained more fully in the trustees' responsibilities statement set out in the report of the Board of Trustees, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the report of the Board of Trustees to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on the financial statements**

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the charity's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Charities Act 2011.

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- ◆ the information given in the report of the Board of Trustees is inconsistent in any material respect with the financial statements; or
- ◆ sufficient accounting records have not been kept; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Buzzacott LLP  
Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

20 July 2015

Buzzacott LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

Statement of financial activities Year to 31 March 2015

	Notes	Un-restricted funds £	Restricted funds £	Endow-ment funds £	2015 Total funds £	2014 Total funds £
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from generated funds</b>						
Voluntary income	1	650,551	1,000	—	<b>651,551</b>	308,952
Investment income	2	501,622	—	—	<b>501,622</b>	511,754
Other income		75	—	—	<b>75</b>	29,682
<b>Incoming resources from charitable activities</b>						
Fees from medical and nursing services		3,175,135	—	—	<b>3,175,135</b>	3,306,185
<b>Total incoming resources</b>		<b>4,327,383</b>	<b>1,000</b>	<b>—</b>	<b>4,328,383</b>	<b>4,156,573</b>
<b>RESOURCES EXPENDED</b>						
<b>Cost of generating funds</b>						
Cost of generating voluntary income	3	78,831	—	—	<b>78,831</b>	73,008
<b>Charitable activities</b>						
. Medical and nursing services	4	3,939,382	—	—	<b>3,939,382</b>	3,943,692
. Annuity and other charitable services	4	10,140	1,000	—	<b>11,140</b>	9,361
<b>Governance costs</b>	6	<b>150,822</b>	<b>—</b>	<b>—</b>	<b>150,822</b>	117,312
<b>Total resources expended</b>		<b>4,179,175</b>	<b>1,000</b>	<b>—</b>	<b>4,180,175</b>	<b>4,143,373</b>
<b>Net incoming resources for the year before gains and losses</b>		<b>148,208</b>	<b>—</b>	<b>—</b>	<b>148,208</b>	<b>13,200</b>
<b>Gains on investments</b>	11	<b>1,216,027</b>	<b>—</b>	<b>—</b>	<b>1,216,027</b>	<b>472,799</b>
<b>Actuarial loss on pension scheme</b>	19	<b>(15,600)</b>	<b>—</b>	<b>—</b>	<b>(15,600)</b>	<b>(312,200)</b>
<b>Net movement in funds</b>		<b>1,348,635</b>	<b>—</b>	<b>—</b>	<b>1,348,635</b>	<b>173,799</b>
<b>Fund balances brought forward at 1 April 2014</b>		<b>14,978,704</b>	<b>18,092</b>	<b>12,477</b>	<b>15,009,273</b>	<b>14,835,474</b>
<b>Fund balances carried forward at 31 March 2015</b>		<b>16,327,339</b>	<b>18,092</b>	<b>12,477</b>	<b>16,357,908</b>	<b>15,009,273</b>

**Statement of financial activities** Year to 31 March 2015

	<b>2015 Total funds £</b>	2014 Total funds £
<b>Historical cost net movement in funds</b>		
Net movement in funds (page 13)	<b>1,348,635</b>	173,799
FRS17 Pension adjustment	—	(1,165,600)
Unrealised gains on investments	<b>(1,216,027)</b>	(412,195)
Difference between historical cost realised gains and the actual realised gains or losses calculated on the revalued amounts	—	199,575
<b>Historical cost net movement in funds</b>	<b>132,608</b>	<b>(1,204,421)</b>

All of the Home's activities are derived from continuing operations during the above two financial periods.

**Balance sheet** 31 March 2015

	Notes	2015 £	2015 £	2014 £	2014 £
<b>Fixed assets</b>					
Tangible fixed assets	10		<b>864,939</b>		994,263
Investments	11		<b>15,273,248</b>		13,545,123
			<b>16,138,187</b>		14,539,386
<b>Current assets</b>					
Debtors	12	<b>307,810</b>		196,710	
Cash at bank		<b>660,103</b>		943,945	
		<b>967,913</b>		1,140,655	
<b>Creditors:</b> amounts falling due within one year	13	<b>(748,192)</b>		(670,768)	
<b>Net current assets</b>			<b>219,721</b>		469,887
<b>Net assets excluding pension liability</b>			<b>16,357,908</b>		15,009,273
<b>Pension liability</b>	19		—		—
<b>Total assets including pension liability</b>			<b>16,357,908</b>		15,009,273
<b>Represented by:</b>					
<b>Funds and reserves</b>					
Endowment fund	15		<b>12,477</b>		12,477
Restricted funds	16		<b>18,092</b>		18,092
Unrestricted funds					
. Designated funds	17				
.. Tangible fixed assets fund			<b>864,939</b>	994,263	
.. Continuity of care fund			<b>5,800,000</b>	5,800,000	
.. Major and cyclical maintenance fund			<b>3,000,000</b>	3,000,000	
.. Bursary fund			<b>2,226,074</b>	2,215,174	
			<b>11,891,013</b>		12,009,437
. General fund			<b>4,436,326</b>		2,969,267
			<b>16,357,908</b>		15,009,273

Approved by the Board of Trustees on 15 July 2015 and signed on its behalf by:

Kay Sonneborn  
Trustee

David Green  
Trustee

**Cash flow statement** 31 March 2015

	Notes	2015 £	2015 £	2014 £	2014 £
<b>Net cash outflow from operating activities</b>	a		<b>(265,566)</b>		<b>(1,862,088)</b>
<b>Net cash inflow from return on investments</b>					
Interest and investment income			<b>501,622</b>		511,754
<b>Net cash inflow from investing activities</b>					
Proceeds from sale of listed investments			—		1,800,000
Purchase of listed investments			<b>(500,000)</b>		—
Purchase of fixed assets			<b>(7,800)</b>		—
<b>(Decrease) increase in cash</b>	b		<b>(271,744)</b>		<b>449,666</b>

**Notes to the cash flow statement for the year ended 31 March 2015**

**a. Adjustment of net incoming (outgoing) resources for the year to net cash outflow from operating activities**

	2015 £	2014 £
Net incoming resources for the year	<b>148,208</b>	13,200
FRS 17 pension charge adjustment	<b>(15,600)</b>	(1,477,800)
Depreciation charge	<b>137,124</b>	167,948
Investment income and other income receivable	<b>(501,622)</b>	(511,754)
(Increase) decrease in debtors	<b>(111,100)</b>	74,057
Increase (decrease) in creditors	<b>77,424</b>	(127,739)
<b>Net cash outflow from operating activities</b>	<b>(265,566)</b>	<b>(1,862,088)</b>

**b. Analysis of cash as shown in balance sheet**

	Notes	2015 £	2014 £	Change in 2015 £	Change in 2014 £
Held by investment advisers	11	<b>70,607</b>	58,509	<b>12,098</b>	15,388
At bank	20	<b>660,103</b>	943,945	<b>(283,842)</b>	434,278
		<b>730,710</b>	1,002,454	<b>(271,744)</b>	449,666

**Basis of accounting**

The financial statements have been prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with the requirements of the Charities Act 2011. Applicable United Kingdom Accounting Standards and the Statement of Recommended Practice “Accounting and Reporting by Charities” (SORP 2005) have been followed in these financial statements.

**Incoming resources**

Incoming resources are recognised in the year in which the Home is entitled to receipt thereof and the amount can be measured with reasonable certainty.

Legacies are included in the statement of financial activities when the Home is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

**Resources expended and the basis of apportioning costs**

Expenditure is included in the statement of financial activities when incurred and includes attributable VAT which cannot be recovered.

The majority of costs are directly attributable to specific activities. Support costs are allocated to the costs of generating funds, charitable activities and governance according to underlying activity levels. These were established using a number of suitable indicators including staff time and floor space.

Resources expended comprise the following:

- a. The costs of generating funds include the salaries, direct costs and support costs associated with generating donated income and the fees paid to investment managers in connection with the management of the Home’s listed investments.
- b. The costs of charitable activities comprise expenditure on the Home’s charitable purposes as described in the Board of Trustees’ report.
- c. Governance costs are directly attributable to organisational procedures and the necessary legal procedures for compliance with statutory requirements.

**Tangible fixed assets**

The original land and buildings were acquired in 1894. Between 1898 and 1994 their cost and subsequent additions were not recorded in the Balance Sheet. For many years the accounting policy with regard to freehold land and buildings recognised that it was not possible to ascertain the cost of land and buildings and until 1 January 1994 the cost of additions were written off as incurred. In 1994 the accounting policy was changed and subsequent expenditure on additions and improvements to buildings have been capitalised. The book value, after depreciation, of land and buildings acquired prior to 1994 is not regarded as material. The New Wing, which opened in 1996, is classified as freehold buildings. The buildings were insured on a replacement basis for £31.9m at 31 March 2015 (at 31 March 2014 – £31.9m).

## Principal accounting policies Year to 31 March 2015

### Tangible fixed assets (continued)

All assets costing more than £5,000 are capitalised. Depreciation is provided at the following annual rates to write off each asset over its estimated useful life:

◆ Freehold buildings	4% on cost
◆ Water Tank	10% on cost
◆ Hospital and catering equipment	20% on cost
◆ Office furniture and equipment	20% on cost

### Investments

Investments are included on the balance sheet at their market value at the end of the financial year. Realised and unrealised gains and losses are credited, or debited, to the statement of financial activities in the year in which they arise.

### Fund accounting

Endowment Funds comprise monies donated which are not to be expended. Only the income can be used for the charitable objectives of the Home.

Restricted Funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

Designated Funds comprise monies set aside out of unrestricted general funds and designated for specific purposes, although the Board of Trustees may ultimately use such funds for other purposes.

The General Fund comprises those monies which are freely available for application towards meeting the charitable objectives of the Home at the discretion of the Board of Trustees.

### Pension costs

The Home operated a defined benefit pension scheme up until 31 March 2014. Pension scheme assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet.

Any change in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

From 1 April 2014, The British Home is operating a defined contribution scheme. Contributions are recognised within the statement of financial activities when payable.

**1 Voluntary Income**

	2015 £	2014 £
Donations inclusive of reclaimed tax	70,991	80,068
Legacies	580,560	228,884
	<b>651,551</b>	<b>308,952</b>

**2 Investment income and interest receivable**

	2015 £	2014 £
Sarasin – CIF ALPHA fund units	271,345	282,311
COIF – Investment fund income units	229,765	228,409
	<b>501,110</b>	510,720
Interest receivable and bank charges	512	1,034
	<b>501,622</b>	<b>511,754</b>

**3 Cost of generating voluntary income**

	Direct Costs £	Support Costs £	2015 £	2014 £
Donations: advertising and agency fees	4,469	—	4,469	5,252
Other costs (including staff costs)	24,251	50,111	74,362	67,756
	<b>28,720</b>	<b>50,111</b>	<b>78,831</b>	<b>73,008</b>

**4 Charitable activities**

	Direct Costs £	Support Costs £	2015 £	2014 £
Medical and nursing services	2,151,905	1,787,477	3,939,382	3,943,692
Annuitants and other charitable services	11,140	—	11,140	9,361
	<b>2,163,045</b>	<b>1,787,477</b>	<b>3,950,522</b>	<b>3,953,053</b>

## 5 Analysis of support costs

	Voluntary income £	Charitable activities £	Governance £	2015 £	2014 £
Staff costs	2,750	307,205	24,234	<b>334,189</b>	276,895
Administration	34,675	289,355	35,173	<b>359,203</b>	485,877
Housekeeping – fuel & rates	1,408	137,974	1,408	<b>140,790</b>	169,377
Housekeeping - other	6,016	519,132	6,016	<b>531,164</b>	583,904
Depreciation	1,363	134,397	1,363	<b>137,123</b>	167,948
Repairs & maintenance	—	300,664	—	<b>300,664</b>	93,104
Insurance	574	56,221	574	<b>57,369</b>	48,000
Other costs	3,325	42,529	3,325	<b>49,179</b>	67,810
<b>Total support costs</b>	<b>50,111</b>	<b>1,787,477</b>	<b>72,093</b>	<b>1,909,681</b>	1,892,915

## 6 Governance

	2015 £	2014 £
Legal and professional fees	<b>56,451</b>	16,915
Auditor's remuneration	<b>19,500</b>	20,000
Other governance costs	<b>2,778</b>	1,159
Support costs	<b>72,093</b>	79,238
	<b>150,822</b>	117,312

## 7 Staff costs

	2015 £	2014 £
Wages and salaries	<b>1,943,493</b>	2,009,660
Social security costs	<b>167,912</b>	154,230
Pension costs	<b>198,408</b>	193,529
	<b>2,309,813</b>	2,357,419

No employee earned above £60,000 in the year ended 31 March 2015 (2014 – one employee earned between £60,000 and £70,000). In the previous year the sole employee who earned above £60,000 was accruing benefits under the Home's defined benefit scheme.

**7 Staff costs** (continued)

The average number of employees, analysed by function was:

*Full time Equivalent	FTE* 2015	Head Count 2015	FTE* 2014	Head Count 2014
Nursing and care	81	79	82	85
Maintenance	3	3	3	3
Reception and portering	4	6	4	4
Management and administration	4	5	4	5
	<b>92</b>	<b>93</b>	93	97

Catering, cleaning and laundry are outsourced, but with staff dedicated to the British Home. Average numbers of catering and cleaning staff during the year were FTE 17 / Head Count 27 (2014 FTE 16 / Head Count 21).

**8 Related party transactions**

No member of the Board of Trustees nor any officer of the Home had any beneficial interest in any contract with the Home during the year.

No trustee received any remuneration in respect of their services during the year (2014 - £nil). One trustee was reimbursed for travel expenses of £67 incurred in the performance of their duties during the year (2014 – one trustee: £67).

The Home has purchased insurance to protect it from any loss arising from any neglect or defaults of any member of the Board of Trustees or employee and to indemnify any Board Member or employee against the consequence of any neglect or default on their part. The total cover provided by such insurance is £2,000,000 (2014 - £2,000,000) and the insurance premium paid by the Home during the year totalled £1,330 (2014 - £1,330).

**9 Taxation**

British Home and Hospital for Incurables is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

## 10 Tangible fixed assets

	Freehold building £	Hospital equipment £	Total £
<b>Cost</b>			
At 1 April 2014	3,240,207	311,236	<b>3,551,443</b>
Additions	—	7,800	<b>7,800</b>
Disposals	—	(311,236)	<b>(311,236)</b>
At 31 March 2015	<u>3,240,207</u>	<u>7,800</u>	<b><u>3,248,007</u></b>
<b>Depreciation</b>			
At 1 April 2014	2,245,944	311,236	<b>2,557,180</b>
Charge for the year	136,344	780	<b>137,124</b>
Disposals	—	(311,236)	<b>(311,236)</b>
At 31 March 2015	<u>2,382,288</u>	<u>780</u>	<b><u>2,383,068</u></b>
<b>Net book values</b>			
At 31 March 2015	<u>857,919</u>	<u>7,020</u>	<b><u>864,939</u></b>
At 31 March 2014	<u>994,263</u>	<u>—</u>	<b><u>994,263</u></b>

## 11 Investments

	2015 £	2014 £
Market value at 1 April 2014	<b>13,486,614</b>	14,813,815
Additions	<b>500,000</b>	—
Disposals proceeds	—	(1,800,000)
Net gains	<b>1,216,027</b>	472,799
Market value at 31 March 2015	<b><u>15,202,641</u></b>	13,486,614
Cash held by investment advisors for re-investment	<b>70,607</b>	58,509
Total investments	<b><u>15,273,248</u></b>	13,545,123
Historical cost of investments at 31 March 2015	<b><u>12,026,880</u></b>	11,526,880

Investments held at 31 March comprised the following:

	2015 £	2014 £
Investment property	<b>56,500</b>	56,500
Indirectly held investments		
· COIF funds	<b>6,742,029</b>	5,705,904
· Sarasin CIF Alpha fund units	<b>8,404,112</b>	7,724,210
	<b><u>15,202,641</u></b>	13,486,614
Cash held by investment managers for reinvestment	<b>70,607</b>	58,509
	<b><u>15,273,248</u></b>	13,545,123

**12 Debtors**

	2015 £	2014 £
Trade debtors	199,350	146,473
Prepayments and accrued income	92,339	35,738
Other debtors	16,121	14,499
	<b>307,810</b>	<b>196,710</b>

Prepayments and accrued income at 31 March 2015 includes legacies of £60,000 (2014 - £1,124).

**13 Creditors: amounts falling due within one year**

	2015 £	2014 £
Amounts held on behalf of residents	32,078	45,544
Accruals and deferred income	331,075	361,339
Trade creditors	113,518	33,031
Social security and other taxation	100,761	78,010
Other creditors	170,760	152,844
	<b>748,192</b>	<b>670,768</b>

Note: A corresponding asset for residents monies is included in cash at bank (see note 20).

**14 Operating lease commitments**

At 31 March 2015, the Charity had annual commitments under operating leases on plant and machinery as follows:

	2015 £	2014 £
Expiry date		
. Within one year	1,872	5,722
. Between two and five years	1,872	1,872
. Greater than five years	—	1,872
	<b>3,744</b>	<b>9,466</b>

**15 Endowment fund**

	2015 £	2014 £
The D.O. Beale Trust	12,477	12,477

At 31 March 2015 the assets of the endowment fund were made up of cash balances only.

**16 Restricted funds**

The income funds of the Home include restricted funds comprising the following donations held on trust which are to be applied for a specific purpose:

	At 1 April 2014 £	Incoming resources £	Resources expended £	At 31 March 2015 £
Staff Benevolent Fund	1,746	—	—	<b>1,746</b>
Sensory Garden Fund	1,250	—	—	<b>1,250</b>
Hospital Equipment Purchase Fund	15,096	—	—	<b>15,096</b>
Red Rose Charitable Trust Fund	—	1,000	(1,000)	—
	<b>18,092</b>	<b>1,000</b>	<b>(1,000)</b>	<b>18,092</b>

*Staff Benevolent Fund*

These monies have been donated for the benefit of staff.

*Sensory Garden Fund*

These monies have been donated to fund the building of a sensory garden at the home.

*Hospital Equipment Purchase Fund*

These monies were donated to purchase hospital equipment for the Home.

*Red Rose Charitable Trust Fund*

These monies were donated to be expended on someone from the Merseyside area.

**17 Designated funds**

The income funds of the Home include the following designated funds which have been set aside out of unrestricted funds by the Board of Trustees for specific purposes:

	At 1 April 2014 £	Released/ utilised in year £	Designated in year £	At 31 March 2015 £
Tangible fixed assets fund	994,263	(137,124)	7,800	<b>864,939</b>
Continuity of care fund	5,800,000	—	—	<b>5,800,000</b>
Major and cyclical maintenance fund	3,000,000	(218,447)	218,447	<b>3,000,000</b>
Bursary fund	2,215,174	(11,140)	22,040	<b>2,226,074</b>
	<b>12,009,437</b>	<b>(366,711)</b>	<b>248,287</b>	<b>11,891,013</b>

## ◆ Tangible fixed assets fund

The net value of the assets at the end of the year is designated because they are not available for general use.

## ◆ Continuity of care fund

The Board of Trustees is conscious of its long term obligation to the residents in its care, their sponsors and their carers and to balance the needs of current residents with those of the future. The Board believes that the equivalent of 12 months' anticipated costs is required to meet its obligations to provide the essential services for all parties in the event of a serious incident.

## 17 Designated funds

- ◆ Major and cyclical maintenance fund  
Monies are designated under this heading to provide funds to meet the cost of major and cyclical maintenance when the need arises.
  
- ◆ Bursary fund  
This amount is designated by the Board to meet the planned continuation of its support for the beneficiaries of the charity, both now and in the future, in accordance with the governing document.

## 18 Analysis of net assets between funds

	Endowment fund £	Restricted funds £	Designated funds £	General fund £	Total 2015 £
<b>Fund balances at 31 March 2015 are represented by:</b>					
Tangible fixed assets	—	—	864,939	—	<b>864,939</b>
Investments	12,477	—	11,026,074	4,234,697	<b>15,273,248</b>
Current assets	—	18,092	—	949,821	<b>967,913</b>
Creditors: amounts falling due within one year	—	—	—	(748,192)	<b>(748,192)</b>
<b>Total net assets</b>	<b>12,477</b>	<b>18,092</b>	<b>11,891,013</b>	<b>4,436,326</b>	<b>16,357,908</b>

## 19 Pension commitments

The Home operated a defined benefit pension scheme providing benefits based on final pensionable pay until 31 March 2014. The defined benefit pension scheme closed to new members and future accrual as at 31 March 2014.

The assets of the scheme are held in a separate trustee administered fund, independent from those of the Home, being invested with the Baillie Gifford IG Long Bond and Managed pension funds. The scheme is currently administered by First Actuarial starting from 1 March 2015 and previously was administered by Capita Hartshead, part of Capita Group plc.

**19 Pension commitments** (continued)

For funding purposes the required contributions are agreed with the Trustee of the scheme based on triennial actuarial valuations, prepared by an independent qualified actuary using the projected unit method. The most recent triennial valuation was as at 31 March 2013 and showed that the market value of the scheme's assets was £8,427,000, the past service liabilities were £8,970,000 giving a funding level of 94%. This deficit was discharged by an additional one-off contribution of £1,000,000 in September 2013. Additionally, contributions of £5,600 per month in line with the 2010 Triennial Recovery Plan were made up until 31 March 2014. Employer contributions for the year to 31 March 2015 were in total £15,600 including the one off contribution of £5,600 (2014 - £67,200) and employer contributions of 19% (2014 - 19%), of pensionable pay amounting to £9,800 (2014 - £157,800). The cost of running the scheme was met by the Employer. Employees' contribution rate to the scheme was 5% (2014 - 5%) of pensionable pay

The assumptions that have the most significant effect on the results of the 2013 triennial valuation are:

	% p.a.
Inflation	3.25%
Salary increases	3.75%
Investment returns (pre retirement)	5.20%
Investment returns (post retirement)	3.55%
Pension increases in payment	0 to 3.05%

**FRS 17 information**

The following information is based upon a full actuarial valuation of the scheme as at 1 April 2013 updated to 31 March 2015 by a qualified independent actuary using FRS17 guidelines:

	2015 £'000	2014 £'000
Market value of assets	10,876	9,891
Present value of scheme liabilities	(10,213)	(9,028)
Effect of limiting surplus recognition	(663)	(863)
Deficit in the scheme	—	—

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

	Long term rate of return expected		Value	
	2015	2014	2015 £'000	2014 £'000
Equities	5.1%	6.4%	5,646	5,389
Bonds	3.1%	4.4%	4,448	3,736
Annuities	3.1%	4.4%	460	459
Cash	2.2%	3.5%	322	307
Total market value of assets			10,876	9,891

The expected long term rate of return on the total assets of the scheme is 4.10% from 31 March 2015 (2014 – 5.45%).

**19 Pension commitments** (continued)

The major assumptions used by the actuary were:

	<b>2015</b>	2014
Price inflation RPI	<b>2.90%</b>	3.35%
Price inflation – CPI	<b>1.90%</b>	2.55%
Salary inflation	<b>N/A</b>	N/A
Rate of increase to pensions in payment	<b>0% to 2.70%</b>	2.10% to 3.15%
Rate of revaluation of pensions in deferment	<b>1.90%</b>	2.50% to 2.55%
Discount rate for liabilities	<b>3.10%</b>	4.40%

The current mortality assumptions are based on the mortality in retirement table S2PxA CMI 2014 M/F(1.25%).

The Home's pension charge for the year calculated under FRS 17 assumptions is reflected in the financial statements as follows:

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b>Analysis of the amount charged to the statement of financial activities (SOFA)</b>		
Current service cost	<b>83</b>	198
Curtailments/settlements	<b>—</b>	(373)
Total operating charge/(income)	<b>83</b>	(175)
<b>Analysis of other finance income</b>		
Expected return on pension scheme assets	<b>531</b>	486
Interest on pension liabilities	<b>(393)</b>	(408)
Restriction on expected return	<b>(55)</b>	—
Net other finance income	<b>83</b>	78
<b>Amount recognised as actuarial gains/losses</b>		
Actuarial (losses)/gains	<b>(271)</b>	551
Effect of limiting surplus recognition	<b>255</b>	(863)
Actuarial loss recognised in SOFA	<b>(16)</b>	(312)
<b>Movement in deficit during the year</b>		
Deficit in the scheme at 1 April	<b>—</b>	(1,166)
<i>Movement in year:</i>		
Current service charge	<b>(83)</b>	(198)
Contributions: one-off deficit contribution	<b>6</b>	1,000
other contributions	<b>10</b>	225
Net finance income	<b>83</b>	78
Curtailments/settlements	<b>—</b>	373
Actuarial loss	<b>(16)</b>	(312)
Deficit in the scheme at 31 March	<b>—</b>	—

**19 Pension commitments** (continued)**Changes in the present value of the defined benefit obligation**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b><i>Opening defined benefit obligation</i></b>	<b>9,028</b>	9,491
Interest cost on obligation	<b>393</b>	408
Current service cost	<b>83</b>	198
Actuarial loss on obligation	<b>1,009</b>	(432)
Member contributions	<b>3</b>	42
Benefits paid	<b>(217)</b>	(295)
Curtailments / settlements	<b>—</b>	(373)
Other payments	<b>—</b>	(11)
Expense paid	<b>(86)</b>	—
<b><i>Closing defined benefit obligation</i></b>	<b>10,213</b>	9,028

**Changes in the fair value of scheme assets**

	<b>2015</b>	2014
	<b>£'000</b>	£'000
<b><i>Opening fair value of Scheme Assets</i></b>	<b>9,891</b>	8,325
Expected Return	<b>531</b>	486
Actuarial gain	<b>738</b>	119
Employer contributions	<b>16</b>	1,225
Member contributions	<b>3</b>	42
Benefits paid	<b>(217)</b>	(295)
Other payments	<b>—</b>	(11)
Expenses paid	<b>(86)</b>	—
<b><i>Closing fair value of Scheme Assets</i></b>	<b>10,876</b>	9,891

**History of experience gains and losses**

	<b>Year to</b>	Year to	15 months	Year to 31	Year to 31
	<b>31 March</b>	31 March	to 31 March	December	December
	<b>2015</b>	2014	2013	2012	2011
	<b>£'000</b>	£'000	£'000	£'000	£'000
Difference between actual and expected return on assets	<b>738</b>	119	721	(330)	250
Experience gains and losses on liabilities	<b>—</b>	265	—	—	52
Total actuarial (loss) gain recognised in SOFA	<b>(16)</b>	(312)	311	(1,212)	432

In addition to the above scheme, the Home is also part of the Federated Flexiplan No. 1 ("the Plan") defined benefit pension scheme, which is administered by KPMG. However, because of the non-associated multi-employer nature of the Plan, the Company is unable to identify its share of the underlying assets and liabilities of the Plan on a consistent and reasonable basis and therefore, as permitted by FRS 17 "Retirement Benefits", it accounts for the Plan as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the Company's contributions payable to the Plan in respect of the accounting period.

**19 Pension commitments** (continued)

The Plan closed to further accrual in January 2010 and following two Court hearings, for interpretation of the Plan rules, the entitlement of members has been definitively established.

An actuarial valuation, at 31 March 2012, shows that the overall deficit at that date is approximately £18.3 million. The basis used to calculate the deficit was chosen to produce a level for the liabilities which was anticipated to be broadly in line with the cost of securing the Plan benefits with an insurer. A new Recovery Plan has now been issued which takes account of the 31 March 2012 actuarial valuation and subsequent changes in assets and liabilities up to the date of signing the valuation in June 2013.

Following the outcome of the Court case the Trustee of the Plan has decided to adjust each employer's liability in the new Recovery Plan to reflect the extent to which each employer has either underpaid or overpaid contributions during the course of the existing Recovery Plan. The Company will be required to pay £3,683 per annum for three years from 1 April 2014 and £3,844 per annum for two years from 1 April 2017 as its share of the deficit.

The next formal triennial actuarial valuation, which is due at 31 March 2015, may result in another revised Recovery Plan which, in turn, may change the amount the Company is required to contribute for its share of the deficit.

**20 Cash at bank**

Cash at bank of £660,103 on 31 March 2015 (2014 - £943,945) includes £32,078 held on behalf of the residents of the Home (2014 - £45,544). A corresponding liability for these monies is included in creditors (note 13).