

**The British
Home and
Hospital for
Incurables**

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

31 March 2016

Charity Registration Number
206222

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Reference and administrative details

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|--|--|
| Patron | Her Royal Highness Princess Alexandra |
| Honorary President | Professor, The Lord McColl of Dulwich |
| Chairman | Mrs Kay Sonneborn BA |
| Deputy Chairman | Mr David Green MA (Cantab) FRSA |
| Board of Trustees | Mrs Patricia Collinson, Dip NUR, RNT Ms Eleanor Brown (co-opted 11 May 2016) 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 |
| Director and Secretary to the Board | Mr Larry Gunning |
| Home Manager | Mr Keith Crowhurst RN |
| Address | Crown Lane Streatham London SW16 3JB |
| Website | www.britishhome.org.uk |
| Charity registration number | 206222 |
| Auditor | Buzzacott LLP 130 Wood Street London EC2V 6DL |

Reference and administrative details

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

Report of the Board of Trustees Year to 31 March 2016

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 2016.

The financial statements have been prepared in accordance with the accounting policies set out on pages 20 to 23 and comply with The British Home's Charter of Incorporation and Regulations, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

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 financial statements which give a true and fair view of the financial activities of The British Home during the year and its financial position at the end of the year. In preparing the attached financial statements, the Board is required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable UK accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that The 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 financial statements comply with the Charities Act 1993. The Board 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.

The Board is responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Composition of the Board of Trustees



Chairman: Kay Sonneborn

Kay was an investment analyst for a US investment bank for many years. She has been involved with the charity and health sector for over 30 years and has held senior non-executive roles in the NHS. Kay was Chairman for ten years of the largest Primary Care Trust in London.

Deputy Chairman: David Green

David worked in Merchant banking before a long involvement with the charitable sector in London, firstly as Finance Director of the London Voluntary Service Council and subsequently as Chief Executive for the Cripplegate Foundation and the St Luke's Parochial Trust, allocating millions of pounds in grants to projects in Islington.



Eleanor Brown

Eleanor has considerable board level experience and a clinical background having worked as a senior executive in a 38 year career with the NHS retiring in 2015. Most recently Eleanor was Chief Officer, Merton Clinical Commissioning Group Accountable for the commissioning and quality of services to the population of the London Borough of Merton. Previous posts include Chief Executive, Nelson Commissioning Group, Director for Primary Care, Bromley Primary Care Trust and Director for Organisational Development, Lambeth Primary Care Group. Eleanor has a particular interest in end of life care.

Patricia Collinson

Patricia has spent her career in nursing and nurse education with experience of both the NHS and Government work. Her last post before retirement was Nurse Director for the Medical Devices Agency, Department of Health. Since then she has worked as an Expert Nurse Witness and as an Editorial Consultant. She has been a Trustee of the Crossroads Caring for Carers Association.



Composition of the Board of Trustees (continued)



Kenneth Dunn

Kenneth Dunn joined the Board of Trustees in December 2014. Kenneth has some 30 years of social care experience. He has a broad knowledge of the care industry and government policies and procedures regulating care.

Alison Hughes

A nurse and midwife with 36 years' experience, Alison trained at University College Hospital before moving to Oxford and then Australia to practice. She spent four years overseas before joining the cardiac unit at St George's Hospital Tooting, moving from Sister to Head of Nursing and finally Divisional Director of Nursing and Governance. Alison retired from the NHS in 2015 and currently works part time on a consultancy basis.



Rowenna Hughes

Rowenna trained as a physiotherapist at Guy's Hospital and went on to specialise in working with disability. For thirty years she managed a team of physiotherapists at King's College Hospital working with young adults and children with disabilities and then served as Staff Governor on the Council for Governors at KCH NHS Foundation Trust. Rowenna is chairman of the Friends of KCH. She was awarded an MBE in 2012 for her work in the field of disability.

James Mill

James worked in oil and gas exploration for much of his career, operating in Libya, Pakistan and Canada amongst other places. For the last ten years of his working life he was Finance Director of the Royal Star & Garter Home, a 180-bed nursing home and military charity in Richmond, and consequently has extensive experience of the challenges facing charities like the British Home.



Derek Prentice

Derek spent the majority of his career in consumer affairs, spending over twenty years with Consumers' Association (Which?) and serving as the President of the European Consumers Organisation BEUC. Derek is a Council Member and Trustee of the Royal College of Emergency Medicine and Chairs its Lay Group, he is also the Vice Chair of the Lay Group of the Academy of Royal Medical Colleges.

Derek has been the Chair and Lay Member of the General Dental Council and a Trustee of King's College Hospital.

Composition of the Board of Trustees (continued)



Dennis Vine

Dennis began his career as a surveyor for local government, starting at Ealing Borough Council in 1954 and moving to Westminster City Council in 1960. He then moved to the private sector with Vigers Chartered Surveyors (now GVA) in 1962 and worked there until 1998. He was appointed a Freeman of the City of London in 1987 and is a Grand Vice-President of the Royal Masonic Benevolent Institute.

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, by the Care Quality Commission (CQC) and, as a Royal Charter Company, by the Privy Council.

The Board met six times in the year to 31 March 2016 and more informally on a number of occasions to discuss The British Home's future strategy. At 31 March 2016 the Board comprised nine members who held office throughout the year. Ms Eleanor Brown was co-opted to the Board on 11 May 2016 and will be eligible for election to the Board at the 2016 Annual Meeting to be held on 13 July 2016.

At the 2014 Annual Meeting the Chairman and Deputy Chairmen were re-elected as the officers of the charity for a two year term through to the 13 July 2016 Annual Meeting.

No member of the Board received any remuneration for services as a member of the Board (2015 - £ nil). Travel expenses of £61 were reimbursed (2015 - £67).

Structure, governance and management (continued)

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 May 2016 welcomed Ms Eleanor Brown as a trustee. Eleanor Brown brings a wide range of health and social care and public sector experience to the Board. New trustees are offered an individually tailored induction programme to familiarise themselves with the work of the charity and where appropriate charity law and the regulation of the charity.

Trustees are kept up to date with the issues The British Home faces and working groups of trustees and management are formed from time to time to tackle specific issues and to further the governance oversight of the charity. 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.

Management of The British Home

The key management personnel of the British Home, responsible for directing and controlling the operations of the charity comprises the Board of trustees, the Director and the Home Manager.

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 in collaboration with the MHA Care Group.

Mr Keith Crowhurst RN is the 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.

Management performance is assessed annually. Any increase in remuneration is no greater than the equivalent annual award to staff as a whole. The Home Manager is entitled to a bonus of up to 10% of his salary for achieving a range of outcomes agreed annually by the Board.

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

Risk Management

The Board regularly reviews the potential major risks to the charity and in particular the operation of The British Home to ensure adequate control measures are in place and so as to identify any additional risks that the charity may be exposed to.

The Board consider that the greatest operational threat to the long term viability of the charity is reputational risk arising from the quality of the care it provides. The charity cares for highly vulnerable adults with complex medical conditions and care needs and draws its residents from a range of local authorities and Continuing Care Groups primarily across South-London. The reputation of The British Home for high quality, compassionate and affordable care is key to its future success. The Board invests heavily in the quality of its staff and their continuous training. The care policies and operating practices of The British Home are kept up to date and compliance is subject to regular self and independent audit. One of the key roles of MHA is to oversee, assess and audit the operating processes of the home.

CQC through its inspection regime is however the final arbiter of the quality of care provided by The British Home. In its most recent inspection of The British Home and the report published in May 2016, CQC, applying its new inspection assessment criteria to the Home for the first time, rated the quality of care as 'Good'. The Board would like to acknowledge the hard work and commitment of the entire organisation staff, volunteers and trustees in achieving this excellent result.

Strategically, the long term viability of the charity is highly dependent on securing a modern, efficient to run, fit for purpose new nursing home largely funded from the redevelopment of the Crown Lane site. The Board has concluded that the current building is too large, too costly to staff and operate compared to its occupancy rate and unaffordable to update to a fit for purpose 21st Century physical disability care environment. The Board with the help of its property advisors has had extensive discussion with Lambeth Planning as to what might be feasible by way of redevelopment of the Crown Lane site. The next phase is to ascertain whether there might be sufficient interest from potential property developers to allow The British Home to achieve its new build ambition. Should the planning constraints on the site not permit its economic redevelopment the Board would necessarily seek to petition for these to be relaxed to allow it to continue providing high quality care at Crown Lane.

The risk of fire is the most serious physical event that could impact the lives of residents, staff and all who use and visit The British Home. The potential risk of fire is regularly reviewed. Fire training is mandatory and independent health and safety audits are carried out. Any recommendation from such audits are promptly implemented. The home carries out regular fire drills in cooperation with the Fire and Rescue Service.

To protect the assets of the charity, The British Home 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 British Home is registered to look after a maximum of 127 residents. However, some 45 rooms have been taken out of service given the fall in demand for residential care with commissioners preferring non-residential care solutions and the prohibitive cost of modernising what are Victorian era facilities to make them fit for purpose today. The British Home having over the year brought a number of the more accessible rooms back into service operates with an effective capacity of 78 single rooms (2015 - 75) of which 60 have en-suite facilities. Average occupancy over the year on this basis was 94 % or 73 residents (2015 – 93%: 70 residents).

As mentioned under Risk Management, the Board has concluded that the current operational model where the fees charged do not cover the cost of providing care in an expensive to maintain and modernise building is not sustainable and has announced its intention to build a new care home as part of an ambitious vision that would see the redevelopment of the existing site at Crown Lane. As the 2016 financial results continue to evidence, The British Home incurs an 'operating loss' of in excess of £1m per annum and relies on the goodwill of charitable donations and legacies along with investment returns to offset this. Such a level of loss is not sustainable and The Board has an ambition to ensure any new operating environment provides the charity with an economically viable future.

The Board believes that The British Home continues to meet the Charity Commission's public benefit test principally in that the majority of residents in The British Home have for many years benefited from the availability of statutory funding. The charity subsidises the running cost of The British Home and provides a range of additional support to residents out of its own charitable funds.

Volunteers

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.

Fundraising

The shortfall in our income as noted is made up in part from generous donations and legacies bequeathed to the home. The Board is very grateful to the many individuals and organisations who are loyal supporters of The British Home. The importance of legacies continues to be well demonstrated in our financial results for 2016 where our high running costs were compensated by substantial legacy receipts. As we look to the future and the provision of a 'new British Home' we hope that our many generous benefactors will lend their support to turn the vision into a reality.

Financial review

Performance in the year

The charity's accounts are presented for the first time under FRS 102. For accurate comparison this requires the restatement of the prior year 2015 reported results. The impact of the adoption of FRS 102 on previously reported numbers is explained in a full reconciliation in the accounting policies.

a) *Operating deficit*

The operating deficit for the period was £1,137,126 (2015 restated - £1,089,641) as shown in the table below:

| | 2016 £ | As restated 2015 £ |
|---|--------------------|--------------------------|
| Fees | 3,354,451 | 3,175,210 |
| Less: Expenditure | (4,494,477) | (4,264,776) |
| Operating deficit | (1,137,026) | (1,089,566) |
| Donations | 139,466 | 70,991 |
| Investment income | 533,029 | 501,622 |
| Deficit before legacies | (464,531) | (516,953) |
| Legacies | 1,301,637 | 580,560 |
| Net income for the period before investment gains and losses | 837,106 | 63,607 |

b) *Fees*

Income from fees charged increased by 5.7% to £3,357,451 (2015 - £3,175,210). The increase in average occupancy was augmented by 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 only by a small number of funders putting continued pressure on the charity's resources.

c) *Expenditure*

Expenditure in 2016 increased by 5.4% to £4,494,477 (2015 restated - £4,264,776).

Within this total, staffing costs amounted to £2,562,794 (2015 - £2,309,813) an increase of some £250,000. Of this, The Board continued its investment in additional nursing, care and activities staff at a cost of c.£100,000; pension costs attributed to the year under FRS 102 amounted to a further £100,000. Equally, as The British Home staff are the heart of our organisation, whenever possible the Board endeavours to provide a real increase in pay - a 2% increase in 2016 cost c.£50,000.

The Governance costs of the charity, which includes the auditor's remuneration and legal and other professional fees largely relating to the Boards work to ascertain the redevelopment potential of the Crown Lane site amounted to £71,740 (2015 - £78,729).

Financial review (continued)

Performance in the year (continued)

d) *Fundraising and publicity*

Costs, with allocated support costs, totalled £ 129,782 (2015 restated - £106,324).

Donations almost doubled on last year to £139,466 (2015 - £70,991) thanks to a number of sizeable contributions from charitable trusts which have been loyal supporters of The British Home for many years. The Board equally values every contribution regardless of size and is particularly grateful for the dedication of local groups and individuals in helping to fundraise.

Income from legacies increased to £1,301,637 (2014 - £580,560). In line with the legacy income recognition rules under FRS 102, whereby a potential legacy receipt is recognised as income provided probate has been granted and eventual receipt is probable, £832,236 (2015 - £60,000) has been recognised as income ahead of receipt in cash. Historically the legacy income of The British Home has fluctuated and is unpredictable from year to year.

In terms of publicity, the Board's focus is in particular to ensure local community awareness of the work of the charity. The charity particularly in collaboration with the Streatham Festival, local clubs and individuals continues to hold ambitious events which make best use of our grounds and buildings and allows us to engender awareness and support for our future plans.

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 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 were estimated to be required from The British Home over the following 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.

Financial review (continued)

Pension Liabilities (continued)

Recognising the funding surplus status of the Scheme, the running costs of the Scheme up to an annual maximum of £90,000 are paid by the Scheme. Any costs in excess of this amount would be funded by The British Home.

The funding position of the Scheme will be formally reassessed as part of the Triennial Valuation as at 31 March 2016 the results of which are due later in 2016.

The Board has engaged KPMG to advise it as to whether measures can be taken to potentially mitigate the liabilities of the scheme and whether securing member' benefits under the scheme through an insurance company buy-out might be an affordable option for The British Home. The Board consider that removing at an affordable cost the risk to its reserves represented by an open ended obligation to fund any future deficits in the scheme would be in the best interests of the charity as a whole.

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

The FRS 102 pension assessment identified an unrefundable surplus as of 31 March 2016 (2015 – unrefundable surplus). Hence no pension asset or liability is shown in the balance sheet (2015-£ nil). More information is set out in Note 19.

The Home's Net Assets

The net assets of The British Home at 31 March 2016 were £16,539,850 (2015 - £16,357,908). Of these £727,815 (2015 - £864,939) of fixed assets were comprised mostly of freehold buildings, which are wholly used for charitable purposes and are represented by a specific designated fund. Fixed asset purchases and disposals during the year are shown in the notes to the financial statements.

The 1% improvement in the value of The British Home's assets is largely due to the high level of probable legacy receipts recognised as income of the period offsetting unrealised investment losses and the deficit incurred from operations.

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 beneficiaries. Where there is a capital commitment or a need to generate income for a specific purpose, the Board has in the past established designated funds out of the General Fund.

Financial review (continued)

Reserves policy and financial position (continued)

In assessing the future demands on its funds the Board has decided that until there is greater clarity as to the likelihood, timing and associated cost of any future redevelopment of the Crown Lane site and the possible cost of securing an insurance backed buy-out of the pension scheme, little purpose is served by holding reserves in notionally designated funds. As such the previous designations of £11,026,074 have been released and all unrestricted funds other than fixed asset designated funds will be held as a general reserve to meet future liabilities. As a result the Home's general funds (free reserves) at 31 March 2016 amounted to £15,799,558 (2015 - £4,436,326).

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 2016 was £14,973,424 (31 March 2015- £15,273,248). The value of the Home's investments can, as the last two years well demonstrate, rise and fall in line with the economic environment and investment market sentiment. 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 £533,029 (2015 - £501,622). As at the 31 March 2016 there were net unrealised investment losses of £815,164 (2015 unrealised gains - £1,216,027) reflecting the change in market value of investments since 31 March 2015.

Auditor

Buzzacott LLP, the Home's auditors have indicated their willingness to remain in office for a further year.

Plans for future periods

For the year to 31 March 2017 the Board has two very closely linked objectives. The first is to continue to improve the quality of care under an ambitious plan of 'going from good to outstanding' as part of its initiative to meet the 21st century challenges of supporting people with physical disability and long term life limiting medical conditions in its current environment.

Plans for future periods (continued)

At the same time the Board will continue its drive to achieve an appropriate redevelopment of the Crown Lane site which it believes is in the best interest of beneficiaries and would secure the longer term financial viability of the charity in a modern, fit for purpose, new physical disability nursing home. The Board would like to re-express its commitment that it will at the appropriate time consult widely with all who value the role of The British Home and pledges that throughout any redevelopment it will prioritise minimising disruption and safeguarding the quality of life of its residents.

Thanks and acknowledgements

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 hopes that the Board and Commissioners can work together to ensure the ongoing provision of first class, affordable care at Crown Lane long into the future.

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 13 July 2016

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 2016, which comprise the statement of financial activities, the balance sheet, statement of cash flows, 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), including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Independent auditor's report Year to 31 March 2016

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 2016 and of its income and expenditure 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

22 July 2016

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 2016

| | Notes | Un-restricted funds £ | Restricted funds £ | Endow-ment funds £ | 2016 Total funds £ | Restated 2015 Total funds £ |
|---|-------|--------------------------|-----------------------|-----------------------|-----------------------------|---|
| Income from: | | | | | | |
| Donations and legacies | 1 | 1,440,103 | 1,000 | — | 1,441,103 | 651,551 |
| Investment income | 2 | 533,029 | — | — | 533,029 | 501,622 |
| Charitable activities | 3 | 3,357,451 | — | — | 3,357,451 | 3,175,210 |
| Total income | | 5,330,583 | 1,000 | — | 5,331,583 | 4,328,383 |
| Expenditure on: | | | | | | |
| Raising funds | 4 | 129,782 | — | — | 129,782 | 106,324 |
| Charitable activities | 5 | 4,345,603 | 19,092 | — | 4,364,695 | 4,158,451 |
| Total expenditure | | 4,475,385 | 19,092 | — | 4,494,477 | 4,264,775 |
| Net income (expenditure) for the year before investment gains and losses | | 855,198 | (18,092) | — | 837,106 | 63,608 |
| (Losses) gains on investments | 11 | (815,164) | — | — | (815,164) | 1,216,027 |
| Net income (expenditure) | | 40,034 | (18,092) | — | 21,942 | 1,279,635 |
| Other recognised gains and losses | | | | | | |
| Actuarial gains on pension scheme | 19 | 160,000 | — | — | 160,000 | 69,000 |
| Net movement in funds | | 200,034 | (18,092) | — | 181,942 | 1,348,635 |
| Fund balances brought forward at 1 April 2015 | | 16,327,339 | 18,092 | 12,477 | 16,357,908 | 15,009,273 |
| Fund balances carried forward at 31 March 2016 | | 16,527,373 | — | 12,477 | 16,539,850 | 16,357,908 |

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

Balance Sheet 31 March 2016

| | Notes | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|---|-------|------------------|-------------------|-----------|------------|
| Fixed assets | | | | | |
| Tangible fixed assets | 10 | | 727,815 | | 864,939 |
| Investments | 11 | | 14,973,424 | | 15,273,248 |
| | | | 15,701,239 | | 16,138,187 |
| Current assets | | | | | |
| Debtors | 12 | 1,034,321 | | 307,810 | |
| Cash at bank | | 535,189 | | 660,103 | |
| | | 1,569,510 | | 967,913 | |
| Creditors: amounts falling due within one year | 13 | (730,899) | | (748,192) | |
| Net current assets | | | 836,611 | | 219,721 |
| Net assets | | | 16,539,850 | | 16,357,908 |
| The funds of the charity: | | | | | |
| Endowment fund | 15 | | 12,477 | | 12,477 |
| Restricted funds | 16 | | — | | 18,092 |
| Unrestricted funds | | | | | |
| . Designated funds | 17 | | 727,815 | | 11,891,013 |
| . General fund | | | 15,799,558 | | 4,436,326 |
| | | | 16,539,850 | | 16,357,908 |

Approved by the Board of Trustees on 13 July 2016 and signed on its behalf by:

Kay Sonneborn
Trustee

David Green
Trustee

Statement of cash flows 31 March 2016

| | Notes | 2016 £ | 2015 £ |
|--|-------|------------------|-----------|
| Cash inflow from operating activities: | | | |
| Net cash used in operating activities | A | (142,603) | (265,566) |
| Cash inflow from investing activities: | | | |
| Dividends and interest from investments | | 533,029 | 501,622 |
| Purchase of tangible fixed assets | | — | (7,800) |
| Purchase of investments | | (500,000) | (500,000) |
| Net cash provided by (used in) investing activities | | 33,029 | (6,178) |
| Change in cash and cash equivalents in the year | | (109,574) | (271,744) |
| Cash and cash equivalents at 1 April 2015 | B | 730,710 | 1,002,453 |
| Cash and cash equivalents at 31 March 2016 | B | 621,136 | 730,709 |

Notes to the cash flow statement for the year to 31 March 2016.

A Reconciliation of net movement in funds to net cash flow from operating activities

| | 2016 £ | 2015 £ |
|---|------------------|-------------|
| Net movement in funds (as per the statement of financial activities) | 21,942 | 1,279,634 |
| Adjustments for: | | |
| Depreciation charge | 137,124 | 137,124 |
| Losses (gains) on investments | 815,164 | (1,216,027) |
| Dividends and interest from investments | (533,029) | (501,622) |
| Actuarial gains | 160,000 | 69,000 |
| Increase in debtors | (726,511) | (111,100) |
| (Decrease) increase in creditors | (17,293) | 77,424 |
| Net cash used in operating activities | (142,603) | (265,567) |

B Analysis of cash and cash equivalents

| | 2016 £ | 2015 £ |
|--|----------------|-----------|
| Cash at bank and in hand | 535,189 | 660,103 |
| Cash held by investment managers | 85,947 | 70,607 |
| Total cash and cash equivalents | 621,136 | 730,710 |

Principal accounting policies Year to 31 March 2016

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 December 2015.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Reconciliation with previous UK Generally Accepted Accounting Practice (GAAP)

In preparing the financial statements, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was needed. No restatements were required to the balance sheets as at 1 April 2014 or 31 March 2015.

In accordance with the requirements of FRS 102 a reconciliation of the net income for the year ended 31 March 2015, as restated, with the net income under previous UK GAAP is provided below:

| | 2015 £ |
|--|------------------|
| Reconciliation of reported income: | |
| 2015 net income, as previously stated | 148,208 |
| Pension adjustment (see below) | (84,600) |
| Adjustment for gains on investments now treated as a component of net income | 1,216,027 |
| 2015 net income, as restated | <u>1,279,635</u> |

Pension adjustment

The net pension finance cost recognised in the statement of financial activities for the year ended 31 March 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the statement of financial activities of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The decrease in the net income for the year has been mirrored by an increase in the actuarial gains.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- ◆ estimating the useful economic life of tangible fixed assets; and
- ◆ legacy recognition.

Assessment of going concern

The trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the financial statements are detailed above. With regard to the next accounting period, the year ending 31 March 2017, the most significant areas that affect the carrying value of the assets held by the charity are the level of investment return and the performance of the investment markets (see the investment policy section of the trustees' report for more information).

Income

Income is recognised in the year in which the Home is entitled to receipt thereof, the amount can be measured reliably and it is probable that the funds will be received..

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.

Donations are recognised when the charity has confirmation of both the amount and settlement date.

Dividends are recognised once the dividend has been declared and notification has been received of the dividend due.

Fees from medical and nursing services are recognised when the service has been provided.

Principal accounting policies Year to 31 March 2016

Expenditure 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 raising funds and charitable activities according to underlying activity levels. These were established using a number of suitable indicators including staff time and floor space.

Expenditure comprise the following:

- a. The costs of raising 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 report of the Board of Trustees and include support costs.

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 £33m at 31 March 2016 (at 31 March 2015 – £31.9m).

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.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Principal accounting policies Year to 31 March 2016

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

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 Donations and legacies

| | Unrestricted £ | Restricted £ | 2016 £ | 2015 £ |
|--------------------------------------|-------------------|-----------------|------------------|----------------|
| Donations inclusive of reclaimed tax | 138,466 | 1,000 | 139,466 | 70,991 |
| Legacies | 1,301,637 | — | 1,301,637 | 580,560 |
| Total 2016 | 1,440,103 | 1,000 | 1,441,103 | 651,551 |
| Total 2015 | 650,551 | 1,000 | 651,551 | |

2 Investment income

| | Unrestricted funds | |
|--------------------------------------|--------------------|----------------|
| | 2016 £ | 2015 £ |
| Sarasin – CIF ALPHA fund units | 276,685 | 271,345 |
| COIF – Investment fund income units | 255,854 | 229,765 |
| | 532,539 | 501,110 |
| Interest receivable and bank charges | 490 | 512 |
| Total 2016 | 533,029 | 501,622 |

3 Income from charitable activities

Income from charitable activities comprises fees from medical and nursing services and is unrestricted.

4 Expenditure on raising funds

| | Unrestricted funds | |
|--|--------------------|-----------------------|
| | 2016 £ | Restated 2015 £ |
| Donations: advertising and agency fees | 25,943 | 4,469 |
| Publicity | 10,893 | — |
| Other costs (including staff costs) | | |
| . Direct costs | 12,316 | 24,251 |
| . Support costs | 80,630 | 77,604 |
| | 129,782 | 106,324 |

5 Expenditure on charitable activities

| | Unrestricted £ | Restricted £ | 2016 £ | Restated 2015 £ |
|---------------------------------------|-------------------|-----------------|-------------------------|-----------------------|
| Medical and nursing services | | | | |
| . Direct costs | 2,374,003 | 18,092 | 2,392,095 | 2,151,905 |
| . Support costs | 1,961,165 | — | 1,961,165 | 1,995,406 |
| Annuity and other charitable services | 10,435 | 1,000 | 11,435 | 11,140 |
| | <u>4,345,603</u> | <u>19,092</u> | <u>4,364,695</u> | <u>4,158,451</u> |
| Total 2015 | <u>4,157,451</u> | <u>1,000</u> | <u>4,158,451</u> | |

6 Analysis of support costs

| | Raising funds £ | Charitable activities £ | 2016 £ | Restated 2015 £ |
|-----------------------------|-----------------------|-------------------------------|-------------------------|-----------------------|
| Staff costs | 13,325 | 442,826 | 456,151 | 418,789 |
| Administration | 39,658 | 292,915 | 332,573 | 359,203 |
| Housekeeping – fuel & rates | 1,703 | 140,238 | 141,941 | 140,790 |
| Housekeeping - other | 10,005 | 560,158 | 570,163 | 531,164 |
| Depreciation | 1,636 | 135,488 | 137,124 | 137,123 |
| Repairs & maintenance | — | 217,663 | 217,663 | 300,664 |
| Insurance | 662 | 54,482 | 55,144 | 57,369 |
| Other costs | 5,032 | 54,264 | 59,296 | 49,179 |
| Governance costs | 8,609 | 63,131 | 71,740 | 78,729 |
| Total support costs | <u>80,630</u> | <u>1,961,165</u> | <u>2,041,795</u> | <u>2,073,010</u> |
| Total 2015 | <u>77,604</u> | <u>1,995,406</u> | <u>2,073,010</u> | |

Included within governance costs is auditor's remuneration of £19,890 (2015 - £19,500).

7 Staff costs

| | 2016 £ | 2015 £ |
|-----------------------|-------------------------|------------------|
| Wages and salaries | 2,008,873 | 1,943,493 |
| Social security costs | 182,449 | 167,912 |
| Pension costs | 291,472 | 198,408 |
| | <u>2,562,794</u> | <u>2,309,813</u> |

One employee earned between £70,000 and £80,000 in the year ended 31 March 2016 (2015 – none).

7 Staff costs (continued)

The average number of employees, analysed by function was:

| *Full time Equivalent | FTE* 2016 | Head Count 2016 | FTE* 2015 | Head Count 2015 |
|-------------------------------|--------------|--------------------|--------------|--------------------|
| Nursing and care | 83 | 85 | 81 | 79 |
| Maintenance | 3 | 3 | 3 | 3 |
| Reception and portering | 4 | 6 | 4 | 6 |
| Management and administration | 5 | 6 | 4 | 5 |
| | 95 | 100 | 92 | 93 |

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 (2015 FTE 17 / Head Count 27).

Remuneration of key management personnel

No trustee received any remuneration in respect of their services during the year. One trustee was reimbursed for travel expenses in the year for £61 (2015 – one trustee: £67).

During the year, the total remuneration, including pension contributions, of key management personnel was £125,349 (2015 – £123,985).

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.

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 (2015 - £2,000,000) and the insurance premium paid by the Home during the year totalled £1,330 (2015 - £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 £ |
|--------------------------------------|---------------------------|----------------------------|------------|
| Cost | | | |
| At 1 April 2015 and at 31 March 2016 | 3,240,207 | 7,800 | 3,248,007 |
| Depreciation | | | |
| At 1 April 2015 | 2,382,288 | 780 | 2,383,068 |
| Charge for the year | 136,344 | 780 | 137,124 |
| At 31 March 2016 | 2,518,632 | 1,560 | 2,520,192 |
| Net book values | | | |
| At 31 March 2016 | 721,575 | 6,240 | 727,815 |
| At 31 March 2015 | 857,919 | 7,020 | 864,939 |

11 Investments

| | 2016 £ | 2015 £ |
|--|------------|------------|
| Market value at 1 April 2015 | 15,202,641 | 13,486,614 |
| Additions | 500,000 | 500,000 |
| Net investment (losses) gains | (815,164) | 1,216,027 |
| Market value at 31 March 2016 | 14,887,477 | 15,202,641 |
| Cash held by investment advisors for re-investment | 85,947 | 70,607 |
| Total investments | 14,973,424 | 15,273,248 |
| Historical cost of investments at 31 March 2016 | 12,526,880 | 12,026,880 |

Investments held at 31 March comprised the following:

| | 2016 £ | 2015 £ |
|---|------------|------------|
| Investment property | 56,500 | 56,500 |
| Indirectly held investments | | |
| · COIF funds | 6,963,631 | 6,742,029 |
| · Sarasin CIF Alpha fund units | 7,867,346 | 8,404,112 |
| | 14,887,477 | 15,202,641 |
| Cash held by investment managers for reinvestment | 85,947 | 70,607 |
| | 14,973,424 | 15,273,248 |

12 Debtors

| | 2016 £ | 2015 £ |
|--------------------------------|------------------|----------------|
| Fee debtors | 166,551 | 199,350 |
| Prepayments and accrued income | 867,770 | 92,339 |
| Other debtors | — | 16,121 |
| | 1,034,321 | 307,810 |

Prepayments and accrued income at 31 March 2016 includes legacies of £832,079 (2015 - £60,000).

13 Creditors: amounts falling due within one year

| | 2016 £ | 2015 £ |
|-------------------------------------|----------------|----------------|
| Amounts held on behalf of residents | 26,536 | 32,078 |
| Accruals and deferred income | 408,321 | 331,075 |
| Social security and other taxation | 106,777 | 100,761 |
| Other creditors | 189,265 | 284,278 |
| | 730,899 | 748,192 |

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

14 Operating lease commitments

At 31 March 2016, the Charity had the following total commitments under operating leases on plant and machinery as follows:

| | 2016 £ | 2015 £ |
|-----------------------------------|--------------|--------------|
| Expiry date | | |
| . Leases expiring within one year | 1,872 | 3,744 |
| | 1,872 | 3,744 |

15 Endowment fund

| | 2016 £ | 2015 £ |
|---------------------|-----------|-----------|
| The D.O.Beale Trust | 12,477 | 12,477 |

At 31 March 2016 the assets of the endowment fund were made up of cash balances only.

16 Restricted funds

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

| | At 1 April 2015 £ | Income £ | Expenditure £ | At 31 March 2016 £ |
|----------------------------------|-------------------------|--------------|------------------|--------------------------|
| Staff Benevolent Fund | 1,746 | — | (1,746) | — |
| Sensory Garden Fund | 1,250 | — | (1,250) | — |
| Hospital Equipment Purchase Fund | 15,096 | — | (15,096) | — |
| Red Rose Charitable Trust Fund | — | 1,000 | (1,000) | — |
| | <u>18,092</u> | <u>1,000</u> | <u>(19,092)</u> | <u>—</u> |

Staff Benevolent Fund

These monies were donated for the benefit of staff.

Sensory Garden Fund

These monies were 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 2015 £ | Released/ utilised in year £ | At 31 March 2016 £ |
|-------------------------------------|----------------------------|---------------------------------------|-----------------------------|
| Tangible fixed assets fund | 864,939 | (137,124) | 727,815 |
| Continuity of care fund | 5,800,000 | (5,800,000) | — |
| Major and cyclical maintenance fund | 3,000,000 | (3,000,000) | — |
| Bursary fund | 2,226,074 | (2,226,074) | — |
| | <u>11,891,013</u> | <u>(11,163,198)</u> | <u>727,815</u> |

◆ 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. Previously the Board designated the equivalent of 12 months' anticipated costs to meet its obligations to provide the essential services for all parties in the event of a serious incident.

17 Designated funds (continued)

◆ Major and cyclical maintenance fund

Monies were designated under this heading to provide funds to meet the cost of major and cyclical maintenance when the need arises.

◆ Bursary fund

This amount was 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 £ | Designated funds £ | General fund £ | Total 2016 £ |
|---|------------------------|--------------------------|----------------------|-----------------------------|
| Fund balances at 31 March 2016 are represented by: | | | | |
| Tangible fixed assets | — | 727,815 | — | 727,815 |
| Investments | 12,477 | — | 14,960,947 | 14,973,424 |
| Current assets | — | — | 1,569,510 | 1,569,510 |
| Creditors: amounts falling due within one year | — | — | (730,899) | (730,899) |
| Total net assets | 12,477 | 727,815 | 15,799,558 | 16,539,850 |

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 administered by First Actuarial.

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 2016 were in total £11,000 (2015 - £15,000). There were no one off contributions in the year (2015 - £3,000). Employees' contribution rate to the scheme was 5% pensionable pay (2015 - 5%).

19 Pension commitments (continued)

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 102

The following information is based upon a full actuarial valuation of the scheme as at 1 April 2013 updated to 31 March 2016 by a qualified independent actuary using FRS17 guidelines:

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Market value of assets | 10,536 | 10,876 |
| Present value of scheme liabilities | (9,592) | (10,213) |
| Effect of limiting surplus recognition | (944) | (663) |
| Deficit in the scheme | — | — |

A surplus of £944,000 as at 31 March 2016 was calculated using FRS 102 principles. This cannot be recognised on the balance sheet because there is no plan to recover this surplus.

The assets in the scheme were:

| | Value | |
|------------------------------|---------------|---------------|
| | 2016 £'000 | 2015 £'000 |
| Equities | 5,256 | 5,646 |
| Bonds | 4,447 | 4,448 |
| Annuities | 539 | 460 |
| Cash | 294 | 322 |
| Total market value of assets | 10,536 | 10,876 |

The major assumptions used by the actuary were:

| | 2016 | 2015 |
|--|-------------|-------------|
| Price inflation RPI | 2.90% | 2.90% |
| Price inflation – CPI | 1.90% | 1.90% |
| Salary inflation | N/A | N/A |
| Rate of increase to pensions in payment | 0% to 2.70% | 0% to 2.70% |
| Rate of revaluation of pensions in deferment | 1.90% | 1.90% |
| Discount rate for liabilities | 3.10% | 3.10% |

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

19 Pension commitments (continued)

The Home's pension charge for the year calculated under FRS 102 assumptions is reflected in the financial statements as follows:

| | 2016 £'000 | Restated 2015 £'000 |
|---|---------------|---------------------------|
| Analysis of the amount charged to the statement of financial activities (SOFA) | | |
| Current service cost | — | 3 |
| Expenses paid | (169) | (86) |
| Total operating charge | (169) | (83) |
| Analysis of other finance charge | | |
| Return on pension scheme assets | 310 | 391 |
| Interest on pension liabilities | (312) | (393) |
| Net other finance charge | (2) | (2) |

| | 2016 £'000 | Restated 2015 £'000 |
|--|---------------|---------------------------|
| Amount recognised as actuarial gains/losses | | |
| Actuarial gains/(losses) | 441 | (131) |
| Effect of limiting surplus recognition | (281) | 200 |
| Actuarial gain recognised in SOFA | 160 | 69 |
| Movement in deficit during the year | | |
| Deficit in the scheme at 1 April | — | — |
| <i>Movement in year:</i> | | |
| Current service charge | — | 3 |
| Expenses paid | (169) | (86) |
| Contributions: one-off deficit contribution | — | 6 |
| other contributions | 11 | 10 |
| Net finance charge | (2) | (2) |
| Actuarial gain | 160 | 69 |
| Deficit in the scheme at 31 March | — | — |

Changes in the present value of the defined benefit obligation

| | 2016 £'000 | Restated 2015 £'000 |
|---|---------------|---------------------------|
| Opening defined benefit obligation | 10,213 | 9,028 |
| Interest cost on obligation | 312 | 393 |
| Current service cost | — | (3) |
| Actuarial (gain) loss on obligation | (662) | 1,009 |
| Member contributions | — | 3 |
| Benefits paid | (271) | (217) |
| Closing defined benefit obligation | 9,592 | 10,213 |

19 Pension commitments (continued)**Changes in the fair value of scheme assets**

| | 2016 | Restated |
|--|---------------|----------|
| | £'000 | 2015 |
| | | £'000 |
| Opening fair value of Scheme Assets | 10,876 | 9,891 |
| Interest income | 310 | 391 |
| Actuarial (loss) gain | (221) | 878 |
| Employer contributions | 11 | 16 |
| Member contributions | — | 3 |
| Benefits paid | (271) | (217) |
| Expenses paid | (169) | (86) |
| Closing fair value of Scheme Assets | 10,536 | 10,876 |

Federated Flexiplan

The Federated Flexiplan No.1 ("the Plan") is a defined benefit pension scheme. It is a "last man standing scheme" which means that all participating employers are joint and severally liable for the Plan's liabilities. However, because of the non-associated multi-employer nature of the Plan, the charity does not have sufficient information available (in particular to identify its share of the underlying assets and liabilities of the Plan) to use defined benefit accounting. As such and as permitted by FRS 102, it accounts for the Plan as if it were a defined contribution scheme. As a result, the amount recognised in the statement of financial activities represents the charity's contributions payable to the Plan in respect of the accounting period.

Members of the Plan are entitled to benefits on either a "Pensions Capital" or "Target Pension" basis. Under the Pensions Capital basis, contributions paid by and in respect of members are accumulated up to retirement and then used to secure benefits for the member. Under the Target Pension basis, members receive a defined pension at retirement based on length of service in the Plan and their Pensionable Salary at date of leaving. The Plan is closed to new members and to future accrual of benefits.

Actuarial Valuation as at 31 March 2015

The latest actuarial valuation of the Plan was at 31 March 2015 and was conducted under the scheme funding regime introduced by the Pensions Act 2004. This requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their liabilities (or 'technical provisions'). The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in deferred pensions and pensions in payment and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date.

The technical provisions were calculated using assumptions that were chosen to produce a level for the technical provisions which was anticipated to be broadly in line with the cost of securing the Plan benefits with an insurer.

At the valuation date, the value of the assets of the Plan was £83.9 million and the value of the Plan's technical provisions was £88.8 million indicating a deficit of £4.9 million. The assets therefore were sufficient to cover 94% of the benefits that had accrued to members.

19 Pension commitments (continued)

Recovery Plan

As the Plan was in deficit at the latest actuarial valuation a recovery plan was put into place. Under this recovery plan, contributions of £2,063,417 per annum are payable from 1 April 2016 to 31 March 2017 and £1,555,556 per annum are payable from 1 April 2017 to 31 March 2019.

The charity's agreed share of these contributions is £3,683 per annum from 1 April 2016 and £2,648 per annum from 1 April 2017. No other contributions are due from the charity. No liability has been recognised in respect of future deficit contributions on the grounds that the amount is not material.

The charity paid contributions totalling £3,683 during the year ended 31 March 2016.

The next formal triennial actuarial valuation is due at 31 March 2018. The contribution rate will be reviewed as part of each valuation.

20 Cash at bank

Cash at bank of £535,189 on 31 March 2016 (2015 - £660,103) includes £26,536 held on behalf of the residents of the Home (2015 - £32,078). A corresponding liability for these monies is included in creditors (note 13).