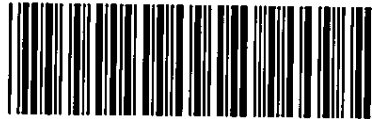




THE RETREAT YORK
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

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Charity No. 1089826
Company No. 4325622

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TRUSTEES' ANNUAL REPORT YEAR ENDED 31 DECEMBER 2007

LEGAL AND ADMINISTRATIVE INFORMATION

The Trustees, who are also the Directors of the charity for the purposes of the Companies Act 1985, submit their annual report and the audited financial statements for the year ended 31 December 2007. The Trustees have adopted the provisions of the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) issued in 2005 and the Companies Act 1985, in preparing the annual report and financial statements of the charity.

Legal status

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

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

Company Number

4325622

Charity Number

1089826

Trustees and Directors

Douglas Hambleton
Valerie Humby (retired 31 December 2007)
Stuart Humby (appointed 1 January 2008)
Roger Mattingly *
John Park*
Paul Redgate
Lucy Sheard
Martin Sykes
David Taylor*
Kay Whittle

* Member of the Finance Committee

Chief Executive

Jenny McAleese

Company Secretary

Robert Brownlow

Senior Management Team

Jenny McAleese	- Chief Executive
Robert Brownlow	- Director of Finance and Facilities
Dr Chris Holman	- Medical Director (appointed 1 April 2007)
Dr Susan Mitchell	- Medical Director (retired 31 March 2007)
Steve Trenchard	- Director of Clinical Services

Address and Registered Office

107 Heslington Road, York YO10 5BN

TRUSTEES' ANNUAL REPORT – Continued

YEAR ENDED 31 DECEMBER 2007

LEGAL AND ADMINISTRATIVE INFORMATION - Continued

Auditors

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

Investment Managers

Sarasin & Partners, Juxon House, 100 St Paul's Churchyard, London EC4M 8BU

Solicitors

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

Bankers

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

STRUCTURE GOVERNANCE AND MANAGEMENT

Constitution

The Retreat York is a charitable company limited by guarantee. In accordance with decisions made by the various Quaker Bodies, this company was formed on 20 November 2001 and was granted charitable status on 18 December 2001. Its governance arrangements are set out in its Memorandum and Articles of Association.

Governors and Directors

The Governors of the company are the members of the company and number 24 individuals. The membership of the Governors consists of

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

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

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

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

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

Induction and Training

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

TRUSTEES' ANNUAL REPORT – Continued

YEAR ENDED 31 DECEMBER 2007

STRUCTURE GOVERNANCE AND MANAGEMENT – Continued

Management

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

Risk Management

The Trustees have conducted a review of the major strategic, financial and operational risks to which the charity is exposed, and systems have been established to mitigate those risks. Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects. Systems have been established to ensure that risks are reviewed on a regular basis. During the course of 2007 a full-time Risk Manager was appointed.

Connected Charities

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

The Retreat York Benevolent Fund provides grants to help Friend patients (or those closely associated with Friends) who are unable to meet the lowest fees. Grants made during 2007 amounted to £35,500 for 3 individuals. The total funds of the Benevolent Fund at 31 December 2007 amounted to £1,328,328. Audited financial statements for The Retreat York Benevolent Fund are available from The Retreat York.

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

During 2007 The Retreat York entered into a joint venture with Turning Point to operate a women's high support unit. The joint venture company is called Northern Pathways Limited and the unit is planned to open in January 2009.

OBJECTIVES AND ACTIVITIES

Objects

The objects for which the Company is established are

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

Aims

The Retreat endeavours to improve or maintain the mental health and quality of life of those who use or provide its services, through care that is of the highest quality and seeks to reflect the tolerance, humanity and spiritual values of its Quaker roots. All patients and staff have equal value as human beings and the experience and contribution of each individual is listened to, valued and respected, whilst everyone is encouraged to develop or maintain their full potential and well-being. The Retreat seeks to promote a spirit of enquiry based on honesty and openness and supports an attitude of informed and balanced common sense towards treatment methods, being open to evaluation and new ideas within a constant set of values. All staff members within The Retreat seek to maintain the highest standards of professional and personal integrity and work to provide a safe physical and social environment as a secure base for therapy and rehabilitation. These constituted the main objectives of The Retreat in 2007.

TRUSTEES' ANNUAL REPORT – Continued

YEAR ENDED 31 DECEMBER 2007

OBJECTIVES AND ACTIVITIES - Continued

Strategies for the Achievement of its Aims

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

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

Activities

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

Volunteers

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

ACHIEVEMENTS AND PERFORMANCE

Review of Performance against Objectives set

Our main mechanism for monitoring performance in 2007 was regular review against our Business Plan for the year. This contained thirty-four individual targets and by the end of the year nearly all of this had either been completed or were in the process of being so. Key achievements included the implementation of a major management restructuring, reducing the number of senior managers and increasing that of operational managers, an increased involvement by those who use our services, the introduction of a new brand and logo and the development of a three year business plan.

Management of Investments

The Retreat York is looking to maximise the return in terms of both income and capital. As permitted by the charity's Memorandum and Articles of Association, the Trustees have given the investment managers discretion to manage the portfolio within an agreed risk profile.

Subject only to compatibility with the principles of the Religious Society of Friends, the Trustees have unrestricted powers of investment. The Retreat operates an ethical investment policy, whereby it does not invest in companies which derive a significant proportion of their turnover from any of the following activities:

- Gambling
- The production or sale of alcohol, tobacco or armaments
- The publishing or distribution of pornography

The investment managers, Sarasin & Partners, are monitored by the Trustees by reference to a number of indices and benchmarks including the performance achieved by other similar funds. In 2007 the fund's performance of 9.2% growth exceeded the median return of 6.4% achieved by other funds in the survey used.

TRUSTEES' ANNUAL REPORT – Continued

YEAR ENDED 31 DECEMBER 2007

ACHIEVEMENTS AND PERFORMANCE - Continued

Factors affecting Performance

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

FINANCIAL REVIEW

Financial Performance for the Year

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

The operating results of The Retreat which include expenditure on the charity's key areas of operation of Complex Mental Health Recovery Services, Specialist Older People's Services and Specialist Adult Services, in 2007 produced a surplus of £1,077,703. Other net income from investments, donations, legacies and grants produced income of £912,150. After deducting costs amounting to £25,154 for the governance of the charity, the result was an overall surplus for the year of £1,964,699. After taking into account total investment gains of £543,826 and an actuarial gain on the defined benefit pension scheme of £764,000 there was a net surplus of £3,272,525.

Our financial results for the year have been affected by a net pension return of £15,000. In addition to this an actuarial gain of £764,000 has been added to reserves. Company contributions were paid at the rate of £25,000 per month in accordance with advice from the Scheme actuaries.

Changes in Fixed Assets

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

Reserves Policy

It is the policy of the charity to maintain undesignated funds, which are the free reserves of the charity, at a level sufficient to cover 12 months of expenditure, approximately £8,600,000. Presently the undesignated reserves amount to £4,629,311 (2006 £3,883,917). This figure excludes the pension asset of £4,782,552 on the basis that this asset does not result in an immediate cash flow on the charity and is not an asset that can be immediately drawn down.

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

Reserves for the necessary upgrade and development of the charity's operational properties are segregated into a separate development fund, currently totalling £7,743,000.

TRUSTEES' ANNUAL REPORT – Continued YEAR ENDED 31 DECEMBER 2007

PLANS FOR FUTURE PERIODS

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

Our Business Plan for 2008-2010 is one of steady expansion as we focus on continuing to develop services in our areas of recognised expertise and thereby strengthen our underlying financial position.

Trustees' Responsibilities in relation to the Financial Statements

Company and charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the Trustees have

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

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

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

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

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

TRUSTEES' ANNUAL REPORT – Continued YEAR ENDED 31 DECEMBER 2007

PLANS FOR FUTURE PERIODS - Continued

Employee involvement and employment of the disabled

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

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

Statement of disclosure to auditor

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

Auditors

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

This report was approved by the Board on 14 July 2008.



ROGER MATTINGLY
CHAIRMAN

INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS OF THE RETREAT YORK

We have audited the financial statements of The Retreat York on pages 9 to 25 for the year ended 31 December 2007. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, the inclusion of investments at market value and the accounting policies set out therein.

This report is made solely to the company's Governors as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's Governors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

As described in the statement of Trustees' responsibilities on page 6 the Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its incoming resources and application of resources including its income and expenditure in the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Annual Report is consistent with the financial statements.

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

30 July 2008.

STATEMENT OF FINANCIAL ACTIVITIES – CONSOLIDATED
(incorporating a consolidated income and expenditure account)
YEAR ENDED 31 DECEMBER 2007

	Note	Restrcted Funds £	Unrestricted Funds £	Total 2007 £	Total 2006 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income (donations and legacies)		530,398	34,611	565,009	81,681
Rents		-	140,753	140,753	140,000
Investment income	2	-	344,950	344,950	299,674
Other finance income	3	-	778,000	778,000	508,000
Incoming resources from charitable activities:					
Patent fees and other charges - The Retreat	4	-	8,482,932	8,482,932	8,109,985
- Joint Venture	5	-	2,091,096	2,091,096	1,904,482
Incoming resources including Joint Venture income					
		530,398	11,872,342	12,402,740	11,043,822
Share of Joint Venture income		-	(2,091,096)	(2,091,096)	(1,904,482)
Total incoming resources		<u>530,398</u>	<u>9,781,246</u>	<u>10,311,644</u>	<u>9,139,340</u>
RESOURCES EXPENDED					
Costs of generating funds					
Investment management fees	6f	-	(2,191)	(2,191)	37,008
Charitable activities					
Complex mental health recovery services		3,239	3,090,018	3,093,257	3,104,742
Specialist older people's services		40,462	2,578,800	2,619,262	2,620,257
Specialist adult services		3,220	3,072,418	3,075,638	2,878,368
Governance costs	6c	-	25,154	25,154	113,874
Total resources expended	6a	<u>46,921</u>	<u>8,764,199</u>	<u>8,811,120</u>	<u>8,754,249</u>
Net incoming resources		<u>483,477</u>	<u>1,017,047</u>	<u>1,500,524</u>	<u>385,091</u>
Net income from Joint Venture	5	-	464,175	464,175	331,068
Net incoming resources for the year		<u>483,477</u>	<u>1,481,222</u>	<u>1,964,699</u>	<u>716,159</u>
OTHER RECOGNISED GAINS AND LOSSES					
(Losses)/gains on investments					
Realised	8	-	(120,490)	(120,490)	137,114
NET INCOME FOR THE YEAR		<u>483,477</u>	<u>1,360,732</u>	<u>1,844,209</u>	<u>853,273</u>
Gains on investments					
Unrealised	8	-	664,316	664,316	668,789
Actuarial profit on defined benefit pension scheme	3	-	764,000	764,000	3,439,000
NET MOVEMENT IN FUNDS		<u>483,477</u>	<u>2,789,048</u>	<u>3,272,525</u>	<u>4,961,062</u>
Balance 1 January		17,691	25,188,231	25,205,922	20,244,860
Transfer of funds		21,613	(21,613)	-	-
Fund balance at 31 December		<u>522,781</u>	<u>27,955,666</u>	<u>28,478,447</u>	<u>25,205,922</u>

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

BALANCE SHEET
YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	7	10,800,803	9,870,321
Investments	8	9,068,095	8,304,214
Investment in Joint Ventures	8e	501	500
		<u>19,869,399</u>	<u>18,175,035</u>
Current assets			
Stock		21,120	19,788
Debtors	9	1,770,067	1,527,963
Cash at bank and in hand		3,023,754	2,694,782
		<u>4,814,941</u>	<u>4,242,533</u>
Creditors: amounts falling due within one year	10	988,445	818,646
Net current assets		<u>3,826,496</u>	<u>3,423,887</u>
Total assets less current liabilities excluding pension asset		23,695,895	21,598,922
Defined benefit pension scheme asset		<u>4,782,552</u>	<u>3,607,000</u>
Net assets including pension asset		<u>28,478,447</u>	<u>25,205,922</u>
Unrestricted funds			
11			
General			
Investment revaluation reserve		1,498,374	1,153,056
Other		7,913,489	6,337,861
		<u>9,411,863</u>	<u>7,490,917</u>
Designated			
Tangible fixed assets fund - cost		6,299,999	5,369,517
- revaluation		4,500,804	4,500,804
		<u>10,800,803</u>	<u>9,870,321</u>
Development fund		7,743,000	7,810,384
Amenity fund		-	16,609
		<u>18,543,803</u>	<u>17,697,314</u>
		27,955,666	25,188,231
Restricted funds	12	<u>522,781</u>	<u>17,691</u>
Total funds		<u>28,478,447</u>	<u>25,205,922</u>

The financial statements on pages 9 - 25 were approved by the Board of Directors on 14 July 2008 and are signed on its behalf by



ROGER MATTINGLY
CHAIRMAN

CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2007

	2007 £	2006 £
Reconciliation of surplus of income to net inflow from operating activities		
Net incoming resources for the period	1,964,699	716,159
Add Depreciation charges	165,173	178,781
Loss on disposal of fixed assets	5,008	-
Less Investment income received	(344,950)	(299,674)
Other finance income	(778,000)	(508,000)
	<u>1,011,930</u>	<u>87,266</u>
(Increase)/decrease in stock	(1,332)	5,035
Increase in debtors	(242,104)	(208,877)
Increase in creditors	90,247	209,592
Pension cost in excess of contributions made	446,000	486,000
	<u>1,304,741</u>	<u>579,016</u>
Returns on investments		
Investment income received	344,950	299,674
	<u>344,950</u>	<u>299,674</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,100,663)	(463,637)
Purchase of investments	(2,261,054)	(5,976,244)
Sale proceeds of investments	2,040,998	5,746,467
	<u>(1,320,719)</u>	<u>(693,414)</u>
Increase in cash in the period	<u>328,972</u>	<u>185,276</u>
Movement in Cash		
Cash in bank and in hand		
Balance at 1 January 2007	2,694,782	2,509,506
Movement in the period	328,972	185,276
	<u>3,023,754</u>	<u>2,694,782</u>
Balance at 31 December 2007		

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of certain fixed assets at valuation and investments at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) published in March 2005, the Companies Act 1985 and applicable UK Accounting Standards.

(b) Joint venture

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

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

This figure is then taken out again to arrive at the company's total incoming resources.

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

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

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

(c) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income and gains are allocated to the appropriate fund.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007 - Continued

1. Accounting policies – continued

(d) Incoming resources

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

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

(e) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category

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

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

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

(f) Depreciation

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

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

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

Items costing less than £600 are not capitalised

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued

1. Accounting policies - continued

(g) Investments

Investments are included at their market value on 31 December 2007 and the increase or decrease in value between accounting dates, together with the profits and losses on disposals, is recognised in the Statement of Financial Activities

(h) Pensions

Accounting for pensions is in accordance with Financial Reporting Standard 17 - 'Retirement Benefits' This requires that the operating and financing costs of the company's defined benefit scheme are recognised separately in the Statement of Financial Activities, service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. Variations from expected costs, arising from the experience of the scheme or changes in actuarial assumptions, are recognised immediately in the statement of total recognised gains and losses. The difference between the market value of assets and the present value of accrued pension liabilities estimated using the projected unit method, is shown as a liability in the balance sheet

(i) Operating leases

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

2. Investment income

	2007 £	2006 £
Dividend income	226,509	173,608
Interest receivable	118,441	126,066
	<u>344,950</u>	<u>299,674</u>

3. Provision for employees' pensions

Actuarial valuation

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

A full actuarial valuation of the scheme was carried out as at 31 December 2004 using the projected unit method and will be updated to 31 December 2007.

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

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued**

3. Provision for employees' pensions - continued

FRS 17 details

The major assumptions used by the actuary were

	2007	2006	2005
Inflation assumption	3.25%	3.00%	3.00%
Rate of increase in salaries	5.25%	5.00%	5.00%
Discount rate	5.75%	5.10%	4.70%
Rate of increase in pensions in payment where increases are linked to inflation			
– Limited price index 5%	3.10%	2.90%	2.90%
– Limited price index 3%	2.85%	2.75%	2.75%

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

	Long term rate return expected at <u>31.12.07</u>	Value at <u>31.12.07</u> £,000	Long term rate return expected at <u>31.12.06</u>	Value at <u>31.12.06</u> £,000	Long term rate return expected at <u>31.12.05</u>	Value at <u>31.12.05</u> £,000
Equities	7.50%	27,935	7.50%	25,641	7.00%	22,959
Bonds	5.00%	1,641	4.75%	1,988	4.25%	2,026
Property	6.00%	487	6.00%	616	7.00%	2
Cash and net						
Net current assets	5.50%	381	4.50%	281	4.00%	482
		<u>30,444</u>		<u>28,526</u>		<u>25,469</u>

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

	2007 £,000	2006 £,000
Total market value of assets	30,523	28,526
Present value of scheme liabilities	25,741	24,919
Surplus	<u>4,782</u>	<u>3,607</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued

3. Provision for employees' pensions - continued

The FRS 17 surplus has increased during the year ended 31 December 2007 as follows:

	2007 £,000	2006 £,000
Surplus in scheme at 1 January 2007	3,607	146
Movement in year		
Current service cost	(763)	(961)
Contributions	396	475
Other finance income	778	508
Actuarial gain	764	3,439
Surplus in scheme at 31 December 2007	<u>4,782</u>	<u>3,607</u>

Analysis of the amount charged to charitable expenditure

Current service cost	<u>(763)</u>	<u>(961)</u>
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Analysis of the amount credited to other finance income

Expected return on pension scheme assets	2,043	1,701
Interest on scheme liabilities	<u>(1,265)</u>	<u>(1,193)</u>
Net return	<u>778</u>	<u>508</u>

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

Actual less expected return on scheme assets	545	1,704
Experience gains arising on the scheme liabilities	390	143
Changes in assumptions underlying the present value of the scheme liabilities	<u>(171)</u>	<u>1,592</u>
Actuarial gain recognised in STRGL	<u>764</u>	<u>3,439</u>

Details of experience gains and losses

	2007	2006	2005
Difference between the expected and actual return on scheme assets	545	1,704	2,943
Percentage of scheme assets	2%	6%	12%
Experience gains and losses on scheme liabilities	390	143	(650)
Percentage of the present value of scheme liabilities	2%	1%	-3%
Total amount recognised in statement of total recognised gains and losses	764	3,439	(712)
Percentage of the present value of scheme liabilities	3%	12%	-3%

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued**

4. Patient fees and other charges	2007	2006
	£	£
Fees from patients	8,327,699	7,970,860
Grants to cover full cost of reduced fees		
Benevolent fund for friend patients	35,500	35,227
	<u>8,363,199</u>	<u>8,006,087</u>
Sundry income	119,733	103,898
	<u>8,482,932</u>	<u>8,109,985</u>

5. Joint venture

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

The company's share of the results of the joint venture as at 31 December 2007 are as follows

	£
Fee income and contributions received	2,091,096
Expenditure on charitable activities	<u>(1,626,921)</u>
Share of net results	<u>464,175</u>

The company's share of the net assets of the joint venture as at 31 May 2007 (the figures as at 31 December 2007 are not available) are as follows

	£
Fixed assets	70,486
Current assets	313,945
Liabilities due within one year	<u>(383,931)</u>
Net assets	<u>500</u>

As all surpluses are distributed equally to the two joint venture partners, there are no net assets in the balance sheet at 31 December 2007 other than the share capital.

This joint venture is operated via a limited company, York House Ventures Limited a company whose share capital is owned 50% by The Retreat York and 50% by The Disabilities Trust.

- (b) In 2007 The Retreat York entered into a joint venture arrangement with Turning Point by means of a joint venture company called Northern Pathways Limited. This company was incorporated on 26 July 2007 and did not trade during the year. It is not envisaged that there will be any trading until 2009 when Garrow House, a secure 12 bedded unit for females, opens for the admission of patients.

The company is owned 50% by The Retreat York and 50% by Turning Point.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued**

6. (a) Analysis of expenditure

	Direct costs £	Support costs £	2007 Total £	2006 Total £
Complex mental health recovery services	2,081,420	1,011,837	3,093,257	3,104,742
Specialist older people's services	1,762,474	856,788	2,619,262	2,620,257
Specialist adult services	2,069,564	1,006,074	3,075,638	2,878,368
Investment management fees	(2,191)	-	(2,191)	37,008
Governance costs (Note c)	25,154	-	25,154	113,874
	<u>5,936,421</u>	<u>2,874,699</u>	<u>8,811,120</u>	<u>8,754,249</u>

(b) Support costs totalling £2,874,699 have been allocated across activities. These include costs associated with providing IT, payroll, personnel, finance, property and other central services to the charity.

(c) Governance costs

	2007 £	2006 £
Audit fee - audit services	10,634	10,305
- other services	3,358	9,135
Directors' and Governors' expenses	7,864	8,235
Company fees re pension advice	1,613	70,610
Other professional fees	1,685	15,589
	<u>25,154</u>	<u>113,874</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued

6. Analysis of expenditure - continued

(d) Employees	2007	2006
	£	£
Salaries	5,685,828	5,456,347
Employer's NI	443,261	439,472
Pension scheme (note 3)	763,000	961,000
	<u>6,892,089</u>	<u>6,856,819</u>

The average number of employees in the year was

Medical staff	4	4
Nursing staff	171	176
Other clinical staff	24	20
Administration and support staff	28	24
Estate maintenance	14	13
Hotel services	70	68
	<u>311</u>	<u>305</u>

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

Band of earnings	Number	
	2007	2006
£60,000 - £69,999	2	1
£70,000 - £79,999	2	0
£80,000 - £89,999	0	1
£90,000 - £99,999	1	0
£100,000 - £109,999	1	2
£110,000 - £119,999	1	1
£120,000 - £129,999	1	0

Of the above, the number of staff to whom retirement benefits are accruing under the defined benefit pension scheme at 31 December 2007 is eight

(e) Other expenditure	2007	2006
	£	£
Other expenditure includes		
Amounts paid under operating leases		
- land and buildings	36,380	36,380
	<u>36,380</u>	<u>36,380</u>
(f) Investment management fees	£	£
Fees	15,644	37,008
Less – investment fee rebate	(17,835)	-
	<u>(2,191)</u>	<u>37,008</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued

7 Fixed Assets

	Freehold land and buildings £	Short leasehold land and buildings £	Furniture plant, equipment vehicles £	Total £
Cost or Valuation				
At 1 January	9,266,093	72,373	2,604,789	11,943,255
Additions in year	975,667	-	124,996	1,100,663
Disposals in the year	-	-	(23,515)	(23,515)
At 31 December 2007	<u>10,241,760</u>	<u>72,373</u>	<u>2,706,270</u>	<u>13,020,403</u>
Depreciation				
At 1 January	158,936	24,825	1,889,173	2,072,934
Disposals	-	-	(18,507)	(18,507)
Charge for the year	10,922	32,399	121,652	165,173
At 31 December 2007	<u>169,858</u>	<u>57,424</u>	<u>1,992,318</u>	<u>2,219,600</u>
Net book value				
At 31 December 2007	<u>10,071,902</u>	<u>14,949</u>	<u>713,952</u>	<u>10,800,803</u>
At 31 December 2006	<u>9,107,157</u>	<u>47,548</u>	<u>715,616</u>	<u>9,870,321</u>

The freehold land and buildings were valued as at 31 December 1998 by Messrs Weatherall Green and Smith and the valuations incorporated into the accounts. The operational properties were valued at £6.695m on a depreciated replacement cost basis. The temporarily non-operational properties included in fixed assets were valued at £355,000 on an open market basis, and at the valuation date were let producing rental income of £35,900 per annum. From that date up to the 31 December 2007 additions costing £3,191,760 have been capitalised and are included in the balance of £10,241,760 above.

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

On a historical cost basis the freehold land and buildings would have a net book value at 31 December 2007 of £5,571,098.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued**

8. Investments	2007	2006
	£	£
(a) Movements in year at market value		
Market value at 1 January 2007	8,304,214	7,268,534
Acquisitions at cost	2,261,053	5,976,244
Disposals at book value	(2,161,488)	(5,609,353)
Net gains on revaluation at 31 December 2007	664,316	668,789
Market value at 31 December 2007	<u><u>9,068,095</u></u>	<u><u>8,304,214</u></u>
Historical cost		
At 31 December 2007	<u><u>7,569,721</u></u>	<u><u>7,151,158</u></u>
(b) Realised (losses)/gains in the year		
Proceeds	2,040,998	5,746,467
Disposals at book value	(2,161,488)	(5,609,353)
	<u><u>(120,490)</u></u>	<u><u>137,114</u></u>
(c) Reconciliation of movement in unrealised gains		
Unrealised gains at 1 January 2007	1,153,056	1,514,251
Less in respect of disposals in the period	(318,998)	(1,029,984)
Add net gains arising on revaluation in the period	664,316	668,789
Unrealised gains at 31 December 2007	<u><u>1,498,374</u></u>	<u><u>1,153,056</u></u>
(d) Analysis of market value		
Listed Securities - UK	5,450,379	5,434,841
- Overseas	3,508,005	2,671,240
Cash deposits	109,711	198,133
	<u><u>9,068,095</u></u>	<u><u>8,304,214</u></u>

Included within investments are holdings in the following investments representing more than 5% of the value of the portfolio at 31 December 2007

Sarasin Sterling Bond CLS 'A' INC	5 3%
Sarasin CI Equisar Sterling Global Thematic Fund Dist Units	38 6%

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued**

8. Investments - continued

(e) Investment in joint venture

The company owns 500 ordinary shares of £1 each in York House Ventures Limited representing 50% of its share capital. The company is incorporated in England and Wales. Further details relating to York House Ventures Limited are given in note 5a.

The company owns 1 ordinary share of £1 each in Northern Pathways Limited representing 50% of its share capital. The company is incorporated in England and Wales. Further details relating to Northern Pathways Limited are given in note 5b.

9. Debtors

	2007	2006
	£	£
Trade debtors	1,524,048	1,335,855
Amount due from joint venture	244,684	192,108
The Retreat Benevolent Fund	1,335	-
	<u>1,770,067</u>	<u>1,527,963</u>

10. Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	167,189	106,921
Accruals	350,164	300,104
Tax and social security	150,068	153,457
Patient fees in advance	10,847	5,166
Monies due to patients	310,177	251,454
The Retreat Benevolent Fund	-	1,544
	<u>988,445</u>	<u>818,646</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued

11. Unrestricted funds

	General Fund £	Designated funds			Total £
		Tangible fixed asset fund £	Development fund £	Amenity Fund £	
At 1 January 2007	7,490,917	9,870,321	7,810,384	16,609	25,188,231
Incoming resources	10,245,421	-	-	-	10,245,421
Resources expended	(8,764,199)	-	-	-	(8,764,199)
Gains and losses	1,307,826	-	-	-	1,307,826
Transfers	(868,102)	930,482	(67,384)	(16,609)	(21,613)
At 31 December 2007	<u>9,411,863</u>	<u>10,800,803</u>	<u>7,743,000</u>	<u>-</u>	<u>27,955,666</u>

General fund

	2007 £	2006 £
General fund excluding pension asset	4,629,311	3,883,917
Pension asset	4,782,552	3,607,000
General fund	<u>9,411,863</u>	<u>7,490,917</u>

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

Tangible fixed assets fund

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

Development fund

An amount of £7,743,000 in total has been earmarked for capital projects for the development of care services at The Retreat, York

Amenity fund

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

Transfers

	£	£
Analysis of additions to tangible fixed asset fund		
Additions	(1,100,663)	
Depreciation	146,666	
Disposals	23,515	
		(930,482)
Transfer from development fund		67,384
Transfer from amenity funds		16,609
Transfer to fund deficits as restricted funds		(21,613)
		<u>868,102</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued

12. Restricted funds

	Garrow House	Library	Charity shops	Patient holiday fund	Outpatient development fund	Other funds	Total
	£	£	£	£	£	£	£
At 1 January 2007	-	5,328	12,220	-	-	143	17,691
Incoming resources	476,800	120	15,731	10,359	15,040	12,348	530,398
Expenditure during the period	-	(46)	(11,188)	(445)	(8,813)	(26,429)	(46,921)
Transfers between funds	-	-	(9,120)	-	-	30,733	21,613
Balance at 31 Dec 2007	476,800	5,402	7,643	9,914	6,227	16,795	522,781

Garrow House

This fund comprises a grant received from the Department of Health towards the cost of the upgrade of a property called Garrow House to provide a 12 bedded low secure unit as part of a national pilot scheme

Library

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

Charity shops

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

Patient holiday fund

This is a fund arising from donations specifically given to pay for holiday breaks for patients

Outpatient development fund

This is the fund created by the fundraising currently being undertaken to extend the outpatient building

Other funds

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

13. Analysis of net assets between funds

	Fixed assets	Investment	Net current assets	Pension asset	Fund balances
	£	£	£	£	£
Restricted funds	-	-	522,781	-	522,781
Unrestricted					
Designated funds					
Tangible fixed asset fund	10,800,803	-	-	-	10,800,803
Development fund	-	7,743,000	-	-	7,743,000
General fund	-	1,325,596	3,303,715	4,782,552	9,411,863
	10,800,803	9,068,596	3,826,496	4,782,552	28,478,447

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007 - Continued

14. Operating leases

At 31 December 2007 the company had annual commitments under non cancellable operating leases as set out below

	Land and buildings	
	2007	2006
	£	£
Operating leases which expire		
Within one year	<u>36,380</u>	<u>36,380</u>

15. Capital commitments

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

	2007	2006
	£	£
Contracted for	<u>-</u>	<u>737,000</u>

16. Trustees' expenses and remuneration

Travel expenses reimbursed to Trustees	<u>4,637</u>	<u>4,639</u>
Number of Trustees reimbursed	<u>6</u>	<u>6</u>

One trustee received a payment for professional services provided during the year amounting to £764. A premium of £1,942 for trustee indemnity insurance was paid by the Company during the year.

17. Related party transactions

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

	2007	2006
	£	£
Services provided	188,720	164,696
Overheads recharged	1,598	2,940
Rent	<u>127,642</u>	<u>124,687</u>
	<u>317,960</u>	<u>292,323</u>

The amount owing by York House at 31 December 2007 in respect of services and unremitted surpluses is £244,684