

Figures

The Royal Society For Mentally
Handicapped Children and Adults
Ltd.

Company Registration No. 550457



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Trustees' Annual Report

1 Trustees' Annual Report

The trustees of the Royal Society for Mentally Handicapped Children and Adults submit their report for the year ended 31 March 1999.

2 Name and Registered Office of the Charity

The full name of the charity is the Royal Society for Mentally Handicapped Children and Adults and its registered office is 123 Golden Lane, London EC1Y 0RT.

3 Constitution

The charity was incorporated as a company limited by guarantee on 9 June 1955.

The company registration number is 550457

Registered with the Charity Commission – Registration Number 222377

4 Relevant Addresses

Auditors

Deloitte & Touche
Stonecutter Court
1 Stonecutter Street
London EC4A 4TR

Bankers

Barclays Bank PLC
Hanover Square Business Centre
8/9 Hanover Square
London W1A 4ZW

Investment Managers

Mercury Asset Management PLC
33 King William Street
London EC4R 9AS

Taylor Young Investment Management Ltd
45 Lafone Street
Butlers Wharf
London SE1 2LX

5 Principal activities

The principal objective of Mencap, as set out in the Memorandum and Articles of Association, is the support for individuals with a learning disability, their parents and carers, whether through the provision of care, advocacy, treatment or education.

These objectives are pursued through various activities including:

- Campaigning for greater awareness and better provision of services.
- Service delivery in a range of areas including residential care, education, employment and leisure.
- Support and information through a system of family support teams and an integrated database of information.

Progress during the year

- 6 The development of a constitution for Mencap culminated, at an Extraordinary General Meeting on 19 September 1998, in an 88% vote in favour of the introduction of individual membership based on one member, one vote and the inclusion of people with a learning disability. There was also a positive vote for a smaller Trustee board of 11, including 3 Trustees co-opted from the commercial and professional world.

This change, led by Lord Rix, brought to an end the period of Mencap's development under his chairmanship. The National Council has now elected Brian Baldock CBE as his successor. His commercial and charity expertise will bring new developments and opportunities to Mencap in the coming years.

Trustees' Annual Report

continued

The new constitution will become fully operational after an Extraordinary General Meeting planned for March 2000, at which the new trustees will be elected.

The campaigning and policy arm has been refocused with the recruitment of a Director of Public Affairs, under whom Mencap's research and information needs will be co-ordinated to target our campaign strategies.

This follows a restructure of the delivery of our field services with the abolition at the end of the last financial year of our 7 divisions and a move to closer field management with the development of 15 sectors.

The year also saw the development of housing services, in support of our current residential care, with the launch of Golden Lane Housing. This service will provide the bricks and mortar to supplement the current care services, usually delivered in third party homes, and ensure that in a period of declining government funding we continue to develop residential care and, more importantly, supported living and shared ownership schemes. Residential care continues to be the dominant service with 3,000 bed spaces, although little or no growth has been seen in this area.

Within services we have been examining the opportunities to establish supportive schemes using funding available from both national and European sources. The development of the Millennium Award scheme, for 450 people over 3 years, is an example of National Lottery funding focused on the personal development of individuals. The development of education services, in particular the services linked to the specialist residential colleges, continues to focus on FEFC funding. A long-standing national review of FEFC funding now promises some benefits with effect from 2000.

7 Organisation

The following served as members of the National Council, who are also trustees and directors under company law, throughout the year and to the current date:

Lynne Armstrong	Barrie Davis	Mike Mackey MVO BEM
Roy Atkins	Pia Duran	John McKee
Barbara Brettell	Ken Evans	Ian Millar
Veronica Burden	Tim Gadd	Mary Oliver
John Chillag	Roger Galletley	Clair Roberts
Linda Cooper	Audrey Harries	Athena Roderick
Ann Crook	Alan Hill	Elisabeth Shorthouse
Suzanne Croucher	Ida Hodgman	Patrick Slater MBE
Julian Crutch	Jeffrey Hunt	Joe Steen
	Diane Lofthouse	Leslie Wooster

The following served as members of the National Council during part of the year:

George Williams	died on 24 April 1998
Tony Bellamy	resigned 28 November 1998
The Lord Rix CBE DL	resigned 12 December 1998
Alice Crompton	resigned 4 January 1999
Roy Francis	was elected 22 June 1998.
Brian Baldock CBE	was elected 12 December 1998

Trustees' Annual Report

continued

Financial Report

This has been a year of change and investment. Net outgoing resources of £(1,350)k, (1998: incoming resources of £1,996k) reflect both the level of expenditure to support the change in the membership structure and the new constitution and the development of fundraising on the base built up in recent years. Investment gains of £446k, (1998 £3,152k) continue to provide additional funds, resulting in a Net Movement in Funds of £(904)k, (1998 £5,148k).

In April 1998, following the rises in stock exchange valuations and the projected cash flow from investing in new projects, a substantial disposal programme was undertaken.

Income for Mencap grew by some £3,795k, (1998 4,295k), of which £5,105k came from grants. Income from fundraising, especially buoyant in 1998 following the success of the Blue Sky appeal, slipped to £5,311k in 1999. A substantial degree of fundraising activity has been focused through international challenge events to destinations ranging from the Nile to Australia. The income from these rides arose in the trading subsidiaries where net income increased to £1,149k from £1,039k. Advance income for these rides taking place after the end of this financial year already totalled £750k. This income will be included in the result for the new financial year. Additionally some £2,500k of lottery grants were awarded to Mencap during the financial year, all of which will come in over the next 3 years.

The resources expended on direct charitable activity were broadly maintained in both leisure and support and information services. Leisure activities have become more difficult in recent years as funding pressures have increased, and this area is expected to fall back further in 1999/2000. The largest increase is in the Residential Services area with a rise of 8%. This is in part a reflection of the impact on the annual accounts of the change of accounting treatment as a result of FRS 12.

Support costs have risen as a result of cost reallocations, rather than any significant infrastructure growth. These costs will be affected by the decision to refocus the management tiers in a network of 15 sectors, replacing our previous structure, to be more responsive to the requirements on the ground.

Fundraising costs rose as a result of continued investment in existing and new income streams expected to yield stronger income in future years.

The Balance Sheet

Mencap maintains a number of restricted funds which are detailed in the accounts. A regular review is undertaken to assess whether the assets and investment funds are adequate to fulfil the obligations of Mencap.

The balance sheet has been restated for the effects of FRS 12. This has resulted in the brought forward reserves increasing by £4,913k, of which £4,087k relates to the general fund.

The Unrestricted Funds of Mencap decreased by £793k during the year. This was principally the result of developing the constitutional changes and the switch from the large inflows of the Blue Sky appeal seen in 1998. The majority of services are maintained on short-term contracts and funds received within each year are normally sufficient to meet the ongoing liabilities of Mencap.

Related Charities

Mencap continues to work with the connected charity, The AdCare Foundation, and also with the National Trustees for the Mentally Handicapped Ltd, to provide a wider range of grant giving and discretionary trust services. We continue to maintain our relationship with Mencap City Foundation, which is not a connected charity.

Trustees' Annual Report

continued

Post Balance Sheet Event

On 17 July 1999 the National Council agreed that it should become the sole member of National Trustees for the Mentally Handicapped Limited and AdCare Foundation Limited. These two companies will become subsidiaries of Mencap. The effect of this change is not considered material to these accounts.

Disabled Persons

Mencap is committed to increasing employment opportunities for people with learning disabilities. It now participates in the Department of Employment's "Positive about Disabled People" initiative and is working to further job opportunities for people with learning disabilities.

Employee Participation

Mencap aims to work closely with its employees in the development of new initiatives and consults staff where appropriate so that their views can be taken into account. Mencap's staff council provides a valuable opportunity for its senior managers and elected representatives to meet regularly to discuss issues of common concern.

Year 2000 Compliance

The inability of computers, software and other equipment utilising microprocessors to recognise and properly process data fields containing a two digit year is commonly referred to as the Year 2000 Compliance issued. As the year 2000 approaches, such systems may be unable to process certain date based information.

A project group has been established to assess the impact from the failure of our own systems and equipment to function normally or the failure of funders' or suppliers' equipment. By 31 March 1999 much of this work was underway with respect to our key internal systems covering personnel/payroll, finance, and fundraising, all of which have been declared compliant by suppliers.

Additional work is currently underway to ensure that key systems within our offices and residential homes are compliant. These items are relatively small and will be reviewed as part of regular maintenance programmes. Staffing and contingency plans have been reviewed to ensure adequate cover is available over the key periods in residential and office sites.

With external funders and suppliers we are heavily reliant on their activity to ensure that they are compliant, and we are seeking assurance from them on this manner.

The cost of the project to date has been under £100k, with an expectation that total costs at the end of the project will be under £400k.

Statement of the Responsibilities of the National Council

Company law requires the members of the National Council to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group at the end of the financial year and of the income and expenditure of the group for that period. In preparing those financial statements, the members of the National Council are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

Trustees' Annual Report

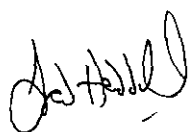
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The members of the National Council are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution for the reappointment of Deloitte and Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Approved by the National Council and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Fred Heddell', is written over a horizontal line.

Fred Heddell CBE, Chief Executive

17 July 1999

Auditors' Report to the Members

of the Royal Society for Mentally Handicapped Children and Adults

We have audited the financial statements on pages 8 to 25 which have been prepared under the accounting policies set out on pages 14 and 15.

Respective responsibilities of Members of the National Council and Auditors

As described on page 5 the Members of the National Council, who are also directors of the charity and group for the purposes of company law, are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the National Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's and the group'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 of the state of affairs of the charity and the group as at 31 March 1999 and of the incoming resources, including the income and expenditure, of the charity and the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche

Chartered Accountants and Registered Auditors

Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR

July 1999

Group Statement of Financial Activities

year ended 31 March 1999

	Note	Restricted Funds £'000	Unrestricted Funds £'000	Total 1999 £'000	Total 1998 £'000 (restated)
Incoming Resources					
Donations and gifts		202	5,109	5,311	6,522
Legacies receivable	27	39	2,804	2,843	2,855
Grants receivable	26	23,555	64,246	87,801	82,696
Movement in deferred income		(22)	102	80	392
Investment income	4	139	875	1,014	993
Net gain on disposal of tangible fixed assets		5	159	164	70
Trading Income					
Net income of trading subsidiaries	3	—	1,149	1,149	1,039
Total Incoming Resources		23,918	74,444	98,362	94,567
Resources Expended					
Direct charitable expenditure:					
Education and training		1,590	5,246	6,836	6,521
Support and information		2,656	4,661	7,317	7,478
Leisure services		517	2,092	2,609	2,748
Residential services		19,358	53,059	72,417	66,883
Support costs		55	5,578	5,633	5,054
		24,176	70,635	94,812	88,684
Other Expenditure:					
Fund-raising and publicity	5	36	3,962	3,998	3,239
Management and administration	6	—	902	902	648
		36	4,864	4,900	3,887
Total Resources Expended	8	24,212	75,500	99,712	92,571
Net (Outgoing)/Incoming Resources for the year	7	(294)	(1,056)	(1,350)	1,996
Gains/(losses) on investment assets:					
Realised		96	(71)	25	88
Unrealised		87	334	421	3,064
Total Investment gains		183	263	446	3,152
Net Movement in Funds		(111)	(793)	(904)	5,148
Fund balances brought forward					
at 1 April 1998, as previously stated		7,744	17,442	25,186	20,126
Prior period adjustment	16	824	4,089	4,913	4,825
Fund balances brought forward					
at 1 April 1998, as restated		8,568	21,531	30,099	24,951
Fund balances carried forward at 31 March 1999		8,457	20,738	29,195	30,099

A single Statement of Financial Activities is produced as there is no material difference between the Consolidated Statement and the Charity's figures. All amounts relate to continuing operations.

Summary Income and Expenditure Accounts

year ended 31 March 1999

	Note	Group 1999 £'000	Group 1998 (restated) £'000	Charity 1999 £'000	Charity 1998 (restated) £'000
Gross Income					
Continuing operations		97,049	93,458	98,096	94,497
Non charitable trading activities	3	3,987	3,117	—	—
Total Income		101,036	96,575	98,096	94,497
Expenditure					
Continuing operations		99,712	92,571	99,690	92,571
Non charitable trading activities	3	2,838	2,078	—	—
Total Expenditure		102,550	94,649	99,690	92,571
Net (expenditure)/income for the year before investment asset disposals					
Continuing operations		(2,663)	887	(1,594)	1,926
Non charitable trading activities		1,149	1,039	—	—
Total Net (Expenditure)/ Income before asset disposals		(1,514)	1,926	(1,594)	1,926
Gain on disposal of fixed assets		164	70	164	70
Gain on disposal of fixed asset investments		25	88	25	88
Total Net (Expenditure)/ Income for the year		(1,325)	2,084	(1,405)	2,084
Reconciliation to Statement of Financial Activities					
Net (expenditure)/income before asset disposals as above					
Gain on disposal of fixed assets		164	70	164	70
Net (Outgoing)/Incoming resources for the year		(1,350)	1,996	(1,430)	1,996

Total Group income comprises £23,918k for restricted funds and £74,444k for unrestricted funds, adjusted by the deduction of the gain on fixed assets of £164k and the addition of £3,987k for the turnover of the subsidiaries. A detailed analysis of income by source is provided in the statement of financial activities.

Turnover of non-charitable trading activities amounted to £3,987k. A detailed analysis of the trading results is shown in note 3.

Detailed analysis of the expenditure is provided in the statement of financial activities and the related notes. Net group expenditure before asset disposals for the year of £(1,514)k comprises £(299)k net outgoing of restricted funds and £(1,215)k net outgoing of unrestricted funds, as shown in the statement of financial activities.

The summary income and expenditure is derived from the statement of financial activities on page 8 which, together with the notes to the accounts provides full information on the movements during the year on all funds of the group.

Note of Historical Cost Surpluses and Deficits

year ended 31 March 1999

	Group 1999 £'000	Group 1998 £'000
Net (Expenditure)/Income for the year	(1,325)	2,084
Difference between the historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount.	36	36
Historical cost surplus on ordinary activities	<u>(1,289)</u>	<u>2,120</u>

Balance Sheets

As at 31 March 1999

	Note	Group 1999 £'000	Group 1998 £'000 (restated)	Charity 1999 £'000	Charity 1998 £'000 (restated)
Fixed Assets					
Tangible assets	9	8,337	7,218	7,528	7,200
Investments	10	16,824	18,666	16,824	18,666
		<u>25,161</u>	<u>25,884</u>	<u>24,352</u>	<u>25,866</u>
Current Assets					
Stocks	12	21	18	—	—
Debtors	13	7,656	7,268	6,368	7,209
Cash at bank and in hand		5,854	5,760	5,787	4,520
		<u>13,531</u>	<u>13,046</u>	<u>12,155</u>	<u>11,729</u>
Creditors: Amounts falling due within one year	14	(8,462)	(7,971)	(6,451)	(6,609)
Net current assets		<u>5,069</u>	<u>5,075</u>	<u>5,704</u>	<u>5,120</u>
Total assets less current liabilities		<u>30,230</u>	<u>30,959</u>	<u>30,056</u>	<u>30,986</u>
Creditors: Amounts falling due after more than one year	15	(1,035)	(860)	(913)	(860)
Net Assets		<u>29,195</u>	<u>30,099</u>	<u>29,143</u>	<u>30,126</u>
Funds					
Restricted	17, 18	8,457	8,568	8,457	8,568
Unrestricted	17	20,738	21,531	20,666	21,558
		<u>29,195</u>	<u>30,099</u>	<u>29,143</u>	<u>30,126</u>

These financial statements were approved by the National Council on 17 July 1999

Signed on behalf of the National Council



Brian Baldock
Chairman



Barrie Davis
Hon. Treasurer

Cashflow Statements

year ended 31 March 1999

		Group 1999 £'000	Group 1998 £'000	Charity 1999 £'000	Charity 1998 £'000
Net cash (outflow)/inflow from operating activities	(a)	(693)	(892)	(465)	(1,071)
Returns on investments and servicing of finance	(b)	897	863	897	863
Capital expenditure	(c)	933	237	1,736	288
Net cash inflow before use of liquid resources		1,137	208	2,168	80
Management of liquid resources and financing	(d)	(901)	(920)	(901)	(920)
Increase/(decrease) in cash for the year	(e)	236	(712)	1,267	(840)

Notes to the Cashflow Statements

year ended 31 March 1999

		Group 1999 £'000	Group 1998 £'000	Charity 1999 £'000	Charity 1998 £'000
(a) Reconciliation of net (outgoing)/incoming resources to net (outflow)/ inflow from operating activities					
Net (outgoing)/incoming resources		(1,350)	1,996	(1,430)	1,996
Investment income		(441)	(667)	(441)	(667)
Interest receivable		(573)	(326)	(573)	(326)
Depreciation – fixed assets		1,419	1,403	1,406	1,400
Profit on sale of fixed assets		(164)	(70)	(164)	(70)
(Increase)/decrease in stocks		(3)	7	–	–
(Increase)/decrease in debtors		(388)	(2,900)	841	(2,795)
Increase/(decrease) in creditors		807	(335)	(104)	(609)
Net cash (outflow)/inflow from operating activities		(693)	(892)	(465)	(1,071)
(b) Returns on investments and servicing of finance					
Investment income		441	667	441	667
Interest received		573	326	573	326
Interest element of finance lease rentals		(117)	(130)	(117)	(130)
Net cash inflow from returns on investments and servicing of finance		897	863	897	863

Notes to the Cashflow Statements *continued*

year ended 31 March 1999

(c) Capital expenditure and financial investment	Group	Group	Charity	Charity
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Purchase of tangible fixed assets	(1,604)	(293)	(801)	(242)
Purchase of listed investments	(6,497)	(5,048)	(6,497)	(5,048)
Disposals of tangible fixed assets	223	169	223	169
Disposals of listed investments	8,811	5,409	8,811	5,409
	<u>933</u>	<u>237</u>	<u>1,736</u>	<u>288</u>

(d) Financing				
Capital element of finance lease payments	(901)	(920)	(901)	(920)
	<u></u>	<u></u>	<u></u>	<u></u>

(e) Analysis of changes in net funds

	Group			Charity		
	At 1 April 1998 £'000	Cash flows £'000	At 31 March 1999 £'000	At 1 April 1998 £'000	Cash flows £'000	At 31 March 1999 £'000
Cash in hand, and at bank	5,760	94	5,854	4,520	1,267	5,787
Overdrafts	(967)	142	(825)	—	—	—
	<u>4,793</u>	<u>236</u>	<u>5,029</u>	<u>4,520</u>	<u>1,267</u>	<u>5,787</u>

Notes to the Accounts

year ended 31 March 1999

1 Legal Status

The company is a registered charity (number 222377).

The company registration number is 550457.

The company is limited by guarantee and has no share capital. The Memorandum of Association provides that all members are liable to contribute a sum not exceeding £1 in the event of the company being wound up or within one year of ceasing to be members. At 31 March 1999 there were 391 members.

2 Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards and with the recommendations of the Statement of Recommended Practice, "Accounting by Charities", published in October 1995.

The principal accounting policies adopted are described below:

(a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and investments.

(b) Basis of consolidation

The consolidated accounts of the group incorporate the accounts of the charity and its subsidiary undertakings. The results of the trading activities by subsidiaries of a fundraising nature are summarised in the consolidated statement of financial affairs.

(c) Tangible fixed assets

Freehold properties are stated in the balance sheet at cost less provision for any permanent diminution in value as indicated by periodic external valuations. The valuation exercise for freehold and leasehold land does not separately identify land. The values obtained have been attributed to buildings.

Depreciation is provided so as to write off the cost of the assets in equal instalments over the estimated useful lives of the assets. No depreciation is charged on freehold land. The depreciation rates used for other assets are as follows:

Freehold and long leasehold buildings	2% per annum
Freehold outbuildings and chalets	12% per annum
Fixtures, fittings and equipment	10% per annum
Computer equipment	20-33% per annum
Motor vehicles	20-33% per annum

(d) Leases

Assets held under finance leases and the related obligations are recorded in the balance sheet at the fair value of the leases. The amounts by which lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the income and expenditure account in equal amounts over the periods of the leases.

(e) Investments

Investments held as fixed assets are stated at market value. Realised and unrealised gains and losses are shown separately in the appropriate section of the statement of financial activities.

(f) Stocks

Stocks, which comprise stationery and equipment for resale, are stated at the lower of cost and net realisable value.

Notes to the Accounts

year ended 31 March 1999

(g) Grants receivable

Grants receivable are recognised in the statement of financial activities when the conditions for receipt of the grants have been fulfilled and the charity becomes entitled to payment. Discretionary grants applied for are not credited until they have been received. Where a grant is received relating to a future accounting period, the statement of financial activities shows the gross amount receivable together with the movement in the amount deferred to future accounting periods.

Deferred grant income at the year end is included in creditors.

(h) Legacy and donation income

Legacies and donations are accounted for when conditions for their receipt have been met and there is reasonable assurance of receipt and the amount receivable can be estimated.

(i) Investment income

Investment income is accounted for when receivable. Tax recoverable relating to investment income is accounted for in the same period as the related income.

(j) Pension costs

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the statement of financial activities so as to spread the cost over the service lives of employees in the scheme, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

(k) Allocations of costs to direct charitable expenditure and other expenditure

The charity's operating costs include staff costs, rent and other related costs. Such costs are allocated between charitable expenditure, fundraising and publicity, and management and administration. Staff costs are allocated according to the costs of staff working directly in the relevant departments and property costs are allocated according to the staffing in each department. Where costs are not directly attributable to any department they have been apportioned according to the staffing in each department.

(l) Direct charitable expenditure

Education and training

Education and training costs comprise the costs of running education colleges and specific training projects.

Support and information

Support and information costs comprise the costs of running information services and a network of District Officers to provide information and advice.

Leisure services

Leisure services comprise the costs of running specific projects and holiday schemes to provide leisure activity and respite care.

Residential services

Residential services costs comprise the costs of providing care and accommodation in homes.

Support costs

Support costs represent the staffing and associated costs of supporting, monitoring, and evaluating the grants and operational programmes for which the charity is responsible.

3 Net Income of Trading Subsidiaries

Mencap has three wholly owned trading subsidiaries which are incorporated in Great Britain. Mencap Limited operates a mail order catalogue selling gifts and Christmas cards. Mencap Sales Limited is an office stationery retailer and Mencap Promotions raises funds for Mencap. All three companies covenant their taxable profits to Mencap and also pay interest on any loans from Mencap.

A summary of their trading results is shown below. Audited accounts have been filed with the Registrar of Companies.

Notes to the Accounts

year ended 31 March 1999

3 Net Income of Trading Subsidiaries (continued)				
Profit and Loss Account	Mencap Ltd £'000	Mencap Sales Ltd £'000	Mencap Promotions Ltd £'000	Total 1999 £'000
Turnover	1,466	698	1,823	3,987
Cost of Sales	(1,297)	(450)	—	(1,747)
Gross Profit	169	248	1,823	2,240
Distribution costs	—	15	—	15
Administration costs	72	154	9	235
Promotion Expenses	—	—	841	841
	72	169	850	1,091
Net Profit	97	79	973	1,149
Amount covenanted to Mencap	(97)	(79)	(973)	(1,149)
Retained in Subsidiaries	—	—	—	—
4 Investment Income				
	Restricted Funds £'000	Unrestricted Funds £'000	Total 1999 £'000	Total 1998 £'000
Income from listed investments in the UK	138	303	441	667
Bank interest	1	572	573	326
	139	875	1,014	993
5 Fundraising and Publicity Expenses				
	Restricted Funds £'000	Unrestricted Funds £'000	Total 1999 £'000	Total 1998 £'000
Fundraising expenses	35	3,388	3,423	2,463
Publicity expenses	1	574	575	776
	36	3,962	3,998	3,239
6 Management and Administration Expenses				
	Restricted Funds £'000	Unrestricted Funds £'000	Total 1999 £'000	Total 1998 £'000
Salaries and office costs	—	393	393	348
Audit fees	—	101	101	75
Cost of trustees' meetings,	—	145	145	136
Miscellaneous	—	263	263	89
including membership development and cost related to the change	—	902	902	648

Notes to the Accounts

year ended 31 March 1999

7 Net (Outgoing)/Incoming Resources for the year

Net (outgoing)/incoming resources for the year
are stated after charging:

Depreciation

- own assets	1	459	460	440
- leased assets	—	959	959	963

Rentals under operating leases:

- plant and machinery	—	13	13	34
- other	—	703	703	707

Interest payable

- interest element of finance leases		117	117	130
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Auditors' remuneration : Audit charity

—	67	67	60
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Audit group companies

—	10	10	10
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Other services

—	34	34	15
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8 Analysis of Total Resources Expended

Direct charitable expenditure

	Staff Costs £'000	Other Costs £'000	Depreciation £'000	Total 1999 £'000
Education and training	5,116	1,592	128	6,836
Support and information	3,840	3,468	9	7,317
Leisure services	1,482	1,110	17	2,609
Residential services	53,119	19,243	55	72,417
Support costs	3,300	1,171	1,162	5,633
Other expenditure	66,857	26,584	1,371	94,812
Fund raising and publicity	1,470	2,493	35	3,998
Management and administration	289	609	4	902
Total	68,616	29,686	1,410	99,712

Notes to the Accounts

year ended 31 March 1999

9 Tangible Fixed Assets

(A) Group

	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or Valuation				
Balance at 1 April 1998	5,933	1,290	3,169	10,392
Additions	1,150	406	1,103	2,659
Disposals	—	(119)	(501)	(620)
Balance at 31 March 1999	7,083	1,577	3,771	12,431
Accumulated Depreciation				
Balance at 1 April 1998	659	824	1,691	3,174
Disposals	—	(119)	(380)	(499)
Charge for year	121	294	1,004	1,419
Balance at 31 March 1999	780	998	2,315	4,094
Net Book Value at 31 March 1999	6,303	578	1,456	8,337
Net Book Value at 31 March 1998	5,274	466	1,478	7,218

Certain freehold properties were valued at 1 April 1996 at an open market value basis by DTZ Debenham Thorpe and the effect of the revaluation is reflected above.

The Net Book Value at 31 March 1999 represents Fixed Assets used for:

	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Direct charitable purposes				
Education and training	2,290	225	38	2,553
Support and information	224	17	13	254
Leisure services	198	44	25	267
Residential services	1,938	7	1,252	3,197
Support costs	1,328	274	83	1,685
	5,978	567	1,411	7,956
Other purposes				
Fundraising and publicity	195	11	39	245
Management and administration	130	—	6	136
	6,303	578	1,456	8,337

Included in motor vehicles of the company and the group are assets held under finance leases with a net book value of £1,416k (1998 £1,390k).

Included in freehold and long leasehold land and buildings of the company and the group are long leasehold land buildings with a net book value of £20k (1998 £23k).

Notes to the Accounts

year ended 31 March 1999

9 Tangible Fixed Assets

(B) Charity

Cost or Valuation	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Balance at 1 April 1998	5,933	1,258	3,162	10,353
Additions	361	406	1,088	1,855
Disposals	—	(107)	(501)	(608)
Balance at 31 March 1999	6,294	1,557	3,749	11,600
Accumulated Depreciation				
Balance at 1 April 1998	659	810	1,684	3,153
Disposals	—	(107)	(380)	(487)
Charge for year	117	287	1,002	1,406
Balance at 31 March 1999	776	990	2,306	4,072
Net Book Value at 31 March 1999	5,518	567	1,443	7,528
Net Book Value at 31 March 1998	5,274	448	1,478	7,200

Certain freehold properties were valued at 1 April 1996 at an open market value basis by DTZ Debenham Thorpe and the effect of the revaluation is reflected above.

The Net Book Value at 31 March 1999 represents Fixed Assets used for:

	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Direct charitable purposes				
Education and training	2,290	225	38	2,553
Support and information	224	17	13	254
Leisure services	198	44	25	267
Residential services	1,153	7	1,252	2,412
Support costs	1,328	274	83	1,685
	5,193	567	1,411	7,171
Other purposes				
Fundraising and publicity	195	—	26	221
Management and administration of the charity.	130	—	6	136
	5,518	567	1,443	7,528

Included in motor vehicles of the company and the group are assets held under finance leases with a net book value of £1,416k (1998 £1,390k).

Included in freehold and long leasehold land and buildings of the company and the group are long leasehold land and buildings with a net book value of £20k (1998 £23k).

Notes to the Accounts

year ended 31 March 1999

10 Fixed Assets Investments

	Group and Charity 1999 £'000	Group and Charity 1998 £'000
Market value at 1 April	18,666	15,788
Acquisitions	6,498	5,048
Sales proceeds	(8,786)	(5,322)
Net investment gains	446	3,152
Market value at 31 March	16,824	18,666
Cost at 31 March 1999	12,162	13,370
Unrealised investment gains at 31 March 1999	421	3,064
Investment gains calculated on a historical cost basis	1,286	520
Investments comprise the following:		
Investments listed on a United Kingdom stock exchange	15,085	14,133
Investments listed outside the United Kingdom	1,739	1,739
Cash deposits held as part of investment portfolio	—	2,740
Market value at 31 March 1999	16,824	18,666

One investment comprises 5% or more of the portfolio, being 5.5% of the total.

11 Subsidiaries

The charity has effective control over Golden Lane Housing Ltd., which is a registered charity and therefore incorporates the results in the group accounts. This charity was incorporated on 14 July 1998.

The charity also owns 100% of the issued capital of the following trading companies:

Subsidiary undertaking	Principal activity	Investment at cost £'000
Mencap Sales Limited	Office stationery retailing	—
Mencap Limited	Mail order catalogue selling gifts and Christmas cards	—
Mencap Promotions Limited	Promotional and other special events	—
		—

With effect from 17 July 1999 AdCare Foundation Limited, a registered charity, and National Trustees for the Mentally Handicapped Limited became 100% subsidiaries of Mencap. The effect of this change is not considered material to the accounts.

12 Stocks

	Group 1999 £'000	Group 1998 £'000	Charity 1999 £'000	Charity 1998 £'000
Office stationery and equipment for resale	21	18	—	—

Notes to the Accounts

year ended 31 March 1999

13 Debtors	Group 1999 £'000	Group 1998 £'000	Charity 1999 £'000	Charity 1998 £'000
Trade debtors	509	475	274	262
Due from Subsidiaries	—	—	1,054	259
Other debtors	4,928	3,143	3,162	3,116
Prepayments	475	302	134	240
Accrued income	1,744	3,348	1,744	3,332
	<u>7,656</u>	<u>7,268</u>	<u>6,368</u>	<u>7,209</u>
14 Creditors: Amounts Falling Due within one year	Group 1999 £'000	Group 1998 £'000	Charity 1999 £'000	Charity 1998 £'000
Bank overdraft	825	967	—	—
Obligations under finance leases	771	812	771	812
Short term deposits	670	714	670	714
Trade creditors	90	90	—	—
Other creditors	1,497	679	1,488	669
Taxation and social security costs	1,610	1,764	1,321	1,737
Accruals	1,228	1,561	1,184	1,456
Deferred income	1,771	1,384	1,017	1,221
	<u>8,462</u>	<u>7,971</u>	<u>6,451</u>	<u>6,609</u>
15 Creditors: Amounts Falling Due after more than one year	Group 1999 £'000	Group 1998 £'000	Charity 1999 £'000	Charity 1998 £'000
Obligations under finance leases, two to five years	735	682	735	682
Deferred Income	122	—	—	—
Other Creditors	178	178	178	178
	<u>1,035</u>	<u>860</u>	<u>913</u>	<u>860</u>
16 Provisions for Liabilities and Charges			1999 £'000	1998 £'000
Balance as previously stated at 1 April			5,303	5,223
Adjustment for change in accordance with FRS12			(4,913)	(4,825)
Reclassification of deferred capital grants			(390)	(398)
Balance as at 1 April 1998			<u>—</u>	<u>—</u>

A number of provisions included in the prior year accounts do not meet the definition of items which can be provided for under FRS12 "Provisions, Contingent Liabilities and Contingent Assets" effective for accounts dated on or after 23 March 1999. As a result of this change in accounting policy a prior year adjustment is required to remove these provisions. The impact of such adjustment on the results for the year ended 31 March 1998 was to increase the surplus for the year by £80,000.

Notes to the Accounts

year ended 31 March 1999

17 Analysis of Assets and Liabilities between Funds

Group	Restricted Funds £'000	Unrestricted Funds £'000	Total 1999 £'000
Fixed assets			
Land and buildings	352	5,951	6,303
Fixtures and fittings	—	578	578
Motor vehicles	354	1,102	1,456
Investments	4,801	12,023	16,824
Current assets			
Stocks	—	21	21
Debtors	1,824	5,832	7,656
Cash at bank and in hand	3,588	2,266	5,854
Current liabilities	(2,210)	(6,252)	(8,462)
Long-term liabilities	(252)	(783)	(1,035)
Provisions for liabilities and charges	—	—	—
	<u>8,457</u>	<u>20,738</u>	<u>29,195</u>

18 Restricted Funds

The income funds of Mencap include restricted funds comprising the following unexpended balances of donations and grants held on trust to be applied for specific purposes. Mencap holds sufficient resources in an appropriate form to enable each fund to be applied in accordance with its restrictions.

	Movement in Funds		
	Balance 31 March 1998 £'000	Incoming Resources £'000	Expenditure, Gains, Losses & Transfers £'000
Challenge Fund	1,541	74	23
Research Fund	23	1	—
Mencap Visitors Service	3,761	273	173
Rothenberg Memorial Trust	28	2	3
Rothenberg Fellowship	123	7	1
Special Contingency Fund	20	—	—
Service Provision	3,022	23,530	23,829
Hirschfield Fund et al	50	31	—
	<u>8,568</u>	<u>23,918</u>	<u>24,029</u>

The purpose of each fund is as follows:

- (i) Challenge Fund - available for organisations to use in carrying out schemes and projects for the needs of people with learning disabilities.
- (ii) Research Fund - used to sponsor medical research into the causes of learning disability.
- (iii) Mencap Visitors Service - used to provide regular visitors to people with a learning disability.
- (iv) Rothenberg Memorial Trust - provides income for the special contingency fund.
- (v) Rothenberg Fellowship - used to sponsor students from overseas to study learning disability.
The aim is to increase international awareness.
- (vi) Special Contingency Fund - funded by the Rothenberg Memorial Trust for use at the discretion of the Chief Executive.
- (vii) Service Provision - restricted by funders and donors to specific areas of Mencap's core services.
- (viii) Hirschfield Fund et al - a specific bequest to residential care homes.

Notes to the Accounts

year ended 31 March 1999

19 Information relating to employees

The number of employees whose total emoluments (salary plus taxable benefits excluding pension contributions) are in excess of £40,000 is as follows:

	1999	1998
£40,000 - £50,000	11	13
£50,000 - £60,000	3	3
£60,000 - £70,000	2	1
£70,000 - £80,000	1	1

	1999 £'000	1998 £'000
Employee costs during the year		
Wages and salaries	59,708	55,773
Social security costs	5,370	4,625
Pension costs	1,833	1,672
	<hr/>	<hr/>
	66,911	62,070
Benefits in kind	601	601
	<hr/>	<hr/>
	67,512	62,671

The average number of employees, in terms of full time equivalents, analysed by function, was:

	No.	No.
Direct charitable expenditure	3,476	3,398
Fundraising and publicity	63	46
Administration	5	6
	<hr/>	<hr/>
	3,544	3,450

The average number of employees, analysed by function, was:

Direct charitable expenditure	4,211	4,236
Fundraising and publicity	63	46
Administration	5	6
	<hr/>	<hr/>
	4,279	4,288

20 Expenses of the National Council

During the year 34 National Councillors were reimbursed for out of pocket expenses in relation to travel and subsistence. The total amount reimbursed amounted to £44k.

The members of the National Council are not remunerated.

21 Indemnity Insurance

Mencap has purchased the following insurance:

(i) Fidelity Guarantee Insurance.

This covers Mencap up to an amount of five million pounds loss of money, securities or other property as a result of fraud of any employee, trainer or volunteer. The cost for the year was £17,000.

Notes to the Accounts

year ended 31 March 1999

(ii) Professional Indemnity and Members of the National Council, Directors and Officers Insurance.

This covers Mencap to the value of its legal liability in the event of any wrong professional advice or any other 'wrongful act' (includes breaches of trust, duty, negligence, slander, libel or breach of authority) by any employee or National Councillor. It also covers the National Councillor/director or employee for their own personal liability in such matters. The cost for the year was £9,000.

22 Pension Scheme

Mencap operates a pension plan providing benefits based on final pensionable salaries. The plan is funded with the assets being held by the Trustees separately from the assets of Mencap. The pension costs are assessed by a qualified actuary, and are charged to the statement of financial activities so as to spread those costs over employees' working lives with Mencap.

The most recent valuation of the plan was carried out as at 1 April 1996, and the Projected Unit Method was used. The main assumptions used for the valuation and the calculation of the pensions cost were an investment return of 9% p.a., salary increases of 7% p.a., pension increases of 4% p.a. and dividend growth of 4.5% p.a.

At the valuation date, the market value of the assets was £7,484k and these assets were sufficient to cover 102% of the value of the accrued liabilities, after allowing for future increases in earnings. The Society is contributing 10% p.a. of pensionable salaries which is the stable contribution rate.

The pensions cost for Mencap for the financial year ending 31 March 1999 was £1,833k (1998 £1,672k).

23 Operating Lease Commitments

At 31 March 1999 the group was committed to the following payments during the next year in respect of operating leases:

	Land and buildings £'000	Other £'000
Leases which expire:		
Within one year	55	7
Within two to five years	328	6
After five years	329	—
	<hr/> 712	<hr/> 13

24 Related Parties

Mencap has taken advantage of the exemption given by Financial Reporting Standard 8, Related Party Disclosures, from disclosing transactions with group members.

The following organisations are considered related parties:

Golden Lane Housing Limited	100% Subsidiary
Mencap Sales Limited	100% Subsidiary
Mencap Limited	100% Subsidiary
Mencap Promotions Limited	100% Subsidiary
AdCare Foundation Limited	Administered by trustees of Mencap
National Trustees for the Mentally Handicapped Limited	Administered by trustees of Mencap

With effect from 17 July 1999 AdCare Foundation Limited and National Trustees for the Mentally Handicapped Limited became 100% subsidiaries of Mencap.

Notes to the Accounts

year ended 31 March 1999

25 Taxation

Mencap's activities are exempt from taxation under Section 505 of the Income and Corporation Taxes Act 1988. The group is not liable for taxation because of the policy of the trading subsidiary companies to covenant all taxable profits to the charity.

26 Grants Receivable

Included in grants receivable are grants from:

- (i) Department of Health of £175k (1998 £175k) towards central administration costs.
- (ii) Department of Health £240k (1998 £240k) funding for the Opportunities for Volunteering Scheme of which £240k was distributed directly with administration costs of £10k.
- (iii) National Lottery Charities Board England Committee of £32k (1998 £108k) for Family Advisor Services in Cumbria, Kent, Newbury, Plymouth, and Southwark.
- (iv) Caerphilly County Borough Council £18k (1998 £18k) funding for the Mencap Sitting Service.
- (v) Caerphilly County Borough Council £36k (1998 £47k) funding for Pathway Gwent Supported Employment Scheme.
- (vi) Monmouthshire County Council of £24k (1998 £24k) funding for the Pathways South East Wales Supported Employment Scheme.
- (vii) Borough of Torfaen of £38k (1998 £33k) funding for Pathways Gwent Supported Employment Scheme
- (viii) London Borough Grants Committee.
- (ix) Bridge House Estates Trust.
- (vi) Birmingham City Council funding of £70k for local residential homes.

27 Legacies Receivable

Mencap has been notified of a number of legacies which have not been included as receivable. At 31 March 1999 these are estimated to be £963,479

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Royal Society for Mentally Handicapped Children & Adults Charity Registration Number 222377