

Creating opportunities with disabled people

LEONARD CHESHIRE



The Leonard Cheshire Foundation
ANNUAL REPORT
& CONSOLIDATED ACCOUNTS
For the year ended 31 March 2006



Annual Report and Consolidated Accounts for the year ended 31 March 2006

Our Core Purpose

Leonard Cheshire exists to change attitudes to disability and to serve disabled people around the world.

Our Goal for the Future

By 2015 Leonard Cheshire will be known globally for changing society's responses to disability.

Our Values

Leonard Cheshire has always been an organisation driven by a shared set of values, they are:

- **Valuing the individual**

The heart of Leonard Cheshire – a belief in the individual, in what makes each person unique.
Developing respect for one another.

- **Integrity**

Integrity that is reflected in our honesty, courage, financial probity and a willingness to challenge injustice. It is about staying true to our core values, without exception.

- **Excellence**

A belief that, whatever we are doing, from campaigning and fundraising to service delivery, it should be done to the highest quality and this should be reflected in our reputation.

- **Pioneering**

The energy and imagination to be innovators – initiating leading edge projects and moving into new fields.

- **Drive**

Passion, ambition and commitment to the work that we do with disabled people and to the goals that we have set ourselves.

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Chairman's Review

This has been another successful year for Leonard Cheshire. We have continued to provide a high standard of assistance and support to those for whom we care. We have also continued to look for ways in which service users can take more decisions and control over their lives. We have again strengthened our financial position which will enable us to put some real impetus into our new strategy. Not all of this may be visible at this stage but it is an essential prerequisite to expansion and innovation in the years ahead.

I reported last year on the key elements of our strategy and our intention to communicate this internally within the charity to our service users, volunteers and staff and to our international Leonard Cheshire partners. This went well, not only in ensuring that all of us were engaged with the strategy, but also in tapping the energy and imagination of all parts of the charity. People came forward with literally hundreds of new ideas for projects which would contribute to the overall thrust of our plans. I am grateful to all those who took part.

The three key elements of the strategy are to sustain, develop and diversify our current delivery of social care to disabled people; to campaign to change attitudes to disabled people worldwide; and to develop innovative new fields of activity beyond the delivery of social care, which will make a significant contribution to the social inclusion of disabled people. The Trustees have placed great emphasis on the fact that our new strategy in no way signifies a departure from our core values and the work we are currently undertaking in delivering social care and support for disabled people. We see our current activities and our future developments as complementary not as alternatives.

The first of these strands of activity, sustaining our social care services, is still operating successfully in a difficult environment in which we must gain the true cost of the services we deliver from local authorities and primary care trusts who have limited resources and conflicting priorities. Overall we continue to be successful in this policy whilst refusing to compromise on our standards. Our services have expanded further and the report alludes to a number of new services with particular emphasis on supported living. The redevelopment and diversification of our existing services continues. The speed of progress is only slowed by the difficulty of finding new sites for development and the vagaries of the planning process. We are well set for a new phase of activity in the coming year.

Our campaigning continues to make an impact, based on a series of carefully chosen issues. The report provides greater detail but of particular importance is the general issue of accessible transport. There is little point in making a commitment to employment, training and education and social activities for disabled people if the transport system does not make it possible for them to travel.

The third strand, funding innovative new areas of activity beyond social care, is the hardest to take from conception to delivery. Various key themes and outline projects have been identified and we are now recruiting and building the capacity to pursue these ideas and put them into practice. We will also be seeking new sources of finance to make this possible.

These activities are being pursued both in the United Kingdom and internationally. We have consulted our international Leonard Cheshire partners on the formation of a global alliance. I am glad to say that this concept has been enthusiastically endorsed and progress is surprisingly rapid in a venture embracing very different cultures in more than fifty countries. Service provision continues to develop and diversify; education, employment and micro-finance are major activities beyond social care. Details of our successful campaigning involvement with the United Nations are contained in the report.

We are now facing the challenge of increasing public awareness of Leonard Cheshire and its work. If we are to achieve our full potential, the charity not only needs to be much better known but there also needs to be a greater understanding of our purpose. We are currently considering ways of achieving this.

Our structure in the United Kingdom was introduced in 1998 and it has served well to bring the charity to its current healthy state. It was felt, however, that whilst a structure of ten regions might have been appropriate to achieve the changes necessary then, it was now timely to consider whether or not it was the most appropriate structure to deliver the new strategy. The options were considered thoroughly, with wide spread consultation, and it was eventually agreed that the current structure should be retained but improved in significant ways. No organisation enjoys a thorough re-examination and I am therefore grateful for the mature way in which this exercise was received by all those involved.

It was particularly good to see us recognised as one of the top twenty large employers in the Sunday Times survey. Leonard Cheshire is the first large charity to achieve this recognition. During the year we were also assessed as one of the best employers of nurses. The partnership between our professional staff and committed volunteers continues to flourish. The contribution of our several thousand volunteers makes a real difference to the lives of our service users. In an ever more heavily regulated environment it is good to see that new volunteers are coming forward and particularly important that there are many younger volunteers amongst them.

In 1998 Leonard Cheshire was breaking new ground when we established our Disabled People's Forum. This has evolved with time and a considerable commitment in staff and resources to provide support to this essentially independent body. We have also devoted substantial resources to the professional support of the empowerment of individual service users and in ensuring the representation of service users throughout the organisation. We have decided to make further progress and the Forum has now become the Leonard Cheshire Service Users Network Association. Further arrangements to involve service users in key elements of the delivery of the new strategy, particularly in campaigning, have been introduced. We continue to seek greater involvement of disabled people in every aspect of the governance of the charity.

The year ahead will be challenging as we carry through a very ambitious programme of re-provisioning many of our services and putting in place the necessary changes to the way our Regions function. In addition we need to make progress on the major aspects of our long-term strategy and make ourselves better known to the public. In this we will be relying heavily not only on our own efforts but on the support of those who have helped us in the past with resources, time and advice. My thanks go to all our supporters and donors, large and small, individual and corporate. Your generosity makes it possible for us to have a significant impact on the lives of disabled people throughout the world.

My sincere thanks.

Nigel Broomfield

Sir Nigel Broomfield
Chairman, 5 July 2006

Report of the Trustees

The trustees, who are also directors of the charity for the purposes of the Companies Act, present their annual report and the audited financial statements for the year ended 31 March 2006. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP 2005) "Accounting and Reporting by Charities" in preparing the annual report and financial statements of the charity.

Registration

The registered name of the charity is The Leonard Cheshire Foundation but it is commonly referred to as "Leonard Cheshire". The registered charity number is 218186 and the number of the registered company limited by guarantee is 552847. The address of the registered office is 30 Millbank, London, SW1P 4QD.

Objectives and Activities

The Objects of the Charity

The objects of Leonard Cheshire are to relieve the consequences of physical and/or mental disability by the provision, in the United Kingdom and overseas, of accommodation, services and support for the spiritual, social, physical and mental wellbeing of disabled people, by such means as are charitable, whatever their race, nationality, creed, sex or age.

Core Purpose of the Charity

The core purpose of Leonard Cheshire is timeless and will guide all that it does. It is as follows:

"Leonard Cheshire exists to change attitudes to disability and to serve disabled people around the world".

Principal Activities

The principal activities of Leonard Cheshire are: the provision of a broad range of services to disabled people in the UK; campaigning to promote the civil and human rights of disabled people in the UK and internationally; building the capacity of independent Leonard Cheshire partner charities to provide services and support to disabled people in 51 countries outside the UK; the empowerment of disabled people who use Leonard Cheshire services across the organisation; and the development of innovative services which go beyond the provision of social care.

UK services: UK services are diverse and include care homes, supported living, domiciliary support, day services, resource centres, rehabilitation, respite care,

personal support and training and assistance for those looking for work. The charity operates across the United Kingdom and is the largest voluntary sector provider of care and support services for disabled people.

Campaigning: Campaigning for the civil and human rights of disabled people is a key activity for Leonard Cheshire. Its pan-disability experience, extensive networks and active engagement with disabled people give it a unique platform from which to lobby for changes across society that further secure greater human and civil rights.

International: The charity's work around the world has focused on four key areas of activity; improving access to health care; increasing access to education; creating opportunities for economic empowerment; and promoting the rights of disabled people. Leonard Cheshire works in concert in these fields with Leonard Cheshire partner charities, governments, disabled people's organisations, international and national NGOs and community based groups. The Leonard Cheshire Centre for Conflict Recovery undertakes training and research in post conflict and post disaster countries.

Empowering disabled people who use Leonard Cheshire's services: This is achieved through the work of the independent Service Users' Network Association. This seeks to empower individuals, giving a powerful voice to our service users, internally and externally, ensuring that they are involved in the governance of the organisation at all levels, and that the services and support the charity provides are meeting the needs of the disabled people who use them.

Innovation: We already have services such as Workability, Discover IT and various befriending and social support schemes. A capacity is being developed to give greater emphasis to this part of our work and to move into other important areas of activity.

The Vision for the Future

From the core purpose, a goal for achievement within the next 10 years has been derived. It is intended that this goal should be ambitious and stretching, should apply to the whole organisation and act as a catalyst for change. The goal is that:

"By 2015 Leonard Cheshire will be known globally for changing society's responses to disability".

Three Strategic Objectives to achieve the vision for the future

1 Sustaining our ability to grow:

Improving the quality and viability of existing services; ensuring that service users continue to be supported today and that more people will be supported in the future; increasing the diversity of the services and support offered; and benefiting service users with new innovations as the charity pioneers and develops new approaches.

2 Campaigning to change society:

Campaigning and lobbying to secure the civil and human rights of disabled people across the world so that they can participate in and contribute fully to society; promoting positive attitudes towards disabled people by challenging barriers and raising society's expectations of disabled people's talents and abilities; and supporting disabled people themselves to influence policy decisions that impact on their lives.

3 Developing new services and projects beyond social care:

To initiate innovative projects and engage in areas of activity beyond the delivery of social care to meet the evolving needs, rights and aspirations of disabled people.

During 2005, the new vision for the future of Leonard Cheshire was communicated to all staff, service users and volunteers through a six-month long engagement programme, under the theme *Realising Potential*. This generated great enthusiasm and a wealth of new ideas for future development. The principles and philosophy espoused in the new strategy are continuing to provide a focus for activities in all fields.

In early 2006, there was a review of the organisation's management structures which identified that the existing UK structure of ten regions should remain, as this was the most appropriate structure to meet our ambitions and, with some changes in working practice, to deliver the wider aspects of the new strategy. Regions are charged not only with the oversight of the delivery of excellent services but also contributing to all other elements of our strategic objectives. The Regional structure provides the capacity to achieve this.

Operating Objectives for the Year:

Achievement and Performance against Targets

1 Sustaining our ability to grow

- *Operational quality and efficiency* – to continue to enhance the quality of our services and the efficiency with which they are delivered.

In England, an overview report by the Commission for Social Care Inspection confirms not only that Leonard Cheshire's services are of a high standard but also that:

- in general, services provided by voluntary organisations are palpably better than those in the private sector
- Leonard Cheshire is in the top grouping of voluntary sector providers.

- *Financial* – to ensure that the full cost of the service provided is recovered from the purchaser.

Overall, we continue to achieve full cost recovery for the fee based services we provide though concealed within this there are variations in performance from one part of the country to another. This good performance can only be sustained through continuous professional engagement with the purchasers of our services and is essential to the overall financial health of the charity. This performance ensures that all voluntary income is used for activities which go beyond the delivery of statutory care.

- *Reprovision and development of existing services* – to accelerate the delivery of the reprovisioning of our existing UK services and to broaden the spectrum of our service provision.

Leonard Cheshire has had a successful year growing the services delivering social care to disabled people in the United Kingdom, winning tenders and opening new services. The rolling development plan has identified 60 projects for delivery within the next 3 years, covering a wide variety of service provision with particular emphasis on supported living services. Site availability is proving to be a significant challenge in developing new services but the charity has purchased sites in advance of development in Hythe, Romsey and Worthing during the past year and has secured development agreements on a number of other sites. This means that, together with services scheduled for reprovision on existing sites, the charity

Report of the Trustees *continued*

should have at least 8 major projects commencing in the coming year.

Building has begun of a new residential home, respite facility and supported living service in the centre of Banbury, and in the last year services have been opened in Scotland, South Wales, Coventry, Devon, Wiltshire, Warrington, Telford, Wigan, Rochdale and Omagh.

- *Lobbying* – to engage with governments on all legislative and regulatory issues which affect our ability to deliver efficient and appropriate person-centred services to disabled people.

Leonard Cheshire has remained closely engaged with the roll out of the Government's report "Improving the Life Chances of Disabled People" and in particular with officials in the Department for Work and Pensions in the development of the Office for Disability Issues. The charity is also consulting on changes in the regulatory framework for Care Services including a review of the National Care Standards.

- *International* – to sustain current support to our international Leonard Cheshire partners and to continue with the process of enhancing the organisational capacity of Leonard Cheshire National Councils throughout the world.

The process of strengthening the capacity of Leonard Cheshire partners continues with the establishment of National Councils where they do not currently exist. The role of the National Councils is to lead the work of Cheshire services nationally through improved coordination and expansion of activities. This is an important prerequisite to enhancing the effectiveness of each charity and allowing them to participate effectively within the international framework. Leonard Cheshire has been addressing this issue throughout the world with a range of meetings, seminars and expansion of activities. There are good examples of the effectiveness of this policy in all continents of the world and the interaction between different national Leonard Cheshire partners is proving very beneficial.

- *Volunteers and staff* – to support the development of both our volunteers and staff.

Leonard Cheshire was recognised as being an outstanding employer when it was placed in the Sunday Times Best Top 20 Big Employers list and is the first charity to receive such an accolade. This is a major achievement and shows that Leonard Cheshire and other large charities can compete on equal terms with the commercial sector as employers. Earlier in the year Leonard Cheshire was chosen as one of the best employers of nurses in the UK.

The National Staff Association has been strengthened and is continually improving in its effectiveness, with the appointment of full-time staff and Chairman. Practical advice and support has been given to assist with conferences, a newsletter and wider communication.

The support provided to volunteers has become increasingly effective, enhancing the knowledge and motivation of volunteers through a number of initiatives. The new Volunteer Training course, sponsored by Barclays, provides interactive learning for volunteers in a modular format. The accompanying "Working with Volunteers" video and DVD, also sponsored by Barclays, are accessible ways of ensuring that care staff and volunteers work together well as a team.

The many thousands of hours of support provided by volunteers across the country provide an extra and invaluable dimension to our work. A new database has been established which will allow us to identify more accurately the size of this contribution and the changing make-up of the volunteer body.

2 *Campaigning to change society*

- *UK campaigns* – to campaign in the following key areas in support of disabled people:
 - Civil rights
 - Inaccessible transport
 - Health and social services
 - Employment and entitlements
 - Poverty and social exclusion

Leonard Cheshire produced a number of key reports during the year, all of which generated substantial media coverage and interest from policy makers. Prime amongst these were:

- Three Leonard Cheshire policy manifestos (including a UK manifesto and policy agenda,

a Scottish and Welsh manifesto) which were distributed to all General Election candidates and successful representatives.

- Disability and debt ("*In the balance*"), which examined disabled people's experiences of debt and access to banking and financial support services. This received the direct support of over 200 MPs through an Early Day Motion which called for support to ensure that disabled people could easily access fair credit facilities and advice on financial services.
- Assessing the accessibility of holidays ("*Wish you were here?*") which looked critically at the difficulties disabled people face accessing the leisure and hotel industry.
- Evaluating the accessibility of licensed premises ("*Public House?*") for disabled people and the degree to which new statutory access requirements were and were not being met.

Leonard Cheshire continues to work in partnership with the Royal College of General Practitioners to increase and recognise excellence in the delivery of primary health care for disabled people. The charity sponsors a prestigious RCGP annual award recognising and encouraging excellence in practice.

- *Policy advice* – to become a source of policy advice to governments, non-government bodies and international bodies on issues affecting the livelihood and social exclusion of disabled people.

The charity has established itself as a leading voice on the reform of Incapacity Benefit and this has resulted in:

- Meetings with the Secretary of State for Work and Pensions, the Minister for Work, and Department for Work and Pension (DWP) officials;
- Considerable media coverage (including BBC and ITN, as well as most national broadsheets and some tabloids);
- Recognition in the DWP Select Committee's report on the issue.

Leonard Cheshire continues to be a key campaigning voice on the issue of accessible transport and successfully worked with Peers to amend the Disability Discrimination Act 2005 to:

- Have an end-date of 2020 for train accessibility written into law; (an advance of some 15 years)

- Have an annual report on improvements to rail accessibility produced by the Department for Transport.

Leonard Cheshire continues to lobby the Government on improving the rights of access to air travel and ferries.

Throughout the year, Leonard Cheshire has made substantial responses to consultation which have served to improve several government policy documents including:

- The DWP's "Guidance on the definition of disability", which is used by courts and tribunals in discrimination cases and for which a number of our clarifications and changes were accepted wholesale;
- The DfT's "Railways for All" policy, which our response helped inform and enhance;
- New EU guidelines on train accessibility, which should mean that all new trains across the whole EU will be more accessible as a result.

Internationally, Leonard Cheshire, in collaboration with the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), Bangkok, organised a conference on disability – "*A global perspective on rights to education and livelihoods*". This conference was highly successful and brought together policy makers, practitioners, donors, NGOs and civil society organisations to highlight the challenges faced by disabled people in gaining access to education and employment. The conference produced a statement that has been widely distributed calling for greater attention and resources to be devoted to meeting the needs of disabled people.

The UN Convention on Disability is in the process of being finalised. Leonard Cheshire has organised youth focus group discussions in India and the Philippines to highlight the concerns of disabled young people and to contribute to the formulation of the convention. This innovative programme gave young people in these two countries an opportunity to pass on their views to their national delegations attending the UN Convention meetings in New York. This Leonard Cheshire initiative will be extended to 15 countries around the world in the coming year.

- *Changing attitudes* – to change society's responses to disability by promoting positive attitudes towards

Report of the Trustees *continued*

disabled people, and challenging barriers and behaviours that are disabling.

The national celebration of volunteers in October 2005, Make a Difference Day, was celebrated by Leonard Cheshire by organising over 100 audits of local pubs. Volunteer and service users visited their local pubs and bars to assess whether the premises, bar staff and other facilities were open to disabled customers. The event was the single most successful press event for Leonard Cheshire in 2005, and an accompanying report "*Open to all?*" was launched following results of the audits.

Leonard Cheshire has developed a programme aimed at fostering international understanding of disability among young people through the provision of internship placements across the world in Leonard Cheshire services. A further programme has sent 8 Occupational Studies students from York St John's University for academic placements in South Africa, Sri Lanka and India.

3 *Developing new services and projects beyond social care*

- *Innovation* – both nationally and internationally, to develop new models and means of providing support to disabled people and to initiate innovative new pilot schemes which address the needs of disabled people in a holistic way, embracing the whole life-cycle and concentrating on areas beyond care-delivery.

Leonard Cheshire has established seven "Discover IT" suites throughout the UK. Discover IT assists disabled people to learn basic IT skills and to apply them and the access they have to the pursuit of social and personal activity in the widest possible context. This is proving to be a powerful tool for genuine social inclusion. Four additional suites will be opened in the next financial year. Funding has also been secured to enable a new project to begin next year that will assist disabled people to start up their own businesses.

Innovation in non-social care services is seen as one of the areas of greatest potential growth and action is being taken to develop the capacity to manage this with the creation of a new department for this specific purpose.

- *International* – to instigate the creation of a Global Alliance of "Leonard Cheshire" organisations throughout the world.

A series of meetings have been held around the world to further this objective and 95% of the independent "Leonard Cheshire" organisations worldwide have attended one or other of the meetings. They have endorsed with enthusiasm the proposal to form a global alliance with its own constitution. There is a strong consensus that an alliance will bring benefits of impact, visibility, recognition, policy and funding opportunities and the ability to work together to a common agenda for the inclusion and empowerment of disabled people.

During the year, inclusive education projects have been strengthened in Africa and Asia and a new project has been established in the Philippines. The Cheshire National Councils in Manila and Luzon, in partnership with the Ministry of Education, are implementing the new project. With the support of the local communities, parents, teachers and education authorities, the project seeks to ensure that all children, and especially disabled children, have the opportunity to attend their schools in the two locations. The project will work with 10 schools in each location in the first phase.

Economic empowerment projects also continue to make good progress. There are now a greater range of partnerships being developed with public and private employers, training institutes and micro finance institutions. New projects have been established in Bangladesh, China and Malaysia.

- *Service users* – to seek new ways to enhance the empowerment of individual service users and to extend the involvement of service users in every aspect of Leonard Cheshire's work in the UK and worldwide.

Following an external report on the involvement of service users in every aspect of Leonard Cheshire's work in the UK, a new impetus has been provided to both individual service user empowerment and wider involvement in Leonard Cheshire. A Code of Practice for service user involvement at individual service level is being developed and additional funding has been approved by the trustees to

enhance the work of the Service Users Network Association and its independent development.

Plans for the Future

Key Objectives for the coming year

- To seek to enter new fields of support for disabled people in a wide context beyond social care. In the UK, specifically, to create a new structure to manage this function, to consolidate existing initiatives and to start a range of new projects.
- To further the development of a Leonard Cheshire Global Alliance throughout the world.
- To enhance the empowerment of individual service users and to extend the involvement of service users in every aspect of Leonard Cheshire's work. In the UK, specifically, to develop the Service Users Network Association as an independent association of disabled people.
- To pursue our campaign objectives we will:
 - undertake a longitudinal annual survey of disabled people – asking them what they think and want, so to inform the wider policy debate and evaluate the impact of current policy initiatives.
 - actively engage with the welfare reform programme, campaigning to ensure that disabled people's interests are not damaged by any changes introduced.
 - work with the financial industry and other partners to improve disabled people's access to financial advice and equitable credit facilities.
- To continue to enhance the quality of our services and the efficiency with which they are delivered, at the very least meeting our own internal standards and the highest external standards.
- To ensure that the full cost of our services provided in the UK is recovered from the purchaser and that our operations meet or exceed the agreed budget.
- To accelerate the reprovisioning of our existing services and to use this process as an opportunity to broaden the spectrum of our service provision with particular emphasis on the development of supported living schemes.

- Alongside this, to take every opportunity to expand our existing services and extend both the diversity of the services we provide and the geographical spread within the United Kingdom.

- To increase the overall number of volunteer hours of support delivered and to give priority to the formation of further fundraising support groups.
- To increase net income from fundraising and to establish an effective Community Fundraising structure

Financial Review

Income

Leonard Cheshire derives the majority of its income from the fees paid by local authorities and health trusts for the services provided to disabled people in its residential homes, resource centres and in their own homes. Income from the delivery of social care services in the United Kingdom has increased in the year by 7% from £119.7 million to £128.3 million. This figure includes both inflationary elements and volume increases in provision.

Legacy income at £6.8 million (2005 £8.1 m) was lower than last year. In 2005 the charity received one particularly significant legacy from one particular person.

Donations and grants at £4.8 million (2005 £5.3 m) were lower than last year which was disappointing.

The charity received £115,000 during the year from the Big Lottery Fund: including £57,000 for volunteer support and £34,000 for our Workability Project.

Investment income of £1.7 million (2005 £1.9 m) was less than last year due to a lower amount invested.

Leonard Cheshire Trading Limited, a wholly owned subsidiary of the charity, sells Christmas cards and other merchandise. The income for the year was £55,000 (2005 £88,000). The company donates its taxable profits to the charity.

Leonard Cheshire CBG Limited, a wholly owned subsidiary of the charity, operates the "Charities Buying Group" and receives retrospective commissions from suppliers for goods purchased by members of the group. The income in the year was £118,000 (2005 £130,000). The company donates its taxable profits to the charity.

Report of the Trustees *continued*

Fundraising

This year the charity has benefited from the support of a growing number of major companies. In particular, Alliance Unichem, Barclays, Howdens Joinery, and Microsoft UK have enabled the charity to extend its existing projects and, vitally, to develop exciting new programmes that will be rolled out in the coming months. The support of companies like these makes it possible to have the flexibility to be innovative and opportunistic. Beyond the financial contribution, the charity acknowledges the growing role that companies can play in helping us to change society's responses to disability. The support of major companies can enable the charity to disseminate our vision for greater inclusion by taking Leonard Cheshire's work into the High Street and into significant market places.

Leonard Cheshire continued to host major events at which the charity has not only raised significant funds but has also reached new audiences. Guests experienced glitz, glamour, fine food and top class entertainment at the "Viva Las Vegas!" summer fundraising party held in the Grosvenor House Hotel on London's Park Lane. The event raised over £70,000. In the summer in a totally different context and venue, Marylebone Cricket Club selected Leonard Cheshire to be the headline beneficiary of a special MCC XI v International XI match to fund long-term Tsunami recovery work. The Lord's event generated a most creditable £250,000 for Leonard Cheshire's work in Sri Lanka and Southern India. The charity continues to do well with its running events with large numbers of participants raising money for Leonard Cheshire in all of the major events including the London Marathon and the Great North Run.

Over 180 leaders from business, politics and the media engaged with the charity's future plans when they attended the annual Leadership Dinner in November. Taking place in the splendid surroundings of Goldsmiths Hall in the City of London, broadcaster Mary Nightingdale hosted the event and former Prime Minister, Sir John Major, delivered a telling keynote speech. An exciting new partnership between Leonard Cheshire and The Royal Philharmonic Orchestra was launched at its "Christmas Celebration" concert at the Royal Albert Hall. Newsreader Katie Dereham opened the event on behalf of the charity and, through ticket sales, corporate sponsorship and collections, the festive concert generated over £25,000. The RPO also

produced music with service users from our Wandsworth Day Centre and further concerts are planned in the coming year.

The programme to develop individual donor support has increased significantly this year and our focused programme has included mail, telephone and face-to-face activity. Income from legacies has remained strong and our legacy marketing programme is now well underway, with the number of people pledging legacies steadily increasing.

The undoubted highlight of the year for trust fundraising was a grant of £737,410 for future years awarded by the Big Lottery Fund for the charity's Communication project. Another success for the project came later in the year – a £30,000 grant from the Lloyds TSB Foundation for England and Wales. Other Lottery successes were celebrated in the North East and Yorkshire Region, with a grant of £167,000, and North West Region which was awarded £287,000. Both grants will be supporting the charity's work with volunteers.

Grants from regular supporters of our capital projects included £50,000 from The Wolfson Foundation, to help with the redevelopment of the Three Forests Cheshire Home, now the Alder Cheshire Home, and £30,000 from the Baily Thomas Charitable Fund towards the cost of the new "Simply Unique" studio at our Bells Piece Home. Of particular significance was the donation of £100,000 from a long-standing supporter – the Garfield Weston Foundation. This was especially appreciated as it was unrestricted and was a very welcome endorsement of the overall value of our work.

Resources Expended

The overall running cost of our provision of social care within the United Kingdom was £129.7 million (2005 £120.5 m). Within this overall figure, the running costs of the care homes, supported living and day services amounted to £100.2 million (2005 £92.3 m). This increase of 8% was mainly due to inflationary increases and the costs of the additional facilities that were opened during the year. It should be noted that, as more service users require nursing care, costs will increase in line with the additional care provided.

Also included in this figure are the running costs of our domiciliary services which accounted for £29.5 million (2005 £28.2 m). The charity provided

approximately 1.7 million hours of care to disabled people in their own homes throughout the United Kingdom.

The international department of Leonard Cheshire has continued to support the development of the overseas partner organisations. The cost of this support was £2.1 million (2005 £1.9 m) in the year including the funding for the Leonard Cheshire Centre for Conflict Recovery at University College London. These international activities are funded entirely from voluntary income.

The running costs of the innovative projects, Workability and Discover IT, which are paid entirely out of voluntary income, amounted to £0.7 million (2005 £0.8 m) in the financial year.

Campaigning in the year was supported with an unchanged figure of £0.3 million (2005 £0.3 m), despite the significant increase in effective activity.

The cost of service user support amounted to £0.9 million (2005 £0.9 m) and this was funded from voluntary income.

Governance of the charity cost £0.4 million (2005 £0.4 m) in the year.

The cost of generating voluntary income cost £3.3 million (2005 £3.4 m). This included Fundraising costs of £2.2 million (2005 £2.3 m) and Communications costs of £1.1 million (2005 £1.1 m)

Emoluments of Senior Staff

Emoluments of senior staff and other financial information regarding employees and trustees are shown on page 34.

Investment Policy

The trustees have the power to invest Leonard Cheshire's funds in any manner permitted by law, having regard to the suitability of investments and the need for diversification. The trustees have invested £5.3 million at market value in Common Investment Funds as at 31 March 2006. These funds have been invested for the longer term and are made up of mainly UK equities.

The managers of the funds have a benchmark of showing an improvement in the total return over the FTSE All-Share Index in the year.

The results have been as follows:

	% Change in Year
FTSE All-Share Index	28.0%
CAF Balanced Growth Fund	27.3%
Schroders Charity Equity Fund	26.1%

The above mentioned funds will be reviewed in the coming year.

The majority of Leonard Cheshire's current assets are in the form of bank deposits with Barclays Bank Plc, which amounted to £21.5 million as at 31 March 2006. An additional amount of £11 million is held as short-term deposits which are managed by Barclays Global Investors and Coutts & Co.

It is the intention of the trustees to maintain a high level of liquid funds as money will be required at short notice for the service development programme.

The trustees of Leonard Cheshire have not identified specific investments that would directly impede the furtherance of the objects of the charity but they are willing to invest in ethical unit investment trusts. The trustees believe that the charity should have a social conscience and be prepared to invest in such trusts provided the investment return is similar to or better than other equity investments.

Reserves Policy

The trustees review annually the reserves position of the charity to ascertain whether or not the funds they are holding are adequate for the work of the charity. In doing this they have taken into consideration the assets required for the long-term care of the service users, reasonable working capital, planned development projects and unforeseen circumstances.

Leonard Cheshire as at 31 March 2006 had £130 million of funds of which £11.7 million was legally restricted as to their use by the donors. The charity therefore held £118.3 million of unrestricted funds before the provision for the pension deficit as at 31 March 2006.

Although there is a deficit on the defined benefit pension schemes of £10.3 million, it has been decided that this amount will not be deducted from the free reserves for the sufficiency calculation as the deficit

Report of the Trustees *continued*

will be eliminated by the income streams of the charity in the coming years.

In considering the level of free reserves the trustees have excluded from their unrestricted reserves £76.2 million of funds representing the properties and other fixed assets which are held for the longer term care of the service users. They have also excluded £23.4 million representing two years future expenditure for planned service developments.

The remaining unrestricted reserves or free reserves of £18.7 million are required for working capital (£13 million minimum) and unforeseen circumstances (£5 million minimum).

The trustees recognise that the costs of the ambitious redevelopment programme will require the charity to use a significant amount of its available reserves during the next few years. However, the trustees will maintain adequate reserves in order to fund its working capital requirements and for unforeseen circumstances.

Reference and Administrative Details of the Charity, its Trustees and Advisers

Trustees

The names of the trustees, the Director General and other senior officers of Leonard Cheshire as at 5 July 2006 are listed on page 41.

The following trustees have been re-elected:

Mr Peter Kingdon on 15 June 2005.
Dr Stephen Large, BM, BCh, MRCP on 15 June 2005.
Mrs Jennifer Phillips on 15 June 2005.
Dr Alan Elliott, CB on 15 November 2005.
Mr Patrick Salmon on 1 April 2006.
Col. Shaun Longsdon on 4 May 2006.

The following trustees have retired:

Mr Michael Sheffield, OBE on 12 April 2005.
Mrs Christine Vickers on 15 June 2005.
Sir John Blelloch, KCB on 30 September 2005.
Mr Richard Thomas, CMG on 14 October 2005.

The following people were appointed trustees:

Mr George Miall on 31 May 2005.
Mr Peter Bailey on 3 October 2005.
Sir Edward Clay, KCMG on 3 October 2005.

Principal Advisers

The names and addresses of the principal advisers to the charity are listed on page 42.

Structure, Governance and Management

Legal Status

The Leonard Cheshire Foundation known as "Leonard Cheshire" is a charitable company limited by guarantee and was incorporated on 3 August 1955. It is governed by a memorandum and articles of association, which were last amended on 18 November 2005.

Appointment and Induction of Trustees

All vacancies for trustees are advertised in the national press. A Nomination Committee of trustees interviews prospective new trustees and makes a recommendation to the full trustee body. The trustee body votes on all appointments of trustees.

New trustees receive induction material and training and throughout their appointment receive additional training as appropriate.

At regular intervals the trustees review the composition of the trustee body and decide whether or not there is a need to change the skill base. The trustees are continually seeking to increase the representation of disabled people on the trustee body.

Trustees serve for a three-year period and may be re-elected for up to two further terms of three years.

Trustees must retire upon reaching the age of 75.

Trustees' Responsibilities

The trustees are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The trustees are responsible for preparing the financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charity and group and of the results of the group for the period. In preparing those financial statements, the trustees 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 and Statements of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees confirm that they have complied with the above requirements in preparing the financial statements.

The trustees are responsible for keeping proper accounting records that 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.

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

So far as each trustee is aware, there is no relevant audit information of which the charity's auditors are unaware, and each trustee has taken all the steps that he/she ought to have taken as a trustee in order to make him/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Governance and Management

The trustees meet at least four times a year plus a weekend at which important strategic matters are reviewed. The trustees each year approve the annual budget and operating objectives and review the strategic plan.

Leonard Cheshire also has an Audit Committee and a Remuneration Committee. Trustees of the charity chair the committees. Various other trustee sub-committees are established to consider specific areas of activity in greater detail on behalf of the trustees and to report to the trustees on key issues. The trustees set the strategic direction for the charity and have delegated authority to the Director General and his staff to manage the affairs of the charity within this strategy, reporting against the objectives set.

The trustees have overall responsibility for ensuring that the charity has in place appropriate systems of financial control. Such systems can provide only reasonable and not absolute assurance against errors or fraud.

Management of Risk

The principal features of the systems of financial control include:

- a strategic plan
- an annual planning and budgeting process
- monthly reviews of the management accounts of each operating service and explanations of major variances from budget
- an effective Internal Audit Department
- an Audit Committee comprising trustees and co-opted members of the accountancy, investment and legal professions that discuss with the external auditors the scope of the annual audit and any matters raised by the external auditors for the attention of management
- delegation of authority to spend within clearly defined limits
- segregation of duties wherever possible
- identification and management of risks for the charity.

All funds of the charity are held in the name of The Leonard Cheshire Foundation and are managed centrally.

Report of the Trustees *continued*

In addition, the trustees have considered the guidance for directors of public listed companies contained in the Combined Code primarily aimed at improving corporate governance. They believe that, although they are not mandatory for the charity, they should ensure that their governance procedures continue to be in line with the best in the private sector.

The charity's operations have been reviewed as regards the management of risk and procedures have been established to mitigate the risks identified. A similar review will be undertaken at regular intervals.

As regards internal controls the trustees have:

- considered the type of risks the charity faces
- considered the level of risks which they regard as acceptable
- communicated to employees their responsibilities for internal control
- instituted operating policies and standards that will help to identify and minimise the incidence of risks
- identified parts of the charity's operation that may be of higher risk and focused the attention of management on these areas
- reviewed the procedures for reporting failings immediately to the appropriate level of management.

Operating Structure

The Director General and senior executives manage the charity within the strategic direction and policies of the trustees. In the United Kingdom the charity is divided into ten operating regions, each of which is managed by a senior manager responsible for service delivery within the region and contributing to the charity's overall objectives in all fields of activity.

Each region also has a Regional Committee, chaired by a trustee, with members comprising senior regional management, service users, staff representatives, volunteers from the regional services and those with knowledge and experience of disability issues. This committee serves to provide trustee oversight of the activities in each Region and to feedback comment

from the regions to the trustees. Local support groups form the basis for invaluable local volunteer support to the services and fundraising.

Internationally, the charity provides training and development assistance to 259 individual services in 51 countries throughout the world. These operate as independent charities within the context of their respective countries. The large majority of these charities use the Leonard Cheshire name and the remainder make clear their association with Leonard Cheshire. All adhere to the standards and ethos of the United Kingdom charity, but they are separate charities and trusts in their own right and are financially and managerially free standing. The financial results of these charities do not form part of these financial statements.

The United Kingdom charity has regional offices, which are legal branches of the charity, in Kenya, Botswana, Zambia, Sierra Leone, Nicaragua and India. These offices provide professional advice and training support to the Leonard Cheshire charities in each region in such specialist matters as capacity building, fundraising, publicity, social care, micro-finance, education and employment. The financial results of these branches have been consolidated within these financial statements.

Equal Opportunities

It is the policy of Leonard Cheshire that no user of our services, employee, volunteer or job applicant should receive less favourable treatment than another on the grounds of his/her gender, marital status, age, ethnic origin, disability, race, nationality, religious belief, sexual orientation, employment status, trade union affiliation, political affiliation or through the imposition of any discriminatory requirement that cannot be justified.

Auditors

PricewaterhouseCoopers LLP are willing to continue in office. A resolution for the re-appointment of PricewaterhouseCoopers LLP as auditors of Leonard Cheshire to hold office until the conclusion of the next general meeting at which accounts are laid before the members and authorising the trustees to fix the auditors remuneration will be submitted to the forthcoming Annual General Meeting.

By Order of the Trustees



Ashley Silver

Secretary 5 July 2006



Report of the Auditors

Independent auditors' report to the members of The Leonard Cheshire Foundation

We have audited the financial statements of The Leonard Cheshire Foundation for the year ended 31 March 2006 which comprise the statement of financial activities, the balance sheet, the cash flow statement, the income and expenditure account and the related notes. These financial statements have been prepared under the accounting policies therein.

Respective responsibilities of directors and auditors

The trustees are also directors of The Leonard Cheshire Foundation for the purpose of Company Law. As described in the Statement of Trustees' Responsibilities the trustees are responsible for preparing 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 relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether the Report of the Trustees is consistent with the financial statements. We also report to you, if in our opinion, the charitable 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 directors' remuneration and transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Trustees and the

Chairman's Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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 affairs of the charitable company and the group at 31 March 2006 and of the net incoming resources, including the income and expenditure, and cash flows of the group for the year then ended;
- and the financial statements have been properly prepared in accordance with the Companies Act 1985;
- and the information given in the Report of the Trustees is consistent with the financial statements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
 PricewaterhouseCoopers LLP
 Chartered Accountants and Registered Auditors
 London, 5 July 2006

Consolidated Statement of Financial Activities

		Unrestricted Funds	Restricted Funds	Endowment Funds	Total Year to 31.3.06	Total Year to 31.3.05 Re-stated (Note 1)
		£'000	£'000	£'000	£'000	£'000
	Note					
Incoming Resources						
Incoming Resources from generated funds						
Voluntary Income	2	7,640	3,946		11,586	13,448
Trading Sales	3	173			173	218
Investment Income	4	1,516	159		1,675	1,871
Incoming Resources from charitable activities						
Fees & Grants for Services	5	128,315			128,315	119,722
Gain on disposal of fixed assets		3			3	218
Total Incoming Resources		137,647	4,105		141,752	135,477
Resources Expended						
Cost of generating voluntary income	6	3,344			3,344	3,354
Trading Costs	6	134			134	134
Investment Management Costs	6	40			40	33
		3,518			3,518	3,521
Charitable Activities:						
Residential & Day Services	6	96,901	3,315	7	100,223	92,350
Domiciliary Services	6	29,462	3		29,465	28,207
International Services	6	884	1,170		2,054	1,906
Campaigning	6	300			300	318
Innovative Projects	6	608	140		748	788
Service User Support	6	882			882	856
Governance	6/7	374			374	377
		129,411	4,628	7	134,046	124,802
Total Resources Expended	6	132,929	4,628	7	137,564	128,323
Net Incoming/(Expended) Resources	8	4,718	(523)	(7)	4,188	7,154
Transfer between funds	16	228	(228)			
Gains on Investment Assets	11	1,334	40		1,374	667
Actuarial losses on defined benefit schemes	22	(18)			(18)	(190)
Net Movement in Funds		6,262	(711)	(7)	5,544	7,631
Reconciliation of Funds						
Fund Balances Brought Forward 1 April		112,531	11,967	475	124,973	117,464
Prior period adjustment pensions	1	(10,835)			(10,835)	(10,957)
Re-stated balance brought forward 1 April		101,696	11,967	475	114,138	106,507
Fund Balances Carried Forward 31 March		107,958	11,256	468	119,682	114,138

The Notes on pages 22 to 39 form part of these accounts. All activities relate to continuing operations. The group has no recognised gains or losses except those included above and, therefore, no separate statement of recognised gains and losses has been prepared.

Consolidated Balance Sheet

		31.3.06	31.3.05
			Re-stated
		£'000	(Note 1)
	Note	£'000	£'000
Fixed Assets			
Tangible Assets	10	84,343	81,404
Investments	11	7,974	6,619
		92,317	88,023
Current Assets			
Stock		49	122
Debtors	12	17,273	14,949
Short term deposits	13	11,000	8,000
Cash at Bank and in hand	13	21,490	25,165
		49,812	48,236
Creditors			
Amounts falling due within one year	14	(12,108)	(11,286)
Net Current Assets		37,704	36,950
Net Assets excluding Pension Liability		130,021	124,973
Defined Benefit Pension Scheme Liability	22	(10,339)	(10,835)
Net Assets including Pension Liability		119,682	114,138
Represented by:			
Endowments	15	468	475
Restricted Funds	16	11,256	11,967
Unrestricted Funds:			
Designated Funds	17	99,551	94,917
Revaluation Reserve	11	3,289	1,914
Other Charitable Funds		15,457	15,700
Unrestricted income funds excluding pension reserve		118,297	112,531
Defined Benefit Pension Reserve	22	(10,339)	(10,835)
		119,682	114,138

Approved by the Trustees on 5 July 2006

Nigel Broomfield
Nigel Broomfield

Sir Nigel Broomfield Chairman

John Standen
John Standen Chairman of the Audit Committee

The Notes on pages 22 to 39 form part of these accounts.

Company Balance Sheet

		31.3.06	31.3.05 Re-stated (Note 1)
		£'000	£'000
	Note	£'000	£'000
Fixed Assets			
Tangible Assets	10	84,337	81,397
Investments	11	7,974	6,621
		92,311	88,018
Current Assets			
Stock		49	122
Debtors	12	17,177	14,912
Short term deposits	13	11,000	8,000
Cash at Bank and in hand	13	21,257	24,895
		49,483	47,929
Creditors			
Amounts falling due within one year	14	(11,936)	(11,146)
Net Current Assets		37,547	36,783
Net Assets excluding Pension Liability		129,858	124,801
Defined Benefit Pension Scheme Liability		(10,339)	(10,835)
Net Assets including Pension Liability		119,519	113,966
Represented by:			
Endowments	15	468	475
Restricted Funds	16	11,153	11,855
Unrestricted Funds:			
Designated Funds	17	99,546	95,265
Revaluation Reserve	11	3,289	1,914
Other Charitable Funds		15,402	15,292
Unrestricted income funds excluding pension reserve		118,237	112,471
Defined Benefit Pension Reserve	22	(10,339)	(10,835)
		119,519	113,966

Approved by the Trustees on 5 July 2006

Nigel Broomfield
Nigel Broomfield

Sir Nigel Broomfield Chairman

John Standen
John Standen Chairman of the Audit Committee

The Notes on pages 22 to 39 form part of these accounts.

Consolidated Cash Flow Statement

		Year to 31.3.06	Year to 31.3.05 Re-stated (Note 1)
	£'000 Note	£'000	£'000
Net cash inflow from operating activities	(a)	4,650	7,402
Returns on investment and servicing of finance			
Bank interest received	1,445		1,669
Investment income	230		202
		1,675	1,871
Capital Expenditure and Financial Investment			
Purchase of tangible assets	(7,068)		(5,319)
Proceeds from sale of tangible assets	49		560
Proceeds from sale of investments	19		
Net cash outflow from investing activities		(7,000)	(4,759)
Management of Liquid Resources			
Purchase of short term deposits		(3,000)	(8,000)
Decrease in cash		(3,675)	(3,486)
Cash at 1 April		25,165	28,651
Cash at 31 March		21,490	25,165

Notes to the Cash Flow Statement:

(a) Reconciliation of net incoming resources to net cash flow from operating activities

Net incoming resources	4,188	7,154
Donated Property		(642)
Investment income	(1,675)	(1,871)
Difference between pension contributions and current service cost	(514)	(312)
Depreciation	4,083	3,954
Decrease in stock	73	18
Increase in Debtors	(2,324)	(1,433)
Increase in Creditors	822	752
Gain on disposal of fixed assets	(3)	(218)
Net cash flow from operating activities	4,650	7,402

Consolidated Income and Expenditure Statement

	Year to 31.3.06	Year to 31.3.05 Re-stated (Note 1)
	£'000	£'000
Total Income of continuing operations	140,304	133,590
Total Expenditure of continuing operations	(137,557)	(128,234)
Operating Surplus	2,747	5,356
Gain on disposal of fixed assets	3	218
Interest received	1,445	1,669
Net income for the year	4,195	7,243

- a) The consolidated income and expenditure account is presented in order to ensure compliance with the Companies Act 1985.
- b) Total income comprises £136.2 million for unrestricted funds and £4.1 million for restricted funds. A detailed analysis of income by source is provided in the statement of financial activities on page 17.
- c) Detailed analyses of expenditure are provided in the statement of financial activities and notes 6 to 9 inclusive.
- d) Net income for the year of £4.2 million comprises £4.7 million net income of unrestricted funds and £0.5 million net expenditure of restricted funds, shown in the statement of financial activities.
- e) The income and expenditure account is derived from the consolidated statement of financial activities on page 17 which, together with the notes to the accounts on pages 22 to 39, provides full information on the movements during the year on all funds of Leonard Cheshire.
- f) As permitted by section 230 of the Companies Act 1985, the company has not presented its income and expenditure account. The Group results include net income for the year of £4,203,000 (year to 31 March 2005 net income of £7,264,000) which has been dealt with in the financial statements of the company.

Notes to the Financial Statements

1 Accounting Policies and Basis of Preparation of Financial Statements

- a) The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP2005) – "Accounting and Reporting by Charities" and with applicable Accounting Standards and legislation. The financial statements have been prepared using the historical cost basis of accounting as modified for the valuation of investments at market value.

The charity has availed itself of Paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities. No separate statement of financial activities (SOFA) has been presented for the charity alone as permitted by Section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

The SOFA and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings. The undertakings are consolidated on a line by line basis.

Certain prior-year figures in the SOFA and the balance sheet have been restated due to the implementation of SORP 2005 and FRS17 – Retirement Benefits. For the adoption of SORP 2005 expenditure items have been re-analysed, primarily due to the requirement for the allocation of support costs to charitable activities. These re-classifications have no impact on the total funds brought forward. The adoption of FRS17 has reduced the total funds brought forward at 1 April 2004 by £10,957,000 and increased the net movement in funds by £122,000 (see note 22), therefore the funds as at 1 April 2005 have been reduced from £124,973,000 to £114,138,000.

- b) The consolidated statements of financial activities, the income and expenditure account and balance sheet of the charity consolidate the financial statements of the central administration, services in the United Kingdom

and its international branches, all of which are made up to 31 March. In addition, the results of the wholly-owned subsidiaries, The Leonard Cheshire Foundation (Isle of Man) Limited, Leonard Cheshire Trading Limited, Leonard Cheshire CBG Limited and Jobability Limited have been consolidated.

- c) Expenditure on tangible items of an enduring nature in excess of £2,000 is capitalised and depreciation is charged at the following annual rates on cost:

Freehold properties	2% per annum
Leasehold properties	over the period of the lease
Furniture, fittings and equipment	15%-25% per annum

Assets under the course of construction have not been depreciated until they are brought into use.

Freehold land is not depreciated.

- d) Legacy income is recognised in the period in which Leonard Cheshire is entitled to receipt and where the amount can be measured with reasonable certainty.
- e) Pension costs for defined benefit schemes are treated in accordance with FRS17.

The following elements are charged to the SOFA:

- i) The service costs of pension provision relating to the period, together with the cost of any benefits relating to past service (allocated to staff costs).
- ii) The net return on financing which is a charge equal to the increase in the present value of the scheme liabilities and a credit equivalent to the charity's long-term expected return on assets (allocated to staff costs).

- iii) The actuarial gain or loss on the scheme assets and liabilities (allocated to other recognised gains and losses).

The difference between the market value of assets of the scheme and the present value of accrued pension liabilities is shown as an asset or liability on the balance sheet.

- f) Grants received are accounted for according to the period to which they relate. Grants and fees for services have been included in 'Incoming resources from Charitable Activities'. All other grants have been included within voluntary income. Grants and donations received in advance have been recognised as deferred income and are released to the SOFA when the related expenditure is incurred.
- g) Investments are included in the financial statements at middle market value on the balance sheet date. Investments in subsidiaries are included at cost. Realised gains or losses arising on the disposal of investments and unrealised gains and losses arising on valuation are taken to the fund to which the investments relate.
- h) Stock is stated at the lower of cost or net realisable value.
- i) All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure.

The cost of generating funds for voluntary income is the cost of persuading others to make voluntary contributions as well as costs relating to educating and informing the public and institutions on the issues addressed by the charity.

The cost of the charitable activities includes all expenditure directly relating to the objects of the charity.

Operating support costs have been allocated to the appropriate charitable activity in accordance with SORP 2005 as detailed in note 6. They include all activities not engaged directly in charitable, fundraising or publicity activities.

Governance costs include trustee expenses, trustee insurance, and internal/external audit costs.

- j) Grants payable are accounted for as liabilities when approved.
- k) The funds of Leonard Cheshire have been segregated as follows:

Restricted funds consisting of donations and legacies received and for which the donor has specified the purposes.

Endowment funds consisting of a particular type of restricted fund given to Leonard Cheshire on the understanding that only the income may be used for general purposes and the capital must be retained.

Unrestricted funds are expendable at the discretion of the trustees in furtherance of the objectives of Leonard Cheshire.

Designated funds may be set aside at the trustees' discretion for specific purposes; otherwise these funds would form part of the unrestricted funds. Leonard Cheshire designates funds which represent the investment made in properties and other fixed assets for the long term use of its clients and for future capital developments.

Revaluation reserve reflects the difference between the current valuation of investments and the historical cost on acquisition.

Pension reserve reflects the difference between the net assets and liabilities of the pension scheme.

Notes to the Financial Statements *continued*

- l) Rental payable under operating leases is charged to the SOFA as incurred over the term of the lease.
- m) Transactions denominated in foreign currencies are translated at the average exchange rate for the year. Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date.
- n) As part of Leonard Cheshire's activities is classified as exempt for the purposes of VAT, Leonard Cheshire is unable to reclaim all the VAT it suffers. Any irrecoverable VAT is charged to the statement of financial activities, or capitalised as part of the cost of the related asset, where appropriate.

2 Voluntary Income

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Legacies	6,765	8,144
Donations	3,674	4,584
Grants	401*	196
Other Fundraising	746	524
	<u>11,586</u>	<u>13,448</u>

3 Trading Activities of Subsidiary Companies

Leonard Cheshire has two wholly – owned trading subsidiaries, Leonard Cheshire Trading Limited and Leonard Cheshire CBG Limited, both of which are incorporated in England. Leonard Cheshire Trading Limited sells gifts and Christmas cards by mail order and Leonard Cheshire CBG Limited receives retrospective discounts from suppliers for goods purchased by members of the Charities Buying Group. All taxable profits are covenanted to Leonard Cheshire and interest is paid on loans to Leonard Cheshire. A summary of the trading results is shown below. The companies do not hold any fixed assets.

	Leonard Cheshire Trading Limited		Leonard Cheshire CBG Limited	
	Year to 31.3.06 £'000	Year to 31.3.05 £'000	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Profit and Loss Account				
Turnover	55	88	118	130
Cost of Sales	(32)	(28)	(97)	(94)
Gross Profit	23	60	21	36
Distribution and Administration Costs	(5)	(11)	-	-
Interest Payable	-	-	-	-
Profit on Ordinary Activities before covenanted Payment	18	49	21	36
Amount covenanted to Leonard Cheshire	(18)	(49)	(21)	(36)
Retained profit for the year	-	-	-	-
Retained Profit Brought Forward	-	-	-	-
Retained Profit Carried Forward	-	-	-	-

The assets and liabilities at 31 March
2006 are as follows:

Assets	24	55	108	28
Liabilities	(24)	(55)	(107)	(27)
	-	-	1	1

4 Investment Income

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Quoted investments	230	202
Bank Interest	1,445	1,669
	<u>1,675</u>	<u>1,871</u>

Notes to the Financial Statements *continued*

5 Fees and Grants for Services

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Residential & Day	100,182	94,170
Domiciliary	28,133	25,552
	128,315	119,722

6 Total Resources Expended

a) The Group

	Staff Costs £'000	Other Direct Costs £'000	Support Costs £'000	Year to 31.3.06 Total £'000	Year to 31.3.05 Total £'000
Cost of Generating Funds					
Fundraising	1,245	860	90	2,195	2,271
Communications	617	491	41	1,149	1,083
Voluntary Income	1,862	1,351	131	3,344	3,354
Trading Costs		134		134	134
Investment Management Costs		40		40	33
	1,862	1,525	131	3,518	3,521
Charitable Expenditure					
Residential & Day Services	65,187	26,197	8,839	100,223	92,350
Domiciliary Services	21,958	3,869	3,638	29,465	28,207
International Services	606	1,407	41	2,054	1,906
Campaigning	191	93	16	300	318
Innovative Projects	294	430	24	748	788
Service User Support	550	286	46	882	856
Governance	162	206	6	374	377
	88,948	32,488	12,610	134,046	124,802
	90,810	34,013	12,741	137,564	128,323

b) The Group Support Costs

Support Costs include the following expenditure items and have been allocated across resources in the following manner:

	Year to 31.03.06 £000s	Year to 31.03.05 £000s	Allocation Method
Management & Administration	7,999	7,907	per Capita
Finance, IT and Purchasing	2,411	2,577	per Capita
Human Resources	2,331	2,172	per Capita
Total	12,741	12,656	

6 Total Resources Expended

b) The Group Support Costs continued

	Management & Administration £000s	Finance, IT & Purchasing £000s	Human Resources £000s	Year to 31.03.06 Total £000s	Year to 31.03.05 Total £000s
Voluntary Income	82	25	24	131	130
Residential & Day Services	5,549	1,673	1,617	8,839	8,781
Domiciliary Services	2,284	688	666	3,638	3,614
International Services	26	8	7	41	39
Campaigning	10	3	3	16	16
Innovative Projects	16	4	4	24	23
Service User Support	28	9	9	46	47
Governance	4	1	1	6	6
Total Year to 31.03.06	7,999	2,411	2,331	12,741	12,656
Total Year to 31.03.05	7,907	2,577	2,172	12,656	

7 Governance Costs

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Internal Audit	123	115
Auditor's Remuneration - Audit Services	95	90
- Non-audit Services	0	1
Governance and professional support for trustees*	156	171
	374	377

*This represents the internal cost of strategic planning and providing legal support to trustees.

8 Net incoming resources are stated after charging

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Auditor's Remuneration - Audit Services	95	90
- Non-audit Services	0	1
Depreciation	4,083	3,954
Operating lease payments	1,071	1,232
Trustee Expenses	37	50
Professional & Legal Fees	89	25
Exchange rate differences	(9)	87

Trustee expenses relates to the travel and subsistence costs of 20 trustees (2005: 20 trustees)

Notes to the Financial Statements *continued*

9 Operating Leases

At 31 March 2006 the Group had annual commitments under non-cancellable operating leases as follows:

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Within 1 year	103	166
Within 2 to 5 years	732	1,088
After 5 years	82	42
	917	1,296

10 Tangible Assets

a) The Group

	Freehold property £'000	Leasehold property £'000	Assets under the course of Construction £'000	Furniture, Fittings, Equipment & Vehicles £'000	Total £'000
Cost					
Balance at 1 April 2005	85,620	9,056	1,637	24,688	121,001
Additions	1,409	557	2,633	2,469	7,068
(Disposals)	(33)	(7)		(194)	(234)
Transfers	57		(57)		
Balance at 31 March 2006	87,053	9,606	4,213	26,963	127,835
Depreciation					
Balance at 1 April 2005	19,197	2,128		18,272	39,597
Charge for the year	1,623	269		2,191	4,083
(Disposals)				(188)	(188)
Balance at 31 March 2006	20,820	2,397		20,275	43,492
Net Book Value at 31 March 2006	66,233	7,209	4,213	6,688	84,343
Net Book Value at 1 April 2005	66,423	6,928	1,637	6,416	81,404

The net book value at 31 March 2006 represents fixed assets used for:

Generating voluntary income	474			179	653
Residential & Day Services	65,710	7,021	4,213	5,919	82,863
Domiciliary Services	49	188		410	647
International Services				54	54
Campaigning				22	22
Innovative Projects				32	32
Service User Support				64	64
Governance				8	8
	66,233	7,209	4,213	6,688	84,343

10 Tangible Assets					
b) The Company					
	Freehold Property	Leasehold Property	Assets under the course of Construction	Furniture, Fittings, Equipment & Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 April 2005	85,620	9,056	1,637	24,626	120,939
Additions	1,409	557	2,633	2,468	7,067
(Disposals)	(33)	(7)		(194)	(234)
Transfers	57		(57)		
Balance at 31 March 2006	87,053	9,606	4,213	26,900	127,772
Depreciation					
Balance at 1 April 2005	19,197	2,128		18,217	39,542
Charge for the year	1,623	269		2,189	4,081
(Disposals)				(188)	(188)
Balance at 31 March 2006	20,820	2,397		20,218	43,435
Net Book Value at 31 March 2006	66,233	7,209	4,213	6,682	84,337
Net Book Value at 1 April 2005	66,423	6,928	1,637	6,409	81,397

11 Investments – The Group and the Company

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Market value at 1 April	6,619	5,952
Disposals at opening market value	(19)	
Net gain on revaluation at 31 March	1,374	667
Market value at 31 March	7,974	6,619
Historical cost at 31 March	4,705	4,705
Analysis of investments:		
Investments listed on a recognised stock exchange	2,639	2,163
Common investment funds	5,316	4,436
Forestry assets	19	20
	7,974	6,619

The majority of investments are held in unit trusts registered in the United Kingdom. Some investments received as part of legacies are held in Government stocks and U.K. equities prior to transfer into unit trusts, which is in line with Leonard Cheshire's investment policy.

The Charity also has investments in subsidiaries of £2,097 (31.3.05 £2,097) which is detailed in Note 20.

Notes to the Financial Statements *continued*

12 Debtors

	31.3.06 £'000	The Group 31.3.05 £'000	31.3.06 £'000	The Company 31.3.05 £'000
Amounts falling due within one year				
Debtors	14,124	10,677	14,033	10,640
Prepayments	598	420	598	420
Accrued Income	2,551	3,852	2,546	3,852
	17,273	14,949	17,177	14,912

13 Cash at Bank

Leonard Cheshire Funds	21,339	24,890	21,106	24,620
Service Users' Funds	151	275	151	275
Cash at Bank & In Hand	21,490	25,165	21,257	24,895
Short Term Deposits	11,000	8,000	11,000	8,000
Total	32,490	33,165	32,257	32,895

14 Creditors

Amounts falling due within one year				
Unsecured loans	173	157	173	157
Creditors	4,057	4,942	3,931	4,818
Taxation and Social Security	1,757	1,733	1,751	1,724
Accruals	2,969	2,787	2,929	2,780
Deferred Income*	3,001	1,392	3,001	1,392
Service Users' Funds	151	275	151	275
	12,108	11,286	11,936	11,146

*Deferred Income represents the payment of fees in advance and Government grants. In the year we received income of £3,001,000, transferred income of £1,392,000 which meant that the balance as at 31st March 2006 was £3,001,000 (£1,392,000 31.03.05).

15 Capital Funds – Endowments

The Group and The Company	Balance at 1 April 2005 £'000	Movements in Funds		Balance at 31 March 2006 £'000
		Incoming Resources £'000	Expenditure £'000	
Permanent Endowments:				
Albert Alexander Fund	10	-	-	10
Kirby Worthington Fund	110	-	-	110
Expendable Endowments:				
St Michaels Home	355	-	(7)	348
	475	-	(7)	468

The Albert Alexander Fund was set up to benefit the residents of Dan-y-bryn in 2004. St Michael's Home has been classified as an endowment property. The Kirby Worthington Fund was set up in October 1995 when Leonard Cheshire received a bequest with the restriction that the income of this fund must be used to support The County Durham Cheshire Home.

16 Restricted Funds

a) The Group

	Balance at 1 April 2005 £'000	Movements in Funds		Balance at 31 March 2006 £'000
		Incoming Resources £'000	Expenditure/ Transfers £'000	
For:				
Residential facilities	7,591	589	(325)	7,855
Service User Support	3,946	2,285	(3,221)	3,010
Innovative projects		140	(140)	
International projects	430	1,131	(1,170)	391
	11,967	4,145	(4,856)	11,256

b) The Company

	Balance at 1 April 2005 £'000	Movements in Funds		Balance at 31 March 2006 £'000
		Incoming Resources £'000	Expenditure/ Transfers £'000	
For:				
Residential facilities	7,591	589	(325)	7,855
Service User Support	3,834	2,285	(3,212)	2,907
Innovative projects		140	(140)	
International projects	430	1,131	(1,170)	391
	11,855	4,145	(4,847)	11,153

In the year transfers of £228,000 have been made between restricted and unrestricted more appropriately to reflect the nature of the funds.

The restricted funds for residential facilities are funds which have been donated to Leonard Cheshire to be used specifically for the purchase of new tangible assets or improvements to existing assets.

Service User Support includes monies that have been donated to Leonard Cheshire with a restriction that they be used in support of disabled people at specific locations.

The International Division of the charity has been donated funds specifically for charitable work overseas including £104,115 for a project in Uganda from the Department for International Development, £6,795 from the UNDP for Afghanistan, £16,418 from the European Union for the EDEMAT project and £19,000 from the States of Jersey for a project in Botswana and £49,388 for the Oriang project in Kenya from Comic Relief.

c) Big Lottery Fund Grants received in the year

The Group and The Company

	Cash Received 2006 £'000	Cash Received 2005 £'000
For:		
Service User Support - Volunteering	57	113
- Hitchin	8	
- Omagh	9	
Innovative projects - Workability	34	90
International projects	7	14
	115	217

In addition £5,000 was received for the Befriending project and £4,888 for the Omagh project from Awards for All.

Notes to the Financial Statements *continued*

17 Designated Funds

a) The Group	Balance at 1 April 2005 £'000	Movements in Funds New Designations £'000	Utilised/ Released £'000	Balance at 31 March 2006 £'000
For:				
Tangible assets for long term use	72,899	6,479	(3,238)	76,140
Development projects	22,018	18,980	(17,587)	23,411
	94,917	25,459	(20,825)	99,551

b) The Company	Balance at 1 April 2005 £'000	Movements in Funds New Designations £'000	Utilised/ Released £'000	Balance at 31 March 2006 £'000
For:				
Tangible assets for long term use	73,247	6,479	(3,591)	76,135
Development projects	22,018	18,980	(17,587)	23,411
	95,265	25,459	(21,178)	99,546

Amounts transferred to designated funds during the year are to cover the expected cost of the next two years' development projects identified by the trustees.

The development projects represent the regional development plans including the re-provisioning of a number of major residential services.

18 Analysis of Group Net Assets between Funds

	Unrestricted Funds	Restricted Funds	Endowment Funds	Total Funds
Fund balances at 31 March 2006 are represented by:				
Tangible fixed assets	76,140	7,855	348	84,343
Investments	7,627	347	-	7,974
Current assets	46,638	3,054	120	49,812
Current liabilities	(12,108)	-	-	(12,108)
Pension liability	(10,339)	-	-	(10,339)
	107,958	11,256	468	119,682

19 Capital Commitments

	Year to 31.3.06	Year to 31.3.05
Capital expenditure that has been contracted for but has not been provided for in the financial statements	105	43

20 Subsidiaries

The following subsidiaries are wholly-owned by Leonard Cheshire, are registered in England and have been consolidated:

Leonard Cheshire Trading Ltd covenants its taxable profits to Leonard Cheshire. It has issued share capital of £100. Leonard Cheshire CBG Ltd covenants its taxable profits to Leonard Cheshire. It has issued share capital of £1,000. Jobability Limited has issued share capital of £1,000. The company did not trade in the year.

The audited accounts for Leonard Cheshire Trading Ltd and Leonard Cheshire CBG Ltd for the year ended 31 March 2006 are disclosed in note 3.

The Leonard Cheshire Foundation (Isle of Man) Limited has been consolidated. It is a wholly-owned subsidiary of Leonard Cheshire and is a company limited by guarantee, being a charity. The company provides residential care for disabled people.

The audited accounts of Leonard Cheshire Foundation (Isle of Man) Limited for the year ended 31 March 2006 are summarised as follows:

	Year to 31.3.06 £'000	Year to 31.3.05 £'000
Incoming resources	508	446
Resources Expended	(516)	(467)
Net Income	(8)	(21)

The assets and liabilities as at 31 March 2006 are as follows:

	203	235
Assets		
Liabilities	(41)	(65)
	162	170

The total investment of the charity in its subsidiary undertakings is £2,097 (31.3.05 £2,097).

Notes to the Financial Statements *continued*

21 Information regarding employees and Trustees

	Year to 31.3.06	Year to 31.3.05
Staff costs during the period were as follows:		
Wages and Salaries	89,341	82,216
Social Security costs	6,621	5,973
Other Pension Costs	3,280	2,818
	99,242	91,007

	Full-time	Year to 31.3.06 Part-time	Full-time	Year to 31.3.05 Part-time
The average monthly number of persons employed during the year was:				
Voluntary Income	48	7	40	9
Residential & Day Services	1680	2690	1656	2692
Domiciliary Services	346	1928	283	1905
International Services	9	4	12	3
Campaigning	5	0	5	1
Innovative Projects	6	3	7	2
Service User Support	7	18	6	20
Governance	2	0	2	0
Support	275	55	241	52
	2,378	4,705	2,252	4,684

Remuneration of senior employees – the emoluments, excluding pension contributions, of the senior employees were within the following ranges:

	Number of employees	
	Year to 31.3.06	Year to 31.3.05
£60,001 - £70,000		2
£70,001 - £80,000	1	4
£80,001 - £90,000	5	2
£90,001 - £100,000	2	
£110,001 - £120,000		1
£120,001 - £130,000	1	

	£'000	No of Staff	£'000	No of Staff
Total employer's pension contributions in the year for senior employees paid by the charity:				
Defined benefit schemes	46	2	41	3
Money Purchase schemes	61	7	52	6
	107	9	93	9

No trustee, or person related to a trustee, has received any remuneration from Leonard Cheshire in the year. One trustee is a partner in a firm of solicitors which has provided professional advice to the value of £15,012 in the year (2005 Nil).

22 Pension Commitments

Leonard Cheshire operates defined benefit pension schemes managed by The Pensions Trust and Hertfordshire County Council in the UK. These schemes have been incorporated into these accounts in accordance with FRS17 and the additional disclosure is shown below.

The latest full actuarial valuation of The Pensions Trust scheme was carried out as at 30/09/03 and for the Hertfordshire County Council scheme as at 31/03/04. The market assumptions used in the actuarial valuations were as follows:

	The Pensions Trust 31/09/03	Hertfordshire County Council 31/03/04
	%	%
Rate of increase in salaries	4.0	4.4
Rate of increase in pensions in payment	2.5	2.9
Inflation assumption	2.5	2.9
Investment Returns - Post Retirement	5.2	6.3
Investment Returns - Pre Retirement	7.2	6.5

These valuations for The Pensions Trust scheme assessed the market value of assets for the Leonard Cheshire Scheme to be £22.6m and the ratio of assets to liabilities disclosed by the valuation was 77%. The contributions by Leonard Cheshire will be increased from 25% in 2005-06 to 31.7% in 2006-07 to address the shortfall on the scheme.

There is no separate valuation of the Hertfordshire County Council Scheme but the market value of assets for Leonard Cheshire has been calculated to be £5.4m and the ratio of assets to liabilities disclosed by the valuation was 94%. The contributions by Leonard Cheshire will be decreased from 16.2% in 2005-06 to 15.9% in 2006-07, however a lump sum payment of £271,000 will be made in 2006-07.

In total Leonard Cheshire has made pension payments of £3.3m in 2006 (£2.8m 2005).

Notes to the Financial Statements *continued*

The major assumptions used by the actuary were:

	The Pensions Trust	Hertfordshire County Council	The Pensions Trust	Hertfordshire County Council	The Pensions Trust	Hertfordshire County Council
	2006	2006	2005	2005	2004	2004
	%	%	%	%	%	%
Rate of increase in salaries	3.0	4.6	4.0	4.4	4.0	4.4
Rate of increase in pensions in payment	2.25	3.1	2.5	2.9	2.5	2.9
Discount rate	4.9	4.9	5.4	5.4	5.5	5.5
Inflation assumption	2.5	3.1	2.5	2.9	2.5	2.9

The fair value of the assets in these schemes, the present value of the current liabilities in the schemes and the expected rate of return at 31 March 2006 and the corresponding amounts for the 31 March 2005 were:

	Expected rate of return % pa 31.03.06	Value at 31.03.06 £'000	Expected rate of return % pa 31.03.05	Value at 31.03.05 £'000
The Pensions Trust				
Equities (inc Property)	8.0	18,783	8.0	20,962
Bonds	4.2	17,284	5.0	8,263
Other	4.5	450	4.25	577
		36,517		29,802
Present Value of Scheme Liabilities		(44,160)		(37,472)
Deficit in the scheme		(7,643)		(7,670)
Hertfordshire County Council				
Equities	7.4	10,621	7.7	7,968
Bonds	4.6	1,798	4.8	1,623
Property	5.5	783	5.7	661
Cash	4.6	742	4.8	690
		13,944		10,942
Present Value of Scheme Liabilities		(16,640)		(14,107)
Deficit in the scheme		(2,696)		(3,165)
Deficit in Pensions Trust Scheme		(7,643)		(7,670)
Deficit in Hertfordshire County Council Scheme		(2,696)		(3,165)
Deficit in combined schemes		(10,339)		(10,835)

Additionally, the following components of the pensions charge have been recognised in the statement of financial activities for the year ended 31 March 2006:

	The Pensions Trust £'000	Hertfordshire County Council £'000	Total £'000
Analysis of amounts charged to the statement of financial activities:			
Current service cost	(893)	(515)	(1,408)
Past service cost		(10)	(10)
	(893)	(525)	(1,418)
Financing:			
- expected return on pension scheme assets	2,144	768	2,912
- interest on expected scheme liabilities	(2,033)	(755)	(2,788)
- net return	111	13	124
Actual return less expected return on pension scheme assets	3,914	2,012	5,926
Experience gains and losses arising on scheme liabilities	164	261	425
Changes in assumptions underlying the present value of scheme liabilities	(4,655)	(1,714)	(6,369)
Total actuarial gain/(loss) recognised	(577)	559	(18)

The total movement in Leonard Cheshire's share of the scheme's deficit during the year is made up as follows:

	The Pensions Trust £'000	Hertfordshire County Council £'000	Total £'000
Deficit on scheme at 1 April 2005	(7,670)	(3,165)	(10,835)
Movement in year:			
- current service cost	(893)	(515)	(1,408)
- contributions	1,386	422	1,808
- past service costs	0	(10)	(10)
- other finance income	111	13	124
- actuarial gain	(577)	559	(18)
Deficit on scheme at 31 March 2006	(7,643)	(2,696)	(10,339)

Notes to the Financial Statements *continued*

The experience gains and losses for the year ended 31 March 2006 were as follows:

		The Pensions Trust		
	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	3,914	1,084	2,891	(6,325)
Percentage of scheme assets	10.70%	3.60%	11.00%	-29.90%
Experience gains and losses on scheme liabilities:				
Amount (£'000)	164	115	(688)	(129)
Percentage of the present value of scheme liabilities	0.40%	0.30%	-2.00%	-0.40%
Total actuarial loss recognised in the statement of financial activities:				
Amount (£'000)	(577)	623	3,113	(9,530)
Percentage of the present value of the scheme liabilities	-1.30%	1.70%	8.90%	-28.80%

		Hertfordshire County Council		
	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets:				
Amount (£'000)	2,012	317	892	(1,634)
Percentage of scheme assets	14.40%	2.90%	12.70%	-31.80%
Experience gains and losses on scheme liabilities:				
Amount (£'000)	261	(908)	(1)	205
Percentage of the present value of scheme liabilities	1.60%	-6.40%	0.00%	2.70%
Total actuarial loss recognised in the statement of financial activities:				
Amount (£'000)	559	(813)	412	(1,651)
Percentage of the present value of the scheme liabilities	3.40%	-5.80%	4.50%	-21.40%

Leonard Cheshire also participates in the Pensions Trust Growth Plan. The Growth Plan is a multi-employer pension plan which is in most respects a money purchase arrangement but it does have some guarantees. Because of the pension guarantees there is a defined benefit pension obligation. However, it is not possible for the Pensions Trust to identify the share of underlying assets belonging to individual participating employers. Therefore, contributions paid by the company are accounted for as if the scheme were a defined contribution scheme. The Charity continues to offer membership of the plan to its employees.

The most recent actuarial valuation of the scheme was performed as at 30 September 2002. The valuation revealed that the assets broadly equalled the accrued liabilities as at the valuation date. The employers contribution in the year was 10% of salary for senior staff and 4% for operational staff. This will not change for 2006/07.

The charity also participates in seven other defined benefit schemes for 41 current and former employees. The trustees estimate that the deficit on these schemes is £429,000. If this liability had been recognised, the net assets of the charity would have been reduced by an equivalent amount.

The trustees have considered the requirements of Financial Reporting Standard No. 17 Retirement Benefits ("FRS 17") and consider the costs of implementation to be disproportionate to the materiality of the amounts involved. Accordingly, in the interest of the Charity, the trustees have decided not to adopt FRS 17 in relation to these seven schemes. The annual cost amounted to less than £100,000.

23 Company limited by guarantee

Leonard Cheshire is a company limited by guarantee and in the event of a winding-up the members, who are the trustees, are committed to pay £1 each.

Supporters

A very big thank you to all those supporters who have made donations to Leonard Cheshire in the last 12 months and to many others not listed, including those who wish to remain anonymous and those who remembered Leonard Cheshire in their wills.

The Adint Charitable Trust
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 Big Lottery Fund
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The H D H Wills 1965 Charitable Trust
 The Homestead Charitable Trust
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 The HSA Charitable Trust
 HSF (Hospital Saturday Fund)
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Dr Graham Mitchell

Mrs Jennifer Phillips

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Mr Assaf Admoni

Director – Communications

Miss Judith Barnard

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Mr Neil Davies

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