

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

REPORT AND ACCOUNTS

31 MARCH 2006

Company No. 1634942
Charity Registration No. 511179



ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2006

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ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

LEGAL AND ADMINISTRATIVE INFORMATION

31 March 2006

CHARITY NAME: St Michael's Hospice (incorporating the Freda Pearce Foundation)

CHARITY REGISTRATION NUMBER: 511179

COMPANY REGISTRATION NUMBER: 1634942

ADDRESS OF REGISTERED OFFICE: St Michael's Hospice
Bartestree
Hereford
HR1 4HA

**DIRECTORS (WHO ARE ALSO
TRUSTEES) IN SERVICE
AS AT 31 MARCH 2006:**

Reverend Prebendary C N H Attwood (Chairman)
Mr G M Bulmer
Mrs B N Eastaugh
Mrs E S Griffiths
Dr J J Kramer
Dr R G Miller
Dr J H Ballance
Mr R D Gates
Mr T D R Jenkins
Mrs S J Jones (Vice Chair)
Mr A L Williams
Mr R N Cox
Dr B W A Herriot
Mr A J Walshe
Ms P A Greenwood (appointed 17 March 2006)

**RETIRING DIRECTORS (WHO
ARE ALSO TRUSTEES) IN THE
FINANCIAL YEAR:**

Mr B A Evans (Vice Chair - retired 17 Dec 2005)
Mr P E Harling (retired 1 August 2005)
Mr J S Robinson (retired 28 February 2006)

CHIEF EXECUTIVE OFFICER:

Mr W Brooks

**HOSPICE MANAGEMENT TEAM
AT 31 MARCH 2006:**

Dr T Blower (Medical Director)
Mrs J Fisher (Head of Education)
Mrs S Higginson (Head of Social Care)
Mrs A Lemon (Head of Administration)
Mrs J Mason (Head of Nursing)
Mr S Rabbitts (Head of Support Services)
Mr R Shackelford (Head of Fundraising - appointed August 2005)

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LEGAL AND ADMINISTRATIVE INFORMATION

31 March 2006

**HOSPICE MANAGEMENT TEAM
IN POST IN FINANCIAL YEAR:**

Revd. M Nevill (Chaplain - resigned July 2005)
Mrs A Palfrey (Head of Fundraising - resigned August 2005)

COMPANY SECRETARY:

Mrs E P Drew

BANKERS:

The Royal Bank of Scotland PLC
21 Broad Street
Hereford
HR4 9AP

CAF Cash Limited
Kings Hill
West Malling
Kent
ME19 4TA

Schroders Investments Limited
PO Box 6100
Basildon
SS15 5NJ

SOLICITORS:

Gabbs
25 King Street
Hereford
HR4 9BX

AUDITORS:

Baker Tilly
Elgar House
Holmer Road
Hereford
HR4 9SF

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

DIRECTORS' REPORT

31 March 2006

The directors present to the members their report and the audited accounts for the year ended 31 March 2006. The accounts have been prepared in accordance with the accounting policies set out on pages 12 and 13 and comply with the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued in October 2000.

Objects

The company is a charitable foundation whose principal activity is the establishment of the St. Michael's Hospice for the care and treatment of the sick. Income is also derived from donations and investments.

To meet its charitable objects, the company applies its resources to the employment of professionally qualified and unqualified staff to provide physical and emotional care to people living in Herefordshire and its surrounding areas who are suffering from a terminal illness. It also supports those who provide the care. The care is provided at the company's main premises, St Michael's Hospice, Bartestree, which it owns and maintains, and at specified locations in the county of Herefordshire.

Results

The results for the year are shown in the Statement of Financial Activities on page 9. The company is not empowered to pay dividends.

Structure, Governance and Management

The Charity is a company limited by guarantee and not having a share capital. It is governed by its Memorandum and Articles of Association dated 12 May 1982, as amended by special resolution 2 November 1998 and 2 October 2002)

Subscribers to the Memorandum of Association and such other persons elected by the Board of Directors shall be admitted to membership. The minimum number of Board Directors is four. The maximum number of members may be determined by the Board of Directors from time to time.

The Articles of Association of St Michael's Hospice outline the criteria for Board member recruitment. The Board of Directors has the power to appoint any member to be a Director to serve for a three year term and to be subject to re-election at the next Annual General Meeting. The elected Directors retire by rotation. No Director may serve more than three terms in office in succession unless more than 2/3 of the Board vote in a secret ballot for the Director to serve a further term. The Board may in their absolute discretion decline to accept any person as a member and do not need to give a reasons for doing so. The Board may from time to time prescribe criteria for membership but shall not by doing so become obliged to accept persons fulfilling those criteria as Members.

Every person who wishes to become a Member of the Board submits a written application for membership, as required by the Board. Potential Members undergo an appropriate recruitment process outlined in the Trustee Recruitment Procedural Guide incorporating short-listing against a required person specification and role description and interviewing as appropriate. Members may be recruited according to a skills gap analysis. The recruitment process includes an enhanced Criminal Record Bureau check for all staff and volunteers including Board Members.

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31 March 2006

On successful recruitment all new Board members are allocated a mentor, chosen from the Board. They undergo an individually focused induction depending on their training and development needs and are invited to join an Organisational induction programme within a few months of starting. Individual performance and development is monitored by the Chair of Trustees and Executive Committee where appropriate and the Board members undergo a full appraisal. Training is offered to develop skills needed by the Charity and personal development is supported. New Board members are encouraged to attend all committee meetings by rotation over the course of the first year. A skills and experience matrix is maintained and reviewed frequently by the Chairman.

Directors may delegate any of their powers or the implementation of any of their resolutions to any Committee. The composition of each Committee is entirely at the discretion of the Directors. The deliberation of such Committees shall be reported to the Directors and any resolution passed or decisions taken by any such committee shall be reported to the Directors at the following board meeting.

The Directors may make regulations and give such mandates as they see fit. All delegations are revocable at any time.

At St Michael's Hospice the Board of Directors delegate to a variety of committees as appropriate to the Organisation's structure and activities. Committees therefore exist for care and support services, personnel, education and training and fundraising. All financial matters are delegated to Finance and Investment Committees which are empowered to resolve upon the operation of any bank account according to such mandate as it shall think fit. No Committee can incur expenditure on behalf of the Company except in accordance with a budget which has been approved by the Directors. The deliberations of all Committees are reported at least quarterly to the Board. Any extraordinary decisions are passed by an Executive Committee comprising the Chairman, Vice Chairman, Chair of the Finance Committee and Chair of the Events and Fundraising Committee. The Executive Committee meets monthly.

We have included the record of attendances of directors/trustees at Board and committee meetings, for, although they are volunteers, they carry ultimate responsibility for the Hospice's activities.

| Year 2005/06 No. of meetings | Main Board | Committee Meetings | | | | | | |
|---------------------------------|---------------|-----------------------|------------|---------|-------------------------|---------------------|-----------------|---------------------------------------|
| | | Executive | Investment | Finance | Fundraising & Events | Support Services | Patient Care | Personnel, Education & Training |
| Total no. of meetings | 5 | 11 | 4 | 5 | 4 | 4 | 3 | 6 |
| C. Attwood (Chair) | 5 | 11 | 1 | 1 | | | | |
| J. Ballance | 1 | | | | | | 2 | 4 |
| G. Bulmer | 5 | | 4 | 4 | | 1 | | |
| R. Cox | 3 | 1 | | | | 2 | | 4 |
| B. Eastaugh | 5 | | | | 3 | 3 | | |
| B. Evans | 3 | 7 | 3 | 3 | | | | |
| R. Gates | 4 | 10 | 3 | 4 | 3 | | | |
| P. Greenwood | | | | | | | | |
| S. Griffiths | 3 | | | | 0 | 0 | | |
| P. Harling | | | | | | | | |
| B. Herriot | 2 | | | | | | 1 | |
| T. Jenkins | 4 | | | | | | | 6 |
| S. Jones (Vice Chair) | 3 | 7 | | | | | 3 | 0 |
| J. Kramer | 3 | | | | | | 2 | |
| R. Miller | 5 | | | | | 4 | 3 | 4 |
| J. Robinson | 2 | 1 | 3 | 3 | | | | |
| A. Walshe | 5 | | | | 3 | | | |
| A. Williams | | | | | 3 | | | |

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Significant strategic decisions and those with budgetary implications are made by the Board. Operational management decisions are made by Heads of Department and the Hospice Management Team which meets weekly.

There is a process by which major risks to the Organisation are identified, reported, managed and reviewed. Committees meeting quarterly update the risk register and report any significant change to the Board. The Board formally reviews and audits the Organisation's Risk Register annually. The Executive Committee monitor the risk management and register monthly.

Objectives and Activities

The Company is a charitable foundation whose principle activity is the establishment of the St Michael's Hospice for the palliative care and treatment of persons suffering from chronic and terminal illness. The company also promotes and encourages research into care and treatments of persons suffering from cancer and terminal illness and has a responsibility to cascade the findings to enhance care. Similarly the Hospice promotes and encourages the teaching and professional development of Professional carers and others responsible for providing care.

To meet its charitable objectives, the company applies its resources to the employment of professionally qualified and unqualified staff to provide skilled physical, spiritual and emotional care to people in Herefordshire and surrounding areas who are suffering from life-limiting conditions. It also supports those who provide the care. The care is provided at the Company's main premises, St Michael's Hospice Bartestree, which it owns and maintains, and at specific locations in the County of Herefordshire and in patients' homes.

Aims

The Company endeavours to provide a range of palliative care, which is responsive to individual need, for patients with progressive life-limiting conditions and for their families. Care encompasses all aspects which are important to the patient and family – emotional care, physical care, good pain and symptom control, advice and support with everyday living, information about financial advice, preparation for loss and bereavement. The Hospice does not take control away from the patient or take over the care if the family are able to cope, but advises, educates, supports and influences carers both informal and professional, in whatever setting the patient is being cared for. It provides information to enable patients and their families to make choices about their care and the environment they are cared for in. The focus of the Hospice's involvement is on maintaining the patients' dignity and identity, being alongside them and their family in their journey and bringing meaning to their lives and their dying.

The Company receives around 15% of its income from statutory sources. This income is neither guaranteed nor recurrent. The remaining 85% of the income is derived from fundraising including lottery, events and corporate giving and from donations, legacies, grant-making trusts, shops income from donated goods and investments. The Company aims to raise sufficient funds to ensure the delivery of the current service to a high standard and to further develop services and support functions and the environment in which the service is delivered appropriately in response to identified need.

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The Hospice has been established for 22 years and has a strong relationship with its community population of around 180,000. The Hospice serves a community in which there is a degree of social deprivation with wages on average, not high. There is a high degree of community commitment which provides the Hospice with its voluntary income though this also cannot be guaranteed. Statutory funding is negotiated annually and is subject to the positioning of specialist palliative care as a Government priority and to the financial state of the PCT (Primary Care Trust). Funding mechanisms are going to change within the next couple of years and statutory funding for Hospices will be for very specific elements of highly specialist medical and nursing care. The holistic care of dying patients and the support of their families is much broader than this. The Hospice therefore faces a situation in the next couple of years in which its statutory funding will change and it will be reliant on its community to support the additional services it deems essential to the support of patients and their families. Objectives of the Company therefore have to take into consideration the fragility of the donor market and the future changes of statutory income and are focused on identifying recurrent and guaranteed income streams.

Development plan 2005 - 2006

The Company maintains a rolling development plan to identify the main objectives for the year. Strategic planning to achieve the objectives set out in the development plan is achieved through the various committees and progressed by the Hospice Management team. Objectives are set according to the Objects for which the Charity is established laid down in the Memorandum of Association.

Organisational objectives for the financial year 2005/2006 were as follows:

- To ensure that the hospice's financial health is conducive to maintaining and developing its current level of service and to its sustainability in the future, by optimising statutory funding and generating sufficient additional income, using opportunities for diversification of fundraising streams. This needs to be with consideration to future redevelopment and capital appeal.
- To ensure that services are efficient and cost effective, appropriate and delivered to a recognised high standard in response to identified need and do not duplicate services provided by other providers.
- To maintain the profile and continue the development of St. Michael's Hospice as the focus and prime provider of specialist palliative care services and palliative care education in Herefordshire and its surroundings, ensuring an active role at the centre of the hospice and palliative care movement locally, regionally and nationally.
- To ensure that staff and volunteers are recruited to and retained by the Organisation for their skills and experience and that their motivation and personal and professional development is enhanced through a planned programme of education and support.
- To influence the standards of palliative care in other care settings by sharing and cascading knowledge and experience and thus enhancing the knowledge, understanding, skills, confidence and competence of all professional disciplines and volunteer staff, whose roles involve caring for/supporting dying people and their families in whatever setting.
- To ensure that the Organisation meets and is compliant with regulations and recommended standards with respect to employment law, Health and Safety, Charity Law and Care Standards and in particular to develop a corporate approach to Clinical Governance and Risk assessment.
- To ensure that care is provided in an environment which is fit for purpose and, to this end, continue to prepare proposals for redevelopment of the Hospice site to improve existing facilities and to provide opportunities for expansion of services.

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- To ensure that the Company meets its aim and objective to provide a service which is accessible and appropriate to patients with chronic and terminal illness irrespective of age, creed, gender, disability and with respect for individual autonomy and choice, privacy and dignity and the spiritual care of patients and their families.

Significant Activities

The significant Organisational activities fall into the following categories:

- Expert care of patients with progressive life-limiting and life-threatening conditions and of their families to include medical and nursing care, social care, spiritual care and bereavement support.
- Education and training of internal staff and volunteers and external professionals and carers to promote knowledge, understanding, skills and competence in providing palliative care.
- Provision of support services including catering , housekeeping , maintenance and administration to ensure the smooth running and efficiency of the organisation and the best environment for the delivery of care.
- Fundraising and income generation to support the provision and development of core services and the environment in which they are delivered.
- Operational management and governance to ensure the standards and quality of service provision and environment.

The role and contribution of Volunteers

The Charity is entirely dependent on its voluntary workforce of just under 700 formally appointed volunteers which are estimated to save the Organisation around £450,000 per annum. Volunteers are recruited into every aspect of the Organisation according to a strict recruitment process. The contribution of hours offered by each volunteer vary greatly from occasional hours which support one-off functions to regular hours up to 2 or 3 times per week. The retail function of the organisation is managed by one paid manager and a deputy manager. Each of the 13 shops is operated by volunteers. The Hospice reception is entirely run by a rotation of volunteers and volunteers also provide significant input into spiritual, social care, bereavement support and care in the day hospice and inpatient unit. All volunteers are subject to personal appraisal and are offered support with the development of identified skills and mandatory training. There are also a significant number of additional volunteers supporting individual fundraising initiatives and support groups without whom the events and income generation from these would not take place.

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Achievements and performance 2005 - 2006

Financial investment has continued to be focused on development of care services over the past year to ensure that as flexible and accessible a service as possible is provided to our community. There has been a significant networking with other service providers to ensure that we do not duplicate services and optimise all that is available. There has been close working with the clinicians for heart disease, renal disease and neurological conditions to ensure that the service we provide for conditions other than cancer is appropriate. Access to assessment, advice and support through outpatient clinics has also been increased and we have developed our range of supportive services, to include complimentary therapies, psychology and though not yet fully formalised, social care and spiritual care. Service provision has been reviewed and new models introduced to ensure equity of access, appropriateness of our involvement and optimisation of resources where appropriate. Policies, guidelines and administrative structures have been developed to support the efficient delivery of services, enhance best practice and enable audit.

There has been investment in fundraising through events management, with evidence of an increasing income through planned, organised and supported community events. The donor database has been reviewed and a report on potential corporate sponsors and individuals with potential for significant donations was commissioned. There has been ongoing investment in the hospice lottery and exploration into diverse ways to enhance this income stream. Investigation into capital appeal potential and its impact on future hospice income through donations and fundraising is planned for 2006 - 2007 following a temporary postponement of re-development discussions pending the appointment of a new Chief Executive in April 2006. There has been limited success in applications to grant making trusts.

Block contract arrangements to provide palliative care education for the local NHS trust have been successfully negotiated. An increased number of Hospice staff have been supported in achieving academic and non-academic qualifications that will enhance their working role for the Hospice. Statutory funding remains under threat and every effort has been made to encourage continued statutory funding for identified elements of the service.

There has been significant investment in Health and Safety in response to risk assessment and in training of staff and volunteers to ensure that statutory regulatory standards are met.

An effective clinical governance structure is now in place.

Financial review

The Charity ensures the governance of its finances and investments through Finance and Investment Committees set up for this purpose and provided with mandates to make decisions as appropriate. Such decisions are supported by sound structures and processes and by policies, including control of signatories to accounts, for Investments and Reserves.

Money not immediately required by the Charity for its purposes is invested in equity, securities and property as thought fit and in accordance with the investment policy. Advice on the management of investments is delegated to an independent financial expert. Investment performance is reported to the investment committee and board quarterly. The Hospice has invested in the purchase of two properties in this financial year.

The Charity has an obligation to ensure that the income and property of the charity will be solely used for the promotion of its Objects set out in the Memorandum of Association.

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The Charity holds reserves to ensure that it can sustain its services in a way that meets the needs of the community it serves. It is important that the short to medium future of the Hospice is secure and a Reserves policy, requiring a sum equivalent to twelve to twenty four months of operating costs be held in reserve, has been adopted. The Hospice currently complies with the Reserves policy.

Any money surplus to this reserves strategy is to be set aside as designated funds which are held with maximum flexibility.

The budget takes into consideration current costs and the costs of the future strategic plans of the Organisation. To this end there is a current contingency for Health and Safety management, the development of a human resources function, the new risk assessment process and a potential salary and terms and conditions review.

The current financial health of the Organisation is reasonably good, though there is not room for complacency in fragile fundraising and retail markets. There are sufficient funds to maintain the current level of services to a high standard and to continue to progress identified developments over the coming year. There is sufficient in reserve to ensure over twelve months operating capability in the event of an unforeseen situation. There are no significant high level risks to the Organisation which cannot be managed with existing good procedures and structures. Pressures on income generation have been identified. Statutory funding is due to change but it is hoped that the same level of funding can be secured and opportunities identified to build on this. Donations and retail profits are fragile but there is potential to consider alternative income streams or to diversify current opportunities. It is considered that the donor pool is not thoroughly exhausted and that there is still potential to capture corporate sponsorship, grant – making trusts and elite donors.

Significant Plans for the Future (2006 – 2007 onwards)

A five year development plan is ongoing and needs to feed into the Organisational Business Plan. Five year strategies for clinical and support services, as well as education and fundraising are being developed. Such strategies will take into consideration any significant changes in future statutory funding of specialist palliative care services, changes in demographics and epidemiology of disease processes, specific local needs, the development or cutback of local services and identified expectations of the local community. Fragility of fundraising streams and fluctuations in the donor market, retail market and in investments will influence the need to develop a fundraising strategy which incorporates more diverse and reliable income streams. The need for the Organisation to review its salary structure in the light of such reviews in the NHS and Social Services will have financial and service delivery implications. Such a review will be necessary in order to remain competitive in the recruitment and retention of staff. Consideration must also be given to a building redevelopment review to ensure an environment which is fit for purpose.

The following are therefore Organisational priorities for the coming year 2006-2007.

- Develop a 5-10 year strategy for future service.

Clinical, educational, administrative and support service senior managers will critically appraise the current service model in the light of predicted demographic changes, needs analyses and Government and regulatory drivers.

A 5-10 year clinical strategy will be proposed which will outline possible service consolidation, continued investment and developments required to respond to identified or predicted need, retain flexibility for future marketability and optimise resources, efficiency and sustainability.

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31 March 2006

Consideration will be given to the specialist versus generalist debate, the potential chronicity of cancers and complexity of other disease management, the impact of demographic and socio economic changes, changes in population profiles (eg obesity, disability, immigration) in the context of a changing political and funding environment.

Specific attention will focus on bereavement care, spiritual care, social care, and psychosocial care, Hospice at Home and community services, in-patient admission, day care, nurse-led initiatives, outpatient clinics, respite and continuing care, for examples. Training and education needs and ongoing investment in the education service will be identified to support the structure and its development. The development and possible diversification of the allied clinical, catering and facilities support will be explored alongside the role of the Volunteer. Administrative and IT strategies will be explored alongside these considerations.

Affordability and sustainability will be paramount to the care strategy particularly in a changing context. The current situation will be similarly critically appraised and diverse methods of income generation, particularly recurrent, will be explored.

- Identify the future potential use of the environment and the need for redevelopment to ensure its fitness for purpose.

In the light of identified care, support services and education strategy, the need for re-development of the building will be reviewed. Previous work already undertaken by building working parties and architects in preparation for this will be incorporated. A proposal will be presented to the Board in October 2006 and a decision, whether or not to progress building development further, will be made. In the event that building redevelopment is necessary, a structured process for managing this, as a significant Organisational project over an identified period of time, will be identified and appropriate Committees or working parties set up. The raising of funds specifically for the building and the impact of this on current and potential operational funding streams will be considered and strategies for income generation for a capital appeal and for ongoing operational services will be developed.

- Ensure the affordability, efficiency and effectiveness of service delivery and its longer term sustainability.

There will be a review of current income generation and future potential for diversification, development and security of income streams wherever possible. A fundraising strategy will be developed and incorporated within the Organisational Business plan.

- Ensure the sustained recruitment and retention of skilled paid and voluntary human resources for future service delivery and development.

The need for an Organisational review of salary and terms and conditions and human resource management will be assessed in 2006 - 2007. Potential financial implications will be presented for Board decision-making and planned structures and processes initiated accordingly. Potential for optimising human resources by working collaboratively with other providers will be considered.

On behalf of the Board



Reverend Prebendary C Attwood

31 August 2006

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

31 March 2006

We are required under company and charity law to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company, and of the net movement in funds of the company for that period.

In preparing these accounts the directors are required to:

select suitable accounting policies and apply them consistently

make reasonable and prudent judgements and estimates

prepare the accounts on a going concern basis unless in our view the company will be unable to continue in business.

The directors are also responsible for:

keeping proper accounting records

safeguarding the company's assets

taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

there is no relevant audit information of which the company's auditors are unaware, and

the directors have taken all steps that ought to be taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the board

Reverend Prebendary C Attwood



31 August 2006

ST MICHAEL'S HOSPICE
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AUDITORS' REPORT

Independent auditors' report to the members of St Michael's Hospice

We have audited the financial statements on pages 13 to 28.

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

Respective responsibilities of directors and auditors

The responsibilities of the directors for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report 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 other transactions is not disclosed.

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 judgments 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 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 as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Baker Tilly
Registered Auditors
Chartered Accountants
Elgar House
Holmer Road
Hereford
HR4 9SF



4 September 2006

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)

for the year ended 31 March 2006

| | Note | Unrestricted Funds £ | Restricted Funds £ | Total Funds 2006 £ | Total Funds (re-stated) 2005 £ |
|---|-------|----------------------------|--------------------------|-----------------------------|--|
| Income and expenditure | | | | | |
| INCOMING RESOURCES | | | | | |
| Incoming resources from generated funds: | | | | | |
| Voluntary income | | | | | |
| Donations, covenants, corporate and GAYE | | 580,730 | 41,022 | 621,752 | 573,884 |
| Support groups | | 56,724 | - | 56,724 | 48,991 |
| Legacies | | 573,087 | - | 573,087 | 972,205 |
| Other income | | 62,797 | - | 62,797 | 59,393 |
| Activities for generating funds: | | | | | |
| Retail shop income | 2 | 550,062 | - | 550,062 | 458,555 |
| Lottery income | | 343,562 | - | 343,562 | 352,080 |
| Investment income | | 129,483 | - | 129,483 | 124,037 |
| Incoming resources from charitable activities: | | | | | |
| Grants from Health Authorities and Social Services | | 425,408 | - | 425,408 | 384,098 |
| Grants from grant making trusts | | 67,311 | - | 67,311 | 98,029 |
| Total incoming resources | | <u>2,789,164</u> | <u>41,022</u> | <u>2,830,186</u> | <u>3,071,272</u> |
| RESOURCES EXPENDED | | | | | |
| Costs of generating funds: | | | | | |
| Costs of generating voluntary income | | | | | |
| Fundraising and publicity | | 159,494 | 1,415 | 160,909 | 178,827 |
| Retail shop expenditure | 2 | 285,713 | 969 | 286,682 | 245,885 |
| Lottery expenditure | | 153,101 | 478 | 153,579 | 145,011 |
| Charitable activities: | | | | | |
| Nursing services | | 1,686,495 | 15,674 | 1,702,169 | 1,569,642 |
| Medical care services | | 286,050 | 2,907 | 288,957 | 290,412 |
| Governance costs | | 9,253 | - | 9,253 | 8,916 |
| Total resources expended | 3 | <u>2,580,106</u> | <u>21,443</u> | <u>2,601,549</u> | <u>2,438,693</u> |
| Net incoming resources before transfers | | 209,058 | 19,579 | 228,637 | 632,579 |
| Gross transfers between funds | | 23,606 | (23,606) | - | - |
| Net incoming/(outgoing) resources before revaluations/Net income/(expenditure) | | 232,664 | (4,027) | 228,637 | 632,579 |
| Other recognised gains/losses | | | | | |
| Loss on revaluation of fixed assets | | - | - | - | (78,101) |
| Unrealised profit on investments | | 367,949 | - | 367,949 | 150,527 |
| Realised profit on investments | | 74 | - | 74 | 299 |
| Net movement in funds | | <u>600,687</u> | <u>(4,027)</u> | <u>596,660</u> | <u>705,304</u> |
| Reconciliation of funds | | | | | |
| Total funds at 1 April 2005 | | <u>5,842,944</u> | <u>31,859</u> | <u>5,874,803</u> | <u>5,169,499</u> |
| Total funds at 31 March 2006 | 11/12 | <u>6,443,631</u> | <u>27,832</u> | <u>6,471,463</u> | <u>5,874,803</u> |

The notes on pages 15 to 28 form part of these accounts.

The above results were derived from continuing operations. All gains and losses in the year are included above.

The surplus for the year for Companies Act purposes comprises the net incoming resources for the year plus realised gains/(losses) on investments and was £228,711 (2005: £632,878).

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

BALANCE SHEET

at 31 March 2006

| | | 31 March 2006 | | 31 March (restated) 2005 | |
|---|-------------|--------------------------|-----------|---|-----------|
| | Note | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible fixed assets | 5 | 2,398,841 | | 2,033,353 | |
| Investments | 6 | 1,984,280 | | 1,396,849 | |
| | | | | | |
| | | | 4,383,121 | | 3,430,202 |
| Current assets | | | | | |
| Stocks | | 8,308 | | 8,777 | |
| Debtors | 7 | 130,660 | | 101,201 | |
| Short term deposits | | 2,195,755 | | 2,596,753 | |
| Cash at bank and in hand | | 704 | | 2,363 | |
| | | | | | |
| | | | 2,335,427 | | 2,709,094 |
| Liabilities: amounts falling due within one year | 8 | (247,085) | | (264,493) | |
| | | | | | |
| Net current assets | | | 2,088,342 | | 2,444,601 |
| | | | | | |
| Net assets | | | 6,471,463 | | 5,874,803 |
| | | | | | |
| Funds | | | | | |
| Unrestricted: | | | | | |
| General fund | 9 | 4,068,816 | | 3,816,347 | |
| Revaluation fund | | 126,597 | | 126,597 | |
| | | | | | |
| | | | 4,195,413 | | 3,942,944 |
| Restricted | 10 | 27,832 | | 31,859 | |
| Designated fund | 11 | 2,248,218 | | 1,900,000 | |
| | | | | | |
| Total funds | 12 | 6,471,463 | | 5,874,803 | |

The accounts on pages 13 to 28 were approved by the board of directors on 31/3/06 and are signed on its behalf by.

Reverend Prebendary C Attwood

R D Gates

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

CASH FLOW STATEMENT

for the year ended 31 March 2006

| | 2006 | | 2005 (restated) | |
|---|-------------|------------------|----------------------------------|----------------|
| | £ | £ | £ | £ |
| Net cash inflow from operating activities | | 85,473 | | 535,243 |
| Returns on investments and servicing of finance | | | | |
| Investment income | | 129,483 | | 124,037 |
| | | <hr/> | | <hr/> |
| | | 214,956 | | 659,280 |
| Capital expenditure and financial investment | | | | |
| Payments to acquire investments | (221,947) | | (146) | |
| Payments to acquire tangible fixed assets | (439,894) | | (115,770) | |
| Receipts from sale of investments | 2,539 | | 7,966 | |
| Receipts from sale of fixed assets | - | | - | |
| | <hr/> | (659,302) | <hr/> | (107,950) |
| | | <hr/> | | <hr/> |
| (Decrease)/Increase in cash | | (444,346) | | 551,330 |
| | | <hr/> | | <hr/> |

Further information is shown in note 14.

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

1 Principal accounting policies

Basis of accounting

The accounts have been prepared in accordance with the Charities Act 1993, the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005), International Standards on Auditing (UK and Ireland) and the Companies Act 1985, and under the historical cost accounting rules except for investments and freehold property which are stated at valuation with subsequent additions at cost.

Depreciation

Items are capitalised where the purchase price exceeds £250.

Depreciation of fixed assets is charged by equal annual instalments commencing with the year of acquisition at rates estimated to write off their cost or valuation less any residual value at the following rates:

| | |
|---|------------------------------|
| Freehold land and buildings | See below |
| Leasehold improvements | Over the period of the lease |
| Medical and nursing equipment and beds | 33⅓% |
| Motor vehicles | 20% |
| Other equipment, fixtures, furnishings and fixtures | 20% |
| Computer equipment | 33⅓% |
| Shop equipment | 25% |

Fixed assets include buildings professionally valued on an existing use open market basis. Other fixed assets are stated at historical cost.

The policy of the board of directors has been to carry out a programme of maintenance and repairs upon its freehold buildings, the cost of which is charged to the Statement of Financial Activities. In the opinion of the directors the useful economic life of the freehold buildings is in excess of 50 years and the residual value is such that any depreciation charge would be immaterial. No depreciation has been charged on freehold buildings as a result.

Furnishings, crockery and linen are not depreciated but their replacements are charged to repairs and renewals.

Pension schemes

Defined benefit scheme

The company contributes to the NHS pension scheme. Such contributions are a fixed percentage of salary. Contributions are charged to the profit and loss account in accordance with the rules of the schemes.

Defined contribution scheme

The company contributes to the personal schemes of individual employees. Such contributions are a fixed percentage of salary. Contributions are charged to the profit and loss account in accordance with the rules of the schemes

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

1 Principal accounting policies (continued)

Stocks and donated goods

Income from goods donated for resale in the Hospice shops is accounted for in the year in which the goods are sold. No value is placed on any stock of donated goods. Other stocks are valued at the lower of cost and net realisable value.

Investments

Investments are stated at market value, calculated as follows:-

| | |
|-------------|--|
| UK Equities | Middle of the quotation from Stock Exchange daily official list. |
| Unit Trusts | Bid price. |
| Others | As valued by investment managers. |

Realised gains or losses arising on the disposal of investments are determined by reference to the difference between the market valuation at the beginning of the year and the sale proceeds. Unrealised gains or losses are determined by the movement in the market valuations at the beginning of the year (plus the cost of additions) and the market valuations at the balance sheet date, and are taken to the Statement of Financial Activities.

Income

Income including grants and legacies is accounted for in the year in which it is receivable. Income relating to tax claims for donations made net of tax relief is accounted for in the year in which the donation was received.

Donated investments are accounted for at market value at the date the donation became receivable.

The value of services provided by volunteers has not been included.

Resources expended

Resources expended are recognised in the period in which they are incurred.

Direct and support costs represent specific attributable costs directly in relation to the activity and where specific allocation has not been possible these have been allocated on the basis of average salary (see note 3A).

Operating leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities over the period in which the cost is incurred.

Funds

Unrestricted funds are those available for use at the discretion of the directors in furtherance of the general objectives of the company and which have not been designated for any other purpose.

Restricted funds are those which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for a specific purpose. The notes to the accounts provide further details. Once the terms and conditions of the restrictions have been met, tangible fixed assets purchased with restricted monies, are transferred to unrestricted funds.

Designated funds represent the total Net Book Value of the freehold land and buildings held at the balance sheet date.

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006
(continued)

2 Incoming Resources
Shop Income and Expenditure

| | Ross 2006 £ | Hereford Widemarsh 2006 £ | Bromyard 2006 £ | Ledbury 2006 £ | Leominster 2006 £ | Malvern 2006 £ | Hereford Cattle Market 2006 £ | Kington 2006 £ | Total C/Fwd 2006 £ |
|--|-------------------|------------------------------------|-----------------------|----------------------|-------------------------|----------------------|--|----------------------|-----------------------------|
| Takings | 41,724 | 73,011 | 32,094 | 63,812 | 33,445 | 49,981 | 28,085 | 26,994 | 349,146 |
| Unallocated income (including Hospice Direct) | - | - | - | - | - | - | - | - | - |
| Less: | | | | | | | | | |
| Purchases | - | - | - | - | - | - | - | - | - |
| Insurance | 406 | 2,071 | - | 865 | - | 405 | 55 | - | 3,802 |
| Light and heat | 927 | 699 | 839 | 574 | 243 | 877 | 432 | 411 | 5,002 |
| Repairs and renewals | 261 | 129 | 47 | 85 | 500 | 21 | 461 | 61 | 1,565 |
| Rent | 14,250 | 23,000 | 6,000 | 12,137 | 5,667 | 13,000 | 4,335 | 3,630 | 82,019 |
| Rates and water | 49 | 202 | - | 133 | 350 | 627 | - | - | 1,361 |
| Telephone | 190 | 195 | 204 | 178 | 235 | 191 | 213 | 183 | 1,588 |
| Depreciation | - | - | - | - | - | - | - | - | - |
| Legal and professional fees | - | - | - | - | - | - | - | - | - |
| Sundries | 338 | 600 | 272 | 404 | 314 | 286 | 875 | 56 | 3,145 |
| Unallocated expenses | - | - | - | - | - | - | - | - | - |
| Net income | 25,303 | 46,115 | 24,732 | 49,436 | 26,136 | 34,574 | 21,714 | 22,654 | 250,664 |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES TO THE FINANCIAL STATEMENTS

31 March 2006
(continued)

2 Incoming Resources (continued)
Shop Income and Expenditure

| | Total B/Fwd 2006 £ | Tenbury Wells 2006 £ | Presteigne 2006 £ | Hereford Folly Lane 2006 £ | Hereford Eign Gate 2006 £ | Leominster Warehouse 2006 £ | Bartestree Mail Order and Recycled Income 2006 £ | Total 2006 £ | Total (restated) 2005 £ |
|--|---------------------------------------|---|----------------------------------|---|--|--|---|-----------------------------|--|
| Takings | 349,146 | 29,375 | 15,918 | 30,927 | 35,055 | 45,661 | 43,980 | 550,062 | 454,592 |
| Unallocated income (including Hospice Direct) | - | - | - | - | - | - | - | - | 3,963 |
| Less: | | | | | | | | 550,062 | 458,555 |
| Purchases | - | - | - | - | - | - | 25,357 | 25,357 | 19,394 |
| Insurance | 3,802 | - | - | - | 171 | 405 | - | 4,378 | 4,043 |
| Light and heat | 5,002 | 154 | 284 | 218 | 703 | 536 | - | 6,897 | 4,351 |
| Repairs and renewals | 1,565 | 216 | 339 | 28 | 710 | 858 | - | 3,716 | 7,147 |
| Rent | 82,019 | 6,600 | 4,376 | 5,500 | 16,000 | 7,918 | - | 122,413 | 101,227 |
| Rates and water | 1,361 | 642 | 301 | - | 56 | 76 | - | 2,436 | 2,491 |
| Telephone | 1,588 | 193 | 178 | 189 | 195 | 266 | - | 2,609 | 2,372 |
| Depreciation | - | - | - | - | - | - | - | - | 991 |
| Legal and Professional fees | - | - | - | - | - | - | - | - | 3,155 |
| Sundries | 3,145 | 1,050 | 153 | 633 | 410 | 223 | - | 5,614 | 6,662 |
| Unallocated expenses (page 16) | - | - | - | - | - | - | - | 113,262 | 94,052 |
| | | | | | | | | 286,682 | 245,885 |
| Net income | 250,664 | 20,520 | 10,287 | 24,359 | 16,810 | 35,379 | 18,623 | 263,380 | 212,670 |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

| | | | |
|----------|---------------------------|-------------|-------------------|
| 2 | Incoming Resources | 2006 | 2005 |
| | | £ | (restated) |
| | | | £ |

Shop Income and Expenditure (continued)

Unallocated Expenses are analysed as follows

| | | |
|--|---------|--------|
| Salaries, expenses and apportioned Hospice costs | 98,111 | 79,699 |
| Motor and travel expenses | 8,364 | 6,496 |
| Purchases and stock adjustment | 6,787 | 7,857 |
| | <hr/> | <hr/> |
| | 113,262 | 94,052 |
| | <hr/> | <hr/> |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

| | Direct Costs £ | Support Costs £ | Total Funds 2006 £ | Total (restated) Funds 2005 £ |
|-----------------------------------|----------------------|-----------------------|-----------------------------|---|
| 3 Total resources expended | | | | |
| Retail shop expenditure | 268,788 | 17,894 | 286,682 | 245,885 |
| Fundraising and publicity | 143,015 | 17,894 | 160,909 | 178,827 |
| Lottery expenditure | 153,579 | - | 153,579 | 145,011 |
| Nursing services | 1,631,032 | 71,137 | 1,702,169 | 1,569,642 |
| Medical care services | 271,063 | 17,894 | 288,957 | 290,412 |
| Governance costs | - | 9,253 | 9,253 | 8,916 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 2,467,477 | 134,072 | 2,601,549 | 2,438,693 |
| | <hr/> | <hr/> | <hr/> | <hr/> |

Note A

Direct and support costs represent specific attributable costs directly in relation to the activity and where specific allocation has not been possible these have been allocated on the basis of staff costs as follows:

| | 2006 | | 2005 (restated) | |
|----------------------------|-------------|--------------|--------------------|--------------|
| | Direct % | Support % | Direct % | Support % |
| Average salary allocation: | | | | |
| Retail shop expenditure | 3.67 | 0.84 | 3.13 | 0.91 |
| Fundraising and publicity | 5.76 | 0.84 | 5.28 | 0.91 |
| Lottery expenditure | 2.23 | - | 1.96 | - |
| Nursing services | 70.75 | 2.35 | 70.66 | 2.41 |
| Medical care services | 12.72 | 0.84 | 13.83 | 0.91 |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

3 Total resources expended (continued)

| | 2006 | 2005 (restated) |
|-----------------------|-------------|----------------------------------|
| | £ | £ |
| Staff costs: | | |
| Wages and salaries | 1,599,349 | 1,577,657 |
| Social security costs | 110,882 | 108,200 |
| Pension costs | 100,487 | 99,052 |
| | <hr/> | <hr/> |
| | 1,810,718 | 1,784,909 |
| | <hr/> | <hr/> |

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

| | 2006 | 2005 (restated) |
|---------------------------|-------------|----------------------------------|
| Charitable activities | 86 | 84 |
| Fundraising and publicity | 16 | 14 |
| | <hr/> | <hr/> |
| | <u>102</u> | <u>98</u> |

One employee earned between £60,000 and £70,000 during the year (2005: one employee £50,000 - £60,000). No directors have received remuneration during the year or the previous year. One director received reimbursement of expenses totalling £696 during the year (2005: two directors totalling £850).

No pension contributions were paid in respect of the highest paid employee during the year (2005: £Nil).

Insurance, which includes trustee and employee indemnity insurance, has been purchased during the year, at a cost of £19,041 (2005: £17,028).

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

3 Total resources expended (continued)

Pension costs

Defined benefit scheme

The company contributes to the NHS pension scheme. The NHS pension scheme is a multi-employer defined benefit pension scheme and the employer is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis.

The employer's contribution rate to the NHS pension scheme is between 7% and 14%.

The pension cost charge represents contributions payable by the company to the funds and amounted to £69,376 (2005: £63,225). Contributions totalling £8,501 (2005: £8,032) were payable to the funds at the year end and are included in liabilities.

Defined contribution scheme

The company contributes to the pension schemes of individual employees. The assets of these schemes are held separately from those of the company in independently administered funds.

The pension cost charge represents contributions payable by the company to the funds and amounted to £31,111 (2005: £35,827). Contributions totalling £16,801 (2005: £20,549) were payable to the funds at the year end and are included in liabilities.

| 4 Net movement in funds | 2006 | 2005 (restated) |
|---|-------------|----------------------------|
| | £ | £ |
| Net movement in funds is stated after charging: | | |
| Staff costs (Note 3) | 1,810,718 | 1,784,909 |
| | <hr/> | <hr/> |
| Auditors' remuneration | 6,325 | 5,825 |
| | <hr/> | <hr/> |
| Operating leases | | |
| - Land and buildings | 122,413 | 101,227 |
| | <hr/> | <hr/> |
| Depreciation of tangible fixed assets | | |
| - Owned assets | 74,406 | 60,484 |
| | <hr/> | <hr/> |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006
(continued)

| 5 | Tangible fixed assets | Other Equipment | | | | | Total £ |
|---|---------------------------------|--|----------------------------|--|---|------------------------|------------|
| | | Freehold Land and Buildings £ | Leasehold Property £ | Medical and Nursing Equipment and Beds £ | Fixtures Furnishings and Fittings £ | Motor Vehicles £ | |
| | Cost or valuation | | | | | | |
| | at 1 April 2005 | 1,913,619 | 29,499 | 156,641 | 373,609 | 62,014 | 2,535,382 |
| | Additions | 352,152 | - | 23,103 | 62,019 | 2,620 | 439,894 |
| | Disposals | - | - | - | - | - | - |
| | Revaluation | - | - | - | - | - | - |
| | | | | | | | |
| | at 31 March 2006 | 2,265,771 | 29,499 | 179,744 | 435,628 | 64,634 | 2,975,276 |
| | | | | | | | |
| | Accumulated depreciation | | | | | | |
| | at 1 April 2005 | 13,619 | 28,510 | 125,371 | 282,372 | 52,157 | 502,029 |
| | Eliminated on disposal | - | - | - | - | - | - |
| | Charge for year | 3,934 | 989 | 12,492 | 50,234 | 6,757 | 74,406 |
| | | | | | | | |
| | 31 March 2006 | 17,553 | 29,499 | 137,863 | 332,606 | 58,914 | 576,435 |
| | | | | | | | |
| | Net book values | | | | | | |
| | at 31 March 2006 | 2,248,218 | - | 41,881 | 103,022 | 5,720 | 2,398,841 |
| | | | | | | | |
| | at 31 March 2005 | 1,900,000 | 989 | 31,270 | 91,237 | 9,857 | 2,033,353 |
| | | | | | | | |

Historical cost of freehold land and buildings included at a valuation 2,121,621

The freehold land and buildings were valued on 12 July 2005, by Messrs. Jonathan Preece & Co, Chartered Surveyors. The value of the assets prior to the revaluation amounted to £1,978,101 and the re-valued amount was £1,900,000. This has given rise to a net loss on revaluation of £Nil (2005 £78,101), which is shown on the face of the Statement of Financial Activities.

All fixed assets were used for direct charitable purposes, with the exception of certain equipment included in Other Equipment, Fixtures, Furnishings and Fittings with a net book value at 31 March 2006 of £62,297 (2005: £48,711). These were also used, in part, in the management and administration of the charity, and in part for fundraising and publicity. Equipment purchased with restricted funds at a cost of £23,606 (2005: £28,857) has been transferred to unrestricted funds now that the terms and conditions of the restrictions have been met.

| | 2006 £ | 2005 £ |
|--|------------|------------|
| Future capital commitments | | |
| Finance leases and hire purchase contracts | <u>Nil</u> | <u>Nil</u> |
| Other contracts | <u>Nil</u> | <u>Nil</u> |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

| 6 Investments | 2006 | 2005 |
|---------------------------------------|-------------|-------------------|
| | £ | (restated) |
| | | £ |
| Quoted investments: | | |
| Market value 31 March 2005 | 1,396,849 | 1,253,843 |
| Disposals | (2,539) | (7,966) |
| Additions | 221,947 | 146 |
| Net unrealised investment profit | 367,949 | 150,527 |
| Net realised investment profit/(loss) | 74 | 299 |
| | <hr/> | <hr/> |
| Market value 31 March 2006 | 1,984,280 | 1,396,849 |
| | <hr/> | <hr/> |
| Historical cost | 1,417,623 | 1,198,141 |
| | <hr/> | <hr/> |
| FTSE 100 | | |
| 31 March 2006 | 5,964 | |
| 31 March 2005 | 4,894 | |

At the balance sheet date, 87 % (2005: 91%) of the market value of investments were held in the CAF Balanced Growth Fund, 12% (2005: 8%) were held in Schroders Investments and 1 % (2005 : 1%) were held in other equity shares.

| 7 Debtors: amounts falling due within one year | 2006 | 2005 |
|---|-------------|-------------------|
| | £ | (restated) |
| | | £ |
| Trade debtors | 30,171 | 39,778 |
| Other debtors | 37,535 | 27,212 |
| Prepayments and accrued income | 62,954 | 34,211 |
| | <hr/> | <hr/> |
| | 130,660 | 101,201 |
| | <hr/> | <hr/> |
| 8 Liabilities: amounts falling due within one year | | |
| Bank overdraft | 127,404 | 85,715 |
| Trade creditors | 19,684 | 88,086 |
| Other creditors | 8,501 | 10,482 |
| Accruals and deferred income | 91,496 | 80,210 |
| | <hr/> | <hr/> |
| | 247,085 | 264,493 |
| | <hr/> | <hr/> |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

| | | | | | |
|----|------------------------------------|----------------|------------------|--------------------|-------------------|
| 9 | Unrestricted funds | | | £ | |
| | 1 April 2005 | | | 3,816,347 | |
| | Net movement in funds for the year | | | 600,687 | |
| | Transfer | | | (348,218) | |
| | | | | | |
| | 31 March 2006 | | | 4,068,816 | |
| | | | | | |
| 10 | Restricted funds | Balance | | Expenditure | Balance |
| | | 1 April | Incoming | including | (restated) |
| | | 2005 | resources | transfers | 31 March |
| | | £ | £ | £ | £ |
| | Medical equipment | 5,750 | 23,097 | (9,726) | 19,121 |
| | Other equipment | 24,947 | 1,299 | (23,584) | 2,662 |
| | Funds for other specific items | 1,162 | 1,626 | 3,261 | 6,049 |
| | Freda Pearce Nurses Fund | - | 15,000 | (15,000) | - |
| | | | | | |
| | | 31,859 | 41,022 | (45,049) | 27,832 |

The medical equipment fund is funded by donations for specific medical equipment. The Freda Pearce Nurses Fund represents a restricted donation for nursing activities. The other funds represent other equipment funds.

| | | |
|-----------|-------------------------|-----------|
| 11 | Designated funds | £ |
| | 1 April 2005 | 1,900,000 |
| | Transfer | 348,218 |
| | | <hr/> |
| | 31 March 2006 | 2,248,218 |
| | | <hr/> |

Designated funds represent the Net Book Value of the freehold land and buildings held at the balance sheet date.

| | | | | |
|-----------|---|---------------|----------------|--------------|
| 12 | Analysis of net assets between funds | Fixed | Net | |
| | | Assets | Current | |
| | | £ | Assets | Total |
| | | | £ | £ |
| | Restricted funds | | | |
| | Medical equipment | - | 19,121 | 19,121 |
| | Other equipment | - | 2,662 | 2,662 |
| | Funds for other specific items | - | 6,049 | 6,049 |
| | | <hr/> | <hr/> | <hr/> |
| | | - | 27,832 | 27,832 |
| | Unrestricted funds | 2,134,903 | 2,060,510 | 4,195,413 |
| | Designated funds | 2,248,218 | - | 2,248,218 |
| | | <hr/> | <hr/> | <hr/> |
| | | 4,383,121 | 2,088,342 | 6,471,463 |
| | | <hr/> | <hr/> | <hr/> |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

13 Financial commitments

Financial commitments under non-cancellable operating leases for land and buildings will result in the following payments falling due in the next financial year.

| | 2006 | 2005 (restated) |
|----------------------------|---------|--------------------|
| | £ | £ |
| Expiring | | |
| Between one and two years | 33,675 | 17,815 |
| Between two and five years | 50,772 | 69,500 |
| Over five years | 27,500 | 31,500 |
| | <hr/> | <hr/> |
| | 111,947 | 118,815 |
| | <hr/> | <hr/> |

14 Cash flow statement

a) Reconciliation of net incoming resources before revaluations to net cash inflow from operating activities

| | | |
|--|-----------|-----------|
| Net incoming resources before revaluations | 228,637 | 632,579 |
| Depreciation | 74,406 | 60,484 |
| Investment income | (129,483) | (124,037) |
| Decrease in stocks | 469 | 413 |
| (Increase) in debtors | (29,459) | (12,236) |
| (Decrease) in current liabilities | (59,097) | (21,960) |
| | <hr/> | <hr/> |
| Net cash inflow | 85,473 | 535,243 |
| | <hr/> | <hr/> |

b) Reconciliation of net cash flow to movement in net funds

| | | |
|---|-----------|-----------|
| (Decrease)/Increase in cash in the year/ Net movement in funds in the year | (444,346) | 551,330 |
| Net funds at 1 April 2005 | 2,513,401 | 1,962,071 |
| | <hr/> | <hr/> |
| Net funds at 31 March 2006 | 2,069,055 | 2,513,401 |
| | <hr/> | <hr/> |

ST MICHAEL'S HOSPICE
(incorporating The Freda Pearce Foundation)

NOTES ON ACCOUNTS

31 March 2006

(continued)

14 Cash flow statement (continued)

c) Analysis of changes in net funds

| | At 1 April 2005 £ | Cash Flows £ | At 31 March 2006 £ |
|---------------------------|-------------------------|--------------------|--------------------------|
| Cash at bank and in hand | 2,363 | (1,659) | 704 |
| Short term deposits | 2,596,753 | (400,998) | 2,195,755 |
| Bank loans and overdrafts | (85,715) | (41,689) | (127,404) |
| | <hr/> | <hr/> | <hr/> |
| | 2,513,401 | (444,346) | 2,069,055 |
| | <hr/> | <hr/> | <hr/> |