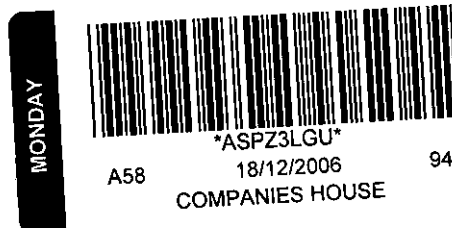


REGISTRAR OF COMPANIES

**The Congregation
of the Daughters
of the Cross
of Liege**

Report and Accounts

31 March 2006



Company Registration Number
3492921

Charity Registration Number
1068661

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Administrative and reference details of the Charity, its Trustees and Advisers

Registration details

The Congregation of the Daughters of the Cross of Liege is a charitable company limited by guarantee and that is its registered name. Registration details are:

- ◆ Charity Registration Number: 1068661
- ◆ Company Registration Number: 3492921
- ◆ Registered Office and Principal Office address: 29 Tite St, London, SW3 4JX.

The predecessor organisation was a charitable trust with the same name, formed in 1910 although Sisters have been working in the UK since 1863.

Operating locations

The charity operates at a number of locations under the following names:

	Senior Officer
◆ Holy Cross Hospital, Haslemere, Surrey	Christopher Hinton
◆ St Anthony's Hospital, Cheam, Surrey	Brian Clarke
◆ St Elizabeth's Centre, Much Hadham, Hertfordshire	Kevin McMullen
◆ St Raphael's Hospice, Cheam, Surrey	Brian Clarke
◆ St Wilfrid's, Chelsea, London.	Michael Burns

Administrative and reference details of the Charity, its Trustees and Advisers (continued)

Trustees at 31 March 2006

Provincial Superior and Chairperson of Provincial Council

Sister Veronica Hagen (Chairperson)

Members of the Provincial Council

Sister Anne Kelly

Sister Shirley Lowe (aka Sister Mary Agnes)

Sister Nilda Pettenuzzo

Sister Mary McLaughlin

Provincial Bursar

Sister Elena Pettenuzzo OBE (Company Secretary)

No other person served as a trustee during the year. On 5 June 2006, Sister Anne Kelly and Sister Nilda Pettenuzzo resigned and Sister Annette Clemence and Sister Kathleen O'Reilly were appointed.

The Provincial Superior and Chairperson is also the Chief Executive Officer of the charity.

Principal advisers

Auditors

Buzzacott
12 New Fetter Lane
London
EC4A 1AG

**Investment
managers**

BlackRock Fund Managers Limited (previously Merrill
Lynch Investment Managers Limited)
33 King William Street
London
EC4R 9AS

Davy Stockbrokers
49 Dawson Street
Dublin 2

Bankers

The Royal Bank of Scotland
127-128 High Holborn
London
WC1V 6PQ

Solicitors

Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

Introduction

The trustees are pleased to present their report, together with the accounts of The Congregation of the Daughters of the Cross of Liege, for the year ended 31 March 2006. The report has been prepared in accordance with Part VI of the Charities Act 1993 and also constitutes a directors' report for the purposes of the Companies Act 1985.

The accounts are presented in accordance with the accounting policies on pages 43 to 47 and comply with The Congregation of the Daughters of the Cross of Liege's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued in March 2005 (SORP 2005).

Objects and Mission

The charity is established to:

- ♦ **advance religion, by establishing and maintaining residencies for the Sisters of the Congregation.**

It advances Religion by maintaining fourteen Communities of Sisters from which they carry out their ministry and apostolic work in a wide variety of locations.

- ♦ **advance education, by establishing and maintaining educational institutions in accordance with Canon 803 of the Code of Canon Law.**

It advances education by supporting a senior Catholic girls' school (St Philomena's, Carshalton) and a Further Education College (Holy Cross College, Bury), and by running, for those suffering from epilepsy and associated disabilities, a School for 5-19 year olds and a College for 19-25 year olds (both part of St Elizabeth's Centre, Much Hadham).

- ♦ **relieve poverty and suffering, by establishing and maintaining hospitals, hospices, nursing homes and residential homes for the sick, elderly and needy.**

It relieves poverty and suffering by running a hospice (St Raphael's Hospice, Cheam), an acute hospital (St Anthony's Hospital, Cheam), a hospital for those with severe physical and neurological disabilities (Holy Cross Hospital, Haslemere), a residential home for the elderly (St Wilfrid's, Chelsea) a home for those suffering from epilepsy and associated disabilities (part of St Elizabeth's Centre) and a Domiciliary Care Agency (part of St Elizabeth's Centre) which supports the learners at the College.

- ♦ **advance religion, advance education and relieve poverty and suffering, by direct activity in the community and by all other charitable means, including giving alms to the needy.**

It advances Religion, education and relieves poverty and suffering by Sisters being actively involved in their localities and by occasionally making grants and donations. In the various locations, the Sisters carry out their apostolate of helping those most in need in whatever way they can, for example, by visiting the sick, the imprisoned and consoling the bereaved. In the major Works mentioned above, Sisters are involved in the management and running of the work.

Objects and Mission (continued)

- ♦ **such other charitable purposes for the benefit of the community as the trustees shall from time to time determine.**

It provides resources under this heading when the trustees wish to support an activity which they believe to be worthwhile and which is in keeping with the religious life of the Sisters and the ethos and heritage of the Congregation of the Daughters of the Cross. Activity and resources expended under this heading will generally be a small part of the total.

As the charity is run by a religious congregation, an integral part of the work of the Sisters in the local community and in the Works facilitated by them, is to ensure that a spiritual dimension pervades all that is undertaken by the charity. Thus, within the Works - the hospitals, hospice, residential homes, schools and colleges- resident and non-resident Chaplains and Ministers of all denominations are welcomed to minister to the beneficiaries, staff and volunteers of the charity. The chapels within every establishment are open to the public for all who wish to use them for prayer or times of quiet.

Through the redeeming love of God, the Sisters welcome people of all faiths or none; it is the love of and commitment to the beneficiaries of the charity which is a significant part of the ethos and which binds the Works of the charity together. All of this is supported by the daily prayer life of the Sisters and those who belong to the Associates of the Daughters of the Cross.

The Associates of the Daughters of the Cross is an international association of lay Christian people who wish to be more closely united with the Congregation of the Daughters of the Cross of Liege. The Sisters support the Associates by providing the use of their sites and by having an input into the programmes designed to develop their spiritual life. Currently there are around 60 Associates attached to the English Province.

As the Advancement of Religion is carried out through the apostolic work of the Sisters from their residences, the costs arising relate to that work and the residences, as well as to the care and welfare of the Sisters, particularly the frail and elderly. The charity has an obligation to care for the Sisters, none of whom have resources of their own and all of whom have devoted their lives to carrying out the charitable work. Their work, and that of those going before them, permeates all of the charitable activity done in the name of the Sisters and the charity.

These costs are described as "Religion" throughout these accounts.

The other objects of the Advancement of Education, the Relief of Poverty and Suffering and Other Charitable Purposes have been, for the basis of reporting in these accounts, abridged to three activity headings of "Health and Welfare", "Health, Welfare and Education" and "Other". "Health, Welfare and Education" mainly encompasses the activities of St Elizabeth's Centre.

Under each of these objects, as each of the Works is managed and operated independently of the others, a section has been devoted to each Work and, within each section, details of the aims, key objectives, main achievements, etc are set out.

Objects and Mission (continued)

St Philomena's School, Carshalton and Holy Cross College, Bury

St Philomena's, Carshalton, Surrey is a Voluntary Aided School funded by the Local Education Authority. Holy Cross College, Bury, Lancashire, is a Sixth Form College funded by the Learning and Skills Council. Both are exempt charities and therefore separate legal entities and they are run independently of the charity under the control of their Governing Bodies, of which the Provincial Superior and other Sisters are members.

As the School and College are both carrying out activities which further the education object of the charity, their properties are let to them at peppercorn rents and this arrangement will, subject only to major changes in funding, governance or educational needs in those locations, continue indefinitely.

In the case of both St Philomena's School and Holy Cross College, the Provincial Superior appoints the Foundation Governors. Other Governors are appointed in accordance with their Constitutions (by parents, by members of staff, by the Local Authority, etc). The Constitutions provide that at St Philomena's School the Foundation Governors number two more than the other Governors and at Holy Cross College there has to be a majority of Foundation Governors. The sole purpose of these Foundation Governor appointments and the majority requirements, in both cases, is to ensure that the Catholic ethos of the School and College is preserved.

The charity does not exercise control over the activities nor the management of either organisation and derives no financial benefit from them. The income and expenditure, assets and liabilities are not therefore aggregated into the accounts and the property is reported as having no value for the purposes of these accounts. Although both organisations are separately funded, from time to time the Congregation has provided grants towards specific capital projects.

St Philomena's serves the Catholic girls of Sutton, Surrey and its environs and has facilities and resources for around 1,200 girls supported by a teaching staff of 80 and 20 support staff. It has been a Technology College since 1997 and has dual status as a Language College.

Holy Cross College is a Catholic College which welcomes students and staff of all faiths. The College has facilities and resources for around 1,500 students and caters for 700 adult students following higher education courses validated by the University of Liverpool.

St Julia's Hospice, Hayle, Cornwall

Before its activities were taken over by Mount Edgcumbe Hospice in 1999, St Julia's Hospice was established and run by the charity and it still operates from the charity's freehold property. It continues to provide palliative care in the community but is now governed and managed entirely separately from the charity, although some of the Sisters still carry out voluntary work in the Hospice, as they also do in St Michael's Hospital, Hayle and Marie Therese House, Hayle which the charity also previously owned and ran.

Objects and Mission (continued)

Related parties

Both St Philomena's and Holy Cross College are related parties.

Sisters

The Sisters of the Congregation are related parties because they are beneficiaries of the charity in that the costs of their welfare and well-being are met by the charity. The trustees, including the Provincial Superior and the Provincial Bursar, are all Sisters and no trustee is remunerated for their services. No trustee had any beneficial interest in any contract with the charity.

Worldwide Congregation

The charity is a member of the Worldwide Congregation of the Daughters of the Cross of Liege, which is also a related party. From time to time contributions are made to the Worldwide Congregation for use at the Mother House in Belgium or in other Provinces around the world, so that the charitable objectives can be carried out outside the UK. Details are set out in the notes to the accounts.

Thanks

Before detailing all the information which needs to be provided in this report, the trustees wish to record that none of the charity's work could be achieved without the dedicated loyalty of the members of staff employed by the charity, the efforts of all the full-time and part-time volunteers, the commitment and effort of the Sisters or without the continuing generosity of their benefactors and advisors. To them all, they offer their thanks and their prayers.

On 24 May 2006 Mr R G Vincent (Bobby Vincent) died. Bobby was a partner in the charity's auditors and financial advisors, Buzzacott, for many years and had worked alongside the trustees - advising, supporting, chairing meetings, fundraising, etc - for more than forty years.

During the past two years, the trustees and all who worked with or came into contact with him knew, as well as he did, that he was valiantly coping with radical treatment which was giving him a few more months of life.

His expertise and joyful manner meant that he made a huge contribution to the development of the charity and he worked effortlessly with everyone involved with running the charity - Sisters, members of staff, professionals and volunteers. He continued working and bringing these attributes to all until a few weeks before his death. His passing will be a great loss to the charity and he will be sadly missed by all those who came into contact with him.

Structure, Governance and Management

Legal structure

As described on page 1, the charity is a charitable company limited by guarantee and its governing documents are its Memorandum and Articles of Association which set out the objects of the charity and the powers of its trustees.

The Superior General of the Worldwide Congregation and the Provincial Superior of the English Province of the Congregation are the only two members of the company.

Trustees

The Articles of Association provide that there shall be between three and ten trustees. The number will always include Sisters who are trustees by reason of their respective offices within the English Province of the Congregation to which they belong. The offices referred to are the Provincial Superior, the Provincial Bursar and the members of the Provincial Council. There are currently six such trustees. All appointments to those offices are made by the Superior General of the Worldwide Congregation, who is based at the Mother House of the Congregation in Liege, Belgium, after consultation processes with the Sisters of the English Province.

The trustees at 31 March 2006 are listed on page 1. On 5 June 2006, Sister Anne Kelly and Sister Nilda Pettenuzzo resigned and Sister Annette Clemence and Sister Kathleen O'Reilly were appointed.

The trustees are the directors for the purposes of company legislation but they are referred to throughout this Report and Accounts as trustees.

Five of the present trustees reside in convents attached to one or other of the Works in England run by the charity. The sixth Trustee, Sister Kathleen O'Reilly, resides in Liege and was a member of the Provincial Council from 1988 to 2000 and a trustee between 1998 and 2000. All the trustees have lived and worked for many years within one or other of the charity's Works so they all have personal experience of the services which the charity offers and has offered to the public.

As well as being a trustee, Sister Kathleen O'Reilly has also been appointed as First Assistant to the General Council in Liege. This Council is the governing body for the whole worldwide Congregation and, as well as the English Province, has Provinces in Belgium, Germany, India and Pakistan and Communities in Rome, Cameroon and Brazil.

The trustees meet regularly every 4-6 weeks and, during the year ended 31 March 2006, have met seven times, as well as having three Interim Meetings and two Urgent Business Meetings. Trustees carry out regular inspections of the two Homes to comply with legislation. During the year trustees have attended various conferences and seminars, organised by outside bodies on financial, investment and governance issues. Appropriate induction procedures, reflecting their experience to date, are devised for any new trustee, of which there has been one since the year end.

The trustees, by meeting regularly and visiting the Works and the Communities, oversee the smooth running of the charity, encouraging and supporting the Sisters, lay associates, employees, beneficiaries, volunteers, and all those connected in any way with the charity.

Structure, Governance and Management (continued)

Trustees (continued)

The Provincial Superior is the voting member of the Conference of Religious to which all Sisters belong, and the Provincial Bursar is a member of the Association of Provincial Bursars. These, and many other such memberships, help to keep the trustees up to date with changes within religious communities and with changing legislation and regulation.

The trustees are aware that regardless of their experience in running the various Works of the charity, they do not necessarily possess the full range of business skills required to govern a substantial charity effectively. For this reason, professional advice is extensively sought and relied upon, particularly in the areas of law, finance and accounting, property and investment.

Trustees responsibilities

The charity's trustees are responsible for preparing the Annual Report and Accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of its incoming resources and application of resources for the year. In preparing such accounts the trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ follow applicable accounting standards subject to any material departures disclosed and explained in the accounts;
- ◆ prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are also responsible for keeping proper accounting records which:

- ◆ disclose with reasonable accuracy at any time the financial position of the charity;
- ◆ enable them to ensure that the accounts comply with the Companies Act 1985.

They are also responsible for:

- ◆ safeguarding the assets of the charity;
- ◆ for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees believe they have fulfilled all these requirements. In addition, the trustees confirm that, so far as they are aware, there is no relevant audit information of which the charity's auditors are unaware. The trustees believe that they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Structure, Governance and Management (continued)

Management

The Provincial Superior

The activities of the charity are the day to day responsibility of the Provincial Superior. She speaks to and visits Sisters in their Communities regularly to assist with the many issues arising, e.g. the apostolic work, the Sisters' welfare, property issues and relations/negotiations with others in the local community. She is in contact with members of the management teams of the Works and attends meetings regularly, depending what the current issues of the day are and what decisions need trustee approval.

The Communities

There are fourteen Communities, each of which has a Sister Superior who is appointed by the Provincial Superior and to whom is delegated authority and responsibility for its running. Each Sister is attached to a Community but for reasons of their work, two Sisters live separately and so the Sisters' activities emanate from the following residences:

- | | | |
|------------------------------|--------------------------------|-----------------------------|
| ◆ Blackley, Lancashire | ◆ Blanchardstown, Ireland | ◆ Broadstairs, Kent |
| ◆ Bury, Lancashire | ◆ Carshalton, Surrey | ◆ Cheam, Surrey |
| ◆ Chelsea, London | ◆ Donaghmore, Northern Ireland | ◆ Hammersmith, London |
| ◆ Haslemere, Surrey | ◆ Hayle, Cornwall | ◆ Lindesfarne, Holy Island |
| ◆ Much Hadham, Hertfordshire | ◆ Stillorgan, Ireland | ◆ Stockton, California, USA |
| ◆ Tracy, California, USA | | |

The Works

Most of the locations of the Sisters are where there are, or have been, major Works run by the charity. The present Works are as follows:

	Name of Work	Description of Work
Aggregated into these accounts		
Cheam, Surrey	St Anthony's Hospital	Acute surgical hospital specialising in cardiac and orthopaedic surgery
	St Raphael's Hospice	Care of the dying and their families
Chelsea, London	St Wilfrid's	Residential home for the elderly
Haslemere, Surrey	Holy Cross Hospital	Hospital for the treatment of neurological disability
Much Hadham, Hertfordshire	St Elizabeth's Centre	School, Home and College for those affected by epilepsy and associated disabilities, the College being supported by a Domiciliary Care Agency.

Structure, Governance and Management (continued)

Management (continued)

At each of the major Works, the Sister Superior appoints a management team, although the Provincial Superior or one of the trustees is involved in the appointment of key people to the team. The Sister Superior is automatically chairperson of the team and, as chairperson, she relays instructions from the trustees to the management team and reports back to the trustees.

Each Work is supported by an Advisory Committee whilst both St Elizabeth's School and St Elizabeth's College have a Governing Body. The members of the Advisory Committees and the Governing Bodies are appointed by the Provincial Superior, in consultation with the relevant Sister Superior and the trustees; the Provincial Superior and the Sister Superior are automatically members. The membership therefore comprises trustees, Sisters and lay people with an expertise in the work or with a relevant specialism. The Advisory Committee's purpose is to advise the Provincial Superior, the Sister Superior and the management team, whilst in the case of the Governing Bodies, they have additional responsibilities imposed by legislation and the School and College funding bodies.

Overall

This management structure allows the management teams to run each of the Works on a daily basis yet bring important issues to the attention of trustees and enables trustees to make the key decisions affecting the facilities and services provided and the service quality and delivery. It also keeps management teams informed of trustees' thinking and the reasoning for decisions.

Risk management

The trustees have assessed the major risks to which the charity is exposed.

Within the Works, the management teams have assessed the major risks and their findings have been reviewed by the Advisory Committees (on which trustees sit) with the resultant summary reports being reviewed by all the trustees. Because of the nature of the Works, risk assessment and management are a continuous activity in all of them and is carried out by many members of staff.

The trustees have assessed all other major risks and they are satisfied that appropriate systems and procedures are in place to manage all the risks to which the charity is exposed.

Employees

The charity is committed to oppose discrimination on the grounds of ethnicity, religion, disability, gender, age, sexual identity or family circumstances. If an employee becomes disabled, the charity will make every effort to ensure their continued employment.

To further this commitment, the Management Teams throughout the charity ensure that the recruitment and selection policies avoid direct or indirect discrimination and comply with all relevant legislation. The aim is to ensure that all employees are aware of and understand the charity's equal opportunities policies and are familiar with the legal framework.

The trustees, through the Management Teams, aim to keep employees informed and involved through staff briefing and training, regular meetings and newsletters.

Objectives and Activities, Achievements and Performance, and plans for future periods

This section is set out under the headings, "Religion", "Health and welfare", "Health, welfare and education" and "Other" with a sub-section for each of the Works.

Religion

Activities

Through the religious Constitution of the Daughters of the Cross, the Sisters pledge themselves to "serve Christ in the works of general and special education, the care of the sick and the aged, abandoned children, the physically and mentally handicapped, the socially deprived, local pastoral work and the various needs of the Church".

The English Province to which the Sisters belong stretches from Bury in Lancashire to Hayle in Cornwall, across the sea to Donaghmore in Northern Ireland to Stillorgan and Blanchardstown near Dublin then across the ocean to Tracy and Stockton in California. In these various locations, the Sisters carry out their apostolate of helping those most in need in whatever way they can, including being involved in the actual running of the Works themselves. In last year's report, details were given of Sisters' activities where their Communities were not attached to the Works. This year details are given of the Sisters who live alongside the Works. They minister by:

♦ being Chaplains to local groups of married couples belonging to an International organisation known as 'The Teams of Our Lady' – one has been a Chaplain for 21 years	♦ being actively involved in pastoral care by visiting the sick and their relatives in hospitals, hospices and in the community
♦ being a volunteer at the Bereavement Service covering Merton and Sutton	♦ working as an assessor and counsellor for adults
♦ Organising the activities and functions for residents of the Residential Home	♦ being a keen supporter and committee member of "Chrysalis", a self-help group for people with severe physical disabilities
♦ being involved in local medical ethics discussion groups	♦ being members of the Forum of Faiths, supported by the Royal Borough of Kensington and Chelsea in their Community Relations Section
♦ being members of the 'Churches Together', an organisation which works to help the homeless in association with the Crisis at Christmas movement	♦ taking Holy Communion to patients and those in the community who desire and are able to receive it
♦ being a trained reflexologist offering sessions to residents	♦ being a fully qualified Counsellor offering sessions to pupils, residents and staff
♦ serving in the League of Friends hospital shop	♦ composing and producing the "Archangel" leaflets on various Christian and spiritual themes, which are placed in the hospital and hospice chapels
♦ giving religious instruction to children in the Parish	♦ coordinating the Justice and Peace efforts throughout the English Province
♦ taking a special interest in prisoners, visiting and supporting them with prayer	♦ caring for the sick and infirm Sisters

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Religion (continued)

The Sisters who are able to, spend a few days each year in silent contemplation and prayer. The purpose of this is to deepen their own spiritual life and to reflect on and evaluate how they are fulfilling their commitment to helping those most in need.

Aims

The aims of the charity, as far as Religion and the Sisters are concerned, are to ensure the wellbeing and welfare of the Sisters in their Communities, ensure that they have the funds they need to enable them to carry out their apostolic work and to support them in their wider apostolic work.

Strategies

- ◆ Adapt and rationalise charity properties to match Sisters' needs so that, wherever possible, they can continue to live within the Communities rather than have to go into the full time care of others.
- ◆ Organise regular meetings within Communities and the Province to explore and address issues as they arise.
- ◆ Organise or notify Sisters about relevant seminars and other means of deepening their own spiritual life and expertise.
- ◆ Work with management teams, Advisory Committees and Governing Bodies to ensure that the major activities can continue without such close involvement from the Sisters.
- ◆ Ensure that the charity's investments are invested ethically and, as far as possible, achieve the investment returns required.
- ◆ Ensure that on the sites of the major Works:
 - the Sister Superior is fully supported by competent staff and advisors; and
 - the Sisters maintain an active integrated presence.
- ◆ To continue with the ownership of the Carshalton School and Bury College for as long as possible and with Sisters of the Province on both Governing bodies.

Objectives for 2005-2006

- Strengthen the central Finance and Administrative team.
- Continue with the development of a plan for the Sisters' future accommodation by reviewing all the community properties to assess their appropriateness and suitability for the Sisters.
- Continue with the review of the financial and legal structure of the charity.
- Hold a Provincial Chapter to review the past six and future six years, encompassing both the spiritual and apostolic life of the Sisters.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Religion (continued)

Volunteers

As Apostolic Religious, the whole of the lives of the Sisters is to give themselves voluntarily to helping all those in need in whatever way they can, either actively or by prayer.

Achievements and performance

The trustees believe that all the set objectives for 2005-2006 have been achieved.

An experienced accountant has been recruited by the Provincialate to work alongside the Provincial Superior and Provincial Bursar and a new computer network was installed to make the system more robust and secure.

The Provincial Superior has visited and spoken with all the Sisters in their Communities within the last year (including the two Communities in California), to establish their wishes in terms of where and how they would prefer to live. She has been aware of the increasing level of frailty of the Sisters and this has brought into focus the current ongoing objective to develop a plan for the future accommodation of Sisters.

Part of the accommodation planning that had already been done was to re-organise the residences of the Sisters living in Ireland and Northern Ireland. The buildings at Stillorgan have been re-furbished and extended to accommodate more Sisters with the living facilities they need. This has resulted in facilities being provided for eight additional Sisters in the Stillorgan Community; without these types of change many would need full time nursing care provided by others, which is extremely expensive. Five have or will be joining the Community shortly, three from Northern Ireland, one from Brazil and one from California, the latter two having completed their mission in those countries. Although the property development is not yet complete, the attention of the trustees has moved to the accommodation needs in England.

The review of the financial and legal structure of the charity was launched at a Vision Day in July 2005 attended by trustees, Sisters, Advisory Committees and senior managements. The aim is to work with each of the Works to review their long-term futures and, where there is seen to be a continuing need, to secure these futures in whatever way is the most appropriate. Whilst the Sisters established the Works, some of them over 100 years ago, the number of Sisters joining the Congregation is falling in the UK, and the trustees have been aware for some time that they must make arrangements for the future. This will follow on from what they have done at other locations, most recently in Stillorgan and in Hayle which were reported last year. The trustees wish to find the best solution for the continuation of the services being provided, whatever that solution might be.

Work on this latter objective has been hindered to some extent, as the continuation of the current Provincial Superior in office could not be confirmed until May 2006 at the worldwide General Chapter of the Congregation in Liege; such Chapters only take place every six years. Nevertheless, the review of the structure remains an important on-going objective.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Religion (continued)

Achievements and performance (continued)

During the year the Provincial Superior, accompanied by a Chapter delegate, visited the Congregation's Sisters in India to see the apostolic work they are doing and to assess what help was needed and what support could be provided from the English Province. The visit was partly in preparation for these two Sisters attending the worldwide General Chapter. At the Chapter the delegate, Sister Annette Clemence, was appointed to the Provincial Council.

The English Province is already helping the Indian Provinces by supporting four of their Sisters at St Elizabeth's Centre for training and development purposes. It also enables them to see the work being done there and to see how it is organised. This visit lasted from August 2005 to August 2006 and four more India Sisters arrived in August 2006.

The worldwide General Chapter is preceded by Provincial Chapters and the English Province held theirs in October 2005. Also occurring every six years, this is an opportunity for Sisters, including elected representatives of all Sisters, to review their achievements and to consider what tasks they should set themselves for the next six years. There were many outcomes but the over-arching principle was that the Daughters of the Cross needed to be "a compassionate heartbeat in the world".

The Associates of the Daughters of the Cross organisation has been expanded during the year with new members and, to the trustees' satisfaction, two new groups have been formed in Stillorgan and Much Hadham.

Plans for future periods and events since 31 March 2006

The plans for the coming year are very similar to those for last year. Although the Finance and Administration team has been strengthened, to operate effectively it now needs additional administrative support across all its activities. However, the main two objectives for the future remain:

- ◆ To continue the development of the plan for the Sisters' future accommodation and implement it where appropriate, and
- ◆ To continue with the review of the financial and legal structure of the charity and, as appropriate, start to take decisions and action the plan prepared. From past experience of dealing with Works which the charity originally established, the trustees anticipate that this is a long-term objective which could take between 5 and 10 years to complete.

Phase 1 of the property development work on the Stillorgan site is almost complete and is due to be handed over by the end of this financial year. Arrangements are now being made to furnish the new areas before occupation. Phases 2 and 3 will continue into the middle of next year.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Religion (continued)

Plans for future periods and events since 31 March 2006 (continued)

The trustees have formed a Finance Advisory Committee and it had its first meeting in September 2006. The members are made up of trustees and lay people with financial, investment and business skills and it will advise the Provincial Superior and trustees on any matter referred to it, normally those affecting the charity as a whole. As part of its brief it will consider the issues of risk, reporting, governance, audit and investments.

Health and Welfare

Holy Cross – Hospital for neuro-disabilities

Activities

Holy Cross Hospital delivers highly specialised services for people who are severely physically disabled and neurologically impaired including those in non responding states or those who are ventilator dependent or in the terminal stages of a degenerative illness. Some patients are also admitted for short term rehabilitation or respite care. The Hospital has 40 rooms and employs around 100 staff; it is fully accredited by Investors in People. Comprehensive training services are developed for the hospital's employees and these are made available as appropriate to other local care providers and agency staff. The Church attached to the convent is licensed for public worship and daily masses are held there. It is also used by the parish community for marriage and funeral ceremonies.

Aims

Holy Cross Hospital, whilst maintaining and developing the pastoral and spiritual traditions of the Congregation of the Daughters of the Cross of Liege, aims to work with people and their families in co-operation with statutory authorities to meet the treatment needs of those with complex long-term conditions, helping them to achieve their "personal best" quality of life.

Strategies

- ◆ Continue to work in partnership with the NHS
- ◆ Develop further expertise and facilities in the treatment of severe and complex disability.

Objectives for 2005-2006

- ◆ Establish new and better ways of relating to purchasers
- ◆ Create and use opportunities to present the hospital's facilities to potential working partners such as consultants, and other clinicians and organisations
- ◆ Achieve occupancy target levels specific to patient category
- ◆ Improve recruitment and retention of staff in key areas especially nurses and therapists and show reduction in costs as a result
- ◆ Devise and implement improved arrangements for visitors and public.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare

Holy Cross – Hospital for neuro-disabilities(continued)

Volunteers

Volunteers make a significant contribution to improve the quality of life of long term patients. Last year around 44 volunteers were active visiting the wards, taking part in Living Room activities, shopping for patients, escorting patients or driving the ambulances on social outings. In addition the Friends of Holy Cross function as a separate charity supporting the Hospital by fundraising activities. Money raised by the Friends has been used to purchase capital equipment and to fund the running of the ambulances. It also contributes towards the funding of art, music and story telling activities in the Living Room.

Achievements and performance

The hospital's objectives for 2005/06 were substantially achieved. Good progress was made in improving communication with NHS purchasers, from pre-admission assessments to regular patient progress reports for long term patients. As part of the objective to present the hospital's facilities to potential working partners, the Friends of Holy Cross produced a video called "Time to Care". Feedback from the video has been very positive. It has been particularly helpful to families in the pre-admission stage, showing how Holy Cross provides special opportunities for people with severe and complex conditions to enjoy the best possible quality of life.

There was great success in recruitment and retention of staff, particularly nurses and therapists, following a year of high dependency on agency staff. It proved a challenging year in terms of occupancy targets but by the end of the year almost full occupancy had been achieved. 81% of respondents in the patient satisfaction survey rated the hospital's service and facilities as excellent or very good. There was also success in devising and implementing improved arrangements for visitors and the public through updated visitor information folders, improved security arrangements and the introduction of cordless phones and automated answering systems.

Plans for future periods and events since 31 March 2006

Since 31 March 2006 the trustees have authorised a project to build a hydrotherapy pool at Holy Cross, which has been a long-standing aspiration at the hospital. The project has been made possible and will be funded by a legacy of £2.7m notified towards the end of the financial year. The Hospital Management Team will be engaged in this exciting capital project over the next two years. Other plans for the coming year include maintaining overall occupancy at 91.5%, developing a fully integrated approach to the delivery of patient care across all staff disciplines, implementing a comprehensive cleaning strategy that directly contributes to infection control and devising a self assessment tool for clinical staff based on competency levels. In addition the management team plan to devise and implement a systematic means of monitoring "fitness for purpose" of the buildings and equipment.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare

St Anthony's Hospital – acute surgical hospital

Activities

St. Anthony's Hospital is a 92 bed hospital which provides treatment for patients requiring acute medical and surgical care and which specialises in cardiology and orthopaedic surgery. The Hospital is fully accredited by Investors in People and the Pathology Laboratory by Clinical Pathology Accreditation (UK) Ltd. The Hospital is registered with and inspected by the Health Care Commission and employs over 500 staff.

The Hospital provides financial support to St. Raphael's Hospice (which is on the same site) plus assistance with such practical services as the use of ward facilities, Pathology Laboratory, Imaging services, Catering, and Management and Administration services.

The Hospital manages St. Bede's Conference Centre (also on the same site) for all manner of staff and training facilities. This superbly appointed facility is used by the Sisters of the Congregation for seminars and conferences and free of charge by St. Raphael's Hospice. It is also made available free of charge or at reduced rates to local groups, including G.P. practices and other NHS organisations.

Aims

St Anthony's Hospital, whilst maintaining and developing the pastoral and spiritual traditions of the Congregation of the Daughters of the Cross of Liege, is dedicated to providing exceptional standards of diagnosis, treatment and nursing whilst maintaining its international reputation for clinical excellence and its special caring ethos in the areas in which it specialises.

Strategies

- ◆ Keep pace with developments in medical science in order to be able to offer the most up to date treatment available in the specialisms of cardiac and orthopaedic treatment, as well as in other relevant areas.
- ◆ Continue to provide the highest possible standard of care for patients and service to consultants and general practitioners.
- ◆ Ensure value for money for the services provided.
- ◆ Maintain and develop a contented and well motivated professional team committed to providing a very high and effective standard of service.
- ◆ Ensure that a healthy and safe environment is provided for patients, visitors, consultants and staff.
- ◆ Systematically review the structure, process and outcome of patient care.
- ◆ Address and manage clinical risk.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Anthony's Hospital – acute surgical hospital (continued)

Objectives for 2005-2006

- ◆ Review the care pathway project and determine an action plan and timetable for the next twelve months.
- ◆ Take account of the requirements of "Standards for Better Health" and position the Hospital accordingly.
- ◆ Achieve budgeted occupancy specific to patient category.
- ◆ Improve patient satisfaction as shown by the Hospital's Patient Satisfaction survey.
- ◆ Install and commission a new 64-slice CT scanner.
- ◆ Develop Cardiac CT and MRI.

Volunteers

The Hospital has a League of Friends run by volunteers who look after the Hospital shop. Volunteers also manage the patient liaison function which consists of leading newly admitted patients to their rooms, advising them of all the facilities available within the Hospital, and dealing sympathetically and in a leisurely manner with any concerns that they may have upon being admitted to Hospital.

Achievements and performance

The Hospital's objectives for 2005 – 2006 were substantially achieved. The Hospital Quality Improvement Committee has kept the care pathway project under review and the developments in this project are minuted. A progress report prepared in January 2006 shows the breadth of initiatives that support audit and evaluation activity at St Anthony's, and so demonstrate the systematic review of the structure, process and outcome of care. Alignment with "Standards for Better Health" is likely to be fully achieved by 2007 – 2008. The Hospital continues to meet its quality improvement objective to keep in touch with the ever-changing world of inspection and regulation.

The Hospital received 4,334 inpatient admissions, missing its target by less than half of 1%. It achieved 2,613 day cases, which was 1.4% below the target. With an average length of inpatient stay of 3.83 days, the Hospital recorded 16,600 patient days which was 2.4% below the target. These results, together with the 31,884 outpatient attendances at the Hospital during the year, demonstrate the high regard and demand that exists for the services it offers to the local community. With 506 staff employed (385 full time equivalents) St Anthony's continues to be among the largest employers in the locality.

Patient Satisfaction Surveys throughout 2005 – 2006 showed that 96% of patients rated the Hospital as excellent or good across a broad range of criteria.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Anthony's Hospital – acute surgical hospital (continued)

Achievements and performance (continued)

The 64-slice CT scanner was installed and came on stream in January 2006. The Radiologists are delighted with the superb quality of the images and Cardiac studies are now regularly undertaken both on the CT scanner and the 1.5 Tesla MRI.

The iSOFT Patient Administration and Accounting System installed in May 2003 was abandoned in March 2005 because of unsatisfactory performance. A new Computer system, supplied by Compucare, was installed in its place in April 2005 and the necessary effort was put in during the year to make the system effective. Though further work is still needed in the area of stock control and distribution, the new system has proved satisfactory.

Plans for future periods

The Hospital will work towards alignment with "Standards for Better Health" over the coming two years.

Following the recent Healthcare Commission Inspection, the hospital is drawing up plans to reorganise the Decontamination Department. It will not be necessary to replace the existing autoclaves, but to meet the requirements of the new regulations, the flow of the decontamination process must be redesigned so that it passes through the system with appropriate air changes. The cost of this re-organisation is estimated to be £1m. The expenditure had been authorised at 31 March 2006 and work will start early in the new calendar year.

The hospital is collaborating with Critical Care Ltd to offer 24 hour Consultant Intensivist cover for the Intensive Care Unit (ITU). The Unit itself is modern and amongst the best equipped in the area, and with the anticipated level of expert medical input it will be unrivalled in the south of the country. With this ITU in place, the hospital will seek to arrange contracts with the local NHS and Primary Care Trusts to make it available to as wide a section of the population as possible.

By renegotiating contracts with a number of Health Insurers, St. Anthony's intends to make its services available to a wider section of the public, so in the coming year the Hospital aims to treat in excess of 7,000 inpatients and daycases, and to have 33,000 Outpatient attendances.

The Hospital will seek to control costs by reducing the amount spent on Agency staff in the coming year.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Raphael's Hospice

Activities

The Hospice has 14 inpatient beds and 100 staff to provide inpatient care for patients requiring symptom control, respite care and terminal care. The Hospice is also the base for the Community Palliative Care Team who make visits to patients in their own homes. St. Raphael's is firmly embedded in the work of the South West London Cancer Network and in particular the Palliative Care Education Programme, which is an extension of the former District Nurse Training Programme.

Aims

St Raphael's, whilst maintaining and developing the pastoral and spiritual traditions of the Congregation of the Daughters of the Cross of Liege, aims to provide excellent in-patient care for those patients within their locality requiring symptom control, respite and terminal care. Through its Community Palliative Care Team, it also provides the same standard of care for those patients who require similar services but who continue to be able to live at home.

Strategies

- ◆ Maintain the delivery of the highest possible standards of care to patients and their families.
- ◆ Continue to promote training and education in palliative care not just amongst Hospice staff, but in the wider community to other professionals involved in the delivery of palliative care.
- ◆ Build on the existing high quality team of volunteers in order to maximise the benefit to patients and the satisfaction of volunteers.
- ◆ Ensure a healthy and safe environment for patients, visitors, consultants and staff.
- ◆ Systematically review the structure, process and outcome of patient care.

Objectives for 2005 - 2006

- ◆ Maximise the service of the Hospice to the local community.
- ◆ Spread the Care in the Community initiative more widely without reducing the number of inpatient admissions or day care attendances.
- ◆ Establish a Carer/Relative satisfaction survey.
- ◆ Carry out a review of the clinical unexpected incident reporting system.
- ◆ Perform a monthly audit of prescription charts and act immediately on identified errors.
- ◆ Raise sufficient funds to remain viable.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Raphael's Hospice (continued)

Volunteers

The Hospice acknowledges the significant contribution which volunteers continue to make. The total number of volunteer hours for the year under review was 53,410 with an estimated financial value of £355,000.

Volunteers' services provided in the year include care on the Ward and in the Day Centre; art and music assistants; 6 chaplains; 4 bereavement support workers; beauticians, hairdressers and manicurists; 32 drivers with their own cars; one driver for the Hospice's vehicle; 5 complementary therapists; 54 receptionists; 5 gardeners; 5 flower arrangers; a library assistant; administration support; a finance assistant; 5 members of the advisory committee; fundraisers and charity shop workers.

Volunteers bring not only their skills and enthusiasm to the work they do, they also bring the local community into the Hospice, so that St Raphael's is truly an integrated part of the society to which it belongs.

Achievements and performance

The Health Care Commission report, based on their inspection in February 2006, was excellent and contained no requirements and just one recommendation, that the Commission should be informed once the medical gas supply line work has been completed, which it now has.

Following the trends in palliative care, and as envisaged at the beginning of the year, the Community Palliative Care Team increased the number of visits made to patients in their own homes by 13% (to 3,708). Over the same period the total number of admissions was 311 (2005 – 310) and the number of day care attendances was 1,556 (2005 – 1,611).

All the care offered by St. Raphael's Hospice and its Community Palliative Care Team is free of charge and is offered without regard to ethnic or religious background.

To advance the Hospice's strategy of promoting training and education in palliative care in the wider community the Hospice Medical Director lectures on a range of topics within Palliative Medicine, particularly on the management of Neuropathic pain, which is her special interest. She has also devised a Research Study Protocol for the "Evaluation of the efficacy of Trans-dermal Nitrate in reducing the severity of "death rattle" in patients dying from end stage malignancy". The Hospice Matron arranges study days for St. Raphael's staff which are also open to external professionals. Recent Multi-Disciplinary Study Days include "Learning through Case Studies" and "The Management of Haematological Cancers".

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Raphael's Hospice (continued)

Achievements and performance (continued)

The evaluation of clinical unexpected incidents, led by the Hospice's Quality Improvement Committee, resulted in an annual report for the calendar year 2005. The findings have been embedded in the reporting systems of the Hospice to promote the attainment and continuation of best practice. Similarly, the evaluation of the carer / relative satisfaction survey revealed a great deal of praise for the service received, though it did not produce much in the way of new insights. During the year the Community Palliative Care Team leader attended "Outcome Measures in Palliative Care" run by the National Council for Palliative Care. The methods used by St. Raphael's for the recording of statistics and the data they produce are in advance of what is currently being recommended by the National Council.

St Raphael's received legacy income during the year of £710,000, which is a tribute to the generosity and thoughtfulness of the Supporters of the Hospice. The charity shops also had a good year with the overall profit growing by 9% to £251,000 as planned. The overall financial result was that for the year under review, the Hospice raised sufficient funds to cover its costs.

The total amount received from Government sources was £956,000 which represents 28.6% of the total resources expended which compares with £923,000 for the previous year (29.2%); so although the actual funding was increased it reduced in percentage terms, meaning that more funds had to be raised in other ways in order to meet the ever-increasing costs.

Plans for future periods

One religious Sister of the Congregation provides spiritual and pastoral support to both inpatients and day centre patients. She is also involved in the weekly Multi-Disciplinary Team meetings and provides valuable insight into patients' emotional and/or spiritual outlook or distress. A new Bereavement Support Service will be established with a Bereavement Counsellor to work closely with this Sister, and a Nurse Counsellor who, together with the Hospice's Social Worker, will complete the team to provide as full a service as possible to patients, their relatives and to the bereaved.

The Hospice treats only NHS patients, and the care offered is free to all patients and their families. Currently only 28.6% of funding coming from Government sources, so the Hospice needs to raise a further £2.4 million each year to remain viable. With the new Government initiative directed at Payment by Results (PbR), St Raphael's hopes to obtain funding which comes closer to the true cost of the services being provided, namely Palliative Care in the Community; Inpatient Hospice Care; Daycare; and Education and Training in Palliative Care for local Care Homes and Community Care workers. The voluntary sector continues to be the main provider of Palliative Care nationally, and the trustees will do all they can to ensure that St Raphael's remains viable, and at the forefront of that movement.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Raphael's Hospice (continued)

To stabilise its financial position, the Hospice will seek to eliminate agency staff costs, to develop the fundraising team, particularly in the areas of corporate fundraising and charitable trusts, and to open two new charity shops in the coming year.

St Wilfrid's – Residential home for the elderly

Activities

St Wilfrid's is a 44 bedded residential home for elderly people providing a caring and quality environment with a staff complement of around 40. It implements a very active social programme and has good links with all manner of local organisations. The chapel within the home hosts daily Roman Catholic services and an Anglican Communion service twice a month for Sisters, residents, staff and people from the locality.

Aims

St Wilfrid's aim, whilst maintaining and developing the pastoral and spiritual traditions of the Congregation of the Daughters of the Cross of Liege, is to provide a permanent home for men and women over retirement age. Accordingly, much emphasis is placed on making St Wilfrid's as much like everyone's own home as possible. The Home's aim is to help its residents retain their independence in all ways they can and to offer them love, care, spiritual support and dignity in their final years.

Strategies

- ◆ Ensure that as many as possible of the 44 rooms are occupied at all times.
- ◆ Carry out as much of the necessary major refurbishment of the building as is possible within the financial constraints.
- ◆ Ensure that all personnel continue to attend the training programme so that they stay up to date with regulations and with the required standards of care.
- ◆ Continually update the training programme to ensure that it stays appropriate and relevant to the needs of the individuals.
- ◆ Ensure fees meet the total running costs of the Home.

Objectives for 2005-2006

- ◆ Improve and maintain occupancy levels.
- ◆ Refurbish the three utility rooms on each of the residential floors, and the two lounges on the ground floors.
- ◆ Replace and upgrade the residents' alarm call pager system.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Wilfrid's – Residential home for the elderly (continued)

- ◆ Continue with the new training programme, initiated in 2005, and widen it to include staff of all disciplines.

Volunteers

There are around 10 volunteers helping with the social programme at St Wilfrid's and their activities are organised and co-ordinated by one of the Sisters living in the Chelsea Community. The activities take place both on and off site. The volunteers form an invaluable part of the team and assist the Home's care staff in providing the full and varied events to all the residents.

Achievements and performance

During the year St Wilfrid's has cared for 63 residents with the dedicated support of 24 full time staff and 8 part time staff, assisted by agency staff, as and when required. There were 20 new arrivals and 5 on respite care, which extended from one to six weeks. Eleven (11) residents died during the year, and 17 residents left the home, mainly because their health deteriorated to such an extent that they had to be transferred to nursing homes. At 31 March 2006, there were 35 residents living in the home and their age ranged from 74 to 99. There were 18 residents over 90.

In the year under review, St Wilfrid's achieved an average occupancy level of 91.3% compared with 89.1% in the previous year. This level fell slightly below the occupancy level budgeted for the year, which was 92%.

A variety of social activities continues to be organised. A programme of regular visits has been established to ensure that every resident is visited regularly. Links have been maintained or established with other residential care homes, the Royal Hospital, the Christchurch Christian Fellowship, the Forum of Faiths of Kensington and Chelsea, the Physic Garden, the Chelsea Society, the Chelsea Festival, and the Sheraton Hotel. The monthly concerts by the students from the Royal College of Music continue. In addition the usual monthly variety concerts funded by "Concertina" have taken place, together with other concerts given by choirs from local schools and churches.

St Wilfrid's large function room and garden lounge, besides being used for staff training and some of the activities mentioned above, are also used free of charge for meetings or away-days by various outside groups or agencies such as the Parkinson's Disease Group, the NHS Mental Service, Cor Christi and St Gabriel's Stamp Club.

Major projects completed during the year included:

- ◆ Refurbishment of the utility rooms on the 1st, 2nd and 3rd floors.
- ◆ Refurbishment of the two residents' lounges on the ground floor.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health and Welfare (continued)

St Wilfrid's – Residential Home for the elderly (continued)

Achievements and performance (continued)

- ◆ Commissioning and installation of the new residents' alarm call pager system.
- ◆ Upgrading of computer and telephone systems.

Plans for future periods

The occupancy level is fundamental to the future of the home and whilst the level budgeted for 2006/07 has been maintained at 92%, a marketing presentation aimed at Inner London Medical Practitioners is to be developed to help ensure that it is achieved. Plans are also in hand for the refurbishment of the corridors and lounges on the three upper floors.

It is part of the Home's strategy for income to meet running costs and the management team was in negotiation with the relevant local authorities for much of the year and beyond to secure the required funding levels for the past year and for the current financial year. The time absorbed in these negotiations is time that would otherwise be spent on providing and developing the services provided by the Home.

Health, Welfare and Education

St Elizabeth's Centre for epilepsy

Activities

St Elizabeth's Centre at Much Hadham in East Hertfordshire offers education, care and medical support to people of all ages who have epilepsy and other disabilities, on the basis of need regardless of religious, cultural or ethnic backgrounds. The Centre comprises a residential non-maintained special school ("the School") with facilities for 80 boarding and day pupils for young people up to the age of 19, a college ("the College") for those in the 19-25 age range who aspire to more independent lifestyles with 20 on-site tenanted accommodation units, supported by its own Domiciliary Care Agency and a "village" of modern bungalows for over 100 adult residents, which constitutes St Elizabeth's Home ("the Home"). The Centre also operates three Social Enterprises offering learning and work experience to residents, college learners and pupils.

All the activities of the Centre are based around 'living and learning' and all have both Educational aspects as well as those that would be characterised as Health and Welfare.

Aims

St Elizabeth's Centre aims, whilst maintaining and developing the pastoral and spiritual traditions of the Congregation of the Daughters of the Cross of Liege, within the field of epilepsy and associated disabilities, to be a national centre of excellence in providing education, care and medical support to those of all age groups suffering from them. St Elizabeth's Centre aims to ensure that users of services are afforded opportunities for learning and to express their rights, make choices, take control of their own lives and enjoy social inclusion.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health, Welfare and Education (continued)

St Elizabeth's Centre for epilepsy (continued)

Strategies

- ◆ Achieve long term increases in the number of school pupils, through the building of modern accommodation and classroom facilities and through development of closer links with regional authorities.
- ◆ Develop the college residential facilities through further partnerships with housing associations and promote support for clients within the community through partnerships and the provision of domiciliary care services. Develop the college programme for learners based within the local community as well as on site at Much Hadham.
- ◆ For the Home, continue to work with funders to ensure funding matches costs, continue to improve the provision of care for each Home unit and provide improved living and learning opportunities for all residents through the Social Enterprises and day services.
- ◆ Continue to improve facilities and opportunities through the capital developments identified in the five year strategic plan 2003-2008.
- ◆ Maintain and develop the multi-disciplinary team to deal with the needs of its clients and establish partnerships with families, statutory authorities and voluntary organizations.
- ◆ Ensure that all sectors of the Centre are self funding and value for money.

Objectives for 2005-2006

- ◆ Design and commence construction of the School's new living and learning complex for 16-19 year olds. The £3.5m project will be completed by the end of the calendar year and comprises twenty nine en-suite single bedrooms with contiguous learning and social areas.
- ◆ Build up pupil numbers within the School through closer links with local purchasing authorities.
- ◆ In partnership with Aldwyck Housing Association, complete the building of on site tenanted accommodation for 20 learners and continue the development of the College programme and recruitment of learners.
- ◆ Develop the day services and Social Enterprises to provide opportunity and choice for residents.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health, Welfare and Education (continued)

St Elizabeth's Centre for epilepsy (continued)

Objectives for 2005-2006 (continued)

- ◆ Review the provision for a group of residents with high dependency needs living in the Home.
- ◆ Ensure that all external inspections under various regimes (Commission for Social Care Inspection, Ofsted and others) are passed and that a satisfactory standard or higher is achieved by all sectors within the Centre.

Volunteers

Over 1,200 hours per week (62,400 p.a.) continue to be donated by volunteers drawn from across the world. Many live on-site for between 3 and 9 months. The pool of volunteers has been extended by establishing links with the Congregation's operations in India. The volunteers help in supporting pupils in the School both in the classroom and in a residential setting as well as supporting residents in the Home to attend day activities and Social Enterprises. Volunteers also assist in the running of the charity shops and volunteers from local companies donate time in helping decorate and improve the grounds of the Centre.

Achievements and performance

A summary of achievements during the year is given below:

- ◆ The School building started construction on time and is likely to be completed in time and within budget. School pupil numbers increased from 46 to 54 with increased referrals from local purchasing authorities.
- ◆ The building of the on site accommodation for College learners was completed on time and to budget. The partnership was recognised nationally in September 2006 as the winner both of the Partner of Choice and the Overall Winner of the National Housing Federation Neighbourhood Awards 2006.
- ◆ The review of the needs of residents in the St Gabriel's home unit was completed and changes successfully implemented. There was a very positive outcome to this review as it resulted in new social programmes and a new structure for staff with the provision of more training and support to meet the diverse needs of residents.
- ◆ The Social Enterprises continued to develop and the Splinters project moved to a larger more suitable building in Bishop's Stortford. Within the Home, the improvements in provision, mainly for daytime activities, have not been met with improved funding from local authorities. This has resulted in a deficit in the Home sector of the Centre and further work is required to meet the strategy of matching funding with costs.

Objectives and Activities, Achievements and Performance, and plans for future periods (continued)

Health, Welfare and Education (continued)

St Elizabeth's Centre for epilepsy (continued)

Achievements and performance (continued)

- ◆ Satisfactory inspections were received on all services, including the Ofsted inspection of the College, which was passed despite the College having only been open for less than one year.

Plans for future periods and events since 31 March 2006

The significant plans for the future are the next two stages of the capital development, to upgrade the residential facilities of the School and to replace the Day Centre with a building which has the working name of "Training, Therapy and Social Base". This name has been chosen to reflect the diversity of planned activities and, as the total cost could be of the order of £2.5m, to provide clear signals to potential funders. The new school living and learning accommodation for 16 – 19 year olds, which will be partly financed by a £2m loan, is progressing well and should be completed by December 2006.

Off site tenanted accommodation for 12 college learners in Bishop's Stortford in partnership with a housing association will be completed in late 2006. At this stage there will be accommodation for 32 learners and it is planned to recruit at least 28 learners during 2006/07 with the objective of achieving full occupancy of 32 by autumn 2007. The development of a learning programme within the community also commenced in autumn 2006.

For the Home, funding will match costs for new residents and work will continue towards negotiation of full cost recovery for existing residents. Costs of services where full funding is not received, in particular for the provision and costs of day services, will be reviewed. Improvements in the provision of care for each Home unit and the provision for improved living and learning opportunities for all residents will be continued.

Other

The expenditure on other charitable activities this year, amounted to £156,000, of which £111,000 was grants and donations. Of the remainder, £38,000 relates to professional fees in dealing with issues about the future of the charity's site at St Philomena's, Carshalton. As well as the Community and School properties, the site includes a Heritage Water Tower which is now operated by a separate charity. The charity has been paying professional fees for all parties to resolve the legal documentation and to ensure its future. This has been a long-running process which should come to an end in the current financial year.

Financial Review

Overview

Last year, this report mentioned the relentless work of the management teams in attempting to obtain realistic fees and/or grants for the high quality and ever-developing services being provided, whilst at the same time being faced with the need to hold or reduce costs, the process not being helped last year by the large staff agency fees.

This year the agency costs have been reduced by £0.65m, but nevertheless the net unrestricted incoming resources have reduced to under £100,000. Although significant capital spending is often financed by fundraising or by loans, the level of net incoming resources cannot be allowed to fall below a realistic level, as it needs to meet the cost of recurring refurbishment and the upgrading of facilities. Despite the impact of increasing regulation and the requirement for improved service provision, not all the purchasing authorities are acknowledging the responsibility they have to pay a proper rate for the services being provided.

Overall results

The format of the statement of financial activities does not enable a complete understanding of the financial aspects of the charity's work. An alternative summary of the financial activity is as follows:

	2006 £'000	2005 £'000
Cost of providing services (Governance costs have been included as they are comparatively small)	(48,777)	(46,937)
Operational income – mainly from fees and charges	43,677	42,869
DEFICIT ON OPERATIONS	(5,100)	(4,068)
OTHER INCOME obtained from fundraising and investments (net of fund-raising costs)	5,663	5,776
Giving an overall surplus on activities of:	563	1,708
Movements unrelated to recurring operations		
Legacy – designated for a capital project	2,692	—
Material gains on the sale of assets	—	3,363
Provision for compensation	—	(894)
Unrealised investment gains	7,777	3,343
Actuarial gains on pension scheme	115	105
Giving a total net movement of funds of	11,147	7,625

So the surplus on normal activities has reduced this year by two-thirds.

Financial Review (continued)

World markets performed very well this year and this, together with the skills of the investment managers, has resulted in substantial investment gains. However, it is only during the last two years that the investment losses suffered in the early years of this century have been fully recovered and the trustees believe that it would be imprudent to use the gains to meet shortfalls on revenue expenditure. It is likely that such gains will be allocated to securing the future of the charity's activities.

As a backdrop to the results they are, in common with other charities, stated net of VAT which the charity is unable to recover. The total burden of unrecovered VAT during the year amounted to approximately £1.5m (2005 - £1.2m).

Capital spending this year was almost double that of the last few years as it included the new School accommodation block at St Elizabeth's Centre which will have cost around £3.5m by the time of its completion. £1.3m was spent on it during the year and, as the complex is still under construction no depreciation has been charged. An analysis of the capital expenditure is as follows:

	£'000s
Sisters' residences and vehicles	315
Health and welfare	2,022
Health, welfare and education	1,553
Total	3,890

The total increase in funds results in total charity funds at 31 March 2006 of £109.9m (2005 - £98.7m).

Investments

Investment policy

The charity's investment objective is to achieve capital growth and a growing income over time. Sufficient investments are held in Ireland to produce the income required in the local currency and all the other investments are held in the UK. The investments are held within various funds for which agreed purposes, objectives and asset allocations are determined and, in some cases, the individual funds are required to produce a set income each year to meet relevant expenditure.

The trustees (and the investment managers) acknowledge the risks associated with portfolio management and with the volatility that may arise as a result of the various asset allocations selected. Attempts are made to mitigate the risk by holding a diversified portfolio of investment types and by taking the advice of the investment managers.

The trustees have had an ethical investment policy for many years as they believe that some investments are incompatible with the charity's objects. They also believe that the overall return on the investments is not materially reduced by their ethical stance. Full details of the policy are given below.

Financial Review (continued)

Investments (continued)

Investment management

Responsibility for the day to day management of the portfolios is delegated to the two investment managers, BlackRock (previously Merrill Lynch) in England and Davy Stockbrokers in Ireland, who both operate within the guidelines agreed with the trustees.

Davy's objective is to manage their two portfolios to achieve capital growth and income over a five year period and longer. These investments are to cover future liabilities of the Congregation in Ireland and, to minimise currency exposure, are held mainly in Euro. The majority of investments are held in listed Irish equities and fixed interest instruments. There are also investments in international equities, exchange traded funds, leading equity funds and some exposure to syndicated Irish and international property investments.

BlackRock manages a number of portfolios which are mostly represented by designated funds and the purpose of each portfolio reflects the purpose of the fund to which it relates. Some funds are invested to produce the required income and others to achieve capital and income growth over time. Details of the funds are provided further on in this report. The portfolios comprise fixed interest UK Government and Corporate stocks and Listed UK and overseas equities, with an exposure to property and hedge funds. The investments comprise both segregated stocks and shares as well as pooled investments. The pooled investments are used where the portfolio is small or where that method is the preferred way of investing and managing risk, for example in investing overseas or in property.

Investment review and performance

The investment managers' results are reviewed twice a year at an investment meeting with the trustees, where up to date reports are reviewed and investment performance against the benchmarks is monitored, together with any issues concerning ethical investment or corporate governance.

The performance of Davy is measured against the average Irish Charity Managed Funds. This benchmark comprises the performance of the charity funds of Bank of Ireland, Allied Irish Bank, New Ireland, KBC Asset Management and Hibernian.

For the BlackRock funds, a benchmark is calculated for each of the portfolios using the relevant index for each of the asset classes and the overall benchmark is a composite of these individual portfolio benchmarks.

Financial Review (continued)

Investments (continued)

Investment review and performance (continued)

The actual performance against the benchmarks for each of the investment managers for the year ended 31 March 2006 was as follows:

	Benchmark £	Actual £
UK investments – Merrill Lynch	25.9	24.2
Irish investments – Davy	17.9	19.0

Being based on indices, the benchmarks cannot reflect the specific factors affecting the investment performance caused by events taking place within the funds, for example the timing of money being added or withdrawn and any changes taking place in the strategy or asset allocation of a particular fund.

The market value of the investment portfolio at 31 March 2006 was £47.3m (2005 - £39.7m), an increase of £7.6m, which reflects mainly unrealised gains during the year. Full details of the movements are in note 8.

Ethically and socially responsible investment

The trustees have a policy of Socially Responsible Investment (which they take to include ethical issues and matters of Corporate Governance) and this policy, together with its results and implications, are considered at every meeting with the investment managers. BlackRock publish an annual report on Corporate Governance which outlines their principles and voting policies. The charity's policy applies to all direct investments within the charity however they are managed, and it has regard to the definitions prescribed by the Ethical Investment Research Service ("EIRIS") which continually monitors this area of investment.

The trustees do not invest any charity funds in companies which generate income from armaments, adult entertainment services, or companies which are involved in areas of activity contrary to the sanctity of life.

In addition, any invested funds relating to the hospitals and hospice are not invested in tobacco companies. For other sensitive areas of investment, the policy is to adopt an "engagement" approach, which means using the charity's position as a shareholder, through its investment managers, to encourage companies to change. This method is particularly effective for Environmental, Ethical and Human Rights issues and the investment managers give the trustees a report twice a year on what actions and decisions they have taken. The Provincial Bursar is also a member of the National Justice and Peace Network Ethical Investment Working Group.

Financial Review (continued)

Investments (continued)

Ethically and socially responsible investment (continued)

During the year the trustees were approached by Merrill Lynch Investment Managers (now BlackRock Fund Managers) regarding a new ethical Common Investment Fund which they were launching (called Charifaith) and which would have an investment policy in line with Catholic ethos and teaching. The trustees were pleased to support it and it was launched in October 2006 with £5m of the charity's investment portfolio, as well as contributions from a number of other large Catholic charities. The trustees hope particularly that the fund will give access to wider ethical investment to all denominations of smaller charities.

Reserves policy and funds

The trustees are conscious of the requirement to balance the needs of present and future beneficiaries. This means that they have to decide every year whether to increase the proportion of resources allocated to general and designated funds or whether to invest more in fixed assets, staffing, etc. to maintain, improve or develop existing services to beneficiaries.

It is a characteristic of the Education, Health and Welfare Sectors that medium term fixed costs, such as permanent staff salaries, constitute a large proportion of the overall running costs (around 52%). Reserves need to be held to meet these costs in the event of a downturn in occupancy or income or any other unforeseen emergency, and to allow the charity to continue with the provision of services whilst specific action plans are implemented.

The trustees therefore consider that, given the level of annual expenditure of almost £50m and the nature of the income and risks of the charity's Works, the level of free reserves required should represent between 3 and 6 months' expenditure. These free reserves, which are funds that are neither restricted nor designated for a defined purpose, are the General Fund which represents working capital.

Restricted funds

Restricted funds relate to the fixed assets and other funds of the charity's hospice, St Raphael's Hospice, plus monies which have either been raised for, or their use restricted to, specific purposes or which comprise donations subject to donor imposed conditions, which would include being spent at a particular Work. At 31 March 2006 they amounted to £6.1m (2005 - £3.6m) of which £3m (2005 - £3m) is in respect of the hospice and £2.7m in respect of a legacy left to Holy Cross Hospital.

Financial Review (continued)

Designated Funds

Half of the total designated funds relate to the charity's unrestricted funds tied up in tangible fixed assets which amount to £46.2m (2005 - £45.5m). The amount so designated excludes fixed assets funded by other means i.e. by restricted funds, amounts due to contractors and bank loans and excludes the fixed assets of St Raphael's Hospice.

Other designated funds are established out of general funds where there is a need to provide funding for a specific purpose. The funds include:

- ◆ Sisters' community fund of £16.8m (2005 - £13.9m). This fund is invested to produce income of up to £450,000 to meet the ever-widening shortfall of the costs of the Sisters' welfare and apostolic activities over their covenanted income.
- ◆ Generalate Worldwide fund of £5.1m (2005 - £4.4m). This fund is invested to produce annual income of around £140,000 to meet charitable needs across the Congregation worldwide, mainly in India, Pakistan, Africa and South America.
- ◆ Charitable Works development fund of £6.7m (2005 - £5.9m). This fund is to recognise the future financial needs of the Works. Up to £400,000 will be spent by St Elizabeth's Centre to fund its Strategic Plan; the timing will depend on the success of its appeals but is expected to be within the next 2 or 3 years. The balance is invested for capital and income growth to underpin the long-term financial needs of the Works, which is connected with the long term aim to review the financial and legal structure of the charity.
- ◆ The Contingency fund of £9.1m (2005-£7.5m). This is to fund long term repairs and maintenance which cannot be met from elsewhere, significant property refurbishment and development, any emergency or developmental funding required by the Works, any unprovided compensation and any property expenditure to accommodate frail and elderly Sisters – in fact any other contingencies which might affect the charity and its Works. This fund is expected to be disbursed but, because of its nature, the timing of that disbursement cannot be known. It is currently invested for capital and income growth and the regular reviews determine what the cash requirements are in the short term.

Potential liabilities are kept under constant review and, taking the worst case in every situation, they amount to around £30m. Approximately one-third of this amount has been set aside to meet the liabilities should any of them crystallize.

The above funds are represented entirely by fixed asset investments. The charity's remaining designated funds represent amounts set aside to meet capital expenditure commitments entered into prior to the year end and various funds set aside on the recommendation of the management teams. These other funds are held mainly as net current assets.

Financial Review (continued)

Pension reserve

The pension reserve relates to the defined benefit scheme at St Elizabeth's Centre which is fully explained in the notes to the accounts. At 31 March 2006 the deficit is £759,000 (2005-£890,000). The latest actuarial valuation (not on an FRS17 basis) expects the deficit to be eliminated within ten years. The current level of contributions is provided for within the normal operating budget of St Elizabeth's Centre.

General funds

The resultant balance on the general fund of £17m (2005 - £15.5m) (excluding the pension reserve) represents the "free reserves" available to the charity for day to day working capital requirements. This represents around 4 months (2005 - 4 months) of the annual expenditure and is in line with the reserves policy.

Auditors

The auditors, Buzzacott, will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the trustees

V Hagen

Provincial Superior

Approved by the trustee

19-11-06

Report of the independent auditors to the members of The Congregation of the Daughters of the Cross of Liege

We have audited the accounts of the Congregation of the Daughters of the Cross of Liege for the year ended 31 March 2006 on pages 38 to 68 which have been prepared under the accounting policies set out on pages 43 to 47.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 trustees and auditors

As described on page 8 the trustees, who are the directors of the Congregation of the Daughters of the Cross of Liege for the purposes of company law, are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 trustees' remuneration and transactions with the charitable company is not disclosed.

We report to you whether in our opinion the information given in the trustees' report is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

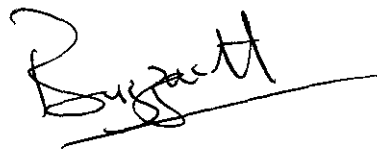
We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report 31 March 2006

Opinion

In our opinion the accounts:

- ♦ give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the charitable company's state of affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- ♦ have been properly prepared in accordance with the Companies Act 1985; and
- ♦ are consistent with the information given in the trustees' report.



Buzzacott
Chartered Accountants and Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

24 November 2006

Statement of financial activities Year to 31 March 2006
Including the statement of total recognised gains and losses

		Unrestricted funds			Total funds	Total funds
	Notes	General fund	Designated funds	Restricted funds	2006	2005
		£'000	£'000	£'000	£'000	(as restated) £'000
Income and expenditure						
Incoming resources						
Incoming resources from generated funds						
Voluntary income		1,110	—	5,770	6,880	3,592
Activities for generating funds		128	—	796	924	920
Investment income		1,523	—	31	1,554	1,389
		2,761	—	6,597	9,358	5,901
Incoming resources from charitable activities						
Health and welfare		32,047	—	41	32,088	32,461
Health, welfare and education		11,418	—	171	11,589	10,408
		43,465	—	212	43,677	42,869
Other incoming resources		28	—	—	28	3,411
Total incoming resources	1	46,254	—	6,809	53,063	52,181
Resources expended						
Cost of generating funds						
Costs of generating voluntary income	2	2	—	381	383	431
Fundraising trading: cost of goods sold and other costs		85	—	478	563	561
Investment management costs		85	—	—	85	75
		172	—	859	1,031	1,067
Charitable activities						
Religion	3	1,476	—	—	1,476	1,273
Health and welfare		31,842	—	2,671	34,513	33,661
Health, welfare and education		12,153	—	103	12,256	11,614
Other		156	—	—	156	93
		45,627	—	2,774	48,401	46,641
Governance	4	358	—	18	376	296
Total resources expended		46,157	—	3,651	49,808	48,004
Net incoming resources before transfers		97	—	3,158	3,255	4,177
Transfers between funds						
Restricted to general	12	672	—	(672)	—	—
General to designated	13	(6,876)	6,876	—	—	—
Net incoming resources for the year before other recognised gains		(6,107)	6,876	2,486	3,255	4,177

The results for the year ended 31 March 2006 have been restated to reflect the full implementation of FRS 17 (note 20).

Statement of financial activities Year to 31 March 2006
Including the statement of total recognised gains and losses

		Unrestricted funds				Total funds
	Notes	General fund £'000	Designated funds £'000	Restricted funds £'000	Total funds 2006 £'000	2005 (as restated) £'000
Statement of total recognised gains and losses						
Net incoming resources for the year before other recognised gains		(6,107)	6,876	2,486	3,255	4,177
Gains on investments	8	7,735	—	42	7,777	3,343
Actuarial gains on pensions	20	115	—	—	115	105
Net movement in funds		1,743	6,876	2,528	11,147	7,625
Fund balances at the start of the year						
. As reported		15,477	80,554	3,597	99,628	92,072
. Prior year adjustment	21	(890)	—	—	(890)	(959)
Funds at the start of the year restated		14,587	80,554	3,597	98,738	91,113
Fund balances carried forward at 31 March 2006		16,330	87,430	6,125	109,885	98,738

	2006 £'000	2005 (as restated) £'000
Historical cost net movement in funds	11,147	7,625
Net movement in funds (page 38)	11,147	7,625
Gains on fixed asset investments	(7,777)	(3,343)
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	(118)	(128)
Realised investment gains based on historic cost	1,823	1,118
Historical cost net movement in funds	5,075	5,272

Continuing operations

All of the charity's activities during the above two financial years represented continuing operations.

Balance sheet 31 March 2006

	Notes	2006 £'000	2006 £'000	2005 (as restated) £'000	2005 (as restated) £'000
Fixed assets					
Tangible fixed assets	7		48,732		47,721
Investments	8		47,358		39,727
			96,090		87,448
Current assets					
Stocks		1,266		847	
Debtors	9	7,369		4,368	
Term deposits		2,269		2,610	
Cash at bank and on deposit		8,357		8,439	
		19,261		16,264	
Creditors: amounts falling due within one year	10	(4,585)		(3,940)	
Net current assets			14,676		12,324
Total assets less current liabilities			110,766		99,772
Creditors: amounts falling due after one year	11		(122)		(144)
Total net assets excluding pension liability			110,644		99,628
Net pension liability	20		(759)		(890)
Total net assets			109,885		98,738
Represented by:					
Funds and reserves					
Restricted funds	12		6,125		3,597
Unrestricted funds					
Designated funds	13				
Fixed asset fund		46,264		45,492	
Other		41,166		35,052	
		87,430		80,554	
General fund excluding pension reserve		17,089		15,477	
Pension reserve	20	(759)		(890)	
General fund including pension reserve		16,330		14,587	
Total unrestricted funds			103,760		95,141
Total charity funds			109,885		98,738

Signed on behalf of the trustees:

V Hagen

Sister Veronica Hagen
Trustee and Provincial Superior

E. Pettenuzzo

Sister Elena Pettenuzzo
Trustee and Provincial Bursar

Date of approval:

19-11-06

The Congregation of the Daughters of the Cross of Liege **40**

Cash flow statement Year to 31 March 2006

	Notes	2006 £'000	2005 £'000
Cash inflow from operating activities	A	1,483	2,710
Return on investments and servicing of finance			
Investment income		1,554	1,389
Capital expenditure and financial investment	B	(3,842)	(6,172)
	C	(805)	(2,073)
Management of liquid resources	C	341	(1,513)
Financing			
Increase/decrease in bank loans	C	27	(20)
Decrease in cash		(437)	(3,606)

Notes to the cash flow statement for the year to 31 March 2006.

A Reconciliation of net incoming resources before transfers to net cash inflow from operating activities

	2006 £'000	2005 £'000
Net incoming resources before transfers	3,255	4,177
Depreciation charge	2,630	2,585
Net gains on disposal of tangible fixed assets	(8)	(3,363)
Provision for compensation	—	894
Pension finance income	(16)	—
Pension cost less contributions payable	—	36
Investment income	(1,554)	(1,389)
Increase in stocks	(419)	(54)
Increase in debtors	(3,001)	(402)
Increase in creditors	596	226
Net cash inflow from operating activities	1,483	2,710

Cash flow statement Year to 31 March 2006

B Gross cash flows

	2006 £'000	2005 £'000
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(3,890)	(1,914)
Net proceeds from sales of tangible fixed assets	257	3,550
Payments to acquire investments	(11,155)	(31,507)
Proceeds from the sales of investments	10,944	23,684
Exchange movement on investment deposits	2	15
	(3,842)	(6,172)

C Analysis of changes in net funds

	At 1 April 2005 £'000	Cash flows £'000	At 31 March 2006 £'000
Available cash			
. Cash at bank and in hand	8,439	(82)	8,357
. Cash held by investment managers	1,296	(355)	941
	9,735	(437)	9,298
Management of liquid resources			
. Cash placed on term deposit	2,610	341	2,269
Bank loans			
. Debt due within one year	(21)	(49)	(70)
. Debt due after one year	(144)	22	(122)
	(165)	(27)	(192)
Total	12,180	(805)	11,375

D Reconciliation of net cash flow to movement in net funds

	2006 £'000	2005 £'000
Decrease (increase) in cash in the year	437	(1,989)
Decrease in term deposits	(341)	(104)
Decrease (increase) in bank loans	(27)	20
Decrease in net funds	(805)	(2,073)

Scope

The accounts disclose the financial position and results of the charitable company, which incorporate and aggregate the results of the Province with its major works which comprise:

- ◆ St Anthony's Hospital, Cheam, Surrey
- ◆ Holy Cross Hospital, Haslemere, Surrey
- ◆ St Raphael's Hospice, Cheam, Surrey
- ◆ St Elizabeth's Centre, Much Hadham, Hertfordshire
- ◆ St Wilfrid's, Chelsea, London

The Sisters' residences are situated at the above locations and in Blackley, Manchester; Blanchardstown (Dublin), Ireland; Broadstairs, Kent; Bury, Lancashire; Carshalton, Surrey; Donaghmore, Northern Ireland; Hammersmith, London; Hayle, Cornwall; Lindesfarne, Holy Island; Stillorgan (Dublin), Ireland; Stockton and Tracy, California, USA.

The accounts do not include the results and net assets of St Philomena's School, Carshalton nor those of Holy Cross College, Bury (see basis of accounting below).

Basis of accounting

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of freehold land and buildings and by the inclusion of investments at market value and in accordance with the requirements of the Companies Act 1985. Applicable Accounting Standards and the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2005), have been followed in the preparation of these accounts.

SORP 2005 has been adopted for the first time in these accounts and comparative amounts have been re-presented for consistency where appropriate, without affecting the overall amounts disclosed.

Non-aggregated activities – St Philomena's School, Carshalton and Holy Cross College, Bury
The charity owns the property at St Philomena's, Carshalton, which is a Voluntary Aided School funded by the Local Education Authority and the property at Holy Cross College, Bury, Lancashire, which is a Sixth Form College funded by the Learning and Skills Council. The School and College are exempt charities and therefore separate legal entities.

Basis of accounting (continued)

As the School and College are carrying out activities which further one of the objects of the charity, the properties are let to them at a peppercorn rent and this arrangement will, subject only to major changes in funding, governance or educational needs in those areas, continue indefinitely. The College and School land and buildings cannot be disposed of in the open market nor put to alternative use whilst such occupation continues. The freehold property is therefore considered to have no residual value for the purpose of these accounts.

The charity does not exercise control over the activities nor the management of either organisation and derives no financial benefit from them. The income and expenditure, assets (excluding the freehold property) and liabilities are not therefore incorporated into the accounts.

Incoming resources

Incoming resources are recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

Voluntary income

- ◆ Donations and similar incoming resources represent income given by individuals, corporations and trusts by way of donations, deeds of covenant and gift aid.
- ◆ Grants receivable are accounted for in the period in which they fall due. Grants from the Government and other agencies are included as income from charitable income where these amount to a contract for services, and as donations where the money is given in response to a fundraising appeal or with greater freedom of use.
- ◆ Legacies are credited to the statement of financial activities once the charity has been advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.
- ◆ Covenanted income from the Sisters of the Congregation arises predominantly from the donation of their salaries and pensions.

Activities for generating funds

- ◆ Income from activities for generating funds comprises income from running a lottery, charity shops and fundraising events.

Income from charitable activity

- ◆ Fees and charges are derived from individuals, health insurance companies and Health, Education and Local Authorities.

Resources expended

Expenditure is charged to the statement of financial activities when incurred and includes attributable irrecoverable VAT.

Cost of generating funds

The costs of generating funds include the costs of fundraising and the running costs of the charity shops, as well as the salaries of fundraising staff. It also includes the fees paid to investment managers in connection with the management of the charity's investments.

Charitable activities

The costs of the charitable activities are disclosed under the four objects for which the charity was formed. Religion reflects the costs of supporting the Sisters of the Congregation living in the UK, Ireland and the USA and comprises subsistence, welfare and the related premises costs. The Sisters of the Congregation are beneficiaries of the charity. Health and welfare reflects the costs of running St Raphael's Hospice, St Anthony's Hospital, Holy Cross Hospital and St Wilfrid's residential home for the elderly. Health, welfare and education reflects mainly the costs of running St Elizabeth's Centre.

Grants payable are charged to the statement of financial activities when approved by the trustees and are allocated to one of the four objects as appropriate.

Governance

Governance costs are those directly attributable to the running of the charity as a legal entity, including compliance with the constitutional and statutory requirements. The costs of trustee meetings are not material, as they relate to the Sisters' normal living and travel expenses, which cannot be sensibly separated from the Sisters' normal costs.

Tangible fixed assets

All freehold land and buildings, which were under the total control of the trustees and which were in use within the charity, were valued, with one exception, at 31 March 1999 on a depreciated replacement cost or an existing use basis. The one exception relates to a building on charity land which only became available for charity use in 2002. All subsequent additions are at cost. The recorded value is reduced by accumulated depreciation and impairment provisions as appropriate. All other assets are recognised at cost.

All assets costing more than £5,000, and with an expected useful life exceeding one year, are capitalised.

As the costs of having professional valuations are considerable, the trustees have, as permitted by FRS 15, 'Tangible Fixed Assets', adopted a policy of not revaluing the charity's tangible fixed assets on an ongoing basis.

Tangible fixed assets (continued)

Depreciation is calculated at the following annual rates in order to write down each asset to its estimated residual value over its estimated useful life:

Freehold buildings	2 - 4% on cost or revalued amounts
Leasehold property	over the period of the lease
Medical, computer and office equipment	4 - 33.3% on cost
Motor vehicles	20 - 25% on cost

No depreciation is provided on freehold land, or assets in the course of construction.

Investments

Investments are included at their market value. Investment valuations are constantly updated so that all gains or losses are unrealised and when investments are sold there are no gains or losses arising. As a result the statement of financial activities includes only unrealised gains.

Term deposits

Term deposits comprise monies held in short-term deposits with maturity periods of more than 24 hours.

Fund accounting

Restricted funds

The restricted funds are funds which have been raised for a specific purpose or which are subject to restrictions on their use, which would include having to be spent at a particular Work. Once the purposes have been fulfilled, or the funds used in accordance with the conditions, they are released to unrestricted funds. Any income, gains or losses arising from the assets underlying the restricted funds form part of restricted funds.

The restricted funds include all the funds of the charity's hospice (see note 12).

Designated funds

Designated funds are those funds earmarked by the trustees for a specific purpose including unrestricted funds representing tangible fixed assets. They are unrestricted, and the trustees may ultimately use such funds for other purposes. Any income, gains or losses on the assets underlying the designated funds form part of general unrestricted funds.

General fund

The general fund represents unrestricted and undesignated monies used to fund working capital and which the trustees may use at their own discretion in furtherance of the charity's objects.

Pension costs

Defined contribution schemes

Contributions in respect of defined contribution schemes are charged to the statement of financial activities in the year in which they are payable to the schemes.

Defined benefit schemes

The charity contributes to two defined benefit pension schemes providing benefits based on either final or career-average pensionable salary, depending on the scheme. The assets of the schemes are held and managed separately from those of the charity.

The Pensions Trust

Pension scheme assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any change in the asset or liability between balance sheet dates is reflected in the statement of financial activities in recognised gains and losses for the period.

This represents a change in accounting policy following the full implementation of Financial Reporting Standard 17 "Retirement Benefits" (FRS 17) for the first time in these accounts. (In prior periods, pension costs for the defined benefit section of the scheme were charged to the statement of financial activities so as to spread the cost over the employees' working lives). The change in accounting policy has been reflected in the accounts via a prior year adjustment (see note 21).

Teachers' Pension Scheme (TPS)

The charity also contributes to this scheme which is a multi-employer defined benefit scheme. As it is not possible to identify the share of the underlying assets and liabilities belonging to individual participating employers, the contributions to the scheme are recognised in the statement of financial activities so as to spread the cost of pensions over employees working lives.

1 Incoming resources

	Unrestricted funds £'000	Restricted funds £'000	Total funds 2006 £'000	Total funds 2005 £'000
Voluntary income				
. Donations	49	1,392	1,441	1,121
. Grants	—	956	956	923
. Legacies	82	3,422	3,504	555
. Covenanted income from Sisters of the Congregation – salaries and pensions	979	—	979	993
	1,110	5,770	6,880	3,592
Incoming resources from activities for generating funds				
. Charity shops	128	584	712	696
. Events	—	34	34	50
. Own lottery	—	178	178	174
	128	796	924	920
Investment income				
. Bank interest	367	31	398	343
. Overseas investments	255	—	255	129
. Pension finance income	16	—	16	—
. UK investments	885	—	885	917
	1,523	31	1,554	1,389
Incoming resources from charitable activities				
Health and welfare				
. Fees and charges	31,313	11	31,324	31,679
. Other	734	30	764	782
	32,047	41	32,088	32,461
Health, welfare and education				
. Fees and charges	11,193	—	11,193	9,883
. Grants	—	171	171	283
. Other	225	—	225	242
	11,418	171	11,589	10,408
Other incoming resources				
. Net gains on sale of tangible fixed assets	8	—	8	3,363
. Other	20	—	20	48
	28	—	28	3,411
Total incoming resources	46,254	6,809	53,063	52,181

Within legacies receivable is a very generous gift of £2.7m from the family of a patient at Holy Cross Hospital. The gift will be spent at the hospital on a new hydro-therapy pool.

1 Incoming resources (continued)

Included in the Covenanted income from Sisters of the Congregation is £171,000 (2005 - £186,000) which was charged to the activities run by the charity (see note 5).

The net gain on the sale of tangible fixed assets in 2005 relates to the sale of two schools in Ireland sold to the Irish Department of Education. As with many previous disposals, the site and buildings are still used for the purpose for which the Congregation established it.

Two (2005 - seven) legacies were notified to the charity (for St Raphael's Hospice) prior to 31 March 2006 but their amounts cannot be quantified accurately. As the conditions for recognition have not been met, the legacies will be included in the accounts for the year ending 31 March 2007. It is hoped they will be in the region of £214,000 (2005 - £110,000).

2 Cost of generating funds

	Unrestricted funds £'000	Restricted funds £'000	Total 2006 £'000	Total 2005 £'000
Costs of generating voluntary income	2	381	383	431
Fundraising trading				
Cost of running charity shops	85	333	418	417
Own lottery	—	130	130	122
Other	—	15	15	22
	85	478	563	561
Investment management costs	85	—	85	75
	172	859	1,031	1,067

3 Charitable activities

a) Summary

	Direct £'000	Grants and donations £'000	Total 2006 £'000	Total 2005 £'000
Religion	1,438	38	1,476	1,273
Health and welfare	34,373	140	34,513	33,661
Health, welfare and education	12,197	59	12,256	11,614
Other	45	111	156	93
	48,053	348	48,401	46,641
2005	46,547	94	46,641	

3 Charitable activities (continued)

b) Analysis of direct charitable expenditure

	Staff Costs £'000	Deprecia- tion £'000	Other direct costs £'000	Total 2006 £'000	Total 2005 £'000
Religion	205	98	1,135	1,438	1,249
Health and welfare	18,850	2,222	13,301	34,373	33,646
Health, welfare and education	9,746	299	2,152	12,197	11,614
Other	—	—	45	45	38
Total charitable expenditure	28,801	2,619	16,633	48,053	46,547
2005	26,854	2,580	17,113	46,547	

Included within direct charitable expenditure are the following:

	2006 £'000	2005 £'000
Interest payable	2	13
Operating lease rentals		
land and buildings	125	93
plant and equipment	6	9

c) Grants and donations

	Grants £'000	Donations £'000	Total 2006 £'000	Total 2005 £'000
Religion				
Training of overseas Sisters	7	—	7	—
Calcutta - establishing Vice Province	24	—	24	—
Contributions to the Generalate	—	—	—	23
Brazil - Sisters' studies	7	—	7	—
Donations	—	—	—	1
	38	—	38	24

3 Charitable activities (continued)
c) Grants and donations (continued)

Contributions to the Generalate for the running of the central administration are now regarded as obligatory for all Provinces and have been treated as a cost under Religion.

	Grants £'000	Donations £'000	Total 2006 £'000	Total 2005 £'000
Health and welfare				
Generalate – for German Province	69	—	69	—
Cameroon – Herbal medicine	30	—	30	—
Pakistan	1	—	1	—
Bombay (Mumbai) – Holistic health care	7	—	7	—
Calcutta – Vocational training	7	—	7	—
For natural disasters	14	—	14	—
Donations	—	12	12	15
	128	12	140	15
Health, welfare and education				
Brazil – Street children	20	—	20	—
Pakistan – Rural village girls	24	—	24	—
Cameroon – Rural school for girls	10	—	10	—
Donations	—	5	5	—
	54	5	59	—
Other				
Mother House enhancements	77	—	77	—
Carshalton Water Tower Trust	—	—	—	20
Donations	—	34	34	35
	77	34	111	55
Total	297	51	348	94
2005	43	51	94	

All grants were made to other Provinces within the worldwide Congregation and therefore were all made to institutions.

3 Charitable activities (continued)
c) Grants and donations (continued)

The contribution to the Generalate for the German Province has been made in the spirit of Solidarity of the Congregation across the world, as the German Sisters are undergoing a major review of their properties and living accommodation, which may result in some properties being sold. Until the German Province is in a position to make sales, they are experiencing cash difficulties which makes it difficult for their Provincial Council to meet all the costs of providing for the Sisters. The trustees of the English Province therefore decided to start to make contributions until their cash position is regularised.

4 Governance costs

	2006 £'000	2005 £'000
Professional fees	291	281
Other costs	85	15
	376	296

Professional fees include payments to the auditors for audit fees of £131,000 (2005 - £114,000). Fees for other services, some of which relate to and have been included under charitable activities, amounted to £162,000 (2005 - £132,000).

The charity has purchased insurance to protect it from any loss arising from the neglect or defaults of its trustees and employees and to indemnify the trustees or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the charity during the year totalled £1,444 (2005 - £1,444) and provides cover up to a maximum of £1m (2005 - £1m). It is not practicable to split this cost between trustees and others.

5 Staff costs and trustees' remuneration

	2006 £'000	2005 £'000
Wages and salaries	23,222	20,865
Social security costs	2,090	1,876
Other pension costs	649	634
	<u>25,961</u>	<u>23,375</u>
Payments for agency staff	2,165	2,823
Other staff related costs	1,164	1,067
	<u>29,290</u>	<u>27,265</u>

Staff costs have been charged as follows

Cost of generating funds	454	411
Charitable activities	28,801	26,854
Governance costs	35	—
	<u>29,290</u>	<u>27,265</u>

Other staff related costs include the costs of training, medical insurance and recruitment costs.

The trustees are Sisters, and therefore beneficiaries, of the Congregation and the costs of their welfare and well-being are met by the charity; this includes travelling and subsistence expenses in the course of carrying out their duties, whether in the major Works, in local parishes or as a member of the Congregation. The trustees are not remunerated for their work as trustees.

Included in wages and salaries is £171,000 (2005 - £186,000) which was earned by Sisters from working in the activities run by the charity and which is donated and shown as Covenanted income in note 1. Had the Sisters not been working as nurses, teachers or in management, then lay personnel would have had to have been employed at a cost of at least this amount.

5 Staff costs and remuneration (continued)

The average number of employees, analysed by function was:

	2006		2005	
	F.T.E.*	Actual People	F.T.E.*	Actual People
* Full-time equivalents				
Charitable activity				
· Religion	8	12	8	21
· Education	172	192	162	179
· Health and welfare	785	960	757	1,211
· Fundraising	31	42	31	42
	<u>996</u>	<u>1,206</u>	<u>958</u>	<u>1,453</u>
Volunteers		407		404
		<u>1,613</u>		<u>1,857</u>

In addition, the number of agency staff, on a full-time equivalent basis, was 98 (2005 - 90).

The management and administration of the charity is dealt with by the Sisters themselves, with the assistance of their professional advisors.

The number of employees who earned £60,000 per annum or more (including benefits) during the year was as follows:

	2006	2005
£60,001 - £70,000	2	2
£70,001 - £80,000	1	4
£80,001 - £90,000	1	1
£110,001 - £120,000	1	1
£130,001 - £140,000	1	1

6 Taxation

The charity is not liable to capital gains or corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to charities.

It does, however, suffer VAT which is included with the expenditure to which it relates. Irrecoverable VAT suffered on expenditure, including VAT on capital projects, during the year amounted to approximately £1.5m (2005 - £1.2m).

7 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold property £'000	Medical, computer and office equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation					
At 1 April 2005	49,116	206	16,997	675	66,994
Additions	2,756	—	1,022	112	3,890
Disposals	—	—	(888)	(82)	(970)
At 31 March 2006	51,872	206	17,131	705	69,914
At cost	11,500	206	17,131	705	29,542
At valuation – 1999	39,872	—	—	—	39,872
– 2002	500	—	—	—	500
	51,872	206	17,131	705	69,914
Depreciation					
At 1 April 2005	6,507	28	12,236	502	19,273
Charge for year	1,194	5	1,328	103	2,630
Disposals	—	—	(648)	(73)	(721)
At 31 March 2006	7,701	33	12,916	532	21,182
Net book value					
At 31 March 2006	44,171	173	4,215	173	48,732
At 31 March 2005	42,609	178	4,761	173	47,721

The valuations of the land and buildings included in these accounts have been prepared in accordance with the requirements and procedures specified by the Royal Institution of Chartered Surveyors as contained in their Appraisal and Valuation Manual, and by qualified external valuers as defined by the Manual. The bases of valuation in all cases were depreciated replacement cost for specialist buildings and existing use value for non specialist buildings. The date of the valuations, excluding the property valued in 2002, was 31 March 1999. The trustees are not aware of any material changes since the last valuation.

The transitional rules set out in Financial Reporting Standard 15 Tangible Fixed Assets (FRS 15) have been applied on implementing FRS 15.

Included in freehold land and buildings is an amount for land at a valuation of £9,110,000 and assets under construction of £1,387,000 neither of which have been depreciated.

8 Fixed asset investments

Gains on investments recognised in the statement of financial activities are made up as follows:

	2006 £'000	2005 £'000
Net unrealised investment gains on listed investments	7,775	3,329
Exchange gain on cash held by investment managers	2	14
Gains on investments	7,777	3,343

The exchange gain arises from investment cash held in Euros.

The realised gain relating to disposals based upon historic cost was £1,823,000 (2005 – £1,118,000).

	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Market value of listed investments at 1 April 2005		38,431		27,279
Additions at cost		11,155		31,507
Sale proceeds		(10,944)		(23,684)
Net unrealised investment gains		7,775		3,329
Market value of listed investments at 31 March 2006		46,417		38,431
Historical cost of listed investments as at 31 March 2006	36,119		33,997	

Investment cash

Cash held for re-investment by investment managers

. In the UK	489		651	
. In Ireland	452		645	
		941		1,296
Total investments at 31 March 2006		47,358		39,727

8 Fixed asset investments (continued)

	Direct 2006 £'000	Indirect 2006 £'000	Total 2006 £'000	Total 2005 £'000
Analysis of listed investments at market value at 31 March 2006:				
UK investments	11,413	22,499	33,912	31,123
Overseas investments	10,525	1,980	12,505	7,308
	21,938	24,479	46,417	38,431

The total value of shares or investment schemes (including unit trusts) relating to companies listed on a UK stock exchange or incorporated in the UK are treated as investments in the UK. All other investments are treated as being overseas.

All dealings in listed investments were on a recognised stock exchange.

Included in the listed investment portfolio at 31 March 2006 are the following material investments, taken as being in excess of 5% of the value of the portfolio:

	% of portfolio valuation	£'000
Charishare Common Investment Fund	13.81	6,409
Charinco Common Investment Fund	8.99	4,175
33 KWS Overseas Fund International Unit Trust	8.92	4,140
Charishare Tobacco Restricted Common Investment Fund	6.54	3,035
Merrill Lynch Property Fund	6.05	2,809
Merrill Lynch Liquidity Fund	5.04	2,341

9 Debtors

	2006 £'000	2005 £'000
Amounts recoverable within one year		
· Operational debtors	3,882	3,464
· Legacy receivable	2,692	—
· Other debtors	248	310
· Prepayments	547	594
	7,369	4,368

10 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Operational creditors	993	1,068
Social security and other taxes	634	583
Grants payable	643	520
Sisters' funds	223	234
Accruals	488	294
Other creditors	632	326
Provision for compensation	902	894
	4,515	3,919
Bank loans	70	21
	4,585	3,940

11 Bank loans

	2006 £'000	2005 £'000
Bank loans repayable:		
Between one and two years	—	23
Between two and five years	52	74
After more than five years	70	47
	122	144
Within one year	70	21
	192	165

At 31 March 2006, there were two bank loans provided to St Elizabeth's Centre to finance the building of accommodation for staff and the Social Enterprises. They are at interest rates of between 5% p.a. and 7.95% p.a. The loans, which are unsecured, will be fully repaid by 2015 at the current rate of monthly instalments.

12 Restricted funds

The funds of the charity include restricted funds comprising the following balances held on trust to be applied for specific purposes:

	At 1 April 2005 £'000	Net incoming resources £'000	Transfer from (to) general funds £'000	Gains on invest- ments £'000	At 31 March 2006 £'000
Hospice funds	2,964	105	(18)	—	3,051
Holy Cross Hospital	—	2,692	—	—	2,692
Sundry funds	633	361	(654)	42	382
	<u>3,597</u>	<u>3,158</u>	<u>(672)</u>	<u>42</u>	<u>6,125</u>

◆ Hospice funds

The funds of the St Raphael's hospice, which include tangible fixed assets, can only be applied for the benefit of the hospice and have, therefore, been treated as restricted.

◆ Holy Cross Hospital

The charity became entitled to a legacy during the year which was to be used at Holy Cross Hospital and is therefore restricted. The trustees have since decided that the funds will be used to build and run a hydro-therapy pool.

◆ Sundry funds

These funds relate to many small funds across the Works of the Congregation. Where the funds have been given for fixed assets, once the money is spent or the project completed the specific purpose of the fund has been fulfilled and, where there are no continuing restrictions, a transfer is made from restricted to general funds.

13 Designated funds

	At 1 April 2005 £'000	Transfer from (to) general funds £'000	At 31 March 2006 £'000
Fixed asset fund	45,492	772	46,264
Other funds			
• Sisters' community fund	13,942	2,841	16,783
• Charitable works development fund	5,879	787	6,666
• Contingency fund	7,507	1,588	9,095
• Maintenance and repairs fund	1,680	—	1,680
• Capital commitments fund	1,416	344	1,760
• Generalate Worldwide fund	4,403	698	5,101
• Sundry funds	235	(154)	81
	<u>35,062</u>	<u>6,104</u>	<u>41,166</u>
	<u>80,554</u>	<u>6,876</u>	<u>87,430</u>

13 Designated funds (continued)

The designated funds have been set aside for specific purposes by the trustees out of unrestricted funds, although they may ultimately use such funds for other purposes:

♦ **Fixed asset fund**

The tangible fixed assets, of which property forms the major part, are of fundamental importance to the charity and without them the charity would be unable to fulfil any of its charitable objectives. The value of the assets is therefore not readily realisable and to reflect that, their net book value (excluding that part represented by restricted funds, amounts due to contractors and bank loans), has been established as a designated fund.

♦ **Sisters' community fund**

Monies earmarked and invested to produce income to meet the shortfall of Sisters' covenanted income over the costs of both their welfare and apostolic activities.

♦ **Charitable works development fund**

The Charitable works development fund was established during 2003 out of the proceeds of a large property sale to recognise the future financial needs of the Works of the Congregation.

♦ **Contingency fund**

Funds to cover any long-term maintenance of the buildings which cannot be funded from elsewhere, property refurbishment, any emergency or developmental funding required by the Works and any other contingencies.

♦ **Maintenance and repairs fund**

Funds designated within each of the Works for future long-term maintenance of their buildings, including an amount to meet the cost of any significant unplanned maintenance.

♦ **Capital commitments fund**

Amounts committed as authorised fixed asset expenditure and projects which have been planned and agreed at 31 March 2006, out of funds already generated, available and committed (note 15). St Elizabeth's will finance most of their commitment by drawing an arranged loan of £2m.

13 Designated funds (continued)

◆ Generalate Worldwide fund

This is to provide funds, as recommended by the Generalate based in Liege, to meet the expenses of Sisters from non-European countries undergoing Formation in the UK and any other purpose which they consider will enhance or develop the Works of the Worldwide Congregation.

◆ Sundry funds

These relate to other designated funds established by each of the Works' management teams and which are approved by the trustees.

14 Analysis of total net assets between funds

	General fund £'000	Tangible fixed asset fund £'000	Other designated funds £'000	Restricted funds £'000	Total funds £'000
Fund balances at 31 March 2006 are represented by:					
Tangible fixed assets	513	46,264	—	1,955	48,732
Fixed asset investments	9,440	—	37,645	273	47,358
Net current assets	7,258	—	3,521	3,897	14,676
Other liabilities	(881)	—	—	—	(881)
Total net assets	16,330	46,264	41,166	6,125	109,885
Unrealised gains included above:					
On tangible fixed assets					7,690
On investment assets					10,298
Total unrealised gains at 31 March 2006					17,988

The revaluation reserve, as required by the Companies Act, is equivalent to the total unrealised gains, shown above.

15 Capital commitments

	2006 £'000	2005 £'000
The capital commitments at 31 March 2006 were:		
Contracted but not provided for in the accounts		
· Community properties	423	—
· Residential and Learning Centre for 16-19 year olds at St Elizabeth's Centre	2,200	—
· CT scanner replacement at St Anthony's Hospital	—	615
· Other	137	171
	<u>2,760</u>	<u>786</u>
Authorised but not contracted for		
· Decontamination suite at St Anthony's Hospital	1,000	—
· Community property	—	550
· Other	—	80
	<u>1,000</u>	<u>630</u>
Total commitments	<u>3,760</u>	<u>1,416</u>

Most of the cost of the work at St Elizabeth's Centre will be met by a £2m loan.

16 Related party disclosures

Sisters

The Sisters of the Congregation are related parties because they are beneficiaries of the charity, in that the costs of their welfare and well-being are met by the charity. The trustees, including the Provincial Superior and the Provincial Bursar, are all Sisters and no trustee is remunerated for their services. No trustee had any beneficial interest in any contract with the charity.

Worldwide Congregation

The charity is a member of the worldwide Congregation of the Daughters of the Cross of Liege and has objects which are not restricted to the UK. Total grants of £297,000 (2005 - £23,000) were made during the year to the worldwide Congregation, details of which are in note 3.

Under the arrangement to provide a grant to the Generalate to help the German Province meet its obligations to its Sisters, the charity is, subject to certain conditions, committed to make additional payments at three-monthly intervals for the period from 30 June 2006 to 31 December 2008. The total amount committed is £885,000 but each payment is subject to a review by the trustees of an independent report prepared on the finances of the German Province. Each payment will need to be specifically authorised by the trustees.

17 Leasing commitments

Operating Leases

At 31 March 2006

The charity had annual commitments under non-cancellable operating leases for equipment as follows:

	2006		2005	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating Leases which expire:				
Within one year	—	6	—	8
Within one to two years	24	—	—	—
Within two to five years	42	—	49	1
Thereafter	59	—	44	—
	125	6	93	9

18 Guarantee

The charity gave a guarantee in respect of a bank loan of £900,000 granted to Holy Cross College, Bury in 2001 to enable the College to construct a new teaching block. The charity will provide the College with financial support should it be in a position where it is unable to fulfil the terms of the loan. At 31 March 2006, the amount of the loan was £760,002 (2005 - £804,000).

19 Contingent liabilities

There are potential liabilities to repay various capital grants received, in the event of a sale of the buildings which were built partly with the grant proceeds or, in some cases in the event of a breach of the grant agreement. At 31 March 2006, there is no intention to sell any of the buildings and, in the view of the trustees, a breach of any agreement is unlikely.

20 Pension commitments

A number of the major works operate pension schemes, providing pensions under both defined benefit and defined contribution arrangements.

The assets of the respective schemes are held independently of the charity's finances.

20 Pension commitments (continued)

Details of the contributions are as follows:

Name	Type of Scheme	Administrator	Contributions in year	
			2006 £'000	2005 £'000
St Elizabeth's Centre	Defined benefit	Teachers' Pensions	79	81
St Elizabeth's Centre	Defined benefit	The Pensions Trust	229	221
St Anthony's Hospital	Defined contribution	Jardine Lloyd Thomson Benefit Solutions Limited	341	329
			649	631

Teachers' Pension Scheme (TPS)

Retirement benefits for teachers are provided by a defined benefit scheme, the Teachers' Pension Scheme (TPS).

The TPS is an unfunded scheme. Contributions on a 'pay-as-you-go' basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. Actuarial valuations are carried out on a notional set of investments.

Under the definitions set out in Financial Reporting Standard 17, 'Retirement Benefits' (FRS 17), the TPS is a multi-employer pension scheme. St Elizabeth's Centre is unable to identify its share of the underlying (notional) assets and liabilities of the scheme. Accordingly, the Centre has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the scheme as if it were a defined contribution scheme.

Set out below is the information available on the deficit in the scheme and the implications for the Centre in terms of the anticipated contribution rates. The pensions cost is assessed every five years in accordance with the advice of the Government Actuary. The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2001
Actuarial method	prospective benefits
Investment returns per annum	7% per annum
Salary scale increases per annum	1.5% per annum
Value of notional assets at date of last valuation	£142,880 million
(estimated future contributions together with notional investments held at 31 March 2001)	
Proportion of members' accrued benefits covered by the actuarial value of the assets	100%

The employers' contribution during the financial period was 13.5% of salary.

20 Pension commitments (continued)

The Pensions Trust

The Pensions Trust administers pension schemes for charities and voluntary organisations and St Elizabeth's Centre operates a funded defined benefit pension scheme which is open to new entrants. The scheme does not contract members out of the State Second Pension. Contributions payable are determined on the basis of triennial valuations carried out by a qualified actuary.

The last formal valuation of the scheme by a professionally qualified actuary was performed at 30 September 2005, using the projected unit method. This valuation showed that the market value of the scheme's assets was £4,197,000 and that the actuarial value of those assets represented 88% of the benefits that had accrued to members after allowing for expected future increases in earnings. The principal assumptions made were that investment returns would be 4.8 – 6.9% p.a., inflation would average 2.5% p.a., and salary increases would be 4.0% p.a. St Elizabeth's Centre has contributed at a rate of 10.7% of pensionable salaries for joiners before 1 October 2000 and 8.8% for those members who joined after 1 October 2000. Members have paid contributions in line with the rates outlined in Scheme documentation.

The financial assumptions used to calculate Scheme liabilities under FRS 17 are as follows:

	At 31 March 2006 % pa	At 31 March 2005 % pa	At 31 March 2004 % pa
Inflation	2.5	2.5	2.5
Discount rate	4.9	5.4	5.5
Rate of increase in salaries	4.0	4.5	4.5
Rate of increase for pensions in payment			
- Pre 6 April 2005	2.5	2.5	2.5
- Post 6 April 2005	2.25		

20 Pension commitments (continued)

The Pensions Trust (continued)

The assets in the scheme and the expected rate of return.

	Long-term rate of return, expected at 31 March 2006	Value at 31 March 2006 £'000	Long-term rate of return, expected at 31 March 2005	Value at 31 March 2005 £'000	Long-term rate of return, expected at 31 March 2004	Value at 31 March 2004 £'000
Equities	8.0%	3,359	8.0%	2,675	8.0%	2,332
Government bonds	4.5%	1,219	5.0%	1,061	4.8%	738
Cash	4.5%	74	4.25%	64	4.0%	69
Total market value of assets	7.03%	4,652	7.1%	3,800	7.16%	3,139
Present value of Scheme liabilities		(5,411)		(4,690)		(4,098)
Deficit in the Scheme		(759)		(890)		(959)

Analysis of the amount charged to the Statement of Financial Activities

	2006 £'000	2005 £'000
Service cost	230	257
Total operating charge	230	257

Analysis of net charge on pension scheme

	2006 £'000	2005 £'000
Expected return on pension scheme assets	270	235
Interest on pension liabilities	(253)	(235)
Net (charge) credit	17	—

20 Pension commitments (continued)

The Pensions Trust (continued)

Amounts recognised as other gains and losses

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	588	137
Experience gains and losses arising on the scheme liabilities	191	50
Change in financial and demographic assumptions underlying the scheme assets	(664)	(82)
Actuarial gain recognised	115	105

Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit at 1 April 2005	(890)	(959)
Current service cost	(230)	(257)
Contributions	229	221
Net return on assets	17	—
Actuarial gain	115	105
Deficit at 31 March 2006	(759)	(890)

History of experience gains and losses

	2006 %	2006 £'000	2005 %	2005 £'000	2004 %	2004 £'000	2003 %	2003 £'000
Difference between the expected and actual return on scheme assets:								
· Amount		588		137		346		(759)
· Percentage of scheme assets	12.6		3.6		11.0		30.6	
Experience gains and losses on scheme liabilities:								
· Amount		191		50		67		199
· percentage of the present value of the scheme liabilities	3.5		1.1		1.6		5.2	
Total amount recognised in statement of total recognised gains and losses:								
· Amount		115		105		485		(947)
· Percentage of the present value of the scheme liabilities	2.1		2.2		11.8		24.9	

21 Prior year adjustments

FRS 17

The prior year adjustment relates to the full implementation of FRS 17.

FRS 17 requires the assets of defined benefit pension schemes, such as The Pensions Trust scheme, to be measured at market value at each balance sheet date and the liabilities to be measured using a specific valuation method and to be discounted using a corporate bond rate. Any resulting share of the pension scheme surplus or deficit is recognised on the charity's balance sheet. Any resulting gains and losses are recognised in the statement of total recognised gains and losses rather than being recognised gradually in the income and expenditure account.

The adoption of FRS 17 has resulted in the following impact on the income and expenditure account and statement of total recognised gains and losses. In accordance with the transitional arrangements of FRS 17, these figures have been reported in the notes to the charity's accounts since the year ending 31 July 2001.

	Unrestricted funds £'000	Restricted funds £'000	2006 £'000	2005 (as restated) £'000
Fund balances brought forward as previously reported	96,031	3,597	99,628	92,072
Prior year adjustment - pension	(890)	—	(890)	(959)
Fund balance restated	95,141	3,597	98,738	91,113
Net movement in funds	8,619	2,528	11,147	7,625
Total funds carried forward	103,760	6,125	109,885	98,738

Change to comparatives

In previous years, under Health and welfare, certain consultants' fees which had been paid by clients, had been excluded from the income and charges. It is now considered more accurate to include them with such fees and to include them as a cost. Therefore the income from fees and charges for 2005, and the costs of charitable activities, have been restated and increased by approximately £1.8m. There is no effect on the overall results nor on the net assets of the charity.