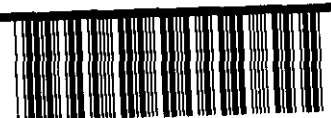


The Retreat

Mental healthcare as unique as you are

THE RETREAT YORK
REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005



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Charity No. 1089826
Company No. 4325622



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TRUSTEES' ANNUAL REPORT YEAR ENDED 31 DECEMBER 2005

LEGAL AND ADMINISTRATIVE INFORMATION

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

Legal status

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

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

Company Number

4325622

Charity Number

1089826

Trustees and Directors

Cedric Dennis *	(Retired 31 December 2005)
Douglas Hambleton	
Valerie Humby	
Roger Mattingly *	
John Park*	
Paul Redgate	(Appointed 1 January 2006)
Lucy Sheard	
Martin Sykes	(Appointed 1 January 2006)
David Taylor*	
Colin Wicks	(Retired 31 December 2005)
Kay Whittle	

* Member of the Finance Committee

Chief Executive

Jenny McAleese



Company Secretary

Robert Brownlow

Senior Management Team

Jenny McAleese	- Chief Executive
Robert Brownlow	- Finance Director
Edward Jackson	- Human Resources Director
Dr Susan Mitchell	- Medical Director
Thomas Roche	- Business Services Director
Brian Scott	- Compliance & Registration Director
Steven Trenchard	- Director of Nursing and Clinical Services

Address and Registered Office

107 Heslington Road, York YO10 5BN

Auditors

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

Investment Managers

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

Solicitors

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

Bankers

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



STRUCTURE GOVERNANCE AND MANAGEMENT

Constitution

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

Governors and Directors

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

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

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

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

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

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

Induction and Training

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



Management

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

Risk Management

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

Connected Charities

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

The Retreat Benevolent Fund provides grants to help Friend patients (or those closely associated with Friends) who are unable to meet the lowest fees. Grants made during 2005 amounted to £23,097 for two individuals. The total funds of the Benevolent Fund at 31 December 2005 amounted to £1,121,984.

Audited financial statements for The Retreat Benevolent Fund are available from The Retreat York.

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

OBJECTIVES AND ACTIVITIES

Objects

The objects for which the Company is established are:

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



Aims

The Retreat endeavours to improve or maintain the mental health and quality of life of those who use or provide its services, through care that is of the highest quality and seeks to reflect the tolerance, humanity and spiritual values of its Quaker roots. All patients and staff have equal value as human beings and the experience and contribution of each individual is listened to, valued and respected, whilst everyone is encouraged to develop or maintain their full potential and well-being. The Retreat seeks to promote a spirit of enquiry based on honesty and openness and supports an attitude of informed and balanced common sense towards treatment methods, being open to evaluation and new ideas within a constant set of values. All staff members within The Retreat seek to maintain the highest standards of professional and personal integrity and work to provide a safe physical and social environment as a secure base for therapy and rehabilitation. These constituted the main objectives of The Retreat in 2005.

Strategies for the Achievement of its Aims

For an organisation of The Retreat's size and complexity to achieve its objectives, active strategic management of both the financial and human resources is crucial, along with the need constantly to review both service delivery and service developments, which must respond to local and national trends. To this end comprehensive nursing and service reviews were undertaken during the year.

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

Activities

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

Volunteers

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



ACHIEVEMENTS AND PERFORMANCE

Review of Performance against Objectives set

Our main mechanism for monitoring performance in 2005 was regular review against our Business Plan for the year. This contained seventy-four individual targets and by the end of the year nearly all of this had either been completed or were in the process of being so. These included a review of the company's Memorandum and Articles of Association, completion of the implementation of the new management structure, a review of all our services, a wholesale nursing review and the development of our systems for identifying and managing risks.

Management of Investments

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

Subject only to compatibility with the principles of the Religious Society of Friends, the Trustees have unrestricted powers of investment.

The Retreat operates an ethical investment policy, whereby it does not invest in companies which derive a significant proportion of their turnover from any of the following activities:

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

The investment managers, Sarasin Chiswell, are monitored by the Trustees by reference to a number of indices and benchmarks including the performance achieved by other similar funds. In 2005 the fund's performance of 21.4% growth matched the median return achieved by other funds in the survey used.

Factors affecting Performance

The Retreat is affected by a number of external influences outside its control. The single most significant of these is the National Health Service, from which The Retreat generates the majority of its income and with which it has to compete for staff. The continuing downward pressure on fees and upward pressure on salary levels, coupled with an increasingly demanding inspection regime, make this a particularly challenging time for the organisation.



FINANCIAL REVIEW

Financial Performance for the Year

The Statement of Financial Activities for the period is set out on page 12 of the financial statements.

The operating results of The Retreat which include expenditure on the charity's key areas of operation of Specialist Psychosis and Recovery Services, Specialist Older People's Services and Specialist Adult Services, in 2005 produced a surplus of £256,518. Other net income from investments, donations, legacies and grants produced income of £492,171. After deducting costs amounting to £37,184 for the governance of the charity, grants of £35,401 towards patients' fees (see below), the result was an overall surplus for the year of £676,104. After taking into account total investment gains of £1,098,380 and an actuarial loss on the defined benefit pension scheme of £712,000 there was a net surplus of £1,062,484.

Our financial results for the year have been affected by a net pension charge of £391,000. In addition to this an actuarial loss of £712,000 has been charged to reserves. Company contributions recommenced in January 2006 at a rate of £50,000 per month. The Directors are clear that the company cannot afford such an expense and they are therefore currently in negotiations with the Trustees of the Pension Scheme to reduce this to an affordable level.

Grants towards Patients' fees

Following the exhaustion of the resources of the Grants Fund in 2001 The Retreat agreed to meet the shortfall of fees for long-stay residents. In the year ended 31 December 2005 a total of £21,833 was paid out of restricted funds and £13,568 out of unrestricted funds in order to meet this shortfall.

Changes in Fixed Assets

The movements in fixed assets during the year are set out in note 6 of the financial statements.

Reserves Policy

It is the policy of the charity to maintain undesignated funds, which are the free reserves of the charity, at a level sufficient to cover 12 months of expenditure, approximately £8,300,000. Presently the undesignated reserves amount to £2,521,857.

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



Reserves Policy - Continued

Reserves for the necessary upgrade and development of the charity's operational properties are segregated into a separate development fund, currently totalling £8,100,000.

PLANS FOR FUTURE PERIODS

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

Our Business Plan for 2006 is one of consolidation as we focus on continuing to improve the experience of those who use our services and improving our financial performance, thereby ensuring we are in good health to take advantage of opportunities offered by the new structure of the Health Service.

Trustees' Responsibilities in relation to the Financial Statements

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

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

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

- The charity is operating efficiently and effectively;
- Its assets are safeguarded against unauthorised use or disposition;



Trustees' Responsibilities in relation to the Financial Statements - Continued

- Proper records are maintained and financial information used within the charity or for publication is reliable;
- The charity complies with relevant laws and regulations.

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

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

Employee involvement and employment of the disabled

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

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

Auditors

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

This report was approved by the Board on 23 May 2006.

ROGER MATTINGLY
CHAIRMAN



INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS OF THE RETREAT YORK

We have audited the financial statements of The Retreat York on pages 12 to 28 for the year ended 31 December 2005. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, the inclusion of investments at market value and the accounting policies set out therein.

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

Respective Responsibilities of Trustees and Auditors

As described in the statement of Trustees' responsibilities on pages 8 and 9 the Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls or to form an opinion on the effectiveness of the charity's risk management and control procedures.

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



INDEPENDENT AUDITORS' REPORT TO THE GOVERNORS OF THE RETREAT YORK - Continued

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its incoming resources and application of resources including its income and expenditure in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Barber Harrison & Platt
Chartered Accountants
Registered Auditors
Sheffield

5 June 2006



THE RETREAT YORK LIMITED
STATEMENT OF FINANCIAL ACTIVITIES – CONSOLIDATED
(incorporating consolidated income and expenditure account)
YEAR ENDED 31 DECEMBER 2005

	Note	Restricted Funds 2005 £	Unrestricted Funds 2005 £	Total 2005 £	Total 2004 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income (donations and legacies)		31,515	213,600	245,115	79,305
Rents		-	145,551	145,551	145,628
Investment income	3	-	274,333	274,333	229,495
Other finance income	5	-	441,000	441,000	396,000
Incoming resources from charitable activities:					
Patient fees and other charges - The Retreat	2	-	7,549,472	7,549,472	6,659,205
- Joint Venture	16	-	1,880,902	1,880,902	1,731,086
Incoming resources including Joint Venture income		31,515	10,504,858	10,536,373	9,240,719
Share of Joint Venture income		-	(1,880,902)	(1,880,902)	(1,731,086)
Total incoming resources		31,515	8,623,956	8,655,471	7,509,633
RESOURCES EXPENDED					
Costs of generating funds					
Investment management fees		-	27,277	27,277	30,633
Charitable activities					
Specialist psychosis and recovery services		-	2,991,297	2,991,297	2,580,638
Specialist older people's services		37,787	2,729,028	2,766,815	2,625,440
Specialist adult services		-	2,509,728	2,509,728	2,001,304
Governance costs	4c	-	37,184	37,184	19,017
Total resources expended	4a	37,787	8,294,514	8,332,301	7,257,032
Net incoming/(outgoing) resources		(6,272)	329,442	323,170	252,601
Net income from Joint Venture	16	-	352,934	352,934	279,399
Net incoming/(outgoing) resources for the year		(6,272)	682,376	676,104	532,000
OTHER RECOGNISED GAINS AND LOSSES					
Gains on investments					
Realised	7	-	361,985	361,985	33,945
NET INCOME/(EXPENDITURE) FOR THE YEAR		(6,272)	1,044,361	1,038,089	565,945
Gains on investments					
Unrealised	7	-	736,395	736,395	384,508
Actuarial loss on defined benefit pension scheme	5	-	(712,000)	(712,000)	(38,000)
NET MOVEMENT IN FUNDS		(6,272)	1,068,756	1,062,484	912,453
Balance 1 January		33,810	19,148,566	19,182,376	18,269,923
Fund balance at 31 December		27,538	20,217,322	20,244,860	19,182,376

All amounts derive from continuing activities.

All gains and losses recognised in the year are included in the Statement of Financial Activities.



BALANCE SHEET AS AT 31 DECEMBER 2005

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	6	9,585,465	9,274,404
Investments	7	7,268,534	6,021,431
Investment in Joint Venture	7e	500	500
		<u>16,854,499</u>	<u>15,296,335</u>
Current assets			
Stock		24,823	21,638
Debtors	8	1,319,086	1,027,045
Cash at bank and in hand		2,509,506	2,193,824
		<u>3,853,415</u>	<u>3,242,507</u>
Creditors: amounts falling due within one year	9	609,054	605,466
Net current assets		<u>3,244,361</u>	<u>2,637,041</u>
Total assets less current liabilities excluding pension asset		<u>20,098,860</u>	<u>17,933,376</u>
Defined benefit pension scheme asset		<u>146,000</u>	<u>1,249,000</u>
Net assets including pension asset		<u>20,244,860</u>	<u>19,182,376</u>
Unrestricted Funds	10		
General		<u>2,521,857</u>	<u>5,869,162</u>
Designated:			
Tangible fixed assets fund - Cost		5,084,661	4,773,600
- Revaluation		<u>4,500,804</u>	<u>4,500,804</u>
		<u>9,585,465</u>	<u>9,274,404</u>
Development fund		8,100,000	4,000,000
Amenity fund		<u>10,000</u>	<u>5,000</u>
		<u>8,110,000</u>	<u>4,005,000</u>
			<u>13,279,404</u>
		<u>20,217,322</u>	<u>19,148,566</u>
Restricted funds	11	27,538	33,810
Total funds		<u>20,244,860</u>	<u>19,182,376</u>

The financial statements on pages 12 - 28 were approved by the Board of Directors on 23 May 2006 and are signed on its behalf by:

ROGER MATTINGLY
CHAIRMAN



**CASH FLOW STATEMENT
YEAR ENDED 31 DECEMBER 2005**

	2005 £	2004 £
Reconciliation of Surplus of Income to Net Inflow from Operating Activities		
Net incoming resources for the period	676,104	532,000
Add: Depreciation charges	171,495	150,898
Less: Investment income received	(274,333)	(229,495)
: Other finance income	(441,000)	(396,000)
	<hr/> 132,266	<hr/> 57,403
Increase in stock	(3,185)	(1,012)
(Increase)/decrease in debtors	(292,041)	75,379
Increase/(decrease) in creditors	3,588	(41,767)
Pension cost in excess of contributions made	832,000	640,000
	<hr/> 672,628	<hr/> 730,003
Returns on Investments		
Investment income received	<hr/> 274,333	<hr/> 229,495
 Capital Expenditure and Financial Investment		
Purchase of tangible fixed assets	(482,556)	(222,972)
Purchase of investments	(1,654,848)	(1,084,788)
Sale proceeds of investments	1,506,125	955,064
	<hr/> (631,279)	<hr/> (352,696)
 Increase in Cash in the Period	<hr/> 315,682	<hr/> 606,802
 Movement in Cash		
Cash in bank and in hand:		
Balance at 1 January 2005	2,193,824	1,587,022
Movement in the period	<hr/> 315,682	<hr/> 606,802
 Balance at 31 December 2005	<hr/> 2,509,506	<hr/> 2,193,824



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2005

1. Accounting Policies

(a) Basis of Preparation

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

(b) Joint Venture

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

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

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005 - Continued

(c) Fund Accounting

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

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

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

Investment income and gains are allocated to the appropriate fund.

(d) Incoming Resources

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

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

(e) Resources Expended

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

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

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

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



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2005 - Continued

(f) Depreciation

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

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

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

Items costing less than £200 are not capitalised.

(g) Investments

Investments are included at their market value on 31 December 2005 and the increase or decrease in value between accounting dates, together with the profits and losses on disposals, is recognised in the Statement of Financial Activities.

(h) Pensions

The costs of providing pensions for employees are charged in the Statement of Financial Activities (SOFA) in accordance with Financial Reporting Standard 17 - 'Retirement Benefits'.

(i) Operating Leases

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



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - Continued

2. Patient Fees and Other Charges

	2005	2004
	£	£
Fees from patients	7,428,008	6,547,302
Grants to cover full cost of reduced fees: Benevolent Fund for Friend patients	22,877	20,967
	<u>7,450,885</u>	<u>6,568,269</u>
Sundry income	98,587	90,936
	<u>7,549,472</u>	<u>6,659,205</u>

3. Investment Income

	2005	2004
	£	£
Dividend income	189,652	158,200
Interest receivable	84,681	71,295
	<u>274,333</u>	<u>229,495</u>

4(a) Analysis of Expenditure (Note f)

	2005			2004
	Direct costs	Support costs	Grants	Total
	£	£	£	£
Specialist psychosis and recovery services	1,856,751	1,134,546	-	2,991,297
Specialist older people's services	1,841,184	890,230	35,401	2,766,815
Specialist adult services	1,848,212	661,516		2,509,728
Investment management	27,277	-	-	27,277
Fees				30,633
Governance costs (Note c)	37,184	-	-	37,184
	<u>5,610,608</u>	<u>2,686,292</u>	<u>35,401</u>	<u>8,332,301</u>
				<u>7,257,032</u>

- (b)** Support costs totalling £2,686,292 have been allocated across activities. These include costs associated with providing IT, payroll, personnel, finance, property and other central services to the charity.



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - Continued

(c) Governance Costs

	2005	2004
	£	£
Audit fee - audit services	10,389	9,853
- non audit services	6,586	-
Directors' and Governors' expenses	5,813	5,041
Incorporation costs	-	2,948
Other professional fees	14,396	1,175
	<u>37,184</u>	<u>19,017</u>

(d) Employees

Salaries	5,458,956	4,881,478
Employer's NI	441,195	395,885
Pension scheme (note 5)	832,000	640,000
	<u>6,732,151</u>	<u>5,917,363</u>

The average number of full time equivalent employees in the year was:

Medical staff	4	3
Nursing staff	117	123
Other clinical staff	20	20
Administration and support staff	27	24
Estate maintenance	11	11
Hotel services	65	63
	<u>244</u>	<u>244</u>

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

	Number	
Band of earnings	2005	2004
£60,000 - £69,999	1	0
£70,000 - £79,999	0	1
£80,000 - £89,999	2	1
£90,000 - £99,999	0	1
£100,000 - £109,000	1	0
£110,000 - £120,000	2	0

Of the above, the number of staff to whom retirement benefits are accruing under the defined benefit pension scheme at 31 December 2005 is six.



NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2005 - Continued

(e) Ex gratia payments

An ex gratia payment of £1,719 was made to one employee during the year.

(f) Other expenditure

	2005 £	2004 £
Other expenditure includes		
Amounts paid under operating leases:		
- land and buildings	35,785	34,000

5. Provision for Employees' Pensions

Actuarial Valuation

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

A full actuarial valuation of the scheme was carried out as at 31 December 2004 using the projected unit method. At 31 December 2004 the market value of the scheme's assets was £21,438,000. On an ongoing basis the scheme had a valuation surplus in respect of past service rights of £1,249,000, equivalent to an ongoing funding level of 106%. The assumptions used in the report are as follows:

	2004 valuation % per annum	2001 valuation % per annum
Investment return pre retirement	6.75	6.25
Investment return post retirement	5.25	6.25
Salary growth	5.00	4.50
Price inflation	3.00	2.50
Pensions increases	2.75	2.50

The company did not contribute to the scheme in the period ended 31 December 2005. Company contributions to the Scheme recommenced in January 2006. However, a review of the Scheme is currently underway with the objective of reducing the costs to the company.



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 – continued

5. Provision for Employees' Pensions - Continued

FRS 17 Details

The major assumptions used by the actuary were:

	2005	2004
Inflation assumption	3.00%	2.75%
Rate of increase in salaries	5.00%	4.25%
Discount rate	4.70%	5.25%
Rate of increase in pensions in payment where increases are linked to inflation	2.90%	2.75%

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

	Long term rate return expected at 31.12.05	Value at 31.12.05 £,000	Long term rate return expected at 31.12.04	Value at 31.12.04 £,000
Equities	7.00%	22,959	7.5%	18,782
Bonds	4.25%	2,026	4.5%	2,343
Property	7.00%	2	7.5%	2
Cash and net current assets	4.00%	482	4.0%	311
		<u>25,469</u>		<u>21,438</u>

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

	2005 £,000	2004 £,000
Total market value of assets	25,469	21,438
Present value of scheme liabilities	25,323	20,189
Surplus	<u>146</u>	<u>1,249</u>



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 – continued

5. Provision for Employees' Pensions - Continued

The FRS 17 surplus has decreased during the year ended 31 December 2005 as follows:

	2005 £,000	2004 £,000
Surplus in scheme at 1 January 2005	1,249	1,531
Movement in year:		
Current service cost	(832)	(640)
Contributions	-	-
Other finance income	441	396
Actuarial loss	(712)	(38)
Surplus in scheme at 31 December 2005	<u>146</u>	<u>1,249</u>

Analysis of the amount charged to Charitable Expenditure

Current service cost	<u>(832)</u>	<u>(640)</u>
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Analysis of the amount credited to other finance income

Expected return on pension scheme assets	1,512	1,395
Interest on scheme liabilities	<u>(1,071)</u>	<u>(999)</u>
Net return	<u>441</u>	<u>396</u>

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

Actual less expected return on scheme assets	2,943	630
Experience gains and losses arising on the scheme liabilities	<u>(650)</u>	<u>495</u>
Changes in assumptions underlying the present value of the scheme liabilities	<u>(3,005)</u>	<u>(1,163)</u>
Actuarial loss recognised in STRGL	<u>(712)</u>	<u>(38)</u>

Details of experience gains and losses for the year to 31 December 2005:

Difference between the expected and actual return on scheme assets	2,943	630
Percentage of scheme assets	12%	3%
Experience gains and losses on scheme liabilities	<u>(650)</u>	<u>495</u>
Percentage of the present value of scheme liabilities	-3%	2%
Total amount recognised in statement of total recognised gains and losses	<u>(712)</u>	<u>(38)</u>
Percentage of the present value of scheme liabilities	-3%	0%



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - continued

6. Fixed Assets

	Freehold land and buildings £	Short leasehold land and buildings £	Furniture plant, equipment vehicles £	Total £
Cost or Valuation				
At 1 January	8,749,686	-	2,247,376	10,997,062
Additions in year	176,860	65,682	240,014	482,556
At 31 December 2005	8,926,546	65,682	2,487,390	11,479,618
Depreciation				
At 1 January	102,109	-	1,620,549	1,722,658
Charge for the year	28,760	6,568	136,167	171,495
At 31 December 2005	130,869	6,568	1,756,716	1,894,153
Net book value				
At 31 December 2005	8,795,677	59,114	730,674	9,585,465
At 31 December 2004	8,647,577	-	626,827	9,274,404

The freehold land and buildings were valued as at 31 December 1998 by Messrs Weatherall Green and Smith and the valuations incorporated into the accounts. The operational properties were valued at £6.695m on a depreciated replacement cost basis. The temporarily non-operational properties included in fixed assets were valued at £355,000 on an open market basis, and at the valuation date were let producing rental income of £30,500 per annum. From that date up to the 31 December 2005 additions costing £1,876,546 have been capitalised and are included in the balance of £8,926,546 above.

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

On a historical cost basis the freehold land and buildings would have a net book value at 31 December 2005 of £4,294,873.



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - continued

7. Investments

	2005 £	2004 £
(a) Movements in Year at Market Value		
Market value at 1 January 2005	6,021,431	5,473,254
Acquisitions at cost	1,654,848	1,084,788
Disposals at book value	(1,144,140)	(921,119)
Net gains on revaluation at 31 December 2005	736,395	384,508
Market value at 31 December 2005	7,268,534	6,021,431
Historical cost		
At 31 December 2005	5,754,283	5,243,576
(b) Realised Gains in the Year		
Proceeds	1,506,125	955,064
Disposals at book value	(1,144,140)	(921,119)
	361,985	33,945
(c) Reconciliation of Movement in Unrealised Gains/Losses		
Unrealised gains at 1 January 2005	777,855	259,437
Less in respect of disposals in the period	(246,054)	133,910
Add net gains arising on revaluation in the period	982,450	384,508
Unrealised gains at 31 December 2005	1,514,251	777,855
(d) Analysis of Market Value		
Listed Securities - UK	5,170,354	4,416,897
- Overseas	1,894,781	1,430,822
Cash deposits	203,399	173,712
	7,268,534	6,021,431

Included within investments is a holding in BP plc representing 5.1% of the value of the portfolio at 31 December 2005.

(e) Investment in Joint Venture

The company owns 500 ordinary shares of £1 each in York House Ventures Limited representing 50% of its share capital. Further details relating to York House Ventures Limited are given in note 16.

8. Debtors	2005 £	2004 £
Trade debtors	995,248	776,228
Other debtor	35,000	-
Amount due from Joint Venture	286,754	250,817
The Retreat Benevolent Fund	2,084	-
	1,319,086	1,027,045



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - continued

9. Creditors: amounts falling due within one year	2005	2004
	£	£
Trade creditors	116,550	96,868
Accruals	184,059	203,996
Tax and social security	161,301	148,767
Patient fees in advance	6,957	6,129
Monies due to patients	140,187	149,706
	<u>609,054</u>	<u>605,466</u>

10. Unrestricted Funds

	Designated funds				
	General Fund	Tangible fixed asset fund	Development fund	Amenity Fund	Total
	£	£	£	£	£
At 1 January 2005	5,869,162	9,274,404	4,000,000	5,000	19,148,566
Incoming resources	8,976,890	-	-	-	8,976,890
Resources expended	(8,294,514)	-	-	-	(8,294,514)
Gains and losses	386,380	-	-	-	386,380
Transfers	(4,416,061)	311,061	4,100,000	5,000	-
At 31 December 2005	<u>2,521,857</u>	<u>9,585,465</u>	<u>8,100,000</u>	<u>10,000</u>	<u>20,217,322</u>

General Fund

	2005	2004
	£	£
General fund excluding pension asset	2,375,857	4,620,162
Pension asset	146,000	1,249,000
General fund	<u>2,521,857</u>	<u>5,869,162</u>

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

Tangible Fixed Assets Fund

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

Development Fund

An amount of £8,100,000 in total has been earmarked for capital projects for the development of care services at The Retreat, York. A further £4,100,000 was transferred from the General Fund during the year.

Amenity Fund

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



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - continued

10. Unrestricted Funds - continued

Transfers

	£	£
Net addition to tangible fixed asset fund		
Additions	482,556	
Depreciation	(171,495)	
		311,061
Transfer to amenity funds		5,000
Transfer to development fund		4,100,000
		<u>4,416,061</u>

11. Restricted Funds

	Library £	Shop £	Other Funds £	Patient Fees £	Total £
At 1 January 2005	5,448	6,695	21,667	-	33,810
Incoming resources	-	4,775	4,907	21,833	31,515
Expenditure during the period	(106)	(20)	(15,828)	(21,833)	(37,787)
Transfers between funds	-	(3,195)	3,195	-	-
Balance at 31 December 2005	<u>5,342</u>	<u>8,255</u>	<u>13,941</u>	<u>-</u>	<u>27,538</u>

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

Shop - This fund comprises amounts raised by the sale of refreshments from a shop staffed by volunteers. The monies are donated to the charity to be used for specific purposes, one of which is for the amenity fund. The transfer of £3,195 during the year represents a transfer to the amenity fund.

Patient Fees - This fund comprises grants received for patient care.

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

12. Analysis of Net Assets Between Funds

	Fixed assets £	Investment £	Net current assets £	Pension asset £	Fund balances £
Restricted funds	-	-	27,538	-	27,538
Unrestricted:					
Designated funds					
Tangible fixed asset fund	9,585,465	-	-	-	9,585,465
Development fund	-	7,269,034	830,966	-	8,100,000
Amenity fund	-	-	10,000	-	10,000
General fund	-	-	2,375,857	146,000	2,521,857
	<u>9,585,465</u>	<u>7,269,034</u>	<u>3,244,361</u>	<u>146,000</u>	<u>20,244,860</u>



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - continued

13. Operating leases

At 31 December 2005 the company had annual commitments under non cancellable operating leases as set out below.

	Land and buildings	
	2005	2004
	£	£
Operating leases which expire:		
Within one year	<u>36,380</u>	<u>34,000</u>

14. Capital commitments

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

	2005	2004
	£	£
Contracted for	0	110,000
Not contracted for	0	40,000
	<u>0</u>	<u>150,000</u>

15. Trustees' expenses and remuneration

Travel expenses reimbursed to Trustees	<u>2,846</u>	<u>3,005</u>
Number of Trustees reimbursed	<u>7</u>	<u>5</u>

The Trustees neither received nor waived any emoluments during the year. A premium of £1,850 for trustee indemnity insurance was paid by the Company during the year.

16. Joint Venture

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

The company's share of the results of the joint venture as at 31 December 2005 are as follows:

	£,000
Fee income and contributions received	1,880,902
Expenditure on charitable activities	(1,527,968)
Expenditure on management and administration	-
Share of net results	<u>352,934</u>

The company's share of the net assets of the joint venture as at 31 May 2005 (the figures as at 31 December 2005 are not available) are as follows:

	£,000
Fixed assets	81
Current assets	365
Liabilities due within one year	(445)
Provision for liabilities and charges	(1)
Net assets	<u>-</u>



NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2005 - continued

16. Joint Venture - continued

As all surpluses are distributed equally to the two joint venture partners, there are no net assets in the balance sheet at 31 December 2005 other than the share capital.

With effect from 1 June 2004 this joint venture has operated via a limited company, York House Ventures Limited a company whose share capital is owned 50% by The Retreat York and 50% by The Disabilities Trust.

17. Related Party Transactions

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

	2005	2004
	£	£
Services provided	108,649	101,186
Overheads recharged	1,534	67,310
Rent	117,117	108,589
	<u>227,300</u>	<u>277,085</u>

The amount owing by York House at 31 December 2005 in respect of services and unremitted surpluses is £286,754.