REGISTRAR OF COMPANIES

The Congregation of the Daughters of the Cross of Liege

Report and Accounts

31 March 2000



Company Registration Number
3492921

Charity Registration Number
1068661

Buzzacott

Contents

Reports

Legal and administrative information 1

Trustees' report 3

Auditors' report 10

Accounts

Statement of financial activities 11

Balance sheet 13

Cash flow statement 14

Principal accounting policies 16

Notes to the accounts 21

Legal and administrative information

Name	The Congregation of the Daughters of the Cross of Liege
Trustees	Sister Mary Kelly (Chairperson) Sister Veronica Hagen (appointed 5 June 2000) Sister Anne Kelly (appointed 5 June 2000) Sister Shirley Lowe (aka Sister Mary Agnes) (appointed 5 June 2000) Sister Patricia Madden (resigned 5 June 2000) Sister Margaret Martin (resigned 5 June 2000) Sister Erwina Meister (aka Sister Clare Joseph) (resigned 5 June 2000) Sister Kathleen O'Reilly (resigned 5 June 2000) Sister Elena Pettenuzzo OBE (Secretary) Sister Nilda Pettunuzzo (appointed 5 June 2000)
Provincial Superior	Sister Mary Kelly
Provincial Bursar	Sister Elena Pettenuzzo OBE
Company registration number	3492921
Charity registration number	1068661
Charity's registered address	29 Tite Street London SW3 4JX
Auditors	Buzzacott 12 New Fetter Lane London EC4A 1AG

Legal and administrative information

Investment managers	Merrill Lynch Investment Managers Limited 33 King William Street London EC4R 9AS
	AIB Investment Managers (UK) Ltd 51 Belmont Road Uxbridge Middlesex UB8 1RZ
	Bank of Ireland Asset Management Ltd 26 Fitzwilliam Place Dublin 2
	Davy Stockbrokers 49 Dawson Street Dublin 2
Principal bankers	Royal Bank of Scotland 127-128 High Holborn London WC1V 6PQ
Solicitors	Farrer & Co 66 Lincoln's Inn Fields London WC2A 3LH
	Gladstones 6 Gray's Inn Square London WC1R 5AZ

Trustees' report Year to 31 March 2000

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 2000.

Constitution

The Congregation of the Daughters of the Cross of Liege, "the charity", is a charitable company limited by guarantee under Company Number 3492921 and registered under Charity Number 1068661 The company was incorporated on 15 January 1998 and commenced its charitable activities on 1 April 1998.

Prior to this date, it carried out its activities through a charitable trust The Congregation of the Daughters of the Cross of Liege - English Province, operating under a trust deed dated 15 April 1910 and registered under the Charity Number 222289.

Objects

The charity is established for charitable and religious purposes.

In particular the charity seeks to:

- advance religion, by establishing and maintaining residences for the members of the Congregation
- advance education, by establishing and maintaining educational institutions in accordance with Canon 803 of the Code of Canon Law
- relieve poverty and suffering, by establishing and maintaining hospitals, hospices, nursing homes and residential homes for the sick, elderly and needy
- the advancement of religion, the advancement of education and the relief of poverty and suffering, by direct activity in the community and all other charitable means, including giving alms to the needy.

Organisation and structure

The Superior General of the Worldwide Congregation and the Provincial Superior of the English Province of the Congregation are the members of the company. In the event of the company being wound up, members are required to contribute an amount not exceeding £1. The Provincial Superior, together with her Provincial Council and Provincial Bursar, are the directors for the purposes of company legislation but they are referred to as trustees.

The day to day activities of the charity are under the control of the Provincial Superior. Authority is delegated to the Sister Superior of each house who appoints a management team responsible for running the activities of each daughter house.

In addition, each active house has an advisory committee to advise the Provincial Superior and management teams.

There are between three and ten trustees who hold office for three years, all of whom are eligible for re-election.

Activities and achievements

Overall summary

The transfer in mid-1999 of St Michael's Hospital and Marie Therese House, Hayle to the Royal Cornwall Hospitals Trust in July 1999, and the transfer in August 1999 of St Julia's Hospice, Hayle to the Mount Edgecumbe Hospice were the major transactions affecting the charity during the year. These are referred to in Note 19 to the accounts. As a result, the total income and expenditure of the charity fell by approximately £3,5m and the average number of employees fell by around 260.

The remaining activities of the charity continue with full vigour and are summarised below, together with brief details of the above mentioned transfers.

Hospitals

- St Anthony's Hospital, Cheam
  An acute hospital specialising in cardiology. It has 92 beds and has cared for 6,541 in-patients and 30,868 out-patients. The number of full-time employees was 444 and part-time was 250. The new imaging project (MRI Scanner) is due to be completed by Christmas 2000 at a total cost of £3.25 million.

- Holy Cross, Haslemere
  A hospital of 40 beds for the severely physically disabled and neurologically impaired – 35 long term and 139 short term patients have been cared for by 51 full-time and 72 part-time staff and helped by a group of 29 volunteers. The patients continue to enjoy the facility of the holiday cottage at Selsey on a daily basis. A special wing of the convent looks after the frail, elderly and sick sisters.

- St Joseph's, Haslemere
  A centre offering therapeutic programmes to adults with drug and alcohol problems. In this current year, 75 people, supported by 6 full-time and 7 part-time staff, have been cared for in this unit. 689 out-patients have been helped through counselling sessions.

- St Michael's Hospital and Marie Therese House, Hayle
  A rationalisation of the hospital activities took place during this year when the management of St Michael's Hospital was transferred to the Royal Cornwall Hospitals Trust under a lease agreement to be reviewed in 2002. Marie Therese House was transferred under the same agreement.

Hospices

- St Raphael's Hospice, Cheam
  The Hospice has cared for 359 in-patients and in addition, the Day Centre saw 1,763 patients during the year. The number of employees was 30 full-time and 51 part-time. Approximately 230 volunteers have also helped in many ways.

Activities and achievements (continued)

Hospices (continued)

- St Julia's Hospice, Hayle
  During the year, following the transfer of St Michael Hospital to NHS management, St Julia's was integrated with the long-standing Mount Edgcumbe Hospice so that jointly, they may provide excellent palliative care to terminally ill patients in West Cornwall.

Schools and care homes

- Mary Immaculate, Stillorgan, Dublin
  This was a school for the hearing impaired which closed in June 1998. Some of the buildings on site have been leased on a temporary basis to 2 other special schools, caring for children and young people suffering from autism. Negotiations are continuing with the Department of Education regarding the possibility of the Department extending the facilities to create a Centre for Autism on site.

- St Elizabeth's Centre, Much Hadham
  The centre comprises a non-maintained special school with boarding facilities for 80 pupils and a residential home for 104 adults, all suffering from severe epilepsy and associated handicaps. They have been cared for by 247 full-time and 127 part-time employees. They are assisted by 44 Community Service Volunteers and approximately 30 other volunteers.

  Current developments for which funds are being raised include the final bungalow for the home (£700,000) and a Multi-therapy Unit for the children (£250,000).

- St Wilfrid's Residential Home for the Elderly
  Home for 44 people aged 80 and over which, during this year, has cared for 57 residents with 18 full-time and 21 part-time staff. Approximately 10 volunteers assist with leisure activities. The completion during this year of the large and attractive garden lounge enables the residents to enjoy the garden throughout the year.

Province

The English Province of the Congregation consisted of 105 Sisters at 31 March 2000, and, as well as in the Houses mentioned above, Sisters reside in small houses situated in Jarrow, Bury, Blackley, Broadstairs, Blandchardstown (Dublin) and Tracy and Stockton in California. In these situations, the Sisters work in parishes, local schools and hospitals and carry out other charitable works.

Activities and achievements (continued)

Non aggregated activities

As explained in the "Basis of accounting" accounting policy on page 17, the financial results and the assets and liabilities of the following two activities, operating from property owned by the charity, are not included in these accounts.

- Holy Cross College, Bury, Lancashire
  A fully comprehensive 6th Form College offering tailor-made courses to suit the needs of all students. Currently there are 1,098 full time students aged 16–19 and a staff complement of 109. The Government's initiative for Wider Participation and Life-Time Learning has meant the college is now able to offer evening classes to adults who in their youth were not offered the opportunities available today. There are over 200 mature students following various courses such as IT, English for foreign students and adult literacy. All this has been made possible by the provision of a newly constructed Resource Centre housing an excellent library, an IT department and rooms for general studies.

- St Philomena's School, Carshalton
  A voluntary aided comprehensive school serving the Catholic girls of Sutton and its environs. There are 1,054 girls on roll with 211 in the 6th Form and a staff of 100. It has achieved Technology College status and recently received the Investors in People award. Plans are in operation to build a much needed school hall.

Services policy

The charity seeks to meet the needs of local communities within its objects by undertaking to provide, with the help of benefactors, the land and the majority of the capital plus the management infrastructure that is required to deliver the service. Thereafter, it is for the users of the facilities, government departments, local government and private funders to meet the costs of providing the services.

Financial comment

The statement of financial activities (page 11) shows that the total cost of the provision of services amounted to £32.3m (1999 - £35.8), whereas the operational income only reached £29.8m (1999 - £33.6m). The shortfall of operating income has been funded by a combination of voluntary income, investment income and the earnings and pensions of the Sisters (which are covenanted to the charity).

The trustees consider this state of affairs to be satisfactory and that the charity's reserves are adequate to fulfil its current obligations.

There is a continuing need in all the charity's activities to improve further the facilities to meet up-to-date standards, the requirements of clients and to raise the quality of services provided. As a result £1.9m (1999 - £5.4m) was invested in tangible fixed assets during the year. The majority of this was spent on buildings to house the new MRI scanner at St Anthony's and on improvements to St Elizabeth's Centre. A further £4.9m (1999 - £4.5m) is committed to be spent at 31 March 2000 on these two houses.

Value Added Tax

In common with other charities, the charity is unable to recover all the VAT incurred. The total burden of unrecovered VAT during the year amounted to £1.9m (1999- £2.6m).

Investment policy

Responsibility for the management of the portfolio is delegated to the investment managers who operate within the guidelines set down by the trustees, which are to maximise the long-term total return of the fund, subject to the risks normally associated with the management of a balanced portfolio.

The market value of the investment portfolio at 31 March 2000 was £19.0m (1999 - £19.0m) after the withdrawal of £1.7m.

The investment managers are listed on page 2. The guidelines and the portfolio performance are reviewed twice a year at a formal meeting between the trustees and the investment managers.

The Provincial Bursar is a member of the Catholic Working Party affiliated to the Christian Ethical Investment Group. Through this medium, the trustees can bring to the directors of companies included in the investment portfolio, the views of charities regarding ethical issues.

Reserves policy

The trustees are conscious of the requirement to balance the needs of present beneficiaries of the charity against those in the future. This means that they have to consider and decide the level of net incoming resources needed to be retained each year to invest in future development.

In view of the size and cost of capital developments to meet changes in care provision or school needs, capital appeals may be required from time to time to ensure the necessary funds are available.

The balance sheet shows that £51.5m of the charity's funds are tied up in tangible fixed assets, mostly in land and buildings. This is represented predominantly by designated funds.

Other designated funds are established out of general funds for specific purposes where there is a capital commitment, or a need to provide funding for a specific purpose. These purposes include the Sisters' retirement fund of £6.0m, a maintenance and repairs fund of £7.3m and a capital commitments fund of £4.9m.

The resultant balance on the general fund of £3.8m (1999 - £2.8m) represents the "free reserves" available to the charity for day to day working capital requirements. This represents around 43 days (1999 – 27 days) of the charity's total annual expenditure. Although this is currently satisfactory, the trustees consider 50 days to be more acceptable and are thus aiming to raise the free reserves to this level.

Future developments and events since 31 March 2000

The financial comment section above makes clear that there is a continual need to improve the facilities at all the charity's activities and houses. The major continuing and new developments since 31 March 2000 include:

- The continuation and near completion of the MRI scanner at St Anthony's Hospital, Cheam
- The continuation of the building of the new school hall at St Philomena's, Carshalton
- The completion of the staff accommodation project at St Elizabeth's Centre, Much Hadham
- The completion of the dining room extension at St Wilfrid's, Chelsea
- The development of a plan for the accommodation of the Sisters at Hayle, Cornwall in the light of the future of the Hospital there.
- A rationalisation of the property portfolio in Stillorgan, Eire now that the charity no longer manages school activities on that site.
- Approval for the building of a new teaching centre at Holy Cross College, Bury

The Trustees are aware of the publication by the Charity Commission of the revised version of the Charity SORP but, as the accounts were virtually complete when it was published, no changes have been made to these accounts. The trustees in due course review the SORP and any necessary changes will be made next year.

The Trustees are also aware of the forthcoming introduction of Stakeholder Pensions. This development is being addressed across the daughter houses and, where necessary, pension arrangements offered to employees will be amended.

Trustees' responsibilities statement

Law applicable to incorporated charities in England and Wales requires the trustees (who are directors of the company for the purposes of the Companies Act), to prepare accounts for each financial year which give a true and fair view of the state of the charity and of the income and expenditure of that period. In preparing those 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 believe they have fulfilled these requirements.

The trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and to enable them to ensure that the accounts 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.

Trustees' report Year to 31 March 2000

Trustees

The trustees who served during the year and details of resignations and appointment subsequent to the year end are listed under legal and administrative information on page 1. No trustee had any beneficial interest in any contract with the charity and received no remuneration for their services although, as explained in note 3 on page 23, the trustees, as Sisters of the Congregation, are provided for by the charity.

Employees

The Congregation 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 our commitment, we ensure that our recruitment and selection policies avoid direct or indirect discrimination and comply with the Sex Discrimination, the Race Relations and the Disability Discrimination Acts. We aim 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, together with the management teams, aim to keep employees informed and involved through regular meetings and newsletters.

Auditors

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

Thanks

Finally, 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 houses, the efforts of all the full-time and part-time volunteers, or without the continuing generosity of their benefactors. To them all, they offer their thanks and their prayers.

Signed on behalf of the trustees

M. B. Kelly

Sister Mary Kelly
PROVINCIAL SUPERIOR

Approved by the trustees on:

3-12-00

Auditors' report 31 March 2000

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

We have audited the accounts on pages 11 to 34 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 20.

Respective responsibilities of trustees and auditors

As described on page 8 the trustees, who are also 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. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 that 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.

Opinion

In our opinion the accounts give a true and fair view of the state of the charity's affairs as at 31 March 2000 and of its incoming resources and application of resources including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Buzzacott

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

7 December 2000

Statement of financial activities Year to 31 March 2000

	Notes	Unrestricted funds: General fund £'000	Unrestricted funds: Designated funds £'000	Restricted funds £'000	2000 Total £'000	1999 Total £'000
Income and expenditure						
Incoming resources	1					
Operational income		29,064	—	769	**29,833**	33,647
Voluntary income		147	—	1,689	**1,836**	2,508
Investment income		665	—	81	**746**	849
Community income		1,018	—	—	**1,018**	1,016
Rent receivable and other income		420	—	7	**427**	265
Gain on sale of fixed assets		4	—	—	**4**	15
Total incoming resources		31,318	—	2,546	**33,864**	38,300
Resources expended	2					
Direct charitable expenditure						
. Hospitals		20,230	—	71	**20,301**	24,103
. Homes		4,534	—	20	**4,554**	4,051
. Hospices		—	—	1,945	**1,945**	1,939
. Schools		3,205	—	—	**3,205**	3,176
. Support of members of the Congregation		1,124	—	(19)	**1,105**	1,319
. Support of members worldwide		21	—	—	**21**	23
. Grants and donations		385	—	(100)	**285**	281
. Transfers to other organisations	19	—	—	—	—	2,683
		29,499	—	1,917	**31,416**	37,575
Other expenditure	2					
. Fundraising and publicity		161	—	516	**677**	770
. Management and administration of the charity		418	—	55	**473**	415
		579	—	571	**1,150**	1,185
Total resources expended		30,078	—	2,488	**32,566**	38,760
Net incoming (outgoing) resources before transfers		1,240	—	58	**1,298**	(460)
Transfers between funds	10,11,12	(681)	736	(55)	—	—
Net incoming (outgoing) resources for the year		559	736	3	**1,298**	(460)
Realised gains (losses) on investments		84	—	(10)	**74**	(206)
Statement of total recognised gains and losses						
Net income (expenditure)		643	736	(7)	**1,372**	(666)
Unrealised gains (losses) on investments	6	502	—	(6)	**496**	679
Unrealised (losses) gains on revaluation of land and buildings	5	(29)	—	—	**(29)**	5,264
Net movement in funds		1,116	736	(13)	**1,839**	5,277
Balances brought forward at 1 April 1999		2,826	67,521	4,177	**74,524**	69,247
Balances carried forward at 31 March 2000		3,942	68,257	4,164	**76,363**	74,524

Statement of financial activities Year to 31 March 2000

Historical cost net movement in funds	2000 £'000	1999 £'000
Net movement in funds (page 11)	**1,839**	5,277
Difference between historical cost depreciation charge and the actual depreciation charge calculated on the revalued amounts	**(219)**	492
Unrealised (gains) on investments	**(496)**	(679)
Unrealised losses (gains) on freehold land and buildings	**29**	(5,264)
Difference between historical cost realised gains and the actual realised gains calculated on the revalued amounts	**1,222**	1,143
Historical cost net movement in funds	**2,375**	969

Continuing operations

All of the Province's activities during the year represented continuing operations although, as explained in note 19, during the year one hospital and one hospice have been transferred to other organisations.

Balance sheet 31 March 2000

	Notes	2000 £'000	2000 £'000	1999 £'000	1999 £'000
Fixed assets					
Tangible fixed assets	5		**51,538**		51,764
Investments	6		**19,043**		18,997
			70,581		70,761
Current assets					
Stocks		**617**		789	
Debtors	7	**3,867**		4,280	
Cash at bank and in hand		**5,068**		3,993	
		9,552		9,062	
Creditors: amounts falling due within one year	8	**3,619**		5,101	
Net current assets			**5,933**		3,961
Total assets less current liabilities			**76,514**		74,722
Creditors: amounts falling due after one year	9		**151**		198
Total net assets			**76,363**		74,524
Represented by:					
Funds and reserves					
Restricted funds	10				
. Fixed asset fund		**2,364**		2,436	
. Other		**1,800**		1,741	
			4,164		4,177
Unrestricted funds					
. Designated funds	11				
.. Fixed asset fund		**49,174**		49,328	
.. Other		**19,083**		18,193	
			68,257		67,521
. General fund	12		**3,942**		2,826
Total funds			**76,363**		74,524

Signed on behalf of the trustees:

M. B. Kelly

Sister Mary Kelly
TRUSTEE AND PROVINCIAL SUPERIOR

E. Pettenuzzo

Sister Elena Pettenuzzo
TRUSTEE

Date of approval: 3-12-00

Cash flow statement Year to 31 March 2000

	Notes	2000 £'000	1999 £'000
Cash inflow from operating activities	A	**1,908**	1,692
Return on investments and servicing of finance			
Investment income		**746**	849
Exchange movement on deposits		**(254)**	135
Capital expenditure and financial investment	B	**(27)**	(3,431)
		2,373	(755)
Financing			
Repayment of medium term grant		**—**	(500)
(Decrease) in bank loans		**(47)**	(48)
Increase (decrease) in cash	C	**2,326**	(1,303)

Notes to the cash flow statement for the year to 31 March 2000.

A Reconciliation of net incoming (outgoing) resources before transfers to net cash inflow from activities

	2000 £'000	1999 £'000
Net incoming (outgoing) resources before transfers	**1,298**	(460)
Depreciation charge	**2,016**	2,314
Net profit on disposal of tangible fixed assets	**(4)**	(15)
Investment income	**(746)**	(849)
Decrease in stocks	**172**	12
Decrease (increase) in debtors	**413**	(820)
(Decrease) in creditors	**(1,241)**	(533)
Transfers to other organisations	**—**	2,043
Net cash inflow from operating activities	**1,908**	1,692

Cash flow statement Year to 31 March 2000

B Gross cash flows

	2000 £'000	1999 £'000
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(1,874)**	(5,392)
Receipts from sales of tangible fixed assets	**61**	83
Payments to acquire investments	**(3,210)**	(2,511)
Receipts from the disposal of investments	**4,996**	4,389
	(27)	(3,431)

C Analysis of changes in net funds

	At 1 April 1999 £'000	Cash flows £'000	At 31 March 2000 £'000
Cash at bank and in hand	3,993	1,075	**5,068**
Cash held by investment managers	3,609	1,009	**4,618**
Loans and overdrafts	(805)	242	**(563)**
	6,797	2,326	**9,123**
Debt due after one year	(198)	47	**(151)**
Total	6,599	2,373	**8,972**

Principal accounting policies 31 March 2000

Scope

The accounts incorporate and aggregate the results of the Provincial House together with the other houses and activities ('daughter houses'), which are:

Activity	Name
Hospitals	
Cheam, Surrey	St Anthony's
Haslemere, Surrey	Holy Cross
	St Joseph's (treatment for alcohol and other drugs dependency)
Hayle, Cornwall (until 30 June 1999 - see note 19)	St Michael's
	Marie Therese House (rehabilitation unit for severely disabled)
Hospices	
Cheam, Surrey	St Raphael's
Hayle, Cornwall (until 30 September 1999 - see note 19)	St Julia's
School	
Much Hadham, Hertfordshire	St Elizabeth's Centre (School for those affected by epilepsy)
Homes	
Much Hadham, Hertfordshire	St Elizabeth's Centre (Home for those affected by epilepsy)
Chelsea, London	St Wilfrid's (Residential home for the elderly)
Other convents	
Blackley, Manchester	
Blanchardstown (Dublin), Eire	
Broadstairs, Kent	
Bury, Lancashire	
Carshalton, Surrey	
Donaghmore, Northern Ireland	
Jarrow, Tyne and Wear	
Stockton, California, USA	
Beech Park, Stillorgan, Eire	
Tracy, California, USA	

The accounts do not include the results and net assets of St Philomena's School, Carshalton or Holy Cross College , Bury (see page 17).

Principal accounting policies 31 March 2000

Basis of accounting

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention, as modified by the revaluation of certain fixed assets.

Statement of Recommended Practice

The accounts have been prepared in accordance with the recommendations set out in the Statement of Recommended Practice (SORP) on "Accounting by Charities" issued by the Charity Commission in October 1995.

St Philomena's School, Carshalton

The Provincial Superior appoints the Foundation Governors of the school and the charity owns the school premises. The income, expenditure, non property assets and liabilities of the school have not been incorporated as, being a Voluntary Aided School (and previously a grant maintained school), it is an exempt charity under the Schools Standards and Framework Act 1998 (and therefore a separate legal entity); the income, expenditure and management of the school is under the control and responsibility of the school's Board of Governors.

Holy Cross College, Bury

The charity owns the property at Holy Cross College, Bury, Lancashire, which is a sixth form college funded by the Further Education Funding Council (FEFC); it is a "designated college" under the Further and Higher Education Act 1992. The Provincial Superior has the power to appoint a majority of the Governors, but the charity does not exercise management control over the college and derives no financial benefit from its activities.

Its income, expenditure, non-property assets and liabilities are not, therefore, incorporated in these accounts. Information about its financial activities is given in note 17.

Incoming resources

- Operational income is derived from fees issued to individuals, health insurance companies, Social Services, Health and Education authorities, other similar income. It is included in income in the period to which it relates and excludes VAT.
- Voluntary income represents that given by individuals, corporations and trusts by way of legacies, donations, deeds of covenant and gift aid, together with the turnover from sales in charity shops. With the exception of legacies, it is credited to the statement of financial activities in the year in which it is received, together with any tax recoverable. Legacies are credited to the statement of financial activities once the charity has been notified of its entitlement to the income and the value of the legacy can be estimated with reasonable accuracy.
- Investment income, representing dividends and interest, is credited to the statement of financial activities when receivable together with any associated tax recoverable.

Incoming resources (continued)

- Community income is predominantly the income donated by the Sisters of the charity which arises from their salaries, earned working at daughter houses and in other organisations, and their pensions. It is included in income when receivable.
- Rents receivable and other income are credited to the statement of financial activities on an accruals basis.

Resources expended

- Costs incurred in the provision of each specific charitable activity of the charity are disclosed by activity. Examples include the costs of providing hospital care, such as nursing costs, medical supplies and premises costs, and the costs of providing education, such as teaching and related premises costs.
- Support of members expenditure is that related to the subsistence and welfare of the Sisters living in the UK, Ireland and the USA and the related premises costs, which enable them to carry out their charitable works, together with contributions to the Worldwide Congregation.
- Fundraising and publicity costs include the costs of advertising and marketing and the running costs of the charity shops, as well as the salaries of fundraising staff.
- Management and administration costs are those incurred in connection with the management of the charity's assets and include the costs of compliance with constitutional and statutory requirements. The organisation and control of the charity is carried out by the trustees who are not remunerated for their work.

Pension costs

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.

Contributions in respect of defined benefit schemes are charged to the statement of financial activities so as to spread the cost of pensions over employees' working lives with the charity.

Principal accounting policies 31 March 2000

Tangible fixed assets

Tangible fixed assets, with the exception of freehold land and buildings at which the principal activities of the charity are carried out, are stated at cost.

Freehold land and buildings at which the charitable activities are carried out were revalued at 31 March 1999. Subsequent additions are included at cost. As the costs of having professional valuations are considerable, the trustees have decided, as allowed by accounting regulations, not to adopt a policy of regular valuation.

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:

Leasehold property	over the period of the lease
Freehold buildings	2-4% on cost or revaluation
Computer equipment, fixtures and fittings	15-33.3% on cost
Motor vehicles	20% on cost

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

Investments

Investments are included in the accounts at market value. Gains and losses on investments included in the statement of financial activities are computed by reference to the market value of investments at the beginning of the year. Those gains/losses created by the sale of investments are shown as realised gains/losses.

Stocks

Stocks, representing mainly medical supplies, are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the net movement in funds.

Principal accounting policies 31 March 2000

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. Once the purposes have been fulfilled they are released to unrestricted funds.

The restricted funds include the funds of the charity's one remaining hospice (see note 10).

Designated funds

Designated funds are those funds earmarked by the trustees for a specific purpose, although 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 objectives.

Notes to the accounts 31 March 2000

1 Incoming resources

	Unrestricted funds £'000	Restricted funds £'000	**Total funds 2000 £'000**	Total funds 1999 £'000
Operational income				
. Fees	18,086	619	**18,705**	19,379
. Health, Education and Local Authorities	10,978	150	**11,128**	14,268
	29,064	769	**29,833**	33,647
Voluntary income				
. Legacies	86	269	**355**	731
. Appeals and donations	61	924	**985**	1,422
	147	1,193	**1,340**	2,153
. Charity shops	—	496	**496**	355
	147	1,689	**1,836**	2,508
Investment income				
. UK equities	306	3	**309**	307
. UK fixed interest	82	18	**100**	160
. UK unit trusts	24	1	**25**	26
. Overseas equities	2	—	**2**	30
. Overseas unit trusts	9	—	**9**	8
. Bank interest	242	59	**301**	318
	665	81	**746**	849
Community income				
. Salaries and pensions donated by Sisters	1,016	—	**1,016**	981
. Other	2	—	**2**	35
	1,018	—	**1,018**	1,016
Rents receivable and other income	420	7	**427**	265
Gain on sale of fixed assets	4	—	**4**	15
Total incoming resources	31,318	2,546	**33,864**	38,300

Included in sisters salaries and pensions is £353,656 (1999 - £378,802) which was earned from activities run by the charity.

2 Analysis of total resources expended

Expenditure	Staff costs £'000	Depreciation £'000	Premises £'000	Supplies & services £'000	Other costs £'000	**Total 2000 £'000**	Total 1999 £'000
Functional costs							
. Hospitals	11,532	1,500	325	6,811	227	**20,395**	24,103
. Homes	3,331	218	402	578	25	**4,554**	4,051
. Hospices	1,538	97	56	181	73	**1,945**	1,939
. Schools	2,499	117	183	372	34	**3,205**	3,176
. Support of members of the Congregation	122	67	200	507	209	**1,105**	1,319
. Support of members Worldwide	—	—	—	21	100	**121**	23
Grants and donations	—	—	—	—	185	**185**	281
Transfers to other organisations	—	—	—	—	—	—	2,683
	19,022	1,999	1,166	8,470	853	**31,510**	37,575
Fundraising and publicity	360	17	20	102	178	**677**	770
Management and administration of the charity	—	—	—	379	—	**379**	415
	19,382	2,016	1,186	8,951	1,031	**32,566**	38,760
1999	21,483	2,314	4,427	9,222	1,314	**38,760**	

The 1999 figure for premises, excluding transfers to other organisations (see note 19) was £1,744.

Support of members worldwide includes a grant to the Cameroon Foundation towards a new activity in West Africa which has been established by the Worldwide Congregation, with sisters mainly transferring from India, to help relieve suffering and the poor in that country.

Grants and donations comprise amounts payable to:

	2000 £'000	1999 £'000
Holy Cross College, Bury	**108**	163
St Philomena's Carshalton Charitable Trust Limited	**65**	118
Other	**12**	—
	185	281

Holy Cross College, Bury
This relates to interest accruing on the unpaid element of the original grant made to meet the cost of a new learning resources centre at the college.

St Philomena's Carshalton Charitable Trust Limited
This grant was made to meet the costs of repairs and maintenance at St Philomena's School, Carshalton.

2 Analysis of total resources expended (continued)

The transfers to other organisations are explained in note 19.

Included in supplies and services are payments to auditors for audit fees of £105,945 (1999 - £117,702) and for fees for other financial services of £113,994 (1999 - £115,097). Auditors' fees are in respect of all auditors used by the charity and represent the audit fees of the Provincial House, the individual houses and the overall accounts of the charity.

Included in other costs is interest payable of £51,529 (1999 - £63,628).

3 Staff costs and trustees' remuneration

	2000	1999
	£'000	£'000
Wages and salaries	**16,889**	19,004
Social security costs	**1,303**	1,497
Pension costs	**378**	367
Other staff related costs	**812**	615
	19,382	21,483

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

The trustees are Sisters of the Congregation and, therefore, 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 within the charity. The trustees are not remunerated for their work as trustees.

The average number of employees, analysed by function was:

	2000	1999
Direct charitable activity		
. Hospitals	**796**	967
. Homes	**264**	261
. Hospices	**63**	85
. Schools	**143**	161
	1,266	1,474
Fundraising and publicity	**28**	31
	1,294	1,505
Full-time	**684**	905
Part-time	**610**	600
	1,294	1,505

3 Staff costs and trustees' remuneration (continued)

The number of employees who earned £40,000 per annum or more (including benefits) during the year was as follows:

	2000	1999
£40,000 - £50,000	**4**	8
£50,001 - £60,000	**2**	—
£60,001 - £70,000	**—**	1
£70,001 - £80,000	**—**	1
£80,001 - £90,000	**1**	—
£90,001 - £100,000	**1**	2

At 31 March 2000, the charity had 105 Sisters (1999 - 108) and their charitable activities were supported by approximately 450 full time and part-time volunteers.

4 Taxation

The charity is registered and therefore is not liable to income tax or capital gains tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered 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 £1.9m (1999 - £2.6m).

5 Tangible fixed assets

	Leasehold property £'000	Freehold land and buildings £'000	Computer equipment, fixtures and fittings £'000	Motor vehicles £'000	**Total £'000**
Cost or valuation					
At 1 April 1999	79	48,776	10,920	416	**60,191**
Additions	14	1,329	413	118	**1,874**
Disposals	(38)	—	(104)	(53)	**(195)**
Revaluation	--	(36)	—	—	**(36)**
Exchange movement	—	(33)	—	—	**(33)**
At 31 March 2000	55	50,036	11,229	481	**61,801**
At cost	55	2,396	11,229	481	**14,161**
At valuation – 1999	—	47,640	—	—	**47,640**
	55	50,036	11,229	481	**61,801**
Depreciation					
At 1 April 1999	48	30	8,063	286	**8,427**
Charge for year	8	1,074	856	78	**2,016**
Disposals	(33)	—	(91)	(49)	**(173)**
Revaluation	—	(7)	—	—	**(7)**
At 31 March 2000	23	1,097	8,828	315	**10,263**
Net book value					
At 31 March 2000	**32**	**48,939**	**2,401**	**166**	**51,538**
At 31 March 1999	31	48,746	2,857	130	51,764

The net book value at 31 March 2000 represents fixed assets used for the following purposes:

Direct charitable	—	48,882	2,375	166	**51,423**
Fundraising and publicity	32	57	26	—	**115**
	32	48,939	2,401	166	**51,538**

The net book value of assets used for the management and administration of the charity is considered by the trustees to be insignificant. Although the freehold property at St Michael's is subject to a lease from which there is rent receivable, the property is still being used as a hospital and the trustees regard it as an asset being used for their charitable purposes.

Freehold land and buildings at St Michael's Hospital were revalued by the trustees on 31 March 1999 based on a valuation performed as part of the arrangement for the transfer of the hospital to the Royal Cornwall Hospitals Trust, which now lease the buildings (see note 19).

The bases of revaluation in all cases were depreciated replacement cost for specialist buildings and existing use value for non specialist buildings.

5 Tangible fixed assets (continued)

The valuation of the land and buildings included in these accounts, with the exception of St Michael's Hospital, have been prepared in accordance with the requirements and procedures specified by the Royal Institution of Chartered Surveyors as contained in the Appraisal and Valuation Manual, and by qualified external valuers as defined by the Manual.

The date of the valuations in all cases is 31 March 1999. The revaluation movement relates to property which, although valued at 31 March 1999, was not revalued in last year's accounts.

Included in the valuation of freehold land and buildings is an amount for land at a valuation of £8,810,000.

6 Fixed asset investments

	2000 £'000	1999 £'000
Market value of listed investments at 1 April 1999	**15,388**	16,928
Additions at cost	**3,210**	2,510
Disposals at opening book value (proceeds: £4,996,000; gain: £73,000)	**(4,923)**	(4,594)
Net unrealised investment gains	**750**	544
Market value of listed investments at 31 March 2000	**14,425**	15,388
Cash held by investment managers for investment	**4,618**	3,609
	19,043	18,997
Historical cost of listed investments as at 31 March 2000	**11,834**	12,325

Net unrealised gains are made up as follows:

	2000 £'000	1999 £'000
Net unrealised investments gains	**750**	544
Exchange (loss)/gain on cash held by investment managers	**(254)**	135
	496	679

The exchange losses arise from investments and deposits held in Euros.

Analysis of listed investments at market value at 31 March 2000:		
UK equities	**8,574**	9,145
UK fixed interest	**1,649**	2,200
Overseas equities	**590**	1,034
Overseas fixed interest	**2,327**	1,826
Unit trusts overseas	**1,285**	1,183
	14,425	15,388

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

6 Fixed asset investments (continued)

Included in the investment portfolio are the following investments, which are in excess of 5% of the value of the portfolio:

	% of portfolio valuation	2000 £,000
33 KWS Growth and Recovery Incorporated Unit trust	13.0	**1,879**
AIB Unit Trust UK Ground Equity Trust	10.0	**1,449**
Charinco Distribution Units	9.7	**1,401**
33 KWS Overseas Fund International Unit Trust	5.4	**775**

7 Debtors

	2000 £'000	1999 £'000
Amounts recoverable within one year		
Operational debtors	**2,922**	3,707
Grants receivable	**222**	—
Other debtors	**363**	216
Prepayments	**360**	357
	3,867	4,280

8 Creditors: amounts falling due within one year

	2000 £'000	1999 £'000
Operational creditors	**1,065**	1,233
Social security and other taxes	**386**	450
Sundry creditors and accruals	**1,564**	1,833
Income received in advance	**—**	188
Bank loans (see note 9)	**48**	48
Bank overdrafts	**515**	757
	3,578	4,509
Amount due to non-aggregated activities		
. Holy Cross College (see note 17)	**41**	592
	3,619	5,101

9 Creditors: amounts falling due after more than one year

	2000 £'000	1999 £'000
Bank loans	**151**	198

9 Creditors: amounts falling due after more than one year (continued)

The bank loans were provided by the National Westminster Bank plc to finance the building of staff and classroom accommodation at St Elizabeth's Centre. The interest rates of the loans are between 10% p.a. and 11% p.a.. The loans will be fully repaid between the years 2002 and 2017 at the current rate of monthly instalments.

10 Restricted funds

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

		Other			
	Hospice fixed asset fund £'000	Hospice General funds £'000	Development funds £'000	Sundry funds £'000	**Total £'000**
At 1 April 1999	2,436	339	966	436	**4,177**
Net (outgoing) incoming resources before transfers	—	(233)	305	(14)	**58**
Transfer between restricted funds	(72)	72	—	—	—
Transfer restricted/general	—	—	(73)	18	**(55)**
(Losses)/Gains on investments					
. Realised	—	(10)	—	—	**(10)**
. Unrealised	—	(20)	—	14	**(6)**
At 31 March 2000	2,364	148	1,198	454	**4,164**

Upon completion of capital projects funded by restricted monies, a transfer is made from restricted funds to general fund as the specific purpose of the fund has been fulfilled.

- Hospice fixed asset fund

  This fund reflects the net book value of tangible fixed assets at the charity's one remaining hospice.

- Hospice general funds

  The general fund of the hospice, St Raphael's, can only be applied to the benefit of the hospice and is, therefore, restricted.

- Development funds

  Development funds are those donated to two houses for the redevelopment of buildings and equipment which were unspent at the year end.

- Sundry funds

  The sundry restricted funds relate to many small funds held by the individual houses and include Sisters' patrimony, restricted legacies and a bursary fund.

The charity's other hospice, St Julia's, has been transferred to Mount Edgcumbe Hospice, details of which are explained in note 19.

11 Designated funds

		Other				
	Fixed asset fund £'000	Sisters' retirement fund £'000	Maintenance and repairs fund £'000	Capital commitments fund £'000	Sundry funds £'000	**Total £'000**
At 1 April 1999	49,328	5,604	7,300	4,481	808	**67,521**
Transfers						
. General/designated	(154)	382	20	445	43	**736**
At 31 March 2000	49,174	5,986	7,320	4,926	851	**68,257**

The designated funds have been set aside out of unrestricted funds by the trustees for specific 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 properties is therefore not readily realisable and to reflect that, their net book value, excluding that part represented by restricted funds, has been established as a designated fund.

- Sisters' retirement fund

  Monies earmarked to fund the cost of future maintenance of ageing Sisters who no longer work.

- Maintenance and repairs fund

  The estimated cost of future long-term maintenance of the charity's buildings in accordance with the plans for them.

- Capital commitments fund

  Amounts committed as authorised capital works and projects which have been planned and agreed, at 31 March 2000.

- Sundry funds

  These relate to other designated funds established by the individual houses.

12 General fund

	£'000	£'000
At 1 April 1999		**2,826**
Net incoming resources before transfers		**1,240**
Transfer from restricted funds	**55**	
Transfer to designated funds	**(736)**	
		(681)
		3,385
Gains on investments:		
. Realised		**84**
. Unrealised		**502**
Unrealised (losses) on the revaluation of land and buildings		**(29)**
At 31 March 2000		**3,942**

13 Analysis of total net assets between funds

	General fund £'000	Designated funds £'000	Restricted funds £'000	**Total funds £'000**
(a) Fund balances at 31 March 2000 are represented by:				
Tangible fixed assets	—	49,174	2,364	**51,538**
Fixed asset investments	3,818	14,157	1,068	**19,043**
Other net assets	124	4,926	732	**5,782**
Total net assets	3,942	68,257	4,164	**76,363**
(b) Unrealised gains included above:				
On tangible fixed assets	—	10,627	996	**11,623**
On investment assets	494	1,835	262	**2,591**
Total unrealised gains at 31 March 2000	494	12,462	1,258	**14,214**
(c) Reconciliation of movements in unrealised gains:				
Unrealised gains at 1 April 1999	502	13,396	1,586	**15,484**
Deduct in respect of disposals in year	(110)	(1,305)	(322)	**(1,737)**
	392	12,091	1,264	**13,747**
Net gains arising on revaluation in year	102	371	(6)	**467**
Unrealised gains at 31 March 2000	494	12,462	1,258	**14,214**

14 Pension commitments

A number of the daughter houses operate separate pension schemes, providing pensions under both defined benefits and defined contribution schemes.

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

Details of the contributions are as follows:

House	Type of Scheme	Administrator	Contributions in year 2000 £'000	1999 £'000
St Elizabeth's Centre	Defined benefits	Teachers' Pension Agency	**34**	37
St Elizabeth's Centre	Defined benefits	The Pensions Trust	**143**	117
St Anthony's Hospital	Defined contributions	Abbey National Benefit Consultants Limited	**155**	151
			332	305
Smaller schemes/contributions to smaller pension plans			**46**	62
			378	367

Teachers' Pension Agency (TPA)

The Teachers' Superannuation Scheme (TSS) is a statutory, contributory, contracted-out, final salary scheme administered by the TPA, an executive agency of the Department for Education.

Every five years, the Government Actuary (GA), using normal actuarial principles, conducts an actuarial review of the TSS. The latest valuation of the TSS was for the period 1 April 1991 to 31 March 1996. The GA's report of June 1999, revealed that the total estimated liabilities of the Scheme amounted to £65,670 million. The value of the assets was £61,710 million. The GA concluded that the deficiency of £3,960 million could be eliminated by supplementary contributions by employers of 0.4% of pay from 1 April 2000 to 31 March 2002 and of 1.35% from 1 April 2002 to 31 March 2040.

14 Pension commitments (continued)

The Pensions Trust

The Pensions Trust is a pension scheme for charities and voluntary organisations, which provides retirement benefits for eligible employees based upon final pensionable salaries. The assets of the scheme are held in a trustee-administered fund. The scheme is not a contracted-out scheme.

Contributions payable by St Elizabeth's Centre are determined on the basis of triennial valuations carried out by a qualified actuary.

The last valuation of the assets and liabilities of The Pensions Trust was made as at 30 September 1999, using the projected unit method.

The market value of the fund's assets at the valuation date was £1,918,000, giving rise to a past service surplus of £9,000 and a funding level of 96%. Employer's contribution rate of 10.7% of members' pensionable salaries was recommended and this will be implemented from 1 October 2000. The regulatory timetable requires that the future service contribution rate be agreed by 30 September 2000. From 1 October 2000 new members joining the scheme will not have the flexible retirement option and the employer's contribution rate for these members will be 8.8%.

15 Capital commitments

	2000	1999
	£'000	£'000
The capital commitments at 31 March 2000 were:		
Contracted but not provided for in the accounts	**3,364**	116
Authorised but not contracted for	**1,562**	4,365
	4,926	4,481

These commitments are in respect of the following developments:

	£'000	£'000
St Anthony's Hospital – mainly imaging project	**3,727**	3,900
St Elizabeth's Centre – mainly bungalow and multi therapy unit	**1,199**	267
Provincial House – refurbishment of convent at Stillorgan	**—**	314
	4,926	4,481

16 Contingent liabilities

There are potential liabilities to repay various 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 2000 there is no intention to sell any of the buildings and, in the view of the trustees, any breach of any agreement is unlikely.

17 Related party disclosures

Sisters

The costs of the welfare and well-being of the Sisters of the Congregation are met by the charity. The trustees who include, the Provincial Superior and the Provincial Bursar, are not remunerated for their work for the charity. Those Sisters who work in the various houses carrying on charitable activities are paid a salary in accordance with the relevant pay scales. These salaries are covenanted to the charity and included as income.

Worldwide Congregation

The charity is a member of the worldwide Congregation of the Daughters of the Cross of Liege. Included under Support of Members in the statement of financial activities is a contribution of £21,000 (1999 - £23,000) for the benefit of Sisters outside the English charity.

St Philomena's School and St Philomena's Carshalton Charitable Trust Limited

The charity owns the land and buildings occupied by St Philomena's School, Carshalton, and it does not charge rent to the school for occupying the buildings. The school governors are responsible for all income, expenditure, non property assets and liabilities. St Philomena's Carshalton Charitable Trust Limited exists to enhance the educational facilities at St Philomena's School. During the year the charity made a grant of £65,000 (1999 - £118,000) to the school for repairs and maintenance (see note 2)

Holy Cross College

The charity owns the land and buildings occupied by Holy Cross College, Bury, and it does not charge rent to the college for occupying the buildings. At 31 March 2000 the charity was holding £16,000 (1999 - £16,000) on behalf of the college and owed £25,000 (1999 - £576,000) in respect of the £1 million grant it made to the college in 1998. The college governors are responsible for all income, expenditure, non property assets and liabilities.

Relevant information about the financial activities of the college (whose results are not included in these accounts) for the years to 31 July 2000 and 1999 is as follows:

	2000 **£'000**	1999 £'000
Total income	**3,383**	3,031
Total expenditure	**3,135**	2,655
Surplus for the year	**248**	376
Net assets	**943**	694

The accounts of the college are being audited and are expected to show an unqualified audit opinion; they will be submitted to the Further Education Funding Council.

18 Post balance sheet events

There are no material or relevant post balance sheet events.

19 Transfers to other organisations

The trustees had for some time been considering the future of St Michael's Hospital and St Julia's Hospice in Hayle, Cornwall. The annual running costs of the hospital were funded by the local Health Authority and its management was becoming increasingly linked with that organisation and the strategy for the provision of health care in the region.

Following long and careful discussions with the Health Authority, the hospital was transferred as a whole, along with Marie Therese House, to the Royal Cornwall Hospitals National Health Service Trust ("RCHT") with effect from 1 July 1999.

The hospital land, buildings and equipment are subject to a lease expiring on 31 March 2002 and, in the months leading up to that date, the trustees will discuss with RCHT its future. This gives time for RCHT to make decisions on the provision of health care within the region.

In view of this arrangement the assets of St Michael's Hospital, excluding the freehold property, were written down to nil in last years accounts.

St Julia's Hospice was linked with the trustees' management of the hospital. During the year, the hospice was transferred to the charitable company of another hospice in Cornwall, Mount Edgcumbe. With effect from 1 October 1999, the management control and all the assets, including property, were transferred to Mount Edgcumbe under a 99 year lease, proving the facility is used as a hospice, at a peppercorn rent.

The net book value of the assets transferred under these arrangements was £2.7m.