



Nazareth Care Charitable Trust

Annual Report & Audited Financial Statements



Charity Registration Numbers
England and Wales: 1113666, Scotland: SCO42374

Company Registration Number
England and Wales: 05518564

Contents

Reference and Administrative Details of the Charity, its Trustees and Advisers	3
Heritage	4
Message from Chair of the Board of Trustees and Chief Executive Officer	5
Trustees' Report	14
Strategic Report	15
Financial Report of the Year	17
Management and Trustees	20
Independent Auditor's Report to the Trustees and Members of Nazareth Care Charitable Trust	25
Statement of Financial Activities	27
Balance Sheets	28
Statement of Cash Flows	29
Principal Accounting Policies	30
Notes to the Financial Statements	35

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

Trustees

Sister Anna Maria Doolan	reappointed 1 April 2015, Chair
Sister Sheila Collingborn	reappointed 1 April 2015
Sister Rose Ita Doody	appointed 1 April 2015
Sister Teresa Bernadette Fallon	appointed 30 November 2012
Mrs Margaret Hysel	appointed 28 May 2013
Father John Martin	appointed 15 February 2013
Sister Madeleine Merriman	reappointed 7 February 2015
Mr Paul Williams	appointed 7 February 2014
Mr Robert Wisniowski	resigned 7 July 2017

Senior Management Team – (SMT)

Regional Superior	Sister Anna Maria Doolan
Chief Executive Officer and	
Company Secretary	Mr Robert York
Finance Director	Mr Christopher Stringer
Property Director	Mr Brendan Sheehy
Care, Quality & Compliance Director	Mr Martin Lowthian

Administrative Details

Registered Office	Larmenier Centre 162 East End Road London N2 0RU
Telephone	020 8444 4427
Email	uk.administration@nazarethcare.com
Website	www.nazarethcare.uk.com
Company Registration Number	05518564 (England & Wales)
Charity Registration Numbers	1113666 (England & Wales) SCO42374 (Scotland)
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	Barclays Bank plc Acorn House 36-38 Park Royal Road London NW10 7JA
Principal Solicitors	Stone King LLP 13 Queen Square Bath BA1 2HJ

Heritage

The Congregation of the Sisters of Nazareth (“the Congregation”) is an international Roman Catholic religious Congregation consisting of 222 Sisters worldwide. It was founded in Hammersmith, England in 1851 by Victoire Larmenier, where its Generalate (governing body) is still located. It is divided into five Regions across the world: American, Australasian, Ireland, South African and United Kingdom (UK Region).

Victoire and five companions came to London in April 1851 at a time when England was predominantly Protestant. Catholics, for the most part, were in a state of extreme poverty and everywhere the aged Catholic poor were forced to seek shelter in workhouses. Their first house was in Brook Green and the first resident was received on 14 April 1851. From there the Sisters collected alms and food around London in order to care for the old and young who they took into their Home. As the numbers cared for grew each year the need for larger and more suitable premises became urgent. In 1856 land was bought at Hammersmith for the sum of 3,000 guineas, most of which was donated by generous benefactors.

On 9 October 1857 the first old people and children were moved into the new building which was named Nazareth House. From these beginnings the Congregation spread around the world. Most of the work of the Congregation takes place within “Nazareth Houses” which are substantial buildings operated mainly as care homes for older people.

Nazareth Care Charitable Trust is a charitable company limited by guarantee and is the operational arm of the Congregation, working in partnership with The Congregation of the Sisters of Nazareth Charitable Trust, providing care for the elderly, disabled and terminally ill in 13 care homes throughout England, Scotland and Wales. It also provides nursery school education on one site, retirement villages situated in Blackburn and Plymouth, and supports other religious orders in caring for their older sisters.



Message from Chair of the Board of Trustees and Chief Executive Officer



This year has been another exciting and challenging year for Nazareth Care Charitable Trust. We continue to make strides towards the full implementation of Servant Leadership, which we believe enhances the service we provide to our residents by empowering our staff to influence the organisation. The advances we have made in the implementation of Servant Leadership have been recognised by the Greenleaf Society and both the Chair of Trustees and CEO have presented at two conferences held by the Greenleaf Society this year.

We are continuing our extensive property upgrade programme working in partnership with the trustees of The Congregation of the Sisters of Nazareth Charitable Trust. We are pleased to be coming towards the end of the Glasgow retirement apartments' project, which will provide assisted living accommodation for people of retirement age. In the coming year we are looking to commence a retirement apartment programme at Hammersmith along with an upgrade of the existing care home. We are also hoping to commence a rebuild programme at Nazareth House Southend-on-Sea; this will further enhance our property portfolio.

We have faced many financial hurdles this year due to the living wage initiative and also the auto enrolment pension scheme legislation which was introduced by central government. This has impacted on our expenditure, whilst local authorities and clinical commissioning groups have not increased their fees to meet these additional costs. This has meant we have had to look at the organisation and how we can use technology better to reduce costs, whilst maintaining quality. This has seen the successful implementation of CareSys mobile at seven of our sites. This program continues and we hope to have completed the implementation on all our sites by June 2018.

The implementation of the new inspection standards in both England and Scotland have again posed new challenges on our services. In many cases this has had a financial impact and again challenges the organisation further. As this inspection process settles in we are pleased to say our grades have improved over the year, with many of our homes improving on grades as the second wave of inspections take place. There have been two houses with more significant issues that have received disappointing reports, with one being placed into Special Measures. This report is currently in draft from only and the Regional Team are both in discussion with the Care Quality Commission and working with the home to address the issues.

We now more than ever rely on the Friends of Nazareth, our team of willing volunteers on each site, to provide the extras which make our care homes so very special. Traditionally each house has managed their own team of friends but we have unified processes and we hope to enhance the joint working relationships further to both encourage volunteers to work within the homes as well as fundraise for them.

Recruitment of staff has been another challenge due to the national shortage of nursing and care staff. As a result of the shortage of nurses we have taken the decision to deregister nursing care on two of our sites: Plymouth and Lancaster. This decision has not been taken lightly but to ensure the long-term viability of these sites we have had no alternative. This is not a decision only being taken by Nazareth Care Charitable Trust, but a national trend which is being adopted by many care providers.

This year has been challenging but it has also been exciting with the organisation moving swiftly forwards, improving and growing, enthusing the wider management team to look forward to another challenging but fruitful year in Nazareth Care.

Sister A. M. Doolan

Sister Anna Maria Doolan
Chair of the Board of Trustees

Robert York
Chief Executive Officer

Introduction

Following the 2006 General Chapter of The Congregation of the Sisters of Nazareth the concept of Nazareth Care Charitable Trust began to take shape. The purpose of the Trust was to carry the mission of the Sisters of Nazareth forward into the future, even if there were fewer Sisters in active service. To successfully achieve this it was vital that all staff had a clear understanding of the mission and the values of the Sisters which have made the organisation the success it has been for the past 160 years.

The core values of the Sisters: patience, hospitality, love, respect, compassion and justice are practised by both Sisters and staff alike in everything they do and set the bar for the excellent quality of care provided to both children and the elderly. The task of ensuring that everyone working within the service embodies these values is not an easy one, but each house strives to incorporate these six values in simple, different and creative ways.



Training is given to every member of staff at induction and on an ongoing basis throughout their working life in the Trust. In 2015 the region launched an initiative to combine the six values of the Sisters of Nazareth with the principles of Servant Leadership as defined by Robert Greenleaf.

If you would like to know more please visit: <https://www.greenleaf.org/>

It was felt that the values of the Sisters and the concept of Servant Leadership were so closely aligned, the two concepts could work hand-in-hand to ensure the success of the Trust moving forward.

New staff continue to receive at induction a detailed explanation of the history of the order and the core values

of the Sisters. Thereafter, the core values training is combined with the concept of Servant Leadership. This helps to enrich the understanding of both value sets working hand-in-hand together to provide excellent standards of care.

My mother is given first class treatment in care and support. The staff are very caring and treat my mother with the utmost respect at all times.

Nazareth House Glasgow

Nazareth Staff are extremely caring. They have a real interest and commitment to providing high quality individualised care. The staff understand the stress of family living a long way from the care home and are reassuring.

Nazareth House Plymouth



actively encourage everyone to live their lives to their full potential, both within our facilities and the wider community. Every Nazareth House encourages members of the wider local community to participate as either a "Friend of Nazareth House", a volunteer or as a parishioner using the church facilities.

A number of houses across the region have been working in partnership with the Princes Trust. This has been extremely beneficial for those enrolled as participants of the Princes Trust scheme, but also the

residents who have watched, been involved in design and befriended some of the students. We aim to increase the working partnership with the Princes Trust with a national framework in 2018 – 2019.

Traditionally the majority of our houses have a Friends of Nazareth House group operating within it. This is a team of dedicated volunteers that give their time for a number of causes within the home. Volunteers can be fundraisers, visitors, they can get involved with activities, reading to residents and acting as escorts when residents need hospital appointments. The Trust has recognised that if we are to continue to provide an excellent service to our residents, against a backdrop of financial demands, we need to

expand the use of volunteers to raise funds for those extra things that our elderly and children require but also to provide services to those residents that sit outside what would normally be recognised as care home care.

Nazareth House has looked after my Dad Michael for the last 18 months. He is so happy there and all the staff are so caring towards my Dad and very welcoming to us when we visit my Dad. Whilst my Dad has been at Nazareth House his sister fell ill at home and was able to have her last days at Nazareth House where my Dad was able to be with her and the staff ensured she was looked after and comfortable in her last days.

Nazareth House Hammersmith

House Cheltenham. We are actively working towards increasing the number of Friends volunteering in Houses. We would like to take this opportunity to thank all the volunteers working within the Friends of Nazareth House as we could not do it without them. Their fundraising activities have enabled residents to have wheelchair accessible gardens, sheltered and safe dementia areas and also internet access to allow our residents to keep in touch with their loved ones overseas. A number of activities take place over Christmas and no Nazareth House would miss the annual pantomime, which is funded, without exception, by the Friends of Nazareth House.

As a charity providing care for older people we recognise that dementia is a major issue which many of us will face as we advance in years. As we develop and improve our sites in conjunction with The Congregation of the Sisters of Nazareth Charitable Trust, we ensure that all our homes take on a dementia friendly approach.



We use guidelines produced by Stirling University to ensure our colour schemes, signage and equipment is suitable for those people living with dementia. Many of our sites offer both residential and nursing care and our staff are trained to provide end-of-life care and many are accredited with the six steps programme.

In all our homes the Sisters provide a very special service to our residents particularly at the end of their lives.

As Nazareth Care Charitable Trust provides for the care of children as well as older people, the organisation strives to make children feel valued and good about themselves. The aim is to teach children to be polite, to say please and thank you and to share in taking turns. Our nursery considers it is vital that all children have equal access to early learning and play opportunities too. The nursery acknowledges and celebrates a wide range of religious beliefs and festivals and creates an environment of mutual respect and empathy. Learning opportunities offered are inclusive of children with learning disabilities, physical disabilities and children from disadvantaged backgrounds.



We aim to ensure that every person coming into contact with the Trust feels welcome and accepted by everyone. We are proud to say that since

The Nazareth House Quiz Team



Winners of the Inter-Home Quiz!

Nazareth Care Charitable Trust took over the management of the Nazareth Houses within England, Scotland and Wales we have never accepted or declined the admission of a resident due to their ability to pay. This has always been the philosophy of the Sisters of Nazareth.

It is the mission of the Sisters to work with the most marginalised in society and, to ensure that we do this, we are in constant dialogue with local authorities and commissioners to ensure that the services we provide are those most needed in the local area. This has seen an increase in the work we do with both palliative care residents and those people living with dementia.

Every resident in our care homes is encouraged to participate in a busy activity programme. Each house celebrates a number of Catholic feast days and our founder's day is always a day to remember in the Nazareth calendar. Birthdays are another important event where residents and children alike celebrate with each other.



A number of our sites have established gardening clubs where residents grow their own plants and have a say in how the gardens at the home are looked after.





Our home in Finchley is currently creating a sensory garden area for relaxation and at Cheltenham a new terrace has been built with wheelchair accessible planting areas.

This year has seen a number of our homes formally recognised on carehomes.co.uk where our residents and their families have an opportunity to tell everyone what they think of their home. A number of our homes have been highly commended in this way.

We encourage staff to think outside the box, particularly when it means one or more residents will benefit, and our staff are only too willing to meet the challenge. Some of our staff teams have raised money in

memory of specific residents and for other charities such as Breast Cancer UK, hosting Macmillan coffee mornings and a local children's hospice. Many of the activities undertaken in the houses are open to local parishioners or indeed are run by local parishes. This provides an opportunity for our residents to further feel part of the community and genuine friendships have been formed this way.



Our residents are really involved in activities and our activity coordinators operate a key function within the homes. This year we have seen many innovative ideas including painting with wheelchair wheels and various other art activities along with parties, social events, one-to-one time, exercise classes and training to enable residents to access computers more easily. Our retirement villages have begun to flourish throughout the year and there is a real sense of community at both Blackburn and Plymouth.

I like being in the home, they have plenty of entertainment. The girls are lovely, I am very happy here. We have plenty of friends. We have a party for our birthday, and we have a drink of sherry when we have a party.

Nazareth House Birkenhead

Residents and children alike are encouraged to live their lives to the full and being a member of the Nazareth family certainly enables this in more ways than one.



I have found the staff of Nazareth House to always be helpful and kind in their dealings with the residents and visitors. The refurbishment of the second floor has enhanced the experience. I would definitely recommend it to anyone considering using it.

Nazareth House Crosby

To further enhance the services we provide, Nazareth Care Charitable Trust, working alongside The Congregation of the Sisters of Nazareth Charitable Trust has commenced a series of upgrade works on a number of sites. This has included major upgrades funded by The Congregation of the Sisters of Nazareth Charitable Trust, for

leasehold improvements and upgraded equipment and facilities. This includes the upgrade program at Cheltenham and the refurbishment of the grade 2 listed building in Glasgow, which will become our third retirement complex.



Many of the buildings operated by Nazareth Care Charitable Trust on behalf The Congregation of the Sisters of Nazareth Charitable Trust are the original Victorian buildings, established either by the foundress or very early in the history of the Sisters of Nazareth. Therefore, to ensure the properties are fit for the future, considerable work remains to be done. The property director and his team are establishing an upgrade plan for the site at Hammersmith which is an important site for the Sisters as this was the site where the foundress

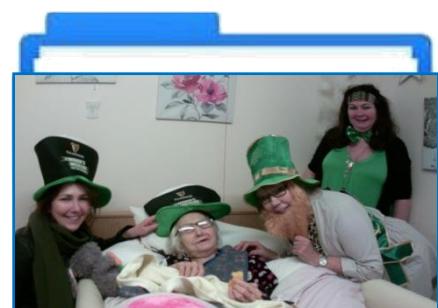
began the Congregation. It is anticipated that this site will include office accommodation for the international management team known as the Generalate, an archive and heritage centre, which will sit alongside a modernised care home and retirement apartments. It is hoped that this project will commence by 2018.

We are also in consultation with the local authority in the Borough of Southend to create an upgraded Nazareth House care home and other facilities on the site which will regenerate the local area within Southend.

We are so glad Mum spent the last years of her life at Nazareth House. She has been so well cared for, loved and treated with respect. She always felt very safe and secure. Our thanks to all the staff – you provide a wonderful environment here and your good reputation is well deserved.

Nazareth House Cheltenham

We can say with confidence that whilst Nazareth Care Charitable Trust is largely involved in the provision of nursing and residential care for older people, retirement villages and day nurseries, it is involved in many activities to ensure the future of the organisation, moving it forward into a successful and exciting future.



Hurdles and barriers faced

This year has been an exciting and challenging year in Nazareth Care Charitable Trust. The Trust has faced a number of hurdles and barriers and these largely fall into three categories:

- Regulation
- Financial
- Recruitment

Regulation:

Our regulators across England, Scotland and Wales are constantly seeking to review the way in which they regulate, to ensure that all care homes and day nurseries provide the very best standards of care. This has seen a new set of regulations from 2015/16 in England and a new way of inspecting for the Care Quality Commission. This has meant our services have been measured against five key criteria:

- Is the service well led?
- Is the service responsive?
- Is the service caring?
- Is the service safe?
- Is the service effective?

The challenge has been not only ensuring the services meet the above criteria but also that both the organisation and the staff who work in it are able to evidence all of the above criteria in everything they do. As with any new process it has been a learning curve for everyone involved in the organisation and it is reassuring to note that as we move to our second wave of inspections, under these new criteria, grades are improving on nearly every site. It is regrettable that one site has been put into Special Measures after being graded Inadequate, and the Regional Team are working closely with the new General Manager to address the issues and are committed to making the improvements needed.

Financial:

The organisation has faced a number of financial hurdles this year. These have largely been due to fee levels from local authorities not keeping pace with the additional costs faced by the organisation resulting from government initiatives such as auto enrolment pensions and the national living wage. Both of these initiatives have seen our wage costs rise by approximately 10%. It has also impacted on other costs, as our suppliers need to increase fees to meet their commitment to the same initiatives. Local authorities continue to try to maintain their fees in line with the austerity measures imposed upon them. Whilst the organisation has seen some authorities increase their fees by 4 to 5%, in other areas it has only been 0 to 1%. This has meant our private residents have seen fee increases of 10% per annum this year and if the government's pledge to increase the living wage is maintained, it is likely that this level of fee increase for privately funded residents will continue until 2020.

This has meant the organisation has had to increase its fundraising activity to try and meet our costs and maintain our charitable benefit. To this end we have centralised how our "Friends of Nazareth House" operate to ensure we maximise our fundraising potential. It is the intention of the Trust to employ a full-time fundraiser centrally to raise funds for our major projects within the next year.

Despite the financial hardships faced by the charity, we are pleased to report that we have been able to support all our residents, both those paying the full cost of care and those who are receiving support and no resident has been turned away due to their ability or inability to meet the cost of care.

Recruitment:

In a service where people care for people our staff are our most important asset. Whilst we have a number of staff with more than 10 years service and some even as long as 50 years service there are always a number of staff who move on relatively quickly. This is indicative of the care industry as a

whole. Whilst recruitment is always a challenge for all care home operators, the past year has proved particularly challenging. We are pleased to report that 100% of our homes have a General Manager in post but many of our homes have to use agency staff to cover shortfalls more than ever before. With the implementation of the national living wage there is very little difference in salaries between care home operators and as everyone searches in the same pool of staff it is important that Nazareth Care Charitable Trust can compete in the market.

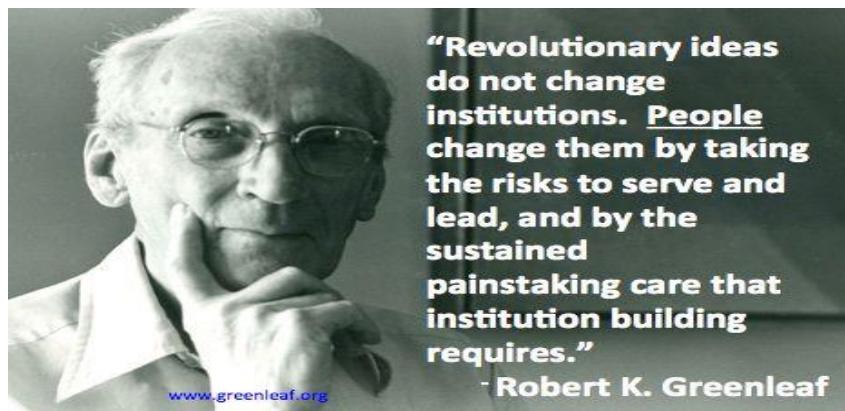
Our houses that provide nursing care work in partnership with the local universities providing placements for student nurses, which we hope will encourage the newly qualified nurses of the future to work in the nursing home environment, but this is a long term strategy and will not assist with the current problem.

Alongside recruiting in national and local press the organisation goes out into the community, visiting job centres, churches and local groups as well as exhibiting at national exhibitions with the view to recruiting staff. This has had varying levels of success across the country.

If the organisation is to improve both consistency of care and financial growth it is vital that we reduce the level of agency staff used and replace them with our own substantive staff.

Servant Leadership

In 1970 Retired Executive Robert Greenleaf coined the term Servant Leadership to describe the kind of leadership he felt was largely missing from most modern organisations - the concept became clear to him as a result of reading Nobel Prize winner Herman Hesses novel, The Journey to the East. In that story a group of seekers set off on a pilgrimage. Along the way the group's faithful servant Leo suddenly disappears. With Leo gone the group begins to disintegrate, quarrels break out and their once co operative and noble efforts fail. In the end, the servant Leo turns out to prove to have been the unrecognised leader. Without Leo the quest seemed to lose meaning.



Sister Mary Ann Monahan, Superior General, made a request a few years ago for the Regional Superiors and Chief Executives and indeed all of the Nazareth Family to embrace and to devise a strategy to integrate Servant Leadership and its principles into every aspect of our lives and throughout our organisations. In response to this request, we have embraced this challenge by establishing Servant Leadership as the governance principle and in any organisation this can be a daunting prospect. It would, of course, be wonderful if everyone adopted the principles of Servant Leadership immediately; it is far more likely that the change will come gradually, one small step at a time.

Given the mission statement and our Core Values, the Sisters of Nazareth and Nazareth Care Charitable Trust are already aligned with Servant-Leadership in many ways. Making our philosophy one of Servant Leadership will enhance our already strong focus on caring for everyone within the

Nazareth family. The principles of Servant Leadership and the Core Values will be brought together in one training programme.

Our Staff

Our staff are clearly our biggest asset and we thank them for the contribution that they make. Nazareth Care Charitable Trust strives to provide an excellent working environment for our staff. We aim to provide an open and inclusive environment where every member of staff is empowered to make a real difference. This concept has been formalised by the ongoing implementation of house level Servant Leadership and core values training programmes.

During my past seven years as a carer in different homes around UK, as I always say "Nazareth House" is the BEST home I worked for.

Former Employee – Nazareth House Cardiff

Nazareth Care Charitable Trust is working in partnership with the Congregation of the Sisters of Nazareth Charitable Trust to upgrade facilities on many of our sites. This upgrade program includes new facilities for staff providing better staff rooms and training rooms.

This year has seen the implementation of the Government Apprenticeship levy and we are working hard to maximise the training opportunities this brings. This has meant we have been able to provide training in different ways; including the implementation of E-learning, as well as both internal and external face-to-face training and distance learning project books to facilitate all staff working towards their care certificates.



The long service award program continues and is well received by staff, with presentations being made by the chair of Trustees and CEO across the country throughout the year. These presentations are made during resident and relatives meetings which make them a real event.

The use of agency staff continues to be higher than we would like as we find ourselves competing for the same staff pool as other care operators in the local area. This has been discussed in more details in the hurdles and barriers section of this report.



After 38 years service to Nazareth House Glasgow, Care Assistant Bernie Morris decided to hang up her plastic gloves and retire; pictured receiving lovely gifts from the Sisters and staff.

Trustees' Report (incorporating a strategic report) 31 March 2017

The Trustees, who are the trustees of the charitable company for the purpose of charity law and directors for the purpose of company law, present their statutory report together with the financial statements of Nazareth Care Charitable Trust ('the Charity') for the year ended 31 March 2017.

This report has been prepared in accordance with Part VIII of the Charities Act 2011 and constitutes a directors' report for the purposes of company law.

The financial statements have been prepared in accordance with the principal accounting policies set out on pages 30 to 34 and comply with the charity's Memorandum and Articles of Association, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

Objectives and Activities

The Charity was established by the Congregation of The Sisters of Nazareth to assist the Sisters to maintain their mission which principally today sits with the care of older people, through the provision of care homes and retirement villages in the United Kingdom. The charity also manages a day nursery in Lancaster. The Trustees intend that the work of the Charity will enhance the quality of life of those who live in its homes whilst enabling them to retain to the maximum their dignity and independence.

The Congregation of The Sisters of Nazareth Charitable Trust and Nazareth Care Charitable Trust working together is all about people. The Sisters, the residents and their families and staff together make a true Nazareth family. The Congregation of the Sisters of Nazareth Charitable Trust owns the estate and the Sisters provide spiritual and pastoral support whilst Nazareth Care Charitable Trust operates the care homes and a day nursery.

When setting the objectives and planning the work of the Charity for the year, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

Care homes

There are 13 care homes operated by Nazareth Care Charitable Trust within England, Scotland and Wales (i.e. the Region), some providing nursing care for clients with complex needs, whilst all provide support to those people requiring social care. We provide accommodation for 780 residents, mainly in single room accommodation. We provide financial support to those residents who are not able to meet the fees. The number of residents receiving some form of financial support equates to 52% of all residents in our care. This trend is consistent with previous years.

At 31 March 2017, the Charity operated care homes in the following locations:

Table 1

Location	Principal activities	Category	Number of bed-spaces
England and Wales			
Birkenhead	Care home with nursing facilities	Residential	25
		Nursing	26
Cardiff	Care home with nursing facilities	Residential	27
		Nursing	27
Cheltenham	Care home	Residential	63
Crosby, Liverpool	Care home	Residential	66
Finchley, London	Care home	Residential	84
Hammersmith, London	Care home with nursing facilities	Residential	28
		Nursing	67
Lancaster	Care home with nursing facilities (Nursing unit closing 30 November 2017)	Residential	26
		Nursing	15
Manchester	Care home with nursing facilities	Residential	22
		Nursing	40
Northampton	Care home	Residential	48
Plymouth	Care home with nursing facilities (Nursing unit closing 30 January 2018)	Residential	29
		Nursing	15
Southend on Sea	Care home with nursing facilities	Residential	32
		Nursing	32
Scotland			
Edinburgh, Bonnyrigg	Care home	Residential	38
Glasgow	Care home	Residential	70

The care homes aim always to provide excellent standards of care, and this is evident to see when looking at the relationships staff, residents and families have built.

Strategic Report

In Our Care Homes

The care home industry has gone through a major reform over the last few years with the implementation of the Health and Social Care Act 2012 in England. This has not only seen changes in the way people receive their care, which is now focused on well-being, but also how the Inspectorate inspects premises and evaluates care. It is fair to say that this has been a sharp learning curve. Trustees and staff attended training to assist everyone to understand the new inspection process and to empower staff to showcase our homes during inspections.

The regional support team has implemented new ways to audit our homes to give managers an insight into what needs to be improved whilst coaching staff to give them confidence when speaking to outside agencies. The aim of the new audits is to assist managers in identifying potential weaknesses in the service operation, plan a way forward and also to help them to prepare for inspections with confidence.

Residents' well-being has always been at the heart of the Nazareth family group of charities and subsidiary companies, but now it is more important than ever that we document everything in a way that demonstrates the true individualised care resulting in a positive outcome for our residents. To this end we have expanded the use of our care home management system CareSys and we have implemented CareSys mobile on tablet devices to allow staff to maintain accurate, contemporaneous records on seven sites and 100% of our sites will have the technology by January 2018. It has proven to allow staff to spend more quality time with the residents. A similar computer system has already been implemented in the day nursery at Lancaster with great success.

Subsidiaries

Three of the Charity's wholly-owned subsidiaries; NRV Development (Blackburn) Limited, NRV Development (Plymouth) Limited and NRV Development (Glasgow) Limited are development companies providing retirement village apartments for sale at the respective sites. As our planned village at Glasgow remains under development this company has been dormant throughout the year.

In order to provide a management and service company for each of our villages we have established three individual companies. These are: NRV (Management) Plymouth Limited, NRV Blackburn Limited and NRV (Management) Glasgow Limited. Whilst NRV (Management) Plymouth Limited and NRV Blackburn Limited are operational companies, NRV (Management) Glasgow Limited remains dormant.

The Charity established Nazareth Catering Limited in 2012 and this has been used to produce food in bulk for sale in the restaurants of the retirement villages.

In order to enhance the care provided at the care villages in Blackburn, Plymouth and soon-to-be Glasgow, the Charity established Nazareth Home Care Limited on 25 March 2013. This company provides domiciliary care to village residents. Currently this is only operational at NRV Blackburn. This company is registered with the Care Quality Commission and has been rated as good.

The final subsidiary to be registered was Larmenier Care Home Management Limited and this was a company established to work with other religious orders and care providers to provide management services to those organisations who did not have sufficient resources to manage care home operations within today's environment. This company has remained dormant throughout the year.

The Future of Nazareth Care Charitable Trust.

The Charity needs to consolidate the changes made to the organisation this year, whilst implementing Servant Leadership and ensuring that people remain our focus. This would be a challenge to any organisation given the current political climate and uncertainties that we face as a country, taking into consideration auto enrolment pensions, the Living Wage, and Brexit. These uncertainties are certainly not internal challenges and will be faced by all care home providers.

We need to ensure we are maintaining and improving the buildings that we rent from The Congregation of the Sisters of Nazareth Charitable Trust. This will need both careful planning and strategically planned funding, from both internal and external funding streams.

We need to actively market the remaining apartments at Blackburn to ensure that we meet our financial arrangements and to build relationships with our banks. We are pleased to report that all apartments at Plymouth are now sold.

We need to ensure that our services are meeting the needs of the local area by building on our relationships with local authorities and Clinical Commissioning Groups to provide provisions for the services needed at each location.

We will be developing links with other religious orders to offer a consultancy service to help them manage their services in the UK, in a similar way to our relationship with The Congregation of the Sisters of Nazareth.

We will be reconsidering our capital fundraising strategy in the coming year to ensure that we have sufficient funds to support our plans. Our five year plan takes us up to 2018 and if we achieve everything we set out to do, the future will certainly not be just of hope but also achievement.

Financial Report of the Year

Income and Expenditure

A summary of results can be found on page 27 of the attached financial statements.

Financial Position

The Group's income increased from £30.8 million to £32.2 million. Within this total, £24.1 million represents the income in connection with the provision of residential and care services for older people and £0.4 million represents the income from the provision of nursery services.

Expenditure increased from £29.9 million to £32.1 million at Group level. Within this total, £24.2 million represents the expenditure in connection with the provision of residential and care services for older people and £0.4 million represents the expenditure in respect to the provision of nursery services. £7.5 million represents expenditure in respect to the commercial trading operations of the subsidiaries of which £0.3 million is interest payable.

The day to day operations of the Charity resulted in a surplus for the year which was partially offset by losses in the subsidiary companies.

Three of our subsidiary companies are in deficit. NRV (Development) Blackburn Limited is the development company responsible for developing the site at Blackburn and the sale of its properties. Currently the company is in deficit by approximately £790,000, due largely to the time it is taking to sell the properties. When phase 2 was built the country was in the midst of the credit crunch and, whilst there have been reported improvements in the property market in the south of England, it would appear that the recovery has not been so significant in the north.

The sales team continues to work extremely hard to sell the remaining apartments. However, this has not been an easy process with many flats reserved but potential buyers not able to sell their existing properties.

Whilst all bank loans for this development have been repaid there continues to be a loan outstanding from the Charity to the Congregation of the Sisters of Nazareth Generalate. This charity is the overarching charity for the Congregation and was responsible for the plans and design of the Blackburn site prior to it being handed over to Nazareth Care Charitable Trust in 2011. This outstanding loan is being paid back as quickly as possible whilst taking into consideration the need to cover expenses which include voids, service charges, standing charges for energy, council tax and sales and marketing.

It is anticipated that the project will at best breakeven or make a slight deficit at the end of the sales process.

NRV Development (Plymouth) Limited is the development company responsible for developing the site at Plymouth and the sale of its properties. Currently the company is in deficit by approximately £398,000. Development was completed on this site during 2015/16 and the final apartment was sold in September 2017.

Nazareth Home Care Limited provides domiciliary care to village residents. Currently the company is in deficit by approximately £12,000 as a result of increased staff costs due to the difficulty in finding suitably trained staff to provide domiciliary care.

The net assets of the Group at 31 March 2017 amounted to £9.2 million whilst those of the Charity totalled £10.4 million.

Reserves Policy

At 31 March 2017, the Charity had free reserves of £6.9 million and the Group had free reserves of £5.5 million.

The tangible fixed assets fund of £3.8 million represents the net book value of the Group's and Charity's tangible fixed assets. These assets are essential to the continued mission of the Group and Charity and include the improvements to care homes and the furniture and equipment used in those care establishments.

The general fund comprises those assets not designated by the Trustees or restricted in their application as at 31 March 2017. The fund includes monies to cover temporary shortfalls in income due to timing differences and amounts to enable the Group and Charity to cope with unforeseen emergencies.

The Trustees have agreed to work towards a reserve of funds equivalent to six months operating costs in the knowledge that a larger positive reserve balance needs to be built up in due course. The restructure that has occurred over the past few years now needs to be consolidated and a period of reflection is required in order that the Trustees may assess the future needs of the Group and Charity in the light of their mission and future plans, in particular future refurbishment and development requirements.

Any surplus taxable funds arising in the subsidiaries may, from time to time, be donated to the Charity by Gift Aid.

Risk Management

The trustees, with the assistance of the Charity's senior management team, have identified and considered the key risks that the Charity and its subsidiaries might be exposed to and have developed a risk register. The risks include both those relating to the operation of the care homes and nursery, those relating to the development of retirement villages and the sale and subsequent resale of apartments et cetera. Actions are agreed to monitor and mitigate the risks identified.

At each Trustee meeting, the Trustees are provided with the Charity's detailed recent literature to ensure that, as far as possible all steps have been taken to identify any future risk and mitigate all risks.

Below are four key risk factors faced by the Charity and the table demonstrates how the risks are managed going forward.

1. Void in onsite General Managers

It is well documented that care homes are only as good as the general manager running them. We are currently in a position where all the homes have a substantive general manager. But should a manager decide to leave, this can have a dramatic effect on the home very quickly.

Action we have taken to mitigate the risk:

We aim to provide an inclusive, happy and fulfilling working environment for all staff including the general manager. The management structure within the region affords general managers the opportunity to manage their home in a way many providers have moved away from. That is to say, managers are truly able to manage the service they run, with support from the regional team, ensuring

that every Nazareth House is unique. It is, however, recognised that managers do on occasions decide to leave. In recent years this has been due to retirement or ill health.

To ensure that the services continue to run with the core values of the Sisters of Nazareth at the heart of what they do, and to ensure a seamless transition from one manager to another, the regional support team has two peripatetic managers. When a void occurs within a home either due to a manager leaving, or a period of long term sickness, one of these managers moves into the home and continues to run the service until a new manager is appointed or returns from sickness.

2. Increasing cost of care government initiatives: living wage, auto enrolment pensions and the implementation of the apprenticeship levy

Due to a number of government initiatives the cost of care is rising dramatically year on year. Due to local government austerity measures the fees paid by the local authority do not cover the increasing cost of care which sees the charity contributing more funds to maintain local authority residents.

Actions we have taken to mitigate the risk:

We are increasing the activities of the Friends of Nazareth to ensure that we are able to continue to provide the extras which make Nazareth Houses a very special place to be cared for. We work very closely with local authorities to ensure that we are paid the appropriate fee for highly dependent residents.

Regrettably, the Trust has had to increase private residents' fees this year by 10% and it is anticipated that this level of fee increase will continue until 2020 unless the government changes its aims for the Living Wage.

We are working with a training provider to ensure that we maximise on the available funds generated by the apprenticeship levy. This will enhance the training our staff get. If this partnership is managed correctly we would hope to see the apprenticeship levy having a zero impact on the charity.

3. Stringent regulation across all four of our regulators place the charity at risk of penalties due to non-compliance

The Charity works extremely hard to provide a quality service, and the quality and compliance team managed by our quality and compliance director is dedicated to improving the services and supporting our general managers to achieve excellence. As the regulations in England settle into their third year, we are seeing new standards for regulation in Scotland and it is expected that Wales will follow shortly after.

Actions we have taken to mitigate the risk:

The care quality and compliance team are currently reviewing all internal policies and procedures. They are working with houses to create action plans following internal audits and supporting homes where difficulties occur.

The policy review process is a vital part in mitigating risk. When incidents occur, our regulators refer to our internal policies to ensure that with any incident the staff member had followed company policy. Therefore, it is vital that our policy is reflected in what our staff do and not what we think they do. The care quality and compliance director is working with general managers and peripatetic managers to support this process.

We have reviewed our internal care auditing processes to ensure that managers are given timely feedback and improvement plans.

4. Implementation of General Data Protection Regulation

The implementation of the General Data Protection Regulations by May 2018 will require a reform in the way in which the charity manages its data and where the data will be held.

Actions we have taken to mitigate the risk:

The current data protection regulations are managed by the finance director and he will continue to be responsible for data management as the new regulations come into being. The Trustees have agreed to additional staff within the regional team to establish a central archiving system and manage the new data protection requirements.

Both the finance director and the payroll manager have attended training in the new regulations as they prepare procedures to ensure compliance.

Management and Trustees

Trustees' Responsibilities

The Trustees (who are also directors of the Charity for the purposes of company law) are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company 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 charitable company and the Group and of the income and expenditure of the charitable group for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102);
- make judgments and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- So far as the Trustee is aware, there is no relevant audit information of which the charitable company auditor is unaware; and
- The Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company auditor is aware of that information.

This conformation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Governance

The Charity is governed by its Trustees. The Trustees are appointed by the Superior General of the Congregation.

The principal property assets of the Congregation in England, Wales, Scotland and Northern Ireland are held on charitable trust by The Congregation of the Sisters of Nazareth Charitable Trust and by The Congregation of the Sisters of Nazareth Generalate. With effect from 1 April 2012, the Regional Superior of the Congregation's UK region became the Chair of Trustees ex officio. The Regional Councillors of the Congregation's UK region also became ex officio trustees.

Additional Sisters and Trustees who are not members of the Congregation may be appointed by the Superior General to ensure that the necessary breadth of skills and experience is available to the Charity's governing body. Details of all the trustees can be found in the Reference and Administrative Details on page 3 of the Annual Report and Audited Financial Statements and also below.

Newly appointed Trustees are given induction training that includes meetings with staff, meetings with representatives of partner organisations and visits to our houses, nurseries and retirement villages. Ongoing training opportunities will be provided as necessary as the work of the Charity develops.

The Current Trustees

Sister Anna Maria Doolan – Chair

Sister Anna Maria trained as a Registered General Nurse and in recent years, has completed a postgraduate diploma in leadership and management at Loughborough University. She has worked as a care home manager at a number of care homes in the UK and Ireland and was appointed Superior at Nazareth House Lancaster in 2006. She became a Regional Councillor of the UK region in 2009 and was appointed Regional Superior in October 2012, taking up her new post in December 2012, when she also took over as chair of both this Charity and the Congregation of the Sisters of Nazareth Charitable Trust.

Sister Teresa Bernadette Fallon

Sister Teresa trained as a Registered General Nurse at Southampton University Hospital in the 1970s and has worked as a care home manager at several Nazareth Houses in the United Kingdom, Northern Ireland and Australia. She has completed courses on Social Work Management, Health Education and Continuing Care of the Dying Patient and Family. She was appointed Superior at Nazareth House Cheltenham in 2006 and became a Regional Councillor for the UK Region in November 2012. She is currently Sister Superior at Nazareth House Cardiff.

Sister Madeleine Merriman

Sister Madeleine Carmel Merriman has completed a post graduate diploma in leadership and management at Loughborough University. She has worked as a Child Care Manager in several houses in the UK and served on a board of school governors for 10 years. Sister completed a Diploma in Counselling at the University of Lancaster. She was appointed as Superior at Nazareth House Northampton in 2009 and at Crosby in 2013. She became a Regional Councillor in 2014 for the UK Region. She is currently Superior at Southend.

Sister Sheila Collingborn

Sister Sheila is a graduate of Reading University with a PGCE from Cavendish Square College. She has taught in Southampton, Uganda and London and for over 20 years was responsible for a Montessori school in American Samoa. While there, she also served on several boards concerned with adult education and young people with disabilities.

Sister Rose Ita Doody

Sister Rose Ita trained as a cook in Aberdeen College, and worked in a number of houses in the Irish and UK Regions. She completed a Diploma in Counselling and Therapy in South East Essex College in 1998 and was appointed Superior and Care Manager in Lancaster in 2000. Sister has completed Level 5 in Management, Registered Manager (ADULTS) in Lancaster and Morecambe College in 2003 and moved to Crosby in 2006. She completed a Foundation Degree on Vulnerable adults at Edge Hill University in 2008, and more recently completed a Diploma in Leadership and Management at Loughborough University. She is currently Sister Superior at Nazareth House Plymouth.

Father John Martin

Father John Martin has a wide and varied experience in the field of health care and management. He was a Brother of Saint John of God for 33 years. During that time he has worked in the areas of pastoral care, social work and management and was Chief Executive of the Hospitaller Order of Saint John of God for 12 years.

On leaving the Order he joined the Priesthood and is now a Priest in the Diocese of Nottingham and previously held the role of the Bishops Delegate for the Youth of the Diocese as well as managing a Parish. John brings with him a vast amount of experience in being a trustee.

Mrs Margret Hysel

Margaret has over 30 years' experience of working in health and social care within the statutory and voluntary sectors as a practitioner with a specific emphasis on mental health specialising in childcare, family therapy and later in care and support of the elderly, moving on to management and leadership roles. After 11 years in the post she stood down as the Chief Executive of Richmond Fellowship, a national mental health charity and housing association which grew to employing over 1,000 staff supporting over 9,000 service users annually. She has contributed as a member to numerous government policy working groups and has been a founder member of a number of specialist umbrella forums to represent and champion the needs of marginalised and disadvantaged people.

Paul Williams

Paul is a Chartered Accountant and for over 25 years was a Partner in what is now Deloitte LLP. His client service role included membership for many years of the Firm's Voluntary Sector Group. Paul managed significant parts of the Firm's business in London, Berkshire and Sussex for over 20 years and for 5 years he was National Director of HR on the Firm's Executive Committee. Paul was subsequently elected to the Board of Partners. Following ill-health, he stood down from the Firm in 2008. Paul has

held appointments with other Catholic institutions, including 10 years on the Finance Committee of Westminster Archdiocese and is currently Chairman of the Ampleforth Lourdes Hospitalité.

Key management personnel

The Trustees consider that they together with the Chief Executive, the senior management team, and the General Manager and Deputy General Manager of each Care Home, comprise the key management of the Charity in charge of directing and controlling, running and operating the Charity on a day to day basis.

The pay of the Chief Executive, senior management team, and the General Manager and Deputy General Manager of each Care Home is reviewed annually.

Structure and Management Reporting

The CEO has day-to-day responsibility for managing the Charity together with colleagues from the UK region, three of whom report directly to the Trustees at the scheduled meetings during the year.

The Trustees are provided with written material setting out the matters that are to be discussed at these meetings for consideration prior to the meetings taking place. During the year the Chair of Trustees meets regularly with the CEO as required to provide any necessary advice and guidance and prior to meetings to agree agendas.

The Property Director acts as principal liaison between the Charity and the regional director of Wyngates Care Services, (WCS) the company appointed to act as project and sales manager for the current care village developments. WCS provides progress reports to the CEO and also, as appropriate, to the Trustees.

Management Reporting

The Trustees are ultimately responsible for all the policies, activities and assets of the Charity and the Group. They meet regularly, at least four times each year, to review developments with regard to the activities of the Charity and the Group and to make any important decisions. When necessary, the Trustees seek advice and support from the Charity's professional advisers, including property consultants, investment managers, solicitors and accountants.

Communication and Technology

Nazareth Care Charitable Trust has a sophisticated in-house comprehensive care management system that has been performing well and is liked by users. It includes integrated modules dealing with financial accounting and asset management and also has a project management module that is being used to support the retirement village developments. The management information system produces standard reports but can be flexibly interrogated also by managers at all levels. In addition to this, the region has purchased risk management software to further enhance the organisation's ability to manage risk effectively.

The Nazareth intranet has now been live for four years and is widely used across the UK region by the management team and it is anticipated that within the next six months the majority of staff will have access to the system following a regional wide roll-out.

During the year a new international website was launched for the Congregation with input from the UK region and this will continue to be enhanced over coming months. Nazareth Care Charitable Trust remains committed to providing staff with appropriate technology and is currently implementing tablet computers for care staff to record and evidence the excellent care they give. A similar scheme at the Lancaster Day Nursery has produced significantly enhanced communication levels.

Fixed Assets

The acquisition and disposal of tangible fixed assets during the year is recorded in the notes to the financial statements.

Stocks and Work in Progress

In the light of the selling price of Blackburn units, the interest shown in the purchase of the remaining apartments at Blackburn and the apartments at Plymouth which were completed in 2015/16, the Trustees are of the opinion that the value of stocks and work in progress is not less than the historic cost figure recorded on the Group's balance sheet.

The Trustees' Report, including the Strategic Report, was approved by the Trustees and signed on their behalf by:

Sister Anna Maria Doolan
Trustee
Date of approval: 1 November 2017

Independent Auditor's Report to the Trustees and Members of Nazareth Care Charitable Trust - 31 March 2017

Introduction

We have audited the financial statements of Nazareth Care Charitable Trust for the year ended 31 March 2017 which comprise the group and parent charity statement of financial activities, the group and parent charity balance sheet, the group statement of cash flows, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

This report is made solely to the Charity's member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charity's Trustees as a body, in accordance with Section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the Charity's member and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity, the Charity's member and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditor

As explained more fully in the Trustees' Responsibilities Statement set out in the Trustees' Report, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards of Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report including the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2017 and of the group's and the parent charitable company's income and expenditure for the year ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice: and
- have been prepared in accordance with the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and the Companies Act 2006.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Trustees' Report, including the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements and the Trustees' Report, including the Strategic Report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report, including the Strategic Report. We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Amanda Francis, Senior Statutory Auditor
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL
Date:

20 December 2017

Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Financial Activities – Year Ended 31 March 2017

Notes	Group			Charity			Total 2017 £	Total 2016 £		
	Un- restricted funds £	Restricted funds £	Total 2017 £	Total 2016 £	Un- restricted funds £	Restricted funds £				
Income from:										
Donations and legacies										
. Donation from The Congregation of the Sisters of Nazareth Charitable Trust	2	90,000	—	90,000	313,642	90,000	—	90,000		
. Other donations and legacies	2	—	249,543	249,543	300,061	—	249,543	249,543		
Charitable activities										
. Charges for residential and care services*		24,139,450	—	24,139,450	21,891,714	24,139,450	—	24,139,450		
. Charges for nursery services*		440,499	—	440,499	445,399	440,499	—	440,499		
Other trading activities	3	7,178,012	—	7,178,012	7,737,002	—	—	—		
Other income*		88,739	—	88,739	83,430	155,362	—	155,362		
Total income		31,936,700	249,543	32,186,243	30,771,248	24,825,311	249,543	25,074,854		
Expenditure on:										
Raising funds	4	7,475,576	—	7,475,576	6,866,807	—	—	—		
Charitable activities										
. Provision of residential and care services	5	23,921,666	318,543	24,240,209	22,572,741	23,921,666	318,543	24,240,209		
. Provision of nursery services	6	410,816	—	410,816	424,303	410,816	—	410,816		
Total expenditure		31,808,058	318,543	32,126,601	29,863,851	24,332,482	318,543	24,651,025		
Net income (expenditure) and net movement in funds for the year										
	8	128,642	(69,000)	59,642	907,397	492,829	(69,000)	423,829		
Reconciliation of funds										
Fund balances brought forward at 1 April 2016		9,108,158	69,000	9,177,158	8,269,761	9,942,857	69,000	10,011,857		
Fund balances carried forward at 31 March 2017		9,236,800	—	9,236,800	9,177,158	10,435,686	—	10,435,686		

*In 2016 the relevant income was all unrestricted.

All recognised gains and losses are included in the above statement of financial activities.

All activities derived from continuing operations in each of the above two financial years.

Balance Sheets – 31 March 2017

Notes	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Fixed assets:				
Tangible assets	12	3,752,438	3,656,661	3,752,436
Investments	13	—	—	9
Total fixed assets		3,752,438	3,656,661	3,752,445
Current assets:				
Stocks and work in progress	14	3,501,161	8,993,876	—
Debtors	15	2,919,541	1,882,666	2,810,846
Cash at bank and in hand		7,143,212	8,148,222	5,944,458
Total current assets		13,563,914	19,024,764	8,755,304
Liabilities:				
Creditors: amounts falling due within one year	16	(5,809,259)	(10,592,182)	(1,861,403)
				(2,406,586)
Net current assets		7,754,655	8,432,582	6,893,901
Total assets less current liabilities		11,507,093	12,089,243	10,646,346
Creditors: amounts falling due after one year	17	(2,091,940)	(2,766,732)	(210,660)
Provision for liabilities	18	(178,353)	(145,353)	—
Total net assets		9,236,800	9,177,158	10,435,686
				10,011,857
The funds of the charity:				
Restricted funds	19	—	69,000	—
Unrestricted funds				69,000
. Tangible fixed assets fund	20	3,752,438	3,656,661	3,752,436
. General fund		5,484,362	5,451,497	6,683,250
Total funds	21	9,236,800	9,177,158	10,435,686
				10,011,857

Approved by the Trustees on and signed on their behalf by:

Sister Teresa Bernadette Fallon

Trustee

Date of approval: 1 November 2017

Company Registration Number: 05518564 (England and Wales)

Charity Registration Numbers: 1113666 (England and Wales) and SCO42374 (Scotland)

Statement of Cash Flows – Year Ended 31 March 2017

	Notes	2017 £	2016 £
Cash flows from operating activities:			
Net cash provided by operating activities	A	<u>3,885,509</u>	4,764,350
Cash flows from investing activities:			
Purchase of tangible fixed assets		<u>(708,019)</u>	(640,288)
Net cash used in investing activities		<u>(708,019)</u>	(640,288)
Cash flows from financing activities:			
Repayments of borrowing		<u>(4,182,500)</u>	(6,067,112)
Cash flows from new borrowing		—	2,235,060
Net cash used in financing activities		<u>(4,182,500)</u>	(3,832,052)
Change in cash and cash equivalents in the year		(1,005,010)	292,010
Cash and cash equivalents at 1 April 2016	B	8,148,222	7,856,212
Cash and cash equivalents at 31 March 2017	B	<u>7,143,212</u>	8,148,222

A Reconciliation of net movement in funds to net cash provided by operating activities

	2017 £	2016 £
Net movement in funds (as per the statement of financial activities)	59,642	907,397
Adjustments for:		
Depreciation charge	612,242	546,457
Decrease in stocks	5,492,715	1,765,426
(Increase) decrease in debtors	(1,036,875)	196,229
(Decrease) increase in creditors	(1,275,215)	1,327,091
Increase in provision for liabilities	33,000	21,750
Net cash provided by operating activities	<u>3,885,509</u>	4,764,350

B Analysis of cash and cash equivalents

	2017 £	2016 £
Total cash and cash equivalents		
Cash at bank and in hand	<u>7,143,212</u>	8,148,222

Principal Accounting Policies - Year Ended 31 March 2017

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 31 March 2017 with comparative information provided in respect to the year to 31 March 2016.

The financial statements have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these financial statements.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The financial statements are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the financial statements requires the Trustees and management to make significant judgements and estimates.

The items in the financial statements where these judgements and estimates have been made include:

- estimating the useful economic life of tangible fixed assets for the purposes of determining the depreciation charge;
- assessing the probability of the receipt of legacy income;
- assessing the recoverability of outstanding debtors for residential and care services; and
- determining the apportionment of governance expenditure between the categories of expenditure on charitable activities.

Assessment of going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these financial statements. The Trustees have made this assessment in respect to a period of one year from the date of approval of these financial statements.

The Trustees of the Charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the Charity to continue as a going concern. The Trustees are of the opinion that the Charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above.

With regard to the next accounting period, the year ending 31 March 2018, the most significant issues that may affect the carrying value of the assets held by the charity are the level of local and central government funding for residential and nursing care of older people and the cost of implementing the changes to the regulatory environment affecting care homes generally.

Basis of Consolidation

The Group's statement of financial activities and the Group's balance sheet consolidate the financial statements of the Charity and the following wholly owned subsidiaries:

- NRV Development (Blackburn) Limited
- NRV Development (Plymouth) Limited
- NRV Blackburn Limited
- NRV Management (Plymouth) Limited
- Nazareth Catering Limited
- Nazareth Home Care Limited
- Larmenier Care Home Management Limited
- NRV Management Glasgow Limited
- NRV Development Glasgow Limited

Income Recognition

Income is recognised in the period in which the Group and/or Charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises donations and legacies, charges for residential and care services, charges for nursery services, income from other trading activities and other income.

Donations are recognised when the Group and/or Charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the Group and/or Charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the Group and/or Charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Legacies are included in the statement of financial activities when the Group and/or Charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the Group and/or Charity.

Entitlement is taken as the earlier of the date on which either: the Group and/or Charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the Group and/or Charity that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Group and/or Charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the Group and/or Charity, or the Group and/or Charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having been transferred to the Group and/or Charity.

Income derived from the levying of charges for residential, care and nursery services is measured at the fair value of the consideration received or receivable, excluding discounts and rebates.

Income generated from other trading activities comprises income from the Charity's trading subsidiary companies, details of which can be found in note 1 to the financial statements. Such income is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Expenditure Recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Group and/or Charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. The classification between activities is as follows:

- Expenditure on raising funds includes all expenditure associated with raising funds for the Group and/or Charity. This includes commercial trading operations of the subsidiaries and interest payable.
- Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the Group and/or Charity through the provision of charitable activities. Such costs include provision of residential and care services and provision of nursery services including governance costs.

All expenditure is stated inclusive of irrecoverable VAT.

Governance costs comprise the costs involving the public accountability of the Group and/or Charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

In allocating expenditure to headings, no significant apportionments have had to be used.

Tangible Fixed Assets

All assets and improvements to existing assets costing more than £1,500 and with an expected useful life exceeding one year are capitalised. The Group and Charity have opted to adopt a policy of not revaluing their tangible fixed assets, which are stated at cost.

A review for impairment of a tangible fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any tangible fixed asset may not be recoverable.

Leasehold Interest and Improvements

The leasehold interest comprises two amounts of £1 each and represents the residual investment value of leases in Blackburn and Plymouth. It is not depreciated.

Leasehold improvements are included in the financial statements at cost. They are depreciated at a rate of 10% per annum on a straight-line basis once there are 50 or fewer years of the lease remaining.

Other Tangible Fixed Assets

Other tangible fixed assets are capitalised and depreciated at the following annual rates in order to write them off over their estimated useful lives.

- ◆ Furniture and equipment 10% to 33.3% per annum on the straight-line basis
- ◆ Motor vehicles 25% per annum based on reducing balance.

Assets are depreciated once they are brought into use.

Fixed Asset Investments

Investments in subsidiary companies are included on the balance sheet at cost.

Stocks and Work in Progress

Stocks and work in progress represent land and buildings under development. Work in progress and consumables are valued at the lower of the costs and net realisable value. The land and building costs comprise the costs of the land, materials, directly attributable interest and other services related to the development and construction of the properties.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the Group and/or Charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Funds Structure

Restricted funds represent donations received to the benefit of specific homes.

The remainder of the Group's and/or Charity's funds are unrestricted. Within the unrestricted funds, the tangible fixed assets fund represents the net book value of the Group and/or Charity's tangible fixed assets. These assets are essential to the continued mission of the Group and/or Charity and include the improvements to care homes and the furniture and equipment used in those care establishments.

The general fund represents those monies which are freely available for application towards achieving any charitable purpose that falls within the Group and/or Charity's charitable objects.

Pensions

Contributions in respect of the Group's and Charity's defined contribution pension schemes are charged to the statement of financial activities when they are payable to the scheme. The Group's and Charity's contributions are restricted to the contributions disclosed in note 9. There were no outstanding contributions at the year end. The Group has no liability beyond making its contributions and paying across the deductions for the employees' contributions.

Notes to the Financial Statements - Year Ended 31 March 2017

1. Activities of the Subsidiary Companies

A summary of the financial statements of those subsidiary companies which traded during the year is as follows:

	NRV Development (Blackburn) Limited	NRV Development (Plymouth) Limited	NRV Blackburn Limited	Nazareth Catering Limited	Nazareth Home Care Limited	NRV Management Plymouth Limited
Company number (England and Wales)	05906057	05940933	06297407	06740428	08461286	08461398
	£	£	£	£	£	£
Turnover	776,591	5,664,160	119,644	94,166	22,543	45,591
Cost of sales	(435,502)	(5,075,098)	(237,703)	(50,889)	—	(177,994)
	341,089	589,062	(118,059)	43,277	22,543	(132,403)
Administrative costs	(309,293)	(668,129)	(316,582)	(7,805)	(35,043)	(114,851)
Rental income	25,214	—	434,641	—	—	247,254
Other operating income	—	10,051	—	—	—	—
Interest payable and similar charges	(134,137)	(206,961)	—	—	—	—
Gift Aid donation	—	—	—	(34,056)	—	—
	(418,216)	(865,039)	118,059	(41,861)	(35,043)	132,403
(Loss) profit before taxation	(77,127)	(275,977)	—	1,416	(12,500)	—
Taxation	—	—	—	—	—	—
(Loss) profit for the financial year	(77,127)	(275,977)	—	1,416	(12,500)	—
Capital and reserves						
Called up share capital	1	1	1	1	1	1
Retained earnings	(790,081)	(397,581)	24	41,839	(11,712)	—
Shareholder's funds	(790,080)	(397,580)	25	41,840	(11,711)	1

A summary of the principal activities of each of the companies which traded is given below:

Company name	Principal activity
NRV Development (Blackburn) Limited	Development of a retirement village in Blackburn
NRV Development (Plymouth) Limited	Development of a retirement village in Plymouth
NRV Blackburn Limited	The property management of Blackburn
Nazareth Catering Limited	The provision of catering services to the villages at Blackburn and Plymouth
Nazareth Home Care Limited	The provision of domiciliary care services to residents of a retirement village in Blackburn
NRV Management Plymouth Limited	Property management

Larmenier Care Home Management Limited (company number 09382120) was dormant throughout the year and at 31 March 2017 had capital and reserves equal to its called up share capital only i.e. £1.

NRV Management Glasgow Limited (company number 09382077) was dormant throughout the year and at 31 March 2017 had capital and reserves equal to its called up share capital only i.e. £1.

NRV Development Glasgow Limited (company number 09382096) was dormant throughout the year and at 31 March 2017 had capital and reserves equal to its called up share capital only i.e. £1.

Financial statements for each company will be filed with the Registrar of Companies in due course.

The address of the registered office for all the subsidiary companies is Larmenier Centre, 162 East End Road, London, N2 0RU.

2. Donations and Legacies

Group	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Donation from The Congregation of the Sisters of Nazareth Charitable Trust (note 23)	90,000	—	90,000	313,642
General donations and legacies	—	249,543	249,543	300,061
2017 Total	90,000	249,543	339,543	613,703
2016 Total	313,642	300,061	613,703	

Charity	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Donation from The Congregation of the Sisters of Nazareth Charitable Trust (note 23)	90,000	—	90,000	313,642
Other donations and legacies				
. Donations from subsidiary companies (note 1)	34,056	—	34,056	870,989
. General donations and legacies	—	215,487	215,487	300,061
2017 Total	90,000	215,487	339,543	1,484,692
2016 Total	1,184,631	300,061	1,484,692	

3. Income from Other Trading Activities

Group	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Income from commercial trading operations of subsidiaries	6,460,852	—	6,460,852	6,793,746
Rental income	707,109	—	707,109	290,273
Other income	10,051	—	10,051	652,983
2017 Total	7,178,012	—	7,178,012	7,737,002
2016 Total	7,737,002	—	7,737,002	

4. Expenditure on Raising Funds

Group	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Expenditure on commercial trading operations of subsidiaries	7,134,478	—	7,134,478	6,635,737
Interest payable	341,098	—	341,098	231,070
2017 Total	7,475,576	—	7,475,576	6,866,807
2016 Total	6,866,807	—	6,866,807	

The Charity incurred no expenditure on raising funds (2016 – none).

5. Residential and Care Services

Group	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Staff costs	16,010,265	—	16,010,265	14,459,103
Premises	1,512,437	—	1,512,437	1,492,316
Care and welfare	4,666,814	318,543	4,985,357	5,009,927
Central management staff costs	1,025,273	—	1,025,273	978,208
Depreciation	608,349	—	608,349	543,740
Governance (note 7)	98,528	—	98,528	89,447
2017 Total	23,921,666	318,543	24,240,209	22,572,741
2016 Total	22,272,680	300,061	22,572,741	

Charity	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Staff costs	15,571,785	—	15,571,785	14,187,632
Premises	1,547,165	—	1,547,165	1,492,316
Care and welfare	5,118,044	318,543	5,436,587	5,281,398
Central management staff costs	1,025,273	—	1,025,273	978,208
Depreciation	608,349	—	608,349	543,740
Governance (note 7)	51,050	—	51,050	52,479
2017 Total	23,921,666	318,543	24,240,209	22,535,773
2016 Total	22,235,712	300,061	22,535,773	

6. Provision of Nursery Services

Group	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Staff costs	287,412	—	287,412	290,223
Premises	15,416	—	15,416	16,278
Care and welfare	84,129	—	84,129	94,001
Central management staff costs	18,924	—	18,924	19,991
Depreciation	3,893	—	3,893	2,717
Governance (note 7)	1,042	—	1,042	1,093
2017 Total	410,816	—	410,816	424,303
2016 Total	424,303	—	424,303	

Charity	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Staff costs	287,412	—	287,412	290,223
Premises	15,416	—	15,416	16,278
Care and welfare	84,129	—	84,129	94,001
Central management staff costs	18,924	—	18,924	19,991
Depreciation	3,893	—	3,893	2,717
Governance (note 7)	1,042	—	1,042	1,093
2017 Total	410,816	—	410,816	424,303
2016 Total	424,303	—	424,303	

7. Governance

Group	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Auditor's remuneration and audit costs, including VAT				
. Statutory audit	86,820	—	86,820	83,940
. Other services	12,750	—	12,750	6,600
	99,570	—	99,570	90,540

Charity	Unrestricted funds £	Restricted funds £	2017 Total funds £	2016 Total funds £
Auditor's remuneration and audit costs, including VAT				
. Statutory audit	52,092	—	52,092	46,972
. Other services	—	—	—	6,600
	52,092	—	52,092	53,572

8. Net Income (expenditure) and Net Movement in Funds

This is stated after charging:

Group	2017 Total funds £	2016 Total funds £
Staff costs	17,341,874	15,747,525
Auditor's remuneration	99,570	90,540
Depreciation	612,242	546,457

Charity	2017	2016
	Total funds £	Total funds £
Staff costs	16,903,394	15,476,054
Auditor's remuneration	52,092	53,572
Depreciation	612,242	546,457

9. Staff Costs and Remuneration of Key Management Personnel

Staff costs during the year were as follows:

Group	2017	2016
	£	£
Wages and salaries	15,064,860	14,001,978
Social security costs	927,300	773,888
Other pension costs	89,146	55,484
Redundancy payments	—	10,500
	16,081,306	14,841,850
Payments to agency staff	1,260,568	905,675
	17,341,874	15,747,525

Charity	2017	2016
	£	£
Wages and salaries	14,652,798	13,739,763
Social security costs	907,457	764,632
Other pension costs	88,179	55,484
Redundancy payments	—	10,500
	15,648,434	14,570,379
Payments to agency staff	1,254,960	905,675
	16,903,394	15,476,054

The average number of employees during the year was:

Group	2017	2016
Provision of residential and care services and nursery services	1,095	1,070
Charity	2017	2016
Provision of residential and care services and nursery services	1,054	1,038

The number of employees earning £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

Group and Charity	2017 Number	2016 Number
£70,001 - £80,000	3	3
£90,001 - £100,000	1	1

The Group and Charity paid £15,237 (2016 - £27,395) in respect to defined contribution pension plans for the above higher paid employees.

The key management personnel of the Group and Charity in charge of directing and controlling, running and operating the Group and Charity on a day to day basis comprise the Trustees, the Chief Executive, the senior management team, and the General Manager and Deputy General Manager of each of the Charity's care homes. The total remuneration (including taxable benefits and employer's pension contributions) of the key management personnel for the year was £1,414,623 (2016 - £1,400,037).

10. Trustees' Expenses and Remuneration

The Trustees received no remuneration in connection with their duties as trustees during the year (2016 - £nil).

Two Trustees were reimbursed travel and subsistence expenses of £2,400 during the year (2016 – two Trustee was reimbursed £1,160).

11. Taxation

Nazareth Care Charitable Trust is a registered charity and therefore is not liable to income tax or corporation tax on income or gains derived from its charitable activities, as they fall within the various exemptions available to registered charities.

12. Tangible Fixed Assets

	Leasehold improvements £	Furniture and equipment £	Motor vehicles £	Charity Total £	Leasehold interest £	Group Total £
Cost						
At 1 April 2016	2,619,662	2,877,341	230,153	5,727,156	2	5,727,158
Additions	428,665	279,354	—	708,019	—	708,019
At 31 March 2017	3,048,327	3,156,695	230,153	6,435,175	2	6,435,177
Depreciation						
At 1 April 2016	(347,159)	(1,523,688)	(199,650)	(2,070,497)	—	(2,070,497)
Depreciation charge	(304,833)	(299,639)	(7,770)	(612,242)	—	(612,242)
At 31 March 2017	(651,992)	(1,823,327)	(207,420)	(2,682,739)	—	(2,682,739)
Net book values						
At 31 March 2017	2,396,335	1,333,368	22,733	3,752,436	2	3,752,438
At 31 March 2016	2,272,503	1,353,653	30,503	3,656,659	2	3,656,661

The leasehold interest of £2 comprises two amounts of £1 each. £1 represents the residual investment value of a 999-year lease on a site in Blackburn which is being developed into a retirement village. The development value of the leasehold interest in the site, held by a subsidiary company on a 125-year under-lease, is included in stocks and work in progress. £1 represents the residual investment value of a leasehold property that a subsidiary company holds on a 125 year lease on a site at Plymouth.

13. Investments

Charity	2017	2016
	£	£
Shares in subsidiary undertakings at cost		
At 1 April 2016		
At 1 April 2016	9	6
Additions	—	3
At 31 March 2017	9	9

Investments represent 100% of the issued share capital of NRV Development (Blackburn) Limited, NRV Development (Plymouth) Limited, NRV Blackburn Limited, Nazareth Catering Limited, NRV Management (Plymouth) Limited, Nazareth Home Care Limited, NRV Development (Glasgow) Limited, NRV Management (Glasgow) Limited and Larmenier Care Home Management Limited. The activities of these companies are summarised in note 1.

14. Stocks and Work in Progress

Included in the Group's cost of stocks and work in progress is the construction cost of £1,648,308 (2016 - £2,083,689) in respect to the Blackburn Phase 2A development accounted for within the financial statements of NRV Development (Blackburn) Limited.

The costs of stocks and work in progress also include construction and project costs of £1,050,728 (2016 - £6,910,187) in respect to the Block A development at Plymouth by NRV Development (Plymouth) Limited. This balance includes finance costs of £802,125 (2016 - £702,873).

15. Debtors

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Residential and care service fees	1,584,866	1,014,192	1,584,866	1,014,192
Prepayments and accrued income	417,095	436,491	378,350	429,217
Other debtors	270,876	341,983	110,620	218,151
Amounts due from NRV Blackburn Limited	—	—	40,000	40,000
Amounts due from NRV Management Plymouth Limited	—	—	40,302	834,530
Amounts due from Nazareth Catering Limited	—	—	—	36,695
Amounts due from Nazareth Care Limited	—	—	—	4,680
Amounts due from Nazareth Home Care	—	—	10,000	21,252
Amounts due from NRV Development (Blackburn) Limited	—	—	—	12,756
Amount due from The Congregation of the Sisters of Nazareth Charitable Trust (note 23)	646,704	90,000	646,704	90,000
	2,919,541	<u>1,882,666</u>	2,810,846	<u>2,701,473</u>

16. Creditors: Amounts Falling Due Within One Year

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Amount due to The Congregation of the Sisters of Nazareth Charitable Trust (see below)	312,559	793,193	57,937	232,890
Loans from the Congregation of the Sisters of Nazareth Generalate (see below)	3,290,105	6,456,715	—	—
Expense creditors	582,358	629,111	534,665	588,309
Accruals and deferred income	1,138,972	1,403,091	962,192	434,975
Wages and salaries	—	950,653	—	926,013
Other	246,903	143,931	73,270	13,768
Taxes and social security	238,362	215,488	233,339	210,631
	5,809,259	<u>10,592,182</u>	1,861,403	<u>2,406,586</u>

At 31 March 2017 the Charity owed the Congregation of the Sisters of Nazareth Charitable Trust £57,937 (2016 - £232,890) being £27,937 (2016 - £202,890) in respect to property rental charges and £30,000 (2016 - £30,000) being loan repayments in respect to loans for the building and refurbishment works at Lancaster Day Nursery. In addition, other Group companies owed a further £254,622 (2016 - £560,303) being £132,159 (2016 - £443,465) due from NRV Development (Blackburn) Limited and £122,463 (2016 - £116,838) due from NRV Blackburn Limited.

The loan from the Congregation of the Sisters of Nazareth Generalate of £3,290,106 to the Group (2016 - £6,456,715) is in respect to NRV Development (Plymouth) Limited for £2,540,105 (2016 - £5,933,144), and NRV Development (Blackburn) Limited for £750,000 (2016 - £523,571).

17. Creditors: Amounts Falling Due After One Year

	Group		Charity	
	2017 £	2016 £	2017 £	2016 £
Loans from The Congregation of the Sisters of Nazareth Charitable Trust (note 23)	210,660	243,160	210,660	243,160
Loans from The Congregation of the Sisters of Nazareth Generalate (see below)	1,881,280	2,523,572	—	—
	2,091,940	2,766,732	210,660	243,160

The loans from the Congregation of the Sisters of Nazareth Generalate comprise £1,881,280 (2016 – £1,523,572) due from NRV Development (Blackburn) Limited and £nil (2016 - £1,000,000) from NRV Development (Plymouth) Limited.

18. Provision for liabilities

Group	2017 £	2016 £
At 1 April 2016	145,353	123,603
Charge for the period	33,000	21,750
At 31 March 2017	178,353	145,353

The provision relates to sinking funds in NRV Blackburn Limited and NRV Management Plymouth Limited.

There is no provision for liabilities within the Charity.

19. Restricted funds

The funds of the Group and Charity included the following restricted funds:

	At 1 April			At 31 March 2017	
	2016 £	Income £	Expenditure £	2017 £	
Other donations	69,000	249,543	(318,543)	—	

The above restricted funds were received from The Congregation of the Sisters of Nazareth Charitable Trust and other donors, to be spent for particular purposes or on particular homes.

20. Tangible Fixed Assets Fund

Group	£
At 1 April 2016	3,656,661
Movement in year	95,777
At 31 March 2017	3,752,438

Charity	£
At 1 April 2016	3,656,659
Movement in year	95,777
At 31 March 2017	3,752,436

The tangible fixed assets fund represents the net book value of the Group's and Charity's tangible fixed assets. These assets are essential to the continued mission of the Group and Charity and include the improvements to care homes and the furniture and equipment used in those care establishments.

21. Analysis of Net Assets Between Funds

Group	General funds	Tangible fixed assets fund	Restricted funds	Total
	£	£	£	£
Fund balances at 31 March 2017 are represented by:				
Tangible fixed assets				
Tangible fixed assets	—	3,752,438	—	3,752,438
Net current assets	7,754,655	—	—	7,754,655
Creditors: amounts falling due after one year	(2,091,940)	—	—	(2,091,940)
Provision for liabilities	(178,353)	—	—	(178,353)
Total net assets	5,484,362	3,752,438	—	9,236,800

Charity	General funds	Tangible fixed assets fund	Restricted funds	Total
	£	£	£	£
Fund balances at 31 March 2017 are represented by:				
Tangible fixed assets				
Tangible fixed assets	—	3,752,436	—	3,752,436
Investments	9	—	—	9
Net current assets	6,893,901	—	—	6,893,901
Creditors: amounts falling due after one year	(210,660)	—	—	(210,660)
Total net assets	6,683,250	3,752,436	—	10,435,686

22. Capital Commitments

At 31 March 2017 the Group and Charity had no capital commitments (2016 – none).

23. Connected Entities

The Charity is connected to The Congregation of the Sisters of Nazareth (the Congregation), an unincorporated international religious congregation founded by Victoire Larmenier and recognised by the Vatican, currently comprising 222 Sisters worldwide. The Superior General of the Congregation appoints the trustees of the Charity.

The Charity is connected also to two other registered charities:

Name	Registration numbers etc	Principal activities
The Congregation of the Sisters of Nazareth Generalate (CSNG)	A registered charity (Charity Registration No 1138876 (England and Wales))	The support of the Congregation and its work throughout the world.
The Congregation of the Sisters of Nazareth Charitable Trust (CSNCT)	A registered charity (Charity Registration Nos 228906 (England and Wales) and SC040507 (Scotland))	The support of the religious and other works (or ministries) carried on by members of the Congregation (the Sisters) in the U.K. and the care of those Sisters throughout their lives with the Congregation in the U.K. Ownership of 13 establishments in England, Wales, Scotland and Northern Ireland known as Nazareth Houses within which nursing, residential and care services are provided to older people in need.

In the case of both CSNCT and CSNG the Superior General of the Congregation also appoints the Trustees. Throughout the year, two or more of the three charities had some Trustees in common. With effect from April 2012, the Charity and CSNCT have three Trustees in common. None of the Trustees of the Charity are Trustees of CSNG.

At no point during the accounting period did any of the three charities control one or more of the others. As a consequence accounts consolidating the three charities are not prepared.

During the period there have been a number of transactions between the Charity and/or NRV Development (Blackburn) Limited, NRV Development (Plymouth) Limited, NRV Blackburn Limited, NRV Management (Plymouth) Limited and CSNCT, details of which are given in the paragraphs below.

CSCNT and Nazareth Care Charitable Trust

At 31 March 2017, the Charity was owed £646,704 from The Congregation of the Sisters Charitable Trust for redevelopment work carried out at Nazareth House Cheltenham (2016 - £nil). At 31 March 2017, the Charity was owed £nil (2016 - £90,000) from The Congregation of the Sisters of Nazareth Charitable Trust in recognition of work undertaken by regional staff on behalf of the Congregation of the Sisters of Nazareth Charitable Trust. In addition, at 31 March 2017 the Charity owed The Congregation of the Sisters of Nazareth Charitable Trust £268,597 (2016 - £476,050) being £27,937 (2016 - £202,890) in respect to property rental charges, and £240,660 (2016 - £273,160) being loan repayments in respect to loans for the building and refurbishment works at Lancaster Day Nursery, £30,000 (2016 - £30,000) of which was payable within one year.

During the year, CSNCT donated £90,000 (2016 - £313,642) to the Charity (see note 2).

CSNG and NRV Development (Blackburn) Limited

On 7 March 2012, The Congregation of the Sisters of Nazareth Generalate granted a loan facility to NRV Development (Blackburn) Limited for an unsecured loan of up to £4.2 million to be used to finance the construction of apartments and bungalows at the Larmenier Retirement Village, Preston New Road, Blackburn. The loan is repayable by the anniversary of the agreement together with accumulated interest, interest accruing at 5%. At 31 March 2017, £ 3,181,280 (2016 – £3,147,143) (including accrued interest of £631,143 (2016 - £497,006)) of the loan had been drawn down. Repayments of £550,000 (2016 - £100,000) were made to CSNG during the financial year. At 31 March 2017, the company owed £2,631,280 (2016 - £3,047,143) to CSNG, of which £750,000 (2016 - £1,523,571) was due within one year.

CSNG and NRV Development (Plymouth) Limited

On 19 December 2012, The Congregation of the Sisters of Nazareth Generalate granted a loan facility to NRV Development (Plymouth) Limited for an unsecured loan of up to £7.9 million to be used to finance the construction of apartments at Nazareth House, Durnford Street, Plymouth. The loan is repayable by the anniversary of the agreement together with accumulated interest, interest accruing at the rate of the Base Rate plus 4% per annum. At 31 March 2017, £6,140,106 (2016 – £6,733,144) (including accrued interest of £809,949 (2016 - £602,987)) of the loan had been drawn down. Repayments of £3,600,000 (2016 - £800,000) were made to CSNG during the financial year. At 31 March 2017, the company owed £2,540,106 (2016 - £5,933,144) to CSNG, of which £2,540,106 (2016 - £4,933,144) was due within one year.

CSNCT and NRV Development (Blackburn) Limited – Retirement Villages

Under the terms on which NRV Development (Blackburn) Limited sells certain apartments within the retirement village, should the purchaser for any reason wish to vacate the property at any time and not sell it on the open market, NRV Development (Blackburn) Limited undertakes to buy back the unit. It is calculated that the maximum liability to NRV Development (Blackburn) Limited in the event that several leaseholders simultaneously exercise the buyback option would be £750,000. Should NRV Development (Blackburn) Limited not have sufficient funds to meet this liability, CSNCT has agreed to meet any shortfall.

At 31 March 2017, CSNCT was owed £132,159 (2016 - £443,465) by NRV Development (Blackburn) Limited. This includes £132,159 (2016 - £307,765) in respect to the proceeds of buy back properties which were received into NRV Development (Blackburn) Limited.

24. Liability of the Members

The Charity is constituted as a company limited by guarantee. In the event of the Charity being wound up each of the members would be required to contribute an amount not exceeding £1.

25. Ultimate Control

The Charity is controlled by the Congregation, an international Roman Catholic religious Congregation, by virtue of the fact that the Superior General of the Congregation appoints the trustees.

26. Custodian Funds

At 31 March 2017 the Group and Charity held £82,720 (2016 - £109,465) being deposits held on behalf of residents in the Charity's care homes. These amounts are not included in these financial statements as the Group and Charity have no control over the monies. The funds are held in a bank account separate from the cash at bank of the Group and Charity.