

**MARTHA TRUST**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2006**

Registered Charity Number: 1067885  
Registered Company Number: 3467406

**MARTHA TRUST**  
**Financial Statements**  
**For The Year Ended 31 December 2006**

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**MARTHA TRUST**  
**Report of the Trustees**  
**For The Year Ended 31 December 2006**

Trustees are pleased to submit their report and accounts for the year ended 31 December 2006.

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities.

**Martha Trust's Purpose**

Martha Trust exists to provide life-long residential and respite care for people with profound and multiple disabilities, and to provide support to their families.

**Martha Trust's Goal for the Future**

During the next 10 years Martha Trust shall significantly increase the provision of high quality care for people with profound and multiple disabilities and become a recognised leader in this field.

**Martha Trust's Ethos**

Martha Trust is motivated by Christian values. We offer care and support to people with profound and multiple disabilities regardless of faith, gender, race, nationality or ethnic origin. We employ staff for their skills, and experience and do not discriminate on grounds of faith, gender, ethnic origin, disability, marital status, race, nationality or sexual orientation. Only Trustees must be active Christians to hold a governance role at Martha Trust.

**Christian Principles behind our work**

- § We believe people with profound disabilities are people first who have rights to privacy, choice, dignity and self respect as well as the right to be consulted and informed and make decisions about their lifestyles
- § We believe in the unique worth and potential of every person who comes to Martha Trust and aim to do everything we can to help them achieve their full potential
- § Martha Trust looks to God for guidance and inspiration to ensure that Martha Trust continues to develop and is well placed to meet new challenges which lie ahead

**1. LIFECARE AT MARTHA TRUST**

Martha Trust offers a home for life; a happy loving home based upon a family approach to living. All residents have profound and multiple physical and learning disabilities and many have a range of complex medical needs. All needs are met by qualified and specially trained nursing and care teams.

Our homes are small, attractive and welcoming. Residents are encouraged to achieve a level of independence equal to their personal potential. All homes are well equipped and residents access a wide range of therapies and activities to suit individual needs and preferences.

**Summary**

- § 3 residential homes caring for 25 people: Martha House, Deal, Frances House, Deal and Mary House, Hastings
- § 80 care staff
- § Working with 14 local authorities and PCTs
- § Turnover £1.8M
- § 56% of care staff qualified to NVQ level 2 (or equivalent) and above

**Objectives set for 2006**

- § Develop and implement effective quality control and self assessment processes to define the highest standards of our work with people with profound disabilities. These standards will be regularly audited across all three homes to ensure continued compliance.
- § Carry out research into the demand for current and possible new services in East Sussex as well as the ability and willingness of funders to contract.

## **Achievements**

All three homes provided a high quality service throughout 2006. Internal quality control and self assessment processes are in place and are regularly audited to ensure the highest standards are met.

Our newest home, Mary House in Hastings, which opened at the end of 2005, has gone from strength to strength in 2006. HRH Countess of Wessex opened the home in April and commented *"The looks on the families' faces show that they trust you to do the important job of looking after their children. Mary House is a truly wonderful place, and I wish you every success in the future."*

Research on demand for new and further services in East Sussex has started. Evidence from local care groups, schools and care and health managers strongly suggests that there is a huge demand for specialist services for people with profound and multiple disabilities. There is a reluctance, however from local authority funders looking for places for local people, to commit in principal to a new project before it is fully open. This requires a leap of faith on behalf of Martha Trust to fundraise and open new services, before Local Authorities are prepared to sign contracts.

Frances House is now surrounded by a sensory garden, providing interest and stimulation for our young residents. Work has begun on a sensory garden around Mary House. The sensory room was updated at Mary House and provides an additional facility for residents.

We continue to offer an excellent service and a value-for-money fee. Each of our homes is financially viable. We provide care to local people and others in the South East region on a 'needs first' basis.

## **Challenges**

Frances House was opened as a children's home in 1998. Over the last four years local authorities have shifted policy in favour of placing children in residential schools, or providing care packages in the home, rather than placing children long or short term in residential care homes. Martha Trust has found it harder and harder to fill vacancies at Frances House and in 2006 Trustees took the difficult decision to convert Frances House into a home for young adults. Sadly this meant saying goodbye to two of our children, but it meant welcoming 5 young adults into the home.

During 2006 we suffered significant time delays between agreeing placements with local authorities and residents moving into their new homes, which had a major impact on our finances for the year. This was a direct result of having to make so many placements during the course of a single year; typically we need only consider one or two places each year whereas due to the opening of Mary House and the transfer of Frances House into a home for young adults, in 2006 we needed to agree 12 new placements.

## **The Year Ahead**

- § Develop plans for lifecare residential places in the new wing at Mary House, Hastings, including a specially designed hydrotherapy pool.
- § Aim to obtain planning permission for a new residential home in the Ashford area.
- § Research demand for services in Kent and willingness of funders to contract.
- § Develop closer links with local authorities and gain preferred supplier status with LAs in the South East.
- § Ensure the highest quality standards are met through internal and external audits.

## **2. RESPITE AND DAYCARE**

At the Deal site in Kent we provide one respite place helping many families each year with short and long term breaks. The Deal site also houses our daycare centre which caters for 4 young people who have recently left full time education.

All respite and daycare users enjoy a tailored programme of activities and therapies.

## **Summary**

- § One dedicated respite place (helping approximately 10 families)
- § Four daycare places
- § Hydrotherapy pool for use by all service users at the Deal site
- § Activities and Therapies team facilitating development programmes for all respite/daycare and residential users
- § Turnover £0.2 Million

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**Report of the Trustees**  
**For The Year Ended 31 December 2006**

**Objectives set for 2006**

- § Develop and Implement effective quality control and self assessment processes to define the highest standards of our work with people with profound disabilities.

**Achievements**

In 2006 we increased our daycare service and now cater for 4 young adults who recently left full time education. Daycare users take part in art, craft, music therapy, cooking, gardening, hydrotherapy, physiotherapy plus many trips and themed activities.

During 2006 we restructured the staff team to create an 'Activities and Therapies team' who are responsible for facilitating programmes for all daycare, respite and residential users to ensure that each individual achieves their potential and leads a fulfilling life.

Daycare and respite services continue to operate to high standards and are regulated through internal quality control and self assessment processes.

**Challenges**

Providing a service with better continuity from full time education and developing closer links with local colleges and schools.

**The Year Ahead**

- § Develop plans for 2 respite places in the new wing at Mary House, Hastings
- § Develop and monitor the new Activities and Therapies programme.
- § Develop closer links with local authorities and gain preferred supplier status with Local Authorities in the South East.

**3. FUNDRAISING AND COMMUNICATIONS**

Fundraising plays an important role in helping Martha Trust extend and develop service provision.

General or 'unrestricted' funds must be raised each year to fund our work with people with profound disabilities to ensure that they have the most appropriate facilities and enjoy a full range of opportunities.

All capital expenditure, including new buildings and equipment, must also be met through donations from a range of sources. We are extremely grateful to all our supporters and volunteers.

**Summary**

- § £89,000 raised towards revenue costs
- § £172,000 raised for restricted capital projects
- § 600 new supporters recruited
- § Fundraising team expanded to 3 (2.5 FTE)
- § Volunteers contributed to many projects across the homes

**Objectives set for 2006**

- § Create and implement an internal and external communications policy so that Martha Trust can understand, anticipate and proactively manage its relationships.
- § Create and implement a fundraising strategy to strengthen Martha Trust's ability to grow and improve services.
- § Fundraise and commence projects to create sensory gardens around Frances House and Mary House.

**Achievements**

The final £120,000 raised towards the cost of building Mary House, thanks to the support of The Development Trust.

£14,000 raised towards the Frances House sensory garden. We are grateful to the Trusts and individuals who raised money towards these projects and to our volunteer groups from Pfizer Ltd, Deal Fire Brigade, and Deal community Events

£30,000 raised towards the 2 acre sensory garden at Mary House and we are grateful to Chris Prior and Derek Underwood who organised our 2006 golf day which raised £7,000 towards this project and to the grant making trusts who

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have also contributed significantly. We are also grateful to volunteer input from students at Hastings College of Art and Technology, Barclays Sales Finance and Friary Gardeners.

Martha Trust is growing, and to meet future fundraising needs, including a £1.35M capital project planned for 2007, the fundraising department was restructured and extended during 2006. The additional costs of staff and resources made during 2006, will have a positive impact for fundraising income for 2007 and for many years in the future.

Our community fundraising has broadened and improved during 2006 including employing a new part time community fundraiser in Hastings. There has been an increased number of events in 2006 including a Mount Etna Trek, Sponsored walk in Northern France, Christmas Fairs, a Christmas Pudding run, dances, talks and events with schools and churches. We thank all our supporters who took part or fundraised on our behalf.

A new website was launched in 2006 contributing towards an improved and more effective communications policy. Further work on communications is planned for 2007.

### **Challenges**

Starting community fundraising and raising awareness in the Hastings area, where prior to opening Mary House Martha Trust had no local profile.

Competing against a raft of other charities both locally and nationally.

### **The Year Ahead**

- § Launch the fundraising campaign to raise £1.35M for the new wing and hydrotherapy pool at Hastings
- § Ensure revenue fundraising grows and recruit more donors and grow closer relationships with our current donors.
- § Improve communications internally and externally to ensure that we are meeting the needs of all our stakeholders.
- § Create and implement an awareness strategy to lead Martha Trust to become recognised by a wider range of stakeholders.

## **4. FINANCIAL REVIEW AND RESULTS FOR THE YEAR**

2006 was a challenging year but ended in the production of a satisfactory set of results. Having to fill so many vacancies in both Mary House and Frances House during the year was the principal reason for the reported loss. The amount of unbudgeted lost fee income for the year was in excess of £233,461. Two loans were consolidated and one increased during 2006 which was necessary in order to provide a secure financial base to build on for 2007.

Expenditure was tightly controlled during the year and despite the temporary loss of income, we were able to open Mary House and convert Frances House to a home for young adults all within the space of 12 months. This in itself is a remarkable achievement. With prudent and careful decision making, Martha Trust has continued to move forward and both the Senior Management Team and Trustees remain confident regarding future prospects for 2007 and beyond.

### **Summary**

- § New more sophisticated financial accounting system introduced
- § Finance team expanded by 1 member of staff
- § At the end of 2006, 3 vacancies remained with funding agreed for 2 of those in early 2007

### **Objectives for 2006:**

- § Research alternative funding streams with the potential to reduce current reliance on fee and fundraising income.
- § Negotiate fees effectively and move towards full cost recovery.
- § Work towards establishing reserves equal to £100K.

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**Achievements**

Preliminary work has begun looking at other potential sources of income, and this research will continue throughout 2007. The introduction of a new accounting system and an additional member of staff is already providing more efficient and meaningful forms of reporting. Several funding authorities have been highlighted for fee re-negotiation commencing April 2007.

**Challenges**

The adverse trading conditions during 2006 made it not possible to achieve the objective of creating the stated reserve. However, this objective will continue to be reviewed and worked towards over the next two years

**The Year Ahead**

- § Continue to establish adequate reserves within the charity (see 'Reserves' heading below)
- § Consolidate the current financial position - projections for 2007 are favourable and Trustees are confident of ending the year in a much stronger position.

**Funding**

The main source of income is from contracts with Local Authorities and Primary Care Trusts. Since Martha Trust provides care for people drawn from all parts of the UK, we maintain a wide range of important relationships which have been cultivated over the years. The diversity of these relationships, however, means that we are not dependent upon any one or small group of funders. Fundraising pays for all capital expenditure and provides some unrestricted funds.

**Reserves**

At 31 December 2006 the total funds of the Trust were £3,029,425. Of this £144,846 were restricted funds. Of the remaining unrestricted funds, £3,785,734 represented fixed assets. The Trust has expended free reserves on fixed assets which have also been financed through loans and working capital. The Charity is partly financed by retained surpluses and partly by bank borrowings.

Having considered all related matters carefully the Trustees have concluded that for the foreseeable future a reserve level equating to one year's fee income for one resident (approximately £100,000) should be adopted as a reserve fund target.

This policy will be reviewed at a meeting of Trustees at least annually and also at any such time as may be considered necessary by Trustees.

**5. MARTHA TRUST GOVERNANCE, MANAGEMENT AND TRAINING**

Martha Trust was founded in 1983 and is registered with the Charity Commission under charity number 1067885. The charity is also a company limited by guarantee governed by its Memorandum and Articles of Association and registered under company number 3467406, last amended in 1997.

**Objectives set for 2006**

- § Evolve and develop our current training strategy to fully support identified operational need.
- § Research the training market to see if skills held by Martha Trust are transferable. Understand the market value and related benefits of sharing skills with other providers.
- § Strengthen current ways and identify new ways of keeping our faith in God at the centre of our work.

**Achievements**

During 2006, Trustees and senior managers took part in a major strategic planning process, in which the vision for 2017 was defined and objectives set for 2006 and 2007.

The Trustee board has been strengthened. The senior management team is operating well.

A full time training co-ordinator was appointed during 2006 to oversee quality training for staff across all three homes/services. A deputy director of nursing was also appointed to provide more depth of support for homes and improved quality compliance.

**MARTHA TRUST**  
**Report of the Trustees**  
**For The Year Ended 31 December 2006**

**Challenges**

Financially, 2006 has been a challenging year with Trustees having to make some difficult decisions which we believe will prove in the best long term interests of our beneficiaries. This is especially true in the case of taking the decision to convert Frances House into a home for young adults. It was also true in deciding to keep places open for several young people who wanted to come and live at Mary House but for whom the administrative and legal assessment processes proved very long winded. Trustees believe it was right to stand by these people and maintain our offer of a place despite these delays.

**The Year Ahead**

- § During 2007 Trustees will consider forming an Audit & Finance Committee to monitor these key areas in greater detail.
- § Strengthen current ways and identify new ways of keeping our faith in God at the centre of our work.

**Directors/Trustees**

The Directors of the charitable company (the Charity) are its trustees for the purposes of charitable law and throughout this report are collectively referred to as the trustees. Trustees are co-opted by serving trustees and then confirmed by election at the following annual general meeting of the company.

**Trustees Serving During The Year And Since The Year End**

Leslie Bulman	David Horton
Humphrey Clarke (Chairman)	Linda Reeves
Andrew Davis (resigned 11.09.06)	Norma Rice (resigned 11.09.06)
Jonathan Dolding (appointed 11.09.06)	Rodney Stone (Company Secretary)
Enid Flood	

**Trustee Recruitment & Training**

Trustees are appointed at a meeting of the Board on the basis of nominations received according to the Board's specification concerning personal competence, specialist skills, availability and Christian commitment. New trustees are invited to attend a series of short training sessions to familiarise themselves with the charity and the context within which it operates. These are jointly led by the Chief Executive and another member of the senior management team. Subjects covered include:

- § The role and responsibilities of a trustee
- § The main documents which set out the constitution and operating framework for the charity (Memorandum & Articles)
- § Resourcing and the current financial position as set out in the latest published accounts and management accounts
- § Future plans and objectives including the current Strategic Plan.

Opportunities are promoted for Trustees to receive further ongoing training to keep their knowledge and skills up-to-date.

**Governance and Management**

Trustees are legally responsible for the overall management and control of all aspects of the charity's work and meet at least four times a year. The Chairman is assisted by a Vice Chairman and both work closely with the Chief Executive to ensure the most productive working relationship and outcomes for the charity.

Trustees approve the annual financial budget each year and review the strategic plan and progress against objectives regularly during the year.

The day-to-day running of the charity is delegated to the Chief Executive and Senior Management team.

Every two years Martha Trust creates a strategic plan, with stakeholder consultation producing objectives and actions which are reviewed each year. Martha Trust measures success of services through stakeholder feedback and inspections carried out by CSCI (care home regulators).

**Senior Managers**

Chief Executive:	Graham Simmons
Director of Operations:	Emily Shepherd
Director of Nursing:	Gill Burnham
Director of Finance:	Judy Heath



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**Report of the Trustees**  
**For The Year Ended 31 December 2006**

**Group Structure & Relationships**

Martha Trust owns no subsidiaries, although we continue to keep under review the possibility of launching a trading operation.

We continue to support the promotion of the highest standards in the field of caring for people with profound disabilities and work closely with a number of other charities and organisations to this end. In particular we have forged close links with Canterbury Christchurch College which regularly places pre/post registration nurses for further training.

**Related Parties**

The Charity is independent of all other charities and companies. A close relationship exists with Kent County Council and various Primary Care Trusts and other local authorities with which we have contracts for the provision of care. One of the directors has a child receiving respite care from the Charity, but this is under the direction of a local authority care manager and there are no special conditions.

**Professional Advisors**

Registered Auditors  
Kingston Smith LLP  
Devonshire House, 60 Goswell Road  
London, EC1M 7AD

Bankers  
Barclays Bank Plc  
9 St Georges Street, Canterbury, Kent, CT1 2JX

Solicitors  
Collings & Co  
10 Church Street (St Pauls)  
Canterbury  
Kent  
CT1 1NH

**Risk Management**

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances of the Trust, and are satisfied that systems are in place to mitigate exposure to these risks.

**Statement Of Trustees' Responsibilities**

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the trustees are required to:

- § select suitable accounting policies and then apply them consistently;
- § make judgements and estimates that are reasonable and prudent;
- § prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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**Report of the Trustees**  
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**Statement Of Disclosure To Auditors**

(a) so far as the trustees are aware, there is no relevant audit information of which the company's auditors are unaware,  
and

(b) they have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

The Board have agreed to reappoint Kingston Smith LLP as auditors for the coming year.

**In Conclusion**

We thank our Heavenly Father for what has been achieved during 2006 and look forward to carrying on His plan and work for Martha Trust in 2007.

**Humphrey Clarke**  
**Chairman**

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Date:

**MARTHA TRUST**  
**Report of the Auditors to The Trustees of Martha Trust**  
**For The Year Ended 31 December 2006**

We have audited the financial statements of Martha Trust for the year ended 31st December 2006 which comprise the Statement of Financial Activities (the Summary Income and Expenditure Account), the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

**Respective Responsibilities of Trustees and Auditors**

The responsibilities of the trustees (who are also the directors of Martha Trust for the purposes of company law) for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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

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

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

**Basis of Audit Opinion**

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

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

**Opinion**

In our opinion:

- § the financial statements give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31st December 2006 and of its incoming resources and application of resources, including the income and expenditure of the charitable company for the year then ended;
- § the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- § the information proved in the Trustees' Annual Report is consistent with the financial statements.

**Kingston Smith LLP**  
**Chartered Accountants & Registered Auditors**

**Devonshire House**  
**60 Goswell Road**  
**London**  
**EC1M 7AD**

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Date:

**MARTHA TRUST**  
**Statement of Financial Activities**  
**For The Year Ended 31 December 2006**

	Note	Unrestricted Fund £	Restricted Fund £	Total 2006 £	Total 2005 £
<b>INCOMING RESOURCES</b>					
Donations		88,811	172,208	261,019	691,065
<i>Activities to further the charity's objects:</i>					
Residential and day care fees		1,958,028	-	1,958,028	1,511,509
Other		<u>15,752</u>	<u>-</u>	<u>15,752</u>	<u>11,560</u>
<b>Total Incoming Resources</b>		<u>2,062,591</u>	<u>172,208</u>	<u>2,234,799</u>	<u>2,214,134</u>
<b>RESOURCES EXPENDED</b>					
<i>Costs of generating funds:</i>					
Fundraising and publicity		100,624	-	100,624	82,309
<b>Charitable expenditure</b>					
<i>Costs of activities in furtherance of the objects of the charity:</i>					
Residential and day care costs		2,204,895	10,288	2,215,183	1,585,119
Governance costs		<u>8,078</u>	<u>-</u>	<u>8,078</u>	<u>16,425</u>
<b>Total Resources Expended</b>	3	<u>2,313,597</u>	<u>10,288</u>	<u>2,323,885</u>	<u>1,683,853</u>
<b>Net Incoming Resources before Transfer</b>		(251,006)	161,920	(89,086)	530,281
Transfer between funds	9	<u>34,941</u>	<u>(34,941)</u>	<u>-</u>	<u>-</u>
<b>Net Incoming Resources after Transfers</b>		(216,065)	126,979	(89,086)	530,281
Fund balances brought forward		<u>3,100,644</u>	<u>17,867</u>	<u>3,118,511</u>	<u>2,588,230</u>
Fund balances carried forward		<u><u>2,884,579</u></u>	<u><u>144,846</u></u>	<u><u>3,029,425</u></u>	<u><u>3,118,511</u></u>

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

The notes on pages 12 to 17 form part of these financial statements.

**MARTHA TRUST**  
**Balance Sheet**  
**At 31 December 2006**

	Notes	2006 £	2006 £	2005 £	2005 £
<b>Fixed Assets</b>					
Tangible assets	4		3,965,521		3,959,950
<b>Current Assets</b>					
Debtors	5	32,128		62,846	
Cash at bank and in hand		<u>16,502</u>		<u>2,094</u>	
		<u>48,630</u>		<u>64,940</u>	
<b>Creditors: Amounts falling due within one year</b>					
Creditors and accruals	6	185,883		316,646	
Deferred income		<u>70,987</u>		<u>62,822</u>	
		<u>256,870</u>		<u>379,468</u>	
<b>Net Current (Liabilities)</b>			<u>(208,240)</u>		<u>(314,528)</u>
<b>Total Assets less Current Liabilities</b>			3,757,281		3,645,422
<b>Creditors: Amounts falling due after more than one year</b>					
	7		<u>(727,856)</u>		<u>(526,911)</u>
<b>Net Assets</b>			<u>3,029,425</u>		<u>3,118,511</u>
<b>Funds</b>					
Unrestricted:					
General	8		2,680,444		2,896,509
Revaluations	8		<u>204,135</u>		<u>204,135</u>
			2,884,579		3,100,644
Restricted	9		<u>144,846</u>		<u>17,867</u>
			<u>3,029,425</u>		<u>3,118,511</u>

The financial statements were approved by the Trustees on:

**Humphrey Clarke**  
Chairman of the Trustees

**David Horton**  
Trustee

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The notes on pages 12 to 17 form part of these financial statements.

**MARTHA TRUST**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2006**

**1. Accounting Policies**

**a) Basis of Accounting**

The financial statements are prepared under the historical cost convention, modified by the inclusion of donated assets at their estimated market value in the year of receipt, in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities (2005).

The following accounting policies have been applied consistently throughout the year:

**b) Income**

Income is accounted for on an accruals basis. Any tax credit arising on income received net of tax is accrued as part of the income.

**c) Restricted Funds**

When income received is subject to restrictions imposed by the donor or implied by the terms of appeal, it is shown in the statement of financial activities as restricted income. The corresponding expenditure is shown as restricted fund expenditure and any unexpended balance at the balance sheet date is carried as a restricted fund in the balance sheet. Where such funds have been raised for a purpose which cannot be satisfied the permission of the donors to release the funds for use in the general purposes of the charity is sought. If that permission is granted the funds are transferred to unrestricted funds. A description of these funds is shown in note 9.

**d) Designated Funds**

The trustees may set aside amounts of unrestricted funds, at their discretion, for specific future purposes. Such funds are shown within unrestricted funds as designated funds. Where the trustees decide that designated funds are no longer required for the purposes specified, these are released from designated funds.

**e) Unrestricted Funds**

These funds are expendable at the discretion of the trustees in furtherance of the objects of the Charity.

**f) Expenditure**

Expenditure is recognised on an accruals basis. Where expenditure cannot be wholly identified under the main categories shown in the statement of financial activities it is apportioned over cost headings on the basis of the estimated proportion of time spent by staff.

Support costs include the salary costs of the finance and administration staff and other administrative costs.

Governance costs include the management of the charitable company's assets, central, non-project and organisational management and compliance with constitutional and statutory requirements.

**g) Tangible Fixed Assets**

- i) As permitted by the transitional arrangements under FRS 15 "Tangible Fixed Assets" the trustees have elected not to adopt a policy of revaluation of tangible fixed assets. The freehold land and buildings are retained at the carrying value resulting from a valuation made in 1998 and this valuation will not be updated. Subsequent additions to freehold land and buildings will be capitalised at cost or in the case of donated assets, a valuation.
- ii) The trustees have revised the useful economic life of the freehold buildings to 50 years with no residual value following a review of previous estimates.
- iii) Freehold land is not depreciated. Freehold buildings are depreciated over 50 years. Depreciation is provided on other fixed assets to write off their cost over estimated useful lives at the following rates:

Fittings and equipment	10% - 20% on cost
Motor vehicles	20% on cost
Garden (included within fittings & equipment)	10% on cost

**h) Pension Costs**

The Trust pays contributions to a defined contribution pension scheme on behalf of certain employees. Payments are charged to the income and expenditure account as they fall due.

**MARTHA TRUST**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2006**

<b>2 Staff Costs</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Staff costs consist of:		
Wages and salaries	1,552,250	1,134,943
Social security costs	137,304	100,109
Other pension costs	16,330	10,743
	<u>1,705,884</u>	<u>1,245,795</u>

The average number of employees during the year was 85 (2005 - 63).

The number of employees whose emoluments exceeded £60,000 was Nil (2005 - Nil).

No trustee received remuneration during the year. During the year expenses relating to travel were paid to 2 trustees and amounted to £133 (2005 - £160).

**3 Analysis of Resources Expended**

	<b>Staff Costs</b>	<b>Other</b>	<b>Depreciation</b>	<b>Total 2006</b>	<b>Total 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Fundraising and publicity	67,046	33,578	-	100,624	82,309
Residential and day care costs	1,638,838	435,809	140,536	2,215,183	1,571,158
Governance costs	-	8,078	-	8,078	16,425
	<u>1,705,884</u>	<u>477,465</u>	<u>140,536</u>	<u>2,323,885</u>	<u>1,669,892</u>

	<b>Total 2006</b>	<b>Total 2005</b>
	<b>£</b>	<b>£</b>
Other expenditure includes:		
Auditors' remuneration:		
For audit	6,000	5,875
For other services	-	1,351
Prior year under provision; For audit	1,300	-
For other services	778	-
	<u>778</u>	<u>-</u>

All costs of the activities above are direct costs with the exception of support costs of £662,094 (2005 - £518,942) allocated to residential and day care (see page 14 for analysis).

**MARTHA TRUST**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2006 (cont'd)**

**3 Analysis of Resources Expended (Continued)**

	<b>Total 2006</b>	<b>Total 2005 Restated</b>
<b>Support Costs</b>	<b>£</b>	<b>£</b>
Establishment costs	44,923	26,446
Travel and subsistence	12,193	19,756
Insurance	14,683	12,977
Maintenance, cleaning and repairs	55,516	65,665
Print, post and stationery	9,301	7,719
Telephone and fax	8,012	7,510
Operating lease rental and equipment	10,404	43,681
Staff training	10,607	8,841
General expenses	4,892	24,672
Bank charges and interest	11,714	2,411
Mortgage interest	43,875	31,324
Depreciation	140,536	88,184
Salaries	295,438	179,756
	<u>662,094</u>	<u>518,942</u>
<b>Governance Costs</b>		
Audit and accountancy fees	8,078	7,300
Legal and professional	-	9,125
	<u>8,078</u>	<u>16,425</u>

**4 Tangible Fixed Assets**

	<b>Freehold Land £</b>	<b>Freehold Buildings £</b>	<b>Fittings and Equipment £</b>	<b>Motor Vehicles £</b>	<b>Total £</b>
<b>Cost</b>					
At 1 January 2006	716,575	3,128,637	495,075	52,000	4,392,287
Additions	-	5,200	139,333	1,575	146,108
Disposals	-	-	-	(25,000)	(25,000)
At 31 December 2006	<u>716,575</u>	<u>3,133,837</u>	<u>634,408</u>	<u>28,575</u>	<u>4,513,395</u>
<b>Depreciation</b>					
At 1 January 2006	-	159,839	237,282	35,216	432,337
Charge for the year	-	62,523	73,754	4,260	140,537
Disposals	-	-	-	(25,000)	(25,000)
At 31 December 2006	<u>-</u>	<u>222,362</u>	<u>311,036</u>	<u>14,476</u>	<u>547,874</u>
<b>Net Book Value</b>					
At 31 December 2006	<u>716,575</u>	<u>2,911,475</u>	<u>323,372</u>	<u>14,099</u>	<u>3,965,521</u>
At 31 December 2005	<u>716,575</u>	<u>2,968,798</u>	<u>257,793</u>	<u>16,784</u>	<u>3,959,950</u>

The closing net book value represents tangible assets used entirely for direct charitable purposes.



**MARTHA TRUST**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2006 (cont'd)**

<b>5 Debtors: Due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Trade debtors	19,425	48,286
Tax recoverable	1,612	10,874
Prepayments	4,439	3,286
Other debtors	6,652	400
	<u>32,128</u>	<u>62,846</u>

<b>6 Creditors: Amounts falling due within one year</b>	<b>2006</b>	<b>2005</b>
	<b>£</b>	<b>£</b>
Bank overdraft	-	114,827
Bank mortgage (see note 7)	24,972	21,998
Trade creditors	16,414	17,628
Other creditors	32,878	-
Other taxes and social security	47,227	42,091
Accruals	26,236	76,469
Bank loan	7,388	14,942
Finance lease	30,768	28,691
	<u>185,883</u>	<u>316,646</u>

<b>7 Creditors: Amounts falling due after more than one year</b>	<b>Finance Lease</b>	<b>Bank Loan</b>	<b>Bank Mortgage</b>	<b>Total 2006</b>	<b>Total 2005</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts falling due within one year	30,768	7,388	24,972	63,128	65,631
Between one to two years	30,551	7,388	24,972	62,911	68,844
Between two to five years	-	22,164	74,916	97,080	149,049
In five years or more	-	106,650	461,215	567,865	309,018
	<u>61,319</u>	<u>143,590</u>	<u>586,075</u>	<u>790,984</u>	<u>592,542</u>
Less: Allocated to creditors falling due within one year	(30,768)	(7,388)	(24,972)	(63,128)	(65,631)
	<u>30,551</u>	<u>136,202</u>	<u>561,103</u>	<u>727,856</u>	<u>526,911</u>

The bank loan and mortgage are secured by way of a charge over the company's land and buildings, except for Frances House. The mortgage is repayable in instalments over 11 years and bears interest at a rate of 1.4% over base rate.

<b>8 Unrestricted Funds</b>	<b>Opening Balance</b>	<b>Incoming Resources</b>	<b>Resources Expended Gains, Losses and Transfers</b>	<b>Closing Balance</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
General funds	2,896,509	2,062,591	(2,278,656)	2,680,444
Revaluation reserve	204,135	-	-	204,135
Total	<u>3,100,644</u>	<u>2,062,591</u>	<u>(2,278,656)</u>	<u>2,884,579</u>

**MARTHA TRUST**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2006 (cont'd)**

9 Restricted Funds	Opening Balance	Incoming Resources	Resources Expended Gains and Losses	Transfers	Closing Balance
	£	£	£	£	£
Frances House	-	12,616	(2,381)	(8,568)	1,667
Mary House	-	148,611	(516)	(8,397)	139,698
Other	17,867	10,981	(7,391)	(17,976)	3,481
Total	17,867	172,208	(10,288)	(34,941)	144,846

**Frances House**

This fund represents the proceeds of a fundraising campaign to build a sensory garden at Frances House. The amount transferred to unrestricted funds represents amounts already spent and capitalised on this project.

**Mary House**

This fund partly represents a loan received from The Development Trust of £120,000 to help finance the building of Mary House. The loan will be waived on Martha Trust meeting certain criteria. The remainder of the fund represents the proceeds of a fundraising campaign to build a sensory garden at Mary House. The garden has been capitalised and the amounts spent have been transferred to unrestricted funds.

**Other**

This fund represents donations received to build a hydrotherapy pool, purchase a generator for the day centre and sensory equipment for Martha House. All of these items have been capitalised and the amounts spent have been transferred to unrestricted funds. There is a small balance remaining of unspent funds.

**Transfers**

In the opinion of the trustees there are no ongoing restrictions on the above funds now that the amounts received have been spent in acquiring the relevant fixed assets.

**10 Total Funds**

	Unrestricted Funds	Restricted Funds	Total Funds
	£	£	£
Fund balances carried forward at 1 January 2007 are represented by:			
Tangible fixed assets	3,785,734	179,787	3,965,521
Current assets	48,630	-	48,630
Current liabilities	(256,870)	-	(256,870)
Long term liabilities	(692,915)	(34,941)	(727,856)
	<u>2,884,579</u>	<u>144,846</u>	<u>3,029,425</u>

**11 Operating Lease Commitments**

	2006	2005
	£	£
Operating leases which expire:		
In two to five years	20,090	3,682
	<u>20,090</u>	<u>3,682</u>

**MARTHA TRUST**  
**Notes to the Financial Statements**  
**For The Year Ended 31 December 2006 (cont'd)**

**12 Contingent Liability**

Martha Trust received a donation of land and buildings in Hastings from The Agape Trust. The use to which the land and buildings could be put was restricted by the original donors. The restriction requires Martha Trust to provide homes for a period of 99 years for at least four people under 31 years, of whom at least two must be visually impaired. This restriction applies to Martha Trust as a whole and not to Mary House individually. If this restriction is breached £350,000 is repayable to the Blatchington Court Trust. In the opinion of the trustees this criteria will be met and the likelihood of having to repay the money is considered to be remote.