

MARTHA TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2008

Registered Charity Number: 1067885

Registered Company Number: 3467406

MARTHA TRUST
Financial Statements
For The Year Ended 31 December 2008

| Contents | Page |
|-----------------------------------|-------------|
| Report of the Trustees | 1-11 |
| Report of the Auditors | 12 |
| Statement of Financial Activities | 13 |
| Balance Sheet | 14 |
| Notes to the Financial Statements | 15-21 |

Martha Trust's Purpose

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

Martha Trust's Charitable Objects

The Charity's objects registered with the Charity Commission are: 'The relief of persons with physical and learning disabilities through the provision of residential, respite and other suitable forms of care, the promotion of understanding of their needs and support for their families'.

Martha Trust's Vision for the Future

During the next 10 years we shall significantly increase our 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 and seeks to express Christian love in action. We offer care and support to people with profound and multiple disabilities regardless of faith, gender or ethnic origin. We employ staff on the basis of their skills and experience and do not discriminate on grounds of faith, gender, age, ethnic origin, disability, marital status, race, nationality or sexual orientation. The Chief Executive and Trustees must be Christians with an active faith to hold their respective roles at Martha Trust.

Christian Principles behind our work

- We believe people with profound disabilities 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.
- We look to God for guidance and inspiration to ensure that Martha Trust continues to develop and is well placed to meet the challenges that lie ahead.

1. CARE (Overall aim: To provide the best opportunities and outcomes)

Martha Trust offers a happy, loving, home for people with profound disabilities and complex medical needs.

Martha Trust homes are attractive and welcoming and offer a family approach to living. All our homes are well equipped and residents are offered a range of personalised therapies and activities to suit their individual needs and to encourage them to develop as individuals and achieve their full potential.

At our Deal site in Kent we help around 15 families each year through the provision of respite care for short and long term breaks. The Deal site also houses our daycare centre, meeting the needs of four young people who have recently left full-time education.

All respite and daycare users enjoy a programme of activities and therapies tailored to their individual needs and co-ordinated by the Activities and Therapies team.

Key Facts

- Three residential homes caring for 28 people: Martha House (Deal), Frances House (Deal), and Mary House (Hastings).
- One dedicated respite place at Martha House, Deal
- Four daycare places
- Hydrotherapy pool at the Deal site
- Activities and Therapies team provide development programmes for all respite/daycare and residential service users

- * Contracts with 13 Local Authorities and PCTs
- * 75% of staff qualified to NVQ level 2 or above
- * Ratio of 3 staff : 2 residents, 24 hour/7 days a week nursing care

Objectives & Achievements

1. Ensure the highest quality standards are met through internal and external audits, with all services meeting CSCI level 3 standard

High standards were maintained through stringent internal quality control and self-assessment processes. Each of our homes is financially viable and we continue to offer an excellent service, with a value-for-money fee, caring for local people and others in the South East region wherever possible on a 'needs first' basis.

Our residential home at Deal, Martha House, was described by independent regulators CSCI (Commission for Social Care Inspection) in their two most recent reports as:

"a well run and well established service, with a history of good management and care provision. Service users are treated as individuals, and person-centred care is developed around their specific needs"

And

"The service provides good quality personal and nursing care, with sensible safeguards in place for the protection of vulnerable adults. People's needs are detailed in individual plans so staff know how people prefer to be supported. The environment has been well thought through, and provides a friendly and homely atmosphere, in spite of the amount of equipment needed for effective caring".

The CSCI inspection of Mary House in Hastings noted that

"In advance of the inspection process a range of surveys were sent to the home for them to distribute. Five surveys were returned, one from a service user, one from a healthcare professional and three from staff at the home. Overall the response to the surveys was very positive with comments such as: -

- *'Provides excellent care for those with complex learning disability/physical disability. A competent and reliable service for the client group. Rare to find nowadays. Fantastic environment and professional staff who seem very committed'.*
- *'I feel it provides a really good environment for young adults to reach their goals and enjoy their lives while having a good support system around them'.*

The inspector also commented:

"The home is very well maintained and the standard of the décor is very high. Each of the bedrooms have been personalised and reflect individual residents' tastes and interests. Residents, and where appropriate their relatives, have been involved in the choice of the décor for their bedroom.

Residents are offered a varied and stimulating range of activities and the home is continuing to work hard to increase the range of activities on offer. The home has their own art room, music room and sensory room, which is a great asset for the residents. All residents have an annual holiday.

A number of the residents have very complex needs and the home works closely with the Local Community Learning Disability Team and acts on all advice and guidance provided. Care plans include very detailed information about the needs and abilities of the residents and there are very clear guidelines in place for staff to follow to ensure that needs are met.

A very high percentage of the staff team have completed NVQ (national vocational qualification) at level two or above. Staff spoken with felt well supported in their individual roles within the home".

All three homes provided a high quality service. CSCI scored Martha House, Frances House and Mary House as a level 3 (good).

Our daycare and respite service continues to be a popular and high quality service. A parent of a young woman receiving daycare remarked: *"I am writing to let you know just how much being with Martha Trust has brought a whole new meaning to D's life. She is happier than we have ever known her, fitter than we have ever known her – to hear her laugh again is wonderful."*

Our Therapy Co-ordinator has put in place an in-house programme of therapies in support of the 'Person Centred Plan' agreed for every individual in our care. Activities and therapies include hydrotherapy, music, art, sensory cooking, along with physiotherapy and alternative therapies such as massage and acupuncture. In Hastings, we have a partnership with Decoda who run specialist Music Gyms for people with profound disabilities and residents of Mary House also enjoy the services of visiting therapists.

2. Start and complete building of the extension at Frances House; welcome three new young people to the home by the end of 2008

The extension to Frances House was almost completed at the end of the year with an expected handover date of mid January 2009. At the time of writing 3 young people are waiting to move into their new home. We are particularly grateful to The Development Trust for their encouragement and support of this project which is about to reach a very satisfactory conclusion.

Additionally, the new annexe at Mary House is now well underway and when finished in June this year will include four additional bedrooms, 2 large living rooms, a therapy room, a new kitchen and a hydrotherapy pool. The latter will be available for use in addition to Mary House residents by local people with disabilities and health conditions most likely to benefit.

3. Work with stakeholders to decide which services are to be offered in the Ashford area and apply for full planning permission on the selected site

We continue to investigate the potential for providing services in the Ashford area of Kent. Meetings with service commissioners highlighted the potential for a Supported Living scheme along with daycare, residential and respite services. As Martha Trust has no experience of operating Supported Living schemes we are further investigating this option through consultation with service users and their advocates and other care providers. We have postponed applying for planning permission until we are sure of the best location and which services are required.

4. Review the care staffing structure and put in place a development programme for staff generally, including potential future Home Managers

A new post of Deputy Home Manager was introduced in each home and we have successfully appointed to these roles. This will provide a better means of succession as well as continuity in the event of a Home Manager post becoming vacant. We have made limited progress in other areas and as such have identified certain actions as a high priority for 2009 – see 'People' section below.

Challenges and Learning

During 2008 we experienced some delay between agreeing care placements with Local Authorities and residents moving into their new homes, all of which had an impact on our cashflow. As Martha Trust has grown, vacancies can arise more frequently yet we have not always had the staff resources in place to ensure these vacancies are quickly filled. The newly appointed Service Development Officer has started to address this with particularly encouraging results for the 3 additional places in Frances House.

We continue to experience difficulties recruiting experienced, high calibre, Home Managers, one of the reasons being that fewer nurse managers are leaving the NHS. In 2008, we commenced a detailed review of the staffing structure, career opportunities and rewards designed to ensure we attract and retain the best people.

We continue to fundraise for our Activities and Therapies programme but still need more funds to allow the team to deliver everything in the plan. We aim to increase funding for this vital work over the next few years.

We see on a daily basis the progress made by individuals through therapies and activities, but we do not yet have in place the full monitoring and evaluation programme we envisage. This is an action point for 2009. We have started providing a service offering better continuity for young people making the transition from full-time education, and our goal is to strengthen this service in coming years through partnership with specialised education providers.

The Year Ahead

In January 2009, Trustees and staff met to review our strategies and objectives for the next 3 years. 2009 was identified as a year for consolidating gains as well as ensuring we are positioned to withstand the harsher operating climate and challenges thrown up by the recession.

Our main objectives for 2009 are:

1. Ensure the appointment and retention of effective Home Managers & Deputy Home Managers in all 3 homes
2. Recruit to & maintain the full budgeted complement of Nurses and Supportworkers
3. Martha representative to attend all LD Partnership and KCC Complex Needs Group meetings
4. Research and compile record of identified service need for people with profound and multiple disabilities in Kent and East Sussex

2. PEOPLE (Overall Aim: To recruit, train and retain the best staff)

We know that the most important factor in providing the best possible care and opportunities for people with profound disabilities is the staff we employ. Because of this we devote significant resources to ensuring that we attract and retain the most motivated and best qualified people. This will always be one of our highest priorities.

Key Facts

- 135 people employed
- 97 full time/38 part time
- 24 nurses; 74 support workers

Objectives & Achievements

Specific objectives were not set in this area last year – see below for 2009 objectives.

Challenges and Learning

There have been two important lessons during the year. Firstly the current training strategy, which has served us well for a number of years, is in need of review to make sure we are providing high quality training and development opportunities to all our staff. Secondly we need to further reduce turnover which stood at 14% for 2008. This is not high compared to many organisations and the average for the care sector but there are further gains to be made in this key area. Part of our strategy will be to offer better career opportunities for staff on the care side which will provide people with options to stay and develop their careers with Martha Trust.

The Year Ahead

Our main objectives for 2009 are:

1. Review and redefine training strategy
2. Achieve full appraisal & supervision monitoring for all staff
3. Reduce turnover to 11%
4. Create new career pathways for Nurse & Supportworker roles

3. OPERATIONAL (Overall Aim: To use resources effectively and efficiently)

One of our greatest responsibilities is to use the resources entrusted to us wisely. In order to help us do this we monitor a number of key indicators to ensure we remain on track. These include:

- Actual costs v budgeted costs (for revenue and capital)
- Staff turnover and absence
- Staff supervision including a staff satisfaction index
- Administrative costs
- Fundraising costs & ratios

Performance on these and in other key areas are reported to the Board monthly via a scorecard together with management accounts. In addition, every quarter an assessment of progress with the current year's Strategic Plan objectives is presented to the Board.

Fundraising is a very important stream of income. Unrestricted revenue fundraising helps to ensure that people with profound and multiple disabilities have access to excellent facilities and a wide range of opportunities, activities and therapies.

Restricted capital fundraising in 2008 has been focused on the building projects at Mary House and Frances House and the completion of a new sensory garden at Mary House.

We are particularly grateful to the following organisations for their support of our work:

Futurebuilders
The Development Trust
The Maxwell Family Foundation
Charity Bank
Ward & Partners
Steel Charitable Trust
Clothworkers Foundation
Beatrice Laing Foundation

Summary

- £134,000 raised towards revenue costs
- £325,000 raised for restricted projects
- 500 new supporters recruited
- Over 1,000 hours volunteer time contributed to many projects in the homes and at fundraising events

Objectives & Achievements

1. Complete the fundraising campaign for the Mary House annexe and hydrotherapy pool

During 2007 we launched our fundraising campaign to raise just over £1.5M to build a new annexe (with room for 4 additional people to come and live) and hydrotherapy pool at Mary House in Hastings. By the Spring of 2008, 100% of the funds were secured with a mixture of donations and grants from foundations and individuals, plus a sizeable investment from Futurebuilders and Charity Bank. The 14 month building programme is due to complete in June 2009.

2. Complete the fundraising campaign for the extension at Frances House

The fundraising campaign to extend Frances House in Deal by a further three en-suite bedrooms was successfully completed. Long-time supporters, The Development Trust, pledged £230,000 towards this project and the new extension was almost finished at the end of 2008. Fundraising for specialist equipment and the sensory gardens at Frances House and Mary House continued.

3. Further increase revenue fundraising through regular giving, community events, group and business support to fund care and therapies for our residents and service users

We have benefited from over 1,000 hours of volunteer help during 2008. Groups and individuals including members of St Georges Church in Deal and employees of Pfizer Ltd provided labour and professional advice in our sensory gardens, on renovation projects and at Martha Trust fundraising events. We are deeply grateful to all our volunteers for their support and friendship.

Our revenue fundraising has increased by over 5% on the previous year. This is a result of an increase in the number of supporters and the number of large events organised by the community fundraising team and Martha Trust volunteers. We are grateful to all our donors and volunteers for their generous and on-going support.

4. Implement the communications project and improve internal and external communications at Martha Trust

We embarked upon a project to improve internal and external communications at Martha Trust. To assist with this we were fortunate to receive pro-bono help from communications expert David Bernstein. A number of recommendations have been implemented already although some remain outstanding and will be tackled in 2009.

Challenges and Learning

It is becoming increasingly hard to fundraise, as the number of charities in the UK increases each year and as the effects of the credit crunch are fully felt and the economy tightens. We have diversified our fundraising and increased our supporter database in a bid to make our fundraising more sustainable.

Our communications project has taken longer to launch and implement than expected. We have re-prioritised the remaining objectives and start 2009 with specific actions and a timeframe in which to achieve these.

The Year Ahead

Our main objectives for 2009 are:

1. Complete Mary House Phase 3 project on time and on budget
2. Devise a new fundraising and marketing strategy with detailed recommendations for implementation
3. Research and progress new home opportunities in the Ashford area

4. FINANCIAL (Overall Aim: To provide a sound and enabling financial platform)

Summary

- Total income - £2.96M
- Expenditure - £2.80M
- Income received in fees - £2.49M
- Percentage costs of management and administration - 13.8%
- Return on fundraising costs - 4.3 to 1
- Free reserves - expended but see below for objective to rebuild

Objectives & Achievements

1. Continue to work towards building adequate reserves within the charity (see 'Reserves' heading below)

The charity have laid some good foundations during 2008 which will ensure we are in a stronger overall position in future years. This was due to tight control of both income and expenditure budgets although the time taken to fill some vacancies meant we could not achieve the improvement in our reserve position originally intended.

2. Consolidate the current financial position - projections for 2009 are favourable and Trustees are confident of ending the year in a stronger position

Although we recorded an operating loss against unrestricted funds this was largely due to the delay in filling a very small number of vacancies. The appointment of a new position (see following objective) will considerably improve the speed and efficiency with which we can handle future vacancies.

3. Employ a Service Development Officer on a 12-month contract to negotiate with commissioners to ensure that new care places at Frances House and Mary House are filled when the building work is completed

An appointment was made in May 2008 and the current job holder is proving to be very effective negotiating for new and existing contracts. There is no doubt that the investment we have made in this area will serve well the interests of individuals and Martha Trust.

4. Build fee matrices for each of our services and service-users; where long-standing fees have fallen below acceptable levels, negotiate to achieve full-cost recovery

A great deal of work has been achieved in this area and we have been able to agree a core fee matrix with Kent Social Services. The model we have used is being taken up by other Social Services Departments including East Sussex which will help standardise the basis for future negotiations. We are continuing to develop the matrix to use this as a tool to help demonstrate the added value we deliver.

Challenges and Learning

Filling care vacancies quickly, and the knock-on effect on finances, has been an issue for us in 2008. Whilst there is huge demand for places at Martha Trust homes, commissioners are often slow at completing contracts. With part of our Futurebuilders' grant, a new role of Service Development Officer was created in 2008. The newly appointed officer is working with Social Services and PCTs to achieve the correct level of fees for residents and service users and negotiate places in the new extensions at Frances House and Mary House to ensure that places are filled as soon as each new building is commissioned.

Although we ended 2008 with a loss, projections for 2009-2011 are much healthier. Extending Frances House and opening the new annexe at Mary House will increase our income and strengthen our position.

The Year Ahead

Our main objectives for 2009 are:

1. Complete assessments and Fee Matrix for all existing residents
2. Create tool for analysing and comparing actual activity to contractual obligations
3. Renegotiate Martha House contracts to achieve minimum core cost
4. Commence building unrestricted cash reserve

Funding

The main source of income for Martha Trust 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 have, over many years, cultivated and maintained a wide range of important relationships. The diversity of these relationships 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. Other than fees for services, we do not receive any statutory money or government grants.

Reserves

We continue to operate with no free reserves as all our unrestricted funds are tied up in the Charity's operational homes. However, we are working towards building a sensible level of more liquid reserves. Trustees have concluded that for the foreseeable future a reserve level of approximately £100,000 should be adopted as an initial reserve fund target. This will provide the financial cushion needed when negotiations for new placements take longer than expected.

The policy on reserves will be reviewed annually at a meeting of Trustees and at any other time as may be considered necessary by Trustees.

Assets

At 31 December 2008 the total funds of the Trust were £3,480,493. Of this £1,140,195 were restricted funds. Of the remaining unrestricted funds, £4,646,933 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.

5. MARTHA TRUST GOVERNANCE AND MANAGEMENT

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.

Objectives & Achievements

1. Carry out a thorough strategic planning process and produce a revised format for a three-year strategic plan

A revised plan has been produced for the period 2009-2011 with detailed objectives aligned to our vision.

2. Increase the Board to 10 members, with some members being responsible for specific functions in the organisation; provide increased training opportunities for Trustees

We welcomed one new member to the board during 2008 making a total of 9. We plan to strengthen it further during the coming year and to introduce a more objective means of assessing Board working and performance annually.

3. Implement the organisational balanced scorecard and implement department and team scorecards

To improve monitoring and performance management, background work was carried out on an organisation balanced scorecard which was launched during the early part of 2008. Further fine tuning has since been carried out (and will continue in 2009) to ensure the scorecard measures what really matters and becomes an effective tool for assessing past and predicting future performance.

4. Form two additional committees under the titles of Personnel and Care

A Human Resources Committee was formed in 2008 and is establishing itself as an effective committee to the Board. A further committee responsible for all care related issues will be formed during 2009.

5. Strengthen current ways and identify new ways of keeping our faith in God at the centre of our operations

We continue to look to God for guidance and inspiration in all key areas of our work.

Challenges and Learning

During 2008 trustees re-appraised our vision for 2016 and agreed it is still relevant and fitting. During the year we began planning a strategic review process aimed at relating all objectives to our vision i.e. where we wish to be in 2016.

To improve monitoring and performance management, we introduced a balanced scorecard. This was implemented at Board level and scorecards also introduced for departments and teams.

The Year Ahead

Our main objectives for 2009 are:

1. To monitor closely the achievement of all strategic plan objectives
2. Increase the Board to 12 members
3. Fine tune the organisational balanced scorecard
4. Form one additional committee responsible for Care

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 were as follows:

| | |
|-------------------------------------|----------------------------------|
| Leslie Bulman (Chairman) | Paul Morgan (Vice Chairman) |
| Humphrey Clarke | Mike Shaw (elected 06.11.08) |
| Jonathan Dolding (retired 01.03.09) | Tessa Stevenson |
| Enid Flood | Rodney Stone (Company Secretary) |
| David Horton | |

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.

The Trustees approve the annual budget each year and regularly review the strategic plan and objectives for the year. The day-to-day running of the charity is delegated to the Chief Executive and Senior Management Team.

Every three years Martha Trust creates an updated strategic plan, with stakeholder consultation producing objectives and actions that are reviewed quarterly 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 Nursing: Gill Burnham
Director of Resources: Judy Heath

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 and East Sussex County Councils 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.

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 and 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 Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year 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 charity and of the income and expenditure of the charity for that period. In preparing these 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 operations.

The trustees are responsible for keeping proper accounting records that 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.

Statement of disclosure to auditors

- (a) so far as the Trustees are aware, there is no relevant audit information of which the charity's auditors are unaware, and
- (b) the Trustees 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.

Auditors

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 2008 and look forward to carrying on His plan and work for Martha Trust in 2009.

Leslie Bulman
Chairman



Date:

14 May 2009.

MARTHA TRUST
Notes to the Financial Statements
For The Year Ended 31 December 2008 (cont'd)

We have audited the financial statements of Martha Trust for the year ended 31st December 2008 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 2008 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 provided 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

Date: 18/5/2009

MARTHA TRUST
Notes to the Financial Statements
For The Year Ended 31 December 2008 (cont'd)

| | Note | Unrestricted Fund £ | Restricted Fund £ | Total 2008 £ | Total 2007 £ |
|--|------|---------------------------|-------------------------|--------------------|--------------------|
| INCOMING RESOURCES | | | | | |
| <i>Incoming resources from generated funds</i> | | | | | |
| Voluntary income | | 134,912 | 325,650 | 460,562 | 531,003 |
| <i>Incoming resources from charitable activities</i> | | | | | |
| Residential and day care fees | | 2,493,770 | - | 2,493,770 | 2,346,002 |
| <i>Other incoming resources</i> | | 6,126 | - | 6,126 | 5,994 |
| Total Incoming Resources | | <u>2,634,808</u> | <u>325,650</u> | <u>2,960,458</u> | <u>2,882,999</u> |
| RESOURCES EXPENDED | | | | | |
| <i>Costs of generating funds</i> | | | | | |
| Fundraising and publicity | | 106,847 | - | 106,847 | 107,793 |
| <i>Charitable activities</i> | | | | | |
| Residential and day care costs | | 2,650,716 | 29,999 | 2,680,715 | 2,472,935 |
| <i>Governance costs</i> | | 10,120 | 3,500 | 13,620 | 10,479 |
| Total Resources Expended | 3 | <u>2,767,683</u> | <u>33,499</u> | <u>2,801,182</u> | <u>2,591,207</u> |
| Net incoming resources before transfers | | (132,875) | 292,151 | 159,276 | 291,792 |
| Transfers | 9 | <u>24,064</u> | <u>(24,064)</u> | <u>-</u> | <u>-</u> |
| Net movement in funds | | (108,811) | 268,087 | 159,276 | 291,792 |
| Total funds brought forward | | <u>2,449,109</u> | <u>872,108</u> | <u>3,321,217</u> | <u>3,029,425</u> |
| Total funds carried forward | | <u>2,340,298</u> | <u>1,140,195</u> | <u>3,480,493</u> | <u>3,321,217</u> |

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

The notes on pages 15 to 19 form part of these financial statements.

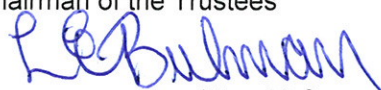
MARTHA TRUST
Notes to the Financial Statements
For The Year Ended 31 December 2008 (cont'd)

| | Notes | 2008 £ | 2008 £ | 2007 £ | 2007 £ |
|--|-------|----------------|------------------|----------------|------------------|
| Fixed Assets | | | | | |
| Tangible assets | 4 | | 4,646,933 | | 3,916,303 |
| Current Assets | | | | | |
| Debtors | 5 | 225,089 | | 384,127 | |
| Cash at bank and in hand | | 294,745 | | 1,496 | |
| | | <u>519,834</u> | | <u>385,623</u> | |
| Creditors: Amounts falling due within one year | | | | | |
| Creditors and accruals | 6 | 54,328 | | 275,031 | |
| Deferred income | | 74,972 | | 38,203 | |
| | | <u>129,300</u> | | <u>313,234</u> | |
| Net Current Assets | | | <u>390,534</u> | | <u>72,389</u> |
| Total Assets less Current Liabilities | | | 5,037,467 | | 3,988,692 |
| Creditors: Amounts falling due after more than one year | | | | | |
| | 7 | | <u>1,556,974</u> | | <u>667,475</u> |
| Net Assets | | | <u>3,480,493</u> | | <u>3,321,217</u> |
| Funds | | | | | |
| Unrestricted: | | | | | |
| General | 8 | | 2,136,163 | | 2,244,974 |
| Revaluations | 8 | | 204,135 | | 204,135 |
| | | | 2,340,298 | | 2,449,109 |
| Restricted | 9 | | <u>1,140,195</u> | | <u>872,108</u> |
| | | | <u>3,480,493</u> | | <u>3,321,217</u> |

The financial statements were approved by the Trustees on

14th May 2009

Leslie Bulman
Chairman of the Trustees



David Horton
Trustee



The notes on pages 15 to 19 form part of these financial statements.

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 previously 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 |

All assets purchased with a value of £1,000 or more are capitalised.

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.

| 2 Staff Costs | 2008 £ | 2007 £ |
|-------------------------|-------------------|-------------------|
| Staff costs consist of: | | |
| Wages and salaries | 1,888,885 | 1,797,608 |
| Social security costs | 165,439 | 157,303 |
| Other pension costs | 14,990 | 16,382 |
| | <u>2,069,314</u> | <u>1,971,293</u> |

The average number of employees during the year was 115 (2007 - 117).

The number of employees whose emoluments exceeded £60,000 was Nil (2007 - Nil).

No trustee received remuneration during the year. During the year expenses relating to travel were paid to 8 trustees and amounted to £1,317 (2007 - 8 trustees £491).

3 Analysis of Resources Expended

| | Staff Costs £ | Other £ | Depreciation £ | Total 2008 £ | Total 2007 £ |
|---------------------------------------|------------------------------|--------------------|---------------------------|-----------------------------|-----------------------------|
| Fundraising and publicity | 69,379 | 37,468 | - | 106,847 | 107,793 |
| Residential and day care costs | 1,999,935 | 538,570 | 142,210 | 2,680,715 | 2,472,935 |
| Governance costs | - | 13,620 | - | 13,620 | 10,479 |
| Total expenditure | <u>2,069,314</u> | <u>589,658</u> | <u>142,210</u> | <u>2,801,182</u> | <u>2,591,207</u> |
| | | | | | |
| | | | | Total 2008 £ | Total 2007 £ |
| Other expenditure includes: | | | | | |
| Auditors' remuneration: | | | | | |
| For audit (including VAT) | | | | 10,120 | 9,988 |
| Prior year under provision; For audit | | | | - | - |
| For other services | | | | - | - |

All costs of the activities above are direct costs with the exception of support costs of £388,601 (2007 - £329,543) allocated to residential and day care (see page 17 for analysis).

3

Analysis of Resources Expended (Continued)

| | Total 2008 | Total 2007 |
|---|----------------|----------------|
| Support Costs (Management & Admin) | £ | £ |
| Establishment costs | 4,375 | 1,558 |
| Travel and subsistence | 8,198 | 8,974 |
| Insurance | 1,256 | 655 |
| Maintenance, cleaning and repairs | 20,326 | 8,687 |
| Print, post and stationery | 6,549 | 7,304 |
| Telephone and fax | 5,287 | 4,310 |
| Operating lease rental and equipment | 6,869 | 5,573 |
| Staff training | 7,106 | 8,248 |
| General expenses | 5,768 | 7,958 |
| Bank charges | 5,914 | 10,508 |
| Interest | 53,665 | 17,083 |
| Depreciation | 13,034 | 13,607 |
| Salaries | 250,256 | 235,078 |
| | <u>388,601</u> | <u>329,543</u> |
| Governance Costs | | |
| Audit and accountancy fees | 10,120 | 9,988 |
| Legal and professional | - | 491 |
| | <u>10,120</u> | <u>10,479</u> |

4 Tangible Fixed Assets

| | Freehold Land £ | Freehold Buildings £ | Fittings & Equipment £ | Motor Vehicles £ | Total £ |
|-----------------------|-----------------------|----------------------------|------------------------------|------------------------|------------------|
| Cost | | | | | |
| At 1 January 2008 | 716,575 | 3,168,994 | 673,637 | 54,570 | 4,613,506 |
| Additions | - | 783,240 | 110,807 | - | 894,047 |
| Disposals | - | (21,207) | (23,949) | - | (45,156) |
| At 31 December 2008 | <u>716,575</u> | <u>3,931,027</u> | <u>760,225</u> | <u>54,570</u> | <u>5,462,397</u> |
| Depreciation | | | | | |
| At 1 January 2008 | - | 284,960 | 390,732 | 21,511 | 697,203 |
| Charge for the year | - | 62,598 | 72,327 | 7,285 | 142,210 |
| Disposals | - | - | (23,949) | - | (23,949) |
| At 31 December 2008 | <u>-</u> | <u>347,558</u> | <u>439,110</u> | <u>28,796</u> | <u>815,464</u> |
| Net Book Value | | | | | |
| At 31 December 2008 | <u>716,575</u> | <u>3,583,469</u> | <u>321,115</u> | <u>25,774</u> | <u>4,646,933</u> |
| At 31 December 2007 | <u>716,575</u> | <u>2,884,034</u> | <u>282,635</u> | <u>33,059</u> | <u>3,916,303</u> |

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

| 5 Debtors: Due within one year | 2008 | 2007 |
|---------------------------------------|----------------|----------------|
| | £ | £ |
| Trade debtors | 71,608 | 64,183 |
| Tax recoverable | - | - |
| Prepayments | 6,548 | 5,643 |
| Accrued Income | 142,629 | 313,569 |
| Other debtors | 4,304 | 732 |
| | <u>225,089</u> | <u>384,127</u> |

| 6 Creditors: Amounts falling due within one year | 2008 | 2007 |
|---|---------------|----------------|
| | £ | £ |
| Bank overdraft | - | 124,244 |
| Bank mortgage (see note 7) | - | 25,346 |
| Trade creditors | 17,540 | 21,175 |
| Other creditors | 15,761 | 3,405 |
| Other taxes and social security | - | 44,617 |
| Accruals | 10,120 | 19,211 |
| Bank loan 1 (see note 7) | 6,901 | 6,479 |
| Bank loan 2 (see note 7) | 4,006 | 30,554 |
| | <u>54,328</u> | <u>275,031</u> |

| 7 Creditors: Amounts falling due after more than one year | Barclays | Charity | Charity | Total | Total |
|--|-----------------|----------------|----------------|------------------|----------------|
| | Mortgage | Bank | Bank | 2008 | 2007 |
| | £ | Loan 1 | Loan 2 | £ | £ |
| Amounts falling due within one year | - | 6,901 | 4,006 | 10,907 | 62,379 |
| Between one to two years | 3,601 | 7,236 | 12,510 | 23,347 | 33,965 |
| Between two to five years | 71,419 | 27,495 | 42,352 | 141,266 | 117,858 |
| In five years or more | 726,980 | 86,749 | 578,632 | 1,392,361 | 515,652 |
| | 802,000 | 128,381 | 637,500 | 1,567,881 | 729,854 |
| Less: Allocated to creditors falling due within one year | - | (6,901) | (4,006) | (10,907) | (62,379) |
| | <u>802,000</u> | <u>121,480</u> | <u>633,494</u> | <u>1,556,974</u> | <u>667,475</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 installments over 15 and 20 years and bears interest at a fixed rate of 6.05%, with the first 24 payments being interest only. Loan 1 is payable over 11 years and Loan 2 over 24 years both bearing interest at a fixed rate of 6% with loan 2 being interest only for the first 12 months.

8 Unrestricted Funds

| | Opening Balance £ | Incoming Resources £ | Resources Expended Gains, Losses and Transfers £ | Closing Balance £ |
|---------------------|-------------------------|----------------------------|--|-------------------------|
| General funds | 2,244,974 | 2,634,808 | (2,743,619) | 2,136,163 |
| Revaluation reserve | 204,135 | - | - | 204,135 |
| Total | <u>2,449,109</u> | <u>2,634,808</u> | <u>(2,743,619)</u> | <u>2,340,298</u> |

9 Restricted Funds

| | Opening Balance £ | Incoming Resources £ | Resources Expended Gains and Losses £ | Transfers £ | Closing Balance £ |
|---------------|-------------------------|----------------------------|---|-----------------|-------------------------|
| Frances House | 239,897 | 15,400 | | | 255,297 |
| Mary House | 599,000 | 268,999 | | | 867,999 |
| Martha House | 33,211 | 2,151 | (8,837) | (24,064) | 2,461 |
| Other | - | 39,100 | (24,662) | - | 14,438 |
| Total | <u>872,108</u> | <u>325,650</u> | <u>(33,499)</u> | <u>(24,064)</u> | <u>1,140,195</u> |

Frances House

This fund partly represents the proceeds of a fundraising campaign to build a sensory garden at Frances House. It also represents funds received or pledged to build an extension to Frances House.

Mary House

This fund partly represents two loans received from Blatchington Court Trust of £350,000 and The Development Trust of £120,000 to help finance the building of Mary House. These loans will be waived on Martha Trust meeting certain criterion. The remainder of the fund represents the proceeds of a fundraising campaign to extend Mary House, build a hydrotherapy pool and add another part to the sensory garden at Mary House.

Martha House

This fund represents funds received for sensory equipment at Martha House. The transfer out of this fund represents the purchase of that equipment and therefore the satisfaction of that restriction.

Other

This fund represents a grant received to fund the post of Service Development Officer for one year and to assist Martha Trust with various governance costs incurred.

Transfers

In the opinion of the trustees there are no ongoing restrictions on the above funds transferred 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 | 3,506,738 | 1,140,195 | 4,646,933 |
| Current assets | 519,834 | - | 519,834 |
| Current liabilities | (129,300) | - | (129,300) |
| Long term liabilities | (1,556,974) | - | (1,556,974) |
| | <u>2,340,298</u> | <u>1,140,195</u> | <u>3,480,493</u> |

11 Operating Lease Commitments

| | £ Buildings | 2008 £ Other | £ Total | 2007 £ |
|--------------------------------|----------------|--------------------|---------------|---------------|
| Operating leases which expire: | | | | |
| In two to five years | <u>10,100</u> | <u>4,418</u> | <u>14,518</u> | <u>17,672</u> |
| | <u>10,100</u> | <u>4,418</u> | <u>14,518</u> | <u>17,672</u> |

12 Contingent Liability

Increasingly Trusts and Foundations making sizeable grants to capital appeals, are applying further restrictions to the donations. If the restrictions are broken during the agreed time-frame, the recipient becomes liable to re-pay the donation in full.

Martha Trust received a donation of land and buildings in Hastings from The Agape Trust in 2004. The use to which the land and buildings could be put was restricted by the original donors, Blatchington Court Trust. The restriction requires Martha Trust to provide homes for a period of 99 years and at any one time at least four residents must be 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 criterion will be met and the likelihood of having to repay the money is considered to be remote.

A donation of £120,000 was made in 2006 towards Mary House from the The Development Trust with a restriction over 10 years, ensuring that at least five people living in Mary House must be from Kent, Medway, East Sussex or West Sussex. In the opinion of the trustees this criterion will be met and the likelihood of having to repay the money is considered to be remote.

In 2007 £230,000 was donated by The Development Trust towards the proposed extension at Frances House. This donation carries a restriction for a period of 21 years and requires that the three new residents at Frances House must not have previously lived in any other Martha Trust home.

13 Capital Commitments

As part of Mary House Phase 3, Martha Trust are committed to spending a further £1,029,148 on the Project of which £861,231 is subject to contract.

As part of Frances House extension, Martha Trust are committed to spending a further £139,547 on the project of which £125,175 is subject to contract.

As a result of the above outstanding commitments, the Trust held a higher than expected bank balance at the year end.