

**Acorns Children's Hospice Trust (limited by
guarantee)**

**Councillors' report and consolidated
financial statements**

Registered company number 2036103

Registered charity number 700859

For the year ended 31 March 2002



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Chairman's report

Twelve months ago I opined that, following a very difficult year, we had emerged from the enforced restructuring a better and more efficient team and in excellent spirits. I believe this to have been confirmed this year when we have maintained our high standards, provided care and support to more children and families and seen a growth in our net incoming resources, excluding the Three Counties Appeal.

Independent hospices continue to face significant problems with a fundraising requirement of £200 million per annum just to stand still. Government has indicated additional support for both adult and children's hospices. Details of the New Opportunities Fund support for palliative care have now been made public, with £70 million being allocated over the next three years, of which £48 million is to be for children. £15.3 million of this amount is ring fenced for existing residential children's units.

As laid down in our Mission, we support and participate in a number of activities within the hospice world with our Chief Executive, John Overton, continuing as Chairman of the Association for Children with Life-Threatening or Terminal Conditions and their Families ("ACT"). I am a member of the Executive Committee and Treasurer of the Forum of Chairmen of Independent Hospices, a useful organisation to meet with fellow Chairmen and have access to the national scene. We share our knowledge with other children's hospices, operational and emerging, nationally and internationally, as undoubtedly we are the market leaders providing a wider range of services than any other children's hospice.

I have to report the resignation of two of our Councillors – Peter Wildblood and Gill Young, both of whom have accepted honorary positions as Vice-Presidents. Peter was a founder Councillor, having been Headmaster of the Calthorpe School where the first seed of what is now Acorns was sown. His contribution over some 20 years is immeasurable. Gill Young was only with us for two years but, with her nursing background, was a valuable member of the Board. To both of them, we offer our sincere thanks for their support and services during their time with Acorns.

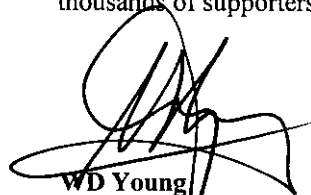
I am pleased to welcome two new Councillors since my last report – Dr Geoffrey Debelle, Consultant Paediatrician at the Children's Hospital, and Brian Hopkinson, Solicitor. They bring further skills and much enthusiasm to the governance of Acorns.

Acorns Selly Oak and Acorns Walsall are now both fully operational and provide our various facilities to more than 450 families. Selly Oak now tends to care for younger children, with the adolescents making full use of our unit at Walsall.

Acorns Worcester is still on course to open in 2004 but, despite the efforts and generosity of a great number of supporters, we still face an enormous challenge with our private and public appeals to achieve our requirement of £4 million.

The success of Acorns depends on teamwork and I believe we continue to achieve this with many highly skilled staff, volunteers and Councillors working together in an enthusiastic manner to provide support to the children and families who need us.

On behalf of the children, their families and my fellow Councillors, I thank our employees, volunteers and thousands of supporters most sincerely for their contribution to our Vision, Mission and Aims.



WD Young
Chairman, Board of Trustees

18 June 2002

Councillors' report

The councillors, who act as directors for the purposes of company law, present their annual report and audited financial statements for the year ended 31 March 2002.

In accordance with Section 30(2) of the Companies Act 1985, the charitable company is exempt from the requirements of that Act to include "Limited" as part of its name.

Charitable objects

The charitable company is limited by guarantee and is governed by its Memorandum and Articles of Association. These state that the objects of the charitable company are to promote the relief of illness and suffering by:

- establishing, maintaining and conducting residential nursing and convalescent homes for the reception and care of young persons who are suffering from any chronic or terminal illness and the provision of related home support;
- conducting or promoting or encouraging research into the care and treatment of persons;
- promoting or encouraging or assisting in the teaching or training of persons engaged in any branch of medicine;
- providing or assisting or encouraging the provision of spiritual help and guidance for any persons resident or associated with any homes.

Policies to further our objects

There have been no changes to policies to further our objects.

Review of transactions and financial position

The consolidated statement of financial activities on page 8 shows a surplus of income over expenditure for the year of £560,871 (2001: £108,741). Total incoming resources increased by 20% while total resources expended increased by 12%.

Fundraising costs in the year have increased from £489,873 to £743,397. This has been due principally to expenditure on major challenge events (£129,824), face-to-face fundraising (£75,339) and a full year of salary costs for the restructured fundraising team (£56,631). These fundraising initiatives have helped raise donations from £2,167,255 to £2,685,611 over the year.

During the year, we have received £523,079 of income restricted to the Worcester project. From this fund, we have expended £135,470 on capital items and £114,589 on the revenue costs of running the project. On a cumulative basis, income received for the project at 31 March 2002 stood at £558,514 with capital expenditure to date being £226,989. Of this capital expenditure, £91,519 has been funded from unrestricted funds. The net funds for the project are held in an interest-bearing reserve account, the balance at 31 March 2002 being £243,590. No account has been taken within these figures of the allocation from core costs which have been recognised as being incurred directly on the project.

Corporate governance

Description of our organisation

The councillors have agreed to govern the Trust via an Executive Committee which comprises six councillors, the Chief Executive, Director of Care, Director of Fundraising and Communications, Director of Personnel and Education, Director of Retail and the Director of Finance. They meet monthly to oversee the operational activities of the organisation. In addition the following committees have been established:

Executive Directors Committee

This committee comprises the Chief Executive, Director of Care, Director of Fundraising and Communications, Director of Personnel and Education, Director of Retail and the Director of Finance. It meets monthly to discuss key operational issues of the organisation.

Councillors' report *(continued)*

Corporate governance *(continued)*

Description of our organisation *(continued)*

Care Committee

This committee comprises the Director of Care, nursing and community team staff, together with external medical advisors and councillors. It meets on a weekly basis to discuss the details of those who wish to be accepted into our care.

Senior Management Team Committee

This committee comprises the Chief Executive, Director of Care, Director of Fundraising and Communications, Director of Personnel and Education, Director of Retail, Director of Finance and all senior managers. It meets four times a year to discuss operational activities within the organisation.

Investment Committee

The committee comprises two councillors, the Chairman, the Chief Executive, Director of Finance and the Finance Controller who meet as necessary to discuss relevant investment issues.

Strategy Committee

This committee comprises two councillors, the Chief Executive and the Executive Directors who meet as necessary to consider and update our long term strategic plan.

Fundraising Committee

This committee comprises the Director of Fundraising and Communications and those Senior Managers within fundraising who meet regularly to discuss relevant fundraising issues.

Investor in people

The organisation is accredited as an Investor in People and fully supports the principles and practice of this standard.

Internal financial controls

The councillors have overall responsibility for ensuring that the organisation has in place appropriate systems of controls, financial and otherwise to provide reasonable assurance that:

- the charity is operating efficiently and effectively;
- its assets are safeguarded against unauthorised use or disposition;
- proper records are maintained and financial information used within the charity is reliable;
- the charity complies with relevant laws and regulations.

The systems of financial control are designed to provide reasonable but not absolute assurance against material mis-statements or loss. They include:

- a five year strategy plan;
- an annual budget approved by the council;
- regular monitoring of actual results against budgets and forecasts;
- delegation of authority to managers for expenditure within budget limits;
- segregation of duties.

Councillors' report *(continued)*

Corporate governance *(continued)*

Description of our organisation *(continued)*

Risk assessment

We are embarking on a programme of mapping the major risks which impact our work and ranking these by likelihood and impacts. An analysis of existing controls in place to deal with these risks will be followed up by identifying further actions required to create the right balance between level of risk and effectiveness of controls. In 2002/03 we plan to complete the exercise and enhance the risk management capability throughout the organisation.

Going concern

The council considers that the organisation has adequate resources to continue in business for the foreseeable future and that, for this reason, they should continue to adopt the going concern basis in preparing the financial statements.

Councillors

The councillors of the charitable company who served during the year were as follows:

| | |
|----------------|-----------------------------|
| WD Young | (Chairman) |
| C Benkwitz | (resigned 14 July 2001) |
| P Benkwitz | |
| HRJ Daniels | |
| G Debelle | (appointed 6 November 2001) |
| A Elsegood | |
| JL Fergus | |
| I Gerrard | |
| SMQ Gilmore | |
| JB Hopkinson | (appointed 7 August 2001) |
| S Kanari | |
| SF Morgan | (resigned 14 July 2001) |
| P Morley | |
| AC Parsons | (resigned 14 July 2001) |
| CML Robertson | |
| C Stuart-White | |
| HI Tennyson | |
| P Wildblood | (resigned 6 November 2001) |
| M Woodcock | |
| GA Young | (resigned 23 August 2001) |

The councillors retiring by rotation are A Elsegood, JL Fergus, SMQ Gilmore, S Kanari and C Stuart-White, who, being eligible, offer themselves for re-appointment.

Reserves policy

Acorns has developed a reserves policy based on the objective of achieving a balance between the need to use voluntary income received to provide for children and the need to ensure that, once a commitment has been given to that child and family, there are sufficient funds to meet the commitment for as long as the service is required.

It is our policy, generally, to be able to hold a base level of unrestricted reserves over and above that held in tangible fixed assets equivalent to four months anticipated future revenue expenditure. At 31 March 2002, our unrestricted reserves were less than the amount held in tangible fixed assets. We are working to redress the position in the future and effectively equate the level of unrestricted reserves to the amount held in tangible fixed assets within the next twelve months.

Councillors' report *(continued)*

Principal advisors *(continued)*

Investment powers

The council has power to invest funds not immediately required for operational purposes in such investments, securities or property as it thinks fit.

Principal advisors

Bankers

Co-operative Bank plc
118 Colmore Row
Birmingham
B3 3BA

Solicitors

Gateley Wareing
Windsor House
3 Temple Row
Birmingham
B2 5JR

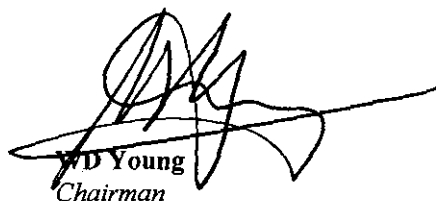
Auditors

KPMG
2 Cornwall Street
Birmingham
B3 2DL

Auditors

Our auditors, KPMG, have indicated to the directors that their business has transferred to a limited liability partnership, KPMG LLP. Accordingly, a resolution is to be proposed at the annual general meeting for the appointment of KPMG LLP as auditors of the company.

Approved by the council on 18 June 2002 and signed on its behalf by:


W.D. Young
Chairman

8A Wake Green Road
Moseley
Birmingham
B13 9EZ

Statement of councillors' responsibilities

Law applicable to incorporated charities in England and Wales requires the councillors who are also directors of the charitable company for the purposes of company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the group at the end of the year and of its financial activities during the year then ended. In preparing those financial statements, the councillors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue in business.

The councillors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



2 Cornwall Street
Birmingham
B3 2DL

Independent auditors' report to the members of Acorns Children's Hospice Trust (limited by guarantee)

We have audited the financial statements on pages 8 to 25.

Respective responsibilities of councillors and auditors

The councillors, who are also the directors of Acorns Children's Hospice Trust for the purposes of company law, are responsible for preparing the councillors' report and, as described on page 6, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the councillors' report is not consistent with the financial statements, if the charity 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 directors' remuneration and transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the councillors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 of the state of affairs of the charitable company and the group as at 31 March 2002 and of the group's incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
*Chartered Accountants
Registered Auditors*

18 June 2002

Consolidated statement of financial activities
for the year ended 31 March 2002

| | Note | Unrestricted funds £ | 2002 Restricted income funds £ | Restricted capital funds £ | Total £ | 2001 Total £ | 2001 Unrestricted funds £ |
|--|------|----------------------------|---|----------------------------------|------------------|--------------------|------------------------------------|
| Incoming resources | | | | | | | |
| Donations and gifts | | 1,888,305 | 600,100 | 197,206 | 2,685,611 | 2,167,255 | 1,830,984 |
| Legacies | | 353,850 | - | - | 353,850 | 374,305 | 374,205 |
| Grants received | | 474,903 | 225,561 | 44,705 | 745,169 | 516,846 | 456,373 |
| Other income | | 30,563 | - | - | 30,563 | 28,595 | 28,595 |
| Activities for generating funds | | | | | | | |
| Income from trading activities of subsidiaries | 3 | 2,378,913 | - | - | 2,378,913 | 2,081,436 | 2,081,436 |
| Share of joint ventures' turnover | | 511,328 | - | - | 511,328 | 404,929 | 404,929 |
| Interest receivable | | 401 | - | - | 401 | 4,556 | 4,556 |
| Total group and share of joint ventures' incoming resources | | 5,638,263 | 825,661 | 241,911 | 6,705,835 | 5,577,922 | 5,181,078 |
| Less share of joint ventures' turnover | | (511,328) | - | - | (511,328) | (404,929) | (404,929) |
| Total incoming resources | | 5,126,935 | 825,661 | 241,911 | 6,194,507 | 5,172,993 | 4,776,149 |
| Less: Cost of generating funds | | | | | | | |
| Expenditure of trading subsidiaries | 3 | 1,788,190 | - | - | 1,788,190 | 1,699,802 | 1,699,802 |
| Fundraising costs | | 743,397 | - | - | 743,397 | 489,873 | 489,873 |
| | | 2,531,587 | - | - | 2,531,587 | 2,189,675 | 2,189,675 |
| Net incoming resources available for charitable application | | 2,595,348 | 825,661 | 241,911 | 3,662,920 | 2,983,318 | 2,586,474 |
| Charitable expenditure: | | | | | | | |
| Care services: | | | | | | | |
| Residential | | 1,563,370 | 283,583 | - | 1,846,953 | 1,675,663 | 1,594,681 |
| Community | | 137,176 | 138,776 | - | 275,952 | 389,990 | 314,320 |
| Support costs | | 981,260 | 140,985 | - | 1,122,245 | 905,968 | 903,254 |
| Management and administration | | 76,375 | - | - | 76,375 | 62,287 | 62,287 |
| Total charitable expenditure | | 2,758,181 | 563,344 | - | 3,321,525 | 3,033,908 | 2,874,542 |
| Total resources expended | | 5,289,768 | 563,344 | - | 5,853,112 | 5,223,583 | 5,064,217 |
| Net group (outgoing)/incoming resources before transfers | 5 | (162,833) | 262,317 | 241,911 | 341,395 | (50,590) | (288,068) |
| Share of joint ventures' net incoming resources | 7 | 219,476 | - | - | 219,476 | 159,331 | 159,331 |
| Net group and share of joint ventures' (outgoing)/incoming resources before transfers | | 56,643 | 262,317 | 241,911 | 560,871 | 108,741 | (128,737) |
| Transfers between funds | | 31,993 | - | (31,993) | - | - | 16,438 |
| Net group and share of joint ventures' (outgoing)/incoming resources | | 88,636 | 262,317 | 209,918 | 560,871 | 108,741 | (112,299) |
| Gains and losses on investment assets | | | | | | | |
| Realised | | - | - | - | - | - | - |
| Net movement in funds | | 88,636 | 262,317 | 209,918 | 560,871 | 108,741 | (112,299) |
| Fund balances brought forward at 1 April 2001 | | 2,841,136 | 250,856 | 526,772 | 3,618,764 | 3,510,023 | 2,953,435 |
| Fund balances carried forward at 31 March 2002 | 11 | 2,929,772 | 513,173 | 736,690 | 4,179,635 | 3,618,764 | 2,841,136 |

The net group (outgoing)/incoming resources and resulting net movement in funds arise from continuing operations.

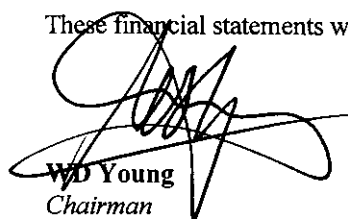
The charitable company has no recognised gains or losses other than the net movement in funds for the year.

There is no difference between the results as stated and the results on a historical cost basis.

Consolidated balance sheet
at 31 March 2002

| | Note | 2002 | 2001 |
|---|------|------------------|------------------|
| | | £ | £ |
| Fixed assets | | | |
| Tangible assets | 6 | 3,922,854 | 3,804,487 |
| Investments in joint ventures: | 7 | | |
| Share of gross assets | | 134,025 | 114,704 |
| Share of gross liabilities | | (94,751) | (78,720) |
| | | <u>39,274</u> | <u>35,984</u> |
| | | 3,962,128 | 3,840,471 |
| Current assets | | | |
| Stocks | 8 | 3,056 | 1,655 |
| Debtors | 9 | 238,016 | 227,783 |
| Cash at bank and in hand | | 435,595 | 55,591 |
| | | <u>676,667</u> | <u>285,029</u> |
| Creditors: Amounts falling due within one year | 10 | (459,160) | (506,736) |
| Net current assets/(liabilities) | | <u>217,507</u> | <u>(221,707)</u> |
| Total assets less current liabilities | | <u>4,179,635</u> | <u>3,618,764</u> |
| Reserves | | | |
| Unrestricted funds | 11 | 2,929,772 | 2,841,136 |
| Restricted income funds | 11 | 513,173 | 250,856 |
| Restricted capital funds | 11 | 736,690 | 526,772 |
| | | <u>4,179,635</u> | <u>3,618,764</u> |

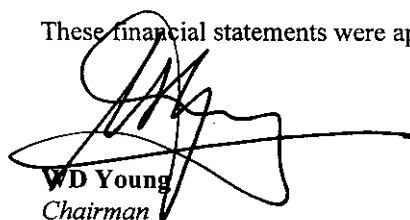
These financial statements were approved by the council on 18 June 2002 and were signed on its behalf by:


WD Young
Chairman

Company balance sheet
at 31 March 2002

| | Note | 2002 | | 2001 | |
|---|------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 6 | 3,748,247 | | 3,629,550 | |
| Investments | 7 | | 2 | | 2 |
| | | <u>3,748,249</u> | | <u>3,629,552</u> | |
| Current assets | | | | | |
| Debtors | 9 | 246,825 | | 147,230 | |
| Cash at bank and in hand | | 407,531 | | 136,226 | |
| | | <u>654,356</u> | | <u>283,456</u> | |
| Creditors: Amounts falling due within one year | 10 | <u>(257,142)</u> | | <u>(330,126)</u> | |
| Net current assets/(liabilities) | | | 397,214 | | (46,670) |
| Total assets less current liabilities | | | <u>4,145,463</u> | | <u>3,582,882</u> |
| Reserves | | | | | |
| Unrestricted funds | 11 | 2,895,600 | | 2,805,254 | |
| Restricted income funds | 11 | 513,173 | | 250,856 | |
| Restricted capital funds | 11 | 736,690 | | 526,772 | |
| | | <u>4,145,463</u> | | <u>3,582,882</u> | |

These financial statements were approved by the council on 18 June 2002 and were signed on its behalf by:


WD Young
Chairman

Consolidated cash flow statement
for the year ended 31 March 2002

| | <i>Note</i> | 2002 £ | 2001 £ |
|---|-------------|------------------|------------------|
| Reconciliation of net surplus to net cash inflow from operating activities | | | |
| Net surplus for the year | | 560,871 | 108,741 |
| Profit on sale of tangible fixed assets | | (1,091) | - |
| Depreciation charge | | 278,611 | 236,582 |
| Interest and dividends receivable | | (401) | (4,556) |
| (Increase)/decrease in stocks | | (1,401) | 9,882 |
| Decrease/(increase) in debtors | | 10,203 | (19,066) |
| Decrease in creditors | | (47,576) | (13,450) |
| Share of joint ventures' surplus | | (219,476) | (159,331) |
| Net cash inflow from operating activities | | 579,740 | 158,802 |
| Cash flow statement | | | |
| Cash inflow from operating activities | | 579,740 | 158,802 |
| Return on investment and servicing of finance | 18 | 201,151 | 119,556 |
| Capital expenditure and financial investment | 18 | (400,887) | (295,877) |
| Acquisitions | 18 | - | 12,764 |
| Cash outflow before financing and decrease in cash | | 380,004 | (4,755) |
| Reconciliation of net cash flow to movement in net funds | | | |
| | 19 | | |
| Increase/(decrease) in cash and changes in net funds | | 380,004 | (4,755) |
| Net funds at start of the year | | 55,591 | 60,346 |
| Net funds at end of the year | | 435,595 | 55,591 |

Notes

(forming part of the financial statements)

1 Status of the charitable company

The charitable company is limited by guarantee and does not have share capital.

The liability of members is limited, but is not to exceed £1 per member.

2 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the charitable company's financial statements:

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules as amended for the revaluation of investment assets and in accordance with applicable Accounting Standards. In preparing the financial statements the charity follows best practice as set out in the Statement of Recommended Practice: "Accounting and Reporting by Charities" (SORP) issued in October 2000. This is the first year SORP 2000 has been adopted. Where applicable, prior year comparatives in respect of the trading subsidiary have been restated accordingly. Furthermore, the consolidated statement of financial activities has been reformatted in line with SORP 2000.

Basis of consolidation

The group financial statements consolidate the financial statements of the parent company and its subsidiary undertakings for the year ended 31 March 2002. Investments in joint ventures where the group holds an interest on a long term basis and is jointly controlled by the group and one or more other venturers under a contractual arrangement are included in the group financial statements using the "gross equity method". The group discloses its share of joint ventures' turnover and operating result in the consolidated summary income and expenditure account and statement of financial activities and its share of the gross assets and liabilities in the consolidated balance sheet.

Where the year end of a joint venture or subsidiary is not consistent with that of the group, the results of the joint venture or subsidiary are included in the consolidated financial statements using management accounts prepared for the period ended 31 March 2002.

The results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated summary income and expenditure account and statement of financial activities from the date of acquisition or up to the date of disposal.

In the charitable company's financial statements, investments in subsidiary undertakings are stated at cost less provision for permanent diminution.

Charitable company income and expenditure

A separate summary income and expenditure account, dealing with the results of the charitable company, has not been presented as permitted by Section 230(4) of the Companies Act 1985. A surplus of expenditure over income for the year of £562,581 (2001: £66,392) has been dealt with in the financial statements of the charitable company.

Income

Donations and gifts

Donations are accounted for on a cash received basis. Where assets have been donated a cash equivalent is included. Where assistance is provided to meet costs which would otherwise be met by the group then an amount equivalent to these costs is included in the consolidated statement of financial activities as both income and matching expenditure.

Notes (continued)

2 Principal accounting policies (continued)

Income from legacies

Income is recognised on an accruals basis to the extent that the charity has been notified that it is a beneficiary and that there is a clear indication of the amounts involved.

Grants receivable

Revenue based grants are credited to the statement of financial activities when the conditions for receipt have been complied with.

Expenditure

Fundraising costs

These costs are incurred in relation to staff members who are engaged directly in fund-raising and also include the costs of specific publicity campaigns for the raising of donations.

Care services

This includes the costs of providing services and running projects. Some costs incurred centrally are allocated on the basis of their use of central support services.

Management and administration

This includes the management of the charity's assets, organisation, administration and compliance with constitutional and statutory requirements.

Fixed assets and depreciation

Depreciation is calculated so as to write off the cost, less residual values, of tangible fixed assets over their estimated useful lives as follows:

| | | |
|--------------------------|---|----------------------------|
| Freehold land | - | Nil |
| Freehold buildings | - | 2% |
| Short leasehold property | - | Over the life of the lease |
| Fixtures and fittings | - | 10-25% |
| Motor vehicles | - | 25% |

No depreciation is provided on assets in the course of construction.

Leases

All leases are accounted for as 'operating leases' and the rental charges are charged to the income and expenditure account on a straight line basis over the life of the lease.

Pension costs

The pension costs represent amounts payable by the charitable company during the year (see note 4).

Stocks

Stocks are stated at the lower of cost and net realisable value.

Notes (continued)

2 Principal accounting policies (continued)

Fund accounting

Acorns has various types of funds for which it is responsible and which require separate disclosure. These are as follows:

Restricted income funds

Donations or legacies received, or income arising from such, which are earmarked by the donor for specific purposes. Such purposes are within the overall aims of the charitable company.

Restricted capital funds

Given to the charity where the income is to be used for the charitable company's purposes for the purchase of capital items.

Unrestricted funds

Funds which are expendable at the discretion of the councillors in furtherance of the objects of the charitable company. In addition to expenditure on care, such funds may be held in order to finance capital investment and working capital.

3 Income and costs from trading activities of subsidiary

Acorns Children's Hospice Trading Limited

The charity has a wholly-owned subsidiary, Acorns Children's Hospice Trading Limited, which is incorporated in Great Britain. This subsidiary operates the Acorns Children's Hospice retail shops and also a merchandising operation selling gifts and Christmas cards. This company covenants its taxable profits to the charity and also pays interest on loans from the charity. A summary of the audited results is shown below:

| | 2002 £ | 2001 £ |
|---|------------------|------------------|
| Turnover | 2,378,913 | 2,075,522 |
| Cost of sales | (20,880) | (27,839) |
| Gross profit | 2,358,033 | 2,047,683 |
| Administrative costs | (1,778,808) | (1,642,781) |
| Net interest/rent receivable | 11,498 | 14,413 |
| Net income of trading subsidiary before group provisions | 590,723 | 419,315 |
| Provision against balances due from Acorns Children's Hospice Lotteries Limited | - | (42,316) |
| Net income of trading subsidiary after group provisions | 590,723 | 376,999 |
| Amount covenanted to Acorns Children's Hospice Trust | (524,288) | (449,755) |
| Retained profit/(loss) in subsidiary | 66,435 | (72,756) |

Notes (continued)

4 Staff numbers and costs

The average number of full time equivalent persons employed by the group are set out below:

| | Group Number of employees | |
|-------|------------------------------|------|
| | 2002 | 2001 |
| Staff | 157 | 148 |

The aggregate payroll costs of these persons were as follows:

| | £ | £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 3,106,481 | 2,802,389 |
| Social security costs | 251,903 | 224,129 |
| Other pension costs | 147,809 | 132,747 |
| | <u>3,506,193</u> | <u>3,159,265</u> |

16 councillors served during the year (2001: 16) and received no remuneration for their services. Where claimed, expenses for travel and subsistence are reimbursed. The amount claimed in the year by one councillor was £1,414 (2001: one councillor, £1,809).

The number of volunteers who worked for the group part-time without pay during the year was 695 (2001: 705).

The number of employees earning more than £40,000, inclusive of benefits in kind and pension contributions, fell within the following bands:

| | Group Number of employees | |
|-------------------|------------------------------|------|
| | 2002 | 2001 |
| £40,000 - £49,999 | 3 | 2 |
| £50,000 - £59,999 | 1 | 1 |
| £60,000 - £69,999 | 1 | - |
| £80,000 - £89,999 | 1 | 1 |

Notes (continued)

5 Net group (outgoing)/incoming resources

| | Group | |
|--|---------|---------|
| | 2002 | 2001 |
| | £ | £ |
| <i>Net group (outgoing)/incoming resources is stated</i> | | |
| <i>after charging</i> | | |
| Depreciation of tangible assets | 278,611 | 236,582 |
| Auditors' remuneration | | |
| Audit | 14,850 | 14,400 |
| Taxation | 1,100 | 1,000 |
| Other services | 4,350 | 5,200 |
| Operating lease charges: | | |
| Buildings | 595,619 | 556,345 |
| Others | 33,004 | 77,871 |

Included in auditors' remuneration is £7,000 in respect of audit services provided to the parent undertaking (2001: £6,845).

6 Tangible fixed assets

| Group | Freehold land and buildings £ | Short leasehold property £ | Motor vehicles £ | Fixtures, fittings and equipment £ | Assets in course of construction £ | Total £ |
|-----------------------|--|-------------------------------------|------------------------|---|---|------------|
| <i>Cost</i> | | | | | | |
| At beginning of year | 3,563,646 | 333,570 | 98,093 | 905,271 | 114,828 | 5,015,408 |
| Additions | 40,559 | 73,658 | 54,750 | 94,318 | 135,470 | 398,755 |
| Disposals | (7,578) | - | - | (2,370) | - | (9,948) |
| At end of year | 3,596,627 | 407,228 | 152,843 | 997,219 | 250,298 | 5,404,215 |
| <i>Depreciation</i> | | | | | | |
| At beginning of year | 346,191 | 167,313 | 72,164 | 625,253 | - | 1,210,921 |
| Charge for the year | 70,668 | 80,845 | 24,414 | 102,684 | - | 278,611 |
| Disposals | (7,578) | - | - | (593) | - | (8,171) |
| At end of year | 409,281 | 248,158 | 96,578 | 727,344 | - | 1,481,361 |
| <i>Net book value</i> | | | | | | |
| At 31 March 2002 | 3,187,346 | 159,070 | 56,265 | 269,875 | 250,298 | 3,922,854 |
| At 31 March 2001 | 3,217,455 | 166,257 | 25,929 | 280,018 | 114,828 | 3,804,487 |

Notes (continued)

6 Tangible fixed assets (continued)

All assets are held for direct charitable purposes.

The assets in course of construction at 31 March 2002 represent the work carried out on the following projects:

| | £ |
|---|---------|
| Acorns Worcester | 226,989 |
| Proposed training and administration centre | 23,309 |
| | <hr/> |
| | 250,298 |
| | <hr/> |

Additions to assets in the course of construction represent professional fees and site clearance costs in respect of Acorns Worcester. These have been funded by the charity's restricted capital funds.

Company

| | Freehold land and buildings £ | Motor vehicles £ | Fixtures, fittings and equipment £ | Assets in course of construction £ | Total £ |
|-----------------------|--|------------------------|---|---|------------|
| Cost | | | | | |
| At beginning of year | 3,563,646 | 87,393 | 866,794 | 114,828 | 4,632,661 |
| Additions | 40,559 | 43,000 | 94,032 | 135,470 | 313,061 |
| Disposals | (7,578) | - | (2,370) | - | (9,948) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 3,596,627 | 130,393 | 958,456 | 250,298 | 4,935,774 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Depreciation | | | | | |
| At beginning of year | 346,191 | 64,002 | 592,918 | - | 1,003,111 |
| Charge for the year | 70,668 | 20,842 | 101,077 | - | 192,587 |
| Disposals | (7,578) | - | (593) | - | (8,171) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of year | 409,281 | 84,844 | 693,402 | - | 1,187,527 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| Net book value | | | | | |
| At 31 March 2002 | 3,187,346 | 45,549 | 265,054 | 250,298 | 3,748,247 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 March 2001 | 3,217,455 | 23,391 | 273,876 | 114,828 | 3,629,550 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The gross amount of depreciable assets included within freehold land and buildings is £3,319,902.

All assets are held for direct charitable purposes.

Notes (continued)

7 Investments (held as fixed assets)

Investments (held as fixed assets) comprise the following:

| | Group | | Company | |
|--|---------------|---------------|-----------|-----------|
| | 2002 £ | 2001 £ | 2002 £ | 2001 £ |
| Cost: | | | | |
| Investment in subsidiary undertakings at cost less provision | - | - | 2 | 2 |
| Investment in joint ventures (see below) | 39,274 | 35,984 | - | - |
| | <u>39,274</u> | <u>35,984</u> | <u>2</u> | <u>2</u> |

Investment in subsidiary undertakings

The group owns the entire share capital (comprising ordinary shares of £1 each) in the following companies:

| Subsidiary undertakings | Ordinary shares | Nature of trade |
|---|-----------------|--------------------------------------|
| Acorns Children's Hospice Trading Limited | 2 | Retail and merchandise operations |
| Children's Hospice Trust | Nil | Dormant company limited by guarantee |
| Acorns Hospice Lotteries Limited * | 2 | Dormant |

* Held indirectly

Investment in joint ventures

The group has investments in the following joint ventures:

Joint ventures

| | Proportion of issued ordinary shares held % |
|--|--|
| TLC Lotteries Limited* | 33.3 |
| South Worcestershire Hospices Lottery Limited* | 50.0 |
| Childlife (company limited by guarantee) | 25.0 |

* Held indirectly

Notes (continued)

7 Investments (held as fixed assets) (continued)

TLC Lotteries Limited and South Worcestershire Hospices Lottery Limited are trading companies incorporated in Great Britain and promote commercial lottery games which aim to generate profits for the benefit of their affiliated charities (see note 17).

Childlife is a charitable company limited by guarantee to £1. Its objects are to promote the relief of children who are in need, by enabling member charities to better meet their respective charitable purposes.

Group

| | Share of net assets £ |
|-------------------------------------|-----------------------------|
| At beginning of year | 35,984 |
| Share of profit | 219,476 |
| Amounts withdrawn as gift aid | (221,186) |
| Additional share capital subscribed | 5,000 |
| | <u>39,274</u> |

| | TLC Lotteries Limited £ | South Worcestershire Hospices Lottery Limited £ | Childlife £ | Total £ |
|----------------------------|-------------------------------|---|----------------|---------------|
| Represented by: | | | | |
| Share of gross assets | 53,816 | 39,366 | 40,843 | 134,025 |
| Share of gross liabilities | (54,684) | (39,266) | (801) | (94,751) |
| | <u>(868)</u> | <u>100</u> | <u>40,042</u> | <u>39,274</u> |

8 Stocks

| | Group | | Company | |
|------------------|--------------|--------------|-----------|-----------|
| | 2002 £ | 2001 £ | 2002 £ | 2001 £ |
| Goods for resale | <u>3,056</u> | <u>1,655</u> | <u>-</u> | <u>-</u> |

Notes (continued)

9 Debtors

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Amounts owed by subsidiary undertakings | - | - | 102,509 | 92,710 |
| Amounts owed by joint ventures (see note 17) | 27,053 | 23,404 | 27,053 | 20,124 |
| Income tax receivable | 33,863 | 5,880 | 33,863 | 5,880 |
| Other debtors | 29,286 | 27,368 | - | - |
| Prepayments and accrued income | 147,814 | 171,131 | 7,733 | 19,284 |
| | <u>238,016</u> | <u>227,783</u> | <u>171,158</u> | <u>137,998</u> |
| Amounts falling due after one year are as follows: | | | | |
| Amounts owed by subsidiary undertaking | - | - | 75,667 | 9,232 |
| Total | <u>238,016</u> | <u>227,783</u> | <u>246,825</u> | <u>147,230</u> |

10 Creditors: Amounts falling due within one year

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| Amounts owed to subsidiary undertaking | - | - | - | 100 |
| Amounts owed to joint ventures (see note 17) | - | 830 | - | 830 |
| Income tax and social security | 84,383 | 72,573 | 73,888 | 63,625 |
| Other creditors | 64,368 | 83,778 | 1,923 | 1,533 |
| Pension contributions | 24,745 | 89,462 | 22,151 | 87,607 |
| Accruals | 285,664 | 260,093 | 159,180 | 176,431 |
| | <u>459,160</u> | <u>506,736</u> | <u>257,142</u> | <u>330,126</u> |

Notes (continued)

11 Reserves

At 31 March 2002, unrestricted funds are analysed as follows:

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2002 £ | 2001 £ | 2002 £ | 2001 £ |
| Accumulated surplus of income over expenditure | <u>2,929,772</u> | <u>2,841,136</u> | <u>2,895,600</u> | <u>2,805,254</u> |

At 31 March 2002, group funds are analysed as follows:

| | At 1 April 2001 £ | Income £ | Revenue expenditure £ | Transfers £ | At 31 March 2002 £ |
|--|-------------------------|------------------|-----------------------------|-----------------|--------------------------|
| Unrestricted income | <u>2,841,136</u> | <u>5,346,411</u> | <u>(5,289,768)</u> | <u>31,993</u> | <u>2,929,772</u> |
| Restricted income funds: | | | | | |
| Activities | 17,803 | 5,169 | (17,803) | - | 5,169 |
| Community workers | 62,118 | 68,221 | (85,063) | - | 45,276 |
| Community fund – Walsall | 7,150 | 225,561 | (232,711) | - | - |
| Diana Princes of Wales – siblings support | 51,639 | 35,333 | (64,645) | - | 22,327 |
| Worcester | - | 387,609 | (114,589) | - | 273,020 |
| Others | 112,146 | 103,768 | (48,533) | - | 167,381 |
| Total | <u>250,856</u> | <u>825,661</u> | <u>(563,344)</u> | <u>-</u> | <u>513,173</u> |
| Restricted capital funds: | | | | | |
| Acorns Walsall | 443,501 | - | - | (9,240) | 434,261 |
| Acorns Worcester | 35,435 | 135,470 | - | - | 170,905 |
| Community fund – Walsall | - | 44,705 | - | (2,278) | 42,427 |
| Others | 47,836 | 61,736 | - | (20,475) | 89,097 |
| | <u>526,772</u> | <u>241,911</u> | <u>-</u> | <u>(31,993)</u> | <u>736,690</u> |
| Total | <u>3,618,764</u> | <u>6,413,983</u> | <u>(5,853,112)</u> | <u>-</u> | <u>4,179,635</u> |

The activities fund is generated from a number of sources and is used for the activities within the respite units. The funds are expended on outings, trips and play activities that take place during the year.

Several members of the Community Team are funded by the Trusts who have agreed to support specific workers in either geographic areas or who are working with specific groups of children.

During the year, the group received grant instalments totalling £270,266 from the Community Fund (formerly National Lottery Charities Board). These have been used to fund staff salaries and capital expenditure at the Walsall hospice in the year to 31 March 2002, leaving a balance of £Nil in restricted income funds and £42,427 in restricted capital funds.

Notes (continued)

11 Reserves (continued)

The charity continues to carry out a three year project with the siblings of children in our care under the Diana Princess of Wales Fund. This fund is to pay principally for the salaries of the two workers directly involved in the project.

Funds donated during the year to assist in the building of a third respite unit in Worcester are treated as restricted and expended on the capital incurred in moving the project forward and the direct costs involved in managing the project.

12 Analysis of group assets at 31 March 2002

| | Unrestricted funds £ | 2002 Restricted income funds £ | Restricted capital funds £ | Total £ | 2001 Total £ |
|----------------------------------|----------------------------|---|----------------------------------|------------|--------------------|
| Tangible fixed assets | 3,186,164 | - | 736,690 | 3,922,854 | 3,804,487 |
| Fixed asset investments | 39,274 | - | - | 39,274 | 35,984 |
| Net current (liabilities)/assets | (295,666) | 513,173 | - | 217,507 | (221,707) |
| Total net assets | 2,929,772 | 513,173 | 736,690 | 4,179,635 | 3,618,764 |

During the year, depreciation on tangible fixed assets held in restricted capital funds of £31,993 (2001: £16,438) has been transferred from unrestricted funds.

13 Financial commitments

At 31 March 2002, the group had annual commitments under non-cancellable operating leases, as set out below:

| | 2002 Land and buildings £ | Other £ | 2001 Land and buildings £ | Other £ |
|--|------------------------------------|------------|------------------------------------|------------|
| Group | | | | |
| Operating leases which expire: | | | | |
| Within one year | 65,000 | 2,660 | - | 15,238 |
| In the second to fifth years inclusive | 230,300 | 20,076 | 231,375 | 22,033 |
| Over five years | 261,140 | - | 331,890 | 11,672 |

Notes (continued)

13 Financial commitments (continued)

At 31 March 2002, the group had commitments under 34 operating leases (2001: 34) 33 of which were in respect of premises for its charity shops (2001: 33).

| | 2002 | | 2001 | |
|--|----------------------------|------------|----------------------------|------------|
| | Land and buildings £ | Other £ | Land and buildings £ | Other £ |
| Company | | | | |
| Operating leases which expire: | | | | |
| Within one year | - | - | - | 10,868 |
| In the second to fifth years inclusive | - | 12,592 | - | 9,816 |
| Over five years | - | - | - | 11,672 |

14 Capital commitments

At 31 March 2002 the charitable company had capital commitments of £42,549 (2001: £Nil).

15 Contingencies

Group

The group has a bank overdraft facility secured by a fixed and floating charge over certain freehold land and buildings, fixtures, fittings and equipment.

Company

The company has guaranteed the bank overdraft of its subsidiary undertaking, Acorns Children's Hospice Trading Limited. The amount outstanding at the year end was £Nil (2001: £80,637).

16 Pension costs

The group contributes, as part of an employee's contract of employment, amounts which are payable to defined contribution schemes chosen by employees or to an NHS defined benefit scheme where appropriate. During the year, contributions totalled £147,809 (2001: £132,747). At 31 March 2002, the group owed contributions of £24,745 (2001: £89,462).

The NHS scheme is a defined benefit scheme. This is a multi-employer pension scheme based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Because the company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS 17 "Retirement benefits" the scheme is accounted for by the company as a defined contribution scheme.

17 Related party transactions

The group owns a third share of TLC Lotteries Limited, a trading company which is jointly controlled by Acorns Children's Hospice Trading Limited, Birmingham Focus and St Mary's Hospice (Trading) Limited, under the terms of a joint venture agreement. Mr WD Young (Councillor) and Mr JL Overton (Senior Officer) are both directors of TLC Lotteries Limited.

Notes (continued)

17 Related party transactions (continued)

The group also owns a half share of South Worcestershire Hospices Lottery Limited, a trading company which is jointly controlled by Acorns Children's Hospice Trading Limited and St Richard's Hospice Foundation. Mr H Tennyson (Councillor), Mr JL Overton and Mr KJ Kearney (Senior Officers) are also directors of South Worcestershire Hospices Lottery Limited.

The group controls a quarter share of Childlife, a charitable company limited by guarantee which is jointly controlled by Acorns Children's Hospice Trust, Ataxia, The National Deaf Children's Society and National Children's Bureau. Ms H Siviter (Senior Officer) is also a director of Childlife.

Transactions in the year:

| | Group | | Company | |
|---|--------|----------|---------|--------|
| | 2002 | 2001 | 2002 | 2001 |
| | £ | £ | £ | £ |
| TLC Lotteries Limited | | | | |
| Gift aid received | 83,800 | 67,500 | 83,800 | 67,500 |
| Administration expenses recharge | 24,060 | 27,556 | 18,360 | 22,028 |
| South Worcestershire Hospices Lottery Limited | | | | |
| Loan repaid | - | (19,900) | - | - |
| Gift aid received | 57,387 | 16,617 | 57,387 | 16,617 |
| Administration expenses recharge | - | 830 | - | 830 |
| Childlife | | | | |
| Gift aid received | 80,000 | 37,500 | 80,000 | 37,500 |
| Year end balances: | | | | |
| TLC Lotteries Limited | | | | |
| Trading balance | - | 14,889 | - | 13,507 |
| Accrued gift aid | 8,666 | - | 8,666 | - |
| South Worcestershire Hospices Lottery Limited | | | | |
| Trading balance | - | 1,068 | - | (830) |
| Accrued gift aid | 18,387 | 6,617 | 18,387 | 6,617 |
| | 18,387 | 7,685 | 18,387 | 5,787 |
| Total | 27,053 | 22,574 | 27,053 | 19,294 |

Notes (continued)

18 Gross cash flows

| | 2002 £ | 2001 £ |
|---|------------------|------------------|
| Return on investments and servicing of finance | | |
| Joint venture distributions received | 200,750 | 115,000 |
| Interest received | 401 | 4,556 |
| | <u>201,151</u> | <u>119,556</u> |
| Capital expenditure and financial investment | | |
| Purchase of tangible fixed assets | (398,755) | (295,877) |
| Sale of tangible fixed asset investments | 2,868 | - |
| Shares subscribed in existing joint venture | (5,000) | - |
| | <u>(400,887)</u> | <u>(295,877)</u> |
| Acquisitions | | |
| Net financing loans to joint venture | - | 12,764 |

19 Analysis of changes in net funds

| | At beginning of year £ | Cash flows £ | At end of year £ |
|--------------------------|------------------------------|--------------------|------------------------|
| Cash at bank and in hand | 55,591 | 380,004 | 435,595 |