

Nightingale Hammerson

Annual Report and Consolidated Accounts

30 September 2018

Charity Registration Number
207316

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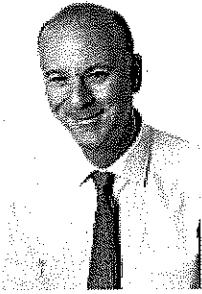
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Reference and administrative information

Registered name	Nightingale Hammerson
Registered charity number	Registered charity number 207316 governed by a scheme made by the Charity Commission on 30 March 2012
Principal office	105 Nightingale Lane London SW12 8NB
Telephone	020 8673 3495
Facsimile	020 8675 2258
Website	www.nightingalehammerson.org
Life Patron	Dame Vivien Duffield DBE
President	Harvey Rosenblatt
Vice President	Patricia Beecham
Corporate trustee	Nightingale Hammerson Trustee Company Limited
Directors of the corporate trustee	
Chairman	Melvin Lawson
Honorary Treasurers	David Tyler (retired 31 December 2018) David Winton John Reizenstein (appointed 27 June 2018)
Other directors	Keith Barnett (appointed 1 June 2018) Susan Grant Colin Green Emma Kane Jacqueline Morris Harvey Rosenblatt Greg Scott (retired 1 June 2018) Eli Shahmoon

Chairman's Statement



Welcome to our 2018 annual report, at the end of another busy year at Nightingale Hammerson, a year in which we were delighted to have received *Outstanding* status from the Care Quality Commission, placing us within the top one percent of elderly care homes in the country, and in the top three homes in London. Furthermore, our tradition of constantly striving for excellence and challenging ourselves to reach higher standards was recognised when we were named *Care Home of the Year* by the Gold Standard Framework Centre in End of Life Care.

September saw the first anniversary of the opening of our ground-breaking onsite nursery, Apples & Honey. Our intergenerational activities are specifically designed to both engage our residents and meet the requirements of the Early Years Curriculum and are now firmly embedded in the lives of both residents and children. The extensive national press coverage of this initiative not only highlights the benefits of the nursery but also showcases our home and raises awareness of the work we do, encouraging more people to get involved and share our journey.

The re-building of Hammerson House is well underway, with practical completion due for December 2020. Whilst the builders are busy onsite, our excellent team is looking ahead to develop our best practices to meet the future of care, incorporate the technology we see as being crucial and impactful to that care, and creating a homely, yet operationally practical, environment for our residents. As a result, we anticipate Hammerson House will be recognised in the sector as setting a new standard for care of the future, benefitting from the Outstanding care model for which Nightingale House has been widely recognised.

On a financial note, I am encouraged by both the response of the Community to the recognition we are receiving and the growing awareness of the Hammerson project, which will significantly increase the number of people for whom we care. We continue to look to the Community for the financial support we need to ensure that our homes, and the outstanding care we provide, remain sustainable in the challenging climate of falling government funding.

None of this would be possible without our extraordinary band of staff and volunteers, who are the lifeblood of Nightingale Hammerson - I want to thank them personally, and on behalf of all my fellow Trustees, for their dedication, as well as offering warm thanks to our donors and supporters, whose generosity enables our residents to maintain a good quality of life.

Melvin Lawson
Chairman

Report of the directors of the corporate trustee Year to 30 September 2018

The Directors of the Corporate Trustee of Nightingale Hammerson (herein referred to as 'directors'), who act as the Trustee Board of the Charity, present the statutory report and accounts for the year ended 30 September 2018. These accounts have been prepared in accordance with the accounting policies set out on pages 23 to 27 and comply with the charity's governing document, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

NIGHTINGALE HAMMERSON STRUCTURE

Nightingale Hammerson comprises four entities, all ultimately controlled by the directors of Nightingale Hammerson and all included within the consolidated accounts.

- ◆ Nightingale Hammerson, a registered charity, providing residential and nursing home facilities at two London sites, Nightingale House, in Clapham, and Hammerson House, in East Finchley;
- ◆ Chalkford Limited, a company registered in England and Wales, whose business is property construction;
- ◆ Camden Jewish Society, a registered charity and company registered in England and Wales, which until 31 December 2017 provided sheltered accommodation at Belmont Lodge in Bushey, but which is now dormant; and
- ◆ The Friends of Nightingale House, a charitable trust set up to raise funds for the relief of poverty and distress of the needy aged of the Jewish faith, but which is now dormant.

OUR PURPOSE

Nightingale Hammerson exists to be a leading provider of quality person centred care for older Jewish people, where all are treated with respect and dignity in quality accommodation.

Our mission is to provide holistic, quality care, assistance and support in a safe and stimulating environment using dedicated and trained staff and volunteers. We do this by the operation of two residential and nursing care homes – Nightingale House, in South London, and Hammerson House, in North London, – together with a sheltered housing facility, Belmont Lodge, in Bushey.

Nightingale House traces its origins back to 1840 in the East End of London. It moved to its current site in South West London in the early 1900s and has continued to modernise and expand over the last hundred years and is fully equipped for those with residential, nursing and dementia needs.

Hammerson House was established some 55 years ago thanks to an exceptional gift from Mrs Sue Hammerson CBE, in memory of her late husband Lewis W Hammerson. For many years it was primarily a residential home although offering some nursing beds and sheltered housing; it has been closed for redevelopment since June 2017 and is expected to re-open in 2020, fully equipped for those with residential, nursing and dementia needs.

Belmont Lodge offers supported accommodation in a homely environment, where residents can take meals and enjoy activities together while maintaining their independence.

OUR PURPOSE (continued)

Statement of public benefit

In setting the aims of the charity, the directors have had regard to the guidance published by the Charity Commission in respect to the provision of public benefit by charities. The charity is committed to providing the same level of care to all older Jewish people in need, regardless of personal financial status. Almost 40% of residents are in receipt of Local Authority or other government funding and the charity raises funds from its donors and benefactors in order to meet the ever-growing shortfall between government funding and the costs of quality care provision.

OUR ACHIEVEMENTS

Continuing Excellence in Care Provision

During the year we were able to provide top quality care to more than 250 individuals. Our aim to maintain excellence in everything we do was recognised in 2018 by a team of CQC Inspectors who classed Nightingale House as 'Outstanding', the highest rating available. The success of putting the connection between our staff and residents at the heart of our approach to care, taking into account the individual wishes, characters and histories of everyone we look after, can best be expressed in the CQC's words:

"...people, their relatives and health care professionals were extremely complimentary about the care and support provided at the home. Staff consistently demonstrated warmth, respect and empathy in their interactions with people and their relatives. They ensured people's right to privacy and to be treated with dignity was maintained".

Gold Standard End of Life Care

Our aim is to allow, where humanly possible, every resident who wishes to reach the end of their life in their own home, rather than in hospital, to do so, and we are proud of the fact that in 2018 most of those residents who wished to pass away at Nightingale House rather than in hospital were able to do so. Our ability to provide quality care to the end of life is reflected both in retaining the highest accreditation possible (Platinum standard) under the Gold Standard Framework, and in being awarded *Care Home of the Year* by the same body. The CQC made this comment in their report:

"People nearing the end of their life received compassionate and supportive care at Nightingale House....The provider worked closely with all the relevant community health and palliative care professionals and respected the wishes of people nearing the end of their life. Staff received end of life care and bereavement training, which included a specific module on understanding death and dying from the perspective of the Jewish faith."

Investment, Innovation and Inspiration in Activities

We continue to be immensely proud of our seven day a week Activities programme, which the CQC described as *"person centred and innovative, enabling people to lead active and fulfilling lives."* Every resident, regardless of their mobility, cognitive awareness or tastes, has the opportunity to engage in a range of activities, whether keeping up old hobbies, exploring new skills or sharing experiences. Some of our highlights in the year include:

OUR ACHIEVEMENTS (continued)

Investment, Innovation and Inspiration in Activities (continued)

- ◆ Launch of a three year Art in Residence project in collaboration with the University of West London and the Ben Uri Museum Gallery, whereby 12 residents have been able to take part not only in artistic disciplines, with silk painting and screen printing being added to our regular activity programme, but also in discussions of a variety of art works.
- ◆ A *Creativity & Wellbeing* week, where more than 60 participants from a variety of external organisations took part in a series of musical workshops which captured in cameo the wider participatory experience enjoyed by 70 residents.
- ◆ Regular Book Club, French Group and Men's Group meetings are encouraging residents to widen their interests, with a total of 30 residents regularly attending one or another of these groups.
- ◆ 35 residents, including those with nursing needs or dementia, continue to take part in regular poetry groups, where they can choose to read aloud, share personal reflections or simply listen, forming real connections with the literature and with each other.

As well as the myriad of organised activities, we place a huge importance on spontaneous engagement, where all staff across the organisation take time to stop and spend a few minutes with residents in the course of their day to day work.

Hammerson House

Having been closed for redevelopment in the early summer of 2017, building works are well underway on our planned world-class care home in North London, with demolition of the old buildings and substantial groundworks in preparation for the new having been completed in the year. Meanwhile, away from the site, teams are working hard on fit-out plans, with a mock-up room and corridor being built to test design details and a group of talented and experienced volunteers looking at technology.

Intergenerational Programme

In early September 2017, a branch of Apples & Honey, a Jewish Nursery based in Wimbledon, opened in a converted maintenance bungalow in the Nightingale House garden. Here, children learn and play a stone's throw from the House and each day join in activities with the residents, whether it be baking in the Activity Centre or an exercise class on a residential unit. Both children and residents benefit hugely from these intergenerational activities and the resulting friendships, helping to combat loneliness for the residents and enable the children to share experiences with another generation in a safe environment. In a recent piece of research on the benefits of the programme, one resident said of another "One gentleman never speaks to anyone else upstairs. But when he comes down here [to the children] he lights up and becomes himself" whilst another resident told a CQC Inspector: "I absolutely adore the young children who come to see us every day here. I can't wait for them to arrive...They make me feel young again". In the region of fifty residents regularly engage with the children and find their spirits lifted, with the Inspectors observing:

"It was evident by the amount of laughter, smiles and hand-holding going-on between the children from the nursery and the people living in the home that they knew each other well and really enjoyed one another's company."

Data Protection

We have always taken the protection of our residents', donors' and staff's personal data seriously, and in the year we completed a full Data Protection review to ensure that all our systems and processes are fully compliant with the new General Data Protection Regulations, with training and monitoring being ongoing.

OUR PLANS

We can only achieve our long term goal of continuing to provide high quality care in a sustainable manner if we commit to continuous innovation and improvement. Supported by our five year business plan, our priorities for the next three years are as follows:

Belmont Lodge

Following its incorporation into the Nightingale Hammerson group in April 2015, Belmont Lodge continued to be owned via a separate legal entity, Camden Jewish Society. As the final stage of integration, on 31 December 2017, the Lodge, together with contracts with tenants and suppliers and all other assets and liabilities of Camden Jewish Society were, in accordance with a legal transfer of undertakings, transferred to Nightingale Hammerson Trustee Company Limited as trustee of Nightingale Hammerson. We continue to review our plans for Belmont as the care market changes.

Technology and Innovation

We continue to work with a band of experienced volunteers to develop technology across the organisation. On the care front, a new paperless care planning system is being piloted for forty residents in our main nursing dementia unit, reducing the amount of time staff spend on recording information and typing care plans, freeing them to spend more time on delivering first-class care. It is hoped that this technology will be rolled out across Nightingale House by the end of the summer.

A second care technology project is planned for the spring, the introduction of acoustic monitoring which will revolutionise night-time care by allowing residents to be monitored without being continually disturbed and will give early warning signs of night movements and allow rapid response to actual or potential incidents.

Our *More Impactful Training* project, meanwhile, under the care of a newly appointed Education & Development Manager, aims to reach all staff with a range of e-training, to run alongside more traditional practical and classroom-based learning, broadening our ability to keep staff up to date on a wide range of subjects.

In order to support the increased reliance on electronic systems, we are also undertaking a full review of our IT infrastructure to ensure that it is fit for future purpose and will be investing in improvements as needed.

FUNDRAISING PERFORMANCE

Fundraising for our Charitable Objectives

With ever more complex care needs, the impact of government initiatives such as the National Living Wage and rising inflation, the need for fundraising to support the day to day operation of our homes has never been greater. Local Authorities and the NHS, who fund almost 40% of our residents, are operating under ever-tightening budget constraints and in order to provide the same level of care to all we have to raise in the region of £2.5m per annum.

Our donors and benefactors have continued to give generously, with £2.5m being raised in the year for operating purposes, of which almost £1.1m was generated by the biennial dinner. A further £1m was received in respect of the Hammerson House building project, with the bulk of the pledge agreements for that project not being in place until after the year end. In addition, we received some very generous legacy gifts, bringing our legacy total to £0.9m, level with the previous year.

FUNDRAISING PERFORMANCE

Fundraising for our Charitable Objectives (continued)

The launch of the new Hammerson House development has given us the opportunity to raise awareness, across both our Community and the wider one, of what makes Nightingale Hammerson special and we plan to build on this in the coming months. The appointment of a new Director of Fundraising and Communications shortly before the year end has provided the opportunity to develop a more focussed, sustainable and relationship-driven fundraising strategy as well as to rethink our approach to marketing and communications to support this.

Our heartfelt thanks go to all our donors and to those who work to raise funds for us.

Fundraising Practice

Our supporters are at the heart of our ability to fulfil our mission and, following continued scrutiny of fundraising practices across the sector, we have reviewed our systems to ensure that formal consent is gained, where required, from all those whom we wish to contact for fundraising purposes.

We aim to achieve best practice in the way we communicate with donors and other supporters, taking care with both the tone of our communications and the accuracy of data to minimise the pressures on supporters. Nightingale Hammerson is registered with the Fundraising Regulator and adheres to the Code of Fundraising Practice. We apply best practice to protect supporters' data and never sell data, never swap data, and ensure that supporters' and donors' communication preferences can be changed at any time. We manage our own fundraising activities and do not employ the services of Professional Fundraisers. We undertake to react to and investigate any complaints regarding our fundraising activities and to learn from them and improve our service. During 2018, we received no complaints about our fundraising activities.

OUR PEOPLE

Our Trustees

Further information on our Trustees can be found in the Structure, Governance & Management section of this report.

Our Staff

Our staff continue to be our biggest asset, with approximately 350 people being employed in the running of our homes and the care of our residents – 250 of them on the front line. As part of our commitment to person-centred care, staff across the organisation continue to demonstrate our values of Dignity, Integrity, Respect, Excellence, Compassion and Teamwork.

Staff not involved in front line operations are encouraged to give time each week to help with activities and meals, with our successful Meals Matters programme, where volunteers help less able residents at mealtimes, a popular choice.

Recruitment continues to be a challenge, as it is across the Healthcare sector, but our regular recruitment fairs have allowed us to maintain a full complement of healthcare assistants, allowing the use of costly agency staff to be minimised.

OUR PEOPLE (continued)

Our Staff (continued)

Staff wellbeing remains high on our agenda and we have introduced a Staff Forum, with representatives from all departments working together to bring about changes in working environments. A staff Health & Wellbeing day in the summer provided the opportunity for 90 staff to sample activities such as yoga and boxercise, as well as to learn more about nutrition. 2018 then ended on a high note with our first ever Celebration of Achievement Evening, attended by 138 staff, at which around 50 staff received awards for their contribution to our residents and the Home.

On the financial front, we continue to meet our commitment to the National Living Wage and to maintain fair pay increments for those currently earning above that level, to ensure that enhanced skills continue to be recognised appropriately.

Our Volunteers

Supporting our staff are an army of 150 volunteers, without whom we could not provide residents with the same quality of life, and a new Volunteer Development Manager is both co-ordinating these and identifying skills gaps to allow us to recruit to both expand our existing programmes and develop new ones. Befriending residents continues to be an important part of volunteer activity.

FINANCIAL REVIEW

Overview of Group

	2018 £m	2017 £m	%
Income from care provision	10.8	11.0	(2%)
Cost of care provision	(14.3)	(15.4)	(8%)
Other operating income	0.1	0.2	—
Operating deficit	(3.4)	(4.2)	(21%)
Fundraising net income	3.7	1.9	95%
Investment net income	0.5	0.7	(28%)
Deficit before investment gains	0.8	(1.6)	
Investment and actuarial gains	2.2	2.5	(12%)
Net income (2017 before impairment)	3.0	0.9	

It should be noted that the results for 2017 include the last months of operation of the old Hammerson House, prior to it closing for redevelopment.

The deficit on operating income for the year was £3.4m (2017: £4.2m). Fundraising contributed a further £3.7m of net income (2017: £1.9m), of which £1m was for the Hammerson House project, and net investment income constituted £0.5m (2017: £0.6m), giving a surplus before investment gains of £0.8m (2017: deficit of £1.6m). Our equity portfolio continued to perform strongly in the year, resulting in investment gains of £1.5m (2017: £1.9m), whilst changes in actuarial valuation assumptions created actuarial gains of £0.7m (2017: gains of £0.6m) in the defined benefit pension scheme. Overall the net income for the year stood at £3.0m (2017: before impairment of Hammerson House £0.9m).

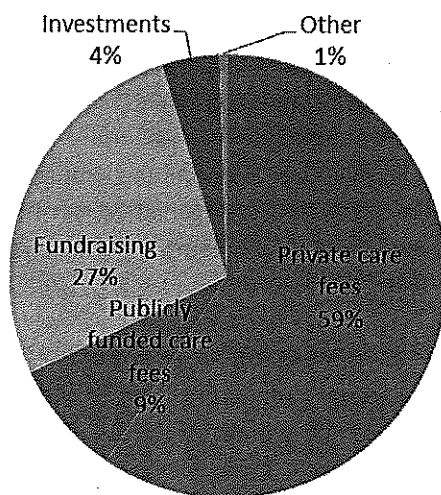
FINANCIAL REVIEW (continued)

Income from care provision has fallen, reflecting both the fact that Hammerson House closed partway through the previous year and a fall in occupancy between the second half of 2017 and the same period in 2018. Set against this was an increase in the percentage of privately funded residents, as a result of the tightening of public funding budgets. As in previous years, we were able to achieve an increase in private funding fees but there were minimal increases in government and Local Authority funding rates in the year, resulting in an increased funding shortfall on these residents.

Costs continue to rise in real terms (although they are lower than last year because of the closure of Hammerson House), with both the impact of the National Living Wage and the increasingly complex care needs of our residents. However, a tightening of processes around staffing has allowed us to minimise the impact of this and we continue to review our operating model to ensure sustainability at both homes.

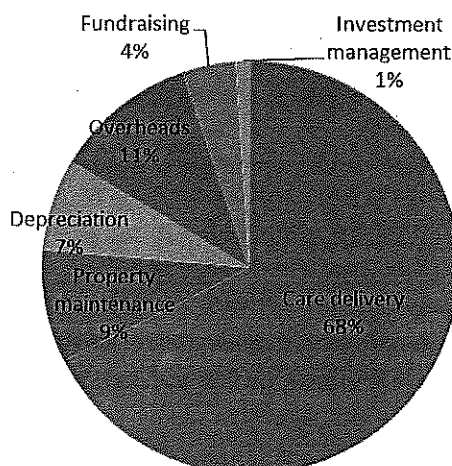
Income from investments has fallen, partly due to exceptional market performance in the previous year and partly due to the sale of a further £7m of our equity portfolio in the first four months of the year, when advantage was taken of the continuing strong market to convert to cash the balance of the reserves designated for the Hammerson House development project.

Where our income came from



Although almost 40% of our residents are funded by either Local Authorities or the NHS Care Commissioning Group, government funding accounts for only 13% of our income from care delivery. On average public funding covers only 50% of the cost of looking after a resident, with the shortfall being made up by fundraising and investment income. With the reduction in our investment portfolio as part of funding the building of the new Hammerson House, we need to raise more funds in order to continue to support these residents.

Where the money was spent



Of our direct care delivery costs across the group, 81% or £8.3m relate to staff (2017: 81% and £8.9m), with 13% or £1.3m (2017: 14% and £1.6m) being spent on catering. Property maintenance and repair, including domestic and laundry services, fell to £1.3m (2017: £1.6m), reflecting considerable catch-up maintenance in previous years although the age of the building means that these costs are expected to remain high. Support costs remained steady at £1.6m, of which £1m relates to staff costs (2017: £1.2m). Also included in support costs are £0.2m of insurance (2017: £0.2m).

FINANCIAL REVIEW (continued)

Capital

During the year, the group spent a total of £2.3m on capital projects, of which £2m was in respect of the Hammerson House redevelopment project, £0.1m on the ongoing upgrade of lifts and fire doors and the remainder on smaller projects including IT infrastructure, grounds works and the replacement of a nurse-call system on a nursing unit.

Financial Position

Net assets of the group at 30 September 2018 totalled £75.9m (2018: £73.0m). Of this amount, £12.6m is tied up in tangible fixed assets (land and buildings used to house residents and equipment essential to the continuing provision of high quality care and therefore not realisable) and £4.6m is held in restricted funds for specific uses; of this amount, £4.3m is restricted to capital projects. £30.5m had previously been designated for major capital projects (£20.3m for Hammerson House, £7.6m for Nightingale House and £2.5m for maintenance, given the high level of cost in maintaining and refurbishing buildings to the standard expected by our residents, ensuring works can continue in times of uncertainty over funding). During the year, the directors designated a further £4m of funds to these projects, bringing the balance to £34.5m (£22.5m for Hammerson House, £8.5m for Nightingale House and £3.5m for maintenance). Free reserves therefore stand at £24.2m (2017: £25.2m). However, in considering the level of such reserves needed in order to meet the level stipulated by the reserve policy, the directors are of the view that free reserves should constitute those amounts which we know will be available as needed to meet future costs and that the £1.7m surplus on the defined benefit pension scheme, being a theoretical figure dependent on actuarial assumptions which can change at any time, should be discounted. This leaves actual free reserves of £22.5m (including £6.3m of unrealised gains on the investment portfolio which are subject to movements on a currently volatile stock market), which the directors believe is comfortably in line with the organisation's reserves policy, which requires there to be in the region of £20m of free reserves once the new Hammerson House is up and running. The group continues to have a healthy balance sheet, with £32m held in cash/short term deposits in preparation for the building project, a strong net current assets position and an investment portfolio of £25m.

Reserves Policy and Management

The directors have examined the requirement for free reserves i.e. those unrestricted funds not invested in tangible fixed assets, not designated for specific purposes nor otherwise committed. The directors consider that given the nature of the charity's work, continuing political economic uncertainty affecting the UK and world stock markets and significant changes happening in the funding of nursing care, the level of free reserves should be equivalent to 12 months' expenditure. The directors are of the opinion that this provides sufficient flexibility to cover temporary shortfalls in incoming resources due to the timing differences in income flows, adequate working capital to cover core costs, and will allow the charity to cope and respond to unforeseen emergencies whilst specific action plans are implemented. For the purposes of assessing the adequacy of reserves, the directors have taken into account the expenditure expected for twelve months' operation at Hammerson House when it re-opens as well as for its current operations.

Investment Policy and Performance

It has been the policy of the directors and members of the Investment Sub-Committee to generate long-term capital appreciation and current income through investments in equities and fixed income securities. The directors have developed a strategy to diversify across asset classes and have chosen fixed income bonds with a spread of maturities averaging close to two years in order to achieve a decent yield against a modest risk, together with an equity portfolio which has, by its nature, a higher risk profile but better return. The charity has previously enjoyed stable returns on its investments as a result of this policy but has remained aware that the new Hammerson House development would deplete the portfolio significantly. The directors are therefore currently reviewing their investment policy for the future.

FINANCIAL REVIEW (continued)

Investment Policy and Performance (continued)

The directors have also agreed to hold a material cash balance towards the charity's planned capital projects with the objective of capital preservation. Given the uncertainties in the market place, the global recession and geo-political events affecting equities, the directors are satisfied with the returns achieved in the year and the market value of our investments at year end. The directors remain committed to continue to manage the charity's investments in a very prudent way.

Subsidiaries and Related Parties

Nightingale Hammerson has two subsidiary entities to assist it in acting in accordance with its objectives: Chalkford Limited, a wholly owned subsidiary which manages the charity's building projects; and Camden Jewish Society, which was brought into the charity under a deed of collaboration in May 2015, and which owned and operated Belmont Lodge until the transfer of its operations to Nightingale Hammerson Trustee Company, as Trustee of Nightingale Hammerson, in December 2017. Details of transactions with both parties are set out in Note 19 to the accounts.

In addition, donations were received in the year from various directors and organisations in which Trustees hold office. In addition, the nature of the charity's activities means that from time to time relatives of the directors or staff are cared for by the charity. Details of these relationships and the relevant donations and benefits are also contained in Note 19.

Going Concern

The directors have reviewed the financial position of the group and the charity, taking account of the satisfactory levels of reserves and cash, the annual and five year financial plan and its systems of financial and risk management, and believes that the group and the charity is well placed to manage operational and financial risks successfully. Accordingly, the directors have reasonable grounds to believe that the group and the charity has adequate resources to continue in operational existence for the foreseeable future and therefore continue to prepare the accounts on a going concern basis.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisational Structure

Nightingale Hammerson is a registered Charity under the Charities Act 2011 (Charity registration number: 207316) and is governed under a Scheme made by the Charities Commission on 30 March 2012. The Charity has a sole corporate Trustee, Nightingale Hammerson Trustee Company Limited, a company registered in England and Wales and limited by guarantee (Company number: 07990530).

The Group comprises the Charity, a wholly owned subsidiary, Chalkford Limited, a company registered in England and Wales (Company number: 01001396) and, via a Deed of Collaboration, Camden Jewish Society, a registered charity (Charity registration number: 268164) and company registered in England and Wales and limited by guarantee (Company number: 01179914).

Trustees

The directors of the Corporate Trustee act as the Trustee Board of the Charity and are as set out on page 1 of this report. Brief biographies of each director can be on page 44. The Trustee Board meets formally five times a year and in between meetings directors engage with the charity, its volunteers and staff in many and varied ways, such as providing guidance on projects, raising funds, serving formally on Committees or supporting new initiatives.

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Trustees (continued)

Directors are appointed via proposal to the Nominations Committee, which gives ongoing consideration to the range of skills and experience valuable to the Board, aiming to match skills to our strategic goals and business plan needs. Board responsibilities and delegated authorities are set out in the Terms of Reference of both the Board and the Committees which support it. The Board operates a Conflicts of Interest policy, whereby conflicts of interest declarations are completed annually and verbal declarations made at the start of each formal meeting.

Directors serve for a term of five years (although some directors appointed on incorporation may serve for up to seven) and may be reappointed for a further period or periods which may not exceed five years in aggregate.

No director received any remuneration or expenses from the group or charity during the year.

Committees

Certain responsibilities of the Board are delegated to Committees, which act to provide counsel, expertise and support to both the Board and the Executive. A minimum of two directors serve on each Committee and the Chairman is an ex-officio member of all Committees.

The Nominations Committee oversees governance matters, including appointment and re-appointment of directors.

The Finance Committee, which includes two Treasurers, meets quarterly and oversees all financial matters including maintenance of the Financial Risk Register, budget approval and delegation of authorities to the Executive.

The Care Quality Improvement Board oversees all care-related matters and works closely with the Director of Care to ensure that all regulatory requirements are met and care standards adhered to. Meetings are attended by other directors as well as a number of clinical professionals and GPs. Clinical standards and practice are regulated by the Care Quality Commission.

The Audit and Risk Committee (non-Financial) meets three times a year and is responsible for the maintenance of the Operational Risk Register and ensuring that the Board are apprised of key risks to the organisation at any time.

The Estates Committee oversee all major capital projects, with budgetary oversight from the Treasurers.

The Investment Committee oversees the investment portfolio and provides instruction to the Investment Managers in line with the charity's investment policy. It is currently chaired by Dean Lush, Executive Vice Chairman of Rothschild Wealth Management, and comprises four directors of the charity.

Executive Board

Day to day running of the Charity is delegated to the Executive Board, which comprises seven directors:

- Chief Executive
- Director of Care Services
- Director of Human Resources
- Director of Operations
- Director of Finance and IT

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Executive Board (continued)

- Director of Fundraising & Communications
- Director of Property Services (until January 2019)

Approach to Remuneration

Executive remuneration is set with reference to current market conditions to ensure that the Charity continues to recruit and retain high calibre staff. All remuneration, including annual pay reviews, is overseen by the Finance Committee.

No director of the corporate trustee received any remuneration or expenses from the group or charity during the year (2017 - £nil).

Employment Policy

We strive to be an equal opportunities employer and apply objective criteria to assess merit. We aim to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability. Selection criteria and procedures are reviewed to ensure individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All employees are given equal opportunity and, where appropriate and possible, special training to enable them to progress.

Volunteers are coordinated by the Volunteer Development Manager, with recruitment, management and supervision policies in place.

PRINCIPAL RISKS AND UNCERTAINTIES

General Risk Management

Operational Risk Management is overseen by the Audit & Risk Committee, which continues to keep under review the risk register, ensuring all key risks are identified and mitigated. Clinical risk assessment continues to be overseen by the Care Governance Board whilst Financial and Investment risk are overseen by the respective Committees.

Key Risks and How We are Managing Them

Fire

With a large number of frail and often immobile residents on site twenty four hours a day, managing fire risk is a key priority for us. Detailed fire risk assessments are carried out at all levels and fire safety and evacuation training is mandatory across the organisation. Fire compartments exist throughout the building, allowing all residents to be evacuated horizontally to a place of safety and each resident has a Personal Emergency Evacuation Plan in place which takes into account their particular needs. Fire alarms are tested weekly, with fire panels identifying the location of any fire and the newer parts of the Nightingale House site are fitted with sprinkler systems.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Key Risks and How We are Managing Them (continued)

Health and Safety

Health and safety of residents, staff, volunteers and visitors continues to be a risk priority for us and we are committed to maintaining our excellent track record in this area. Three Health and Safety sub-committees, reporting in turn to the Principal Health and Safety Committee, are responsible for Property, Care and Administrative areas, ensuring regular risk assessments are carried out and remedial action taken where needed. Code-operated doors protect all residents from areas which may be hazardous, such as open staircases, whilst areas of high risk such as laundry and kitchen areas are only accessible by authorised staff. All staff receive health and safety training specific to their areas of responsibility.

Clinical

On the clinical front, the Care Governance Board oversees a robust accidents, incidents and complaints procedure and key statistics on such matters as medication, falls and pressure sores are closely monitored and investigated.

Financial

A detailed financial risk register is maintained and is overseen by the Finance Committee. Falling levels, in real terms, of government funding create a significant risk for the organisation, together with the much-talked about care fees funding cap, which, should it be introduced, could limit the amount we receive from privately funded residents significantly. The Committee continues to review ways to improve our resilience to this political exposure and thus ensure sustainability. We are also reliant on fundraising to support our operational deficit and we continue to consider other income streams whilst taking steps to boost donations with the restructuring of our fundraising operations.

Investments

A significant proportion of our reserves are held in equity investment portfolios and thus exposed to the risks of that market. The portfolio is managed by experienced investment managers and performance is closely monitored by the Investment Committee.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the report of the directors of the corporate trustee and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity, of the incoming resources and application of resources of the charity for that period.

In preparing these accounts, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- ◆ prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the charity's governing document.

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.



Director

Date of approval: 16 April 2019

Independent auditor's report to the directors of the corporate trustee of Nightingale Hammerson

Opinion

We have audited the accounts of Nightingale Hammerson (the 'parent charity') and of Nightingale Hammerson and its subsidiaries (the 'group') for the year ended 30 September 2018 which comprise the group and parent charity statement of financial activities, the group and charity balance sheets, the consolidated statement of cash flows, the principal accounting policies and the notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the accounts:

- ◆ give a true and fair view of the state of the group's and of the parent charity's affairs as at 30 September 2018 and of their income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the accounts section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ◆ the use of the going concern basis of accounting by the directors of the corporate trustee in the preparation of the accounts is not appropriate; or
- ◆ the directors of the corporate trustee have not disclosed in the accounts any identified material uncertainties that may cast significant doubt about the group's or the parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the accounts are authorised for issue.

Other information

The directors of the corporate trustee are responsible for the other information. The other information comprises the information included in the Annual Report and Consolidated Accounts, other than the accounts and our auditor's report thereon. Our opinion on the accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011 requires us to report to you if, in our opinion:

- ◆ the information given in the report of the directors of the corporate trustee is inconsistent in any material respect with the accounts; or
- ◆ sufficient accounting records have not been kept; or
- ◆ the accounts are not in agreement with the accounting records and returns; or
- ◆ we have not received all the information and explanations we require for our audit.

Responsibilities of directors of the corporate trustee

As explained more fully in the statement of directors' responsibilities, the directors of the corporate trustee are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors of the corporate trustee determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the directors of the corporate trustee are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the corporate trustee either intend to liquidate the group or the parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

Auditor's responsibilities for the audit of the accounts (continued)

A further description of our responsibilities for the audit of the accounts is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of this report

This report is made solely to the directors of the corporate trustee, as a body, in accordance with section 144 of the Charities Act 2011 and with regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the directors of the corporate trustee those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the directors of the corporate trustee, as a body, for our audit work, for this report, or for the opinions we have formed.

Buzzacott LLP

Buzzacott LLP
Statutory Auditor
130 Wood Street
London
EC2V 6DL

21 JUNE 2019

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

Consolidated statement of financial activities Year to 30 September 2018

	Notes	Unrestricted funds			2018 Total funds £'000	2017 Total funds £'000
		General and non charitable trading funds £'000	Designated funds £'000	Restricted funds £'000		
Income from:						
Donations and legacies	1	3,072	—	1,264	4,336	2,357
Investments and short term deposits	2	656	—	41	697	870
Charitable activities						
Provision of residential and nursing care	3	10,776	—	—	10,776	10,974
Other sources*		94	—	—	94	189
Total income		14,598	—	1,305	15,903	14,390
Expenditure on:						
Raising funds						
Generating donations and legacies	4	631	—	—	631	447
Investment management costs*		168	—	—	168	206
Expenditure of UK trading subsidiary*		23	—	—	23	16
Charitable activities						
Provision of residential and nursing care	5	13,106	227	1,015	14,348	15,393
Impairment of leasehold property and plant	12	—	—	—	—	518
Total expenditure		13,928	227	1,015	15,170	16,580
Net income (expenditure) for the year before gains (losses) on investments		670	(227)	290	733	(2,190)
Transfers between funds		(3,992)	4,089	(97)	—	—
Gains (losses) on investments						
Realised gains (losses) on disposal of listed investments	13	67	—	(7)	60	167
Unrealised gains (losses) on listed investments	13	1,602	—	(35)	1,567	1,703
FX movements on currency swaps		(82)	—	—	(82)	38
		1,587	—	(42)	1,545	1,908
Net income (expenditure) for the year	9	(1,735)	3,862	151	2,278	(282)
Other recognised gains and losses						
Actuarial gains on pension scheme	18	687	—	—	687	615
Net movement in funds		(1,048)	3,862	151	2,965	333
Balances brought forward at 1 October 2017		25,220	32,439	15,314	72,973	72,640
Balances carried forward at 30 September 2018		24,172	36,301	15,465	75,938	72,973

The consolidated statement of financial activities includes the results of Nightingale Hammerson, The Friends of Nightingale House, Chalkford Limited and Camden Jewish Society.

*Income from other sources in 2017 all related to unrestricted funds. Similarly, expenditure in respect to investment management costs and the UK trading subsidiary in 2017 all related to unrestricted funds.

All of the figures included in the above consolidated statement of financial activities derive from continuing activities of the charity and its subsidiaries.

Charity statement of financial activities Year to 30 September 2018

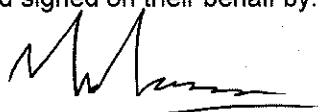
	Notes	Unrestricted funds			2018 Total funds £'000	2017 Total funds £'000
		General fund £'000	Designated funds £'000	Restricted funds £'000		
Income from:						
Donations and legacies	1	3,106	—	1,264	4,370	2,423
Investments and short term deposits	2	660	—	41	701	875
Charitable activities						
Provision of residential and nursing care	3	10,757	—	—	10,757	10,848
Funds acquired from subsidiary	20	1,120	—	—	1,120	—
Other sources*		136	—	—	136	203
Total income		15,779	—	1,305	17,084	14,349
Expenditure on:						
Raising funds						
Generating donations and legacies	4	631	—	—	631	447
Investment management costs*		168	—	—	168	206
Charitable activities						
Provision of residential and nursing care	5	13,066	248	1,013	14,327	15,246
Impairment of leasehold property and plant	12	—	—	—	—	518
Total expenditure		13,865	248	1,013	15,126	16,417
Net income (expenditure) for the year before gains (losses) on investments		1,914	(248)	292	1,958	(2,068)
Transfers between funds		(3,992)	4,089	(97)	—	—
Gains (losses) on investments						
Realised gains (losses) on disposal of investments	13	67	—	(7)	60	167
Unrealised gains (losses) on listed investments	13	1,602	—	(35)	1,567	1,703
FX movements on currency swaps		(82)	—	—	(82)	38
		1,587	—	(42)	1,545	1,908
Net income (expenditure) for the year	9	(491)	3,841	153	3,503	(160)
Other recognised gains and losses						
Actuarial gains on pension scheme	18	687	—	—	687	615
Net movement in funds		196	3,841	153	4,190	455
Balances brought forward at 1 October 2017		24,907	31,974	15,323	72,204	71,749
Balances carried forward at 30 September 2018		25,103	35,815	15,476	76,394	72,204

All the figures included in the above statement of financial activities derive from continuing activities of the charity. Income from other sources in 2017 and expenditure in respect to investment management costs in 2017 all related to unrestricted funds

Balance sheets 30 September 2018

	Notes	2018		2017	
		Group £'000	Charity £'000	Group £'000	Charity £'000
Fixed assets					
Tangible assets	12	17,855	18,314	16,587	16,215
Investments	13	24,800	24,801	33,041	33,042
		<u>42,655</u>	<u>43,115</u>	<u>49,628</u>	<u>49,257</u>
Current assets					
Debtors	14	2,220	2,472	1,998	2,513
Short term deposits		21,142	21,142	17,415	16,952
Cash at bank and in hand		10,918	10,446	5,057	5,028
		<u>34,280</u>	<u>34,060</u>	<u>24,470</u>	<u>24,493</u>
Liabilities					
Creditors: amounts falling due within one year	15	(2,737)	(2,521)	(2,151)	(2,572)
Net current assets		<u>31,543</u>	<u>31,539</u>	<u>22,319</u>	<u>21,921</u>
Total assets less current liabilities		<u>74,198</u>	<u>74,654</u>	<u>71,947</u>	<u>71,178</u>
Pension scheme asset	18	1,740	1,740	1,026	1,026
Total net assets		<u>75,938</u>	<u>76,394</u>	<u>72,973</u>	<u>72,204</u>
The funds of the charity:					
Charitable funds					
Restricted funds	16	15,465	15,476	15,314	15,323
Unrestricted funds					
Designated funds	16				
Hammerson House building fund		22,500	22,500	20,339	20,339
Nightingale House building fund		8,500	8,500	7,627	7,627
Maintenance fund		3,500	3,500	2,542	2,542
		<u>34,500</u>	<u>34,500</u>	<u>30,508</u>	<u>30,508</u>
Tangible fixed assets fund		1,801	1,315	1,931	1,466
General fund		22,432	23,363	24,194	23,881
Pension reserve		1,740	1,740	1,026	1,026
		<u>24,172</u>	<u>25,103</u>	<u>25,220</u>	<u>24,907</u>
	17	<u>75,938</u>	<u>76,394</u>	<u>72,973</u>	<u>72,204</u>

Approved by the directors of the corporate trustee
and signed on their behalf by:



Director of the corporate trustee

Approved on: 16 April 2019

Consolidated statement of cash flows Year to 30 September 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities:			
Net cash provided by / (used in) operating activities	A	803	(1,631)
Cash flows from investing activities:			
Investment income		776	920
Purchase of tangible fixed assets		(1,859)	(2,969)
Proceeds from the disposal of investments		12,744	9,502
Purchase of investments		(2,876)	(6,184)
Net cash provided by investing activities		8,785	1,269
Change in cash and cash equivalents in the year		9,588	(362)
Cash and cash equivalents at 1 October 2017	B	22,472	22,834
Cash and cash equivalents at 30 September 2018	B	32,060	22,472

Notes to the consolidated statement of cash flows for the year to 30 September 2018

A Reconciliation of net movement in funds to net cash provided by / (used in) operating activities

	2018 £'000	2017 £'000
Net movement in funds (as per the statement of financial activities)	2,965	333
Adjustments for:		
Depreciation charge	1,065	1,177
Impairment of leasehold property	—	518
Gains on listed investments	(1,627)	(1,870)
Investment income	(697)	(870)
Increase in value of pension asset	(714)	(624)
Increase in debtors	(301)	(95)
Increase / (decrease) in creditors	112	(200)
Net cash provided by / (used in) operating activities	803	(1,631)

B Analysis of cash and cash equivalents

	2018 £'000	2017 £'000
Cash at bank and in hand	10,918	5,057
Short term deposits	21,142	17,415
Total cash and cash equivalents	32,060	22,472

Principal accounting policies 30 September 2018

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

Basis of preparation

These accounts have been prepared for the year to 30 September 2018 with comparative information given in respect to the year to 30 September 2017.

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

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011.

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

The accounts are presented in sterling and are rounded to the nearest thousand pounds.

Basis of consolidation

The statement of financial activities and balance sheet consolidate the accounts of the charity and its group undertakings (listed below) made up to the balance sheet date.

- ◆ Chalkford Limited, a UK trading subsidiary which is a property construction company.
- ◆ Friends of Nightingale House, a charitable trust no longer operational but having had the purpose of raising funds on behalf of Nightingale Hammerson.
- ◆ Camden Jewish Society, a charitable company limited by guarantee whose sole activity, until 31st December 2017, was the provision of sheltered accommodation and which is now dormant. Since 30 April 2015, Nightingale Hammerson has had management and voting control of Camden Jewish Society.

Intra-group transactions are eliminated in full.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the directors of the corporate trustee and management to make significant judgements and estimates.

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

- ◆ assessing the probability of the receipt of legacy income;
- ◆ estimating accrued expenditure;
- ◆ determining the apportionment of expenditure between governance and support costs and between support costs and the various categories of expenditure;
- ◆ estimating the useful economic life of tangible fixed assets for the purposes of determining a depreciation charge;

Critical accounting estimates and areas of judgement (continued)

- ◆ determining the impairment provision required in respect of property to be demolished and contents therein;
- ◆ estimating the market value of investment property;
- ◆ assessing the recoverability of outstanding debtors for residential and care home fees;
- ◆ assessing the appropriateness of the assumptions made by the actuary in arriving at the actuarial valuation of the charity's defined benefit pension scheme; and
- ◆ determining the value of designated funds set aside at the year end.

Assessment of going concern

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

The directors of the corporate trustee have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity and/or the group to continue as a going concern. The directors of the corporate trustee are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 30 September 2019, the most significant areas that affect the carrying value of the assets held by the charity and/or group are the level of investment return and the performance of the investment markets (see the investment policy and the risk management sections of the report of the directors of the corporate trustee for more information).

Income recognition

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

Income comprises donations, legacies, income from fundraising events, income from investments and interest from short term bank deposits, fees for the provision of residential and nursing care and income from other sources.

Donations are recognised when the charity and/or group has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amounts are only accrued once formal pledge agreements are in place; if no such agreements exist the donations are recognised on receipt. In the event that a donation is subject to conditions that require a level of performance before the charity and/or group is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and/or group and it is probable that those conditions will be fulfilled in the reporting period.

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

Income recognition (continued)

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

Investment income is recognised once the dividend or similar income has been declared and notification has been received of the amount due.

Interest on funds held on short term deposit is included when receivable and the amount can be measured reliably by the charity; this is normally upon notification of the interest paid or payable by the bank. Interest on fixed interest, fixed term deposits is recognised evenly across the deposit term,

Fees for residential and nursing care are recognised to the extent that it is probable that the economic benefits will flow to the charity and the revenue can be reliably measured. They are measured at the fair value of the consideration received or receivable based on agreements with residents and funding agencies, excluding any relevant value added tax.

Income from other sources is measured at fair value and on an accruals basis.

Expenditure recognition

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

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings as described in note 6. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes: the salaries, direct costs and overheads associated with generating donated income and legacies; the fees paid to investment managers in connection with maintaining the portfolio of listed investments; and the expenditure of the charity's trading subsidiary in the UK.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of charitable activities i.e. the provision of holistic quality care to older Jewish people. This includes expenditure on residential and nursing care, the depreciation of those assets used for care purposes; and expenditure on the provision of sheltered accommodation.

All expenditure is stated inclusive of irrecoverable VAT.

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity and/or group it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Allocation of support and governance costs (continued)

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

Support costs and governance costs are apportioned based on the allocation basis as described in note 6 to these accounts.

Tangible fixed assets

All items of furniture, fittings and equipment with a value in excess of £10,000 and which have an expected useful life exceeding one year are capitalised and depreciated.

Depreciation is charged at the following annual rates in order to write off each asset over its estimated useful life:

◆ Freehold property	2% to 4% on cost
◆ Plant	10% on cost
◆ Fixtures and fittings	25% on cost
◆ Motor vehicles	25% on cost

Depreciation is not charged on buildings under construction or on freehold land.

Investments

Listed investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. The charity does not acquire put options, derivatives or other complex financial instruments.

The main form of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

Properties held for investment are included in the accounts at their estimated current market value as determined by the directors of the corporate trustee after consultation with their professional property advisers.

Investments in UK trading subsidiaries are included in the accounts at cost with provision being made for any permanent diminution in value.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Debtors

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

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment. Cash held by investment managers as part of their management strategy is included in fixed asset investments.

Creditors and provisions

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

Fund structure

The general fund comprises those monies which may be used towards meeting the charitable objectives of the charity and which may be applied at the discretion of the directors.

The designated funds are monies or assets set aside out of general funds and designated for specific purposes by the directors.

The tangible fixed assets fund represents the net book value of the tangible fixed assets used for the support of the work of the charity and/or group.

The restricted funds are monies raised for, and their use restricted to, a specific purpose, or donations subject to donor imposed conditions.

Non-charitable trading funds consist of the retained assets of activities conducted through non-charitable trading subsidiaries.

Pension contributions

The charity contributes to a defined benefits pension scheme (which is closed to new members) providing benefits based on final pensionable salary. The assets of the scheme are held and managed separately from those of the charity. Pension scheme assets are measured at fair value at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet.

Any change in the asset or liability between balance sheet dates is reflected in the statement of financial activities in recognised gains and losses for the period.

Contributions to the defined contributions scheme are charged to the statement of financial activities in the year in which they are payable to the scheme.

Since February 2014, all eligible members of staff (not already contributing to an eligible scheme) have been required to be auto-enrolled in a workplace pension scheme. Employer contributions to the scheme are charged to the statement of financial activities in the year in which they are payable.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling using the average rates of exchange ruling during the relevant financial period.

Notes to the accounts

1 Income from: Donations and legacies

Group	General fund £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Donations				
Hammerson House capital fund	—	958	958	52
Other	2,303	211	2,514	1,443
Legacies	769	95	864	862
2018 Total funds	3,072	1,264	4,336	2,357
2017 Total funds	1,965	392	2,357	

Charity	General fund £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Donations				
Hammerson House capital fund	—	958	958	52
Other	2,337	211	2,548	1,443
Legacies	769	95	864	862
2018 Total funds	3,106	1,264	4,370	2,423
2017 Total funds	2,031	392	2,423	

2 Income from: Investments and short term deposits

Group	General fund £'000	Designated fund £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Income from listed investments					
UK corporate loan stock	257	—	33	290	377
Foreign loan stock	88	—	8	96	120
Equities	196	—	—	196	305
	541	—	41	582	802
Rental income	8	—	—	8	8
Interest receivable	107	—	—	107	60
2018 Total funds	656	—	41	697	870
2017 Total funds	794	—	76	870	

Charity	General fund £'000	Designated funds £'000	Restricted funds £'000	2018 Total funds £'000	2017 Total funds £'000
Income from listed investments					
UK corporate loan stock	257	—	33	290	377
Foreign loan stock	88	—	8	96	120
Equities	196	—	—	196	305
	541	—	41	582	802
Rental income	8	—	—	8	8
Interest receivable	111	—	—	111	65
2018 Total funds	660	—	41	701	875
2017 Total funds	799	—	76	875	

Notes to the accounts

3 Income from: Provision of residential and nursing care

Group	General fund	
	2018 Total £'000	2017 Total £'000
Total: Maintenance contributions receivable	10,776	10,974

Charity	General fund	
	2018 Total £'000	2017 Total £'000
Total: Maintenance contributions receivable	10,757	10,848

4 Expenditure on: Generating donations and legacies

Group and charity	General fund	
	2018 Total £'000	2017 Total £'000
Staff costs	195	194
Fundraising, legacy and appeal expenses	322	156
Support costs (note 6)	114	97
Total	631	447

5 Expenditure on: Provision of residential and nursing care

Group	General fund	Designated funds	Restricted funds	2018 Total funds £'000	2017 Total funds £'000
	£'000	£'000	£'000	£'000	£'000
Staff costs	8,223	—	84	8,307	8,882
Catering and food	1,332	—	—	1,332	1,582
Premises day to day costs	1,246	—	22	1,268	1,497
Medical, care and welfare costs	476	—	62	538	508
Support costs (note 6)	1,829	—	9	1,838	1,747
Depreciation (note 12)	—	227	838	1,065	1,177
2018 Total funds	13,106	227	1,015	14,348	15,393
2017 Total funds	14,032	515	846	15,393	

Charity	General fund	Designated funds	Restricted funds	2018 Total funds £'000	2017 Total funds £'000
	£'000	£'000	£'000	£'000	£'000
Staff costs	8,201	—	84	8,285	8,779
Catering and food	1,330	—	—	1,330	1,571
Premises day to day costs	1,234	—	22	1,256	1,457
Medical, care and welfare costs	475	—	62	537	509
Support costs (note 6)	1,826	—	9	1,835	1,732
Depreciation (note 12)	—	248	836	1,084	1,198
2018 Total funds	13,066	248	1,013	14,327	15,246
2017 Total funds	13,862	548	836	15,246	

Notes to the accounts

6 Support costs

The support costs, and the basis of their allocation, were as follows:-

Group	Generating donations and legacies £'000	Provision of residential and nursing care £'000	Total £'000	Basis of apportionment
Staff costs	21	1,016	1,037	Time apportioned
Premises costs	13	53	66	Floor space
Office costs	7	338	345	Pro rata expenditure
Other costs	72	377	449	Pro rata expenditure
Governance costs	1	54	55	Pro rata expenditure
2018 Total	114	1,838	1,952	
2017 Total	97	1,747	1,844	

Charity	Generating donations and legacies £'000	Provision of residential and nursing care £'000	Total £'000	Basis of apportionment
Staff costs	21	1,016	1,037	Time apportioned
Premises costs	13	53	66	Floor space
Office costs	7	338	345	Pro rata expenditure
Other costs	72	374	446	Pro rata expenditure
Governance costs	1	54	55	Pro rata expenditure
2018 Total	114	1,835	1,949	
2017 Total	97	1,732	1,829	

Staff costs include staff salaries as detailed in note 10 and other related costs such as recruitment and training costs. Other costs include legal and professional fees, marketing and finance costs.

7 UK trading subsidiary

Nightingale Hammerson owns the entire called up ordinary share capital of Chalkford Limited, a property construction company.

A summary of the trading results of Chalkford Limited for the year ended 30 September 2018 and the year ended 30 September 2017 are given below.

	2018 £'000	2017 £'000
Turnover	2,146	2,356
Cost of sales	(2,042)	(2,248)
Administrative expenses	(65)	(26)
Operating profit	39	82
Interest payable	(5)	(5)
Profit before Gift Aid	34	77
Amount donated to Nightingale Hammerson	(34)	(66)
Retained profit	—	11

At 30 September 2018, Chalkford Limited had retained profits of £nil (2017 – £11k) and called up share capital of £1k (2017 - £1k). The results and the balance sheet figures have been consolidated on a line by line basis within the accounts of Nightingale Hammerson.

Notes to the accounts

8 Camden Jewish Society

Since 30 April 2015, Nightingale Hammerson has had management and voting control over Camden Jewish Society, a registered charity (Charity Registration Number 268164) and company limited by guarantee (Company Registration Number 01179914, England and Wales), whose sole activity is the provision of sheltered accommodation.

With effect from midnight on 31 December 2017, in accordance with a legal transfer of undertakings, the assets, liabilities and activities of Camden Jewish Society were transferred to Nightingale Hammerson Trustee Company Limited (Company number: 7990530) as trustee of Nightingale Hammerson (Charity number: 207316) (note 20). Camden Jewish Society was dormant from this date.

A summary of the results of Camden Jewish Society for the year to 30 September 2018 and the year ended 30 September 2017 are given below.

	2018 £'000	2017 £'000
Income from:		
Interest receivable	—	—
Charitable activities	14	127
Total income	14	127
Expenditure on:		
Charitable activities	(44)	(190)
Total expenditure before transfer of assets and liabilities	(44)	(190)
Transfer of assets and liabilities to Nightingale Hammerson (note 20)	(1,120)	—
Total expenditure	(1,164)	—
Net expenditure and net movement in funds	(1,150)	(63)

At 30 September 2018, Camden Jewish Society had retained funds of £nil (2017: £1.150 million). The results for the year and the balance sheet figures have been consolidated on a line by line basis within the accounts of Nightingale Hammerson for the year ended 30 September 2018.

9 Net income (expenditure) for the year

This is stated after charging:

	2018 Total funds £'000	2017 Total funds £'000
Group		
Staff costs (note 10)	9,539	10,028
Auditor's remuneration		
Audit services - charity and consolidation	33	33
Other services	11	11
Depreciation (note 12)	1,065	1,177
Impairment	—	518
Charity		
Staff costs (note 10)	9,516	9,923
Auditor's remuneration		
Audit services - charity and consolidation	30	30
Other services	11	10
Depreciation (note 12)	1,084	1,198
Impairment	—	518

Notes to the accounts

10 Staff costs

Group	2018 £'000	2017 £'000
Wages and salaries	7,852	8,099
Social security costs	645	624
Other pension costs	172	162
	8,669	8,885
Payments to agency staff	849	1,187
Redundancy costs	21	(44)
	9,539	10,028
Charity	2018 £'000	2017 £'000
Wages and salaries	7,826	7,994
Social security costs	648	624
Other pension costs	172	162
	8,646	8,780
Payments to agency staff	849	1,187
Redundancy costs	21	(44)
	9,516	9,923

Of payments to agency staff, £405k (2017: £520k) represents payments in respect of one to one care provision, in respect of which separate fees are payable.

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

Group and charity	2018	2017
£60,000 – £70,000	1	1
£70,001 – £80,000	2	2
£80,001 – £90,000	1	1
£90,001 – £100,000	—	1
£100,001 – £110,000	2	1

Of those employees who earned £60,000 or more during the year (as defined above), employer contributions totalling £36,767 were made to defined contribution schemes in respect of six of them (2017 – £31,100 in respect to four). No contributions were made to defined benefit schemes (2017 - £nil).

The total remuneration, including benefits, employers pension contributions and employers national insurance contributions, paid to key management personnel in the year was £676k (2017 - £659k).

The average number of employees, excluding agency staff, analysed by function, was:

Group and charity	2018	2017
Generating donations and legacies	5	5
Provision of residential and nursing care services	349	383
	354	388

Notes to the accounts

10 Staff costs (continued)

No director of the corporate trustee received any remuneration or expenses from the group or charity during the year (2017 - £nil).

The nature of the charity's activities means that from time to time relatives of the directors of the corporate trustee or staff are cared for by the charity and/or group. One director of the corporate trustee had a relative cared for by the charity or group during the year but had no involvement in setting fees.

Indemnity insurance

During the year, the charity purchased insurance to protect the group from loss arising from any wrongful or dishonest act of any director or employee and to indemnify any director or employee against the consequence of any wrongful act on their part. The total cover provided by such insurance was £10m (2017 - £10m) and the total premium paid in respect of such insurance was £8k (2017 - £6k).

11 Taxation

Nightingale Hammerson and Camden Jewish Society are registered charities and therefore are not liable to income tax or capital gains tax on income or gains derived from their charitable activities, as they fall within the various exemptions available to registered charities.

Chalkford Limited donates any taxable profits to Nightingale Hammerson via Gift Aid each year.

12 Tangible fixed assets

Group	Freehold property £'000	Assets under construction £'000	Plant £'000	Furniture, equipment and motor vehicles £'000	Total £'000
Cost					
At 1 October 2017	48,202	1,423	1,283	1,884	52,792
Additions	249	1,960	93	31	2,333
Disposals	(78)	—	—	—	(78)
At 30 September 2018	48,373	3,383	1,376	1,915	55,047
Depreciation and impairment					
At 1 October 2017	34,541	—	335	1,329	36,205
Depreciation charge for year	861	—	128	76	1,065
Disposals	(78)	—	—	—	(78)
At 30 September 2018	35,324	—	463	1,405	37,192
Net book values					
At 30 September 2018	13,049	3,383	913	510	17,855
At 30 September 2017	13,661	1,423	948	555	16,587

Notes to the accounts

12 Tangible fixed assets (continued)

Charity	Freehold property £'000	Assets under construction £'000	Plant £'000	Furniture, equipment and motor vehicles £'000	Total £'000
Cost					
At 1 October 2017	47,701	1,394	1,344	1,848	52,287
Additions	249	2,062	93	31	2,435
Transferred from Camden Jewish Society (note 20)	851	—	—	77	928
Disposals	(78)	—	—	—	(78)
At 30 September 2017	48,723	3,456	1,437	1,956	55,572
Depreciation and impairment					
At 1 October 2017	34,425	—	349	1,298	36,072
Depreciation charge for year	865	—	134	85	1,084
Transferred from Camden Jewish Society (note 20)	130	—	—	50	180
Disposals	(78)	—	—	—	(78)
At 30 September 2018	35,342	—	483	1,433	37,258
Net book values					
At 30 September 2018	13,381	3,456	954	523	18,314
At 30 September 2017	13,276	1,394	995	550	16,215

Assets under construction comprises the major development of Hammerson House (see financial commitments below). No value has been attributable to the leasehold land of the Hammerson House site as lease covenants require its use as a residential care facility.

Financial commitments

As outlined in the report of the directors of the corporate trustee, in December 2016 the directors of Nightingale Hammerson approved plans for a major development of the accommodation and facilities at Hammerson House, involving closing the home and demolishing the buildings, with an expected cost in the region of £36 million. The Design and Build of the new Hammerson House has been contracted to Chalkford Limited. In September 2018 a contract was signed between Chalkford Limited and the main contractor for the project for the sum of £36.2 million. As at 30 September 2018, a total of £1.4 million of costs had been incurred in respect of this contract, with £34.8 million of costs committed but not yet incurred. A further £2 million had been authorised but not yet contracted, in respect of the fit-out of the building.

At 30 September 2018, neither the group or the charity had any further financial commitments that had been authorised but not contracted for or contracted for but which had not been provided for (2017 – £nil).

13 Fixed asset investments

Group	Investment property £'000	Listed investments £'000	2018 Total £'000
Market value at 1 October 2017	300	32,741	33,041
Additions at cost	—	8,217	8,217
Disposals at book value (proceeds: £12,744k; gain of £60k)	—	(12,684)	(12,684)
Holdings reclassified as cash at bank	—	(5,341)	(5,341)
Net unrealised investment gains	—	1,567	1,567
Market value at 30 September 2018	300	24,500	24,800
Cost of investments at 30 September 2018	238	18,305	18,543

Notes to the accounts

13 Fixed asset investments (continued)

Charity	Shares in subsidiary companies £'000	Investment property £'000	Listed investments £'000	2018 Total £'000
Market value at 1 October 2017	1	300	32,741	33,042
Additions at cost	—	—	8,217	8,217
Disposals at book value (proceeds: £12,744k; gain of £60k)	—	—	(12,684)	(12,684)
Holdings reclassified as cash at bank	—	—	(5,341)	(5,341)
Net unrealised investment gains	—	—	1,567	1,567
Market value at 30 September 2018	1	300	24,500	24,801
Cost of investments at 30 September 2018	1	238	18,305	18,544

Listed investments

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

Listed investments held at 30 September 2018 comprised the following:

Group and charity	%	Total £'000
UK corporate loan stock	35	8,515
Foreign loan stock	3	809
Equities	56	13,717
Unit funds	6	1,459
	100	24,500

At 30 September 2018 the following investment holdings had a material value when compared to the market value of the total portfolio of listed investments as at that date.

Group and charity	%	Total £'000
Goldman Sachs High Yield Floating Rate Portfolio (LUX) R	7.7	1,896

The Goldman Sachs High Yield Floating Rate Portfolio comprises a diversified spread of high yield bonds.

Investment property

Investment property comprises of a long leasehold flat in a property situated in North London purchased by the charity during the year ended 30 September 2014. The directors of the corporate trustee have valued the property based upon information publicly available relating to similar properties in the same location.

Subsidiary undertakings

At 30 September 2018 Nightingale Hammerson owned the entire called up share capital of the following company:

Company	Country of incorporation	Principal activity during the year
Chalkford Limited	England	Property development

Notes to the accounts

14 Debtors

	2018		2017	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Maintenance contributions	783	783	885	885
Amount due from subsidiary undertakings (note 19)	—	434	—	556
Legacies receivable	100	100	572	572
Donations pledged	750	750	—	—
Other accrued income	159	159	238	230
Other debtors	351	169	210	177
Prepayments	77	77	93	93
	2,220	2,472	1,998	2,513

15 Creditors: amounts falling due within one year

	2018		2017	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Amounts held on behalf of residents	588	588	627	625
Maintenance contributions in advance	119	119	203	203
Expense creditors	430	430	227	221
Tangible fixed asset creditors	683	—	186	—
Social security and other taxation	180	195	166	173
Other creditors	347	347	248	248
Accruals	390	315	494	391
Amount due to subsidiary undertakings (note 19)	—	527	—	711
	2,737	2,521	2,151	2,572

16 Charitable funds

Restricted funds

The income funds of the group and charity include restricted funds comprising the following balances of donations and grants held on trusts to be applied for specific purposes:

Group	At 1 October 2017 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	At 30 September 2018 £'000
General Building Fund	11,475	16	(738)	—	10,753
Hammerson House Building Fund	104	1,048	—	—	1,152
Weinberg Funds	3,199	31	—	(42)	3,188
Donations Special Purpose – fixed assets	41	50	(6)	—	85
Donations Special Purpose – other	167	69	(189)	—	47
Janet and Howard Bloch funds	174	—	—	—	174
Nursery Fund	142	16	(33)	(97)	28
Activities Fund	—	4	(4)	—	—
Intergenerational Fund	—	50	(33)	—	17
Other restricted funds	12	21	(12)	—	21
	15,314	1,305	(1,015)	(139)	15,465

Notes to the accounts

16 Charitable funds (continued)

Restricted funds (continued)

Charity	At 1 October 2017 £'000	Income £'000	Expenditure £'000	Gains, losses and transfers £'000	At 30 September 2018 £'000
Building Fund	11,486	16	(736)	—	10,766
Hammerson House Building Fund	104	1,048	—	—	1,152
Weinberg Funds	3,199	31	—	(42)	3,188
Donations Special Purpose – fixed assets	41	50	(6)	—	85
Donations Special Purpose – other	165	69	(189)	—	45
Janet and Howard Bloch funds	174	—	—	—	174
Nursery Fund	142	16	(33)	(97)	28
Activities Fund	—	4	(4)	—	—
Intergenerational Fund	—	50	(33)	—	17
Other restricted funds	12	21	(12)	—	21
	<u>15,323</u>	<u>1,305</u>	<u>(1,013)</u>	<u>(139)</u>	<u>15,476</u>

Building Fund

These building funds comprise:

- ◆ Monies donated specifically towards the construction and development of new building projects on the site of Nightingale House;
- ◆ The net book value of buildings comprising restricted property assets. Each year the depreciation on such buildings is charged to the fund.

Hammerson House building fund

These funds comprise donations received specifically for the redevelopment of Hammerson House.

Weinberg Funds

These funds were donated by The Harry and Jeanette Weinberg Fund and are held for the purpose of substantially upgrading the charity's care homes for the elderly at both Nightingale House and Hammerson House.

Donations special purpose

These funds comprise donations received towards a specific purpose.

Janet and Howard Bloch funds

These funds comprise monies to be used to provide additional services for the residents, specifically in terms of activities, and the provision of training. The charity is in discussions to clarify the nature of these funds, specifically whether they are restricted or endowment funds. These funds are held as cash and no money has been spent from these funds while this clarification is ongoing.

Nursery Fund

These funds comprise the proportion of the construction costs of the Apples & Honey Nursery building that have been funded by Apples & Honey. Depreciation on the nursery building is charged to the fund each year.

Notes to the accounts

16 Charitable funds (continued)

Restricted funds (continued)

Activities Fund

The activities fund comprises monies donated specifically for resident engagement activities.

Intergenerational Fund

This comprises monies received specifically for operation of the Intergenerational programme.

Designated funds

The income funds of the group and charity include the following designated funds which have been set aside for major capital projects:

Group	At 1 October 2017 £'000	New designations and transfers £'000	Utilised/ released £'000	At 30 September 2018 £'000
Hammerson House building fund	20,339	2,616	—	22,500
Nightingale House building fund	7,627	873	—	8,500
Maintenance fund	2,542	958	—	3,500
	30,508	3,992	—	34,500
Tangible fixed assets fund	1,931	97	(227)	1,801
Total	32,439	4,089	(227)	36,301

Charity	At 1 October 2017 £'000	New designations and transfers £'000	Utilised/ released £'000	At 30 September 2018 £'000
Hammerson House building fund	20,339	2,616	—	22,500
Nightingale House building fund	7,627	873	—	8,500
Maintenance fund	2,542	958	—	3,500
	30,508	3,992	—	34,500
Tangible fixed assets fund	1,466	97	(248)	1,315
Total	31,974	4,089	(248)	35,815

Hammerson House building fund

This comprises monies set aside by the directors to provide funds for the redevelopment of Hammerson House.

Nightingale House building fund

This comprises monies set aside by the directors to provide funds for redevelopment at Nightingale House.

Maintenance fund

This comprises monies set aside by the directors to provide funds for the ongoing building maintenance of our homes.

Notes to the accounts

16 Charitable funds (continued)

Tangible fixed assets fund

The tangible fixed assets fund comprises the net book value of the charity's tangible fixed assets (excluding those comprising part of restricted Building Fund New Projects and the Hammerson lease fund). A decision was made by the directors to separate this fund from the general fund in recognition of the fact that the tangible fixed assets are used in the day to day work of the charity and group and hence the fund value would not be easily realisable if needed to meet future contingencies. In line with the plans to redevelop Hammerson House, as described in the report of the directors of the Corporate Trustee, an impairment charge was applied to this fund during the year to 30 September 2017 when the original building was demolished.

17 Analysis of net assets between funds

Group	General and non- charitable trading funds £'000	Designated funds £'000	Restricted funds £'000	Total 2018 £'000
Fund balances at 30 September 2018 are represented by:				
Tangible fixed assets	—	7,039	10,816	17,855
Investments	21,752	1,500	1,548	24,800
Current assets	3,417	27,762	3,101	34,280
Current liabilities	(2,737)	—	—	(2,737)
Pension scheme asset	1,740	—	—	1,740
Total net assets	24,172	36,301	15,465	75,938

Charity	General fund £'000	Designated funds £'000	Restricted funds £'000	Total 2018 £'000
Fund balances at 30 September 2018 are represented by:				
Tangible fixed assets	—	7,484	10,830	18,314
Investments	21,753	1,500	1,548	24,801
Current assets	4,131	26,831	3,098	34,060
Current liabilities	(2,521)	—	—	(2,521)
Pension scheme asset	1,740	—	—	1,740
Total net assets	25,103	35,815	15,476	76,394

	Total 2018 £'000
Group and Charity at 30 September 2018	
Accumulated gains on listed investments	6,195
Accumulated gains on property	62
Total	6,257
Reconciliation of movements in unrealised gains (losses)	
Unrealised gains at 1 October 2017	8,357
Less: cumulative unreleased gains released on disposals	(3,667)
Add: Net unrealised gains on listed investments	1,567
Accumulated unrealised gains at 30 September 2018	6,257

Notes to the accounts

18 Pension commitments

Nightingale Hammerson operates a defined benefit scheme for certain former employees, providing benefits based on final pensionable pay. It also contributes to personal pension plans for current employees.

The defined benefit scheme is a separate trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 31 March 2017 and updated to 30 September 2018 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a surplus of £350,000. As there are no active members accruing benefits within the scheme, no further contributions are payable. The employer meets all expenses of the scheme and levies to the Pension Protection Fund.

Present values of defined benefit obligation, fair value of assets and defined benefit asset	2018 £'000	2017 £'000
Fair value of plan assets	5,198	4,851
Present value of defined benefit obligation	(3,458)	(3,825)
Defined benefit asset at 30 September	1,740	1,026

Reconciliation of opening and closing balances of the defined benefit obligation	2018 £'000	2017 £'000
Defined benefit obligation at start of period	3,825	4,099
Interest expense	98	89
Actuarial gains	(353)	(252)
Benefits paid and expenses	(112)	(111)
Defined benefit obligation at end of period	3,458	3,825

The English High Court ruling in Lloyds Banking Group Pension Trustees Limited Vs Lloyds Bank plc and others was published on 26 October 2018 and held that UK pension schemes with Guaranteed Minimum Pensions (GMPs) accrued from 17 May 1990 must equalise for the different effects of these GMPs between men and women. The case also gave some guidance on related matters, including the methods for equalisation.

The trustees of the scheme will need to obtain legal advice covering the impact of the ruling on this scheme before deciding with the employer on the method to adopt. The legal advice will need to consider (amongst other things) the appropriate GMP equalisation solution, whether there should be a time limit on the obligation to make back-payments to members (the "look-back" period) and the treatment of former members (members who have died without a spouse and members who have transferred out, for example).

As the accounting year end is before the date of the ruling, no allowance has been made in this year's accounts for any effect.

Notes to the accounts

18 Pension commitments (continued)

	2018 £'000	2017 £'000
Reconciliation of opening and closing balances of the fair value of plan assets		
Fair value of plan assets at start of period	4,851	4,501
Interest income	125	98
Actuarial gains	334	363
Benefits paid and expenses	(112)	(111)
Fair value of plan assets at end of period	<u>5,198</u>	<u>4,851</u>

The actual return on the plan assets over the period ended 30 September 2018 was £459,000.

	2018 £'000	2017 £'000
Defined benefit costs recognised in Statement of Financial Activities		
Current service cost	—	—
Defined benefit costs recognised in Statement of Financial Activities	<u>—</u>	<u>—</u>

	At 30 September 2018 £'000	At 30 September 2017 £'000
Defined benefit costs recognised in other comprehensive income		
Gain on plan assets (excluding amounts included in net interest cost)	334	363
Experience gain arising on plan liabilities	279	27
Gain resulting from changes in the demographic and financial assumptions underlying the present value of plan liabilities	74	225
Total gain recognised in other comprehensive income	<u>687</u>	<u>615</u>

	At 30 September 2018 £'000	At 30 September 2017 £'000
Assets		
UK Equities	1,876	1,792
Overseas Equities	2,275	2,003
Corporate Bonds	935	952
Government Bonds	92	94
Cash / Other	20	10
Total Assets	<u>5,198</u>	<u>4,851</u>

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

	At 30 September 2018 %	At 30 September 2017 %
Assumptions		
Discount Rate	2.70	2.60
Inflation (RPI)	3.30	3.30
Salary growth		
Allowance for revaluation of deferred pensions of RPI or 5% if less	3.30	3.30
Allowance for revaluation of deferred pensions of RPI or 2.5% if less	2.50	2.50
Allowance for pension in payment increases of RPI or 5% if less	3.10	3.10
Allowance for pension in payment increases of RPI or 2.5% if less	2.10	2.10
Allowance for commutation of pension for cash at retirement	25% of capitalised value of member's pension commuted for cash	25% of capitalised value of member's pension commuted for cash

Notes to the accounts

18 Pension commitments (continued)

The mortality assumptions adopted at 30 September 2018 imply the following life expectancies at retirement age 65:

	2018	2017
Retiring today / current pensioners		
Males	21.8	21.9
Females	23.7	23.7
Retiring in 20 years / future pensioners		
Males	22.8	23.0
Females	24.9	25.0

The best estimate of contributions to be paid by the employer to the scheme for the period commencing 1 October 2018 is £nil. Any expenses of the scheme, other than investment management costs, are expected to be met directly by the employer or reimbursed by the employer if paid by the scheme.

Personal pension plans and auto enrolment schemes

The total pension costs in respect to personal pension plans and auto enrolment schemes for the year was £172,349 (2017 - £162,158).

19 Related party transactions

Chalkford Limited

Chalkford Limited became a wholly owned subsidiary of Nightingale House on 2 March 2004 and continues as a wholly owned subsidiary of Nightingale Hammerson post merger.

Three directors of Nightingale Hammerson Trustee Company Limited, Harvey Rosenblatt, David Winton and Eli Shahmoon are also the directors of Chalkford Limited.

Chalkford Limited made charitable contributions of £34,466 to Nightingale Hammerson during the year to 30 September 2018 (2017 - £66,588).

At 30 September 2018 Chalkford Limited owed Nightingale Hammerson £400,000 (2017 – £400,000) in accordance with a loan facility and a further £34,466 (2017 - £66,588) being charitable contributions payable to Nightingale Hammerson in respect to the year ended 30 September 2018.

At 30 September 2018, Nightingale Hammerson owed Chalkford Limited £527,191 (2017 – £710,967) under a contract for the construction of property.

Camden Jewish Society

Camden Jewish Society was amalgamated into Nightingale Hammerson under a deed of collaboration on 1 May 2015 and remains as such. One director of Nightingale Hammerson Trustee Company Limited, Colin Green, is also a director of Camden Jewish Society.

At 30 September 2018, Camden Jewish Society owed £nil (2016 - £88,848) to Nightingale Hammerson in respect of costs paid on its behalf.

19 Related party transactions (continued)

Bantent Limited

Melvin Lawson, is a sole director of Bantent Limited and also a director of the Corporate Trustee of Nightingale Hammerson. Nightingale Hammerson holds 17% of the allotted share capital of Bantent Limited. In the year ended 30 September 2018, Nightingale Hammerson received a donation, under Gift Aid, of £13,226 (2017 - £18,309) from Bantent Limited.

Trustees donations

During the year the charity received donations totalling £117,018 from 10 of the charity's Trustees and organisations to which they are connected (2017 - £54,835 from 13 trustees and connected organisations). In addition, £232,600 (2017 - £206,650) was received from the Vice President and organisations which she is connected to.

20 Funds acquired from subsidiary undertaking

With effect from midnight on 31 December 2017, the activities, assets and liabilities of Camden Jewish Society (Charity Registration Number 268164; Company Registration Number 01179914, England and Wales) were transferred to Nightingale Hammerson Trustee Company, as Trustee of Nightingale Hammerson.

The net assets and liabilities transferred to Nightingale Hammerson comprised:

	£'000
Tangible fixed assets	749
Debtors	—
Cash at bank	491
Creditors: Amounts falling due within one year	(120)
	<u>1,120</u>

About the trustees

Trustee Biographies

Melvin Lawson - Chairman

Melvin is an investor in technology and property. He was a director of A. Beckman plc, and is currently a Non-Executive Director of Telecom Plus plc, Satellite Information Services (holdings) Ltd and Catalyst Media Group plc. He is also Vice-Chairman of Central Synagogue and has been a director of Nightingale Hammerson for the past ten years.

Harvey Rosenblatt - President

Harvey has worked in the property industry since 1972 and is a director of numerous property companies involved in development and investment. Until 31 December 2016 he served as Chairman of Nightingale Hammerson.

David Winton – Honorary Treasurer

David is director of a group of property companies. He served as Treasurer of the Western Marble Arch Synagogue from 1988 to 2002 and Vice President from 2002 to 2006 when he was elected Honorary Life President. He was appointed a Director and Treasurer of Nightingale Hammerson in 2002 and served as Deputy Chairman from 2008 until December 2015.

David Tyler – Honorary Treasurer

David is the Chairman of Hammerson plc and Domestic & General plc and was until recently Chairman of J Sainsbury plc. He is also Chairman of Hampstead Theatre. During his executive career, he worked in senior financial and general management roles at Unilever, NatWest, Christie's and GUS. He brings extensive business management and financial expertise to the Board.

Keith Barnett

Keith is a partner and Head of Real Estate at City law firm, Taylor Wessing LLP. Prior to that he founded and ran the real estate department of Andersen Legal. Active in the Jewish Community, he has chaired the Hampstead Garden Suburb Synagogue and spent five years as a Trustee and Vice-President of the United Synagogue. He is currently a Trustee of the Chief Rabbinate Trust and of Immanuel College. He brings extensive property, legal and community knowledge to the Board.

Susan Grant

Susan is a trained counsellor with extensive experience in running reminiscence groups as well as bereavement and family counselling. As well as being a member of the Board of the Claims Conference for Material Reparation, she was Vice Chairman of Jewish Care from 2005 to 2009, a member of the Board of the European Council for Jewish Communities and an Otto Schiff Housing Association council member. In 2012 she formed Six Point Foundation, a charity which supports survivors and refugees who were persecuted by the Nazis and are in necessitive circumstances.

Colin Green

Colin was a solicitor in partnership in private practice and then the General Counsel of British Telecommunications (BT). Subsequently, he was BT's Group Commercial Director and Company Secretary. He was for 10 years, Chairman of Hermes Group Pension Scheme. He is now a voluntary adviser for the Citizen's Advice Bureau, a Trustee of Kingston Refugee Action and Chairman of Green Aid.

Emma Kane

Emma is the Chief Executive and Founder of Redleaf Communications and has 30 years' experience in corporate and financial PR. She is Chairman of the Barbican Centre Trust, sits on the City of London's Barbican Centre Board and is a Trustee of a number of charities. Until September 2015 she was a Trustee of the Wiener Library, the world's leading archive on the Holocaust and Nazi era, with a unique collection of over one million items.

About the trustees

Trustee Biographies (continued)

Jacqueline Morris

Dr Jackie Morris is a retired Consultant Geriatrician. She worked at St Mary's, the Royal Free and University College Hospital. She has had a long standing interest in the care of older people in care homes and is delighted to be working with Nightingale as a trustee. She has a particular interest in the health care of frail older people and older people with dementia.

John Reizenstein

John joined the Board of Nightingale Hammerson in 2018. He is also a Trustee of Farm Africa, a member of the Board of Beazley plc (specialist insurers) and a member of the Panel on Takeovers and Mergers. John has had a long career in finance, most recently as Chief Financial Officer of Direct Line Insurance Group plc, from which he retired in 2018.

Eli Shahmoon

Eli has extensive and varied property development and redevelopment experience. He is also a former Trustee of Jewish Care, where amongst other roles he chaired the Golders Green Campus Project Group.

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