

ERSKINE HOSPITAL
(A company limited by guarantee
and not having a Share Capital)

Report and Financial Statements
For the year ended 30 September 2016

(Scottish Charity No: SC006609)
(Registered Company No: SC174103)

ERSKINE HOSPITAL

Report and Financial Statements For the year ended 30 September 2016

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ERSKINE HOSPITAL

Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

The Trustees present the Board of Trustees' Report (incorporating the Strategic Report) and Accounts for the year ended 30 September 2016. The Accounts have been prepared in accordance with applicable accounting standards and in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". The financial statements for the year ended 30 September 2016 represent the first year of adoption of these accounting standards. This has led to the income recognition accounting policy being changed to be in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". Otherwise the accounting policies adopted are consistent with previous years.

Principal Activities

The principal activity of Erskine has continued to be the provision of nursing, dementia and respite care to ex-Service men and women. Following a review of our eligibility criteria this care is now available to qualifying spouses, members of the merchant marine who were deployed on active service, in support of the armed forces, members of the Royal Fleet Auxiliary and members of the Home Guard.

Following the closure of the 34 bed Erskine Mains Home in October 2015 to reflect falling demand, care was delivered from Erskine's remaining four care homes, where we have a total of 339 care beds: the 180 bed Erskine Home, the 72 bed Erskine Edinburgh Home, the 40 bed Erskine Park Home and the 47 bed Erskine Glasgow Home. In addition, the provision of beds for the Army Personnel Recovery Centre in the Edinburgh Home was increased from 12 to 16 beds. We also support the provision of care in one privately operated care home in Aberdeen, where we have one bursary bed.

Of the total of 339 beds for the care of veterans, 137 were dedicated to dementia care, and the remaining 202 to long term nursing care. Erskine contracts with 32 local authorities, the Services Personnel and Veterans Agency and self-funding residents for the provision of appropriate care.

Erskine also supports veterans by providing 44 cottages on the Bishopton estate for veterans and their families to live independently.

Erskine has continued to play a pivotal role in Veterans Scotland, with the Chief Executive being a member of the Executive Committee and chairing the Health and Well-being Pillar meetings. Membership of Veterans Scotland enables Erskine to keep up to date with developments in services provided to veterans by many of the charities operating in Scotland and across the UK.

Strategic Report

Review of the year

2016 was Erskine's centenary year having been founded as the Scottish Hospital for Limbless Sailors and Soldiers by Sir William Macewen. The year was celebrated by a civic reception hosted by Renfrewshire Council, a commemoration service in Glasgow Cathedral, which was attended by HRH the Princess Royal, a gala day in each of our Homes, as well as a special Centenary Ball, held in Mar Hall, where the hospital was first established. Erskine also received the very special honour of being awarded an honorary degree for the care it has provided to veterans by the University of Glasgow, which was only the fourth time in the history of the University this honour has been conferred on an organisation rather than an individual.

Erskine has cared for 726 ex-Service men, women and qualifying spouses over the last 12 months. Of particular focus has been improving our care for those residents with dementia. We have delivered training courses for care staff and awareness sessions for Trustees and those staff who do not deliver direct care to our residents. We have continued the planned refurbishment programme for the homes which will ensure we provide the best possible environment. This work has included the replacement of carpets and floor coverings, the decoration of rooms, improved signage, and the introduction of contrasting light switches, crockery and sanitary ware to assist those with dementia. We have recently embarked on a programme of improving the outside areas by replacing the wooden fencing with modern wire fencing that provides a more open outlook and sense of space.

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Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Strategic Report (continued)

Review of the year (continued)

Our 44 cottages have remained fully occupied and demand remains high. We continue to receive favourable feedback from our tenants and we have continued with a planned maintenance programme. As cottages become available we seek new occupants from the central housing waiting list administered by Veterans Scotland.

Financial Review and Key Performance Indicators

This year we have recorded a surplus of £2.74m (2015: £1.90m) before investment gains/(losses) and other recognised gains/(losses).

Care home income reduced by £121,000 to £12.74m representing a 0.9% reduction on last year. The average bed occupancy level was 96.8% compared to 93.5% last year. The reduction in income was due to the closure of Erskine Mains Home in October 2015. The loss incurred in one month's operation was £66,000 and is included in discontinued operations. There was a 2.0% increase in the level of fees paid by local authorities in April 2016.

The cost of care provision reduced by 4.5% from £20.04m to £19.13m. Including depreciation and development costs, the overall deficit incurred on the provision of care amounted to £6.39m compared to £7.18m last year. The annual deficit of £6.39m represents a deficit of £357 per bed per week compared with £366 per bed per week last year.

Donations and legacies reduced by £475,000 to £9.35m. Legacies reduced by £93,000 to £5.09m and donations reduced by £382,000 to £4.26m. Included in donations is £371,000 donated for restricted projects/services. Raising funds expenditure increased by 4.55% to £2.16m. 2016 was Erskine's Centenary Year and many events were organised in celebration of this, which was a factor in the increase in the raising funds expenditure. The number of donors has gone up from 30,712 to 38,506 of which 19,186 are regular donors. The raising funds expenditure represented 23% of the income raised compared to 21% last year.

Investment income was £1.49m compared to £1.44m last year. This comprises £1.37m from investment dividends and interest (2015: £1.33m) and £120,000 rental income for the rental of the Garden Centre building (2015: £109,000) the operation of which was transferred to Caulders Garden Centre on 1 November 2014. Other income consisted of £600,000 for our final share of the proceeds of qualifying houses sold on the former hospital site at Mar Hall (2015: £92,000).

The remaining Social Firm, namely Erskine Reid Macewen Training and Conference Centre, incurred a loss of £49,000 after depreciation of £61,000 compared to a loss of £81,000 last year (after depreciation of £61,000).

Financial markets were volatile during the year, due to many different factors including the Brexit vote, and there were realised losses on sale of investments of £131,000 compared to gains of £601,000 last year and unrealised gains of £3.67m compared to losses of £1.67m last year.

There was an actuarial loss of £2.34m on the defined benefit pension scheme compared to a gain of £0.59m last year.

After taking account of all other recognised gains and losses, there was an overall increase in funds of £3.94m compared to an increase of £1.45m (restated) last year.

As a result of the transition to Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" the opening funds at 1 October 2014 increased by £3.77m and the net movement in funds increased by £1.44m for the year ended 30 September 2015. These changes were caused mainly by the accrual of legacies and donations (see note 28).

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Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Strategic Report (continued)

Defined Benefit Pension Scheme

The defined benefit pension scheme was closed to future accrual on 1 August 2010.

As at 30 September 2016 there is a scheme deficit of £2,338,000. The present value of the scheme liabilities has been estimated using the results of the 5 April 2015 triennial actuarial valuation. The increase in the pension deficit since last year is largely due to a decrease in bond yields.

Risk Management

The principal risks and uncertainties facing the charity are threefold. Firstly, the continuing consequences of the government policy, 'Reshaping Care for Older People' which directs resources to services that help support older people to enjoy full and positive lives in their own home, or in a homely setting. This change in focus has resulted in fewer referrals from Local Authorities for long term care placements, and those residents who are placed have far greater care needs. Both have a significant financial impact in terms of occupancy levels and the cost of caring for those who are admitted, particularly in terms of increased staffing costs. Secondly, the continuation of the National Care Contract and a nationally agreed rate for care services has been linked to the payment of the Scottish Living Wage of £8.25 per hour to care staff. While it has been possible for Erskine to meet this requirement, unless there is a corresponding increase in future care rates this will become an increasing pressure. The charity's reliance on voluntary income, which funded 43% of our expenditure in 2016, is the third risk. There is evidence nationally that charities have seen a 20% reduction in donations over the past 12 months, and, whilst Erskine Hospital has continued to enjoy a high level of support, we are finding it increasingly difficult to reach voluntary income targets, so are concentrating on our donor development programme. Erskine has also focussed on income generation through a number of initiatives such as the lease of the Garden Centre and the long term occupancy of part of the Erskine Reid Macewen building rather than relying on day rate business, as well as continuously looking for efficiency savings measures notably in procurement of utilities and the review of contracts.

The Trustees and Executive Management Team have adopted a robust and effective framework for the management of risk. This framework, which is applied Erskine wide, supports management processes, and provides assurance that effective systems are in place to ensure compliance with legal requirements and good practice.

By tackling risk in a systematic way, continuous improvement is focussed with the resulting positive impact on the quality of care, our staff and the efficiency of Erskine.

A monthly review of the Strategic risks is undertaken by the Chief Executive with the Executive Management Team to ensure the continued validity of control measures, and assessment of emerging risks. The relevant Board sub committees review risks in their own areas and the Board of Trustees receive a formal report twice a year.

KPMG, Erskine Hospital's internal auditors, continue to support the Senior Management Team to describe risks to achieving our objectives and rate them accurately. During the year, KPMG further supported the risk management strategy by providing an internal audit service as agreed by the Audit Committee. The EMT monitors internal clinical and operational support audit compliance, tracking follow up actions to ensure there is a detailed audit trail to completion and reports to the Audit Committee. External audits from the Care Inspectorate, Environmental Health Officers and Fire authorities are followed up and are used as a means to improve services to residents.

In-house audits to ensure and assure that appropriate high standards of care are delivered and that where required best practices statements, policies and procedures are in place. These include audits relating to Clinical care standards, Food Hygiene, Infection Control, Health and Safety, Fire and Data Protection and are completed by designated Erskine staff.

The Erskine Care and Clinical Governance Committee meets every three months. The Committee's remit is to scrutinise the performance of the Care Directorate against specific quality and process criteria. Their role is to assure the Board that resident centred care is provided safely and effectively.

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Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Strategic Report (continued)

Risk Management (continued)

The Erskine Health and Safety Committee meets every three months with a remit to promote efficient and effective health and safety practices to ensure the health, safety and welfare of all employees, residents and volunteers at Erskine, as well as those who may be affected by Erskine activities.

Fire risk assessments for all premises are updated annually. Fire Brigade Fire Safety Officers have visited all the Care Homes in the past twelve months; actions recommended are monitored by the Quality and Risk Manager to ensure completion.

Reserves Policy

The Hospital holds funds in reserves in order to be able to guarantee that the care of ex-Service men and women can be sustained given the variability of many of the sources of income on which it depends. It is projected that substantial investment and voluntary income will be needed each year to offset the deficit on the cost of care and the social firm which amounted to £6.4m this year.

A restricted fund was established following the decision to build new facilities at Erskine, Erskine Mains, Edinburgh and more recently Erskine Park, Erskine Glasgow and the expansion of Erskine Edinburgh. The Erskine Reid Macewen Training Centre, Social Firm buildings and replacement cottages are also included in this fund. There are no continuing restrictions on this fund so the balance has been reallocated to designated reserves in the current year as a result of clarification within the new Statement of Recommended Practice (SORP) "Accounting and Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)". Depreciation is being charged to the fund over the expected useful life of these facilities.

Designated funds amounting to £4.1m have been established to provide for capital expenditure and provision for lifecycle costs relating to property maintenance. Also included in designated funds, is £2m which the Board have set aside for a number of facilities projects, designed to enhance our care of residents. This is in addition to £17.64m also to be included in designated funds representing the anticipated deficit arising over the next 2 years from the operation of the care homes and the social firm. This provision has been set at 2 years as it is representative of the longer term nature of the care provision at Erskine.

In accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", Erskine Hospital is now required to recognise income when it is probable that the income will be received. Under old UK GAAP, income was recognised when it was virtually certain that it would be received. This amendment to the income accounting policy has resulted in an additional £2.90m of legacies being accrued at 30 September 2016. This amount has been designated until the cash is received and available for use by Erskine.

As at 30 September 2016, the pension scheme has a deficit of £2.34m. This has been included as a separate unrestricted reserve. This leaves other charitable funds of £14.36m (after accounting for the pension reserve).

The anticipated deficit on all activities along with current and any future capital expenditure will deplete the level of funds in reserves and reduce the associated available income. It will be necessary to continue fundraising in order to minimise this negative effect on investment income.

Investment Policy and Performance

The Finance & Performance Committee has considered the most appropriate policy for investing funds, and has appointed professional investment managers. The investment managers achieved a return in excess of the level of the chosen benchmark for the year to 30 September 2016.

Creditor Payment Policy and Practice

Erskine Hospital's policy is to pay most trade creditors at the end of the month. At 30 September 2016 Erskine Hospital had an average of 21 days' purchases outstanding in trade creditors.

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Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Strategic Report (continued)

Disabled Employees

Erskine Hospital, as an organisation providing care for those with physical and mental impairment, gives full consideration to employment applications from disabled persons, where the requirements of the job can be adequately filled by a disabled person.

If existing employees become disabled it is Erskine Hospital's policy, wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development opportunities wherever appropriate.

Erskine Hospital provides employment to those with a disability under the Employment Service Work Choice Scheme. In addition, war pensioners are employed within the organisation.

Volunteers

The total number of registered volunteers was 292 with an average of 150 being active during the year. The Volunteer Impact system has allowed us to make more effective use of their time and over 13,000 hours were contributed during the year. Work commenced for reaccreditation of our Investing in Volunteer's Award in 2015 and we are delighted to have been successful.

We recognise the essential and valuable contribution that volunteers make towards the organisation.

Employee Involvement

At our Centenary Civic Reception in March 2016, we presented our 'President's Awards' as part of Erskine's Reward and Recognition initiative for both staff and volunteers where staff and volunteers nominated people who 'go that extra mile' for Erskine.

In October 2015 our internal auditors, KPMG carried out a Culture and Staff Retention Review where staff were asked specific questions by the auditors. Following this Review, in February/March 2016 the Director of HR held nine focus groups with staff, 90 members of staff in total, to assess the wider feeling within the organisation. During May/June 2016 our employees completed an on-line Employee Engagement Survey with a return of 51%, which is the highest return Erskine has achieved in recent years, indicating that we have a more engaged and involved workforce. Erskine was assessed by Investors in People for reaccreditation in 2016 and has achieved a Gold Award.

Communication and consultation continue to underpin the overall development of our involvement with our employees.

We continue to work in partnership with our recognised Trade Unions who are fully consulted with and engaged in any formal meetings.

Plans for Future Periods

The Board held an off-site event in April 2016 at which the strategy agreed by the Board in September 2012 was reviewed. It was considered that within the framework of the strategy there were several areas of unmet need so an additional strategy review day was programmed for November 2016 to focus on additional accommodation for independent and supported living, and also for an activities centre to help address the social isolation experienced by veterans living on their own.

The Board confirmed Erskine's Mission to **enable members of the ex-service community to get the best care and support to achieve maximum quality of life**, and its Vision **to be recognised as the leading ex-service charity in Scotland**.

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Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Strategic Report (continued)

Plans for Future Periods (continued)

The original objectives were reviewed during the prior year. The objectives have been rewritten to better reflect changes in the operating environment and broaden our focus to include all aspects of our care. The seven new objectives are:

- Provide evidence based care that supports residents to achieve their maximum potential;
- Provide accommodation for independent or supported living;
- Make better use of the Erskine Estate and personnel to generate income;
- Develop our staff and volunteers;
- Work in partnerships with other Veteran Charities and Stakeholders;
- Reduce the financial deficit; and
- Improve internal policies, processes and procedures.

The outcomes will be that Erskine:

- Is a centre of excellence for service delivery to veterans;
- Works in partnership with other organisations;
- Has a committed and well trained workforce;
- Has a sustainable financial future; and
- Has fit for purpose internal systems and processes.

The overall demand for care beds is predicted to reduce as the number of eligible veterans reduces, principally as a result of the end of National Service and the steady reduction in the size of the Armed Forces. However, the demand for dementia beds is increasing and so we will consider the possibility of converting some of the existing nursing bed capacity and training more of our staff to care for those with dementia.

The potential future service delivery plans identified above do not require Erskine to retain all the land on the Bishopton Estate and so the process of applying for planning in principle consent for private housing development and additional accommodation for veterans is now well underway, with an outcome expected mid-2017. The income from any sale will support the service delivery developments described together with support from Trusts and Foundations.

Structure, governance and management

Erskine Hospital was founded in 1916. The current governing instruments are the Memorandum and Articles of Association, with which the Hospital was incorporated as a company limited by guarantee with charitable status on 4 April 1997.

The Memorandum of Association provides that the Hospital is established for the following charitable objects:-

- (a) The provision of financial support to men and women with a current or former record of armed service or service in support of, or alongside the armed services together with dependants or surviving dependants of such personnel who find themselves in necessitous circumstances on terms which are most appropriate to their individual needs.
- (b) The provision of long term nursing care and short term and respite nursing care within the United Kingdom.
- (c) The provision of health care including residential long term, residential short term and respite care, day care, domiciliary care and all appropriate relevant recreational and therapeutic programmes within the United Kingdom.
- (d) The creation of centres of excellence for nursing and residential care together with the creation of training opportunities for personnel involved in nursing and health care and medical and allied professions.

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Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Structure, governance and management (continued)

- (e) The provision of employment opportunities for individuals with physical or other disabilities, the provision of rehabilitation assessment and training for individuals with physical disabilities and other disadvantages which could be impediments to independent living.
- (f) The provision, construction, improvement, or management for persons who are aged or infirm or disabled or handicapped (whether mentally or physically) and in need therefore of housing and any associated amenities specially designed or adapted to meet the disabilities and requirements of such persons.

The principal address of the Hospital is Erskine Hospital, Bishopton, Renfrewshire PA7 5PU.

The website address:- www.erskine.org.uk

Appointment, Induction and Training of the Board of Trustees

Appointment to Erskine's Board of Trustees is carried out in accordance with the requirements of:

- the Charities and Trustee Investment (Scotland) Act 2005; and
- the policies and procedures as set by Erskine, having the necessary regard to the provisions of the Memorandum and Articles of Association.

Members of the Board of Trustees are elected from amongst members of the charitable company. As a result of this requirement all members of the Board of Trustees must be members of the charitable company.

Before recruiting new members of the Board of Trustees, Erskine Hospital identifies and prioritises those skills which would benefit the Board of Trustees. In undertaking this task the Board has regard to its Governance role in setting and achieving the charity's strategic objectives, as well as seeking to represent the community both geographically and in terms of community interest.

The Board of Trustees regularly review:-

- how they organise themselves with regard to board meetings;
- whether these meetings are at times which restrict those who can attend;
- whether meetings are held at venues which are readily accessible; and
- whether materials for trustees are available in alternative formats - large type, audio etc.

Erskine Hospital's recruitment policy seeks to represent the community both geographically and in terms of community interest.

Erskine Hospital has a conflict of interest policy and maintains a conflicts of interest register.

Potential members of the Board of Trustees receive information (recruitment) packs with the details they need to determine whether they wish to pursue their interest and are able to offer the required level of commitment. The recruitment pack aims to allow the potential member a full understanding of the charity and what Erskine Hospital expects of its Board members.

Following selection as a member of the Board of Trustees, a full induction process is followed. Information is supplied on how to interpret the financial information together with details of how the Board measure and reflect on the performance of the charity. New members are invited to meet the executive management team and to visit the charity's operating premises.

ERSKINE HOSPITAL

Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Organisational structure

Under the provisions of the Companies Act 2006, the Board of Trustees are all effectively the Directors of the company. The Board of Trustees meet on at least four occasions per year. Meetings of the Board are attended by all members of Erskine Hospital's Executive Management Team. The Board are given regular reports on regulatory issues including care and clinical governance and financial performance. The Board further considers strategic issues and recommendations together with specific issues for decision which have been brought through the Sub-Committee structure.

Sub-Committee Structure

Erskine's Sub-Committees are formed from the membership of the Board of Trustees. Certain Sub-Committees have additional co-opted members who have particular expertise in the areas being considered by the relevant Sub-Committees.

The Sub-Committees are:-

- (a) **Finance & Performance Committee** who, on behalf of the Board of Trustees, oversee the long term strategic planning of Erskine's finances along with the performance of the organisation against a series of agreed key performance indicators;
- (b) **Audit Committee** who undertake, on behalf of the Board of Trustees, a regular review of the operational effectiveness of the internal financial controls and procedures of Erskine and all statutory audit material including the Annual Report and management letter;
- (c) **Clinical Governance Committee** whose primary aim is to assure the Board that effective Clinical Governance mechanisms are in place throughout the care operation to ensure efficient and professional practice for the delivery of high quality care and a safe environment for residents, staff and members of the public;
- (d) **Staff Governance Committee** whose primary purpose is to provide assurance to the Board that appropriate staff governance mechanisms are in place; and
- (e) **Remuneration Committee** whose primary responsibility is for approval of all strategic remuneration issues within Erskine including setting key management personnel compensation.

Each of the Sub-Committees' minutes are circulated to all members of the Board of Trustees and regular reports are brought to the Board together with any particular issues which require the overall decision of the Board.

Related parties

Erskine Hospital has one subsidiary, Erskine Developments Limited.

Reference and administrative details

Erskine is a company limited by guarantee and not having a share capital, with registration number SC174103. It is recognised as a charity for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC006609.

The ordinary membership of the company, who form the General Council, appoint from their number the Board of Trustees composed of not less than 12 and not more than 18 trustees. The Board of Trustees may also co-opt not more than five additional members on an annual basis.

The General Council meets on at least two occasions during the year at which time members are given an update on the work at Erskine Hospital. They also receive regular written updates from the Chief Executive.

ERSKINE HOSPITAL

Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Board of Trustees

The Board of Trustees, who are the Directors for the purposes of Company Law and Trustees for the purposes of Charity Law, during the period covered by these accounts and up to the date of approval of the financial statements were as follows:

Robin Crawford (Appointed Chairman from 14 December 2016)	Alan Seabourne
Stuart Aitkenhead	Brenda Wilson
Brian Cowan	James Fraser
Ian Reid	David Harrison
Rosslyn Crocket	Simon Allbutt
Rani Dhir	Ian Lee
Robert Kemp	Elizabeth Simpson

The following were Trustees during the period covered by these accounts but resigned or retired prior to the approval of the financial statements:

Andrew Robertson (Chairman) (retired 14 December 2016)	Jill Vickerman (resigned 14 December 2016)
Kenneth Cowan (resigned 29 March 2016)	

Chief Executive

Lieutenant Colonel Steve Conway Royal Marines (retired)

Secretary

Andrew Cowan

Independent Auditor:	Scott-Moncrieff 25 Bothwell Street Glasgow G2 6NL	Internal Auditors:	KPMG 319 St Vincent Street Glasgow G2 5AS
Bankers:	Royal Bank of Scotland 1 Moncrieff Street Paisley PA3 2AW	Investment Managers:	Brewin Dolphin 6 th Floor, Atria One Edinburgh EH3 6PP
Solicitors and Registered Office:	T C Young 7 West George Street Glasgow G2 1BA		

Auditor

A resolution to re-appoint Scott-Moncrieff as auditor will be put to the General Council at the forthcoming Annual General Meeting.

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Board of Trustees' Report (incorporating the Strategic Report)

For the year ended 30 September 2016

Statement of the Trustees' Responsibilities in Respect of the Financial Statements

The trustees are responsible for preparing the Board of Trustees' Report (incorporating the Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the charitable company and of the surplus or deficit of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- state whether the UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are also responsible for ensuring that the assets are properly applied in accordance with charity law.

Disclosure of information to Auditor

To the knowledge and belief of each of the persons who are trustees at the time the report is approved:

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

By Order of the Board of Trustees, the Board of Trustees' Report (incorporating the Strategic Report) is signed by:



Robin Crawford, Chairman

Date: 15 March 2017

ERSKINE HOSPITAL

Independent Auditor's Report to the Members and Trustees of Erskine Hospital

For the year ended 30 September 2016

We have audited the financial statements of Erskine Hospital for the year ended 30 September 2016 which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and the related notes. 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'.

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

Respective responsibilities of the trustees and the auditor

As explained more fully in the Statement of Trustees' Responsibilities set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (United Kingdom and Ireland). Those standards require us to comply with the Auditing Practices Board's (APBs) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2016 and of its surplus or deficit 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Board of Trustees' Report (incorporating the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

ERSKINE HOSPITAL

Independent Auditor's Report to the Members and Trustees of Erskine Hospital

For the year ended 30 September 2016

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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



Gillian Donald, Senior Statutory Auditor

For and on behalf of Scott-Moncrieff, Statutory Auditor

Chartered Accountants

Eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

25 Bothwell Street

Glasgow

G2 6NL

Date: 15 March 2017

ERSKINE HOSPITAL

Statement of Financial Activities
(incorporating Income & Expenditure Account)
For the year to 30 September 2016

	Note	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000	Total 2015 £'000
Income and endowments					
Continuing operations:					
Donations and legacies	6	8,984	371	9,355	9,830
Charitable activities	7	12,747	-	12,747	11,937
Investment income	8	1,491	-	1,491	1,438
Other income		600	-	600	92
		<u>23,822</u>	<u>371</u>	<u>24,193</u>	<u>23,297</u>
Discontinued operations:					
Charitable activities	9	77	-	77	1,069
		<u>23,899</u>	<u>371</u>	<u>24,270</u>	<u>24,366</u>
Expenditure					
Continuing operations:					
Raising funds	10	2,159	-	2,159	2,065
Charitable activities	11	17,721	1,402	19,123	18,828
Investment management costs		106	-	106	99
		<u>19,986</u>	<u>1,402</u>	<u>21,388</u>	<u>20,992</u>
Discontinued operations:					
Charitable activities	9	140	3	143	1,472
		<u>20,126</u>	<u>1,405</u>	<u>21,531</u>	<u>22,464</u>
Net income/(expenditure) prior to gains/(losses) on investments					
		3,773	(1,034)	2,739	1,902
Gains/(losses) on investments					
Realised (loss)/gain on disposal of fixed asset investments		(131)	-	(131)	601
Unrealised investment gains/(losses)		3,672	-	3,672	(1,671)
		<u>3,541</u>	<u>-</u>	<u>3,541</u>	<u>(1,070)</u>
Total gains/(losses) on investments					
		<u>7,314</u>	<u>(1,034)</u>	<u>6,280</u>	<u>832</u>
Net income/(expenditure) for the year (carried forward)					
		<u>7,314</u>	<u>(1,034)</u>	<u>6,280</u>	<u>832</u>
Continuing operations					
		7,377	(1,031)	6,346	1,235
Discontinued operations					
		(63)	(3)	(66)	(403)
		<u>7,314</u>	<u>(1,034)</u>	<u>6,280</u>	<u>832</u>

The notes on pages 17 to 37 form part of these financial statements

ERSKINE HOSPITAL

Statement of Financial Activities (continued)
(incorporating Income & Expenditure Account)
For the year to 30 September 2016

	Note	Unrestricted Funds 2016 £'000	Restricted Funds 2016 £'000	Total 2016 £'000	Total 2015 £'000
Net income/(expenditure) for the year (brought forward)		7,314	(1,034)	6,280	832
Other recognised gains/(losses)					
Actuarial (loss)/gain on defined benefit pension scheme	21	(2,338)	-	(2,338)	586
Unrealised investment property gains	15	-	-	-	36
		<hr/>	<hr/>	<hr/>	<hr/>
		4,976	(1,034)	3,942	1,454
Transfers between funds	22	33,832	(33,832)	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net Movement in Funds		38,808	(34,866)	3,942	1,454
Total funds brought forward	22	36,353	35,158	71,511	70,057
		<hr/>	<hr/>	<hr/>	<hr/>
Total funds carried forward	22	<u>75,161</u>	<u>292</u>	<u>75,453</u>	<u>71,511</u>

Note: The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 17 to 37 form part of these financial statements

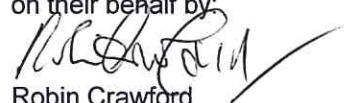
ERSKINE HOSPITAL

Balance Sheet

As at 30 September 2016

	Note	2016 £'000	2015 £'000
Fixed Assets			
Tangible assets	14	32,604	33,462
Investment property	15	1,500	1,500
Investments	16	38,253	31,550
		<u>72,357</u>	<u>66,512</u>
Current Assets			
Debtors	17	4,000	6,173
Cash and short term deposits		3,883	1,794
		<u>7,883</u>	<u>7,967</u>
Creditors: amounts falling due within one year	18	<u>(1,031)</u>	<u>(1,550)</u>
Net current assets		<u>6,852</u>	<u>6,417</u>
Net assets excluding pension liability		<u>79,209</u>	<u>72,929</u>
Provision for liabilities	20	(1,418)	(1,418)
Pension liability	21	(2,338)	-
Net assets including pension liability		<u>75,453</u>	<u>71,511</u>
Funds			
Restricted funds:			
Restricted funds	22	292	35,122
Revaluation reserve	22	-	36
		<u>292</u>	<u>35,158</u>
Unrestricted funds:			
Designated funds	22	60,796	21,875
Other charitable funds	22	16,703	14,478
		<u>77,499</u>	<u>36,353</u>
Pension reserve	22	(2,338)	-
		<u>75,161</u>	<u>36,353</u>
	22	<u>75,453</u>	<u>71,511</u>

The financial statements have been authorised for issue by the Board of Trustees on 15 March 2017 and are signed on their behalf by:



Robin Crawford

Scottish Charity No: SC006609

Company No: SC174103

The notes on pages 17 to 37 form part of these financial statements

ERSKINE HOSPITAL

Statement of Cash Flows

For the year to 30 September 2016

	Note	2016 £'000	Restated 2015 £'000
Cash flows from operating activities			
Net cash provided by/(used in) operating activities	23	4,234	(1,018)
Cash flows from investing activities			
Purchase of tangible fixed assets		(354)	(524)
Proceeds from sales of tangible fixed assets		-	6
Purchase of investments		(4,701)	(4,614)
Proceeds from sale of investments		1,539	4,521
Dividends received		1,362	1,322
Interest received		9	7
Net cash (used in)/provided by investing activities		<u>(2,145)</u>	<u>718</u>
Increase/(decrease) in cash in the year		2,089	(300)
Cash and cash equivalent at 1 October		<u>1,794</u>	<u>2,094</u>
Cash and cash equivalent at 30 September		<u><u>3,883</u></u>	<u><u>1,794</u></u>

The notes on pages 17 to 37 form part of these financial statements

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

1. General information

These financial statements are presented in pounds sterling (GBP) as that is the currency in which the charitable company's transactions are denominated. They comprise the financial statements of the charitable company.

The principal activity of Erskine Hospital has continued to be the provision of nursing, dementia and respite care to ex-Service men and women. Following a review of our eligibility criteria this care is now available to qualifying spouses, members of the merchant marine who were deployed on active service, in support of the armed forces, members of the Royal Fleet Auxiliary and members of the Home Guard.

Erskine is a company limited by guarantee incorporated in the United Kingdom and registered in Scotland. It is recognised as a charitable company for tax purposes by HMRC and is registered with the Office of the Scottish Charity Regulator (OSCR) under charity number SC006609. In the event of the winding up of the charitable company a member is liable to contribute a sum not exceeding £1. Details of the registered office can be found in the Board of Trustees' Report (incorporating the Strategic Report).

2. Statement of compliance

The financial statements are prepared in accordance with United Kingdom Accounting Standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland", the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

3. Principal accounting policies

The principal accounting policies applied in the preparation of these financial statements are noted below. These policies have been applied consistently to all the years presented, in dealing with items which are considered material in relation to the charitable company's financial statements unless otherwise stated.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include investment properties and fixed asset investments at fair value. These financial statements for the year ended 31 March 2016 are the charitable company's first financial statements that comply with the FRS 102. The charitable company's date of transition to FRS 102 is 1 October 2014.

Erskine Hospital meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgement in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

Before 2015 the financial statements were prepared in accordance with UK GAAP applicable prior to the adoption of FRS 102, as issued by the Financial Reporting Council, and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" and referred to below as "previous UK GAAP". The financial effects of the transition to FRS 102 are set out in note 28 below.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

3. Principal accounting policies (continued)

Going concern

Erskine Hospital has no borrowings and strong net assets therefore the Trustees believe it is appropriate that the financial statements have been prepared on a going concern basis.

Consolidation

These financial statements are for the charitable company only. The result and balance sheet of the subsidiary undertaking, Erskine Developments Limited, has not been consolidated on the grounds of lack of materiality. Erskine Hospital presents information about it as an individual undertaking and not in respect of the group.

Income recognition

All income is included in the Statement of Financial Activities when the charitable company is entitled to the income, it is probable that the income will be received and the amount can be measured reliably. The following specific policies are applied to particular categories of income:

- Donation income is received by way of grants and donations and is included in full in the Statement of Financial Activities when the charitable company becomes entitled to the funds, it is probable that the income will be received and the amount can be measured reliably.
- Legacies are recognised at fair value when the executor is satisfied that the gift will not be required to meet claims on the estate and any conditions have been met or are within the control of the charitable company.
- Income from charitable activities is accounted for when earned.
- Dividend income is recognised when dividends are declared and the stock becomes ex-dividend
- Other income is recognised when the charitable company is entitled to the income and the amount can be measured reliably.

Capital grants

Capital expenditure has been and will be incurred on fixed assets and may be eligible for grant assistance. Where this is the case, grants are credited to restricted funds. Once the restriction has been satisfied, the balance is reallocated to a designated reserve. The relevant depreciation charge is debited to this fund.

Capital grants are recognised when the charitable company is entitled to the grant, it is probable that the income will be received and the amount can be measured reliably.

Expenditure recognition

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates:

- Raising funds costs comprise the costs associated with attracting voluntary income.
- Charitable expenditure comprises those costs incurred by the charitable company in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.
- Other expenditure comprises those costs incurred by the charitable company that are not related to its activities.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include the audit fees and costs linked to the strategic management of the charitable company.
- Support costs are allocated to the care homes expenditure as the social firms are a very small percentage of the charitable company's activities.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

3. Principal accounting policies (continued)

Pensions

The Hospital operates a defined benefit pension scheme which was closed to new entrants on 15 August 2001. Movements in the overall position of the defined benefit pension scheme are included in the Statement of Financial Activities. The defined benefit pension scheme was closed to future accrual on 1 August 2010.

A defined contribution section of the Scheme was established in October 2001 for new employees. A resolution was passed on 29 August 2012 to wind up this section of the Scheme and a new pension arrangement was launched on 1 July 2012. Contributions are charged in the Statement of Financial Activities as they become payable in accordance with the Scheme Rules.

The assets of the Schemes are held separately from those of Erskine Hospital in independently administered funds.

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to resources expended on a straight line basis over the period of the lease.

Operating lease income is recognised in income on a straight line basis over the period of the lease.

Fixed assets

The premises and equipment transferred to the charitable company on its incorporation were not capitalised in the Balance Sheet and any proceeds from the sale of surplus land or buildings will be shown as a gain on disposal. No value is included in the financial statements in respect of the land owned by the charitable company. On the initial construction of a new building all items are capitalised and then any subsequent repairs and replacements are written off to expenditure except for major alterations. The purchase of motor vehicles is treated as a capital item. Other assets are included at cost and are being depreciated over the following periods:

	Hospital	Reid Macewen Training Centre	Garden Centre	Glasgow Rec Room
Buildings	40 years	40 years	33 years	33 years
Equipment, Furnishings, Machinery & Plant	10 years	-	10 years	-
Motor Vehicles	4 years	-	-	-

Cottages are depreciated over 60 years.

The furniture workshop which was impaired in 2012 is now depreciated over its useful economic life of 16 years.

Depreciation charges commence in the month in which assets are brought into use.

In respect of assets in the course of construction no depreciation is charged until the assets are brought into use.

Investments and investment property

Listed investments and investment properties are included in the Balance Sheet at mid-market value. Gains and losses are recognised in the Statement of Financial Activities in the period in which they arise.

Investments in subsidiary undertakings are included at cost less accumulated impairment.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

3. Principal accounting policies (continued)

Financial instruments

The charitable company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities such as trade and other accounts receivable and payable, and loans to related parties. Debt instruments that are payable or receivable within one year are measured, initially and subsequently, at the undiscounted amount of the cash expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Financial Activities.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Cash and cash equivalents

Cash at bank includes cash and short term highly liquid investments with a short maturity of twelve months or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Short term trade creditors are measured at the transaction price.

Provision for liabilities

A provision is created when there is uncertainty surrounding the timing and amount of settlement of a liability. The provision will become binding when the uncertainty is removed.

Funds

Unrestricted funds are expendable at the discretion of the Trustees in the furtherance of the charitable company's objectives. Designated funds are earmarked by the Trustees and are unrestricted.

Restricted funds have specific terms or conditions which have to be satisfied and these funds remain restricted until all the related conditions have been satisfied. All fixed asset expenditure is treated as restricted funds.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

4. Judgements in applying policies and key sources of estimation uncertainty

In preparing the financial statements, trustees are required to make estimates and assumptions which affect reported income, expenses, assets and liabilities. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The trustees are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied to legacy recognition, the pension assumptions, the valuation of investment property, the depreciation rates and the bad debt provision.

5. Comparative Statement of Financial Activities (incorporating Income & Expenditure Account)

	Unrestricted Funds 2015 £'000	Restricted Funds 2015 £'000	Total 2015 £'000
Income and endowment			
Continuing operations:			
Donations and legacies	9,268	562	9,830
Charitable activities	11,937	-	11,937
Investment income	1,438	-	1,438
Other income	92	-	92
	<hr/>	<hr/>	<hr/>
	22,735	562	23,297
Discontinued operations:			
Charitable activities	1,069	-	1,069
	<hr/>	<hr/>	<hr/>
Total income and endowments	23,804	562	24,366
	<hr/>	<hr/>	<hr/>
Expenditure			
Continuing operations:			
Raising funds	2,065	-	2,065
Charitable activities	17,441	1,387	18,828
Investment management costs	99	-	99
	<hr/>	<hr/>	<hr/>
	19,605	1,387	20,992
Discontinued operations:			
Charitable activities	1,431	41	1,472
	<hr/>	<hr/>	<hr/>
Total expenditure	21,036	1,428	22,464
	<hr/>	<hr/>	<hr/>
Net income/(expenditure) prior to gains/(losses) on investments	2,768	(866)	1,902
Gains/(losses) on investments			
Unrealised investment losses	(1,671)	-	(1,671)
Realised gain on disposal of fixed asset investments	601	-	601
	<hr/>	<hr/>	<hr/>
Total gains/(losses) on investments	(1,070)	-	(1,070)
	<hr/>	<hr/>	<hr/>
Net income/(expenditure) for the year (carried forward)	1,698	(866)	832
	<hr/>	<hr/>	<hr/>
Continuing operations	2,060	(825)	1,235
Discontinued operations	(362)	(41)	(403)
	<hr/>	<hr/>	<hr/>
	1,698	(866)	832
	<hr/>	<hr/>	<hr/>

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

5. Comparative Statement of Financial Activities (incorporating Income & Expenditure Account) (cont'd)

	Unrestricted Funds 2015 £'000	Restricted Funds 2015 £'000	Total 2015 £'000
Net income/(expenditure) for the year (brought forward)	1,698	(866)	832
Other recognised gains/(losses)			
Actuarial gain on defined benefit pension scheme	586	-	586
Unrealised investment property gains	-	36	36
	<u>2,284</u>	<u>(830)</u>	<u>1,454</u>
Transfers between funds	(136)	136	-
Net Movement in Funds	<u><u>2,148</u></u>	<u><u>(694)</u></u>	<u><u>1,454</u></u>

6. Donations and legacies

	Unrestricted 2016 £'000	Restricted 2016 £'000	Total 2016 £'000	Total 2015 £'000
Legacies	5,092	-	5,092	5,185
Donations	3,892	371	4,263	4,645
	<u>8,984</u>	<u>371</u>	<u>9,355</u>	<u>9,830</u>

7. Charitable activities income – continued operations

	Unrestricted 2016 £'000	Restricted 2016 £'000	Total 2016 £'000	Total 2015 £'000
Care homes - Residents' board charges & contracts	12,664	-	12,664	11,874
Social firms	83	-	83	63
	<u>12,747</u>	<u>-</u>	<u>12,747</u>	<u>11,937</u>

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

8. Investment income

	Unrestricted 2016 £'000	Restricted 2016 £'000	Total 2016 £'000	Total 2015 £'000
Dividends received	1,362	-	1,362	1,322
Rental income	120	-	120	109
Interest received	9	-	9	7
	<u>1,491</u>	<u>-</u>	<u>1,491</u>	<u>1,438</u>

At 30 September 2016 the charitable company had minimum lease receipts due under non-cancellable operating leases as follows:

	2016 £'000	2015 £'000
Not later than one year	120	120
Later than one year and not later than five years	480	480
Later than five years	2,170	2,290
	<u>2,770</u>	<u>2,890</u>

9. Discontinued operations

	Erskine Mains £'000	Total 2016 £'000	Garden Centre £'000	Erskine Mains £'000	Total 2015 £'000
Income	<u>77</u>	<u>77</u>	<u>81</u>	<u>988</u>	<u>1,069</u>
Expenditure					
Unrestricted:					
- Cost of sales	61	61	63	235	298
- Staff costs	79	79	54	1,079	1,133
	<u>140</u>	<u>140</u>	<u>117</u>	<u>1,314</u>	<u>1,431</u>
Restricted:					
- Depreciation	3	3	-	41	41
Total expenditure	<u>143</u>	<u>143</u>	<u>117</u>	<u>1,355</u>	<u>1,472</u>
Net expenditure	<u>(66)</u>	<u>(66)</u>	<u>(36)</u>	<u>(367)</u>	<u>(403)</u>

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

10. Raising funds	Unrestricted	Restricted	Total	Total
	Funds 2016 £'000	Funds 2016 £'000	2016 £'000	2015 £'000
Staff costs	870	-	870	847
Marketing & communications	194	-	194	195
Office & vehicle costs	577	-	577	399
Donor development campaign	518	-	518	624
	<u>2,159</u>	<u>-</u>	<u>2,159</u>	<u>2,065</u>
	<u><u>2,159</u></u>	<u><u>-</u></u>	<u><u>2,159</u></u>	<u><u>2,065</u></u>
11. Charitable activities expenditure – continued operations	Unrestricted	Restricted	Total	Total
	Funds 2016 £'000	Funds 2016 £'000	2016 £'000	2015 £'000
Care homes				
Nursing staff	10,000	2	10,002	9,634
Care support staff	2,442	1	2,443	2,133
Maintenance & repairs	1,362	109	1,471	1,660
Irrecoverable VAT, insurance & training	1,001	-	1,001	1,154
Utilities	696	-	696	683
Food, transport & comforts	633	-	633	561
Medical & domestic supplies	277	81	358	437
Support costs				
Management & administration	1,173	-	1,173	1,250
Depreciation	-	1,148	1,148	1,085
Net return on pension scheme	-	-	-	22
Governance costs (note 12)	66	-	66	65
	<u>17,650</u>	<u>1,341</u>	<u>18,991</u>	<u>18,684</u>
	<u><u>17,650</u></u>	<u><u>1,341</u></u>	<u><u>18,991</u></u>	<u><u>18,684</u></u>
Social firms				
Cost of sales and staff costs	71	-	71	83
Depreciation	-	61	61	61
	<u>71</u>	<u>61</u>	<u>132</u>	<u>144</u>
	<u><u>71</u></u>	<u><u>61</u></u>	<u><u>132</u></u>	<u><u>144</u></u>
	<u><u>17,721</u></u>	<u><u>1,402</u></u>	<u><u>19,123</u></u>	<u><u>18,828</u></u>

All support costs are allocated to the care homes expenditure as the social firms are a very small percentage of the charity's activities.

12. Governance costs	2016	2015
	£'000	£'000
Company secretary costs	18	16
External audit – audit services	26	21
External audit - non-audit services	-	8
Internal audit	22	20
	<u>66</u>	<u>65</u>
	<u><u>66</u></u>	<u><u>65</u></u>

ERSKINE HOSPITAL

Notes to the accounts For the year ended 30 September 2016

13. Staff costs	2016 £'000	2015 £'000
Wages and salaries	12,305	12,776
Social security costs	872	876
Pension scheme costs - defined contribution	928	903
	<u>14,105</u>	<u>14,555</u>

Agency costs of £439,442 (2015: £829,674) are included within wages and salaries above.

These costs and the analysis below include full-time, part-time and agency staff.

Number of employees with emoluments over £60,000:	2016 No.	2015 No.
£60,000 - £69,999	1	-
£70,000 - £79,999	-	1
£90,000 - £99,999	1	1
	<u>£</u>	<u>£</u>
The pension contributions for the above employees were:	<u>16,998</u>	<u>17,379</u>

Two (2015: two) employees with emoluments over £60,000 were members of the defined contribution pension scheme.

The average number of employees analysed by function was:	2016 No.	2015 No.
Nursing and therapy	501	510
Support services	198	214
Activities	24	24
Social firms	1	23
Management and administration	44	46
Fundraising, marketing and communications	22	20
	<u>790</u>	<u>837</u>

Key management personnel

Key management personnel comprises the Board of Trustees, the Chief Executive, 5 members of the Executive Management Team and the 4 care home managers. No Trustees received remuneration in respect of duties performed (2015: £nil). Travel expenses of £354 were paid to two of the Board of Trustees in the year (2015: £513: six members). Other key management personnel received remuneration of £551,667 (2015: £559,941) and pension contributions of £55,203 (2015: £52,709).

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

14. Tangible fixed assets

Cost	Freehold Buildings £'000	Social Firms & Other Buildings £'000	Asset Under Construction £'000	Motor Vehicles £'000	Hospital Equipment & Furnishings £'000	Total £'000
At 1 October 2015	51,448	2,011	429	391	2,320	56,599
Additions	-	-	305	49	-	354
Transfer from assets under construction	595	-	(595)	-	-	-
At 30 September 2016	<u>52,043</u>	<u>2,011</u>	<u>139</u>	<u>440</u>	<u>2,320</u>	<u>56,953</u>
Depreciation						
At 1 October 2015	19,257	1,494	-	358	2,028	23,137
Charge for the year	1,033	38	-	28	113	1,212
At 30 September 2016	<u>20,290</u>	<u>1,532</u>	<u>-</u>	<u>386</u>	<u>2,141</u>	<u>24,349</u>
Net book value						
30 September 2016	<u>31,753</u>	<u>479</u>	<u>139</u>	<u>54</u>	<u>179</u>	<u>32,604</u>
30 September 2015	<u>32,191</u>	<u>517</u>	<u>429</u>	<u>33</u>	<u>292</u>	<u>33,462</u>

15. Investment property

£'000

At 1 October 2015 and 30 September 2016

1,500

The investment property was independently valued as at 30 September 2016 by David Hall, FRICS, of Shepherd Chartered Surveyors. The valuation was carried out on an existing use basis. There was no change in the value of the investment property.

The investment property is leased to a third party company through an operating lease. In the year ended 30 September 2016 rental income of £120,000 was received (2015: £109,123). The rental income is included in other investment income.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

16. Fixed asset investments	Subsidiary Undertakings £'000	Other Investments £'000	Total 2016 £'000
Market value at 1 October 2015	1	31,549	31,550
Additions	-	4,701	4,701
Disposals at open market value (proceeds £1,539,000, loss £131,000)	-	(1,670)	(1,670)
Movement in market value	-	3,672	3,672
	<hr/>	<hr/>	<hr/>
Market value at 30 September 2016	<u>1</u>	<u>38,252</u>	<u>38,253</u>

Investment in subsidiary undertaking

The result and Balance Sheet of the subsidiary undertaking is listed below. Erskine Developments Limited is wholly owned by the Hospital and has not been consolidated on the grounds of lack of materiality.

The share capital and reserves of the subsidiary undertaking not consolidated, taken from the latest set of accounts, are as follows.

	Share Capital & Reserves £'000	Country of Incorporation	Loss for the year £'000	Principal Activity
Erskine Developments Ltd * (as at 30.09.16)	(19)	Scotland	(2)	Development

* 100% of voting rights and ordinary shares held by the company.

17. Debtors	2016 £'000	2015 £'000
Trade debtors	454	462
Amounts due from subsidiary undertakings	19	19
Other debtors	161	157
Prepayments and accrued income	3,366	5,535
	<hr/>	<hr/>
	<u>4,000</u>	<u>6,173</u>

Trade debtors are shown net of the bad debt provision of £57,743 (2015: £98,273). Movements in the bad debt provision are included within support costs.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

	2016 £'000	2015 £'000
18. Creditors: amounts falling due within one year		
Trade creditors	601	984
Other taxes & social security costs	27	11
Amounts payable to subsidiary undertakings	17	17
Other creditors	386	538
	<u>1,031</u>	<u>1,550</u>

Included within other creditors is pension contributions of £4,548 (2015: £77,689) outstanding at the year end.

	2016 £ '000	2015 £'000
19. Financial instruments		
Financial assets		
Cash and cash equivalents	3,883	1,794
Financial assets measured at amortised cost	3,861	6,011
	<u>7,744</u>	<u>7,805</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>1,004</u>	<u>1,539</u>

Financial assets measured at amortised cost comprise trade debtors, amounts due from subsidiary undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts payable to subsidiary undertakings and other creditors.

	2016 £'000	2015 £'000
20. Provision for liabilities		
Repayment of funding	<u>1,418</u>	<u>1,418</u>

A number of years ago, funding was received to set up social firm operations. Some of these activities were discontinued in 2012 and accordingly, a provision was created for the potential repayment of this funding. There is uncertainty surrounding the timing and amount of the settlement of this liability.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

21. Pension commitments

Erskine Hospital operates a pension scheme providing benefits based on revalued average pensionable salary. The scheme is funded by the payment of contributions to a separately administered trust fund. The scheme was closed to new entrants on 15 August 2001, and closed to future accrual on 1 August 2010.

The contributions to the scheme are determined with the advice of an independent qualified actuary on the basis of triennial valuation using the projected unit valuation method. A full actuarial valuation was undertaken as at 5 April 2015, which shows a surplus of £1.3m in the Scheme and a funding level of 105%. The year end valuation has also been prepared using the projected valuation method.

The major financial assumptions used by the actuary were:

	At 30 September 2016	At 30 September 2015
Rate of future salary increases	4.25%	4.30%
Rate of increase of pensions in payment	1.80%	1.85%
Rate of increase of deferred pensions	2.25%	2.30%
Discount rate	2.15%	3.75%
Inflation assumption	2.25%	2.30%
Mortality tables	SAPS tables +1 year age rating, year of birth, CMI 2015 long term improvements of 1.25%	SAPS tables +1 year age rating, year of birth, CMI 2014 long term improvements of 1.25%.

The mortality assumptions adopted imply the following life expectancies from age 65:

	2016	2015
Male currently aged 40	23.5 years	23.7 years
Male currently aged 45	23.0 years	23.2 years
Male currently aged 65	21.3 years	21.5 years
Female currently aged 40	25.7 years	25.9 years
Female currently aged 45	25.2 years	25.4 years
Female currently aged 65	23.3 years	23.5 years

The following amounts are recognised in the Balance Sheet:

The assets in the Scheme and the expected rates of return were:

	Value at 30/09/16 £'000	% of Scheme assets	Value at 30/09/15 £'000	% of Scheme assets
Equities	3,903	13.30%	5,662	21.70%
Corporate bonds	1,497	5.10%	1,383	5.30%
Annuity policy	14,438	49.20%	12,810	49.10%
Property	1,379	4.70%	1,331	5.10%
Cash	147	0.50%	130	0.50%
Index Linked Gilts	3,316	11.30%	-	-
Diversified growth fund	4,666	15.90%	4,774	18.30%
Fair value of scheme assets	29,346		26,090	100%
Present value of funded liabilities	(31,684)		(24,955)	
Unrecognised surplus	-		(1,135)	
Deficit in scheme	(2,338)		-	

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

21. Pension commitments (continued)

Changes in the fair value of scheme assets are as follows:

	2016 £'000	2015 £'000
Opening fair value of scheme assets	26,090	26,906
Finance income	957	1,051
Actuarial gains/(losses)	3,461	(601)
Benefits paid	(1,162)	(1,266)
	<u>29,346</u>	<u>26,090</u>

Changes in the present value of the scheme liabilities are as follows:

	2016 £'000	2015 £'000
Opening defined benefit liability	24,955	27,470
Interest cost	914	1,073
Actuarial losses/(gains)	6,977	(2,322)
Benefits paid	(1,162)	(1,266)
	<u>31,684</u>	<u>24,955</u>
Closing defined benefit liability	31,684	24,955
Actual return on scheme assets	<u>4,418</u>	<u>450</u>

History of experience gains/(losses)

	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Scheme assets	29,346	26,090	26,906	26,742	23,109
Defined benefit liability	(31,684)	(24,955)	(27,470)	(25,684)	(22,594)
(Deficit)/surplus in Scheme	(2,338)	1,135	(564)	1,058	515
Experience adjustments on scheme assets	3,461	(601)	(1,402)	1,738	1,129
Experience adjustments on scheme liabilities	61	3,390	(70)	(327)	197

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

21. Pension commitments (continued)

The following are recognised in the Statement of Financial Activities:

	2016 £'000	2015 £'000
Analysis of net return on pension scheme:		
Finance income	957	1,051
Interest cost	(914)	(1,073)
Adjustment in respect of irrecoverable surplus	(43)	-
	<u> </u>	<u> </u>
Net return	-	(22)
	<u> </u>	<u> </u>
Analysis of actuarial (loss)/gain		
Actual return less expected return on pension scheme assets	3,461	(601)
Experience gains and losses on liabilities	61	3,390
Changes in assumptions	(7,038)	(1,068)
Adjustment in respect of irrecoverable surplus	1,178	(1,135)
	<u> </u>	<u> </u>
Actuarial (loss)/gain to be recognised	(2,338)	586
	<u> </u>	<u> </u>

The cumulative amount of actuarial losses taken to the statement of financial activities since the deficit was incorporated into the financial statements is £13.266m.

	2016 £'000	2015 £'000
Movement in (deficit)/surplus during the year:		
Deficit in scheme at the beginning of the year	-	(564)
Movement in the year:		
Net return on pension scheme	-	(22)
Actuarial (loss)/gain	(2,338)	586
	<u> </u>	<u> </u>
(Deficit)/surplus in scheme at the end of the year	(2,338)	-
	<u> </u>	<u> </u>

In May 2014, the defined benefit pension scheme purchased a group annuity policy to match the liabilities within the scheme. The Hospital is not currently required to make any payments to the scheme.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

22. Funds

	As at 30 September 2015 £'000	Income and endowments £'000	Expenditure £'000	Gains/ (losses)	Transfers / reallocations £'000	As at 30 September 2016 £'000
Restricted funds:						
Tangible assets	33,462	46	(1,212)	-	(32,296)	-
Investment property	1,500	-	-	-	(1,500)	-
Donations	160	325	(193)	-	-	292
	<u>35,122</u>	<u>371</u>	<u>(1,405)</u>	<u>-</u>	<u>(33,796)</u>	<u>292</u>
Revaluation reserve	36	-	-	-	(36)	-
	<u>35,158</u>	<u>371</u>	<u>(1,405)</u>	<u>-</u>	<u>(33,832)</u>	<u>292</u>
Total restricted funds						
Unrestricted funds:						
Designated (see below)						
Tangible assets	-	-	-	-	32,604	32,604
Investment property	-	-	-	-	1,500	1,500
Revaluation reserve	-	-	-	-	36	36
Lifecycle costs	3,326	-	(872)	-	1,654	4,108
Care home and Social Firms' deficits	18,478	-	-	-	(834)	17,644
Glasgow recreation room	71	-	-	-	(71)	-
Capital and maintenance projects	-	-	-	-	2,000	2,000
Accrued legacies	-	-	-	-	2,904	2,904
	<u>21,875</u>	<u>-</u>	<u>(872)</u>	<u>-</u>	<u>39,793</u>	<u>60,796</u>
Total designated funds						
Other charitable funds	14,478	23,899	(19,254)	3,541	(5,961)	16,703
Pension reserve (note 21)	-	-	-	(2,338)	-	(2,338)
	<u>14,478</u>	<u>23,899</u>	<u>(19,254)</u>	<u>1,203</u>	<u>(5,961)</u>	<u>14,365</u>
Net other charitable funds						
Total unrestricted funds	<u>36,353</u>	<u>23,899</u>	<u>(20,126)</u>	<u>1,203</u>	<u>33,832</u>	<u>75,161</u>
Total funds	<u><u>71,511</u></u>	<u><u>24,270</u></u>	<u><u>(21,531)</u></u>	<u><u>1,203</u></u>	<u><u>-</u></u>	<u><u>75,453</u></u>

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

22. Funds (continued)

Erskine Hospital received restricted donations in the year. In particular, £499 from The Big Lottery Fund: The People's Projects for the Erskine Sporting Senior Games, and £4,295 from Seafarers UK for Lunch Clubs.

Erskine Hospital also received an unrestricted donation of £50,000 from the Royal Navy and Royal Marines Charity.

Designated funds consist of:

Tangible assets, investment property and revaluation reserve

Erskine Hospital received restricted funds for the tangible assets and investment property. As the restrictions to acquire the assets have been met and there are no on-going restrictions, the fund has been transferred to designated funds following a clarification within the new Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

Lifecycle costs

During the year a full conditions report on our buildings covering fabric, mechanical and electrical systems was undertaken by an external surveyor. The report identified that over the next 5 years there would be a requirement to spend £4.11m on lifecycle maintenance to maintain the integrity of our buildings. In accordance with the specialist advice received the Trustees have set aside £4.11m. In 2015/16 £0.87m of expenditure was incurred and £1.65m was transferred to the reserve.

Care home and social firms' deficits

The Trustees have set aside £17.64m representing the anticipated deficits in the care homes and social firms over the next 2 years, based on the deficit anticipated for 2016/17. This takes into account the long term nature of care provision at Erskine Hospital.

Glasgow recreation room

The Trustees set aside £0.50m in 2013/14 to undertake the construction of a recreation room in the Glasgow home. In 2014/15, £0.43m was spent on this project and in 2015/16, £0.17m was spent. The project is now complete and the designated reserve has been released.

Capital and maintenance projects

The Trustees have set aside £2m, to be used on additional capital and maintenance projects. These projects will be undertaken in 2016/17.

Accrued legacies

In accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", Erskine Hospital is now required to recognise income when it is probable that the income will be received. Under old UK GAAP, income was recognised when it was virtually certain that it would be received. This amendment to the income accounting policy has resulted in an additional £2.90m of legacies being accrued at 30 September 2016. This amount has been designated until the cash is received and available for use by Erskine.

ERSKINE HOSPITAL

Notes to the accounts
For the year ended 30 September 2016

22. Funds (continued)

Analysis of net assets among funds:

	Fixed Assets £'000	Other Net Assets £'000	Total 2016 £'000	Total 2015 £'000
Restricted funds:				
Tangible fixed assets and investment properties	-	-	-	34,962
Revaluation reserve	-	-	-	36
Donations	-	292	292	160
	<u>-</u>	<u>292</u>	<u>292</u>	<u>35,158</u>
Unrestricted funds:				
Designated	60,796	-	60,796	21,875
Other charitable funds	11,561	5,142	16,703	14,478
	<u>72,357</u>	<u>5,142</u>	<u>77,499</u>	<u>36,353</u>
Pension reserve	-	(2,338)	(2,338)	-
	<u>72,357</u>	<u>2,804</u>	<u>75,161</u>	<u>36,353</u>
	<u>72,357</u>	<u>3,096</u>	<u>75,453</u>	<u>71,511</u>

23. Reconciliation of net income to net cash provided by operating activities

	2016 £'000	2015 £'000
Net income for the year	2,739	1,902
Pension contributions less service cost	-	22
Depreciation	1,212	1,187
Decrease/(increase) in debtors	2,173	(1,347)
Decrease in stocks	-	109
Decrease in creditors	(519)	(1,562)
Dividends received	(1,362)	(1,322)
Interest received	(9)	(7)
	<u>4,234</u>	<u>(1,018)</u>
Net cash provided by/(used in) operating activities	<u>4,234</u>	<u>(1,018)</u>

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

24. Related party transactions

During the year Erskine Hospital entered into the following transactions in the ordinary course of its activities, with related parties (see notes 17 & 18).

Related party	Transactions with related party £'000	Amounts owed to related party £'000	Amounts due from related party £'000
Erskine Developments Limited			
2015/2016	-	(17)	19
2014/2015	(49)	(17)	19

Payments to Erskine Developments Limited relate to the construction of new care homes with related facilities.

The amounts outstanding at the Balance Sheet date are unsecured for cash settlement in accordance with the usual terms.

25. Operating leases

At 30 September 2016 the company had commitments under non-cancellable operating leases as set out below:

	2016 Other £	2015 Other £
Not later than one year	66,952	66,952
Later than one year and not later than five years	106,007	172,959
	<u>172,959</u>	<u>239,911</u>

Lease payments of £66,952 (2015: £66,952) are included in the Statement of Financial Activities.

26. Capital commitments

No provision has been made in these accounts for outstanding capital commitments contracted for amounting to £nil (2015: £246,879).

27. Members' rights in respect of a winding up of the company

Under the Articles of Association, the company is limited by guarantee and has no share capital. In the event of a winding up of the company each member's liability is restricted to £1.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

28. Transition to FRS 102

The charitable company has adopted Financial Reporting Standard 102 (FRS 102) and the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" for the year ended 31 March 2016. This has led to a number of changes in accounting policies, judgements and estimates and necessitates the prior year comparative amounts to be restated using these new policies in order that they give a comparable view of the prior year position.

Adjustments to the amounts shown in the year ended 30 September 2015 are as follows:

	Note	Previous UK GAAP £'000	Effect of transition £'000	FRS 102 £'000
Income and endowments				
Continuing operations	1	21,860	1,437	23,297
Discontinued operations		1,069	-	1,069
		<u>22,929</u>	<u>1,437</u>	<u>24,366</u>
Expenditure				
Continuing operations	2	(20,729)	263	(20,992)
Discontinued operations		(1,472)	-	(1,472)
		<u>(22,201)</u>	<u>263</u>	<u>(22,464)</u>
Net income for the year		728	1,174	1,902
Other recognised gains/(losses)				
Actuarial gain on defined benefit pension scheme	2	323	263	586
Realised gain on disposal of fixed asset investments		601	-	601
Unrealised investment losses		(1,671)	-	(1,671)
Unrealised investment property gains		36	-	36
		<u>(711)</u>	<u>263</u>	<u>(448)</u>
Net movement in funds		<u>17</u>	<u>1,437</u>	<u>1,454</u>

Explanation of changes to previously reported funds:

1. In accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", Erskine Hospital is now required to recognise income when it is probable that the income will be received. Under old UK GAAP, income was recognised when it was virtually certain that it would be received. This amendment to the income accounting policy has resulted in an additional £1,437k of donations and legacies being recognised in 2015.
2. In accordance with FRS 102, the allocation between charitable activities and the actuarial gain in relation to the defined benefit pension scheme have changed.

ERSKINE HOSPITAL

Notes to the accounts

For the year ended 30 September 2016

28. Transition to FRS 102 (continued)

Adjustments to opening balances at 1 October 2014 and to the amounts shown in the year ended 30 September 2015 are as follows:

	Note	Previous UK GAAP 2014 £'000	Effect of transition £'000	FRS 102 2014 £'000	Previous UK GAAP 2015 £'000	Effect of transition £'000	FRS 102 2015 £'000
Fixed assets		68,122	-	68,122	66,512	-	66,512
Current assets	1	3,476	3,553	7,029	2,906	5,061	7,967
Creditors: amounts falling due within one year	1	(3,333)	221	(3,112)	(1,700)	150	(1,550)
Net current assets		<u>143</u>	<u>3,774</u>	<u>3,917</u>	<u>1,206</u>	<u>5,211</u>	<u>72,929</u>
Total assets less current liabilities		<u>68,265</u>	<u>3,774</u>	<u>72,039</u>	<u>67,718</u>	<u>5,211</u>	<u>72,929</u>
Provisions for liabilities		(1,418)	-	(1,418)	(1,418)	-	(1,418)
Pension liability		(564)	-	(564)	-	-	-
Net assets		<u>66,283</u>	<u>3,774</u>	<u>70,057</u>	<u>66,300</u>	<u>5,211</u>	<u>71,511</u>
Capital and reserves		<u>66,283</u>	<u>3,774</u>	<u>70,057</u>	<u>66,300</u>	<u>5,211</u>	<u>71,511</u>

Explanation of changes to previously reported funds:

1. In accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", Erskine Hospital is now required to recognise income when it is probable that the income will be received. Under old UK GAAP, income was recognised when it was virtually certain that it would be received. This amendment to the income accounting policy has resulted in an additional £3,774k of donations and legacies being recognised in the brought forward reserves at 1 October 2014. Total additional donations and legacies recognised as a result of the transition is £5,211k. In order to ensure the income was recognised in the correct year, in 2015 an additional £5,061k (2014: £3,553k) of income was accrued within current assets and £150k (2014: £221k) was released from deferred income.

