



Pilgrims Hospices in East Kent

(A company limited by guarantee)

Trustees' report and financial statements
for the year ended 31 March 2016

Charity number 293968

Company number 2000560

www.pilgrimshospices.org

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REFERENCE AND ADMINISTRATIVE DETAILS OF THE COMPANY, ITS TRUSTEES AND ADVISERS for the year ended 31 March 2016

Directors and Trustees

The directors of the charitable company (the charity) are its Trustees for the purpose of charity law. The Trustees and officers serving during the year and since the year end were as follows:

Richard J Davis FCA TEP - Chairman and Treasurer (Finance, Audit & Investment Committee, Remuneration Committee, Nominations and Governance Committee)

Sarah Andrews CBE (resigned 31 March 2016) (Clinical Care & Quality Committee, Nominations and Governance Committee)

Monty S August (Finance, Audit & Investment Committee, Remuneration Committee)

Stephanie Bates LLB. (Hons) (appointed 23 July 2015) (Finance, Audit & Investment Committee, Nominations and Governance Committee)

Dr Arun Dhiman

Alasdair J Hogarth (Nominations and Governance Committee)

Trish M A King

Dr R Nigel McWilliams (Finance, Audit & Investment Committee, Remuneration Committee)

Simon Perks

Lynne Selman (resigned 30 April 2015) (Income Generation Committee)

Stephanie Senior (appointed 23 July 2015) (Income Generation Committee)

Professor Jenny Billings MSc BSc (Hons.) (appointed 25 May 2016)

Elizabeth Sharp MB BS, FRCS (appointed 25 May 2016)

Terry Smith (appointed 25 May 2016)

Michael Turnbull (appointed 25 May 2016)

Administrative details

Charity registered number: 293968

Company registered number: 2000560

Registered office: 56 London Road, Canterbury, Kent CT2 8JA

Chief Executive

Cate Russell

Company Secretary

Peter R F Simpson FCA

Executive team

Cate Russell

Chief Executive

Helen C Bennett FCIPD

Director of HR and Workforce Development

Wendy Hills

Director of Nursing and Care (appointed 18 May 2015)

Sue Sharp

Director of Income Generation (appointed 15 June 2015)

Jon Sillett

Head of Operations

Peter R F Simpson FCA

Director of Finance and IT

Dr Andrew Thorns

Director of Medicine

Our advisers

Independent auditors:

MHA MacIntyre Hudson

31 St George's Place, Canterbury, Kent CT1 1XD

Bankers:

National Westminster Bank Plc

Barclays Bank Plc

CAF Bank Limited

LloydsTSB Bank Plc

Solicitors:

Furley Page

39 St Margaret's Street, Canterbury, Kent CT1 2TX

Girtings,

Stourside Place, Station Road, Ashford, Kent TN23 1PP

Bates Wells Braithwaite

10 Queen St Pl, London EC4R 1BE

Investment advisers:

Coutts & Co

440 Strand, London WC2R 0QS

CHAIRMAN'S REPORT

It gives me great pleasure to be able to represent the wonderful institution that is Pilgrims Hospices. We have been through 33 years of development and evolution and our services continue to grow. Historically, fund-raising support has been steady with the public contribution delivering approximately 72 % of our annual operating costs, but like other hospices across the country, the demand for the services we offer has grown ahead of our income generation. This means that we are operating with an annual deficit, which last year amounted to £1.65 million which, but for the new accounting policy relating to how we account for legacies, would have been just over £1 million.

In response to these challenges we have reviewed and strengthened our senior management team with the appointment of a new Chief Executive, Cate Russell, at the beginning of 2015. To build on our successes and deliver our vision Cate and her team are working to eliminate the deficit by increasing fund-raising, whilst maximising operational efficiency. We wish to continue to build our service as we want to keep pace with the need, while at the same time finding new ways of working, to rationalise costs.

The end of life experience for every family matters and every penny donated counts.

The charity's balance sheet continues to reflect a strong financial position, with our reserves remaining above £6 million. This level is the minimum considered by the Trustees to be required to keep the business secure during this transition period.

It remains our intention to keep three in-patient facilities, based in Ashford, Canterbury and Thanet, for patients who need highly specialised end of life care which cannot be met through other providers in our community. We are actively pursuing proposals for how we may sustain the Hospice in Canterbury and will keep everyone informed as plans move forward.

We are entering an exciting period, establishing and developing partnerships across east Kent; building on our leadership role in end of life care, so that as many people as possible get to live and die well in the last year of their lives.

You will see a new approach to how we deliver our services, with more focus on out-patient and Day Services. We will be shifting towards a greater involvement of volunteers in supporting the families of our patients so we can broaden our clinical care to include more of a social agenda. We also want to increase awareness and understanding of the role that palliative care can offer at the end of life, encouraging earlier referrals and engagement with the Hospice. People often believe we are only here to offer a bed in the very last days of life. Pilgrims is not about a bed in a place - it is an ethos for care, an enabler supporting people to make informed decisions about their end of life experience.

We have been working hard on improving how we engage and communicate with our various stakeholders, be they patients and their carers, fund-raisers and donors and staff and volunteers. We will do this by multiple and varied communication routes, so that everyone understands what we do, how we do it and why we do it.

Following the restructuring of and investment in our fund-raising team, we are working to meet the challenge of closing the gap between our service provision and income, with new initiatives and approaches to fund-raising. We are beginning to see benefits but this will take time to develop.

I would like to take this opportunity, on behalf of the patients and their families who have relied on our services, to thank our supporters and volunteers, who have given so generously and brought such an abundance of kindness and skill to the organisation that has been invaluable. With your continued efforts, we will work together to ensure that the Pilgrims Hospice promise of care and support, at what can be such a difficult time, will be there for the next family that needs us.

Richard Davis
Chairman

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2016

The Trustees are pleased to present their annual report together with the consolidated financial statements of the charity (and its subsidiary) for the year ended 31 March 2016 which are also prepared in order to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial elements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, 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 UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

OBJECTS AND ACTIVITIES

The objects of Pilgrims Hospices in East Kent are contained in the Memorandum of Association.

Our purpose is to promote the relief of sickness and suffering for people with a chronic or terminal illness living or working in east Kent. Our vision for this is captured in our statement below.

"Our vision is of a community where people with a terminal illness and their family and friends are supported and empowered to live well in mind and body until the very last moment of their life."

East Kent has a population of 700,000, of which, 7,000 each year will have been given a diagnosis of a terminal illness and have a prognosis of less than a year to live. They will move from treatment intended to cure the disease and return the patient to good health into a regime of palliative care; this is where patients receive treatment to manage the symptoms caused by their disease process, but are no longer expecting a cure.

These patients will be under the care of their primary healthcare professional, known as their General Practitioner (GP). Patients will receive the support and help they need through visits to their GP in their local area. As their disease progresses, the GP or district nurse will make home visits and, occasionally, they may benefit from an intervention that would assist with symptom relief, so be admitted to hospital but eventually discharged home. If their home or social circumstances are no longer suitable, they may need to transfer into a nursing home. Each year approximately 2-3,000 of these patients will have difficulties that cannot be addressed through these channels and need specialist palliative intervention. These are the patients that will be referred to the Hospice for support.

Please visit our website (www.pilgrimshospices.org) for more details of clinics, courses and support available, or phone your local hospice.

The charity is a member of Hospice UK, the national charity for hospice care supporting over 200 hospices.

STRATEGIC REPORT

STRATEGIC VISION

During the year a five year strategic plan was adopted with four main goals.

These are:

Individual Experience

To put the people needing our support at the centre of all we do.

People/Development

To be recognised as a preferred employer within east Kent – attracting, developing and retaining talent across our organisation and for our volunteer services model to be recognised as best practice within the hospice universe.

Finance/Operations

To achieve a balanced budget with a sustainable reserve and to have a legally compliant, cost efficient operation that provides the optimum environment for achieving our vision for care.

Stakeholders

To exceed expectations and be seen as leaders in the sector providing excellence in end of life care.

These goals have been cascaded down to all staff and plans put in place.

ACHIEVEMENTS AND PERFORMANCE

Our main activity, in line with our vision, is the running of hospice in-patient units in each of Ashford, Canterbury and Thanet. In addition we provide care in the community through our community nurses and Hospice at Home team, as well as outreach centres in Folkestone, Dover and Deal. In this way, we aim to provide care for our patients, whether in their homes, in their locality or in one of our three in-patient units.

Pilgrims Hospices in East Kent

Activity levels, which are considered to be non-financial key performance indicators and consequently measures of success in the achievement of our strategic vision, during the period under review, were as follows (previous year in brackets):

- 1) Total referrals to the hospices – 2,374 (2,307)
- 2) Total number of deaths – 2,075 (1,739)
- 3) Number of in-patient admissions – 1,127 (1,197)
- 4) Average length of in-patient stay – 10.3 days (10.1)
- 5) Number of home visits carried out by Community Nursing Team – 6,484 (7,688)
- 6) Total number of day hospice attendances – 2,361 (2,669)
- 7) Number of attendances at out-patient clinics and other services – 3,262 (3,755)

A full review of Day Services has been undertaken and new services will be provided to care for the needs of our patients and their carers. These will be implemented in 2016/17.

FINANCIAL REVIEW

The Statement of Financial Activities for the year is set out on page 13 of the financial statements. A summary of the financial results and the work of the charity are set out below.

Notes 2 to 18, which support the Statement of Financial Activities on page 13, show how funds have been received and applied during the year.

A major factor in the results for 2015/16 has been a change in the way in which legacy income is recognised due to the adoption of the new recommended practices for preparing accounts applicable to charities. Legacies are now recognised as income when probate is granted, rather than being based on the receipt of cash. This means that legacies that we received as cash this year, and which previously would have been treated as income this year, have been treated as income for previous years. The effect of this is reflected in the accounts and the previous year's reported deficit has been restated as a surplus of £153,000 following an increase in legacy income of £558,000, with a corresponding cumulative increase in total funds of £2.32 million. The adjustments are set out in note 30. Crucially, this change in policy has no effect on cash flow and is a "one-off" adjustment.

During the year under review the net movement in funds was a deficit of £1.65 million compared to a restated surplus of £153,000 in the previous year. These figures are after investment losses of £111,000, compared to an investment gain of £695,000 in the previous year.

During the year a number of investment properties were sold to maintain the balance of the investment portfolio – these yielded a profit of £131,000, but other investments, in line with the stock markets, showed a loss of £242,000. During the year quoted investments totalling £750,000 were liquidated.

Income in many areas was reduced from the previous year with the largest decrease occurring in legacies which reduced from £2.61m in 2014/15 to £1.93m in 2015/16. Legacies by their nature are more unpredictable than other sources of income and single large legacies can have a material effect. Donations and income from fund-raising fell short of our expectations in the year under review, partly due to such uncontrollable factors as the weather (for example, the Cycle Challenge held in May 2015 was particularly adversely affected) so overall showed reductions from £1.43 million to £1.38 million and £1.05 million to £1 million respectively. However, during the year, a new Director of Income Generation was appointed and she in turn has strengthened the team with the target of substantially increasing income.

Our lottery continues steadily to increase its income with an average of over 19,200 players each week and in addition, scratch cards totalling £3,500 were sold. New members were gained at the end of the year, the cost of which falls into this year, but the benefit of which will fall into the following year. The profit for the year amounted to £581,000, up from £574,000. Next year the lottery will celebrate its 20th anniversary.

Shops had a more challenging year, showing a reduction in sales and reduction in profit to £1.18 million, down from the previous year's profit of £1.36 million. Sales were broadly level with the previous year, despite new initiatives such as a new shop in Tenterden (which replaced the original smaller shop, which was not in such a good position) and costs increased, mainly due to the increasing complexity of running thirty two shops. Action is being taken to address these and other issues and this is noted in future plans

We continue to receive a grant from the local NHS Clinical Commissioning Groups (CCGs) under a service funding agreement which amounted to approximately 28% of our running costs (or 24% of our revenue), leaving 72% of revenue funding to be raised from voluntary sources.

Overall expenditure reduced, in part due to the changes in the amount of VAT that can be recovered which benefitted the hospice by £167,000 and also due to 2014/15 including the one off expenditure of £233,000 arising from the grant made by the Department of Health. Despite this, expenditure on nursing care showed an increase on the previous year.

The balance sheet continues to reflect a strong financial position with £10.6m in unrestricted funds, underpinned by £7.47 million in free investments, which are not used in the day to day operation of the charity. The Trustees consider that as the charity's income is derived from many different sources the overall risk to the charity is reasonable.

RESERVES POLICY

The Trustees review their policy each year. In conducting their review they take into consideration best practice and the guidance issued by the Charity Commissioners.

The policy takes into account the need to inform those who so generously give their time and money to enable the Trustees to continue with their commitment to provide specialist palliative care services.

It is essential that all involved appreciate:

- that provision of this type of care involves ongoing running costs, currently in the region of £10.4 million per year, three-quarters of which has to be derived from voluntary sources;
- £10.4 million is directly invested in providing these services;
- there is a requirement to provide assurance to those who give so generously that the Trustees will be able to continue to provide patient care to meet the ever more demanding needs of the community;
- our income generation activity has an annual cost to the charity of approximately £3.1 million and accordingly we need to generate approximately £13.5 million per year.

The Trustees have therefore established reserves as follows:

- **Designated Reserves**
'Fixed Assets in Use', which holds the fixed assets used by Pilgrims Hospices in East Kent to provide the facilities for the patients, their families and carers.
- **Restricted Reserves**
These are reserves only available for expenditure in accordance with the donor's directions.
- **Endowment Reserves**
These represent capital sums which are donated under the restriction that they are invested and that only the income arising is available for expenditure in accordance with the donor's directions.
- **Free Reserves**
These are retained by the Trustees to give assurance to those who use the services of Pilgrims Hospices in East Kent and those who give of their time and money that the Trustees will be able to sustain their commitment to provide specialist palliative care services to patients and support to their families and carers. The reserves are set at a level to withstand any short-term setback, whether operational, in the investment markets, or in key sources of income, such as legacies. The free reserves at 31st March 2016 stood at £10.6 million which include £6.0 million invested in quoted investments and £1.5 million in investment properties. The Trustees have agreed that the total of free investments, i.e. those that are not used in the day to day operation of the charity, must not be less than £6 million, the equivalent of 6 months operating expenditure, and the Trustees consider this to be satisfactory. Budgets for future years show a planned reduction in the deficit and have been approved by the Trustees. It is anticipated that this will be achieved by controlling costs tightly and by increasing the income generated by the new fund-raising team. The level of care provided will not be compromised.

EXTERNAL CONTEXT

The charity is completely independent but has service funding agreements with the NHS CCGs covering eastern and coastal Kent, which, last financial year, contributed approximately 28% of our running costs across the three sites, slightly up on the previous year.

We also have close ties with other palliative and end of life care professionals, both in the community and in wider networks, through our consultants and doctors and other qualified staff.

These links ensure that we fulfil our charitable objectives by offering a specialist palliative care service to all the people in east Kent and provide education, training and liaison to other local healthcare professionals.

PEOPLE

It is due to the dedication and professionalism of our staff and volunteers that we can ensure that our patients and their families get the best care that we can give them.

We have approximately 354 members of staff (which equates to 279 whole time equivalents). In order to ensure that they are fully informed about the charity we have multiple and varied communication routes including local site forums, emailed news updates from the Chief Executive, newsletters attached to monthly payslips and an intranet site. Members of management are kept fully briefed and they in turn cascade information down to staff members in their team. We value the views and opinions of our staff and as part of our "Staff Voice" and "Volunteer Voice" model of engagement and involvement, we participate in National Staff Surveys supported by Hospice UK and quarterly questionnaires.

Accordingly, we must continue our investment in building the engagement and skills of our staff so that, in line with our strategic goal, we are recognised as a preferred employer within east Kent and are able to continue to attract, develop and retain talent across our organisation.

We are privileged to have approximately 1,700 volunteers, without whom we would not be able to run the charity. These number 850 in the hospices and 850 in the shops. In the hospices they help in many areas, such as in reception as well as in the offices, providing administrative support. Volunteers provide the majority of staff that operate the shops as in most shops there have been no paid staff. Communication with volunteers takes place with their managers at regular volunteer forums, further supported by email as well as by a dedicated volunteer newsletter.

In order to support these volunteers better we have employed a Volunteer Development Manager. It is a strategic goal that our volunteer services model is recognised as best practice within the Hospice universe.

We have an open employment policy and welcome applications for employment from everyone, regardless of age, disability, race, sex, pregnancy or maternity status, gender reassignment, marriage or civil partnership status, religion or belief (which includes lack of belief) or sexual orientation. Where we employ members of staff who have disabilities or who develop disabilities, where reasonable, we make such adjustments to their working conditions that enable them to continue working with us.

A remuneration committee, comprising those Trustees specified on page 1, meets annually to consider salaries of the management personnel and other staff. During the year these salaries were benchmarked primarily against the 2015/16 Hospice Rewards survey published by Croner and endorsed by Hospice UK. We were a participant in this national survey which compares the salaries of posts against key factors such as:

- Income
- Number of FTE staff
- Location (East, South and London, North East and Scotland, West Midlands and North West)

The remuneration committee noted the external pay benchmarking exercise and was assured that our pay levels were comparable with other similar sized organisations in our sector and supported our strategic objective of becoming a preferred employer by 2020. They also agreed the annual review uplift to ensure that our salaries are kept in line with external benchmarks.

PLANS FOR FUTURE PERIODS

The Trustees are very aware that the continuing deficit is not sustainable, and one of our four strategic goals is to achieve a balanced budget with sustainable reserves by 2020. The charity aims to achieve this by raising income and ensuring that the care it provides is affordable.

Accordingly, the charity continues to look for ways of increasing its income whilst controlling its costs in order to reduce the deficit and at the same time continuing to provide the same levels of care to its patients and to retain three in-patient units. The new Director of Income Generation and her team are undertaking many new initiatives to increase income and some of these are set out below.

A new fund-raising team is now in place and new fund-raising events are now being launched. Already these, such as the Fire Walk, have raised £45,000, and new initiatives, such as Memory Trees, are being introduced to increase revenue. The management of the shops is being reorganised, recognising that operationally they have become far more complex, and that there are opportunities to increase the income by handling the stock gifted to us in a more efficient and centralised way. Additionally, we are looking to increase the amount of Gift Aid we can claim by investing further in the electronic till system.

The lottery is looking to increase its active members with recruitment schemes and the weekly playing membership recently exceeded 20,000 for the first time.

All costs are being examined. Centralised buying is being used for many items, maximising the buying power of the three hospices. More efficient ways of delivering care are also being introduced, enabling our staff to look after more patients, for example, by doctors attending local clinics.

We have previously reported our concerns about the age of the Canterbury site and the potential effect this could have on the care we deliver. We have committed to maintaining an in-patient unit in Canterbury and, as previously reported, the Tory Family Foundation has agreed in principle to donate land to the hospice on which will be built a new purpose built hospice, the costs of which will be underwritten by the developers of the site. Planning permission has been granted and detailed planning is now underway with the timescale of the building of the new hospice likely to be five years. Options for the existing Canterbury site are also being examined, but the great advantage of this plan, apart from the obvious benefit of a new hospice which will be fully underwritten, is that we would be able to move our patients from our existing Canterbury hospice to the new hospice with the minimum of disruption to them. A proportion of any proceeds of sale from the Canterbury site will be paid to the developers, subject to a maximum. All of the above is subject to legal agreements being satisfactorily reached between all the parties. In addition a recent survey of most of our premises, including the shops, has highlighted the need to invest substantial sums, estimated at the moment to be approximately £250,000, to ensure that they are all safe and productive places to work in.

PUBLIC BENEFIT STATEMENT

The Trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2006 to have due regard to the Charity Commission's general guidance on public benefit. The charitable purpose of Pilgrims Hospices in East Kent is stated above in 'Objects and Activities' and the Trustees ensure that this purpose is carried out for the public benefit.

INVESTMENT POLICY AND PERFORMANCE

At the end of the year there was £1.8 million available in cash; at current financial levels of expenditure the charity requires just over £1.1 million per month to cover running expenses. However, when the need arises, the charity is able to liquidate medium term investments very quickly and in the financial year under review £750,000 in investments were realised. The balance of the reserves is held in a portfolio comprising properties, government and other fixed interest securities and equities. The Trustees recognise the need to spread the investment risk in managing the reserves.

The investment properties comprise residential properties that the charity has inherited or acquired and which the Trustees retain, having taken appropriate advice, as they provide potential for capital growth and income. Whilst it is the Trustees' intention to retain these properties for income, during the year under review it was agreed to dispose of three properties in order to keep the weighting of the charity's investments between those managed by Coutts and freehold properties. The Trustees are confident that, having taken advice, the carrying value of the properties at £1.5 million, a surplus of £176,000 over cost, is an accurate reflection of their market value as at 31st March 2016.

The general investment policy for our investment portfolio, adopted by the Trustees and managed by our investment advisers, Coutts & Co, is to grow the investments above inflation whilst receiving an income, in the context of achieving these objectives over a minimum of eight years. At the balance sheet date (prior year in brackets) the portfolio profile was fixed interest 24.8% (26.5%), equities 66% (67%), other investments 8.8% (4%) and un-invested cash on hand of 0.4% (2.5%). As markets have recovered the proportion of fixed interest to equity and other investments has fallen on account of equities continuing to pick up and becoming a more attractive proposition than the generally safer, but lower yielding, fixed interest options.

The Coutts portfolio manager actively monitors portfolio volatility and discusses the risks with Trustees at regular portfolio meetings.

They report that in the 12 month period to 31 March 2016 the net return on the portfolio was minus 2.48% against a benchmark of minus 0.16% (gross numbers). ARC performance (net peer group) was minus 1.41 %. April 2015 coincided with the market highs experienced in early 2015, and equity returns in the portfolio in the following period were down 5%. Fixed income returns in this period were also mildly lower, down 0.48%. This weak performance contrasts strongly with the 12 month period to 31 March 2015 which showed net positive returns of plus 10.6% in the portfolio, against the benchmark plus 11.04% and ARC peer group plus 8.6%.

However, it is worth noting, perhaps, that the weakness in the last 12 month period, which continued into the first quarter of this year, has been made up and in the period since 1st January (to 6 June 2016) the portfolio is up 2.5% net.

The value of our investment portfolio as at 31st March 2016 is set out below.

Sector description	Market Value £ as at 31 March 2016	% of total value
Equities		
Europe	916,374	15.39
Global	223,628	3.76
Japan	236,219	3.97
North America	605,092	10.16
Pacific Basin	293,339	4.93
United Kingdom	1,657,390	27.83
Total equities	3,932,042	66.04
Fixed interest		
Global	565,782	9.50
United Kingdom	908,932	15.27
Total fixed interest	1,474,714	24.77
Alternative funds		
Global	525,164	8.82
Total alternative funds	525,164	8.82
Cash accounts	22,120	0.37
Total portfolio value	5,954,040	100%

Pilgrims Hospices in East Kent

STRUCTURE, GOVERNANCE AND MANAGEMENT

STRUCTURE

Pilgrims Hospices in East Kent is a registered charity and company limited by guarantee. The guarantee of each member is limited to £1. It was incorporated on 14th March 1986.

Pilgrims Hospices in East Kent has three wholly owned subsidiaries. All are registered in England, are limited by share capital and have as their registered office 56 London Road, Canterbury, Kent CT2 8JA. Two of the subsidiaries are now dormant and the third operates as a trading company, transferring its taxable profits to Pilgrims Hospices in East Kent.

Hospice Shops Limited (No. 1623758, director R J Davis) is now a dormant company.

Pilgrims Hospice Lottery Limited (No. 3130167, directors R J Davis, M S August) is now a dormant company.

Pilgrims Hospices Trading Limited (No. 07993259, director Mr R J Davis) handles the taxable trading activities of the charity, other than the running of the charity shops, and it and the charity are registered for VAT under a group registration scheme.

The trading performance of the trading subsidiary is shown in Note 4 to the accounts.

GOVERNANCE

TRUSTEES

The charity is governed by a Board of Trustees of not less than five and not more than eighteen. As at 31st March 2016 there were nine Trustees. They govern in accordance with the Memorandum and Articles of Association and bring relevant experiences and skill sets as determined by a regular skills audit of the Board, from which recruitment is driven. These sectors currently include, for example, medical, business, academia, education, legal and spiritual/religious.

New Trustees are elected by the Board following a process which includes interviews by a sub-committee of the Board and the Chairman and Chief Executive. Applicants are sought from a combination of advertised vacancies, executive search and personal referrals. Four additional Trustees were elected to the Board on 25 May 2016 bringing the total number of Trustees to thirteen. The policies and procedures for Trustee induction and training are similar to those set out for all employees of the charity. Training of the Trustees is reviewed against individual training needs and a full introduction and induction to the organisation is given to new Trustees on appointment.

The Board normally meets six times a year to review strategy and performance and is helped in its work by the following Trustee-led committees:

Finance, Audit & Investment;
Income Generation;
Clinical Care & Quality;
Remuneration;
Nominations and Governance.

Committees do not have executive authority but are chaired by a Trustee. They have their own terms of reference and provide linkage to the main Board and support for senior management of the charity in their work.

MANAGEMENT

The Chief Executive and the executive team have delegated authority to manage the charity on a day to day basis within the annual budget agreed by the board. The executive team have the specific skills and experience to enable them to fulfil their roles. They report progress on this at the board meetings and through monthly financial reports.

In addition, they meet formally every month in the executive directors' meetings. There are other regular management meetings and daily situation review meetings, with additional weekly operational meetings, are held to manage the day to day running of the hospices.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees regularly assess the risks and uncertainties that the charity is exposed to. The main risk that faces the hospice is its ability to deliver its mission statement and the risks to this include operational risks arising from workforce, financial and health and safety issues. Financial risk would include the loss of income arising from a loss of reputation, but the Trustees also recognise that the charity relies on two material amounts of funding arising from legacies and the NHS grant. Action is being taken to ensure the continued flow of legacies (such as holding Will Writing weeks with the support of local solicitors firms) and a strong relationship is maintained with the NHS to ensure the continuance of the grant. Workforce risks include the inability to be able to recruit and retain suitably qualified staff and this particular risk is in line with many parts of the NHS.

A formal risk register is in place and the Trustees have adopted a risk management strategy whereby those risks are identified, the level of risk is assessed and systems for ameliorating them are put in place. The risk register is reviewed monthly at a meeting of the executive team and each member of the executive team, in turn, is responsible for managing identified risks, identifying further risks and reporting

Pilgrims Hospices in East Kent

these upwards to the Trustees for review. Sub-committees of the Board of Trustees, whose members comprise those with the skills and knowledge specific to the risks under review, report regularly to the Board.

RESPONSIBILITIES OF THE TRUSTEES

The Trustees (who are also directors of Pilgrims Hospices in East Kent for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the group financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the incoming resources and application of resources, including the net income or expenditure of the group for the year. In preparing those 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
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue in operation

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charity and the group and which enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF DISCLOSURE TO THE AUDITORS

Each of the persons who are Trustees (directors) of the charitable company at the date of approval of these financial statements as set out above, has confirmed that:

- a) so far as that Trustee is aware, there is no relevant audit information of which the charitable company's auditors are unaware and
- b) the Trustee has taken all steps that ought to have been taken as a Trustee (director) in order to be aware of any information needed by the charitable company's auditors in connection with their report and to establish that the charitable company's auditors are aware of that information.

AUDITORS

A resolution proposing the re-appointment of Messrs MHA MacIntyre Hudson as auditors to the company will be put to the Annual General Meeting, in accordance with Section 485 Companies Act 2006.

CHARITY WEBSITE

The Trustees (directors) are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website (www.pilgrimshospices.org). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

APPROVAL

This report, including the strategic report, was approved by the Trustees, in their capacity as company directors, on 21 June 2016 and signed on its behalf by:



.....
R J Davis, Chairman

Independent auditors' report for the year ended 31 March 2016 to the members of Pilgrims Hospices in East Kent

We have audited the financial statements of Pilgrims Hospices in East Kent and its subsidiaries for the year ended 31 March 2016 which comprise the group statement of financial activities, the group and parent charitable company balance sheets, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the trustee's responsibilities statement (set out on page 10), the trustees (who are also directors of Pilgrims Hospices in East Kent 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 auditor under the Companies Act 2006 and report in accordance with this Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the trustees' annual report (including the strategic report) to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31st March 2016, and of the group's incoming resources and application of resources, including its 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 Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the trustees' annual report (including the strategic report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

Pilgrims Hospices in East Kent

Independent auditors' report for the year ended 31 March 2016 to the members of Pilgrims Hospices in East Kent

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 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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 of the information and explanations we require for our audit.


Duncan Cochrane-Dyet FCA

Senior Statutory Auditor
for and on behalf of MHA MacIntyre Hudson
Statutory Auditor
31 St George's Place
Canterbury
Kent CT1 1XD

Date: 21 June 2016

Pilgrims Hospices in East Kent

Group statement of financial activities (incorporating an income and expenditure account) for the year ended 31 March 2016

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2016 £'000	Total 2015 £'000
INCOME AND ENDOWMENTS FROM:						
Donations and legacies	2	1,763	1,551	-	3,314	4,064
Investment income	3	234	-	-	234	273
Charitable activities:						
Grants receivable	4	2,371	500	-	2,871	3,094
Fees receivable	5	432	-	-	432	554
Other trading activities:						
Fundraising	6	999	-	-	999	1,056
Income from trading subsidiary	7	70	-	-	70	78
Income from trading activities	8	4,104	-	-	4,104	4,051
TOTAL INCOMING RESOURCES		9,973	2,051	-	12,024	13,170
EXPENDITURE ON:						
Raising funds:						
Fundraising costs	9	718	-	-	718	551
Trading subsidiary's costs	7	32	-	-	32	53
Trading activities' costs	8	2,343	-	-	2,343	2,117
Investment management fees		34	-	-	34	44
		3,127	-	-	3,127	2,765
Charitable activities:						
In-patient	10	5,981	2,025	-	8,006	8,567
Community services	11	1,579	-	-	1,579	1,507
Counselling	12	359	-	-	359	357
Information and education	13	374	-	-	374	408
Governance costs	14	119	-	-	119	108
		8,412	2,025	-	10,437	10,947
TOTAL RESOURCES EXPENDED		11,539	2,025	-	13,564	13,712
Net (losses)/gains on investments	21	(111)	-	-	(111)	695
Net movement in funds in the year		(1,677)	26	-	(1,651)	153
Total funds brought forward		22,356	74	13	22,443	22,290
Total funds carried forward		20,679	100	13	20,792	22,443

The net expenditure for the charity for the year amounted to £1,600k (2015: net income £542k).

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above. The net expenditure for the year for Companies Act purposes comprises net out going resources before recognised gains and losses for the year plus realised gains on investments and was £1,866k (2015: deficit £1,406k). The net expenditure for the year calculated on a historical cost basis would be £1,518k (2015: deficit £304k). Note 20 gives details of changes in resources applied for fixed assets for charity use.

Pilgrims Hospices in East Kent

Group and Charity balance sheets as at 31 March 2016

	Notes	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Fixed assets					
Tangible assets	20	10,086	10,503	10,086	10,503
Investments	21	7,470	8,963	7,470	8,963
		17,556	19,466	17,556	19,466
Current assets					
Stocks		4	4	-	-
Debtors	22	2,437	3,356	2,444	3,366
Cash at bank and in hand		1,779	866	1,771	856
		4,220	4,226	4,215	4,222
Creditors					
Amounts falling due within one year	23	984	1,249	979	1,246
Net current assets		3,236	2,977	3,236	2,976
Total assets less current liabilities		20,792	22,443	20,792	22,442
Net assets		20,792	22,443	20,792	22,442
Charity funds					
Unrestricted funds - general funds - includes revaluation reserve of £363k (2015: £955k)	25	20,679	22,356	20,679	22,355
Restricted funds	25	100	74	100	74
Permanent endowment fund	25	13	13	13	13
Total charity funds		20,792	22,443	20,792	22,442

Approved and authorised by the board of trustees for issue on 21 June 2016



R J Davis
Chairman of the board of trustees

The notes on pages 16 to 31 form part of these financial statements

Company number 2000560

Pilgrims Hospices in East Kent

Group statement of cash flows for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Net cash (outflow) from operating activities	19	(479)	(806)
Cash flow from investing activities			
Interest received (including tax recovered)		132	149
Payments to acquire tangible fixed assets		(122)	(74)
Payments to acquire investments		(2,465)	(4,724)
Receipts from sale of investments		3,847	5,329
Net cash inflow provided by investing activities		1,392	680
Net increase/(decrease) in cash and cash equivalents		913	(126)
Cash and cash equivalents at 1 April 2015:			
Cash at bank and in hand		866	992
Cash and cash equivalents at 31 March 2016			
Cash at bank and in hand		1,779	866
Cash and cash equivalents consist of:			
Cash at bank and in hand		1,779	866
Short term deposits		-	-
Cash and cash equivalents at 31 March 2016		1,779	866

**Notes forming part of the financial statements
for the year ended 31 March 2016**

1 Accounting policies

a) General information and basis of preparation

The charity is a company limited by guarantee. The members of the company are the trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 1 of these financial statements. The nature of the charity's operations and the principal activities are that of a hospice and associated activities.

The financial statements have been prepared on a going concern basis under the historical cost convention with the exception of investments, which are included at fair value. The financial statements have been prepared in accordance with the Companies Act 2006 and 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 UK and Republic of Ireland (FRS 102) issued on 16 July 2014, and UK Generally Accepted Practice as it applies from 1 January 2015.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis. The charity has availed itself of paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities. No separate SOFA has been presented for the charity alone as permitted by Section 408 of the Companies Act 2006.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The charity adopted SORP (FRS 102) in the current year and an explanation of how transition to SORP (FRS 102) has affected the reported financial position and performance is given in note 30.

b) Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and after any performance conditions have been met, and the amount can be measured reliably and it is probable that the income will be received.

For donations to be recognised the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Lottery income is only deferred when the draw takes place in the next period.

Where possible, legacies are credited to the accounts in the year of death where the trustees are satisfied they are entitled to the money, there is certainty they will receive it and they are able to quantify their entitlement. Entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received. Accordingly, all legacies are accounted for when probate is granted at the best estimate of the entitlement less an estimate of the costs and having made allowance for a variation between the probate value and final proceeds realised, excluding those that are subject to the interest of a life tenant. On occasion legacies will be notified to the charity however it is not possible to measure the amount expected to be distributed whereupon the legacy is treated as a contingent asset and disclosed.

Gifts donated for resale are included as income when they are sold, as the trustees consider it is impractical to measure the fair value of goods donated for resale and also the costs of valuation would outweigh the benefit to the charity. Fixed asset gifts in kind are recognised when receivable and are included at fair value. They are not deferred over the life of the asset.

No amounts are included in the financial statements for services donated by volunteers, or the free use of facilities where the value of the gift cannot be measured reliably.

Grants are recognised in the period to which they relate at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

c) Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of the resources.

Notes forming part of the financial statements for the year ended 31 March 2016

c) Resources expended (continued)

Fundraising costs are those incurred in seeking voluntary contributions and includes the cost of advertising for donations and the staging of fundraising events and does not include the costs of disseminating information in support of the charitable activities.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

Expenditure recorded under charitable activities comprise of the costs of providing care, including all support costs. Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources, i.e. staff costs are calculated as a proportion of total expenses and the other support costs are calculated as a proportion of staff costs on each activity over total support staff costs.

d) Tangible fixed assets and depreciation

Tangible fixed assets over £2,500 with a useful economic life greater than four years are capitalised and included at cost including any incidental expenses of acquisition. The trustees do not consider it appropriate or useful to undertake impairment reviews.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value on a straight line basis over their expected useful economic lives as follows:

Freehold land nil	Soft furnishing over 5 years
Freehold buildings over 50 years	Office furniture over 5 years
Anne Robertson Centre freehold building over 5 years	Other equipment over 5 years
Long leasehold buildings over 50 years	Computer equipment over 4 years
Hard furnishings over 10 years	Motor vehicles over 4 years
Fixtures and equipment over 10 years	

e) Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value at the balance sheet date. The SOFA includes the net gains and losses arising on changes in fair value and disposals throughout the year. Investment properties are valued by directors based on advice received and are subject to a reduction of 25% to take into account any possible variations in the value and costs of disposal.

Investment properties are revalued to fair value annually by the trustees at each reporting date and the aggregate surplus or deficit recognised in net gains/(losses) on investments in the SOFA.

f) Stocks

Stocks consist of purchased goods for resale and are valued at the lower of cost and net realisable value. Most goods sold in the shops are donated and only brought into the accounts when converted into cash. It is not considered practical or economic to attempt to place a value on the stock of donated goods and accordingly the charity recognises the value of donated goods when they are sold (also refer to policy on Incoming Resources b)).

g) Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

h) Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset, or the asset's cash generating unit, is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in profit or loss unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

i) Pension costs

The group operates a defined contribution pension scheme open to all employees. However, certain employees are already members of professional pension schemes to which Pilgrims Hospices in East Kent continues to make contributions as their employer. The pension costs charged in the financial statements represent the contributions payable by the group during the year.

The charity also participates in the Baptist Pension Scheme (the Plan). The Plan is funded and is not contracted out of the state scheme. It is a multi-employer pension plan and it is not possible, in the normal course of events, to identify, on a reasonable and consistent basis, the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under represents the employer contribution payable. While the Plan is primarily a defined contribution scheme it has inherent guarantees that mean the charity may need to make further contributions to meet deficits.

**Notes forming part of the financial statements
for the year ended 31 March 2016**

l) Pension costs (continued)

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt. Further details including the current buy-out debt amount are given in note 31 as a liability.

j) Value Added Tax

The charity is registered for VAT and is able to recover VAT relating to its trading and charitable activities and a percentage of the VAT it suffers on its costs. This is reflected in the relevant costs in the statement of financial activities.

k) Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income and expenditure account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

l) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income and gains are allocated to the appropriate fund.

i) Judgements and key sources of estimation uncertainty

No judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had any significant effect on amounts recognised in the financial statements, except for those detailed in the above accounting policies.

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

2	Donations and gifts	2016	2015
		£'000	£'000
	Donations	1,384	1,428
	Legacies	1,930	2,607
	Contributions from patients	-	29
		3,314	4,064
	Income attributable to restricted funds	1,551	930
	Income attributable to unrestricted funds	1,763	498
		3,314	1,428
3	Investment income	2016	2015
		£'000	£'000
	Income from listed investments:		
	Fixed interest	58	61
	Unit trusts	1	1
	Managed funds	69	81
	Interest receivable on cash deposits	4	6
	Net rents receivable	102	124
		234	273
4	Grants receivable	2016	2015
		£'000	£'000
	Local Health Authority	2,871	2,861
	Department of Health	-	233
		2,871	3,094
	Income attributable to restricted funds	500	-
	Income attributable to unrestricted funds	2,371	2,861
		2,871	2,861
5	Fees receivable	2016	2015
		£'000	£'000
	Medical fees	285	410
	Ministers' fees	3	1
	Mesothelioma compensation	5	1
	Course fees and hire of facilities	139	142
		432	554
	Income attributable to restricted funds	-	-
	Income attributable to unrestricted funds	432	554
		432	554

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

6 Fundraising income	2016 £'000	2015 £'000
General fundraising	597	603
Gross proceeds of events	402	453
	999	1,056
Income attributable to restricted funds	-	17
Income attributable to unrestricted funds	999	1,039
	999	1,056

7 Income and expenditure of trading subsidiary

The charity owns the whole of the issued ordinary share capital of Hospice Shops Ltd (1623758), Pilgrims Hospice Lottery Ltd (3130167) and Pilgrims Hospices Trading Ltd (07993259), all of which are registered in England. Hospice Shops Ltd and Pilgrims Hospice Lottery Ltd are dormant. Pilgrims Hospices Trading Ltd undertakes a number of trading activities, including the sale of Christmas cards. All activities have been consolidated and the company paid all of its profit to the charity by Gift Aid. A summary of the results of the subsidiary is shown below.

	Pilgrims Hospices Trading Ltd.	
	Total	Total
	2016 £'000	2015 £'000
Turnover	70	78
Cost of sales	26	43
	44	35
Administration costs	6	10
Net profit	38	25
Amount Gift Aided to the charity	(38)	(25)
Retained profit brought forward	-	-
Retained profit carried forward	-	-
	2016 £'000	2015 £'000
The aggregate of assets, liabilities and funds was:		
Assets	7	7
Liabilities	(7)	(7)
Net assets	-	-
Represented by:		
Ordinary shares of £1 each	-	-
Profit and loss account	-	-
Total funds	-	-

All income and expenditure from trading activities are attributed to unrestricted funds.

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

8	Trading activities	2016 £'000	2016 £'000	2016 £'000	2015 £'000
		Shops	Lottery	Total	Total
	Turnover	2,966	1,079	4,045	4,051
	Other income	59	-	59	-
		3,025	1,079	4,104	4,051
	Costs of sales				
	Prizes	-	212	212	212
	Other	20	141	161	162
		20	353	373	374
		3,005	726	3,731	3,677
	Administrative costs				
	Wages and salaries	814	92	906	800
	Rent and rates	409	-	409	340
	Repairs and renewals	69	-	69	45
	Depreciation	110	7	117	117
	Administrative costs	423	46	469	441
		1,825	145	1,970	1,743
	Net profit	1,180	581	1,761	1,934

All income and expenditure from trading activities are attributed to unrestricted funds.

9	Fundraising costs	2016 £'000	2015 £'000
	Wages and salaries	506	449
	Publicity	81	33
	Purchase of fundraising support materials	31	5
	Sundry	44	23
	Event costs	56	41
		718	551
	Expenditure attributable to restricted funds	-	-
	Expenditure attributable to unrestricted funds	718	551
		718	551

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

10 In-patient costs	2016 £'000	2015 £'000
Doctors' salaries	862	1,041
Nurses' salaries	3,255	3,151
Chaplains' and therapists' salaries	423	574
Administrative support salaries	679	744
Catering, domestic and maintenance salaries	805	726
Food	112	108
Medical supplies	86	80
Laundry and cleaning	130	138
Heat, light and water	152	138
Repairs and maintenance	279	299
Department of Health grant expenditure	4	233
Depreciation	375	384
(Profit) on disposal of fixed assets	(99)	(26)
Postage	20	26
Recruitment advertising and fees	38	71
Telephone	10	14
Insurance	34	33
Travel and sundry	70	54
Support costs	771	779
	8,006	8,567
Expenditure attributable to restricted funds	1,567	1,556
Expenditure attributable to unrestricted funds	6,439	7,011
	8,006	8,567
11 Community services costs	2016 £'000	2015 £'000
Wages and salaries	1,269	1,176
Travel and sundry	124	167
Consultancy	-	-
Telephone	35	28
Support costs	151	136
	1,579	1,507
Expenditure attributable to restricted funds	430	-
Expenditure attributable to unrestricted funds	1,149	1,507
	1,579	1,507
12 Counselling	2016 £'000	2015 £'000
Wages and salaries	316	319
Travel and sundry	8	7
Support costs	35	31
	359	357
Expenditure attributable to restricted funds	-	-
Expenditure attributable to unrestricted funds	359	357
	359	357

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

13 Information and education	2016 £'000	2015 £'000
Wages and salaries	241	228
Course fees and expenses	54	65
Professional books and journals	5	4
Travel and sundry	2	34
Costs of education centre	35	40
Support costs	37	37
	374	408
Expenditure attributable to restricted funds	-	-
Expenditure attributable to unrestricted funds	374	408
	374	408

14 Support costs

The charity allocates its support costs as shown in the table below. Support costs are allocated on a basis consistent with the use of resources.

	In-patient £'000	Community services £'000	Counselling £'000	Information & Education £'000	Governance £'000	Total 2016 £'000	Total 2015 £'000
Wages and salaries	506	100	23	24	78	731	791
Occupational health	12	2	1	1	2	18	12
Life assurance	10	2	-	-	2	14	10
Printing and stationery	20	4	1	1	3	29	32
Telephone	1	-	-	-	-	1	1
Travel	8	1	-	-	1	10	13
Computer costs	97	19	4	5	15	140	134
Repairs and renewals	10	2	-	-	2	14	2
Bank charges	11	2	1	1	2	17	17
Auditors' remuneration	15	3	1	1	2	22	17
Professional fees	13	3	1	1	2	20	19
Consultancy fees	28	6	1	1	4	40	30
VAT irrecoverable	25	5	1	1	4	36	-
Sundry	15	2	1	1	2	21	13
	771	151	35	37	119	1,113	1,091
Expenditure attributable to restricted funds						28	-
Expenditure attributable to unrestricted funds						1,085	1,091
						1,113	1,091

15 Net outgoing resources of the group	2016 £'000	2015 £'000
The surplus of expenditure over income is stated after charging:		
Depreciation	490	503
Lease rental of motor vehicles	1	1
Lease rental of land and buildings	305	305
(Profit) on fair value movement of investment properties	(131)	(129)
Loss/(profit) on fair value movement of investments	242	(566)

**Notes forming part of the financial statements
for the year ended 31 March 2016**

16 Trustees' and key management personnel remuneration and expenses

The trustees neither received nor waived any emoluments during the year (2015: £Nil). £153 out of pocket expenses were reimbursed to trustees (2015: £2,024). The trustees took out indemnity insurance at a cost of £1,150 (2015: £954) in the year under review. No trustees are accruing pension benefits (2015: none).

The total amount of employee benefits received by key management personnel is £581,588 (2015: £520,148). The charity considers its key management personnel during the year to comprise:

C Russell	Chief Executive
H C Bennett	Director of HR and Workforce Development
Dr C Butler	Director of Medicine (resigned 18 August 2015)
W Hills	Director of Nursing and Care (appointed 18 May 2015)
S Sharp	Director of Income Generation (appointed 15 June 2015)
J Sillett	Head of Operations
P R F Simpson	Director of Finance and IT
Dr A Thorns	Director of Medicine (w.e.f. 19 August 2015)

The reimbursement of trustees expenses was as follows:

	2016 number	2015 number	2016 £'000	2015 £'000
Travel	1	2	-	2
Subsistence	-	-	-	-
Accommodation	-	-	-	-
Other	-	-	-	-
	1	2	-	2

17 Staff costs

	2016 £'000	2015 £'000
Wages and salaries	8,247	7,963
Social security costs	640	610
Pension costs	643	595
	9,530	9,168

The number of employees (including those contracted to the charity by third parties, undertaking work equivalent to that carried out by employees) whose emoluments, as defined for taxation purposes, amounted to over £60,000 in the year was as follows:

	Number 2016	Number 2015
£60,001 - £70,000	2	3
£70,001 - £80,000	1	2
£80,001 - £90,000	2	1
£90,001 - £100,000	1	2
£110,001 - £120,000	2	1

7 employees (2015: 9) earning more than £60,000 participated in defined contribution pension schemes at a cost of £67,690 (2015: £71,215).

The average monthly number of employees and full-time equivalent (FTE) analysed by function was:

	2016		2015	
	Number	FTE	Number	FTE
Fundraising	18	14	17	13
Trading	36	32	29	27
In-patient	211	154	208	153
Community services	42	38	46	40
Counselling	13	9	12	9
Information and education	8	7	8	5
Administration and support	26	25	25	28
	354	279	345	275

**Notes forming part of the financial statements
for the year ended 31 March 2016**

18 Auditor's remuneration	2016 £'000	2015 £'000
Fees payable to the charity's auditor for the audit of the charity's annual accounts	<u>22</u>	<u>22</u>
Audit of the charity's subsidiaries	2	2
Taxation advisory	<u>4</u>	<u>-</u>
	<u>6</u>	<u>2</u>
19 Reconciliation of net incoming resources to net cash flow from operating activities	2016 £'000	2015 £'000
Net (outgoing) resources	(1,540)	(542)
Depreciation on fixed assets	490	503
Disposals of fixed assets	49	108
Decrease in stocks on hand	-	1
Decrease/(increase) in debtors	919	(746)
(Decrease)/increase in creditors	(265)	19
Investment income (excluding rents receivable)	<u>(132)</u>	<u>(149)</u>
Net cash flow from trading activities	<u>(479)</u>	<u>(806)</u>

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

20 Tangible fixed assets		Freehold land and buildings	Long lease- hold land & buildings	Furniture & furnishings	Equipment	Motor vehicles	Total
a) The charity		£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2015		10,834	2,588	287	506	100	14,315
Additions		13	16	-	82	11	122
Disposals		(61)	-	-	-	(10)	(71)
At 31 March 2016		10,786	2,604	287	588	101	14,366
Depreciation							
At 1 April 2015		2,263	868	211	383	87	3,812
Charge for year		266	115	29	69	11	490
On disposals		(12)	-	-	-	(10)	(22)
At 31 March 2016		2,517	983	240	452	88	4,280
Net book value							
At 31 March 2016		8,269	1,621	47	136	13	10,086
At 31 March 2015		8,571	1,720	76	123	13	10,503
b) The group							
		Freehold land and buildings	Long lease- hold land & buildings	Furniture & furnishings	Equipment	Motor vehicles	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Cost							
At 1 April 2015		10,834	2,588	287	506	100	14,315
Additions		13	16	-	82	11	122
Disposals		(61)	-	-	-	(10)	(71)
At 31 March 2016		10,786	2,604	287	588	101	14,366
Depreciation							
At 1 April 2015		2,263	868	211	383	87	3,812
Charge for year		266	115	29	69	11	490
On disposals		(12)	-	-	-	(10)	(22)
At 31 March 2016		2,517	983	240	452	88	4,280
Net book value							
At 31 March 2016		8,269	1,621	47	136	13	10,086
At 31 March 2015		8,571	1,720	76	123	13	10,503

Freehold land and buildings includes freehold land of £2.0 million that is not depreciated.

Included in equipment are the following amounts held under a finance lease:

	2016 £'000	2015 £'000
Net book value	9	-
Depreciation	2	-

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

21 Fixed asset investments	Market value 2015 £'000	Additions £'000	Disposal proceeds £'000	Net investment gains £'000	Market value 2016 £'000	Historical cost 2016 £'000
Charity and Group						
Freehold properties	1,976	-	(598)	131	1,509	1,384
Quoted investments:						
Fixed interest	1,855	183	(490)	(73)	1,475	1,442
Managed funds (equity based)	4,670	1,727	(2,273)	(192)	3,932	3,742
Alternative investment funds	280	555	(333)	23	525	510
Cash at bank	182	-	(153)	-	29	29
Total	8,963	2,465	(3,847)	(111)	7,470	7,107

Included above are the following investments which represent more than 5% of the total.

	Market value £'000	Historical cost £'000
AXA Framlington UK Select	324	327
MG Investment Property	339	335
C F Lindsell UK Equity	380	304

The charity also owns 3 ordinary shares of £1 each in Hospice Shops Ltd, 2 ordinary shares of £1 each in Pilgrims Hospice Lottery Ltd and 2 ordinary shares of £1 each in Pilgrims Hospices Trading Limited, all of which are wholly owned subsidiaries (note 7).

Investment properties

During the year ended 31 March 2015 informal valuations of the properties were undertaken by the trustees with the help of advisors. Based on these, the trustees' best estimate of their fair value at 31 March 2016 is £1,509k, which compares favourably with the historical cost of £1,384k.

22 Debtors	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Trade debtors	110	146	110	145
Other debtors	114	55	114	55
Amounts owed by group undertaking	-	-	7	11
Legacies	1,951	2,911	1,951	2,911
Prepayments and accrued income	217	195	217	195
Income Tax recoverable	45	49	45	49
	2,437	3,356	2,444	3,366

Pilgrims Hospices in East Kent

Notes forming part of the financial statements for the year ended 31 March 2016

23 Creditors: amounts falling due within one year

	Group 2016 £'000	Group 2015 £'000	Charity 2016 £'000	Charity 2015 £'000
Trade creditors	355	591	395	591
Amounts due under finance leases (secured against the assets to which they relate)	10	-	10	-
Taxation and social security costs	219	166	219	166
Accruals	236	328	191	325
Deferred income (advance lottery subscriptions)	164	164	164	164
	984	1,249	979	1,246

Deferred income is analysed as follows:

	Under 1 year £'000	Over 1 year £'000	Total £'000
At 1 April 2015	164	-	164
Additions during the year	164	-	164
Amounts released to income	(164)	-	(164)
At 31 March 2016	164	-	164

24 Statement of funds

	2015 £'000	Incoming resources £'000	Resources expended £'000	Investment gains £'000	Transfers £'000	2016 £'000
Unrestricted funds:						
General funds	11,853	9,973	(11,539)	(111)	417	10,593
Designated funds	10,503				(417)	10,086
	22,356	9,973	(11,539)	(111)	-	20,679
Restricted funds:						
Ashford Hospice	8	-	(3)	-	-	5
Ashford Hospice - running costs	-	251	(251)	-	-	-
Ashford outreach	-	35	-	-	-	35
Ashford Hospice - maintenance provided in kind	-	33	(33)	-	-	-
Canterbury Hospice	29	-	(9)	-	-	20
Canterbury Hospice - running costs	-	572	(572)	-	-	-
Canterbury Hospice - improvements	-	20	(4)	-	-	16
Thanet Hospice - general improvements	30	7	(30)	-	-	7
Thanet Hospice - improvements to garden	-	5	-	-	-	5
Thanet Hospice - running costs	-	592	(592)	-	-	-
Funds for purchase of iPads	-	28	(28)	-	-	-
Bursary for nurses	-	6	-	-	-	6
Hospice at Home - running costs	-	2	(2)	-	-	-
Hospice at Home - running costs grant	-	400	(400)	-	-	-
NHS - salary support grant	-	70	(70)	-	-	-
Help the Hospices - grant for training	-	30	(30)	-	-	-
Local Authority restricted income	6	-	-	-	-	6
Memorial bricks	1	-	(1)	-	-	-
Total restricted funds	74	2,051	(2,025)	-	-	100
Permanent endowment fund	13	-	-	-	-	13
Total funds	22,443	12,024	(13,564)	(111)	-	20,792

Designated funds: The fixed asset in use fund has been set up to identify those funds that are not free funds and it represents the net book value of tangible fixed assets. The transfer between general funds and designated funds represents the net movement in the net book value of fixed assets in the year.

**Notes forming part of the financial statements
for the year ended 31 March 2016**

24 Statement of funds (continued)

Restricted funds: These represent donations, legacies and grants received for specific purposes. Income for capital expenditure is shown within transfers to unrestricted funds where spent in the year, or carried forward where unspent.

Permanent endowment fund: This represents part of the total assets of the Canterbury Dispensary Fund, received in the year to 31 March 2000. The capital is invested in a unit trust.

25 Analysis of group net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2016 £'000	Total 2015 £'000
Fund balances at 31 March 2016 are represented by:					
General Funds					
Investments	7,457	-	13	7,470	8,963
Current assets	4,120	100	-	4,220	4,226
Current liabilities	(984)	-	-	(984)	(1,249)
	10,593	100	13	10,706	11,940
Designated Funds					
Tangible fixed assets	10,086	-	-	10,086	10,503
Total net assets	20,679	100	13	20,792	22,443

26 Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

27 Financial commitments

At 31 March 2016 the group had annual commitments under non-cancellable leases as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
Within one year	323	-	350	1
Two to five years	1,083	6	1,082	-
More than five years	541	-	769	-

Contracted commitments for the acquisition of tangible fixed assets contracted for but not provided for in the financial statements amounted to £31,997 (2015: £nil).

28 Control relationships

There is no one controlling party over the reporting entity as all trustees have equal standing.

29 Related parties

The charity wholly owns Pilgrims Hospice Trading Limited, Hospice Shops Limited and Pilgrims Hospice Lottery Limited.

Pilgrims Hospice Trading Limited contributed £3,000 (2015: £3,000) to the charity towards the rent of the premises occupied by the company and the cost of wages and salaries and £15,224 (2015: £20,080) for the cost of food provided. In addition the company paid £35,311 (2015: £16,673) to the charity by way of gift aid. At the balance sheet date the charity was owed by the company £7,282 (2015: £11,125). This amount is unsecured, interest free and repayable within one year.

Hospice Shops Limited has been dormant since 1 April 2012. At the balance sheet date the company was owed £3 (2015: £3) by the charity. This amount is unsecured, interest free and repayable within one year.

**Notes forming part of the financial statements
for the year ended 31 March 2016**

29 Related parties (continued)

Pilgrims Hospice Lottery Limited has been dormant since 1 April 2012. At the balance sheet date the company was owed by the charity £2 (2015: £2). This amount is unsecured, interest free and repayable within one year.

During the year, consultancy fees amounting to £33,332 were paid to G Russell, the spouse of C Russell, the chief executive. These costs were authorised by the trustees and are considered to be on an arms length basis.

30 First time adoption of SORP (FRS 102)

The charity has adopted the SORP (FRS 102) for the first time in the year ended 31 March 2016.

The effect of transition from SORP (2005) to SORP (FRS 102) is outlined below:

a) Changes in accounting policies

Consequential changes in accounting policies resulting from adoption of SORP (FRS 102) were as follows:

Legacies are credited to the accounts in the year of death where the trustees are satisfied they are entitled to the money and there is certainty that they will receive it (Note 1 b). Previously the policy adopted included only legacies received in the year and within one month of the year end. The effect of the adoption of the new policy is that legacies receivable at 31 March 2015 have been restated from £591,000 to £2,911,000, an increase of £2,320,000. The legacies receivable at 1 April 2015 have been restated from £126,000 to £1,888,000, an increase of £1,762,000. As a result of this, the charity funds at 1 April 2015 have been increased by £1,762,000 to £22,290,000 and the income for the year ended 31 March 2015 by £558,000, resulting in a restated positive movement of funds of £153,000.

b) Reconciliation of total charity funds

Adjustments to previously reported total charity funds at the date of transition to SORP (FRS 102) were as follows:

	£'000
Total charity funds at 1 April 2015 under SORP (2005)	20,123
Change in recognition of legacy income - increase in debtors	2,320
Total charity funds at 1 April 2015 under SORP (FRS 102)	<u>22,443</u>

Adjustments to previously reported total charity funds at the end of the comparative period were as follows:

	£'000
Total charity funds at 1 April 2014 under SORP (2005)	20,528
Change in recognition of legacy income - increase in debtors	1,762
Total charity funds at 1 April 2014 under SORP (FRS 102)	<u>22,290</u>

c) Reconciliation of comparative period net income/expenditure

Adjustments to previously reported net income/expenditure in the comparative period were as follows:

	£'000
Net expenditure for the period ended 31 March 2015 under SORP (2005)	(405)
Change in recognition of legacy income - increase in income	568
Net income for the period ended 31 March 2015 under SORP (FRS 102)	<u>153</u>

Prior to applying FRS102 the charity recognised legacy income when received and within one month of the year end. FRS102 requires that recognition occurs at an earlier point, in accordance with the accounting policy detailed in Note 1b). Consequently an additional debtor of £1,762,000 at 1 April 2014 has been recognised to reflect this. The additional debtor at 31 March 2015 is £2,320,000 and the effect on profit for the year then ended is additional income of £558,000.

**Notes forming part of the financial statements
for the year ended 31 March 2016**

31 Pensions

The charity also participates in the Baptist Pension Scheme (the Plan). The Plan is funded and is not contracted out of the state scheme. It is a multi-employer pension plan and it is not possible, in the normal course of events, to identify, on a reasonable and consistent basis, the share of underlying assets and liabilities belonging to individual participating employers. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable. While the Plan is primarily a defined contribution scheme it has inherent guarantees that mean the charity may need to make further contributions to meet deficits.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definitions. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up. The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The charity has been notified by the Baptist Pension Scheme of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 31 March 2011. As of this date the estimated employer debt for the Charity was £80,000. This potential debt is included in the financial statements in current liabilities. The charity has not been notified of additional contributions that will be payable in order to eliminate the deficit in the Plan. In accordance with the charity's accounting policy, any such expenditure will be recognised in the accounts as the contributions become payable. The trustees consider any such excess unlikely.

