



Pilgrims Hospices in East Kent

(A company limited by guarantee)

Trustees' report and financial statements
for the year ended 31 March 2017

Charity number 293968

Company number 2000560

www.pilgrimshospices.org

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Chairman's introduction

This last year we have worked hard to be responsive to the challenges and opportunities arising from the continuing changing landscape of the NHS and social care and the demands on our local community. We have also worked hard to improve the finances, so that we can continue the vital work of our hospices.

Following the adoption of our five year strategic plan last year, you will see in this report that we have made an excellent start. With the dedication of all our staff and volunteers we have increased our income and found efficiencies that have reduced our operating costs to show a surplus this year of £1.3m. We have achieved this whilst still driving forward our vision for the provision of excellence in care. We have redesigned and revitalised our service approach and October 2016 saw the launch of our new Wellbeing and Social Programme which runs from our Pilgrims Therapy Centres in Canterbury, Ashford and Thanet. It may be early days but there is already much to celebrate; those who have used the service are giving it an average overall approval rating of 96%.

We have not allowed any of the changes in the landscape we operate in, such as the cost constraints arising from no increase in funding from the NHS or the recruitment challenges arising from the shortage of qualified and experienced staff, to distract us from providing care to the people of east Kent at a time when they most need it.

We want to change perceptions of what a hospice can do for people; there is so much more to our service than just the in-patient beds. Everyone should be able to make the most of every moment they have and we can do more when they come to us earlier in their journey. To improve on the time that we have with patients, we are working closely with our healthcare partners across east Kent to raise the awareness of the need for earlier referral in end of life care.

We are also encouraging those who need help to attend our Advance Care Planning sessions. This is an opportunity for patients and families to focus on what matters most to them and to capture, in a care plan, their wishes and concerns. We started with one session per site but we are now running them several times a month as they are proving so popular.

All of this is only possible through the generosity and support of the people of east Kent as over 70% of our revenue comes from voluntary sources.

We rely heavily on a steady income from our 32 shops and 3 warehouses, where we turn the gifts of donated goods into revenue for patient care. 2016/17 has been very challenging for our retail operations; we have had to undertake an extensive repair programme at our shops to bring them into line with current health and safety standards, update our payment systems as so few people use cash, renew some of our vans and pay councils' discretionary rates which they can no longer afford to waive. We have even had to rescue our shop in Faversham from the jaws of a voracious beetle that had practically eaten the roof! This has culminated in additional costs of £216,000 which will help safeguard the long term future of our shops.

However, 2016/17 was also one of our best ever years for fundraising with an overall uplift of approximately 40%. The public have relished our new event challenges, walking over hot coals, running through rainbows of colour and getting on their bikes in the wind and rain to bring in a total of £1.4 million, compared to £1 million last year. Our lottery, which is now well established and much loved, has managed yet another uplift of £26,000 from the previous year, contributing a significant net profit of £607,000 towards our care services.

We continue to go from strength to strength with the help and goodwill of all our volunteers and fundraisers; this year our accounts show a surplus of £1.3m, an increase in our free investments of £454,000 and cash balances of £545,000. Currently we are working with the local developer, Pentland Homes, in drafting a plan for a new hospice for Canterbury, the details of which we hope to bring to you later in 2017. We are also developing exciting new plans for our other sites at Ashford and Thanet as we strive to create environments that offer those we care for a positive ambience in which we can support and empower them to live well and enjoy life to the last possible moment.

We have so many people to thank for their time, encouragement and support, all of which makes Pilgrims what it is. We doubt we can put it better than the thanks and gratitude of the patients and families we receive, so on their behalf we say a heartfelt thank you and look forward to continuing to work with you for the next family who needs our support.

Richard Davis
Chairman

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 MARCH 2017

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 2017 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).

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 and is governed by its Articles of Association. 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, director R J Davis) is now a dormant company.

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

GOVERNANCE

The charity is governed by a Board of Trustees numbering not less than five and not more than eighteen. As at 31st March 2017 there were ten 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, spiritual/religion, education, legal, accounting and academia.

New Trustees are elected by the Board following a process which includes interviews by a sub-committee of the Board and by the Chairman and Chief Executive, followed by a recommendation by the sub-committee to the Board. Applicants are sought from a combination of advertised vacancies, executive search and personal referrals. 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 four times a year to review strategy and performance and is helped in its work by Trustee-led committees.

The Board recognises that good governance is essential for the success of the Charity and continues to develop its governance having regard to the principles set out in the Charity Governance Code.

The Charity is a member of Hospice UK, an umbrella body which supports hospices throughout the UK.

Our Committees:

Committees have delegated powers of responsibility but executive authority is retained by the Board. They are chaired by a Trustee, have written terms of reference and provide linkage to the main Board and provide support to senior management. Trustees are selected as committee members due to their skills, knowledge and expertise and may include appropriately qualified individuals co-opted from outside the Charity. Members of the senior management team also attend committee meetings relevant to them. Each committee reports to the Board on any major issues discussed with recommendations, where decisions are required. Minutes of committee meetings are circulated to the Board as a whole.

The Finance, audit and risk committee oversees the finances of the Charity and its subsidiary company. It is responsible for reviewing and recommending to the Board the financial strategy along with the annual budget and monitors performance against these. The committee also oversees the strategy for investing funds and keeps the Board informed of relevant general changes in the financial environment.

The Income generation Committee deals with all fundraising activities, as well as communicating the Hospice's vision, mission, and services to patients, carers, healthcare professionals and the public. It reviews the fundraising and retail plans before referring them to the Board for approval.

The Care Quality Committee is responsible for overseeing clinical strategy, monitoring clinical operations and performance against the annual clinical plan. It has oversight of the Charity's compliance with statutory regulations for care provision and ensures the care service model meets the physical and spiritual needs of our patients.

The Remuneration Committee meets annually to review the salary awards for the organisation and to set the overall remuneration policy.

The Nominations and Governance Committee considers the corporate governance of the Hospice. It reports to the Board on any changes that may need to be made in order to comply with legal and regulatory requirements. It also reviews its skills mix and capabilities to make recommendation on nominations for new membership to underpin its capability and diversity and to provide robust governance and directorship of the Hospice.

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

In addition, the senior management team meet formally every month to review all activity and adherence to the overall business plan. The output of these meetings and discussion points are disseminated throughout the business at regular management meetings. There is a flow of communication throughout the organisation which is cross functional and cross site with local issues managed at local management team meetings. Issues can be escalated to the senior management team and, where relevant, to the Trustees. In addition, there are functional specific meetings with daily situation reviews of critical activity. This, together with additional weekly operational meetings, ensures that there is a robust management of the day to day running of the hospices.

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 Statement of Recommended Practice
- 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.

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 inability to deliver its mission statement including operational risks arising from workforce, financial and health and safety issues, as well as risks arising from general economic uncertainty, such as BREXIT, and any other factors as well as uncertainty in the NHS.

Financial risk would include the loss of income arising from a loss of reputation and 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 encourage 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 secure 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 also faced by many parts of the NHS. Currently we have a full compliment of clinical and support staff. We do however continue to face challenges in recruiting Consultant Grade doctors – this is a national problem due to the scarcity of doctors at this level in this area of specialism.

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 senior management team and each member thereof, in turn, is responsible for managing identified risks, identifying further risks and reporting 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 as described above.

REFERENCE AND ADMINISTRATIVE DETAILS

Our Directors

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
- Monty S August (resigned 24 August 2016)
- Stephanie Bates LLB. (Hons.)
- Professor Jenny Billings MSc BSc (Hons.)
- Dr Arun Dhiman (resigned 13 July 2016)
- Hereward Harrison (appointed 20 January 2017)
- Alasdair J Hogarth (resigned 20 May 2017)
- Trish M A King (resigned 30 November 2016)
- Dr R Nigel McWilliams
- Simon Perks
- Stephanie Senior (resigned 13 January 2017)
- Elizabeth Sharp MB BS, FRCS
- Terry Smith
- The Rt Rev Dr Michael Turnbull CBE

If you would like further information on any of our Trustees please look on our website: www.pilgrimshospices.org

Administrative details

Charity registered number: 293968

Company registered number: 2000560

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

Our Executive Team

- Cate Russell Chief Executive
- Helen C Bennett FCIPD Director of HR and Workforce Development
- Wendy Hills Director of Nursing and Care
- Sue Sharp Director of Income Generation and Marketing
- Jon Sillett Head of Operations
- Peter R F Simpson FCA Director of Finance and IT/ Company Secretary
- 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
- CAF Bank Limited

Solicitors:

- Furley Page, 39 St Margaret's Street, Canterbury, Kent CT1 2TX
- Girlings, Stourside Place, Station Road, Ashford, Kent TN23 1PP

Investment advisers:

Coutts & Co, 440 Strand, London WC2R 0QS

OBJECTS AND ACTIVITIES

“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”

Pilgrims Hospices cares for people across east Kent who are living with life limiting conditions such as cancer and other advanced illnesses which means they need specialist care and support. In the last year we cared for just under 2,500 patients, 26% of whom had a non-cancer diagnosis. Patients are referred to our service via our healthcare partners such as GPs, district nurses and the palliative care teams based in our local acute hospitals.

Strategic Vision

In 2015, a Five Year Strategic Plan was agreed by the trustees to address the continued issues of the running costs of the Hospice and its income generation. Working with our external NHS partners we have agreed a care model that will meet the needs of our patients and have set about re-organising our ways of working to maximise the skills and resources we have available.

As part of this process we have identified five key areas on which to focus our efforts so we can drive the organisation forward. We have set clear specific goals for each area and we are working towards delivering them.

These key areas of focus are:

Individual Experience

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

We put our patients and their families at the centre of all that we do and we work to ensure they experience the best we can offer at all times in all things so they get the chance to live well in mind and body until the last possible moment.

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.

To be able to offer the best individual experience we need talented people right across the service. They need to be passionate about their work and prepared to always ‘go the extra mile’.

Stakeholders

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

We have many supporters and people who depend on us to provide an excellent service, as well as our employees and volunteers; collectively they are our ‘stakeholders’. A stakeholder is anyone with a vested interest in the work of Pilgrims from our patients and their families, to NHS commissioners and our volunteers and fundraisers; indeed, anyone who puts a coin into our collection tin has a right to expect that we will deliver on our promise to provide care. We have a wonderful team here at Pilgrims, each individual has a wealth of experience; supporting and empowering people who are facing the end of their life – we want to share this knowledge and skill to set standards and reach as many people as possible.

These goals have been cascaded down to all staff and plans put in place. Each year progress is reviewed and plans drawn up for the following year in order to ensure that the strategic vision is attained.

Operations

To have a legally compliant, cost efficient operation that provides the optimum environment for achieving our vision for care.

With a team of over 350 people, we care for families when they are at their most vulnerable. The environment in which we care needs to be uplifting as we do more than just relieve pain; we want those we care for and their families to enjoy life in lovely facilities. We also have to be safe and compliant with all health and safety regulations. As many of our staff provide care out in the community, their practice and safety is of paramount importance. All this has to be delivered in a cost effective way to make us sustainable, so every penny that we are given needs to be spent well.

Finance

To achieve a balanced budget with a sustainable reserve.

We need to be financially stable in order to be here for families in east Kent. Accordingly our outgoings must match our income and we must maintain healthy reserves for unforeseen changes in our circumstances or that of the environment in which we operate.

PUBLIC BENEFIT STATEMENT

The Trustees confirm that they have complied with the duty in Section 4 of the Charities Act 2011 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.

ACHIEVEMENTS AND PERFORMANCE

We are now in the second year of the Five Year Strategic Plan and our goals have been reviewed, with significant progress having been made. Further objectives have been set to ensure we realise our strategic choices and our vision 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.

Individual Experience:

In the last year we have cared for 2,489 patients with an average stay of patients in our in-patient unit of 10 days. We have seen 1,742 patients in our day units and there were 2,675 attendances in our out-patient services. Patient numbers and referrals have remained steady with no more than a 5% increase or decrease year on year. We anticipate that the demand for our services will increase following the changes to social care and within the NHS. In October 2016 we launched our New Wellbeing and Social Programme, combining the best elements of our original day services with the latest best practice and innovation in supporting patients at the end of life. There was a reduction in the numbers attending our day services as part of the planned programme change as we have revised the profile of this service to be more responsive to our patients' needs. We have worked with GPs and allied healthcare professionals to share with them what is available so they can give patients access to this service as early as possible. Each patient is given a tailored programme matched to their specific needs to enhance their wellbeing in mind and body. Our physiotherapists, nurses, therapists, doctors, social workers and spiritual leads all work together to alleviate symptoms and to help patients keep as much independence as possible, as well as giving very practical support for both the patient and their family. As the patient's condition changes so does their tailored plan – this means patients and families will join us on and off for quite some time before they need final care. The feedback so far has been excellent; the service has had an average overall approval rating of 96%.

People/Development

There are 351 employees in the organisation covering 282 posts – this is to allow people to job share and fit work around their preferred work life balance. Staffing numbers have remained constant throughout 2016/17. We have as many as twenty different functional areas within the organisation including doctors, nurses, physiotherapists, spiritual leads, social workers, counsellors, occupational therapists, research nurses, education teams, retail experts, catering teams, domestics, warehouse teams, hospice site managers, call centre teams, fundraising experts, marketing and communication teams as well as the administrative teams to support them. We run a complex business with very vulnerable people at the centre of our care. By working as one team we are able to work across three sites, sharing skills and resource which makes us robust and cost efficient with 90% of our income going on direct patient care. Currently we are the only hospice in the UK that has this infrastructure and we are able to provide a service whereby more people in east Kent proportionally end their life in a hospice bed than anywhere else in England.

We have introduced the Personal Best Development Programme in early 2017 with the aim to increase employees' levels of happiness at work, foster greater engagement between staff and managers and enable everyone to respond positively to change so that we can continue to meet the needs of our patients, families and carers. The programme has supported participants to identify and achieve a work related or personal goal which matters to them.

Our National Hospice UK Staff and Volunteer Survey Results 2016 showed significant improvements compared to the previous year's survey and, in particular, we saw an increased positive response in 44 out of a total of 47 questions. We are very proud that 96% of those staff and volunteers that responded agreed that if a friend or relative needed treatment they would be happy with the standard of care provided by Pilgrims. This response is 1% above the national average for all participating hospices.

We are supported by a team of 1700 volunteers who contribute their time and expertise right across the organisation. We are continually grateful for this support, as we would not be able to offer the service without their commitment. Volunteers work in many areas; in our receptions welcoming and guiding relatives and visitors and working alongside our paid staff in many of our administration areas. They also help at our fundraising events; baking, crafting, marshalling, lifting and carrying, organising, and generally making them happen.

People/Development (continued)

Our retail business relies very heavily on the professionalism of volunteers which ensures we make an excellent profit from all our donated goods. They have persevered with us through a very difficult year whilst we have carried out vital repairs and upgrades to meet health and safety regulations and adapted to new ways of working.

Further to the appointment last year of a Volunteer Services Manager, a Volunteer Handbook and Volunteer Agreement have been introduced for all new hospice based volunteers and a new approach to support and communications continues to be embedded, including regular volunteer forums and a much enhanced volunteer newsletter. Recruitment processes across all hospice sites have been standardised and new support roles have been created within some of the patient facing services. During the year the role of our Volunteer Research Assistants in a hospice setting was recognised with a poster presentation at a joint meeting between Marie Curie and the Palliative Care Section of the Royal Society of Medicine and was published by the British Medical Journal.

The Charity operates an open employment policy and welcomes 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 non belief) or sexual orientation. In order to ensure that members of staff who have disabilities or who develop disabilities are employed, where reasonable, adjustments to their working conditions are made to enable them to continue working.

Stakeholders

Our Hospice service covers the whole of east Kent and within that geographical area there are four NHS commissioning groups – these are bodies that buy clinical services on behalf of GPs. We work very closely with our professional partners as patients can only access our service through referral. We provide them with a 24 /7 professional helpline to answer questions and offer consultation on complex patient issues. Whilst patients remain in the care of their respective GP at all times, we work with the GP and district nurses so they can provide care directly. When this becomes difficult and beyond their scope we send our experts out to meet with the patient in the community; there are as many as 850 patients in our community programme each month. Alternatively, we can bring patients into one of our clinics or in-patient units for more intensive support. We also provide support for patients in any of the three hospitals that serve east Kent and our consultants and nurses will attend ‘ward rounds’ in the hospitals to review and advise on the best evidence based practice. Where appropriate we will then take transfers from the hospital to our in-patient units.

We provide extensive training for our NHS and nursing home colleagues; managing patients who are coming to the end of their life requires specialist knowledge and understanding. Our education and research activities ensure we are able to stay ahead of relevant developments in this area of care and keep us connected to broader centres of excellence such as Kent and Cambridge Universities. We participate in national studies and publish work regularly; in November this year we were delighted to have the results of our work displayed at the annual Hospice UK conference in Liverpool.

Operations

We have conducted a total review of all our physical facilities and undertaken extensive upgrades to meet all health and safety legislation. We have refurbished and developed facilities within the in-patient units with the help of funding donated by patients and their families and we have adapted the gardens at our Canterbury site so patients can be wheeled out to enjoy fresh air and experience the pleasure of the extensive planting we have there, as well as improving the outside seating at Thanet and Ashford. These latter two were funded by a grant.

We take part in PLACE (patient led assessment of the care environment) to benchmark our facilities and services against other hospices – this is an assessment where patients and carers join an internal team to assess our environment in terms of building appearance and maintenance, cleanliness, food, privacy dignity and well being, dementia and disability. Last year we scored better than the national hospice average in 4 of the 6 key areas.

STRATEGIC REPORT

Financial Results

The Statement of Financial Activities for the year is set out on page 18 of the financial statements. A summary of the financial results and the work of the Charity are set out below.

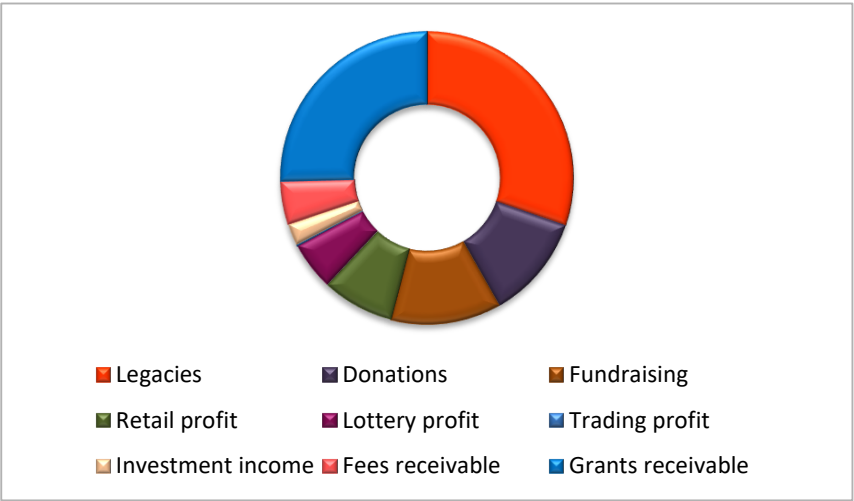
Notes 2 to 18, which support the Statement of Financial Activities on page 18, show how funds have been received and applied during the year.

During the year under review the net movement in funds was a surplus of £1.31 million compared to a deficit of £1.65 million in the previous year. These figures are after investment gains of £1.15 million, compared to investment losses of £111,000 in the previous year.

Income in many areas was encouraging. Legacies had a good year raising £3.42 million whereas donations were slightly down from £1.38 million last year to £1.30 million this year. Following the strengthening of the fund-raising team, fundraising income showed a substantial increase from just under £1 million to £1.39 million - just under 40% uplift - and included many successful events - Cycle Challenge £117,000, Firewalks £59,000 and the Colour Run £53,000. These successes reflect the hard work of the fund-raising teams and the volunteers who help them.

The lottery continues steadily to increase its income with a net profit of £607,000, an increase of £26,000 from the previous year, with membership averaging just under 20,000 members per draw, which is a record. The lottery is an extremely successful income generator run by a small team and achieves increases in income year in, year out.

Set out alongside is a chart showing how diverse our sources of income are, but also demonstrating that in 2016/17 grants and legacy income comprised the largest percentage.



Trading conditions for the retail operation were tough and sales were below expectation. Additionally, a number of shops needed urgent repairs on which £170,000 was spent, compared to £69,000 in the previous year. Most of these were one-off costs and will not need to be repeated. Investments were also made in renewing the fleet of vans and in the electronic point of sale system, both of which will contribute to income growth in future years. Councils, in the face of financial hardship, are also withdrawing the discretionary rates relief which led to an increase of costs of £24,000. The net result of these factors was that following a small decrease in sales from £3.02 million to £2.96 million and an increase of costs of £216,000, the profit decreased from £1.18 million last year to £900,000 this year. An increase in the profits is budgeted for next year and the following years.

The grant from the local NHS Clinical Commissioning Groups (CCGs) under a service funding agreement continued and amounted to £2.78 million, approximately 28% of total running costs leaving 72% of revenue funding to be raised from voluntary sources. This grant has remained unchanged since 2011, since when costs have increased by over 10% from £9.3 million to £10.3 million.

Overall expenditure, excluding cost of raising funds, reduced from £10.44 million to £10.27 million, reflecting the action taken to reduce the operating deficit and make efficiencies, without reducing the levels of care provided.

An investment property was sold to maintain the balance of the investment portfolio – this realised a surplus of £51,000. Additionally the trustees, following advice, revalued the remaining investment properties yielding an unrealised surplus of £302,000. Other investments, following a successful year, showed realised and unrealised gains of £800,000. During the year quoted investments totalling £500,000 were liquidated to help fund the operations of the Charity. Overall the value of investments, including freehold properties, rose from £7.47 million to £7.92 million.

The balance sheet continues to reflect a strong financial position with £12.3 million in unrestricted funds, underpinned by £7.92 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 this level of reserves, which are maintained to avoid the risk of having to reduce the services provided in any short term downturn, are 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.

It is essential that all involved appreciate:

- that provision of this type of care involves ongoing running costs, currently in the region of £10.3 million per year, just under three-quarters of which has to be derived from voluntary sources;
- just under 90% of this amount 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;
- the income generation activity has an annual cost to the Charity of approximately £3.5 million and accordingly we need to generate approximately £13.8 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 2017 stood at £12.3 million which include £6.2 million invested in quoted investments and £1.7 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. These free investments stood at £7.9 million at 31st March 2017. Budgets for future years show improvement 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 fund-raising team. The level of care provided will not be compromised.

PLANS FOR FUTURE PERIODS

A material increase in legacies in the year under review and substantial gains on investments have led to a surplus in the year of £1.31 million, compared to the deficit of £1.65 million reported in 2015/16. However, there have also been other encouraging results, especially in fundraising, as was planned. Overall, this result ensures that the Charity can continue to provide the same levels of care through its three in-patient units for the foreseeable future.

However, the position remains that underlying costs exceed underlying income, especially bearing in mind that legacy receipts are less predictable and that substantial investment gains are not always achievable, given the nature of the stock markets. Future plans agreed call for a sustained increase in income in many areas and cost reductions arising from efficiencies in all areas.

The year under review has shown increases in fundraising income (and fundraising costs) and lottery income as well as reductions in charitable costs. Action has been taken, in addition to investment, to ensure that the retail operation will generate an increase in income in the coming years. Another shop in Hythe has been acquired and will open in the year 2017/18.

All costs are being examined. Centralised buying has been introduced along with other cost cutting initiatives and improved reporting so that all budget holders can monitor and control their costs closely. Efficiency savings of at least £75,000 per annum are being sought.

As previously reported, the Charity has been offered land in Thanington by the Tory Family Foundation and Pentland Homes on which property developers will build a new purpose built hospice for Canterbury. Work has continued on this project and detailed plans have now been drawn up, which will be submitted for agreement by the local planning authorities. Work on the building is scheduled to begin in April 2019, but the matter is still subject to legal agreements being satisfactorily reached between all parties. The costs of the new building will be underwritten by the developers and plans for the existing Canterbury hospice site are under consideration by the Trustees, as a proportion of the value (subject to contract) will be due to the developers.

INVESTMENT POLICY AND PERFORMANCE

At the end of the year there was £2.3 million available in cash; at current financial levels of expenditure the Charity requires just over £1.1 million per month to cover running costs, including fundraising costs. However, when the need arises, the Charity is able to liquidate medium term investments very quickly and in the financial year under review £500,000 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.

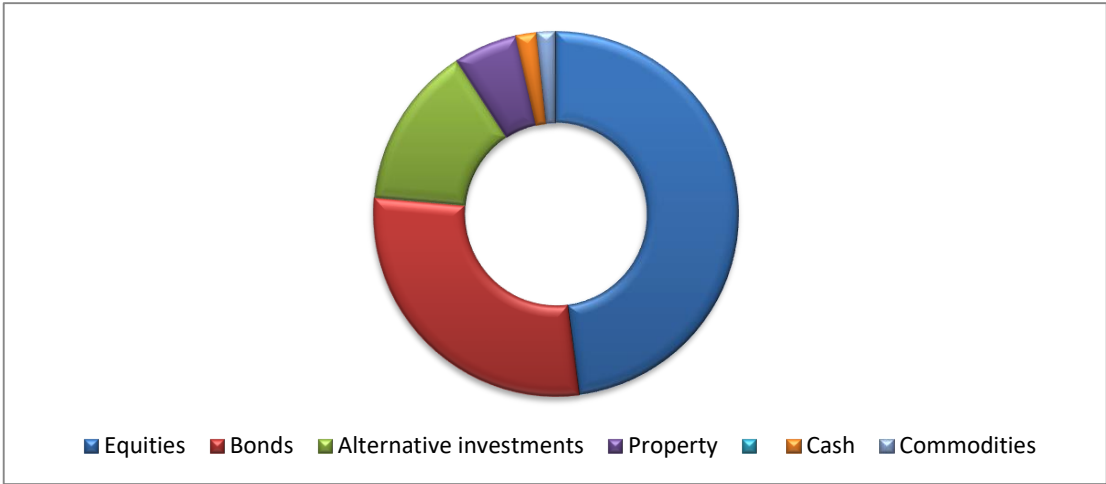
The investment properties comprise residential properties that the Charity has inherited or acquired and which the Trustees retain, having taken appropriate advice, as they provide potential for capital growth and income. Whilst it is the Trustees' intention to retain these properties for income, during the year under review it was agreed to dispose of one property in order to maintain 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 £1.7 million, a surplus of £488,000 over acquisition value, is an accurate reflection of their market value as at 31st March 2017.

The general investment policy for the investment portfolio, adopted by the Trustees and managed by the investment advisers, Coutts & Co, is to grow the investments above inflation whilst receiving an income, in the context of achieving these objectives in a time horizon of 5 to 8 years and within a risk category of medium to medium high. The Coutts portfolio manager actively monitors portfolio volatility and discusses the risks with Trustees at regular portfolio meetings.

Coutts report that in the 12 month period to 31 March 2017 the net return on the portfolio was 15.74% which contrasts strongly with the 12 month period to 31 March 2016 which showed negative returns of 2.49% in the portfolio. The portfolio included 21.91% gain in UK equities and 33.64% gain in overseas equities.

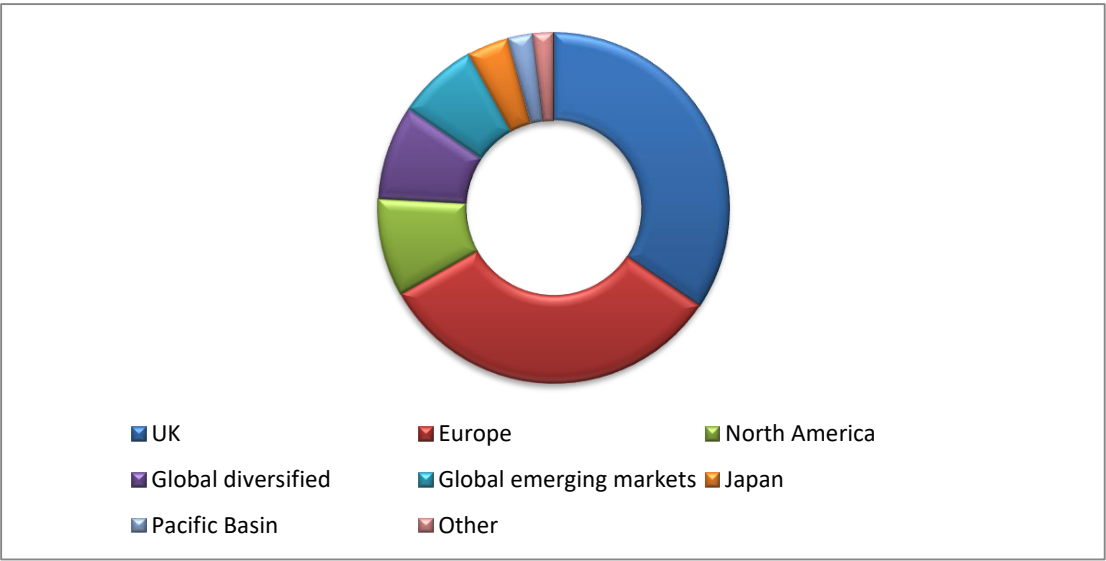
The asset distribution of the investment portfolio as at 31st March 2017 is set out below:

Asset class distribution



Equities	47.94%	Property	5.69%
Bonds	28.45%	Cash	1.86%
Alternative investments	14.44%	Commodities	1.62%

Geographic distribution



UK	34.44%	Global emerging markets	7.45%
Europe	32.37%	Japan	3.88%
North America	9.03%	Pacific Basin	2.29%
Global diversified	8.68%	Other	1.86%

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 June 2017 and signed on behalf of the company by:

.....
R J Davis, Chairman

**Independent auditors' report for the year ended 31 March 2017
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 2017 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 5), 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 2017, 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.

**Independent auditors' report for the year ended 31 March 2017
to the members of Pilgrims Hospices in East Kent**

Opinion on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of the audit:

- 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; and
- the Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Trustees' Report.

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 BSc FCA

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

Date: June 2017

Group statement of financial activities
(incorporating an income and expenditure account)
for the year ended 31 March 2017

	Notes	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total 2017 £'000	Total 2016 £'000
INCOME AND ENDOWMENTS FROM:						
Donations and legacies	2	1,803	2,923	-	4,726	3,314
Investment income	3	261	-	-	261	234
Charitable activities:						
Grants receivable	4	2,388	487	-	2,875	2,871
Fees receivable	5	535	-	-	535	432
Other trading activities:						
Fundraising	6	1,386	-	-	1,386	999
Income from trading subsidiary	7	75	-	-	75	70
Income from trading activities	8	4,057	-	-	4,057	4,104
TOTAL INCOMING RESOURCES		10,505	3,410	-	13,915	12,024
EXPENDITURE ON:						
Raising funds:						
Trading subsidiary's costs	7	49	-	-	49	32
Trading activities' costs	8	2,550	-	-	2,550	2,343
Fundraising costs	9	852	-	-	852	718
Investment management fees		34	-	-	34	34
		3,485	-	-	3,485	3,127
Charitable activities:						
In-patient	10	4,816	2,999	-	7,815	8,006
Community services	11	1,127	400	-	1,527	1,579
Counselling	12	375	-	-	375	359
Information and education	13	430	-	-	430	374
Governance costs	14	123	-	-	123	119
		6,871	3,399	-	10,270	10,437
TOTAL RESOURCES EXPENDED		10,356	3,399	-	13,755	13,564
Net gains/(losses) on investments	21	1,153	-	-	1,153	(111)
Net movement in funds in the year		1,302	11	-	1,313	(1,651)
Total funds brought forward		20,679	100	13	20,792	22,443
Total funds carried forward		21,981	111	13	22,105	20,792

The statement of financial activities includes all gain and losses recognised during the year.

Group and Charity balance sheets
as at 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Fixed assets					
Tangible assets	20	9,713	10,086	9,713	10,086
Investments	21	7,924	7,470	7,924	7,470
		17,637	17,556	17,637	17,556
Current assets					
Stocks		9	4	-	-
Debtors	22	3,252	2,437	3,269	2,444
Cash at bank and in hand		2,324	1,779	2,311	1,771
		5,585	4,220	5,580	4,215
Liabilities					
Creditors: amounts falling due within one year	23	1,117	984	1,112	979
Net current assets		4,468	3,236	4,468	3,236
Total assets less current liabilities		22,105	20,792	22,105	20,792
Net assets		22,105	20,792	22,105	20,792
Charity funds					
Unrestricted funds	25	21,981	20,679	21,981	20,679
Restricted funds	25	111	100	111	100
Permanent endowment fund	25	13	13	13	13
Total charity funds		22,105	20,792	22,105	20,792

Approved and authorised by the board of trustees for issue on June 2017

.....
R J Davis
Chairman of the board of trustees

The notes on pages 21 to 37 form part of these financial statements

Company number 2000560

Group statement of cash flows
for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Net cash (outflow) from operating activities	19	(200)	(479)
Cash flow from investing activities			
Interest received (including tax recovered)		139	132
Payments to acquire tangible fixed assets		(93)	(122)
Payments to acquire investments		(2,081)	(2,465)
Receipts from sale of investments		2,780	3,847
Net cash inflow provided by investing activities		745	1,392
Net increase in cash and cash equivalents		545	913
Cash and cash equivalents at 1 April 2016:			
Cash at bank and in hand		1,779	866
Cash and cash equivalents at 31 March 2017			
Cash at bank and in hand		2,324	1,779
Cash and cash equivalents consist of:			
Cash at bank and in hand		2,324	1,779
Cash and cash equivalents at 31 March 2017		2,324	1,779

Notes forming part of the financial statements
for the year ended 31 March 2017

1 Accounting policies

a) General information and basis of preparation

Pilgrims Hospices in East Kent is a private company limited by guarantee in England. The members of the company are the trustees named on page 6. 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 6 of these financial statements. The nature of the charity's operations and the principal activities are that of a hospice and associated activities.

The Charity constitutes a public benefit entity as defined by FRS102. 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 financial statements have been prepared on a going concern basis under the historical cost convention with the exception of investments and investment properties, which are included at fair value.

The financial statements are presented in sterling which is the functional currency of the Charity and rounded to the nearest thousand.

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.

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.

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.

Notes forming part of the financial statements
for the year ended 31 March 2017

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.

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 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.

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 Statement of Financial Activities 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 Statement of Financial Activity.

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).

Notes forming part of the financial statements
for the year ended 31 March 2017

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.

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 30 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.

Notes forming part of the financial statements
for the year ended 31 March 2017

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.

m) Going concern

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for the 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the Charity to be able to continue as a going concern.

n) 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.

Notes forming part of the financial statements
for the year ended 31 March 2017

2 Donations and gifts	2017	2016
	£'000	£'000
Donations	1,301	1,384
Legacies	3,425	1,930
	4,726	3,314
Income attributable to restricted funds	2,923	1,551
Income attributable to unrestricted funds	1,803	1,763
	4,726	3,314
3 Investment income	2017	2016
	£'000	£'000
Income from listed investments:		
Fixed interest	59	58
Unit trusts	1	1
Managed funds	75	69
Interest receivable on cash deposits	4	4
Net rents receivable	122	102
	261	234
Income attributable to restricted funds	-	-
Income attributable to unrestricted funds	261	234
	261	234
4 Grants receivable	2017	2016
	£'000	£'000
Local Health Authority	2,875	2,871
	2,875	2,871
Income attributable to restricted funds	487	500
Income attributable to unrestricted funds	2,388	2,371
	2,875	2,871
5 Fees receivable	2017	2016
	£'000	£'000
Medical fees	423	285
Ministers' fees	1	3
Mesothelioma compensation	6	5
Course fees and hire of facilities	105	139
	535	432
Income attributable to restricted funds	-	-
Income attributable to unrestricted funds	535	432
	535	432

Notes forming part of the financial statements
for the year ended 31 March 2017

6 Fundraising income

	2017 £'000	2016 £'000
General fundraising	537	597
Gross proceeds of events	849	402
	1,386	999
Income attributable to restricted funds	-	-
Income attributable to unrestricted funds	1,386	999
	1,386	999

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
	2017 £'000	2016 £'000
Turnover	75	70
Cost of sales	43	26
	32	44
Administration costs	6	6
Net profit	26	38
Amount Gift Aided to the Charity	(26)	(38)
Retained profit brought forward	-	-
Retained profit carried forward	-	-
The aggregate of assets, liabilities and funds was:	2017 £'000	2016 £'000
Assets	24	7
Liabilities	(24)	(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.

Notes forming part of the financial statements
for the year ended 31 March 2017

8 Trading activities	2017 £'000	2017 £'000	2017 £'000	2016 £'000
	Shops	Lottery	Total	Total
Turnover	2,909	1,099	4,008	4,045
Other income	49	-	49	59
	2,958	1,099	4,057	4,104
Costs of sales				
Prizes	-	212	212	212
Other	17	124	141	161
	17	336	353	373
Gross Profit	2,941	763	3,704	3,731
Administrative costs				
Wages and salaries	830	94	924	906
Rent and rates	495	-	495	409
Repairs and renewals	171	-	171	69
Depreciation	89	14	103	117
Administrative costs	456	48	504	469
	2,041	156	2,197	1,970
Net profit	900	607	1,507	1,761

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

9 Fundraising costs	2017 £'000	2016 £'000
Wages and salaries	603	506
Publicity	88	81
Event costs	130	56
Purchase of general fundraising support materials and travel	31	75
	852	718
Expenditure attributable to restricted funds	-	-
Expenditure attributable to unrestricted funds	852	718
	852	718

Notes forming part of the financial statements
for the year ended 31 March 2017

10 In-patient costs	2017	2016
	£'000	£'000
Doctors' salaries	843	862
Nurses' salaries	2,975	3,255
Chaplains' and therapists' salaries	626	423
Administrative support salaries	564	679
Catering, domestic and maintenance salaries	771	805
Food	112	112
Medical supplies	68	86
Laundry and cleaning	117	130
Heat, light and water	105	152
Repairs and maintenance	358	279
Department of Health grant expenditure	-	4
Depreciation	363	375
(Profit) on disposal of fixed assets	-	(99)
Postage	21	20
Recruitment advertising and fees	3	38
Telephone	10	10
Insurance	37	34
Travel and sundry	72	70
Support costs	770	771
	7,815	8,006
Expenditure attributable to restricted funds	2,999	1,567
Expenditure attributable to unrestricted funds	4,816	6,439
	7,815	8,006
11 Community services costs	2017	2016
	£'000	£'000
Wages and salaries	1,276	1,269
Travel and sundry	64	124
Telephone	38	35
Support costs	149	151
	1,527	1,579
Expenditure attributable to restricted funds	400	430
Expenditure attributable to unrestricted funds	1,127	1,149
	1,527	1,579
12 Counselling	2017	2016
	£'000	£'000
Wages and salaries	330	316
Travel and sundry	7	8
Support costs	38	35
	375	359
Expenditure attributable to restricted funds	-	-
Expenditure attributable to unrestricted funds	375	359
	375	359

Notes forming part of the financial statements
for the year ended 31 March 2017

13 Information and education

	2017 £'000	2016 £'000
Wages and salaries	292	241
Course fees and expenses	65	54
Professional books and journals	4	5
Travel and sundry	4	2
Costs of education centre	22	35
Support costs	43	37
	430	374
Expenditure attributable to restricted funds	-	-
Expenditure attributable to unrestricted funds	430	374
	430	374

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 2017 £'000	Total 2016 £'000
Wages and salaries	534	104	26	29	85	778	731
Occupational health	11	2	1	1	2	17	18
Life assurance	30	6	1	2	5	44	14
Printing and stationery	19	4	1	1	3	28	29
Telephone	1	-	-	-	-	1	1
Travel	6	1	-	-	1	8	10
Computer costs	99	19	5	5	16	144	140
Repairs and renewals	(3)	(1)	-	-	(1)	(5)	14
Bank charges	11	2	1	1	2	17	17
Auditors' remuneration	11	2	1	1	2	17	22
Professional fees	31	6	1	2	5	45	20
Consultancy fees	21	4	1	1	3	30	40
VAT irrecoverable	(11)	(2)	(1)	(1)	(2)	(17)	36
Sundry	10	2	1	1	2	16	21
	770	149	38	43	123	1,123	1,113
Expenditure attributable to restricted funds						-	-
Expenditure attributable to unrestricted funds						1,123	1,113
						1,123	1,113

15 Net outgoing resources of the group

	2017 £'000	2016 £'000
The surplus of expenditure over income is stated after charging:		
Depreciation	466	490
Lease rental of motor vehicles	68	1
Lease rental of land and buildings	434	305
(Profit) on fair value movement of investment properties	(353)	(131)
(Profit)/loss on fair value movement of investments	(800)	242

Notes forming part of the financial statements
for the year ended 31 March 2017

16 Trustees' and key management personnel remuneration and expenses

The trustees neither received nor waived any emoluments during the year (2016: £Nil). £156 out of pocket expenses were reimbursed to trustees (2016: £153). The trustees took out indemnity insurance at a cost of £2,881 (2016: £1,150) in the year under review. No trustees are accruing pension benefits (2016: none).

The total amount of employee benefits received by key management personnel is £582,624 (2016: £581,588). 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
W Hills	Director of Nursing and Care
S Sharp	Director of Income Generation
J Sillett	Head of Operations
P R F Simpson	Director of Finance and IT
Dr A Thorns	Director of Medicine

The reimbursement of trustees expenses was as follows:

	2017 number	2016 number	2017 £'000	2016 £'000
Travel	2	1	-	-
Subsistence	-	-	-	-
Accommodation	-	-	-	-
Other	-	-	-	-
	2	1	-	-

17 Staff costs

	2017 £'000	2016 £'000
Wages and salaries	8,095	8,247
Social security costs	700	640
Pension costs	634	643
	9,429	9,530

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 2017	Number 2016
£60,001 - £70,000	5	2
£70,001 - £80,000	1	1
£80,001 - £90,000	1	2
£90,001 - £100,000	2	1
£110,001 - £120,000	2	2

10 employees (2016: 7) earning more than £60,000 participated in defined contribution pension schemes at a cost of £84,380 (2016: £67,690).

Notes forming part of the financial statements
for the year ended 31 March 2017

17 Staff costs (continued)

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

	2017		2016	
	Number	FTE	Number	FTE
Fundraising	21	18	18	14
Trading	39	36	36	32
In-patient	207	156	211	154
Community services	40	35	42	38
Counselling	13	9	13	9
Information and education	8	6	8	7
Administration and support	23	22	26	25
	351	282	354	279

18 Auditor's remuneration

	2017 £'000	2016 £'000
Fees payable to the charity's auditor for the audit of the Charity's annual accounts	22	22
Audit of the Charity's subsidiaries	2	2
Fees paid to the Charity's auditor for other services	2	4
	4	6

19 Reconciliation of net incoming resources to net cash flow from operating activities

	2017 £'000	2016 £'000
Net incoming/(outgoing) resources	160	(1,540)
Depreciation on fixed assets	466	490
Loss on disposals of fixed assets	-	49
(Increase)/decrease in stocks on hand	(5)	-
(Increase)/decrease in debtors	(815)	919
Increase in creditors	133	(265)
Investment income (excluding rents receivable)	(139)	(132)
Net cash flow from trading activities	(200)	(479)

Notes forming part of the financial statements
for the year ended 31 March 2017**20 Tangible fixed assets****a) The Charity**

	Freehold land and buildings £'000	Long lease- hold land & buildings £'000	Furniture & furnishings £'000	Equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2016	10,786	2,604	287	588	101	14,366
Additions	-	-	-	93	-	93
Disposals	-	-	-	(1)	(27)	(28)
At 31 March 2017	10,786	2,604	287	680	74	14,431
Depreciation						
At 1 April 2016	2,517	983	240	452	88	4,280
Charge for year	257	103	29	71	6	466
On disposals	-	-	-	(1)	(27)	(28)
At 31 March 2017	2,774	1,086	269	522	67	4,718
Net book value						
At 31 March 2017	8,012	1,518	18	158	7	9,713
At 31 March 2016	8,269	1,621	47	136	13	10,086

b) The group

	Freehold land and buildings £'000	Long lease- hold land & buildings £'000	Furniture & furnishings £'000	Equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2016	10,786	2,604	287	588	101	14,366
Additions	-	-	-	93	-	93
Disposals	-	-	-	(1)	(27)	(28)
At 31 March 2017	10,786	2,604	287	680	74	14,431
Depreciation						
At 1 April 2016	2,517	983	240	452	88	4,280
Charge for year	257	103	29	71	6	466
On disposals	-	-	-	(1)	(27)	(28)
At 31 March 2017	2,774	1,086	269	522	67	4,718
Net book value						
At 31 March 2017	8,012	1,518	18	158	7	9,713
At 31 March 2016	8,269	1,621	47	136	13	10,086

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:

	2017 £'000	2016 £'000
Net book value	6	9
Depreciation	2	2

Notes forming part of the financial statements
for the year ended 31 March 2017

21 Fixed asset investments	Market value 2016 £'000	Additions £'000	Disposal proceeds £'000	Net investment gains £'000	Market value 2017 £'000	Historical cost 2017 £'000
Charity and Group						
Freehold properties	1,509	-	(167)	353	1,695	1,207
Quoted investments:						
Fixed interest	1,475	656	(446)	83	1,768	1,705
Managed funds (equity based)	3,932	930	(2,121)	693	3,434	2,831
Alternative investment funds	525	395	(46)	24	898	861
Cash at bank	29	100	-	-	129	129
Total	7,470	2,081	(2,780)	1,153	7,924	6,733

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

	Market value £'000	Historical cost £'000
Edgewood US Select Growth	316	160
M&G Investment Property	305	335

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 and are incorporated in the United Kingdom (note 7).

Investment properties

During the year ended 31 March 2017 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 2017 is £1,695k (2016: £1,509k), which compares favourably with the historical cost of £1,207k (2016: £1,384k).

22 Debtors	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade debtors	266	110	267	110
Other debtors	89	114	89	114
Amounts owed by group undertaking	-	-	16	7
Legacies	2,721	1,951	2,721	1,951
Prepayments and accrued income	174	217	174	217
Income Tax recoverable	2	45	2	45
	3,252	2,437	3,269	2,444

Notes forming part of the financial statements
for the year ended 31 March 2017

23 Creditors: amounts falling due within one year

	Group 2017 £'000	Group 2016 £'000	Charity 2017 £'000	Charity 2016 £'000
Trade creditors	473	355	468	395
Finance leases (secured against the assets to which they relate)	9	10	9	10
Taxation and social security costs	171	219	171	219
Accruals	317	236	317	191
Deferred income (advance lottery subscriptions)	147	164	147	164
	1,117	984	1,112	979

Deferred income is analysed as follows:

	Under 1 year £'000	Over 1 year £'000	Total £'000
At 1 April 2016	164	-	164
Additions during the year	147	-	147
Amounts released to income	(164)	-	(164)
At 31 March 2017	147	-	147

24 Statement of funds

	2016 £'000	Incoming resources £'000	Resources expended £'000	Investment gains £'000	Transfers £'000	2017 £'000
Unrestricted funds:						
General funds	10,230	10,505	(10,356)	326	373	11,078
Revaluation reserve	363	-	-	827	-	1,190
Designated funds	10,086	-	-	-	(373)	9,713
	20,679	10,505	(10,356)	1,153	-	21,981
Restricted funds:						
Ashford Hospice - improvements	5	3	(8)	-	-	-
Ashford Hospice - running costs	-	1,203	(1,203)	-	-	-
Ashford outreach	35	-	(35)	-	-	-
Ashford counselling services	-	1	-	-	-	1
Canterbury Hospice - improvements	36	100	(127)	-	-	9
Canterbury Hospice - running costs	-	1,090	(1,090)	-	-	-
Thanet Hospice - improvements	7	12	(10)	-	-	9
Thanet Hospice - gardens	5	-	(5)	-	-	-
Thanet Hospice - running costs	-	364	(364)	-	-	-
Maintenance provided in kind	-	24	(24)	-	-	-
Food provided free of charge	-	18	(18)	-	-	-
Bursary for nurses	6	4	(10)	-	-	-
Hospice at Home - running costs	-	400	(400)	-	-	-
NHS - salary support grant	-	87	(87)	-	-	-
Patricia Morley Fund	-	85	-	-	-	85
Local Authority restricted income	6	-	(6)	-	-	-
Sundry projects	-	19	(12)	-	-	7
Total restricted funds	100	3,410	(3,399)	-	-	111
Permanent endowment fund	13	-	-	-	-	13
Total funds	20,792	13,915	(13,755)	1,153	-	22,105

Notes forming part of the financial statements
for the year ended 31 March 2017

24 Statement of funds (continued)

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.

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 2017 £'000	Total 2016 £'000
Fund balances at 31 March 2017 are represented by:					
General Funds					
Investments	7,911	-	13	7,924	7,470
Current assets	5,474	111	-	5,585	4,220
Current liabilities	(1,117)	-	-	(1,117)	(984)
	12,268	111	13	12,392	10,706
Designated Funds					
Tangible fixed assets	9,713	-	-	9,713	10,086
Total net assets	21,981	111	13	22,105	20,792

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 2017 the group had total future minimum lease payments under non-cancellable leases as follows:

	2017		2016	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry date:				
Within one year	375	-	323	-
Two to five years	1,149	4	1,083	6
More than five years	324	-	541	-

Contracted commitments for the acquisition of tangible fixed assets contracted for but not provided for in the financial statements amounted to £Nil (2016: £31,997).

28 Control relationships

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

Notes forming part of the financial statements
for the year ended 31 March 2017

29 Related parties

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

Pilgrims Hospices Trading Limited contributed £3,000 (2016: £3,000) to the Charity towards the rent of the premises occupied by the company and the cost of wages and salaries and £21,372 (2016: £15,224) for the cost of food provided. In addition the company paid £23,332 (2016: £35,311) to the Charity by way of gift aid. At the balance sheet date the Charity was owed by the company £16,471 (2016: £7,282). 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 (2016: £3) by the Charity. This amount is unsecured, interest free and repayable within one year.

Pilgrims Hospice Lottery Limited has been dormant since 1 April 2012. At the balance sheet date the company was owed by the Charity £2 (2016: £2). This amount is unsecured, interest free and repayable within one year.

During the year, consultancy fees for advice on property amounting to £21,150 (2016: £33,332) were paid to G Russell, the spouse of C Russell, the chief executive. This arrangement has now ceased. These costs were authorised by the trustees and are considered to be on an arm's length basis.

30 Pensions

a) Defined contribution pension plan.

The Charity operates a defined contribution pension plan for its employees. The amount recognised as an expense in the period was £634k (2016 £643k).

b) Defined benefit pension plan.

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.

Notes forming part of the financial statements
for the year ended 31 March 2017

30 Pensions (continued)

The Charity has been notified by the Baptist Pension Scheme of the estimated employer debt on withdrawal from the Plan based on the current financial position of the Plan. As of this date the estimated employer debt for the Charity was £100,000. 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.