

St Michael's Hospice

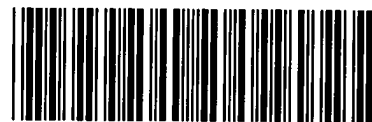
(incorporating the Freda Pearce Foundation)



Annual Report and Consolidated Financial Statements

For the year ended 31st March 2019

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COMPANIES HOUSE

Company Registration Number: 01634942 (England and Wales)

Charity Registration Number: 511179

st-michaels-hospice.org.uk

 twitter.com/stmichaelshosp

 facebook.com/stmichaelshospicehereford

St Michael's Hospice

Always a place of light and love

Our service is completely free of charge

St Michael's Hospice provides all its care free of charge to patients, their families and carers. This care is made possible by supporters taking part in fundraising events, playing our lottery, shopping at our retail outlets, making charitable donations and leaving gifts in their wills.

If you would like to support St Michael's, you can find out more about what we do and ways you can help by visiting our website.

To share your comments or suggestions with us, or to make a complaint, please contact:

Quality and Compliance Team
St Michael's Hospice
Bartestree
Hereford
HR1 4HA

✉ quality@smhospicehereford.org

St Michael's Hospice (incorporating the Freda Pearce Foundation)

For the year ended 31 March 2019

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St Michael's Hospice (incorporating the Freda Pearce Foundation)
For the year ended 31 March 2019
Reference and Administrative Information

| | |
|--|--|
| Charity Name | St Michael's Hospice (incorporating The Freda Pearce Foundation) |
| Charity Number | 511179 |
| Company Number | 01634942 |
| Address of Registered Office | St Michael's Hospice Bartestree Hereford, HR1 4HA |
| Country of Registration | England and Wales |
| Country of Incorporation | United Kingdom |
| Trustees | Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows: Mr A J Walshe, Chair Mr G B Nairn, Vice Chair Mr D R Teague, Vice Chair Mr D J Campion Dr J A Dalziel Mrs J K Duffett Mr I D A Entwisle – Resigned 12 September 2018 Revd Preb K B Garlick Ms P A Greenwood Mr D T Hammond Dr J L Jones Mrs C J Winney Dr J J Kramer – Resigned 26 April 2018 |
| Life Patrons | Dr R Miller Dr J J Kramer |
| Chief Executive Officer | Mr M L Keel |
| Strategic Management Team at 31 st March 2019 | Dr T Blower, Medical Director Mrs R Denison, Income and Marketing Director Mrs S Morgan, Care Director Mrs E Cotton, Finance Director |
| Company Secretary | Mr M L Keel |
| Bankers | The Royal Bank of Scotland PLC Parklands De Havilland Way Horwick Bolton BL6 4YU |
| Investment Managers | Thesis Asset Management Exchange Building St Johns Building Chichester West Sussex, PO19 1UP |
| Independent Auditor | Crowe U.K. LLP (formerly Crowe Clark Whitehill LLP) Statutory Auditor Carrick House Lypiatt Road Cheltenham Gloucestershire, GL50 2QJ |

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

The Trustees of St Michael's Hospice ('St Michael's') present their report and the audited financial statements for the year ended 31 March 2019. Reference and administrative information set out on page 4 forms part of this report.

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice - Accounting and Reporting by Charities: SORP applicable to charities preparing their financial statements in accordance with FRS 102.

The Trustees of St Michael's are charity Trustees for the purpose of the Charities Act and are Directors of St Michael's Hospice and Directors for the purposes of the Companies Act. The Trustees form the Trustee Board of St Michael's. Although the Strategic Management Team's (SMT) job titles include the word 'Director', these people are not Directors within the meaning of the Companies Act.

The Trustee Board is responsible under St Michael's governing document for controlling the management and administration of St Michael's within the law. It is ultimately responsible for everything St Michael's does and how it does it. The overriding duty is to act in good faith within charity law and to make sure St Michael's pursues its aims (as set out in the governing document); uses its assets only to pursue those aims; and acts for its community.

It does this by:

- Safeguarding and promoting the values and mission of St Michael's;
- Determining the strategy and structure of St Michael's;
- Ensuring St Michael's operates in an effective, responsible and accountable manner, securing future sustainability;
- Ensuring the effective functioning of the Board of Trustees;
- Ensuring the organisation meets all statutory requirements.

During the year, the Board of Trustees met seven times; held an Annual General Meeting; and took part in a strategic planning day. Board members are unremunerated volunteers.

The Board is made up of members according to an analysis that identifies skills, experience and qualities needed for the good governance of St Michael's.

Related Parties and Relationships with other Organisations

St Michael's is the parent undertaking of a group consisting of:

- SMH Trading Limited - St Michael's uses this subsidiary for non-primary purpose trading activities.
- St Michael's Hospice Development Company Limited - St Michael's uses this subsidiary for redeveloping the hospice buildings and surroundings.

Both subsidiaries are English registered companies and Gift Aid all available profits to St Michael's where applicable.

Operating Structure and Charity Governance Code

The Board retains ultimate operational responsibility and sets the aims, policies and objectives of St Michael's together with performance monitoring. It has however devolved authority for its strategic implementation, attainment, performance and day-to-day running to the Chief Executive Officer and his senior management team who are also responsible for St Michael's meeting all its statutory and contractual obligations. St Michael's Governance Manual describes these arrangements. The Governance Manual is kept under review by the Trustees with reference to the Charity Governance Code.

St Michael's has a comprehensive range of operational policies and procedures that it maintains in line with the requirements of the Care Quality Commission, which regulates the clinical activity of St Michael's, and the Fundraising Regulator.



St Michael's Hospice (incorporating the Freda Pearce Foundation)
Report of the Trustees
For the year ended 31 March 2019

Objectives and Activities

Objectives

The Founders set up St Michael's on 12 May 1982 as the Freda Pearce Foundation. St Michael's is governed by its original Memorandum and Articles of Association, which St Michael's has subsequently amended by special resolutions on 02 November 1998, 02 October 2002, 15 April 2009, 07 November 2012 and 28 September 2017. St Michael's changed its name to St Michael's Hospice (incorporating the Freda Pearce Foundation) on 02 November 1998.

The Articles, as amended, state the objects of St Michael's are to promote the relief of sickness in people over the age of 18 years who are Herefordshire residents or living in the immediate surrounding counties. St Michael's may also offer care to young people between the ages of 14 years and 18 years where appropriate to support them in their transition to adult services.

Our mission is to make sure palliative and end of life care is available to all who can benefit from it, regardless of age, gender, diagnosis, social group or setting. This includes supporting those people close to the dying person throughout the pre- and post-bereavement stages too.

St Michael's knows it cannot do all of this on its own and so works with communities, groups and organisations to help them understand the importance of good palliative care and how they can play their part in it to ensure there is a spectrum of services for the wide variety of patient and family needs.

St Michael's runs a comprehensive palliative care education programme as part of its strategy to improve services more widely and increase the awareness of palliative and end of life care issues.

St Michael's also recognises it must help change people's perception and understanding of end of life care as well as their readiness to talk about it – not only their own end of life plans but their families and friends too. St Michael's encourages patients (with their families where appropriate) to produce a plan that describes their needs and preferences. This helps ensure they receive the right care, in the right place, delivered by the right people.

St Michael's provides its services free to patients, carers and families to ensure accessibility.

Our vision is that everyone in Herefordshire and the surrounding areas who needs and wants palliative care has timely access to it, delivered in a way that suits them.

Principal Activities

St Michael's fulfils its purpose through its principal activity of providing adult hospice care to the people of Herefordshire and immediate surrounding areas as follows:

1. Adult inpatient palliative medical and nursing care in a twenty-bed purpose-built unit.
2. Adult outpatient palliative medical and nursing care in Day Services and appropriate therapy (physiotherapy, occupational, music, art and complementary).
3. Hospice at Home Service, which includes 24-hour telephone advice, care co-ordination service, urgent care team and planned home care packages. St Michael's provides this care in people's homes or places they regard as home (e.g. nursing and residential homes). Some aspects of this service are delivered in collaboration with Marie Curie.
4. Education and Training. St Michael's seeks to influence and guide the quality of palliative care in other settings and given by other providers through its education and training programmes thereby sharing the experience, expertise and knowledge St Michael's has built up from nearly 35 years of working in palliative care. The Education team also ensures St Michael's staff have opportunities to develop their skills, knowledge and competence as these have a direct bearing on the quality of support St Michael's can provide.
5. Underpinning the main services is the Supportive and Rehabilitative Care service, which social workers, bereavement care workers, spiritual workers and counsellors deliver. They offer this to patients and families in the Inpatient, Day Services and Hospice at Home services. These services provide the vital social and psychological elements of support that characterises holistic care and to which St Michael's aspires. The holistic approach not only considers the patient's condition, life and circumstances, but also supports and cares for the patient's family and friends. The Rehabilitative and Supportive Care service also collaborates with another charity called Hope Support service, to provide care and support to children who are close to our patients.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

Support for Principal Activities

The catering and housekeeping teams provide essential support for the principal activities. The management and administration team provide the necessary governance, oversight and operational management plus finance, human resources (HR), information technology (IT) and administrative support. The fundraising and retail teams maintain the necessary income needed by St Michael's to deliver its services as statutory funding (from NHS, local authorities and the Department of Health) remains inadequate.

St Michael's has over 800 volunteers registered on its database who provide regular support in all areas of St Michael's. Many more provide ad hoc support at events etc. or volunteer via their workplaces, communities and other organisations for the benefit of St Michael's. The contribution these people make is vital to St Michael's success and survival. These volunteers support 234 employed staff (including bank staff) to provide the quality care service and the required support services for patients and their families to meet and go beyond regulatory requirements.

Public Benefit

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing St Michael's objectives and in planning its future activities.

The Trustees consider how planned activities will contribute to the objectives that have been set, reporting the success of each key activity and the benefits St Michael's has brought to those groups of people that it is set up to help. The Trustees regularly review the objectives and activities of St Michael's ensuring they remain focused on its stated purposes.

The Trustees continue to recognise three strategic intentions underpinned by four key areas in which St Michael's must develop and excel to successfully deliver the objectives and activities.

The Strategic Report that follows sets out our strategy for the next five years and looks at what St Michael's has achieved, and the outcomes of its work, in the reporting period.

Strategic Report

*Our **strategy** for the next five years is to have a multi-faceted approach that focuses on ensuring its long-term sustainability and ability to operate in the new health economy; as well as initiatives to do more, in partnership with other organisations, to give patients greater choice; ensure they receive the best support available free of charge; and to enhance significantly our engagement in our communities.*

Strategic Intentions

Communicate with and support more people.

Working with others, we will increase accessibility, availability and quality of palliative care for more people.

Influence, educate and work with others to improve care.

We will work with key decision makers, other providers and the community to heighten awareness of death and dying issues and improve care wherever it is provided through education and research.

Be a sustainable and well-led organisation.

We will ensure we generate enough income to deliver our vision and innovate as an organisation to make us more effective and efficient.

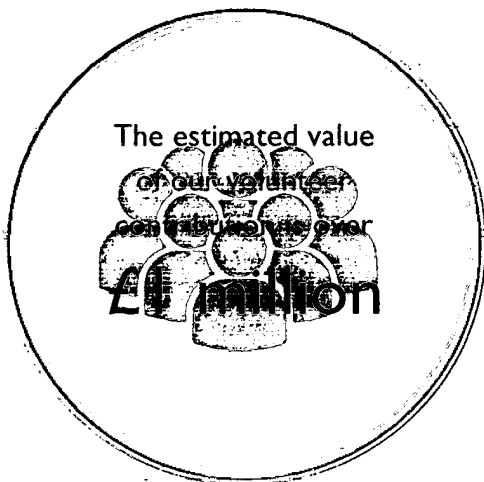
Areas to develop and excel

People Management

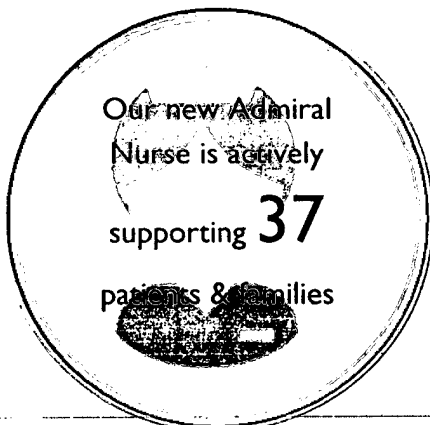
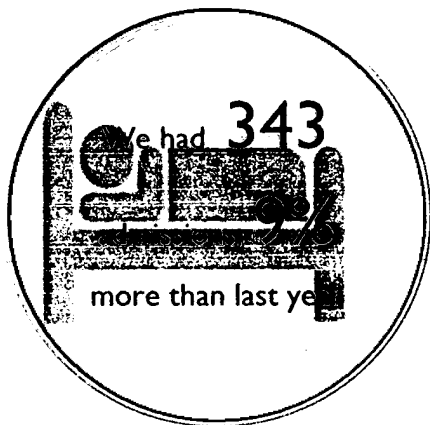
Income Generation and Marketing

Communication

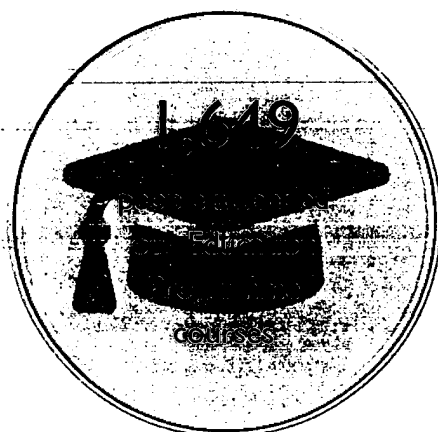
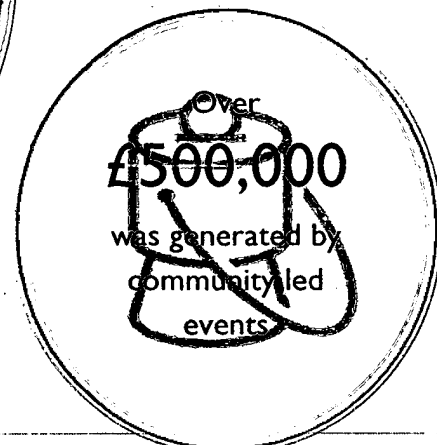
Information and Data Management



Our Year



In Numbers



St Michael's Hospice (incorporating the Freda Pearce Foundation)
Report of the Trustees
For the year ended 31 March 2019

Achievements and Performance 2018/19

Strategic Intention One: Communicate with and support more people.



St Michael's has supported and cared for 1,676 people in 2018/19 (1,350 in 2017/18), which is a 24% increase on last year. This supports our strategic aim to communicate with and support more people. This has been achieved through the continuing success and growth of the Hospice at Home service (now in its fourth year) supported by our 24/7 Co-ordination Hub which ensures patients are directed to the most appropriate hospice service for their needs, and improved joint working with GP practices to identify more people who may benefit from hospice care. We intend to continue this trend in future years.

The Inpatient Unit (IPU) received 375 referrals which resulted in 268 people having 343 admissions (some were admitted more than once). This is a slight increase of 9% compared to 2017/18, when 230 people had 317 admissions. The average length of each stay was 17 days (18 days in 2017/18). Of these 375 referrals, 107 did not result in inpatient care; twenty-seven received their care from our Hospice at Home service instead; another 27 were hospital referrals where the patient died before transfer; and the remaining 53 referrals chose an alternative service more suited to their needs at the time.

Day Services continues to deliver its three core services: Day Hospice (DH); Living Well (LW) Support; and Fatigue and Breathlessness Support (FAB). Despite promoting self-referral and making it easier for professionals to refer, the number of people being referred and attending these core services has remained static compared to 2017/18.

These services will be kept under review to ensure we continue to deliver this support in the best way for patients and their carers.

Inpatient Unit Activity Data

| | 2018/19 | | 2017/18 | | 2016/17 | | 2015/16 | | 2014/15 | |
|------------------------------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|------------|-------------|
| | No. | % | No. | % | No. | % | No. | % | No. | % |
| Admissions | 343 | | 317 | | 290 | | 291 | | 278 | |
| Admitted From: | | | | | | | | | | |
| Home | 251 | 73% | 232 | 73% | 206 | 71% | 208 | 71% | 183 | 66% |
| Hospital | 88 | 25% | 83 | 26% | 80 | 28% | 71 | 24% | 90 | 32% |
| Other | 4 | 2% | 2 | 1% | 4 | 1% | 12 | 5% | 5 | 2% |
| Total | 343 | 100% | 317 | 100% | 290 | 100% | 291 | 100% | 278 | 100% |
| Location at end of stay: | | | | | | | | | | |
| Died | 197 | 57% | 187 | 59% | 157 | 54% | 165 | 57% | 171 | 62% |
| Home | 146 | 43% | 114 | 36% | 101 | 35% | 106 | 36% | 89 | 32% |
| Hospital | - | - | 9 | 3% | 10 | 3% | 5 | 2% | 12 | 4% |
| Other | - | - | 7 | 2% | 22 | 7% | 15 | 5% | 6 | 2% |
| Total | 343 | 100% | 317 | 100% | 290 | 100% | 291 | 100% | 278 | 100% |
| Average Length of admission | 17 | | 18 | | 18 | | 16 | | 15 | |
| Occupancy (target 85%) | 80% | | 78% | | 86% | | 82% | | 71% | |

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

We have grown our Supportive and Rehabilitative Care team this year and are now reaching more people in the community. St Michael's was thrilled when Powell & Co Construction, one of the UK's leading manufacturers of Poultry Housing and Agricultural Buildings, donated a summer house for the garden.



The building arrived flat-packed during the very hot summer and was put together by Don Powell, Managing Director of Powell & Co, and colleagues after Knights Construction had constructed the concrete base. The summer house is a space in the garden where individuals can not only explore old and new hobbies but also find peace and tranquillity for quiet reflection. It is a place where we can provide pre- and post-bereavement support for people that do not access more traditional talking services.

During the year we received feedback from patients using our Hospice at Home service that one thing they missed was a nice bath, often because their condition meant it was impossible for them to get into or out of their bath at home safely. We therefore responded to this need by introducing a Well-being service.

Patients come to the hospice for a few hours and not only benefit from a change of scenery but also gain access to bathing in suitably equipped modern bathrooms; hairdressing facilities; complementary therapies; listening services; and advice and support with symptom management.



Forty-nine people have benefited from this so far. New therapy-led programmes have also been introduced both within the hospice and out in the communities. The aim has been to support health and wellbeing through focusing on what matters to people rather than what is wrong. This approach gives people the tools to live well for as long as they can. We will continue to evaluate these services and expect them to continue to grow as awareness increases.

Out Patient Medical Clinics have seen a 27% increase to 162 consultations this year compared to 128 in 2017/18. Although Day Hospice attendances have remained static, we have seen a 50% (29 patients) increase in patients receiving medical assessments with nearly half of day hospice patients requiring follow-up consultations. This reflects the increased dependency and complexity of patients attending the hospice. We have also increased medical home visits by 12% this year from 150 people visited in 2017/18 to 168 in 2018/19. Joint working with Wye Valley Hospital Consultants and specialist nurses for people with respiratory and cardiac disease has raised awareness and improved access to St Michael's services alongside the existing Renal and Motor Neurone Disease clinics.



The NHS commissioned Hospice at Home service continues to evolve and grow.

We received 805 referrals to the service during the year compared to 525 referrals in 2017/18; a 53% increase. This service has proved to be the flagship of St Michael's campaign as more people on a countywide basis are now accessing hospice services. This is an important service for those people who would prefer to receive their care at home in familiar surroundings and close to their family.

Of the 805 referrals, 422 patients received planned care supported by Hospice at Home carers, who provide hands on care within the patients' home. 87% of these people died at home, which is the place where they wanted to be.

The Co-ordination Hub, which is the single-entry point providing 24/7 advice and support, is now a service in its own right. Patients, families, carers and professionals have access to senior nurses and co-ordinators from 07.00hrs-22.00hrs every day.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

Outside of these hours, advice and support is delivered by the senior nurses on the Inpatient Unit with access to medical support as required. It is anticipated that this will grow to become the single point of access for all Herefordshire's end of life and palliative care services. This co-ordination ensures patients and families receive care that is seamless across services and organisations and meets their needs and wishes more fully.

An additional function of the Co-ordination Hub is to support patients on the Inpatient Unit waiting list when a bed is not immediately available. This support ranges from home visiting to telephone advice.

Of the 805 referrals to the Hospice at Home service, 383 patients had an urgent need and therefore received care and support from the senior nurses. This rapid response to urgent need reduces the risk of a crisis escalating to hospital admission or attendance at accident and emergency.

The team work alongside GP practices to identify people who would benefit from hospice care and have supported 117 people living in a care home with end of life care and support.

We have partnered with Dementia UK to employ a full-time Admiral Nurse at St Michael's. This service is supporting patients and families living with dementia that are in the last year of life. This is starting to improve co-ordination of care by joint working with GPs and other community teams such as mental health and occupational therapy. Currently 37 patients and their families are being actively supported. The nurse also has a key role in educating hospice staff and other professionals about Dementia care.

The Compassionate Communities work is continuing in Fownhope and Bodenham around the GP practices. St Michael's contribution is to identify and train the volunteers in these Compassionate Communities. Bereavement support linked to the compassionate community initiative is starting to see the introduction of Bereavement Hubs; a hub in each market town is planned for the coming year.

We are using the Mobile Hospice Support Vehicle to build awareness of our services in the more rural and far-reaching parts of Herefordshire. It has taken longer than we hoped to build a programme of visits, but with each experience we learn what works best and how to convey our messages effectively.

Stronger links with GP practices is enabling joint health initiatives to be planned for the coming year using the vehicle.



Strategic Intention Two: Influence, educate and work with others to improve care

St Michael's knows that people want to receive their care in many different places and settings and not always at or by the hospice. St Michael's wants to ensure that people who are in hospital, care and residential homes and other places, can also receive high-quality palliative care.

St Michael's supports educational programmes that ensure staff in these organisations are competent in palliative care and can be confident to deliver high-quality services, safe in the knowledge they have the expertise of St Michael's to support them.

St Michael's already runs a well-respected and widely known education programme for other care staff and agencies and intends to increase this as funds allow to ensure everyone giving care to patients does so to the highest level.

There were 1,649 (2017/18: 1,123) attendees (of which 1,206 were St Michael's staff and volunteers) at courses during the year. This year's figures show an increase in the number of internal staff and volunteers receiving training. In addition, we ran tailor-made courses for 12 (2017/18: 7) organisations with 92 delegates in total. This activity reflects our strategic intention to influence, educate and work with others to improve care, as well as support other organisations to develop their palliative care knowledge and skills.

We have introduced an e-learning platform, which enables staff to receive some of their training more flexibly. We continue to look at other innovative, convenient and cost-effective ways to deliver education and training to staff and volunteers, so we meet our regulatory requirements set by the Care Quality Commission and can easily evidence this.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

Strategic Intention Three: Be a sustainable and well-led organisation

St Michael's continually seeks ways to increase its efficiency and effectiveness through monitoring and benchmarking its suppliers and cutting out waste. St Michael's is an active member of the Hospice Quality Partnership (HQP) – an organisation set up by UK hospices to achieve best value through joint procurement and contracting.

St Michael's has a diverse range of income streams, so it is not reliant on any one source of funds. These include many different types of fundraising (donations, legacies, events, community, trusts, lottery, corporate); retail income from our shop portfolio; investment income; property rental; and some NHS income. The securing of our flagship retail unit in Whitecross through the freehold purchase of the adjacent properties has not only allowed us to expand our operation and increase our income generation, but also is a strategic investment to secure the future of St Michael's.

We have developed our management and leadership structure to ensure decision-making and responsibility is as close to the point of delivery as possible. We support managers, supervisors and leaders in all areas to seek ways to improve the things we do and ensure our supporters, staff and volunteers flourish in a positive and nurturing environment which in turn delivers the best care to our patients and families.

St Michael's finances continue to hold up despite a difficult economic environment. A continuation of the efforts made by staff, Trustees and volunteers to maximise income and control costs without compromising services will continue to support financial sustainability.

Areas that underpin our three strategic intentions

1. People Management

St Michael's is very aware that it is reliant on having enough people (volunteers and paid staff) to deliver its objectives and activities. St Michael's needs to be good at finding the best people and this is becoming harder as demographic changes occur and there is a smaller pool from which to recruit professional staff. During 2018/19 we continued the focus from the previous year on improving our Human Resource (HR) function to speed up systems and processes and automate as many as possible to free up staff and volunteers to concentrate on their core roles. The new HR Database is giving us better data and information and is ensuring we meet the increasing statutory and legal obligations as an employer and volunteer organisation.

We did manage to achieve full staffing throughout the year, which enabled us to operate all services and extend our reach to more people. An organisation-wide staff survey operated by Best Companies gave management a confidential and impartial review of our staff engagement and resulted in us achieving 'Ones to Watch' status. We examined the results and benchmarked with similar organisations and are seeking ways to improve our results further when we repeat the survey in the Autumn 2019.

The organisation-wide Intranet was launched to staff in September 2018 and has improved communication, awareness and access to information for everyone. We will continue to develop this vital communication tool in 2019/20 so that it becomes the central authoritative repository of information for staff.

The Trustees wish to record their thanks to all St Michael's staff, who are essential to providing high-quality care for patients. The staff are the guardians of St Michael's excellent reputation and good standing, attributes which are vital and must remain at the highest level. At year-end, we had 209 (2017/18: 203) staff equivalent to 153 (2017/18: 149) whole time equivalent posts. These staff are supported by 25 (2017/18: 22) bank staff. 148 (2017/18: 138) work directly in clinical and care areas and associated parts of the service.

During 2018 we conducted a full job evaluation and salary review for all paid staff to ensure our salaries are competitive and correct. We have not done this since 2012 and with increasing competition for staff the Board felt it important to do an evaluation and benchmark all salaries. We used a reputable and highly-regarded external tool to this, which not only allowed a robust evaluation of all roles but also a way to benchmark both within the sector and with similar organisations. We were pleased it showed most salaries to be correct. Any anomalies highlighted were corrected from 1st April 2019.

The Trustees also wish to record their thanks to the many volunteers without whom St Michael's would be unable to maintain the quality of service and deliver all the support at the low cost we achieve. The estimated value of the volunteer contribution to St Michael's is more than £1 million per annum. The new Volunteer Co-ordinator took up post in May 2018 and continues to develop systems and processes to attract and retain more volunteers to St Michael's.



St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

2. Income Generation and Marketing

The Income Generation and Marketing team (fundraising, lottery and retail) continue to respond positively to the changing environment, to find new, imaginative and inspiring ways to generate the financial resources necessary for the delivery of existing services and future development.

The team remain committed to working closely with our partners and supporters in a clear and open way, to forge lasting relationships within our community. Our aim is to build a diverse fundraising portfolio which balances risk and return, and is less vulnerable to changing demographics, competition and unforeseen circumstances. We will continue to carefully steward financial resources and proactively manage investment and development.

Targets for net income from fundraising activities and events, retail income (sale of donated goods through shops and warehouses); and income from St Michael's Lottery were met, with underlying trends in our key income streams showing no marked change.



Total income benefitted considerably once again from the excellent performance of our shops and the generosity of the St Michael's community who continue to demonstrate that they remain willing to support their hospice. 15.8% more donations were processed in the year compared to 2017/18.

We generated £5.95 million from voluntary and other sources (excluding NHS and HCCG grants and other income directly relating to our charitable activities). The cost of raising funds, including reallocation of support costs was £2.15 million. This means that for every £1 raised 64p goes on delivering and improving our care and support for people living with terminal illness and 36p goes on generating further income.

Income from shops and warehouses rose by 6.7% in the year, however supplies and service charges including the impact of the change to tipping fees and waste disposal costs really began to bite. They are forecast to increase again next year. However, in the face of these greater cost challenges St Michael's shops delivered a profit margin of 52.8%.

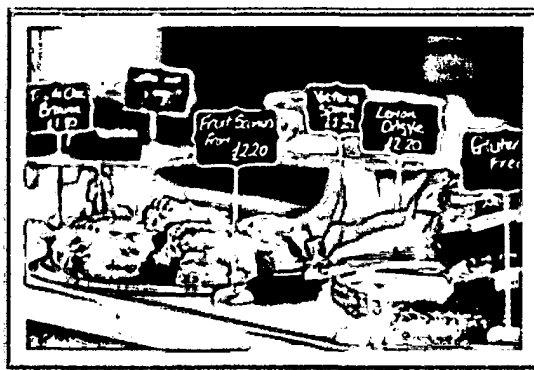
Across the sector, charity shops delivered a profit margin of 19.3% ranking us the most profitable in the 2019 Charity Retail Association Charity Shop Survey.

The challenge of engaging our local communities in new ways, in making our shops attractive and stock appealing was met head-on at Holmer Road. It maintained its position as the top performing warehouse with an uplift in net growth of 12.3%. Leominster, Alton and Whitecross Road warehouses all achieved excellent returns. An extension to Saturday trading hours at these units underpinned this uplift.

The mixed fortunes of commercial high street retailers were mirrored in the performance of our own high street units. Holme Lacy, Folly Lane, Hay and Ledbury all delivered excellent performances. Leominster Book/Café, Bromyard and Tenbury also performed strongly in the climate, whilst Malvern, Presteigne and Kington struggled due to the increasingly acute challenge of recruiting and retaining volunteers. The length of a volunteers preferred shift is shortening, the age profile changing and many of the long-standing volunteers who have provided the backbone of support at many units are no longer able to continue. Programmes are being developed which benefit our volunteers and particularly support younger people in developing skills through training and volunteering opportunities.

With just under 80% of net income now delivered from units in secondary locations instead of the high street, the focus on opening out-of-town specialist furniture stores has been successful. Investing in a further unit in Ledbury in 2019/20 is planned. Maintaining a mixed unit size portfolio provides the ability to evolve, re-shape and grow as the market changes which corresponds with our strategic intention to be a sustainable and well-led organisation.

A key priority in the year was to support investment in renovation, replacement and the acquisition of freehold premises. In August 2018, full planning approval was granted for a change of use at 77-83 Whitecross Road. This enabled St Michael's to move forward to acquire the site freehold. The whole site will be brought into operation in 2019/20. This will include our second Café/Bookshop operation.



St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

Regular system, manual handling and fire safety training has been delivered and risk reviews undertaken. The move to on-line delivery of mandatory training during the year, is enabling better monitoring and greater compliance to be achieved. The percentage of gift aid recovered on donated stock rose overall but remains below target. The need for additional gift aid training has been identified and is a priority for the coming year.

Whilst the pressures of growing discount retailers, more short-term hours volunteers and more community selling impacts, we are confident that investment in strategic out-of-town locations, gift aid recovery, the physical environment, volunteers and staff will ensure that St Michael's retail operation continues to evolve, re-shape and grow to serve its customers and support the wider work of St Michael's. We will also continue to demonstrate wider influence and purpose through re-use and recycling, sustainability and positive environmental impact.



Our Hospice Lottery contributed over £268,000 direct net income and ended the year with 6,700 members. Attrition rates rose in the year to 5%, however, this still placed our Lottery as the second-best performer of all Hospice Lotteries on this measure. 9% of all households in Herefordshire continue to play our Lottery compared with an average of 5% for Hospice Lotteries nationally. The introduction of new rules and restrictions on fundraising during the year, as anticipated, contributed to a 22% reduction in income for our Summer Raffle. Changes to our Direct Mail programme will hopefully address this going forward. For the first time in St Michael's history, Raffle tickets were sold on-line during the year and consents were put in place for the provision of a Direct Debit and eDirect Debit service which will form the thrust of our plans for the future.

Hospice led events returned a net contribution of £200,000 and our community income continued to perform significantly above budget expectation reaching over £500,000 net. The regular gifts we receive every day from generous members of the public are often humbling and are the lifeblood of our charity. This year over 9,600 gifts were received.

Whilst the net income from St Michael's led events remained on a par with 2017/18, sponsorship continued to be a critical factor in achieving overall financial success. For the fifth year in a row Paint Runner remained the most popular event with 1,500 people participating. However, RUN Hereford remained the most popular event for fundraising.



Earlier and tiered registration, changes to sponsorship incentives and route reviews all contributed to a net uplift in income from RUN Hereford, Paint Runner and the Santa Run and assured a similar financial return to the prior year for the Wheelie Big Cycle event despite a slight decline in participant numbers. The Santa Run had double the number of runners to prior year, and the reintroduced Wheelie Little Cycle was both financially positive and made the event much more inclusive.

The Venus Walk, whilst remaining popular, as anticipated saw a reduction in income when compared to the 10th Anniversary in 2017/18.

Following the success of the Plant Fair and Tea on the Terrace the decision was made to invest in trying to grow a strong Christmas offer that was closely aligned to core brand values. The extremely positive response to this event will see it being extended in 2019/20.



The safety of participants, spectators and event volunteers remains the critical focus of all our events. Detailed risk assessments continue to be undertaken for all events with findings acted upon.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
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Our established community event programme continued to grow in the year. The Open Garden Programme returned just over £39,000 net including the highest ever contribution from Hellen's Garden Festival (£11,000).



Our first venture into a full-blown art show at Canwood in collaboration with H art brought in net income of just over £9,000 with 2,500 visitors attending the show. The year long partnership with Eastnor Castle raised £15,000 through an Abseil, Open Garden and Music Evening featuring the Hospice Community Choir. Our first ever Charity Race Day brought in net income of £37,000.

Our Plant Fair at the hospice proved to be another social and financial success with 1,200 visitors securing a net income of £7,000 with great engagement with local schools and the community in general. The Big Tea continued to perform well with a net income of £24,000. We continue to build meaningful relationships with the business and education sector along with our wider community to help ensure St Michael's is the number one charity of choice in our region. In 2019/20 new interventions are planned to include a major Flower Festival and an improved programme of challenge and bonded events. Our Open Garden programme and Plant Fair will see further expansion.



Gifts left for St Michael's in wills make up around 1/5th of all our voluntary income. We received £1,167,634 from 51 gifts in supporters' wills. Legacies notified during the year continued to increase.

3. Communication

Our Communications Team keeps St Michael's in the forefront of people's minds, from the promotion of events to stories which highlight how people living with terminal illness have been supported by St Michael's.

Thanks to this work, the community is far more aware of the breadth of services St Michael's provides, how we are funded and how more people can benefit from our services, not just at the end of life.

The quality and prevalence of branding, patient literature, St Michael's website, hospice services and external communication continues to ensure people remain inspired by the work carried out by St Michael's.

Social media activity and engagement continues to grow significantly, with an increasing amount of content and interaction generated through Instagram. We ended the year with 14,969 likes and over 30,000 people being reached weekly on Facebook. Social media activity remains a very powerful engine that continues to power a growing engagement with our community.

St Michael's highly acclaimed use of social media is driven by the creation of content that emotionally engages with readers. From marketing events to promoting the link between caring and giving, the team have produced over 600 pieces of original material that has told the St Michael's Hospice story to tens of thousands of readers.

Coverage in local and regional print and online media continues to be strong, with an average of three stories per week featured in the Hereford Times; one recent edition containing eight stories.

The Communications Team continues to provide local radio stations including BBC Hereford & Worcester and Sunshine Radio with a wide range of topical news and features. This prolific output ensures our message reaches each and every community that St Michael's serves.

Another useful tool in achieving this is Parish Magazines. We send two stories each month to more than 80 publications across Herefordshire and the border counties.

Over 80 St Michael's Hospice stories appeared in the Hereford Times and other local and national newspapers and coverage on Sunshine Radio (who once again partnered with the us during the year) and BBC Herford and Worcester was the highest ever.

These activities all helped underpin the 'relational' approach to our income generation that is so important to success.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Report of the Trustees
For the year ended 31 March 2019

St Michael's is registered with the Fundraising Regulator and is a member of the Institute of Fundraising and the National Association of Hospice Fundraisers and is committed to adhering to the Code of Fundraising Practice. We have had no adjudications and our controls only found very minor failures to comply with these standards.

We have continued to strengthen our Data Protection procedures and communication preferences to all our supporters and feel well placed going forward. We have continued to closely manage our out-sourced fundraising contract (Hospice Lottery canvassing).

We review compliance through non-financial audit, mystery shoppers, monitoring feedback and at our Income Generation & Marketing Committee and take corrective action when required to ensure that all St Michael's Hospice fundraisers and those who work on our behalf are aware of and adhering to our high standards.

The number of complaints received during the year regarding fundraising was nil (2017/18 nil). We ask supporters their preferences as to how we communicate with them.

We give them the option to let us know if they wish to change their preferences or no longer wish to hear from us, and always respect their wishes. We do not sell or exchange lists of data with any other charities or companies.

If we encounter someone showing signs of distress, confusion or vulnerability our fundraisers will politely refuse any donation offered in such circumstances. In the unlikely event of a donation being received in such circumstances, we will refund the donation.

4. Information and Data Management

With the ability to collect vast amounts of data and information easily these days, St Michael's needs to be able to analyse and use this data to increase its effectiveness and understanding of its work. Much of our work uses computers and so we have a strategy to develop and secure these systems appropriately and to best effect. We have upgraded our computer systems to ensure they have sufficient security controls to protect the information we keep about people connected to St Michael's.

With so much now held on computers and our heavy reliance on them it has been important to make sure they are robust enough and that we have contingency plans to keep the hospice working whatever happens.

We have successfully connected our system to the Health and Social Care Network (HSCN), which means we can connect our patient systems to the NHS to share information more easily and accurately for the benefit of our patients and ensure staff who are visiting patients away from the main base at Bartestree, have access to the information they need to provide high-quality care.



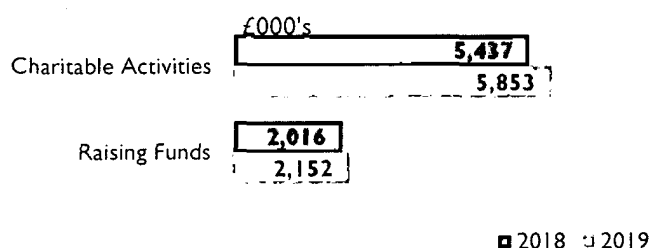
St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

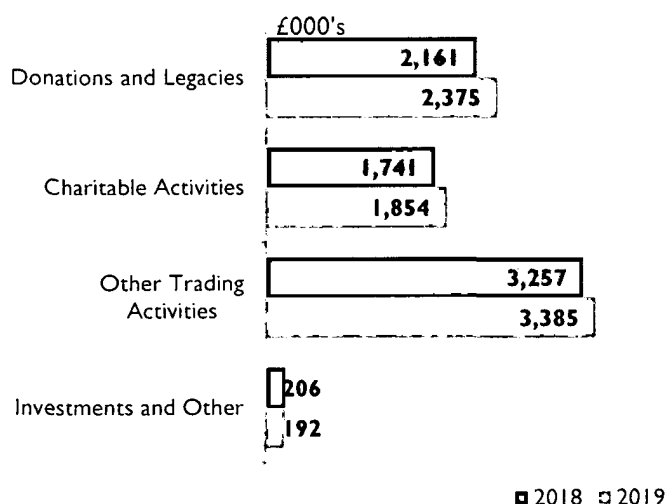
For the year ended 31 March 2019

Financial Review

The consolidated financial statements that follow later in this report comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flows and related notes, which include the results of the related companies. Total expenditure for the year increased by 7.4% to £8,005,058 (2017/18: £7,452,940); 1% of this increase was income backed; 5% relates to increased staffing costs including a 2% cost of living award; and 1% relates to increased depreciation charges. 73% was spent on charitable activities.



Total income for the year increased by 6% to £7,806,027 (2017/18: £7,364,951).



There follows a brief overview of the financial management that has fed into these reports.

Investment Policy and Returns

Because of the uncertainty of fundraising income streams, it is necessary to ensure that funds are always readily available for use to ensure that levels of care are not adversely affected in the event of any short-term income reduction. The Trustees have decided to maintain a low risk investment strategy to protect reserves, and therefore services, rather seeking higher return investments which increases the risk profile. A 12-month return of 4.2% was achieved, exceeding targets. Performance is measured against agreed inflation and market indices.

Reserves Policy

The Trustees have reviewed the reliability of future income streams, the commitment to future expenditure and risks

faced as a Charity. St Michael's has determined that it needs reserves for the following reasons:

- To fund shortfalls in income (whether statutory, retail, lottery, donations, legacies or other fundraising activities) when it does not reach expected levels. St Michael's is dependent on fundraised income as well as statutory funding. The fundraised income is subject to fluctuation as economic conditions change and statutory funding could be affected by government policy and the financial position of NHS and local authority commissioners;
- To fund unexpected expenditure, for example when legislation changes, or unplanned events occur. This could also be for unexpected building maintenance costs and to provide a degree of flexibility for innovation;
- To fund working capital. The greatest cost is salaries and therefore the timing of cash outflows is relatively fixed whereas both fundraised and statutory income fluctuate in terms of cash inflow over the year;
- To fund future developments to ensure we continue to meet the needs of our community.

At the end of March 2019, the free cash reserves within general funds reduced to £6.9 million (2017/18: £7.1 million), an amount which equates to 9.6 months of budgeted 2019/20 operating costs, exceeding our reserve policy of 9 months and allowing St Michael's to continue to provide care at the expected quality to meet the needs of patients as well as aiding the development of income streams and reducing costs.

The net book values of freehold land and buildings are held in a designated reserve called the Property Fund, totalling £10.5 million at 31 March 2019. By designating these funds, the Trustees aim to give a clear presentation of the free reserves available to St Michael's to meet its continuing operational commitments. Restricted reserves stand at £98,895 at the end of the year. During the year Trustees designated a further £350,000 to fund future capital investment. At the year end, the designated capital investment fund totalled £358,894. The level of reserves is monitored regularly by the Finance & Investments Committee and this policy is reviewed annually by the Trustees when the budgets are approved. This will ensure that appropriate steps are in place to maintain reserves at the required levels.

Principal Risks and Uncertainties

Over the course of this year, the Trustees did not identify any new major risks that are thought to be high enough to have a catastrophic effect on service delivery, income generation or compliance with regulations.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

They did consider the following material risks:

- Unpredictability of the legacy income stream, which currently represents 15% of all income.
- A risk to donations because of the economic and political climate and competition for funds.
- Uncertainty over the NHS contribution due to austerity measures and significant overspend in the local NHS resulting in service cuts and redesign.
- Demand for hospice services outstripping capacity both in terms of volume and skill.
- An ageing workforce and volunteer cohort.
- Challenges in recruitment, particularly in nursing nationally and locally.
- The impact of Brexit on income generation, medical supplies and recruitment.
- Failure in the provision of the service.

Going Concern

There are no material uncertainties regarding St Michael's ability to continue in operation. The Trustees have reviewed financial forecasts into 2023 and are confident that St Michael's will continue as a going concern for the foreseeable future.

Future Plans

St Michael's will continue its current strategy while monitoring the risks to its implementation. We have planned a deficit budget post depreciation for 2019/20. This allows us to continue the required growth and development while ensuring funds St Michael's doesn't need to hold in reserve are used for our community.

The needs of our patients continue to change and evolve. The success of our Hospice at Home service and other community work has changed the way our inpatient beds are used. The board has therefore decided to re-designate four of the twenty-beds to support more direct community work (e.g. day care, health and well-being services and group work). We will continue to keep all our services under review as each develops and impacts the others so that patients and families receive the high-quality care they need – in the way they want it and at the place of their choosing.

We are pleased our NHS commissioners recognise the valuable work we do, increasing our grant by £130,000 in 2019/20. It is still short of what we believe is a fair and reasonable contribution, which would take pressure off our voluntary income and bring us closer to a balanced budget. Matched with our continual drive to find efficiencies and savings we expect to balance our future budget years before building depreciation. Building on our 2018/19 work to improve our people processes and procedures should enable us to maintain full staffing and operate at full capacity in all areas in 2019/20. This will deliver more care to more people than we've ever done before. We would expect to support more than 1,750 people in 2019/20.

During 2019/20 we will continue to focus on enhancing and growing our volunteer teams, which will be more challenging than ever before, but who remain vital to our survival and sustainability.

We will continue to move closer to our communities. The Mobile Hospice Support Vehicle will contribute to this enormously by travelling round the villages and far reaches telling people about St Michael's services and offering support locally. Combined with the Compassionate Communities work we have started this will give more support to more people too. By developing our education programmes and embracing new technologies, we will offer more opportunities and ways for people to engage with St Michael's for their personal and professional development.

As the organisation grows and becomes more spread (through more fundraising, retail outlets and services delivered in homes) we need to ensure we keep people in touch with St Michael's and fully informed and briefed so they can not only work effectively but also act as expert ambassadors for St Michael's. We will develop our communication channels more, so we ensure each donor and supporter understands the important contribution they make to people's lives in Herefordshire and the surrounding areas.

Thanks to the generosity of our community, St Michael's Hospice continues to provide the best possible palliative care and support for local people and their families. The Board of Trustees would like to extend a heartfelt thank you to all the supporters who make this possible.

My 35 for St Michael's Hospice

To help promote and celebrate St Michael's 35th Anniversary during 2019, a new fundraising initiative has been created around the number 35. So far supporters have made 35 jars of marmalade; pledged to lose 35 lbs in weight; set out to perform 35 acts of kindness; play 35 saxophone performances in the park; and even learn to fly a helicopter 35 hundred feet above St Michael's Hospice. An in-memory campaign celebrating our 35 years was launched in May 2019 and linked to the purchase of a metal Forget Me Not (as featured on the cover and below). We have 'planted' one thousand of these metal flowers in three locations (including the hospice) with the final location coinciding with the Garden Festival at Hellen's Manor in June 2019. So successful is the promotion that we have had to order a further 500 flowers to sell.



St Michael's Hospice (incorporating the Freda Pearce Foundation)

Report of the Trustees

For the year ended 31 March 2019

Structure, Governance and Management

Trustees

Trustees are unremunerated volunteers. All Trustees give their time voluntarily and receive no benefits from St Michael's. Any expenses reclaimed from St Michael's are set out in note 9 to the financial statements of which there were none.

When there are Trustee vacancies the Board consider the skills mix and diversity of the continuing Trustees to determine the person specifications needed in new Trustees. Recruitment is an open competitive process involving public advertising, networking and head-hunting as appropriate. St Michael's provides potential trustee candidates with information about the organisation and about the role of Trustee, including the role description and expectation of Trustees and the length of tenure of appointment. Appointments are made by the full Board of Trustees

Every Trustee must sign a Trustee Commitment and Disclosure Form to act as a Trustee of St Michael's before he or she is eligible to become a Trustee, and again each year. On appointment or election as a Trustee, a Trustee becomes a member of St Michael's Hospice. Trustees hold membership of St Michael's Hospice only during their Trusteeship and retirement, resignation or removal as a Trustee ends their membership of St Michael's.

It is St Michael's policy and practice to provide Trustees with appropriate training to undertake their role and to ensure that new Trustees receive an induction to St Michael's and to the role of a Charity Trustee and Company Director.

New Trustees attend a corporate induction day and we are looking at a potential scheme to provide them with a mentor Trustee who would give them specific support over the first 12 months of their Trusteeship. Trustees are elected initially for a three-year term.

Day-to-Day Management

The Trustees delegate day-to-day responsibility to the Chief Executive, who in turn delegates some management functions to the Strategic Management Team (SMT). The Schedule of Delegation is set out in the Governance Manual. The Trustees have four sub-committees that met quarterly and are responsible for reviewing St Michael's activities in their respective areas of expertise in more detail than full Board meetings can achieve. These are:

- Finance & Investment Committee;
- Clinical Governance & Care Committee;
- People & Facilities Committee;
- Income Generation & Marketing Committee.

Each committee/group has at least two Trustees and a member of SMT as its members. A Trustee chairs the meetings and presents a report at the Board of Trustees, which meets every six to eight weeks.

Remuneration Policy for Key Management Personnel

The aim of St Michael's pay policy is to offer fair pay to attract and keep appropriately qualified staff to lead, manage, support and deliver St Michael's aims. Trustees are ultimately responsible for setting the Chief Executive's remuneration level and agreeing the annual cost of living award. The Chief Executive sets grading levels for the Strategic Management Team with Trustee oversight (except Medical staff who are on the NHS scheme). The Strategic Management Team sets grading levels for all other staff. When deciding the Chief Executive and Senior Staff salary levels, consideration is given to:

- the purpose, aims and values of St Michael's, and its beneficiaries' needs;
- how pay is linked to the skills, experiences and competencies St Michael's needs from its senior staff and the scope of their roles and how St Michael's can maintain the ability to recruit and retain suitably qualified and experienced management;
- St Michael's current business plan and how implementing it may affect the number of senior staff St Michael's needs to employ or recruit, and the nature of these roles;
- St Michael's ability to pay, including:
 - the benefit to St Michael's that such positions will bring;
 - the cost to St Michael's of increasing remuneration levels.

St Michael's regularly benchmarks its salary against other similar organisations and, in the case of clinical staff, with the NHS and local authority in Herefordshire.

Policy for Employment of Disabled Persons

St Michael's fully and fairly considers all applications for recruitment to contracted or volunteer roles made by disabled persons and gives regard to their aptitude and abilities. Opportunities for training, career development and promotion are considered in the same way for those employed or volunteering.

Should an employee or volunteer become disabled, St Michael's arranges appropriate training and support to enable continued employment at St Michael's where possible.

Employee Information

St Michael's is committed to providing staff and volunteers with information on matters of concern to them. We have

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Report of the Trustees
For the year ended 31 March 2019

introduced a Staff and Volunteer Forum; an Operational Management Team that brings decision-making and information closer to employees and volunteers; and started the process to improve our People Systems and Processes. This will include more opportunities and methods for management to consult with staff and volunteers and provide feedback. This is as well as the current systems of noticeboards; staff emails; newsletters; staff meetings, digital communications and volunteer events.

Funds Held as Custodian Trustees on Behalf of Others

Within deferred income is £128,500 held as a cash investment which provides a lifelong annuity to an individual. St Michael's and a GP surgery are joint beneficiaries of the residual capital.

Statement of Trustees Responsibilities

The Trustees (who are also directors of the company for the purposes of company law) are responsible for preparing the Trustees annual report including the strategic report and the 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 charitable company and group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company or group for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently
- Observe the methods and principles in the Charities SORP
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and statements of recommended practice 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 St Michael's will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. In so far as the Trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware
- The Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish the auditor is aware of that information

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Members of St Michael's guarantee to contribute an amount not exceeding £2 to the assets of St Michael's in the event of winding up.

The Trustees are members of St Michael's, but this only entitles them to voting rights. The Trustees have no beneficial interest in St Michael's.

The Trustees annual report, which includes the strategic report, has been approved by the Trustees on 7th August 2019 and signed on their behalf by:



Mr A J Walshe – Chairman

**Independent Auditor's Report
To the Members of St Michael's Hospice (incorporating the Freda Pearce Foundation)
For the year ended 31 March 2019**

Opinion

We have audited the financial statements of St Michael's Hospice (Incorporating the Freda Pearce Foundation) for the year ended 31 March 2019 which comprise of the Consolidated Statement of Financial Activities, Consolidated and Charity Balance Sheets, Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2019 and of the group's incoming resources and application of resources including the 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.

Basis for opinion

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

Conclusions relating to going concern

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

- the Trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**Independent Auditor's Report
To the Members of St Michael's Hospice (incorporating the Freda Pearce Foundation)
For the year ended 31 March 2019**

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees report, which includes the directors' report and the strategic report prepared for the purposes of Company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the Trustees report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the Trustees report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent company has not kept adequate accounting records; or
- the parent 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 the information and explanations we require for our audit.

Responsibilities of Trustees

As explained more fully in the Trustees responsibilities statement set out on page 20, the Trustees (who are also the directors of the charitable company for the purposes of Company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the group's or the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report
To the Members of St Michael's Hospice (incorporating the Freda Pearce Foundation)
For the year ended 31 March 2019

Auditor's responsibilities for the audit of the financial statements

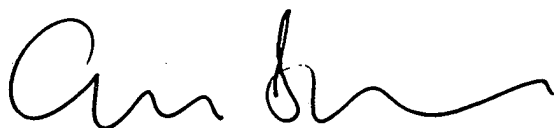
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

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.



Guy Biggin
Senior Statutory Auditor
For and on behalf of

Crowe U.K. LLP
Statutory Auditor
Carrick House
Lypiatt Road
Cheltenham
Gloucestershire
GL50 2QJ

Date: 27 AUGUST 2019

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Consolidated Statement of Financial Activities (incorporating an income and expenditure Account)
For the year ended 31 March 2019

| | Note | Unrestricted £ | Restricted £ | 2019 Total £ | 2018 Total £ |
|--|-----------|-------------------|-----------------|--------------------|--------------------|
| Income from: | | | | | |
| Donations and legacies | 3 | 2,337,965 | 36,772 | 2,374,737 | 2,161,422 |
| Charitable activities | 4 | 1,811,269 | 42,520 | 1,853,789 | 1,741,066 |
| Other trading activities | 5 | 3,385,549 | - | 3,385,549 | 3,256,939 |
| Investments | 6 | 180,922 | - | 180,922 | 194,434 |
| Other | | 11,030 | - | 11,030 | 11,090 |
| Total income | | 7,726,735 | 79,292 | 7,806,027 | 7,364,951 |
| Expenditure on: | | | | | |
| Raising funds | 7 | 2,147,315 | 4,915 | 2,152,230 | 2,016,382 |
| Charitable activities | 7 | 5,796,988 | 55,840 | 5,852,828 | 5,436,558 |
| Total expenditure | | 7,944,303 | 60,755 | 8,005,058 | 7,452,940 |
| Net (expenditure) / income before net gains / (losses) on investments | | (217,568) | 18,537 | (199,031) | (87,989) |
| Net gains / (losses) on listed investments | 15 | 85,525 | - | 85,525 | (74,277) |
| Net (expenditure) / income for the year | | (132,043) | 18,537 | (113,506) | (162,266) |
| Transfers between funds | 24 | 43,602 | (43,602) | - | - |
| Net movement in funds | | (88,441) | (25,065) | (113,506) | (162,266) |
| Reconciliation of funds: | | | | | |
| Total funds brought forward | 24 | 19,495,629 | 123,960 | 19,619,589 | 19,781,855 |
| Total funds carried forward | 24 | 19,407,188 | 98,895 | 19,506,083 | 19,619,589 |

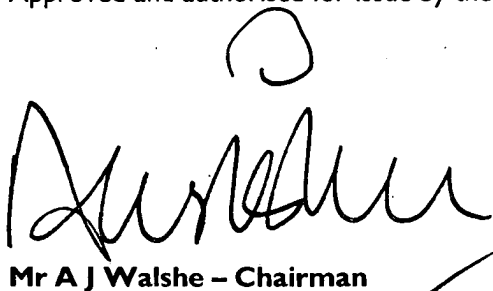
The notes on pages 27 to 45 form part of these financial statements.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Consolidated and Charity Balance Sheets
As at 31 March 2019

| | | Group | | Charity | |
|--|-------------|-------------------|-------------------|-------------------|-------------------|
| | Note | 2019 £ | 2018 £ | 2019 £ | 2018 £ |
| Fixed assets | | | | | |
| Tangible fixed assets | 13 | 12,168,174 | 11,337,100 | 12,168,174 | 11,337,100 |
| Investment properties | 14 | 370,000 | 370,000 | 370,000 | 370,000 |
| Investments | 15 | 6,106,740 | 7,727,793 | 6,106,740 | 7,727,793 |
| | | <u>18,644,914</u> | <u>19,434,893</u> | <u>18,644,914</u> | <u>19,434,893</u> |
| Current assets | | | | | |
| Stock | 18 | 16,934 | 22,411 | 3,072 | 7,949 |
| Debtors | 19 | 845,805 | 401,426 | 958,716 | 458,486 |
| Cash at bank and in hand | | 755,691 | 464,227 | 638,039 | 376,074 |
| | | <u>1,618,430</u> | <u>888,064</u> | <u>1,599,827</u> | <u>842,509</u> |
| Liabilities | | | | | |
| Creditors: amounts due within one year | 20 | 757,261 | 703,368 | 739,623 | 658,384 |
| Net current assets | | <u>861,169</u> | <u>184,696</u> | <u>860,204</u> | <u>184,125</u> |
| Total net assets | | <u>19,506,083</u> | <u>19,619,589</u> | <u>19,505,118</u> | <u>19,619,018</u> |
| Funds of the Group and Charity: | 24 | | | | |
| Restricted income funds | | 98,895 | 123,960 | 98,895 | 123,960 |
| Unrestricted funds | | | | | |
| Designated funds | | 10,886,045 | 11,347,337 | 10,886,045 | 11,347,337 |
| General funds | | 8,521,143 | 8,148,292 | 8,520,178 | 8,147,721 |
| Total unrestricted funds | | <u>19,407,188</u> | <u>19,495,629</u> | <u>19,406,223</u> | <u>19,495,058</u> |
| Total Group and Charity funds | | <u>19,506,083</u> | <u>19,619,589</u> | <u>19,505,118</u> | <u>19,619,018</u> |

The charity only net expenditure for the year was £113,900 (2017/18: £162,266). The notes on pages 27 to 45 form part of these financial statements.

Approved and authorised for issue by the Board of Trustees on 7th August 2019 and signed on their behalf by:


Mr A J Walshe – Chairman

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Consolidated Statement of Cash Flows
For the year ended 31 March 2019

| | Note | 2019 £ | 2018 £ |
|---|------|------------------|------------------|
| Cash flows from operating activities | | | |
| Net cash provided by operating activities | 25 | (356,331) | 340,305 |
| Cash flows from investing activities: | | | |
| Dividends, interest and rents from investments | | 180,922 | 194,434 |
| Proceeds from the sale of fixed assets | | 2,800 | 1,000 |
| Purchase of fixed assets including building works and redevelopment | | (1,246,195) | (264,442) |
| Proceeds from the sale of investments | | 3,378,892 | 2,070,911 |
| Purchase of investments | | (1,558,853) | (2,178,519) |
| Movement in investments – cash holdings | | (113,461) | (56,844) |
| Net cash used in investing activities | | 644,105 | (233,460) |
| Change in cash and cash equivalents in the year | | 287,774 | 106,845 |
| Cash and cash equivalents at the beginning of the year | | 457,457 | 350,612 |
| Cash and cash equivalents at the end of the year | 26 | 745,231 | 457,457 |

The notes on pages 27 to 45 form part of these financial statements.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2019

1. Accounting policies

a) Statutory information

St Michael's Hospice (incorporating the Freda Pearce Foundation) is a charitable company limited by guarantee (Company number 01634942 and Charity number 511179) and is incorporated in the United Kingdom. The registered office address and principal place of business is St Michael's Hospice, Bartestree, Hereford, HR1 4HA. This is also the address of its 100% wholly owned subsidiaries.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

b) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015), the Companies Act 2006 and the Charities Act 2011.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

These financial statements consolidate the results of the charitable company and its wholly-owned subsidiaries - SMH Trading Limited and St Michael's Hospice Development Company Limited - on a line by line basis. Transactions and balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Balances between the companies are disclosed in the notes of the charitable company's Balance Sheet. A separate Statement of Financial Activities, or income and expenditure account, for the charitable company itself is not presented as permitted by the exemptions afforded by section 408 of the Companies Act 2006 not to include it. The charitable company has also taken advantage of the exemption available to a qualifying entity in FRS 102 from the requirement to present a charity only cashflow and certain financial instrument disclosures.

c) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

d) Going concern

The Trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern following their review of the financial position, reserves levels and future plans.

The Trustees do not consider that there are any 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 reporting period.

e) Income

Income is recognised when the charitable company has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charitable company has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received, and the amount can be measured reliably and is not deferred. Income from voluntary sources is received by way of donations and gifts and is included in full in the Statement of Financial Activities when receivable. Income from gift aid tax reclaims is recognised for all donations made prior to the year-end where valid gift aid declarations are held.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2019

1. Accounting policies (continued)

For legacies, entitlement is taken as the earlier of the date on which either: the charitable company is aware that probate has been granted, the estate has been finalised and the executor has made notification to the charitable company that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably, and the charitable company has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charitable company, or the charitable company is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Income from charitable activities is recognised as services are performed. Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

f) Donations of gifts, services and facilities

In accordance with the Charities SORP (FRS 102), the value of services provided by volunteers is not recognised. The Trustees annual report contains further information about the invaluable contribution provided by volunteers. On receipt, donated gifts, professional services and donated facilities are recognised based on the value of the gift to the charitable company which is the amount the charitable company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt. Clothing and other goods donated for resale are included in income when they are sold. If an item is significant in value it would be measured and valued at the year-end.

g) Interest receivable and dividends

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the bank. Dividends are included when received or declared and receivable.

h) Fund accounting

Restricted funds are those which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for a specific purpose. The notes to the financial statements provide further details. Once the terms and conditions of the restrictions have been met, tangible fixed assets purchased with restricted monies, are transferred to unrestricted funds.

Unrestricted funds are those available for use at the discretion of the Trustees in furtherance of the general objectives of the charitable company and which have not been designated for any other purpose.

Designated amounts within the unrestricted funds represent the total Net Book Value of the freehold land and buildings and assets in the course of construction held at the balance sheet date and funds designated for the Development project. Designated funds may also comprise amounts that have been set aside by the Trustees for particular purposes, notably for the purchase of other assets used within the business.

i) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required, and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Raising funds - this relate to the costs incurred by the charitable company in procuring voluntary contributions to it, as well as the cost of any activities with a fundraising purpose. This includes salaries, direct expenditure and support costs of staff engaged in fundraising activities. The cost of fundraising activities is recognised in the year in which it is incurred although the income derived from the activities may arise in future years.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2019

I. Accounting policies (continued)

Charitable activities - this includes the costs of delivering services, and other educational activities undertaken to further the purposes of the charitable company and their associated support costs.

Irrecoverable VAT is charged against activities on the same basis as the allocation of support costs. Governance costs are included within support costs and relate to external audit fees.

j) Allocation of support costs

Expenditure is allocated to the activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which are an estimate, based on staff time, of the amount attributable to each activity.

| | |
|----------------------------------|-------|
| Inpatient Care | 50.0% |
| Raising Funds | 20.5% |
| In reach (Day Care Services) | 2.5% |
| Supportive & Rehabilitative Care | 1.0% |
| Education & Training | 1.0% |
| Hospice at Home | 25.0% |

k) Operating leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

l) Tangible fixed assets

Items are capitalised where the purchase price exceeds £1,000. Depreciation costs are allocated to activities based on the use of the related assets in those activities. Assets are reviewed for impairment annually to consider if their carrying value may exceed their net realisable value and value in use.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life.

The depreciation rates in use are as follows:

| | |
|--|------------------------------|
| Freehold buildings | |
| - Main Structure | 50 years |
| - Roof | 40 years |
| - Windows and doors | 25 years |
| Leasehold property | Over the period of the lease |
| Medical and nursing equipment and beds | 3 – 5 years |
| Motor vehicles | 3 – 7 years |
| IT Equipment and development | 3 – 5 years |
| Plant and machinery | 15 - 25 years |
| Fixture, fittings and equipment | 3 – 5 years |

Land and buildings are included at cost. Land and assets in the course of construction are not depreciated. In accordance with the Statement of Recommended Practice, freehold buildings have been categorised in to those components which have substantially different useful economic lives.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2019

1. Accounting policies (continued)

m) Investment properties

Investment properties are measured initially at cost and subsequently included in the balance sheet at fair value. Investment properties are not depreciated. Any change in fair value is recognised in the Statement of Financial Activities. The valuation method used to determine fair value is stated in the notes to the financial statements.

n) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the Balance Sheet date using the closing quoted middle market price.

Any change in fair value will be recognised in the Statement of Financial Activities. Investment gains and losses are combined and shown in the heading "Net gains/(losses) on investments" in the Statement of Financial Activities. The charitable company does not acquire put options, derivatives or other complex financial instruments.

o) Investments in subsidiaries

Investments in subsidiaries are at cost.

p) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

q) Debtors

Trade debtors, other debtors and accrued income are recognised at the settlement amount. Prepayments are valued at the amount prepaid net of any trade discounts due.

r) Cash at bank and in hand

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

s) Creditors

Creditors are recognised where the group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

t) Financial instruments

The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Notes to the financial statements

For the year ended 31 March 2019

I. Accounting policies (continued)

u) Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The items in the financial statements where these estimates and judgements have been made include the following:

i) Useful economic lives of tangible assets

The annual depreciation charges for the tangible assets are sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the tangible assets and note 1) for the useful lives of each class of asset.

ii) Impairment of debtors

The group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 19 for the net carrying amount of the debtors and associated impairment provision.

v) Pensions

Defined benefit scheme

The charitable company contributes to the NHS pension scheme for staff eligible to join the NHS scheme. Such contributions are a fixed percentage of salary. Contributions are charged to the Statement of Financial Activities in accordance with the rules of the scheme. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, it is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to that scheme for the accounting period. The charitable company has no ongoing liability once the standard contributions to the scheme are made.

Defined contribution schemes

Where staff are not eligible to join the NHS pension scheme, they can opt to join a group personal pension plan scheme. St Michael's also contributes to the personal schemes of individual employees. Such contributions are a fixed percentage of salary. In accordance with workplace pension legislation, eligible employees who are not already in a compliant pension scheme are automatically enrolled in to a workplace pension scheme. Contributions are charged to the Statement of Financial Activities in accordance with the rules of the schemes.

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2019

2. Detailed comparatives for the Statement of Financial Activities

| | Unrestricted £ | Restricted £ | 2018 Total £ |
|---|-------------------|-----------------|--------------------|
| Income from: | | | |
| Donations and legacies | 2,107,164 | 54,258 | 2,161,422 |
| Charitable activities | 1,710,016 | 31,050 | 1,741,066 |
| Other trading activities | 3,256,939 | - | 3,256,939 |
| Investments | 194,434 | - | 194,434 |
| Other | 11,090 | - | 11,090 |
| Total income | 7,279,643 | 85,308 | 7,364,951 |
| Expenditure on: | | | |
| Raising funds | 2,013,430 | 2,952 | 2,016,382 |
| Charitable activities | 5,392,688 | 43,870 | 5,436,558 |
| Total expenditure | 7,406,118 | 46,822 | 7,452,940 |
| Net (expenditure) / income before net gains on investments | (126,475) | 38,486 | (87,989) |
| Net losses on listed investments | (74,277) | - | (74,277) |
| Net (expenditure) / income for the year | (200,752) | 38,486 | (162,266) |
| Transfers between funds | 31,066 | (31,066) | - |
| Net movement in funds | (169,686) | 7,420 | (162,266) |
| Reconciliation of funds: | | | |
| Total funds brought forward | 19,665,315 | 116,540 | 19,781,855 |
| Total funds carried forward | 19,495,629 | 123,960 | 19,619,589 |

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2019

3. Income from donations and legacies

| | Unrestricted | Restricted | 2019 Total | 2018 Total |
|----------------------------------|--------------|------------|---------------|---------------|
| | £ | £ | £ | £ |
| Donations | 626,497 | 28,800 | 655,297 | 740,944 |
| Community fundraising activities | 543,834 | 7,972 | 551,806 | 451,667 |
| Legacies | 1,167,634 | - | 1,167,634 | 968,811 |
| Total | 2,337,965 | 36,772 | 2,374,737 | 2,161,422 |

As at 31 March 2019 the charity had been notified of several residuary legacies, the values of which were uncertain as the executors were awaiting confirmation of other claims on the estate and may also be in the process of realising assets such as residential property. The estimated total of these legacies could be up to £1.8 million. None of these legacies have been accrued in the financial statements.

4. Income from charitable activities

| | Unrestricted | Restricted | 2019 Total | 2018 Total |
|----------------------------------|--------------|------------|---------------|---------------|
| | £ | £ | £ | |
| Nursing & medical care | 522,987 | - | 522,987 | 522,527 |
| Grants from grant making trusts | - | 42,520 | 42,520 | 31,050 |
| Hospice at Home | 1,086,104 | - | 1,086,104 | 1,086,106 |
| Continuing Care – Inpatient care | 64,588 | - | 64,588 | 49,845 |
| Pharmacy supplies | 63,229 | - | 63,229 | - |
| Education and training | 74,361 | - | 74,361 | 51,538 |
| Total | 1,811,269 | 42,520 | 1,853,789 | 1,741,066 |

£1,669,856 (2017/18: £1,629,695) was received from the Herefordshire Clinical Commissioning Group. £28,783 (2017/18: £28,783) was received from Powys Local Health Board. £10,397 (2017/18: £10,397) was received from Health Education England. £34,460 (2017/18: £nil) was received from Herefordshire Council. £13,099 was received from Dementia UK. There were no unfulfilled conditions or other contingencies attached to these income receipts.

5. Income from other trading activities

| | Unrestricted | Restricted | 2019 Total | 2018 Total |
|--------------------|--------------|------------|---------------|---------------|
| | £ | £ | £ | £ |
| Fundraising events | 258,214 | - | 258,214 | 279,004 |
| Lottery | 387,226 | - | 387,226 | 412,658 |
| Retail shops | 2,687,777 | - | 2,687,777 | 2,518,645 |
| Other | 52,332 | - | 52,332 | 46,632 |
| Total | 3,385,549 | - | 3,385,549 | 3,256,939 |

6. Income from investments

| | Unrestricted | Restricted | 2019 Total | 2018 Total |
|---------------------------------|--------------|------------|---------------|---------------|
| | £ | £ | £ | £ |
| Bank interest received | 1,009 | - | 1,009 | 235 |
| Investment interest & dividends | 163,113 | - | 163,113 | 180,999 |
| Rental income | 16,800 | - | 16,800 | 13,200 |
| Total | 180,922 | - | 180,922 | 194,434 |

St Michael's Hospice (incorporating the Freda Pearce Foundation)
Notes to the financial statements
For the year ended 31 March 2019

| 7. Analysis of expenditure | Charitable Activities | | | | | | | | 2019 Total £ | 2018 Total £ |
|-------------------------------|-------------------------------|------------------------|-----------------------------|---------------------------------|--|------------------------------|--------------------------|-----------------------|--------------------|--------------------|
| | Cost of raising funds £ | Inpatient Care £ | In reach / Day Care £ | Supportive & Rehab Care £ | Hospice at Home & Community £ | Education & Training £ | Governance costs £ | Support costs £ | | |
| Staff costs (Note 9) | 925,023 | 2,154,327 | 259,784 | 333,094 | 1,078,682 | 20,773 | - | 518,348 | 5,290,031 | 4,885,266 |
| Medical Consultants | - | 171,138 | 39,936 | - | - | - | - | - | 211,074 | 209,938 |
| Other Staff Costs | 6,028 | 31,010 | 220 | 147,558 | 9,098 | 347 | - | 21,102 | 215,363 | 191,178 |
| Retail Purchases | 64,436 | - | - | - | - | - | - | - | 64,436 | 56,343 |
| Lottery Prizes | 80,982 | - | - | - | - | - | - | - | 80,982 | 81,172 |
| Events | 58,935 | - | - | - | - | - | - | - | 58,935 | 76,213 |
| Community | 46,143 | - | - | - | - | - | - | - | 46,143 | 18,493 |
| Investment Management Fees | 12,857 | - | - | - | - | - | - | - | 12,857 | 15,821 |
| Education | 193 | 4,510 | 32 | 32 | 1,611 | 64 | - | - | 6,442 | 13,913 |
| Communications | 10,293 | 7,720 | 643 | 643 | 5,147 | 1,287 | - | - | 25,733 | 36,299 |
| Premises & Equipment | 378,196 | 25,039 | 23 | 1,632 | 1,163 | - | - | 144,163 | 550,216 | 546,875 |
| Transport & Travel | 34,189 | 3,225 | 376 | 3,856 | 26,642 | 1,369 | - | 5,550 | 75,207 | 76,150 |
| Telephones & Computers | 28,971 | 14,670 | 3,240 | 3,888 | 26,592 | 98 | - | 124,513 | 201,972 | 175,107 |
| Catering & Cleaning | 36,049 | 108,597 | 818 | 818 | 818 | - | - | 50,361 | 197,461 | 174,808 |
| Professional Fees | 30,834 | 916 | - | 2,962 | - | - | 13,790 | 21,578 | 70,080 | 86,438 |
| Depreciation | 74,339 | 43,937 | 306 | 4,526 | 10,074 | 112 | - | 380,202 | 513,496 | 430,851 |
| Medical & Nursing Supplies | - | 124,784 | - | 914 | 612 | - | - | - | 126,310 | 70,564 |
| Other Supplies & Services | 83,414 | 13,858 | 2,056 | 58,015 | 8,140 | 9 | - | 92,828 | 258,320 | 307,511 |
| | 1,870,882 | 2,703,731 | 307,434 | 557,938 | 1,168,579 | 24,059 | 13,790 | 1,358,645 | 8,005,058 | 7,452,940 |
| Support costs | 278,521 | 679,325 | 33,966 | 13,586 | 339,661 | 13,586 | - | (1,358,645) | - | - |
| Governance costs | 2,827 | 6,895 | 345 | 138 | 3,447 | 138 | (13,790) | - | - | - |
| Total expenditure 2019 | 2,152,230 | 3,389,951 | 341,745 | 571,662 | 1,511,687 | 37,783 | - | - | 8,005,058 | - |
| Total expenditure 2018 | 2,016,382 | 3,214,767 | 304,310 | 529,431 | 1,365,542 | 22,508 | - | - | - | 7,452,940 |

St Michael's Hospice (incorporating the Freda Pearce Foundation)

Notes to the financial statements

For the year ended 31 March 2019

8. Net income for the year

This is stated after charging:

| | 2019 | 2018 |
|---------------------------------------|---------|---------|
| | £ | £ |
| Depreciation | 513,496 | 430,851 |
| Net profit on disposal of fixed asset | 1,175 | 1,000 |
| Operating lease rentals: - property | 276,962 | 277,398 |
| - other | 7,552 | 3,563 |
| Auditor's remuneration: - audit | 13,790 | 13,500 |
| - other services | 6,450 | 1,500 |
| Interest receivable | 67,964 | 56,053 |

9. Staff costs and numbers

Staff costs were as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| | £ | £ |
| Salaries and wages | 4,527,323 | 4,185,392 |
| Redundancy and termination costs | - | 13,793 |
| Social security costs | 361,145 | 335,063 |
| Pension contributions – defined benefit scheme | 215,908 | 195,271 |
| Pension contributions – defined contribution schemes | 185,655 | 155,747 |
| | <u>5,290,031</u> | <u>4,885,266</u> |

The following number of employees received employee benefits (excluding employer national insurance and pension costs) during the year between:

| | 2019 | 2018 |
|-------------------|----------|----------|
| | £ | £ |
| £60,000 - £69,999 | 3 | - |
| £80,000 - £89,999 | <u>1</u> | <u>1</u> |

The charitable company considers its key management personnel during the year to comprise the Trustees and the Strategic Management Team - who are the Chief Executive and four other key directors, one of which is contracted with the local NHS Trust and therefore not included in the staff costs above. The total cost (including employer national insurance costs and pension contributions) of the key management personnel was £480,638 (2017/18: £503,077). The Trustees were not paid nor received any other benefits from employment with St Michael's in the year (2017/18: £nil).

10. Staff numbers

The average number of employees (head count based on number of staff employed) and whole-time equivalents (WTE) during the year were as follows:

| | 2019 | 2019 | 2018 | 2018 |
|--|------------|------------|------------|------------|
| | Head Count | WTE | Head Count | WTE |
| Inpatient Care | 108 | 62 | 97 | 62 |
| In reach / Day Care Services | 18 | 8 | 15 | 8 |
| Supportive & Rehabilitative Care | 12 | 9 | 14 | 9 |
| Hospice at Home | 37 | 26 | 34 | 23 |
| Externally provided education and training | 1 | 1 | 1 | 1 |
| Support | 14 | 11 | 13 | 11 |
| Raising funds | 59 | 36 | 51 | 35 |
| | <u>249</u> | <u>153</u> | <u>225</u> | <u>149</u> |

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11. Related party transactions

During the year, the charitable company entered into transactions for the purchase of services as described below:

Humfrys & Symonds (Trustee Mr D Campion is a Director) for the purchase of conveyancing and probate services totalling £11,709 (2017/18: £1,100). All transactions were on normal arms-length commercial terms. £nil was outstanding at 31st March 2019 (2017/18: £1,100).

Four family members of Trustees who served during the year (Mr I Entwisle, Revd Preb K B Garlick and Mrs J Winney) were employed by the St Michael's on standard employment terms and conditions – their total remuneration (including employer national insurance costs and pension contributions) was £52,643 (2017/18: £31,142).

During the year a management charge was made by the charitable company to SMH Trading Limited of £128,289 excluding VAT (2017/18: £93,988). At the end of the year gift aid of £6,792 (2017/18: £5,560) was payable by SMH Trading Limited to the charitable company. The total year-end balance owed to the charitable company was £112,911 (2017/18: £92,185).

During the year income was received by St Michael's Hospice Development Company Limited from St Michael's Hospice of £2,271 (2017/18: £3,785) relating to the redevelopment of the hospice buildings and surroundings. The total year-end balance owed by St Michael's Hospice was £nil (2017/18: £6,404).

12. Taxation

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

St Michael's Hospice (incorporating the Freda Pearce Foundation)

**Notes to the financial statements
For the year ended 31 March 2019**

13. Tangible fixed assets – Group and Charity

| | Freehold land & buildings £ | Assets in the course of construction £ | Leasehold property £ | Medical & nursing equipment & beds £ | Fixtures, fittings & equipment £ | IT £ | Plant & machinery £ | Motor Vehicles £ | Total £ |
|-------------------------------|--------------------------------------|---|----------------------------|--|---|---------|---------------------------|------------------------|------------|
| Cost | | | | | | | | | |
| At the start of the year | 10,800,292 | 27,815 | 242,123 | 192,733 | 540,098 | 116,977 | 435,921 | 157,088 | 12,513,047 |
| Additions in year | 72,378 | 984,388 | 38,793 | 49,794 | 55,201 | 15,795 | 45,144 | 84,702 | 1,346,195 |
| Transfers within fixed assets | (587,656) | (27,815) | - | - | - | - | 587,656 | 27,815 | - |
| Disposals in year | - | - | - | - | - | - | - | (34,345) | (34,345) |
| At the end of the year | 10,285,014 | 984,388 | 280,916 | 242,527 | 595,299 | 132,772 | 1,068,721 | 235,260 | 13,824,897 |
| Depreciation | | | | | | | | | |
| At the start of the year | 513,588 | - | 86,477 | 126,032 | 233,932 | 27,179 | 61,748 | 126,991 | 1,175,947 |
| Charge for the year | 228,663 | - | 49,637 | 31,322 | 104,495 | 24,550 | 52,994 | 21,835 | 513,496 |
| Disposals in year | - | - | - | - | - | - | - | (32,720) | (32,720) |
| At the end of the year | 742,251 | - | 136,114 | 157,354 | 338,427 | 51,729 | 114,742 | 116,106 | 1,656,723 |
| Net book value | | | | | | | | | |
| At the end of the year | 9,542,763 | 984,388 | 144,802 | 85,173 | 256,872 | 81,044 | 953,979 | 119,154 | 12,168,174 |
| At the start of the year | 10,286,704 | 27,815 | 155,646 | 66,701 | 306,166 | 89,798 | 374,173 | 30,097 | 11,337,100 |

Land with a value of £227,527 (2017/18: £227,527) is included within Freehold Land and Buildings and is not depreciated. All the above assets are used for charitable purposes. Transfers within the year to Plant & Machinery represent the re-categorisation of heating and bathroom components previously included within Freehold Land and Buildings. Other major components within Freehold Land and Buildings identified in accordance with the Statement of Recommended Practice as having substantially different useful economic lives remain within Freehold Land and Buildings but are depreciated separately (see note 11)). Additional depreciation of £43,920 has been charged as a result of these re-categorisations.

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14. Investments Properties – Group and Charity

| | 2019 £ | 2018 £ |
|-------------------------------------|----------------|----------------|
| Fair value at the start of the year | 370,000 | 370,000 |
| | <u>370,000</u> | <u>370,000</u> |
| Fair Value at the end of the year | <u>370,000</u> | <u>370,000</u> |

The properties were last valued on an open market valuation basis on 30 April 2019 by Alister Walshe FNAEA FNAVA of Stooke, Hill & Walshe.

15. Investments – Group and Charity

| | 2019 £ | 2018 £ |
|--|------------------|------------------|
| Fair value at the start of the year | 7,613,973 | 7,580,642 |
| Additions at cost | 1,558,853 | 2,178,519 |
| Disposal proceeds | (3,378,892) | (2,070,911) |
| Net gain / (loss) on change in fair value | 85,525 | (74,277) |
| | <u>5,879,459</u> | <u>7,613,973</u> |
| Investments - cash holdings | <u>227,281</u> | <u>113,820</u> |
| Fair value at the end of the year | <u>6,106,740</u> | <u>7,727,793</u> |
| Historic cost at the end of the year | <u>5,921,481</u> | <u>7,619,955</u> |
| Investments comprise: | 2019 £ | 2018 £ |
| UK Fixed Interest | 1,703,035 | 1,926,900 |
| Preference Shares | 107,600 | 116,000 |
| International Fixed Income | 568,650 | 279,082 |
| Equities | 631,607 | 597,155 |
| International | 433,744 | 404,065 |
| Alternative Investments | 1,063,257 | 1,294,729 |
| Cash Funds | 1,598,836 | 3,109,851 |
| | <u>6,106,729</u> | <u>7,727,782</u> |
| Investment in subsidiary undertakings incorporated in the UK | 1 | 1 |
| Investment in Hospice Quality Partnership | <u>10</u> | <u>10</u> |
| | <u>6,106,740</u> | <u>7,727,793</u> |

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16. Subsidiary undertakings

The charitable company owns the whole of the issued ordinary share capital of SMH Trading Limited, a company registered in England, company number 06545386. St Michael's uses the subsidiary for non-primary purpose trading activities. All activities are consolidated on a line-by-line basis in the Statement of Financial Activities. The Trustees Mr A J Walshe and Ms P A Greenwood are also directors of the subsidiary. Available profits are gift aided to the charitable company. The table below shows a summary of the subsidiary's results.

| | 2019 | 2018 |
|---|------------------|-------------|
| | £ | £ |
| Turnover | 222,911 | 157,417 |
| Cost of sales | (84,966) | (56,343) |
| Gross profit | 137,945 | 101,074 |
| Distribution costs | (51,040) | (37,397) |
| Administrative expenses | (77,249) | (56,601) |
| Other operating expenditure | (2,864) | (1,516) |
| Operating profit | 6,792 | 5,560 |
| Taxation | - | - |
| Profit after taxation | 6,792 | 5,560 |
| Retained earnings at the start of the year | 563 | 563 |
| Profit for the year | 6,792 | 5,560 |
| Gift aid donation | (6,792) | (5,560) |
| Retained earnings at the end of the year | 563 | 563 |
| The aggregate of the assets, liabilities and funds was: | | |
| Assets | 129,189 | 94,722 |
| Liabilities | (128,625) | (94,158) |
| | 564 | 564 |
| Funds: | | |
| Share capital | 1 | 1 |
| Retained profits | 563 | 563 |
| | 564 | 564 |

Distribution costs and administrative expenses totalling £128,289 (2017/18: £93,998) represent a management charge from the parent entity. Amounts owed to the parent undertaking are shown in note 19.

The charitable company also owns the whole of the issued ordinary share capital of St Michael's Hospice Development Company Limited, a company registered in England, company number 07039211. St Michael's uses the subsidiary for the redevelopment of the hospice buildings and surroundings. All activities are consolidated on a line-by-line basis in the Statement of Financial Activities. The Trustee Mr G B Nairn is also a director of the subsidiary. Available profits are covenanted to the charitable company as appropriate.

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16. Subsidiary undertakings (continued)

A summary of the results of the subsidiary is shown below:

| | 2019 | 2018 |
|---|---------|----------|
| | £ | £ |
| Turnover | 2,271 | (9,060) |
| Cost of sales | - | 12,845 |
| Gross profit | 2,271 | 3,785 |
| Administrative expenses | (1,783) | (3,707) |
| Operating profit | 488 | 78 |
| Interest payable | (94) | (78) |
| Profit for the financial year | 394 | - |
| The aggregate of the assets, liabilities and funds was: | | |
| Assets | 2,325 | 49,423 |
| Liabilities | (1,924) | (49,416) |
| Funds | 401 | 7 |

Turnover represents sales to the parent entity. Amounts owed from the parent undertaking are shown in note 20.

17. Parent charity

The parent charity's gross income and results for the year are disclosed as follows:

| | 2019 | 2018 |
|---------------------------------------|-----------|-----------|
| | £ | £ |
| Gross income and gains on investments | 7,668,247 | 7,133,256 |
| Gross expenditure | 7,782,147 | 7,295,522 |
| Net (expenditure) / income | (113,900) | (162,266) |

18. Stock

| | Group | | Charity | |
|------------------|--------|--------|---------|-------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Goods for resale | 16,934 | 22,411 | 3,072 | 7,949 |
| | 16,934 | 22,411 | 3,072 | 7,949 |

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19. Debtors

| | Group | | Charity | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Trade debtors | 70,089 | 16,057 | 70,089 | 16,057 |
| Amounts owed by group undertaking | - | - | 112,911 | 92,185 |
| Other debtors | 82,026 | 69,988 | 82,026 | 34,863 |
| Prepayments | 106,180 | 157,371 | 106,180 | 157,371 |
| Accrued income | 587,510 | 158,010 | 587,510 | 158,010 |
| | <u>845,805</u> | <u>401,426</u> | <u>958,716</u> | <u>458,486</u> |

Trade debtors are stated after impairment provision totalling £nil (2017/18: £769). Except for listed investments, all the group's financial instruments, both assets and liabilities, are measured at settlement value. The carrying values of these are shown above and in note 20 below.

20. Creditors: amounts due within one year

| | Group | | Charity | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Bank overdraft | 10,460 | 6,770 | 10,460 | 6,770 |
| Trade creditors | 152,814 | 192,915 | 149,857 | 190,060 |
| Amounts owed to group undertaking | - | - | - | 6,404 |
| Taxation and social security | 86,893 | 85,359 | 86,893 | 85,359 |
| Other creditors | 28,593 | 38,126 | 17,552 | 38,126 |
| Accruals | 250,874 | 153,912 | 247,234 | 105,379 |
| Deferred income | 227,627 | 226,286 | 227,627 | 226,286 |
| | <u>757,261</u> | <u>703,368</u> | <u>739,623</u> | <u>658,384</u> |

21. Deferred income

Deferred income comprises advance ticket sales for the lottery, fundraising income for events that did not occur until after the balance sheet date and a legacy deferred for legal reasons. Except for the legacy of £128,500 (2017/18: £128,500), all the deferred income of the previous year was released in the current year.

| | Group | | Charity | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Balance at the beginning of the year | 226,286 | 214,037 | 226,286 | 214,037 |
| Amount released to income in the year | (97,786) | (85,537) | (97,786) | (85,537) |
| Amount deferred in the year | 99,127 | 97,786 | 99,127 | 97,786 |
| Balance at the end of the year | <u>227,627</u> | <u>226,286</u> | <u>227,627</u> | <u>226,286</u> |

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22. NHS pension scheme

The NHS Pension Scheme is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS employees and certain employees of other approved organisations allowed under the direction of the Secretary of State in England and Wales. St Michael's Hospice is an approved organisation. The Scheme provides pensions, based on final salary, in varying circumstances for employees of participating employers. The Scheme receives contributions from employees and employers to defray the costs of pensions and other benefits. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme.

From 1 April 2006 the NHS Business Services Authority (the Authority) has been the body responsible for the administration of the NHS Pension Scheme for England and Wales. In support of the Authority, NHS employers and approved organisations are required to explain the Scheme to the employees. In addition, they submit pension data to the NHS Business Services Authority (NHSBSA). The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The next actuarial valuation is to be carried out as at 31 March 2016 and is currently being prepared. To defray the costs of benefits, employers pay contributions of 14.38% (including a 0.08% scheme administration levy) of pensionable pay and employees contribute on a tiered scale from 5% - 14.5% of their pensionable pay depending on total earnings. Further information on benefits can be obtained from the NHS Pension Scheme website.

Following a recent consultation, the Department of Health and Social Care (DHSC) has confirmed the employer contribution rate will increase to 20.68% from 1 April 2019. The increase is required to meet the cost of scheme benefits, following advice from the Government Actuary's Department as part of the 2016 scheme valuation process. The government has committed to cover this cost increase for a certain category of employer's, including St Michael's, recurring annually until 31 March 2023.

All pension charges are charged to unrestricted funds in line with the fund out of which the wages and salaries are paid. The amount charged to the Statement of Financial Activities in the year was £215,908 (2017/18: £195,271). Employee and employer contributions outstanding as at 31 March 2019 was £31,729 (2017/18: £29,022).

23. Analysis of group net assets between funds (current year)

| | General unrestricted | Designated | Restricted | Total funds |
|--|-------------------------|-------------------|---------------|-------------------|
| | £ | £ | £ | £ |
| Tangible fixed assets | 1,641,023 | 10,527,151 | - | 12,168,174 |
| Investments | 6,476,740 | - | - | 6,476,740 |
| Net current assets | 403,380 | 358,894 | 98,895 | 861,169 |
| Net assets at the end of the year | 8,521,143 | 10,886,045 | 98,895 | 19,506,083 |

23a Analysis of group net assets between funds (prior year 2018)

| | General unrestricted | Designated | Restricted | Total funds |
|--|-------------------------|-------------------|----------------|-------------------|
| | £ | £ | £ | £ |
| Tangible fixed assets | 1,050,396 | 10,286,704 | - | 11,337,100 |
| Investments | 8,097,793 | - | - | 8,097,793 |
| Net current (liabilities) / assets | (999,897) | 1,060,633 | 123,960 | 184,696 |
| Net assets at the end of the year | 8,148,292 | 11,347,337 | 123,960 | 19,619,589 |

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24. Movements in group funds (current year)

| | At 1 April 2018 £ | Income £ | Expenditure £ | Transfers £ | Gains / (Losses) | At 31 March 2019 £ |
|-------------------------------------|-------------------------|------------------|--------------------|------------------|---------------------|--------------------------|
| Restricted funds: | | | | | | |
| Patient care | 83,818 | 10,764 | (4,552) | (25,648) | - | 64,382 |
| Funds for other specific items | 40,142 | 53,528 | (41,203) | (17,954) | - | 34,513 |
| Eric Bayliss nurses fund | - | 15,000 | (15,000) | - | - | - |
| Total restricted funds | 123,960 | 79,292 | (60,755) | (43,602) | - | 98,895 |
| Unrestricted funds: | | | | | | |
| Designated funds | | | | | | |
| Property fund | 10,286,704 | - | (228,663) | 469,110 | - | 10,527,151 |
| Capital investment fund | 1,000,000 | - | (6,718) | (634,388) | - | 358,894 |
| Development fund | 60,633 | - | - | (60,633) | - | - |
| Total designated funds | 11,347,337 | - | (235,381) | (225,911) | - | 10,886,045 |
| General funds | 8,148,292 | 7,726,735 | (7,708,922) | 269,513 | 85,525 | 8,521,143 |
| Total unrestricted funds | 19,495,629 | 7,726,735 | (7,944,303) | 43,602 | 85,525 | 19,407,188 |
| Total funds at 31 March 2019 | 19,619,589 | 7,806,027 | (8,005,058) | - | 85,525 | 19,506,083 |

Transfers represent the release of restricted and designated funds as they are expended on the development project, capital investment and other capital items.

Purpose of restricted funds - Restricted funds totalling £98,895 (2017/18: £123,960) comprise:

- i **Patient Care** - In addition to £83,818 (2017/18: £48,829) at the start of the year restricted for care purposes an additional £10,764 (2017/18: £33,222) was received during the year from individual donations. £4,552 (2017/18: £336) was expended for these purposes during the year.
- ii **Funds for other specific items** - In addition to £40,142 (2017/18: £37,711) at the start of the year, a further £53,528 (2017/18: £37,086) was received from grant-making trusts and individual donations. £41,203 (2017/18: £31,486) was expended on these purposes during the year.
- iv **Eric Bayliss Nurses fund** - £15,000 (2017/18: £15,000) was donated and used towards nursing salaries.

Purpose of designated funds - Designated funds totalling £10,886,045 (2017/18: £11,347,337) comprise:

- i **The property fund** - This equates to the net book value of the freehold land and buildings and freehold assets under construction. The transfer of £469,110 represents £984,388 utilised and released in from the capital investment fund, £587,656 transferred out in relation to the reclassification of freehold land & buildings components and £72,378 expended on the final transactions relating to the redevelopment project.
- ii **The development fund** - With the completion of final transactions relating to St Michael's Hospice Development Company Limited, the remainder of funds designated by the Board of Trustees for the redevelopment of St Michael's were released to the property fund.
- iii **The capital investment fund** - In addition to the £1,000,000 (2017/18: £750,000) at the start of the year, a further £350,000 (2017/18: £250,000) was designated to a capital investment fund to develop car parking facilities and to support investment in income generation activities. £991,106 was expended during the year on the purchase and development of retail premises at 77-83 Whitecross Road, £984,388 of which was transferred to the property fund representing the value expended and capitalised as assets under construction.

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24a. Movements in group funds (prior year 2018)

| | At 1 April 2017 £ | Income £ | Expenditure £ | Transfers £ | Gains / (Losses) | At 31 March 2018 £ |
|-------------------------------------|-------------------------|------------------|--------------------|------------------|---------------------|--------------------------|
| Restricted funds: | | | | | | |
| Patient care | 48,829 | 33,222 | (336) | 2,103 | - | 83,818 |
| Funds for other specific items | 37,711 | 37,086 | (31,486) | (3,169) | - | 40,142 |
| Development project | 30,000 | - | - | (30,000) | - | - |
| Eric Bayliss nurses fund | - | 15,000 | (15,000) | - | - | - |
| Total restricted funds | 116,540 | 85,308 | (46,822) | (31,066) | - | 123,960 |
| Unrestricted funds: | | | | | | |
| Designated funds | | | | | | |
| Property fund | 10,507,401 | - | (211,637) | (9,060) | - | 10,286,704 |
| Capital investment | 750,000 | - | - | 250,000 | - | 1,000,000 |
| Development fund | 51,573 | - | - | 9,060 | - | 60,633 |
| Total designated funds | 11,308,974 | - | (211,637) | 250,000 | - | 11,347,337 |
| General funds | 8,356,341 | 7,279,643 | (7,194,481) | (218,934) | (74,277) | 8,148,292 |
| Total unrestricted funds | 19,665,315 | 7,279,643 | (7,406,118) | 31,066 | (74,277) | 19,495,629 |
| Total funds at 31 March 2018 | 19,781,855 | 7,364,951 | (7,452,940) | - | (74,277) | 19,619,589 |

25. Reconciliation of net expenditure to net cash flow from operating activities

| | 2019 £ | 2018 £ |
|--|------------------|----------------|
| Net expenditure for the reporting period (as per Consolidated Statement of Financial Activities) | (113,506) | (162,266) |
| Depreciation | 513,496 | 430,851 |
| (Gains) / losses on investments | (85,525) | 74,277 |
| Dividends, interest and rent from investments | (180,922) | (194,434) |
| Profit on disposal of fixed assets | (2,800) | (1,000) |
| Loss on disposal of fixed assets | 1,625 | - |
| Decrease / (increase) in stocks | 5,477 | (418) |
| (Increase) / decrease in debtors | (444,379) | 303,553 |
| Decrease in creditors | (49,797) | (110,258) |
| Net cash provided by operating activities | (356,331) | 340,305 |

St Michael's Hospice (incorporating the Freda Pearce Foundation)**Notes to the financial statements****For the year ended 31 March 2019****26. Analysis of cash and cash equivalents**

| | At 1 April | | At 31 March |
|--------------------------|----------------|----------------|----------------|
| | 2018 | Cash flows | 2019 |
| | £ | £ | £ |
| Cash at bank and in hand | 464,227 | 291,464 | 755,691 |
| Bank overdrafts | (6,770) | (3,690) | (10,460) |
| Increase in the year | <u>457,457</u> | <u>287,774</u> | <u>745,231</u> |

27. Operating lease commitments

The group's and charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

| | Property | | Equipment | |
|------------------------------|----------------|----------------|---------------|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| | £ | £ | £ | £ |
| Less than one year | 190,031 | 194,032 | 7,552 | 7,690 |
| Later than one to five years | 569,075 | 396,812 | 6,923 | 14,475 |
| Over five years | 168,800 | - | - | - |
| | <u>927,906</u> | <u>590,844</u> | <u>14,475</u> | <u>22,165</u> |

28. Financial Instruments

Except for listed investments, all the group's financial instruments, both assets and liabilities, are measured at settlement value. Listed investments are shown at market value. Financial assets include cash at bank and in hand, trade and other debtors and accrued income. Financial liabilities include bank overdrafts, trade and other creditors and accruals. The carrying values of these are shown in notes 15, 19, 20 and 26.

29. Legal status of charity

St Michael's is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £2.