

Demelza
Hospice Care for Children
Registered Charity Number 1039651

Charity No. 1039651

Company No. 2948500

Annual Report and Financial Statements

For the period ended 31st March 2019

Vision

- For life to be better for children and young people who have life-threatening or life-limiting conditions; and for their parents, brothers and sisters, and those who love them, to receive support

Mission

- To provide specialist care and support to babies, children, young people and the whole family from diagnosis, during day to day family life, times of crisis, end of life and through bereavement
- To influence the care and support provided by others

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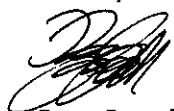
Introduction from Chair and Chief Executive

We believe that every child and young person who has a terminal condition should receive the care and attention they need to live the most fulfilling life they can, and that they and their family have the opportunity to build memories, for however long they have together.

It is for this reason that we have set an ambitious organisational strategy with the main theme of increasing our reach. Our aim is to double the number of children, young people and families for whom we provide support between 2016 and 2021. This need is ever-growing and we wish to enhance the choice of where and how care is accessed, whilst building deeper relationships with local hospitals and other charities to develop a better overall, holistic service for families.

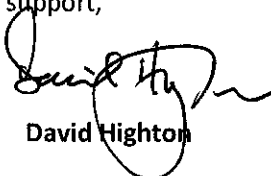
Of course, we wouldn't be able to do any of this without the amazing support from individuals, businesses, groups, trusts and foundations within our community and for this we are incredibly grateful. Your generosity over the last year has enabled us to reach more families than ever before, launch a care at home initiative and volunteering support in the home within Kent and continue to offer expert clinical care to those children, young people and babies with the most complex and complicated needs.

Thank you for your generosity and support,



Ryan Campbell

Chief Executive



David Highton

Chair of Trustees

Trustees' Report

The Trustees (who are also directors of the charity for the purposes of the Companies Act) present their Annual Report together with the audited financial statements of Demelza House Children's Hospice (the Company) for the 12 months ended 31 March 2019. The Annual Report includes both the Trustees' Report for the purposes of charity law, and the Directors' Report and Strategic Report for the purposes of company law. This report includes pages 1 to 8 and pages 29 to 31.

The Trustees confirm that the Annual Report and Financial Statements of the Company comply with the current statutory requirements, the requirements of the Company's governing document and the provisions of the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities, FRS102 and SORP 2015.

Strategic Report

Strategic Focus

We provide specialist care services across the region, 24 hours a day, 365 days a year, completely free of charge to those who use them. We are now providing more support to families of children and young people with terminal conditions than ever before, but there is also an ever-increasing demand for our services. This is for a wide variety of reasons:

- Medical and clinical developments mean more children with terminal conditions are surviving longer but with increasingly complex needs and care regimes;
- As more is understood about how each member of the family of a child with a terminal condition is affected, this increases the demand for further support;
- Funding cuts have forced some support services to merge and seen others stop completely. This means that there is increasing demand from families as even less of their needs are being met elsewhere.

With the help of our invaluable supporters, Demelza will continue to rise to the challenge of this increased demand with the same fierce commitment to quality as ever.

In this current strategic planning period, from 2016-2021, Demelza is seeking to provide more choice to families on what care and support they receive and where they receive it, and we urgently need to meet the rising demands placed on us from the increasing number of children and young people who can benefit from our support.

Achievements, Performance and Future Plans

2016-2021 Strategy: what we have achieved so far and what our next objectives are

1. DO MORE	
Achieved	What's next
We are now working with 750 children a year, compared to 620 two years ago.	Further increase the number of families with children living with terminal conditions that we work with, to a target of 1,200 families a year by 2022.
This includes children reached through our Clinical Nurse Specialist post at the Evelina London Children's Hospital.	Deliver hospital in-reach to deliver to support children and families in the neonatal period.
We launched new Family Support services, including groups in our Community Service in East Sussex.	Continue to expand Family Support and Therapy Services.
We are working in partnership with the Evelina London Children's Hospital to host consultant clinics in our Kent and South East London hospices - this is helping the Evelina Palliative Care Team access more families more easily, and helping families to access hospice services.	Deliver a responsive service for children with the highest level of need, in a partnership with the NHS.

DEMELZA HOSPICE CARE FOR CHILDREN
YEAR ENDED 31st MARCH 2019

We agreed and are putting in place a new outcomes framework, so that we can better report on the difference we are making as well as the amount of activity we are delivering.	Launch community-based volunteer and peer-led support groups.
	Open up our facilities to wider beneficial community use.
2. CARE AT HOME	
Achieved	What's next
We have piloted models of respite care and volunteer support to plan for the launch of services in the second half of the strategy.	Deliver community-based care in Kent and South East London, as well as in East Sussex.
We are leading on the development of a Managed Clinical Network in Kent to bring together NHS, voluntary sector and other agencies to enable the delivery of end of life care in a child's own home.	Develop volunteer-led support.
We have continued to develop our community based care service in East Sussex, which work with about 82 families a year.	Develop more peer-led groups and activities
3. EXCEL	
Achieved	What's next
We have developed and implemented a new assessment and service allocation tool, so that our services are better matched to the priority needs of children and families, providing the care that is required, when it is required, as well as support to prevent crisis situations occurring.	Demonstrate the continuous improvement in safety and quality.
The clinical complexity of our work has continued to increase, particularly with babies and children with long-term ventilation needs. We have managed a number of hospice-based compassionate extubations, where ventilation treatment is withdrawn, and provided support to families after compassionate extubations in hospitals.	Implement a model of family engagement which drives every part of our work.
We have invested in our IT infrastructure, moving to a cloud-based system which provides better functionality, cost-effectiveness and data security. We have implemented a full data processing and	Maintain the facilities and infrastructure to deliver the strategy.

DEMELZA HOSPICE CARE FOR CHILDREN
YEAR ENDED 31st MARCH 2019

information governance audit and action plan to become GDPR-compliant.	
4. INFLUENCE	
Achieved	What's next
We have developed new language and messaging for use in all our communications. This is designed to be more accurate and sensitive to the lives of the people we work with, whilst delivering a message with impact. These messages are increasingly delivered by children and families themselves, in their own words. We have produced a number of case study based videos which have been published through our social networking channels and received thousands of views.	Define and achieve campaigning objectives with children and families. Ensure there is a children's palliative care strategy in place across all our areas which meets government guidance for holistic, lifelong support to be available, including choice, where possible, on place of care and death.
We have supported the development of parent-led social media networks, which inform the development of our own services as well as those of others.	Develop greater family engagement in our service development.
5. PROMOTE	
Achieved	What's next
Successfully building our profile in South East London, in part through the establishment of a London Fundraising Board of well-networked individuals. Their work has initiated a high-profile photography project and various other initiatives which went very well.	Develop the brand and look of Demelza.
6. RESOURCE	
Achieved	What's next
Agreed new corporate values	Deliver new equality and diversity plan and objectives
Signed the "Time to Change" pledge to end mental health discrimination	
998 volunteers assisted in all areas of Demelza's services and fundraising in 2018-19. They gave 148,000 hours, 77 full-time equivalents throughout the year	Further develop volunteer involvement with all teams at all locations.

Compliance with fundraising regulations

The charity undertakes fundraising activity via the support of volunteer fundraising in the community, applying to and partnering with companies and grant-giving trusts, direct mailings and appeals, and the organising of events. Our fundraising activities are carried out in line with the Fundraising Code of Practice set by the Fundraising Regulator. Our fundraising promise is available on our website.

Charity supporters registered on the Telephone Preference Service would only be called with an appeal if they have agreed to receive such calls. Callers are thoroughly trained and updated on the charity's work and calls are regularly monitored. Demelza received 9 complaints about fundraising activity in the reporting period, of which none were serious.

2018-19 saw an improvement in the underlying performance of the fundraising team. In this accounting period we raised £2.66 for every £1.00 spent (including voluntary donations, legacies and fundraising events). This compares with £4.94 for every £1.00 spent in the previous year. However, 2017-18 was an exceptional year for legacies and gifts in kind. Excluding these one-off items, the previous year's return was £2.65 per £1.00 spent.

Financial Review

- The net movement in funds of the group for the year was a deficit of £237k (2018 : surplus of £3.59m)
- The deficit before investment gains was £459k (2018: surplus of £3.52m)
- Total income was £10.73m (2018: £14.13m)
- Total expenditure was £11.19m (2018: 10.61m)
- Free Reserves at 31st March 2019 were £11.8m, representing 12.1 months of running costs

The year saw increases in net income from each of our 4 main income sources; Fundraising, Statutory, Retail and Lottery while legacy income returned to the expected level of £1.37m (2018: £4.86m). The deficit for the year was planned. The increase in expenditure was in response to the £2.4m legacy received in 2017-18. The trustees agreed to invest £1.36m of this over 3 years to develop of care services and income generation.

We are aware that the NHS will be recalculating the formula for the distribution of the grant to children's hospices. We know that the total funding for children's palliative care will increase from £11m to £25m over the next 5 years. We also know that Demelza will receive a smaller share of the total because there are more children's hospices in England. In 2018-19, the grant from NHS England was £771k (2018: £771k). In future it may increase or decrease.

We are also aware of the increasing cost base for providing care to children and their families. "Agenda for Change" has shaken up nurse pay bands, with a significant increase for many staff. The NHS has also announced a 50% increase in the employers' contributions to the NHS pension of which many of our nurses are a part. We estimate an additional annual cost of £100k. In order to attract the skilled nurses and health care assistants who form the bedrock of our service, we anticipate a significant rise in costs over the next few years. Consequently, we are looking to develop each area of funding, while also considering which cost saving measures may be necessary in the medium term.

Principal Risks, Uncertainties and Managing Risk

The SLT and Trustees regularly review organisational risks and how to negate or reduce these risks as best possible. The risks which have been monitored by the Board of Trustees have of course moved and evolved at various points throughout the reporting period. However, the main strategic-level risks during this period have been:

1. Service quality and safety

As a health and care organisation the safety and welfare of our service-users is of paramount importance, particularly as we are working with vulnerable children, often with complex clinical and social needs. This risk is mitigated through reviewed policies and procedures, staff training and

supervision, internal audit, robust incident investigation processes, and other actions as detailed in our Clinical Governance Framework and Safeguarding Policy.

2. Governance and leadership

It is Demelza's view that risk can only be successfully managed if good governance and leadership is in place at corporate and operational levels.

This risk is mitigated by a reviewed governance framework being in place, which includes Information Governance, the support and development of Trustees and senior management, the provision of training and development, appraisal and supervision, and internal and external audit.

3. Risk on income

Demelza is subject to considerable income swings on legacy income and faces great uncertainties in statutory income, with no significant contracts in place from the NHS. This risk is mitigated through a financial strategy which is monitored by the Trustees.

4. Recruitment of nursing staff

There is a well-publicised national shortage of nurses, which is especially pronounced in our area of specialism. This risk is being mitigated in the short-term by ensuring that we reduce capacity rather than stretch staffing to unsafe levels. We are involved in a variety of recruitment and training initiatives. We are also addressing our service models within the new strategy to make best use of our equally valued Health Care Assistant practitioners, and Social Care/Family Support and Therapy practitioners, to ensure we can adapt and expand delivery in the future.

5. 'Brexit'

We are monitoring both the short- and long-term risk of the UK leaving the European Union, and have plans in place to assure continued essential supplies and access should problems occur.

Group Reserves

The reserves policy is to hold between 7.5 and 10 months of operating costs. This has been calculated following the Charity Commission's guidelines.

Why do we need reserves?

1. **Financial Security:**

We want to ensure our services will be there for when every child and family need us most. Whilst a number of children's hospices have had to reduce services in recent years due to difficulty in raising the necessary income, our reserves ensure that we can sustain periods where our unpredictable income (fundraising, legacies and statutory funding) may not meet expectations. The reserves allow flexibility to plan and invest in other income streams to meet any financial shortfall without cutting front line services.

2. **Increasing costs:**

Many of our services are dependent on nurses and other clinical staff and we must be able to match NHS salaries and offer terms and conditions of employment that will attract, develop and retain specialist nurses, healthcare assistants and other clinical staff; our reserves allow us to cope with unplanned and unannounced changes by the government, over which we have no control. This includes doubling employer pension contributions and increasing salaries (we estimate an increase of up to 9% in Nursing and Health Care Assistant salary costs over the next two years). As an organisation we are also working towards a Living Wage salary, rather than Minimum Wage.

3. Long-term sustainability:

Due to advances in medical care, children are living longer and with more complex needs. There is significant impact on daily life for the wider family who have to care for a child 24/7 over many years. We will use our reserves carefully to ensure long-term viability of our services. We are committed to being here for all our children as long as they need us. For some of the babies in our care, this can be 18 years or longer.

Reserves at the Year End

At 31st March 2019, due to the recent exceptional legacy gift of £2.4m in 2018, Demelza held £11.80 million in free reserves, which represents 12.1 months of operating costs. The trustees plan to use the additional 2.1 months of running costs on a 'development budget' to run alongside our operational budget. We anticipate being within our reserves target range during 2020-21.

Demelza holds less reserves than the average held across all children's hospices (Hospice UK reports the average held is 13.5 months).

Investments

The Trustees updated our Statement of Investment Principles in December 2018. Our primary aim from investment is to achieve sustainable capital growth within a balanced risk environment. Ultimately these funds will provide a safety net to ensure the continued provision of the Charity's core services.

We held £3.7m at the start of the year. We received a further £2.3m through a legacy. Gains and dividends on the portfolio grew combined investments to £6.3m.

During the year our investments have been managed by two firms of professional investment advisors. We held a tender process in May 2019 and the Trustees agreed to appoint Brewin Dolphin as our single investment advisor. All funds were transferred in Summer 2019.

Political and Charitable Donations

Demelza is a registered charity and the whole of its payments are applied to charitable purposes as detailed in the accounts. No specific contributions to other charities were made in the period nor were any political contributions made.

Statement of Responsibilities

The Trustees are responsible for preparing the Trustees' Report and the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the incoming resources and application of resources of the charity and the 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 (FRS102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, applicable accounting regulations and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

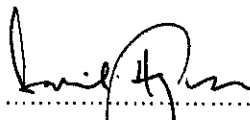
The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The Trustees who held office at the date of approval of this Trustees report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and each Trustee has taken all the steps that they ought to have taken as a trustee to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This report, incorporating the Strategic Report, was approved by the Trustees, in their capacity as Company Directors, on 24th September 2019

and signed on its behalf by:.....



David Highton
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF DEMELZA HOUSE CHILDREN'S HOSPICE FOR THE YEAR ENDED 31 MARCH 2019

Opinion

We have audited the financial statements of Demelza House Children's Hospice for the year ended 31 March 2019 which comprise the group statement of financial activities, the group and charity balance sheets, the group cash flow 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 affairs of the group and the parent charitable company as at 31 March 2019 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 and the parent charitable company 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 parent 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.

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.

Other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees' Annual Report which includes the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report, which includes the Directors' Report and the Strategic Report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of Trustees

As explained more fully in the Statement of Trustees' Responsibilities set out on page 8, 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 the 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 and parent 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 group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditors under the Companies Act 2006 and report in accordance with that Act.

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 and the Trustees, 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 and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members and Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



.....
Cara Turlington (Senior Statutory Auditor)
For and on behalf of

Saffery Champness LLP
Chartered Accountants
71 Queen Victoria Street
London
EC4V 4BE

Statutory Auditors

Date: 1 October 2019

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

Consolidated statement of financial activities (incorporating a consolidated income and expenditure account)

	Notes	Unrestricted Funds £	Restricted Funds £	Total Year 2019 £	Total Year 2018 £
Income from:					
Donations and legacies	2	3,406,213	807,178	4,213,391	8,104,958
Other trading activities	3	4,480,684	-	4,480,684	4,085,892
Income from Charitable activities	4	1,079,379	889,196	1,968,575	1,935,559
Income from investments	5	72,783	-	72,783	6,092
Total income		9,039,059	1,696,374	10,735,433	14,132,501
Expenditure on:					
Raising funds					
	6				
Donations and legacies		1,470,883	-	1,470,883	1,478,185
Fundraising events		229,425	-	229,425	229,592
Retail and Lottery expenditure		2,725,102	-	2,725,102	2,467,559
Investment management fees		44,097	-	44,097	35,766
Total Expenditure on Raising funds		4,469,507	-	4,469,507	4,211,102
Expenditure on Charitable activities					
	7				
Residential service		4,462,247	1,300,921	5,763,168	5,557,655
Community service		569,644	219,956	789,600	618,060
Continuing care		155,476	16,909	172,385	225,003
Total Expenditure on Charitable activities		5,187,367	1,537,786	6,725,153	6,400,718
Total Expenditure		9,656,874	1,537,786	11,194,660	10,611,820
Net Income / (expenditure) before investment gains		(617,815)	158,588	(459,227)	3,520,681
Net Gains / on investment	13	222,156	-	222,156	71,581
Net movement in funds		(395,659)	158,588	(237,071)	3,592,262
Fund balances brought forward at 1st Apr 2018		19,491,140	361,200	19,852,340	16,260,078
Fund balances carried forward at 31st Mar 2019		19,095,481	519,788	19,615,269	19,852,340

All the activities of the Group and the Charity are continuing. There are no other recognised gains or losses. Full comparative figures for the period ended 31 March 2018 are shown in note 24. The notes on pages 15 - 28 form part of these financial statements.

Balance Sheets

Company No. 2948500

at 31 March 2019

	Note	Group		Charity	
		2019 £	2018 £	2019 £	2018 £
Fixed Assets					
Tangible assets	12	7,292,902	7,526,228	7,292,521	7,523,667
Investments	13	6,276,441	3,702,898	6,276,542	3,702,999
		13,569,343	11,229,126	13,569,063	11,226,666
Current Assets					
Stock	14	46,514	51,021	-	-
Debtors	15	1,695,300	3,974,313	1,987,415	7,038,550
Cash at bank and in hand		5,091,796	5,430,622	4,647,248	2,252,038
		6,833,610	9,455,956	6,634,663	9,290,588
Creditors: Amounts falling due within one year	16	(787,684)	(832,742)	(588,648)	(665,105)
Net Current Assets		6,045,926	8,623,214	6,046,015	8,625,483
Total assets less current liabilities		19,615,269	19,852,340	19,615,078	19,852,149
Funds	17				
Restricted Funds		519,788	361,200	519,788	361,200
Unrestricted funds					
General		11,802,579	6,562,813	11,802,388	6,562,622
Designated		7,292,902	12,928,327	7,292,902	12,928,327
Total Funds		19,615,269	19,852,340	19,615,078	19,852,149

The financial statements were approved by the Board of Trustees and authorised for issue on 24th September 2019 and signed on its behalf by:



David Highton
Chair



Robert Alexander
Treasurer

The deficit for the charity only in the period is £237,071 (2018: surplus of £3,592,262).
The notes on pages 15-28 form part of these financial statements.

Consolidated cash flow statement

For the Year ended 31 March 2019

	Note	2019 £	2018 £
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	19	(180,539)	956,542
Cash flows from investing activities:			
Interest received		72,783	6,092
Purchase of property, plant and equipment		(231,070)	(832,286)
Net cash provided by (used in) financing activities			
		(158,287)	(826,194)
Change in cash and cash equivalents in the year	20	(338,826)	130,348
Cash and cash equivalents at the beginning of the year		5,430,622	5,300,274
Cash and cash equivalents at the end of the year		5,091,796	5,430,622

Notes to the financial statements

For the Period ended 31 March 2019

1 Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (charities SORP (FRS102)) and the Financial reporting Standard applicable in the United Kingdom and republic of Ireland (FRS 102) and the Charities Act 2011. Demelza House Children's Hospice meets the definition of a public benefit entity under FRS 102. The functional currency is £ Sterling.

General Information

The Charity is a company limited by guarantee, incorporated in England and Wales (company number 2948500) and a charity registered in England and Wales (charity number: 1039651). The Charity's registered office address is: Demelza House, Rook Lane, Bobbing, Sittingbourne, Kent, ME9 8DZ.

Basis of Consolidation

These financial statements consolidate the results, assets and liabilities of the Charity's trading subsidiary Demelza Trading Ltd (company number: 03090528) on a line by line basis.

Going Concern

The Trustees have reviewed Demelza House Children's Hospice's financial position, considering the impact of future activities, and concluded that it is appropriate to produce the accounts on a going concern basis for the 12 months from the date the accounts are signed.

A summary of the accounting policies, which have been consistently applied, is set out below.

Significant judgements and estimates

The key sources of uncertainty in our estimations that have a significant effect on the amounts recognised in the financial

statements are described in the accounting policies and are summarised below:

- residuary legacies – the charity recognises residuary legacies once probate has been granted, which therefore requires an estimation of the amount receivable.

Accounting for income

Income received by way of donations, collecting boxes or from functions, shops or flag days is not recorded in the financial statements until the cash, or document of title to the investment or property is received at headquarters. Legacy income is recognised in the SOFA when receipt is probable, amounts receivable can be measured with sufficient reliability and the charity is entitled to the income.

No account is taken of monies or other assets in the hands of outside or voluntary helpers until such monies are banked or other assets are remitted to headquarters. Contracted fees receivable and grants invoiced to local authorities, as well as investment income and accrued tax recoverable, are accrued. Other grants from central government and local authorities are recorded in the financial statements when they are receivable.

Contracted fee income specifically received in advance of expenditure in the next financial year is deferred in the balance sheet.

The value of investments and property bequeathed or donated to Demelza House Children's Hospice is taken to be market value on the date when the documents of title are received.

Expenditure

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to that category. Where costs cannot be directly attributable to particular headings they have been allocated to activities on a basis consistent with the use of resources. Central overhead costs are allocated

to operational and fundraising functions on the basis of their use of central support services.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the cost of disseminating information in support of the charitable activities.

Support costs, which include central or regional functions such as general management, budgeting and accounting, payroll administration, human resources, information technology, facilities and estates, are allocated across charitable and fundraising activities under the following categories, financial management, people and organisational development, information systems, facilities and estates.

Where information about the aims, objectives and projects of the Charity is provided in the content of fundraising material in an educational manner in the furtherance of the Charity's objectives, those costs are apportioned to charitable activities. Irrecoverable value added tax (VAT) is included in the relevant expense categories.

Support and governance costs are apportioned on the basis of usage of a resource in terms of time taken, capacity used and requests made.

Tax

Demelza House Children's Hospice is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income from capital gains received within categories covered by Chapter 3 Part II corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. Profit from the subsidiaries

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is gift aided to Demelza House Children's Hospice.

Leases

All leases are operating leases. Costs in respect of these leases are charged to the statement of financial activities over the term of the lease.

Fixed assets

(i) Land and buildings
Land and buildings are stated in the balance sheet at the most recent valuation or, in the case of purchases or additions subsequent to the date of such valuation, at cost, less depreciation provided in relation to such valuation or cost, as appropriate, to write off the assets other than freehold land over the following periods.

Freehold buildings:
The period of the estimated useful life up to a maximum of 50 years from the date of purchase.

Leasehold land and buildings:
The unexpired portion of the lease up to a maximum of 50 years from the date of the most recent revaluation or, if later, the date of the purchase.

Building Improvements:
Between 3 to 6 years based on nature of usage, or if earlier, the unexpired portion of the lease.

(ii) Motor vehicles
Motor vehicles are stated in the Balance Sheet at cost, less depreciation provided to write off the vehicles over a period of 4 years.

(iii) Equipment
Equipment is stated in the Balance Sheet at cost less depreciation to write off the equipment over a period of 4 years.

Fund accounting

Restricted funds
These funds are restricted by the donor for specific purposes. Revenue funds restricted by the donor are held in restricted reserves and funds are matched against expenditure as appropriate.

Unrestricted funds
These funds comprise accumulated surpluses and deficits on general funds that are expendable at the discretion of the Trustees in furtherance of the objects of the charity and that have not been designated for other purposes.

Designated funds
These are unrestricted funds that have been set aside at the discretion of the Trustees for particular purposes.

Short term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pensions

Demelza House Children's Hospice operates a defined contribution scheme available to the majority of its permanent employees. The Charity and its subsidiaries also make contributions to the National Health Service Pension Scheme for certain employees which is a defined benefit scheme. However, the scheme is a multi-employer scheme and the Charity is unable to identify its share of the underlying assets and liabilities. As a result, this scheme is also accounted for by the Charity as a defined contribution scheme.

All the pension schemes are administered by separate Trustees and are run independently of the Charity.

The costs of providing pensions for employees are therefore all charged in the statement of Financial Activities for the year in which the contributions are payable.

Liabilities

Future liabilities are recognised when Demelza House Children's Hospice

has a legal or constructive financial obligation, that can be reliably estimated and for which there is an expectation that payment will be made.

Financial Instruments

Cash at bank and short-term deposits includes cash and short-term highly liquid investments with a short maturity of 3 months or less from the date of acquisition or opening of the deposit or similar account. All cash and short-term deposits are basic instruments and are measured at amortised cost.

Debtors Recognition

Debtors which arise from contracts for the sale of non-financial items (such as goods or services), which are entered into in accordance with the Charity's normal sale or usage requirements, are recognised when, and to the extent that, performance occurs, i.e. when delivery of the goods or services is made. Regular sales are recognised and de-recognised, as applicable, using the trade date.

De-recognition

All debtors are de-recognised when the rights to receive cash flows from the assets have expired or the Charity has transferred substantially all of the risks and rewards of ownership.

Investments

Investments held for the long-term to generate income or capital growth are carried at fair value as fixed assets.

Realised and unrealised gains are accounted for within the Statement of Financial Activities.

Stock

Stocks comprise finished goods and are stated at the lower of cost and net realisable value.

Creditors and provisions

Creditors and provisions are recognised where the charity 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 and provisions are normally

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recognised at their settlement amount after allowing for trade discounts due.

Donated goods

The Trustees have concluded and agreed that the valuing of shops donated goods for resale on receipt is impractical due to the high volume of low value items, lack of stock system for recording these items and the administrative cost involved. Instead the income is recognised in the accounts when these goods are sold.

Gifts in kind

Gifts-in-kind are recognised if the charity has discretion in using or distributing them *and* if the charity is the recipient of the risks and rewards of those gifts (such as the risk of loss if they are lost, damaged or destroyed).

Notes to the financial statements

For the Period ended 31 March 2019

2 Donations and legacies	Unrestricted Funds £	Restricted Funds £	2019 £	2018 £
Donations	2,012,825	807,178	2,820,003	2,718,927
Gifts In Kind	20,249	-	20,249	524,993
Legacies	1,373,139	-	1,373,139	4,861,038
	3,406,213	807,178	4,213,391	8,104,958

The prior year donations have been adjusted. They were originally stated as £3,647,888, which included £928,961 as a donation from the Trading Company.

3 Other trading activities	Unrestricted Funds £	Restricted Funds £	2019 £	2018 £
Lottery income	1,718,488	-	1,718,488	1,603,087
Shop income - sale of bought-in and donated goods	2,762,196	-	2,762,196	2,482,805
	4,480,684	-	4,480,684	4,085,892

The prior year Shop Income has been adjusted. It was originally stated as £1,553,844, following a deduction of £928,961. This figure represents the Demelza House Trading Ltd profit which was donated to the charity.

4 Income from Charitable activities	Unrestricted Funds £	Restricted Funds £	2019 £	2018 £
Fundraising events	314,440	-	314,440	329,100
Grant contribution funded by NHS England	-	770,526	770,526	770,526
Funding from CCGs/Local Authorities	688,541	-	688,541	675,654
Other Grants	-	118,670	118,670	51,717
Other Income	76,398	-	76,398	108,562
	1,079,379	889,196	1,968,575	1,935,559

5 Investment income	Unrestricted Funds £	Restricted Funds £	2019 £	2018 £
Bank Interest	16,675	-	16,675	6,092
Investment portfolio income	56,108	-	56,108	-
	72,783	-	72,783	6,092

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6 Expenditure on raising funds	Direct Costs £	Support Costs £	2019 £	2018 £
Generating voluntary income	1,111,208	359,675	1,470,883	1,478,185
Fundraising events costs	229,425	-	229,425	229,592
Retail and lottery expenditure	2,652,102	73,000	2,725,102	2,467,559
Investment management fees	44,097	-	44,097	35,766
	4,036,832	432,675	4,469,507	4,211,102

7 Expenditure on charitable activities	Direct Costs £	Support Costs £	2019 £	2018 £
Residential services	4,229,015	1,534,153	5,763,168	5,557,655
Community services	637,429	152,171	789,600	618,060
Continuing care	144,718	27,667	172,385	225,003
	5,011,162	1,713,991	6,725,153	6,400,718

Direct costs consist of:

	2019 £	2018 £
Care costs	4,136,613	3,842,288
Catering and Housekeeping	321,493	283,549
Centre costs	553,056	961,499
	5,011,162	5,087,336

In 2017-18 IT costs, £399,840, had been treated as Direct Costs and included in Centre costs. In 2018-19, IT Costs, £481,971 are treated as Support Costs. The prior year figures have not been adjusted.

8 Support costs	Total 2019 £	Total 2018 £
Human resources and administration	581,800	528,176
Finance	415,250	448,013
IT	481,971	-
Volunteer services	144,744	123,217
Governance costs	62,693	57,550
Depreciation	460,208	479,558
	2,146,666	1,636,514
Which is allocated:		
Generating funds	432,675	323,132
Charitable activities	1,713,991	1,313,382
	2,146,666	1,636,514

DEMELZA HOSPICE CARE FOR CHILDREN
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Support costs are allocated on the basis of number of employees (full time equivalents).

Governance costs consist of:

Audit and accountancy fees	15,840	15,490
Staffing costs	44,343	40,041
Trustee costs (recruitment, training, expenses & meetings)	2,510	2,019
	62,693	57,550

No Trustees received remuneration in the period (2018: Nil) Trustees expenses reimbursed amounted to £980 (2018: £2,019) and related to travel.

No Trustees made any restricted donations to the charity in the year. (2018: nil)

9 Staff Costs	Total Group 2019	Total Charity 2019	Total Group 2018	Total Charity 2018
	£	£	£	£
Wages and salaries	6,217,629	5,959,289	5,882,765	5,621,830
Employer's national insurance	525,851	504,461	511,599	447,352
Pension costs	402,271	393,838	367,967	343,407
	7,145,751	6,857,588	6,762,331	6,412,589

The average number of fulltime equivalent employees during the year and average headcount during the year was:

	FTE 2019	FTE 2018	Headcount 2019	Headcount 2018
Nursing and care services	133	124	155	145
Retail	50	44	67	57
Fundraising	32	26	37	35
Administrative support	23	24	25	25
Total Charity	238	218	284	262
Trading (Lottery and Bought In Goods)	6	6	9	7
Total Group	244	224	293	269

Volunteers

998 individuals volunteered with the charity and trading company in the year (2018: 994). They gave 148,000 hours of voluntary service (2018: 180,000 hours).

DEMELZA HOSPICE CARE FOR CHILDREN
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Higher Salary Banding (Salary and Employer Pension Contributions)

	31.03.19	31.03.18
£60,001 - £70,000	2	0
£70,001 - £80,000	2	3
£80,001 - £90,000	1	2
£90,001 - £100,000	1	1
	6	6
	6	6

Total cost of employing the Senior Leadership Team for the year was £450,157 including pension and national insurance costs (2018: £422,613). This included the salary and costs of the Director of Trading, who was appointed to the SLT on 1st July 2018.

The CEO salary inclusive of employer pension contributions was £94,996 (2018: 92,718)

10 Net income

	2019 £	2018 £
Net incoming resources for the year are stated after charging/(crediting):		
Operating leases		
- land and buildings	556,931	503,447
- other	67,532	111,965
Auditors remuneration (excluding VAT)		
- Audit of parent company	11,240	11,000
- Audit of subsidiary	4,600	4,490
- Preparation of tax return for parent company	1,250	-
- Preparation of tax return for subsidiary	1,250	-
Other		
Depreciation of fixed assets	461,210	497,731

11 Net income of trading subsidiaries

	2019 £	2018 £
Demelza House Trading Limited (company number: 03090528)		
Turnover	2,079,210	1,939,980
Cost of sales	(356,763)	(308,443)
Gross Profit	1,722,447	1,631,537
Interest receivable and similar income	-	3
Administration expenses	(618,457)	(622,579)
	1,103,990	1,008,961
Management charge to Demelza House Children's Hospice	(85,000)	(80,000)
Net Profit	1,018,990	928,961
Gift Aid payment to Demelza House Children's Hospice	(1,018,990)	(928,961)
Retained Profit for the year	-	-
Retained profit brought forward	190	190
Retained profit carried forward	190	190

DEMELZA HOSPICE CARE FOR CHILDREN
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This company is a wholly owned trading subsidiary of the charity, which is incorporated in the UK. The subsidiary operates a number of retail outlets selling donated goods, cards and other merchandise and runs a lottery scheme. The company made a Gift Aid payment of its taxable profits to Demelza House Children's Hospice.

South East Medical Services Limited (company number: 06042090)

This company is a wholly owned subsidiary of the charity, which is incorporated in the UK. The company was dormant in the current and prior year having net assets of £1. The principal activity of the company was the construction of children's hospice buildings with the profit being gift aided to the charity.

12 Tangible Fixed Assets	Freehold Buildings	Improvements To leasehold property	Fixtures And Fittings	Motor Vehicles	Total Group
Consolidated	£	£	£	£	£
Cost					
At 1 April 2018	9,039,721	147,339	3,139,467	300,519	12,627,046
Additions	109,265	-	107,187	14,618	231,070
Disposals	-	-	(214,649)	-	(214,649)
At 31 March 2019	9,148,986	147,339	3,032,005	315,137	12,643,467
Depreciation					
At 1 April 2018	2,089,880	133,078	2,644,346	233,514	5,105,818
Charge for the year	179,618	4,486	246,401	30,705	461,210
Disposals	-	-	(211,463)	-	(211,463)
At 31 March 2019	2,269,498	137,564	2,679,284	264,219	5,350,565
Net Book Value					
At 31 March 2019	6,879,488	9,775	352,721	50,918	7,292,902
At 31 March 2018	6,949,841	14,261	495,121	67,005	7,526,228

Charity	Freehold Buildings	Improvements To leasehold Property	Fixtures And Fittings	Motor Vehicles	Total Charity
Cost	£	£	£	£	£
At 1 April 2018	9,039,721	147,339	3,139,167	264,930	12,591,157
Additions	109,265	-	107,187	14,618	231,070
Disposals	-	-	(214,649)	-	(214,649)
At 31 March 2019	9,148,986	147,339	3,031,705	279,548	12,607,578
Depreciation					
At 1 April 2018	2,089,880	133,078	2,644,046	200,486	5,067,490
Charge for the year	179,618	4,486	246,402	28,524	459,030
Disposals	-	-	(211,463)	-	(211,463)
At 31 March 2019	2,269,498	137,564	2,678,985	229,011	5,315,057
Net Book Value					
At 31 March 2019	6,879,488	9,775	352,720	50,538	7,292,521
At 31 March 2018	6,949,841	14,261	495,121	64,444	7,523,667

DEMELZA HOSPICE CARE FOR CHILDREN
YEAR ENDED 31st MARCH 2019

13 Investments	2019		2018	
	Cost	Market Value	Cost	Market Value
	£	£	£	£
Charity Unlisted Investments				
Demelza House Trading Limited	100	100	100	100
South East Medical Services Limited	1	1	1	1
	101	101	101	101

The £101 unlisted investments represent a 100% shareholding in Demelza House Trading Limited (company number: 03090528) and a 100% shareholding in South East Medical Services Limited (company number: 06042090). These are both subsidiaries of the charity Demelza House Children's Hospice (company number: 02948500).

	Class of Shares held	% of shares held	Nature of Business	Capital and Reserves at 31 Mar 19 £
Demelza House Trading Limited	Ordinary	100	Retailing	190
South East Medical Services Limited	Ordinary	100	Dormant	1

Note 11 shows the income and expenditure of the trading company.

Charity & Group Investment Fund Movements	2019 £	2018 £
At 1 April	3,702,898	3,667,083
Invested in the year	-	-
Investment portfolio received from legacy (debtor at 31st March 2018)	2,339,377	-
Dividends and Interest received	56,108	-
Investment Managers' charges	(44,098)	(35,766)
Unrealised gains in the year	222,156	71,581
At 31 March	6,276,441	3,702,898

Charity & Group Investment Holdings	2019 £	2018 £
Listed investments	965,688	-
Cash	524,406	25,540
Other investments	4,786,347	3,677,358
Market value at 31 March	6,276,441	3,702,898

The historic cost of the investments was £5,418,016 (2018: £3,000,000).

14 Stock	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Goods for resale	46,514	51,021	-	-

DEMELZA HOSPICE CARE FOR CHILDREN
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15 Debtors

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Amounts due from subsidiaries	-	-	298,916	3,064,237
Trade debtors	288,996	218,622	282,875	218,622
Bad Debt Provision	(30,000)	(33,194)	(30,000)	(33,194)
Prepayments & Accrued Income	1,386,532	3,746,727	1,386,532	3,746,727
VAT	49,772	42,158	49,092	42,158
	<u>1,695,300</u>	<u>3,974,313</u>	<u>1,987,415</u>	<u>7,038,550</u>

16 Creditors: amounts falling due within one year

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	151,715	270,649	116,408	249,921
Tax and social security costs	133,153	121,921	133,153	121,921
Other creditors	63,681	53,428	64,013	53,317
Accruals and deferred income	439,135	386,744	275,074	239,946
	<u>787,684</u>	<u>832,742</u>	<u>588,648</u>	<u>665,105</u>

Deferred income of £393,706 will be released in the following year. Accruals and deferred income includes deferred income as follows:

	2019	2018
B/fwd	291,615	198,426
Amounts deferred in the year	393,706	291,615
Amounts released in the year	(291,615)	(198,426)
C/fwd	<u>393,706</u>	<u>291,615</u>

Deferred income at 31st March 2018 has been restated. The original figure for deferred income at March 2018 was £147,321.

DEMELZA HOSPICE CARE FOR CHILDREN
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17 Funds

Restricted Funds Group

Purpose of restricted funds	Balance at 1 April 2018 £	Income £	Expenditure £	Transfer Between Funds £	Balance at 31 March 2019
Grant contribution funded by NHS England	-	770,526	(770,526)	-	-
Care Where You Are	9,654	354,559	(190,612)	-	173,601
Bereavement Services and Family Fund	3,294	33,520	(16,909)	-	19,905
Building and Ground Improvement Projects	46,685	184,994	(121,707)	5,000	114,972
East Sussex Community Team Equipment and Running Costs	123,060	14,260	(29,344)	-	107,976
Kent Hospice Equipment and Running Costs	101,801	151,407	(154,545)	495	99,158
South East London Hospice Equipment and Running Costs	76,706	187,108	(254,143)	(5,495)	4,176
	361,200	1,696,374	(1,537,786)	-	519,788

Unrestricted funds Group

	Balance at 1 April 2018 £	Income/Gains £	Expenditure £	Transfer between Funds £	Balance at 31 Mar 2019 £
Designated funds					
Fixed assets fund	7,526,228	-	(461,210)	227,884	7,292,902
Maintenance fund	499,200	-	-	(499,200)	-
Investments fund	3,702,899	-	-	(3,702,899)	-
Strategy fund	1,200,000	-	-	(1,200,000)	-
	12,928,327	-	(461,210)	(5,174,215)	7,292,902
Unrestricted general funds	6,562,813	9,261,215	(9,195,664)	5,174,215	11,802,579
Total unrestricted funds	19,491,140	9,261,215	(9,656,874)	-	19,095,481

Restricted Funds

Care Where You Are – Represents the delivery of palliative care in a variety of settings to enable access by those who cannot reach a residential hospice

Designated funds

Fixed assets fund – Represents unrestricted funds tied up in fixed assets. At the balance sheet date, the balance of fixed asset designated reserves equates to the net book value of fixed assets held. Transfers represent purchases of fixed assets from unrestricted funds. Expenditure represents depreciation charged in the year.

Maintenance fund, Investments fund and Strategy fund were used until 1st April 2018 at which point these funds were returned to unrestricted general funds. This complies with the updated reserves policy which was agreed by Trustees during the year.

Unrestricted general funds

These represent the free funds of the Charity, which are not designated for particular purposes, and therefore the Trustees can utilise as they see fit in accordance with its charitable objects, subject to the prudent reserves policy.

DEMELZA HOSPICE CARE FOR CHILDREN
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Summary of Total Group Funds	Balance at 01 Apr 2018	Income	Expenditure	Transfer Between Funds	Balance at 31 Mar 2019
	£	£	£	£	£
Restricted funds	361,200	1,696,374	(1,537,786)	-	519,788
Unrestricted funds	19,491,140	9,261,215	(9,656,874)	-	19,095,481
Total funds	19,852,340	10,957,589	(11,194,660)	-	19,615,269

18 Analysis of group net assets between funds

	Unrestricted Funds	Restricted Funds	Total
	£	£	£
Group			
Fund balances at 31 March 2019 are represented by:			
Tangible fixed assets and investments	13,569,343	-	13,569,343
Current assets	6,313,822	519,788	6,833,610
Creditors falling due within one year	(787,684)	-	(787,684)
	19,095,481	519,788	19,615,269

Charity

Fund balances at 31 March 2019 are represented by:

Tangible fixed assets and investments	13,569,063	-	13,569,063
Current assets	6,114,875	519,788	6,634,663
Creditors falling due within one year	(588,648)	-	(588,648)
	19,095,290	519,788	19,615,078

19 Reconciliation of net income to net cash flow from operating activities

	2019	2018
	£	£
Net income for the year	(309,854)	3,586,170
Depreciation charges	461,210	497,431
Profit/(losses) on sales of fixed assets	3,186	15,135
(Increase)/Decrease in Investments	(2,573,543)	(35,816)
(Increase)/Decrease in stock	4,507	(18,425)
(Increase)/Decrease in debtors	2,279,013	(2,951,391)
Increase/(Decrease) in creditors	(45,058)	(136,562)
Net cash inflow (outflow) from operating activities	(180,539)	956,542

20 Analysis of cash and cash equivalents

	Short term Deposit	Cash at bank and in hand	Total
	£	£	£
Balance at 1 April 2018	-	5,430,622	5,430,622
Net cash movement	-	(338,826)	(338,826)
Balance at 31 March 2019	-	5,091,796	5,091,796

DEMELZA HOSPICE CARE FOR CHILDREN
YEAR ENDED 31st MARCH 2019

21 Pensions	2019	2018
	£	£
Defined Contribution Scheme	188,407	156,488
NHS Pension Scheme	206,159	211,479
Total Pension Costs	394,566	367,967

Defined Contribution Scheme

The charity and its subsidiaries operate a defined contribution scheme available to the majority of its permanent employees. Contributions are charged in the financial statements as they are incurred and there were no outstanding contributions as at the balance sheet date. Pension costs charged in the period were £156,488 (2017: £198,252).

NHS Pension Scheme

The NHS Pension Scheme is an unfunded, defined benefit scheme that covers NHS employees, General Practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence, it is not possible for Demelza House Children's Hospice Ltd to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme and the cost is the contributions payable to the scheme for this accounting period.

Employers' pension contributions are charged to operating expenses as and when they become due. The total employer contribution payable by Demelza in 2019 was £206,159 (2018: £211,479). In addition, employees who are members of the scheme pay contributions of 5.6% to 12.5% depending on their pensionable pay.

In accordance with FRS102, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the Scheme's balance sheet date by updating the results of the full actuarial valuation. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from the Stationery Office.

22 Commitments - Operating Leases

Lease commitments as at 31 March 2019 in respect of non-cancellable operating leases: -

	2019		2018	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Up to one year	569,171	45,777	452,051	51,396
Between two and five years	898,565	54,700	877,467	60,559
Over five years	-	-	437,704	-
	1,467,736	100,477	1,767,222	111,955

23 Related Party Transactions

Other than the amounts shown in notes 8, 9 and 11, there were no related party transactions.

DEMELZA HOSPICE CARE FOR CHILDREN
YEAR ENDED 31st MARCH 2019

24 Comparative Statement of Financial Activities for the year ended 31 March 2018

Notes	Unrestricted Funds £	Restricted Funds £	Total 2018 £
Income from:			
Donations and legacies	7,796,490	308,468	8,104,958
Other trading activities	4,085,892	-	4,085,892
Income from Charitable activities	1,935,559	-	1,935,559
Income from Investments	22,544	-	6,092
Total Income	13,840,485	308,468	14,132,501
Expenditure on Raising Funds:			
Donations and legacies	1,478,185	-	1,478,185
Fundraising events	229,592	-	229,592
Trading expenditure	2,467,559	-	2,467,559
Investment management fees	35,766	-	35,766
Total Expenditure on Raising funds	4,211,102	-	4,211,102
Charitable activities			
Residential service	5,335,539	222,116	5,557,655
Community service	618,060	-	618,060
Continuing care	225,003	-	225,003
Total Expenditure on Charitable activities	6,178,602	222,116	6,400,718
Total Expenditure	10,389,704	222,116	10,611,820
Income before investment gains/(losses)	3,434,329	86,352	3,520,681
Net Gains on investments	71,581	-	71,581
Net movement in funds	3,505,910	86,352	3,592,262
Fund balances brought forward at 1st April 2017	15,985,230	274,848	16,260,078
Fund balances carried forward at 31st Mar 2018	19,491,140	361,200	19,852,340

Structure, Governance and Management

Organisational Structure

The charity operates as a company limited by guarantee, under the terms of its memorandum and articles of association. Legal responsibility for the management and stewardship of the hospice is vested in the Board of Trustees.

Day to day operational decisions are delegated to a Senior Leadership Team. During the period covered by this report this consisted of a Chief Executive, Deputy Chief Executive, Director of Care, Director of Fundraising & Marketing, Director of Trading and Director of Finance & Business Planning (none of whom are directors within the meaning of the Companies Act).

Key management personnel are those individuals who have authority and responsibility for planning, directing and controlling the activities of the charity, directly or indirectly, including any director (whether executive or otherwise). The Appraisal and Remuneration Committee is responsible for setting the pay for these personnel, comparing to industry benchmarks as appropriate.

The Trustees, Directors and Management are shown on page 31 of this document.

The Trustees held four Board meetings during the year. The five sub-committees also met regularly throughout the year, reporting respectively for matters concerned with Clinical Governance, Service Development, Fundraising & Marketing, Resources, and Appraisal & Remuneration.

The trading company (Demelza House Trading Limited No. 03090528) is a wholly owned subsidiary incorporated in England and Wales, and has a separate Board of Directors which reports to the Board of Trustees of the charity. The trading subsidiary runs shops and a weekly lottery to support the objects of the charity.

The charity's subsidiary (South East Medical Services Limited (SEMS) No. 06042090), which built the Eltham hospice, had no turnover this year and is dormant.

Trustee Induction and Training

The Board of Trustees maintains a skills matrix of all Trustees to identify any shortfall in desired competencies. If any shortfall is identified the Trustees actively seek a suitable candidate to fill that role on the Board. Candidates are interviewed, and those selected are invited to join the Board for one meeting and given a tour of the hospice to assess whether they are deemed suitable by all the Trustees; this also allows candidates to judge whether the role is one they feel they could comfortably fulfil.

New board members are then given an induction pack, including relevant Charity Commission publications, statutory accounts, and explanations of their duties and copies of previous board meeting minutes. They also attend an induction session with selected Trustees and staff.

All members of the Board are encouraged to attend appropriate internal and external training events where these facilitate the undertaking of their role.

Clinical Governance

Demelza has a comprehensive Clinical Governance Policy and appropriate procedures in place. Demelza will demonstrate accountability for, and ensure continuous improvement in, the quality of services for children and families and safeguard high standards of care by creating an environment in which excellence in clinical care will flourish.

The Clinical Governance Committee (which is a sub-committee of the Board):

- Analyses, benchmarks, evaluates, reviews and monitors all aspects of service delivery to ensure national minimum guidelines and evidence-based practice are met.
- Ensures that policies, procedures and training support our practice to best meet the needs of our service.
- Reviews, identifies, monitors and manages risk.

Key Performance Indicators

The Senior Leadership Team continuously monitors a variety of Key Performance Indicators (KPIs) to check achievement of strategic and operational objectives, reporting on them quarterly to Trustees. These KPIs monitor the amount and type of care provided, management of resources, and income generation.

Statement on Public Benefit

The Trustees confirm that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard for public benefit guidance published by the Charity Commission in determining the activities undertaken by the charity.

In the interest of transparency, the Trustees make the following observations on the two key principles of public benefit.

Firstly, Demelza is clear on the beneficiaries of its work, in this report and in its general communications, including the website. The beneficiaries are children and young people with terminal and serious conditions and their families, within Kent, East Sussex and South East London. A referral process is in place with clear guidelines on criteria, with anyone being able to refer a child subject to appropriate consent, including families themselves. The Trustees have paid due regard to the latest demographic and other research and data on the number of actual and potential beneficiaries, and their needs.

Secondly, our business-planning and monitoring/reporting are structured around the benefits delivered to the beneficiaries through our work, including monitoring the impact we have had on their lives. This is reflected in the Trustees' report.

The benefits are respite care, therapeutic services, and other related activities, with access to emergency and end of life care when required. This can be at either of the hospices or within the family home via the community teams. Support services include family support, therapies and pre and post bereavement support the child and their immediate family.

The monitored benefits include whether assessed needs within individual care plans have been met, and improvements (including increased social functioning, resilience, and emotional wellbeing) monitored through standardised tools. We also regularly consult with our beneficiaries, for example in surveys and representatives' forums, to gain information on our impact.

The Trustees review the activities of the charity against its aims on an ongoing basis and are satisfied that all activities continue to be related to its aims.

The charity does not exclude or give priority on any basis other than medical and social need.

Any private benefits are incidental, with Trustees receiving no remuneration, and any personal or business involvement is listed under the related party transaction section.

Corporate Information

Demelza Hospice Care for Children

A company limited by guarantee

Registered Office

Rook Lane
Bobbing
Sittingbourne
Kent
ME9 8DZ

Website: www.demelza.org.uk

Telephone: 01795 845200

Company No. 2948500

Charity No. 1039651

(under the name Demelza House Children's Hospice)

Subsidiary company:

Demelza House Trading Limited

A private limited company

Company No. 03090528

Trustee Board

David Highton (Chairman) *appointed 26.06.18*

Robert Alexander *appointed 24.10.18*

Darren Anstee

Pippa Barber *appointed 06.11.18*

Paul Richards

Bridget Skelton

Paul Smith *appointed 06.11.18*

Kate Stephens

Charles Unter

Adeel Khan *appointed 30.11.18*

Susan Lawson

Yvonne Parks *appointed 01.03.19*

Matthew Kepple *appointed 30.11.18*

Rhiannedd Brooke

John Price (*Absent from Board for agreed sabbatical from January 2019*)

Gerard Collins *resigned 26.06.18*

Eva Jolly *resigned 05.11.18*

Sarah Phillips, OBE DL Chairman *resigned 26.06.18*

Founder President

Derek Phillips

President

Richard Oldfield OBE DL

Vice Presidents

The Most Reverend and Right Honourable Justin Welby, Archbishop of Canterbury

Daniel Radcliffe

Sally Lindsay

Sir Martyn Lewis, CBE

Len Goodman

Dave Berry

Jayne Torvill, OBE

Cheryl Baker

Robin Cousins, MBE

Gary Lineker, OBE

Lady Kingsdown, OBE

Paul Auston, DL

Turrluo Parrett

Fiona Sunley

Des Crampton

Chief Executive Officer

Ryan Campbell CBE

Deputy Chief Executive Officer

Lavinia Jarrett

Company Secretary

James Niblett *appointed 26.02.19*

Director of Finance & Business Planning

James Niblett *appointed 03.09.18*

Director of Fundraising & Marketing

Tamsyn Clark

Director of Care

Beth Ward

Director of Retail

Ashley Henson

Auditors

Saffery Champness LLP

71 Queen Victoria Street

London

EC4V 4BE

Bankers

National Westminster Bank Plc

2nd Floor County Gate

Stacey's Street

Maidstone

Kent

ME14 1ST

Principal Solicitor

Mayo Wynne Baxter Solicitors

3 Bell Lane

Lewes

East Sussex

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