

**The
Healthcare
Management
Trust**

Annual Report and Accounts

31 December 2017

Company Limited by Guarantee
Registration Number
01932882 (England and Wales)

Charity Registration Number
292880

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Reference and administrative information

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| Trustees | J R Q Folliot Vaughan (Chairman) D G Jones (Vice Chairman) N Draper M Gerold G Goldinger Professor S Powis Dr Lynne Roberts N E E Stephens DL Dr C Streater G von Malachowski |
| Company Secretary | N Roissetter |
| Adviser to the Board | P Jukes |
| Senior management team | |
| Chief Executive | Tony Barrett |
| Head of Finance | Nigel Roissetter |
| Head of Operations Care Homes | Mair Williams |
| Head of Operations Hospitals | Rob Douthwaite |
| Medical Director | Dr Lorcan Sheppard |
| Head of HR | Antoinette Edwards |
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| Website | www.hmt-uk.org |
| E-mail | admin@hmt-uk.org |
| Company registration number | 01932882 (England and Wales) |
| Charity registration number | 292880 |
| Auditor | Buzzacott LLP 130 Wood Street London EC2V 6DL |
| Bankers | Clydesdale Bank plc 36 Regent Street London SW1Y 4ND |
| Solicitors | Bircham Dyson Bell LLP 50 Broadway London SW1H 0BL |

Reference and administrative information

Investment managers

Rathbone Investment Management
Limited
8 Finsbury Circus
London
EC2M 7AZ

Chairman's report Year to 31 December 2017

As will be apparent to readers of this letter and the Trustees' Report, HMT is entering into a very exciting period in its existence. However, I would like deal first with a couple of past issues that arose during 2017.

In contrast to the previous two years, 2017 was a difficult year for our two hospitals, with a reduction in NHS workload in Swansea and a reduction in tariff rates, combined with a disappointing CQC inspection, at Grimsby. As a direct result, our group operating margins dipped sharply. Considerable thought and effort has been devoted to our response to these disappointments. We have conducted and implemented a thorough review of management, procedures and efficiency at both hospitals. We have reviewed our plans for the new hospital at Swansea, discussed further below, to confirm that it remains an attractive investment, and since the year end have made significant progress. In Grimsby, we have reviewed the future strategy and market positioning of St Hugh's. Through the year we have been able to rely on the support and efforts of the staff and management team at both hospitals and centrally, for which I am most grateful, and as I write, the recovery in the hospitals' performance is clearly evident in current trading and confidence in both hospitals is high.

It is important to record that our care homes had another excellent year, with effectively full occupancy (close to 100%), and strong management and stable, motivated teams creating a positive and caring environment for residents – as is very clear to the Trustees and to me. It would be easy to focus too much on the areas where there have been difficulties and lose sight of the continuous hard work and caring ethos that make our care homes successful.

After years of advances on one front followed by setbacks on another, the new Swansea hospital project is finally progressing at full speed, with the granting of planning consent on 4th April this year. We have now acquired the site, and expect preliminary construction works imminently, with the new hospital scheduled to open in spring 2020. This new hospital is central to HMT's successful future. The existing Sancta Maria building, though much loved, is no longer suitable for a modern acute hospital, in terms both of age and configuration. The new hospital will be up to date and purpose built and able to achieve higher workloads, efficiency and standards of care.

At St Hugh's our strategic review has resulted in efficiency savings and a further repositioning towards diagnostics, although in the short term we are being offered significant volumes of NHS surgical work. We have made great progress in co-operating more closely with other health and care providers in the area, and have a number of initiatives in local community care.

We have a strategic aim to increase our care home activity and to focus that activity more on higher dependency and dementia care. This fits with both the general direction of residential care of the elderly and our particular skills mix as an operator of both care homes and hospitals. We hope shortly to reach agreement, subject to planning consent, to acquire a new long-term leasehold on Marie Louise House, and expand it to 73 rooms (presently 46). We have also looked at a number of opportunities to build or acquire additional care homes over the past few months but none so far have met our criteria. We continue to look and several positive discussions are underway.

We continue to support research with grants, mainly in areas relating to dementia. This is a source of some pride to us, as it goes directly to our purpose as a charity and we are determined to ensure that we maintain a significant level of new grant giving in difficult years as well as

Chairman's report Year to 31 December 2017

good ones. We also continue to develop our support for local health and lifestyle initiatives in the communities in which we operate, most notably our funding of Admiral Nurses in South Wales.

The Trustees Report also reports on the extent to which we provide management and consultancy support to other charities, sometimes pro bono, sometimes charging sub-market rates, sometimes commercial rates, depending on the circumstances. This reflects both HMT's origins as a consultancy, and our belief that this is an area where we can still provide valuable support to a charity facing issues.

The environment in which our care homes and hospitals operate is becoming still more complex and unpredictable, through a combination of increasing regulation and the evident financial and other strains on the NHS and on community care. In addition to this, we are undertaking major development projects with the new Swansea hospital and planned expansion of Marie Louise House. To meet these challenges, we have continued to strengthen our management teams, both centrally and in the units, both by recruitment and by personal development and training.

We also regularly review the skills and composition of the Board with a view to ensuring that it attracts and retains the appropriate calibre of trustees and mix of skills and are presently looking to recruit further Trustees. In this context I would like to congratulate one of our Trustees, Professor Stephen Powis, on being appointed National Medical Director of NHS England towards the end of 2017. While NHS England's gain is unavoidably our loss, as his additional commitments have obliged him to step down as a trustee, Stephen's contribution to HMT over four years has been invaluable and he leaves with our thanks and best wishes. Since the year end, we have recruited Gerda Goldinger and Chris Streather as trustees. They bring additional valuable strength and experience and I look forward to working with them and welcome them to the Board. I would also like to thank the other Trustees for their valuable efforts and contribution to the charity's good governance.

The first few months of 2018 have shown a marked and positive recovery from some of the issues that arose in 2017. We are entering into an exceptionally busy and challenging couple of years, in terms of both the charity's existing operations and major new developments, but we do so with a strong team and a robust balance sheet and I am confident that we have the people and resources that we need. HMT is the creation of a large number of dedicated people working in, and with, the charity at all levels. I would like to thank them all for their efforts in the past year and look forward to continuing to work with them to deliver HMT's future success

John Folliot Vaughan
Chairman

Trustees' report (incorporating a Strategic Report) Year to 31 December 2017

The Trustees, who are directors of The Healthcare Management Trust (the "Trust") under company law, submit their annual report and the audited financial statements for the year ended 31 December 2017.

About The Healthcare Management Trust

The Trust was established in 1985 with the aim of relieving sickness, both physical and mental, and the preservation and protection of good health.

The charity delivers on these core objectives through the operation of its independent acute hospitals and care homes, supporting other charities within the health and social care sectors, health promotion activity and the funding of research into health and social care.

The Trust raises no voluntary income, the charities work being funded solely through its operating income, investments and reserves.

We provide access to all, without regard to the route patients and residents take in coming to us.

The Trustees have regard to the general guidance provided by the Charity Commission when they review the aims and activities of the charity and the provision by the charity of public benefit.

The charity conducts its work based within the context of a set of guiding principles:

- ◆ A belief that each of our patients, residents and their families are unique individuals and we place them at the heart of everything we do and seek to achieve.
- ◆ Respect for all faiths and a belief that there is a special pastoral dimension in caring for others which involves a combination of spiritual, emotional, physical and ethical elements.
- ◆ The need to treat and care for each of our residents and patients, their families, friends and our colleagues with the respect and dignity we ourselves would expect to receive.
- ◆ An acknowledgement of the physical, mental and social vulnerabilities that our residents and patients may experience and the absolute responsibility placed upon us to safeguard them at all times.
- ◆ A recognition that the settings in which we provide care for the older person represent each resident's home and we respect this.
- ◆ An absolute belief in the sanctity of life and the need for dignity at its end.
- ◆ The need to involve each patient and resident, their family and carers in decision making and planning with regard to their care with the need to be open and honest.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2017

Our strategic objectives

Our strategic objectives are as follows:

- ◆ To deliver high quality, evidence based and safe patient/resident centred care and treatment.
- ◆ To develop our staff's skills and competencies.
- ◆ To work with our partners for the benefit of our residents and patients.
- ◆ To value the ethos and mission of the founders of our hospitals and care homes.
- ◆ To play an active role within the fields of health and social care contributing to the development of national policy and improving local provision.
- ◆ To provide strategic, management and operational support to other charities operating within health and social care in order that they may grow and develop sustainably.
- ◆ To constantly improve the quality and range of services we provide to our users.
- ◆ To contribute to the health and wellbeing of the geographical communities we work within, fulfilling an active role in the leadership and delivery of healthy active and wellbeing programs.
- ◆ To fund research within the field of dementia and other areas of health and social care.
- ◆ To support individuals who suffer from isolation and loneliness within the geographical communities we work within.

KEY FACTS

During the year:

- ◆ The Trust employed 515 staff.
- ◆ Our hospitals saw 37,162 outpatients, admitting 9,191 patients.
- ◆ Day cases represented 72 % of admitted patient activity.
- ◆ The average length of stay for patients within our hospitals was 1.26 nights.
- ◆ Our hospitals had no recorded cases of MRSA or C Dif.
- ◆ 99.3% of patients treated at HMT Hospitals would recommend HMT to their friends and family.
- ◆ Our care homes provided 6,131 weeks of care, equating to 42,917 resident nights with an overall average occupancy of 98% across our care homes.
- ◆ In the 2017 Your Care Rating Survey, HMT Care Homes scored above the national average benchmark across all metrics.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2017

KEY NUMBERS

- ◆ Overall, 60% of patients treated at the Trust's hospitals were funded by the NHS at the same cost to the NHS as if their own hospitals had provided the diagnosis and treatment.
- ◆ 10% of residents accommodated in our care homes were funded by the state.
- ◆ We provided financial bursaries amounting to £56,000 to residents within our care homes.
- ◆ We supported, at less than commercial cost, 10 charities in their management and governance oversight care provision within 11 care homes encompassing 346 elder care beds. Our charitable subsidy of this work equated to £40,000.
- ◆ We provided management consultancy services at no cost to a further 4 charities who operate 90 neurological rehabilitation and 71 elder care beds. Our direct charitable subsidy of this activity was £30,000.
- ◆ We continued to support research, with £267,000 of grant funding during the year. Over the last 3 years, we have distributed £1.16 million in research grants, including wholly funding 10 PhD Studentships.
- ◆ We distributed £92,000 in community development and support grants.
- ◆ Our healthy lifestyle and wellness projects directly engaged at no cost to the user with some 26,000 individuals across the age ranges and genders.

ACHIEVEMENTS AND PERFORMANCE

The safety and quality of care that the Trust provides to residents and patients across its care homes and hospitals is the Trustees' first priority and the Trust's ethos and philosophy reflect the core values which underpin the delivery of this care.

During the year, our governance and oversight systems were further strengthened as decisions made in 2016 continued to embed and mature.

In order to further enhance our governance approach, a Clinical Policy and Professional Development Manager was appointed who will work across our homes and hospitals to further develop our evidenced based, best practice approach to care delivery.

We reviewed the professional nurse structure at our hospitals, strengthening local professional leadership and accountability.

During 2017, the occupancy within the Trust's care homes achieved an average of 98%. The Trust's care homes continued to be rated as good or above by both local authorities and the Care Quality Commission (CQC). These findings reflect the skills and commitment of all the Trust's staff and the Trustees thank them both individually and collectively.

The Trustees continue to seek ways to improve the care and support delivered to the Trust's residents and their families. In order to promote an engaged and holistic lifestyle for our residents, the Trust worked to strengthen the range and delivery of individualised and home wide resident activities available within each of our homes.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2017

ACHIEVEMENTS AND PERFORMANCE (continued)

At our home in Romsey, residents, staff and the local community have worked with professional musicians and partners at the University of Stirling to create a sustainable arts-based initiative that encourages resident, staff and local community participation. The home hosted 2 participatory concerts involving residents living with dementia which were enjoyed by both participants and the local community.

At all our homes residents, families and staff are fully engaged and participating in 3 dementia research projects around the impact and benefits of music and performance, the care management of end stage dementia and finally the impact of exercise on the course of dementia.

We are developing a number of community projects to impact on the increasing loneliness experienced by a significant number of the elderly who live alone, based around our care homes, with the homes reaching out to individuals referred to us by local service groups. Luncheon and activity groups have been established, operating at no cost to participants, and staff members are also visiting referred elderly in their own homes, providing opportunities for human interaction and conversation.

During the year, a number of initiatives with schools local to our care homes have been maintained, with pupils interacting with residents around specific areas of the curriculum or projects.

As highlighted in our 2016 Report, the Alexian Brothers took a decision in 2016 to sell their Alexian Brothers Care Centre in Manchester, which the Trust had managed on their behalf. In April 2017, the Brothers achieved a sale to a commercial operator. The Trust supported residents, families and staff during the transfer process and, following the handover, the Trust further supported the Brothers in the compilation of closure accounts. As previously stated in the 2016 Annual Report, the Trust had been indemnified by the Brothers during the sale process and the Trust has further insured against any run-off claims.

Our hospitals faced a challenging year. As the result of financial and political decisions made by the Welsh Assembly Government, Welsh NHS activity at our Swansea Hospital reduced by 50% from the 1st quarter onwards in comparison to the previous year. This resulted in overall patient admitted activity declining by 11% across our hospitals for the full year. In line with other independent providers, the impact of reductions in national tariff resulted in like for like English NHS income decreasing by 4%. NHS patient referral management systems, and the impact of decisions with regards to procedures of limited clinical value by NHS Commissioners across Lincolnshire, also depressed activity. Against this, lengthening NHS treatment times, in particular in Wales, resulted in increases in both patient enquiries and purchases of self-funded surgical treatment. Our experiences of NHS policy and decision making in Wales has resulted in the hospital focusing on developing private patient activity, accepting NHS work only when it has spare capacity to do so.

Whilst NHS activity started to recover from the fourth quarter onwards, the Trust also recognised that it needed to address efficiency and productivity within its hospitals. Steps have been taken to identify best practice and implement it. A reorganisation of the care, catering and administrative services has taken place at our hospital in Grimsby, with some services now delivered in partnership with other charities and not for profit organisations.

ACHIEVEMENTS AND PERFORMANCE (continued)

Our treatment outcomes and patient satisfaction ratings continued to be consistently above national comparators, indicating that patients are benefiting from, and value, the services they receive at the Trust's hospitals. These findings reflect the skills and commitment of all the Trust's staff and its Consultant Partners. The Trustees thank them both individually and collectively.

The Trust's staff represent its key resource in the delivery of its objectives and services. In recognition of the importance of good staff management and to increase the focus on staff development and retention, the Trust during the year brought all aspects of personnel management in-house. To this end, we recruited a Head of Human Resources together with a small team of support staff. The charity will use the Investors in People standards as a framework and, in order to further engage with its employees, it has established a staff consultative forum with elected representatives. A HMT Skills Academy has been launched to bring together all aspects of skills development and learning in a single portal, which will also encourage employees to view their employment in caring as a career and engage in personal development. The Trustees also recognise that good leadership is essential to achieving the charity's objectives; during 2017 the Trust established a Leadership Academy to bring together in one place all leadership training and development activity accessible to leaders at all levels within the charity.

PLANNING FOR THE FUTURE

Investing in Buildings and Services

The development of a new flagship hospital in Swansea is a priority for the Trust and plans for the SA1 Waterfront development site have led to a planning application that was approved in April 2018. Trustees anticipate that construction will start [shortly] and that the new hospital will open in the spring of 2020.

The Trust is in the final stages of negotiations to purchase and extend, subject to planning, the care home it operates in Romsey. Should the acquisition be successful, building the extension would commence in late 2020.

The planning application for a proposed lease operated specialist dementia care home development in Hamble failed to secure planning consent.

The developer is reviewing its options, and in the meantime we are looking at other similar opportunities .

The Trust regularly monitors, and will when appropriate bring forward, opportunities to develop additional facilities on the sites of its existing care homes.

Wider Charitable Impact

In addition to the direct impact of the care the Trust provides in its homes and hospitals, the Trustees have also considered how the impact the Trust makes within the wider field of health and social care might be extended.

PLANNING FOR THE FUTURE (continued)

Supporting other Health and Social Charities

The charity supported the following charities during the year, delivering health and social care operational management and consultancy services. The Trust delivered some of this support on a pro bono basis and, when a charge was made to the receiving charity, this reflected a charitable subsidy supported from the Trust's operational surplus:

Jesuit Communities in Boscombe and Preston

St Teresa's Rest Home-Haverfordwest

St Michael's Care Home -Clacton on Sea

Stella Maris Care Home-Swansea

St Mary's Care Home -Lytham St Anne's

St Joseph's-Olney

Redcote Convent - Bitterne

St Mary's Care Home-Stone

St Catherine's- London

Ealing Abbey-London

Holy Cross Hospital-Hazelmere

Marillac Care-Brentwood

Research and Community Grant Funding

Whilst the Trust experienced a challenging year financially, the Trustees felt that it was important to continue its grant funding activities. Therefore, the Trust continued to fund research projects, currently focusing on projects in the field of dementia.

Trustees chose to support 4 further projects, each of 3 years' duration, in 2017:

- ◆ Marie Curie/University College London – How can we improve the detection and management of distress in people with advanced dementia and communication difficulties who are nearing the end of life?
- ◆ Alzheimer's Society/University of Newcastle – Cognitive lifestyle & dementia: Investigating the impact of an active lifestyle on brain health over time.
- ◆ Alzheimer's Society/University of Southampton – Studying loss of connections between brain cells in the early stages of Alzheimer's disease.
- ◆ Alzheimer's Society/University of Leeds – Excess iron and neurodegeneration in Alzheimer's disease: Studying a protein interaction that increases A β levels in the brain .

Trustees' report (incorporating a Strategic Report) Year to 31 December 2017

PLANNING FOR THE FUTURE (continued)

Research and Community Grant Funding (continued)

These new projects join the following projects which are already underway:

- ◆ Swansea University – Understanding and improving emotional wellbeing of older care home residents.
- ◆ Swansea University – Enhancing person-centred care and wellbeing for older residents with dementia through intergenerational practice.
- ◆ University of Stirling – Personalised physical activity for people with dementia.
- ◆ University of Stirling – Creating a care band.

The following Trust-funded projects completed in 2017:

- ◆ Alzheimer's Society/Kings College London - Sleep Disturbance in people with dementia living in care homes (NightCAP).
- ◆ Alzheimer's Society/University College London - Volumetric MRI and patient-related income measures in behavioural variant fronto-temporal dementia (bvFTD).
- ◆ Alzheimer's Society/Nottingham University Hospitals NHS Trust - Developing a programme to reduce the risks of falls in people with dementia (feasibility study).

Community Development Grants

The Trustees had in 2016 made a grant of £300,000 over 3 years to establish a Community Admiral Nurse Service in Swansea, this service being the first of its kind in South Wales. Following recruitment, the service was launched in mid-2017. The service, hosted by Abertawe Bro Morgannwg Health Board, consists of 2 specialist Admiral Nurses supported professionally by Dementia UK. During the first six months of operation, the service has achieved the following outcomes:

- ◆ Developed referral criteria.
- ◆ Accepted a case load of 59 complex clients and their families.
- ◆ Developed and delivered educational sessions to paramedics and ambulance staff, trainee General Practitioners and wardens of older adult housing complexes.
- ◆ Disseminated dementia best practice to a wide range of health professionals and others working in the community.

During the year, the Trustees approved grant funding of £30,000 per annum over 3 years to Friendship at Home, a charity based in North East Lincolnshire befriending and supporting older people. The funding from the Trust will allow Friendship at Home to expand its services around combatting loneliness and isolation in the elderly, with a specific focus on dementia sufferers and their families.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2017

PLANNING FOR THE FUTURE (continued)

Community Development Grants (continued)

The Trust continued its 3 year support of the Swansea Musical Memories Choir for dementia sufferers and their carers, making an annual grant of £9,000 to support the running costs of this 60 member choir which meets 2 times per week.

The Trust's hospitals also support with financial help and services a number of homeless charities in their areas.

Promoting Health and Well Being

Promoting health and wellbeing is as important to the Trust as funding of medical research. The Trust wants to contribute towards a healthier future for the geographical communities in which it works.

The Trust aims to make health and activity more accessible to all ages and abilities in the communities in which it operates through funding of health education for a healthy lifestyle, grass roots cycling, running and other sports coaching, promotion of community cycling rides and the support of the Swansea Half Marathon, plus other mass participation sports and recreational activity events.

The Trust has used its healthcare sponsorship and support of the professional JLT Condor Cycling Team, Podium Ambition and the HMT with JLT Condor Junior Cycling Team in its work with adults and school children. Support of Go Ride Schemes for children aged 4-16 years in both Swansea and Lincolnshire has seen 5,000 healthy lifestyle coaching and support sessions delivered over the past year. The establishment of positive lifestyle habits laying the foundations for a healthier older age starts with the young. The Trust's partners acknowledge that this would not have happened without the leadership and funding it provides.

FINANCIAL REVIEW

Headline results

- ◆ Net income after investment gains: £0.4m (2016: £2.6m)
- ◆ Total income: £29.8m (2016: £32.6m)
- ◆ Total expenditure: £30.8m (2016: £31.5m)

The financial performance in 2017 was disappointing in comparison to 2016. The Trustees believe the principal reasons for this to be:

- ◆ A reduction in NHS episodes being undertaken at our Swansea Hospital of some 1,100 admitted patient episodes (equivalent to 24% of the 2016 overall episodes);
- ◆ Changes in the English NHS Tariff which resulted in a reduction in overall NHS income on a like-for-like basis of 4% at our Grimsby Hospital.

The Trustees have identified a number of remedial actions, implemented during 2017 and embedding in during 2018, which they expect to result in a recovery in net income from the two hospitals.

FINANCIAL REVIEW (continued)

Headline results (continued)

The Trustees apply a close focus to the adequacy of the Trust's working capital and consider that its assets and available funds are adequate to fulfil its obligations.

The Trustees have adopted the provision of the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) in preparing the annual report and financial statements of the Trust. The financial statements comply with current statutory requirements and with the requirements of the Articles of Association.

Reserves

The Trustees review the Trust's reserves position regularly to ensure that it has adequate funds to support its on-going work, taking into consideration the assets required to provide a high standard and quality of care for its service users, reasonable working capital and any unforeseen circumstances.

In the most recent review, in December 2017, the Trustees considered it was appropriate to maintain the general level of reserves in the order of £4,000,000. As at 31 December 2017, largely for reasons of timing, the Trust had general (or free) reserves £5,608,705. In addition, the Trust had designated reserves of £9,000,000 for the development of the new hospital in Swansea, a further £600,000 designated towards funding of research and community development projects and £243,915 designated to a building and equipment reserve at Marie Louise House.

The Trustees are confident that there is sufficient flexibility in the reserves to maintain and develop the Trust's operations.

Investments

The majority of the Trust's reserves have been invested with the support and advice of professional investment managers. The Trustees have adopted an investment strategy with a "moderate" risk profile, with this risk being mitigated through diversification. The investment performance and investment strategy are monitored on a regular basis.

Risk management

The Board of Trustees has a responsibility to establish a risk management structure, policy and strategy for the charity. In addition, the Trustees review the high-level risks to the charity at both strategic and operational levels.

Risks are identified and prioritised based on the likelihood of an event occurring and the impact of that event should it happen. All identified risks are recorded at either central or local level and these are reviewed informally on a continuous basis and formally biannually. Controls and mitigation strategies are identified for each risk to either reduce the impact or probability of the risk.

FINANCIAL REVIEW (continued)

Key risks

The largest risk facing the Trustees is that they follow an inappropriate strategy. This is covered by an annual review of the strategy undertaken in the context of current and predicted operating conditions between the Trustees and the executive team.

Other material strategic risks include:

- ◆ Serious clinical incident, which could have a serious negative impact on the Trust's reputation and potentially, its finances.
- ◆ The continuing challenge of the economic climate and its impact on the Trust's patients and residents to self-fund treatment and care at its hospitals and care homes.
- ◆ Uncertainty generated by the pressures on the NHS.
- ◆ Below inflation increases in the rates reimbursed by local authorities for the care of local authority supported residents.
- ◆ Inflationary pressure on the English NHS Tariff.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Constitution and principal aims

The Healthcare Management Trust is a registered charity, Charity Registration No 292880, established in 1985. The objects of the charitable company are detailed in the Memorandum of Association. The charity is constituted as a company limited by guarantee. In the event of the charitable company being wound up during the period of membership or within the year following, company members, who are the Trustees, are each required to contribute an amount not exceeding £5.

Trustees

The Trustees of the charity, who constitute directors of the company for the purposes of company law, are appointed by resolution of the Board. The following served as members of the Board during the year:

| Trustee | Appointed / Retired |
|----------------------------------|----------------------------|
| J R Q Folliot Vaughan (Chairman) | |
| D G Jones | |
| N Draper | |
| M Gerold | |
| G Goldinger | Appointed 11 July 2018 |
| Professor S Powis | Resigned March 2018 |
| Dr L Roberts | |
| N E E Stephens DL | |
| Dr C Streater | Appointed 11 July 2018 |
| G Von Malachowski | |

STRUCTURE, GOVERNANCE AND MANAGEMENT(continued)

Trustees (continued)

| Secretary | Appointed / Retired |
|------------------|----------------------------|
| N Roissetter | |

All Trustees give their time voluntarily and receive no remuneration from the charity in connection with their duties as Trustees. J R Q Foliott Vaughan received £30,000 respect of his services as Chairman. The financial information regarding Trustees is shown on page 32.

The Trustees regularly assess the skills mix within the Board. When it is considered that additional skills are required, a new appointment is made following detailed discussion. All Trustees are provided with a "Trustee Manual". This is updated regularly and contains information about the governance and operations of the charity. Trustees visit the charity's hospitals and homes on a regular basis.

The Trustees were supported during the year by Philip Jukes, who advised the Board and visited the hospitals and homes regularly.

Principal advisers

The names and addresses of the principal advisers to the charity are listed on pages 1 and 2.

Governance and key management personnel

The charity achieves its aims through the provision of advice and management expertise to existing hospitals and care homes and, where appropriate, by the acquisition and operation of hospitals and care homes.

The Trustees, who are responsible for the overall control of the charity, meet regularly and receive detailed monthly management, clinical and other reports to retain effective control over the charity and to supervise the Executive Management.

Senior staff manage the activities of the charity. The following senior staff comprise the Executive Management and were in place at the date when the Annual Report and Financial Statements were approved or served during the financial year:

Mr Tony Barrett – Chief Executive

Mr Nigel Roissetter – Head of Finance

Ms Mair Williams – Director of Operations Care Homes

Mr Rob Douthwaite – Director of Clinical Services Hospitals

Dr Lorcan Sheppard – Medical Director

Ms Antoinette Edwards – Head of HR

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Governance and key management personnel (continued)

The Board is supported by the Audit and Risk Committee which is chaired by Mr N E E Stephens DL and comprises Mr D Jones, Mr M Gerold and Mr G Von Malachowski.

Senior staff at the hospitals and care homes report to the Executive Management.

Control is exercised by a comprehensive system of financial planning, approvals, monitoring and reporting, backed up by accounting records which together provide the necessary level of financial control.

Key management personnel

The Trustees consider that they, together with the Executive Management, the Hospital Directors and the Senior Managers at the Care Homes comprise the key management of the charity in charge of directing and controlling, running and operating the charity on a day to day basis.

The remuneration of key management personnel is set and approved by the Trustees. Remuneration is set in the context of market rates and industry benchmarks and is reviewed annually.

Equal opportunities

The charity strives to be an Equal Opportunities Employer and applies objective criteria to assess merit. It aims to ensure that all job applicants and employees receive equal treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Selection criteria and procedures are reviewed regularly to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities. All employees are given equal opportunity and, where appropriate and possible, special training to enable them to progress both within and outside the organisation. The charity is also committed to providing a safe working environment for all staff.

The charity has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting its performance. This is achieved through regular consultations with employees, including induction programmes, meetings and newsletters.

Volunteers

Pastoral care is provided, where possible, by religious Sisters and priests at the hospitals and homes, generally on a voluntary basis. Assistance is provided at some homes by "friends" organisations. There is no other dependence on voluntary help within the charity.

Trustees' report (incorporating a Strategic Report) Year to 31 December 2017

STRUCTURE, GOVERNANCE AND MANAGEMENT (continued)

Statement of Trustees' responsibilities

The Trustees (who are also directors of the charity for the purposes of company law) are responsible for preparing the Trustees' Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the income and expenditure of the charity 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 Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom 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 operation.

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 Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- ◆ so far as the Trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- ◆ the Trustee has taken all the steps that he ought to have taken as a Trustee in order to make himself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Signed on behalf of the Trustees:

J R Q FOLLIOTT VAUGHAN

Trustee

Approved by the Trustees on: 25 July 2018

Independent auditor's report to the members of The Healthcare Management Trust

Opinion

We have audited the financial statements of The Healthcare Management Trust (the 'charitable company') for the year ended 31 December 2017 which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the notes to the financial statements. 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).

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.

In our opinion, the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 31 December 2017 and of 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 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

Conclusions relating to going concern (continued)

- ◆ the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about 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.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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 the audit:

- ◆ the information given in the trustees' report including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- ◆ the trustees' report including 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' report including the strategic 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:

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees 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 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.

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.

Amanda Francis (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

25 July 2018

Statement of financial activities Year to 31 December 2017

| | Notes | Total funds 2017 £ | Total funds 2016 £ |
|--|-------|--------------------------|--------------------------|
| INCOME AND EXPENDITURE ACCOUNT | | | |
| INCOME FROM: | | | |
| Donations and legacies* | | 2,717 | 141,546 |
| Investment income and interest receivable | 1 | 406,590 | 508,131 |
| Charitable activities | | | |
| . Healthcare establishment fees and related charges | 2 | 29,384,772 | 31,986,094 |
| Total income | | 29,794,079 | 32,635,771 |
| EXPENDITURE ON: | | | |
| Raising funds | | | |
| Investment manager's fees | | 80,727 | 65,606 |
| Financing costs | 3 | 16,115 | 20,855 |
| | | 96,842 | 86,461 |
| Charitable activities | | | |
| Promotion and development of healthcare | | | |
| . Healthcare establishment expenses | 4 | 30,130,580 | 30,547,544 |
| . Charitable grants | 5 | 562,796 | 481,657 |
| | | 30,693,376 | 31,029,201 |
| Total expenditure | | 30,790,217 | 31,115,662 |
| Net (expenditure)income before gains on investments | 7 | (996,138) | 1,520,109 |
| Net gains on listed investments | 11 | 1,349,351 | 1,101,098 |
| Net income for the year and net movement in funds | | 353,213 | 2,621,207 |
| Reconciliation of funds: | | | |
| Balances brought forward at 1 January 2017 | | 22,742,775 | 20,121,568 |
| Balances carried forward at 31 December 2017 | 15 | 23,095,988 | 22,742,775 |

*Included within donations and legacies for the year to 31 December 2016 £139,886 which were restricted and carried forward as shown in Note 18. No restricted donations and legacies were received in the year to 31 December 2017.

All activities derived from continuing operations in each of the above two years.

Balance sheet 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|---|-------|--------------------|-------------|
| Fixed assets | | | |
| Tangible fixed assets | 10 | 7,503,482 | 6,898,400 |
| Investments | 11 | 15,741,184 | 15,230,045 |
| | | 23,244,666 | 22,128,445 |
| Current assets | | | |
| Stocks | 12 | 618,186 | 571,792 |
| Debtors | 13 | 1,895,212 | 2,097,319 |
| Cash at bank and in hand | | 1,595,646 | 1,256,276 |
| | | 4,109,044 | 3,925,387 |
| Creditors: amounts falling due within one year | 14 | (3,963,722) | (2,856,018) |
| Net current assets | | 145,322 | 1,069,369 |
| Total assets less current liabilities | | 23,389,988 | 23,197,814 |
| Creditors: amounts falling due after one year | 15 | (294,000) | (455,039) |
| Total net assets | | 23,095,988 | 22,742,775 |
| The funds of the charity | | | |
| General funds | | 5,608,705 | 5,875,966 |
| Tangible fixed assets fund | 16 | 7,503,482 | 6,898,400 |
| Designated funds | 17 | 9,843,915 | 9,828,523 |
| Restricted funds | 18 | 139,886 | 139,886 |
| | | 23,095,988 | 22,742,775 |

Approved by the Trustees
and signed on their behalf by:

J R Q FOLLIOTT VAUGHAN
Trustee

Approved on: 25 July 2018

The Healthcare Management Trust: A company limited by guarantee, Company Registration
No. 01932882 (England and Wales)

Statement of cash flows Year to 31 December 2017

| | Notes | 2017 £ | 2016 £ |
|--|-------|--------------------|-------------|
| Cash flows from operating activities: | | | |
| Net cash provided by operating activities | A | 783,039 | 2,144,807 |
| Cash flows from investing activities: | | | |
| Investment income and interest received | | 445,199 | 472,940 |
| Purchase of tangible fixed assets | | (1,554,684) | (990,653) |
| Proceeds from the disposal of investments | | 1,889,284 | 4,406,966 |
| Purchase of investments | | (2,503,374) | (3,747,890) |
| Net cash (used in) provided by investing activities | | (1,723,575) | 141,363 |
| Cash flows from financing activities: | | | |
| Interest paid | | (16,115) | (20,855) |
| Repayments of borrowing | | (156,281) | (250,556) |
| Net cash used in financing activities | | (172,396) | (271,411) |
| Change in cash and cash equivalents in the year | | (1,112,932) | 2,014,759 |
| Cash and cash equivalents at 1 January 2017 | B | 2,769,032 | 754,274 |
| Cash and cash equivalents at 31 December 2017 | B | 1,656,100 | 2,769,032 |

Notes to the statement of cash flows for the year to 31 December 2017.

A Reconciliation of net movement in funds to net cash provided by operating activities

| | 2017 £ | 2016 £ |
|---|--------------------|-------------|
| Net movement in funds (as per the statement of financial activities) | 353,213 | 2,621,207 |
| Adjustments for: | | |
| Depreciation charge | 938,653 | 814,981 |
| Gains on investments | (1,349,351) | (1,101,098) |
| Investment income and interest receivable | (406,590) | (508,131) |
| Interest payable | 16,115 | 20,855 |
| Loss on disposal of tangible fixed assets | 4,424 | — |
| Development costs written off | — | 92,542 |
| Increase in stocks | (46,394) | (34,408) |
| Decrease in debtors | 170,022 | 52,536 |
| Increase (decrease) in creditors | 1,102,947 | 186,413 |
| Net cash provided by operating activities | 783,039 | 2,144,807 |

B Analysis of cash and cash equivalents

| | 2017 £ | 2016 £ |
|--|------------------|-----------|
| Cash at bank and in hand | 1,595,646 | 1,256,276 |
| Cash held by investment managers | 60,454 | 1,512,756 |
| Total cash and cash equivalents | 1,656,100 | 2,769,032 |

Principal accounting policies 31 December 2017

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These accounts have been prepared for the year to 31 December 2017. Comparative information is provided in respect to the year to 31 December 2016.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

The preparation of the accounts in compliance with SORP FRS 102 requires the use of certain critical accounting estimates. It requires also that management and Trustees exercise judgement in applying the charity's accounting policies.

In preparing these accounts, the Trustees have made significant estimates and judgements in the following areas:

- ◆ Estimating the expected useful economic life of tangible fixed assets for the purposes of determining the annual depreciation charge;
- ◆ Estimating any provision for slow moving and/or obsolete stock;
- ◆ Estimating any provision for bad or doubtful debts; and
- ◆ Estimating and recognising accrued expenditure.

Assessment of going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The Trustees have made this assessment in respect to a period of one year from the date of approval of these accounts.

The Trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The Trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above.

Principal accounting policies 31 December 2017

Assessment of going concern (continued)

With regard to the next accounting period, the year ending 31 December 2018, the most significant areas that affect the carrying value of the assets held by the charity are:

- ◆ The proposed development of Sancta Maria Hospital, Swansea (as described in the Trustees' report) will result in a significant increase in the net book value of tangible fixed assets. It is anticipated that the build will cost circa £19.2 million and will be reflected in the value of tangible fixed assets during the course of construction which, it is expected, will take more than one year;
- ◆ The above development will be financed through a bank loan with the balance of the cost being met from the charity's own resources, including its investment portfolio; and
- ◆ The level of investment return and the performance of the investment markets (see the investment policy section of the trustees' report for more information).

Scope

The accounts of the two owned hospitals and the two leased care homes are included in these accounts on a line-by-line basis. The accounts of the two managed care homes are not included.

Income recognition

Income is recognised in the period in which the charity has entitlement to the income, the amount of income can be measured reliably and it is probable that the income will be received.

Income comprises healthcare establishment fees and related charges, donations and investment income and interest receivable.

Income from healthcare fees and related charges is recognised to the extent that it is probable that the economic benefits will flow to the charity and the revenue can be reliably measured. It is measured at fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Consultant's fees, included within healthcare fees and related charges, are treated as income and expenditure for the charity, except where the consultants bill the patients directly.

Donations are recognised when the charity has confirmation of both the amount and settlement date. In the event of donations pledged but not received, the amount is accrued for where the receipt is considered probable. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

In accordance with the Charities SORP FRS 102 volunteer time is not recognised.

Legacies are included in the statement of financial activities when the charity is entitled to the legacy, the executors have established that there are sufficient surplus assets in the estate to pay the legacy, and any conditions attached to the legacy are within the control of the charity.

Income recognition (continued)

Entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor to the charity 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 charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, but the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title of the asset having been transferred to the charity.

Investment income is recognised once the dividend or similar payment has been declared and notification has been received of the amount due.

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

Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis. Expenditure comprises direct costs and support costs. All expenses, including support costs, are allocated or apportioned to the applicable expenditure headings. The classification between activities is as follows:

- ◆ Expenditure on raising funds includes all expenditure associated with raising funds for the charity. This includes investment management fees and the costs associated with servicing loan finance.
- ◆ Expenditure on charitable activities includes all costs associated with furthering the charitable purposes of the charity through the provision of its charitable activities. Such costs include the provision of healthcare in acute hospitals and care homes and the making of charitable grants and donations. Expenditure on charitable activities includes both direct costs and indirect support costs.

Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all performance conditions. Grants approved but not paid at the end of the financial year are accrued. Grants where the beneficiary has not been informed or has not fulfilled performance conditions before the grant is released are not accrued for but are disclosed as financial commitments in the notes to the accounts.

Principal accounting policies 31 December 2017

Expenditure recognition (continued)

The provision of a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the charity that would permit the charity to avoid making the future payments, settlement is probable and the effect of the discounting is material. The discount rate used is the average rate of investment yield in the year in which the grant is made. This discount rate is regarded by the trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the charity.

All expenditure is stated inclusive of irrecoverable VAT.

Allocation of support and governance costs

Support costs represent indirect charitable expenditure. In order to carry out the primary purposes of the charity it is necessary to provide support in the form of personnel development, financial procedures, provision of office services and equipment and a suitable working environment.

Governance costs comprise the costs involving the public accountability of the charity (including audit costs) and costs in respect to its compliance with regulation and good practice.

Support costs and governance costs are apportioned to healthcare establishment expenses only.

Tangible fixed assets

Individual assets costing £1,000 or more, with an expected useful life exceeding one year, are capitalised at cost.

Certain freehold property is included in the accounts at a valuation determined during 1990 on the basis of existing use at that date. In accordance with the transitional provisions of Financial Reporting Standard 102, this valuation has not been updated and with effect from 1 January 2014 is deemed to be cost. All other freehold property and tangible fixed assets are included in the accounts at cost.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

- ◆ Freehold buildings 2.5%
- ◆ Fixtures and fittings 10%
- ◆ Plant and machinery 15%
- ◆ Other equipment 15-33%

Plant and machinery includes hospital facilities such as operating theatres and related equipment.

Assets under construction are not depreciated. Once the asset has been completed, the cost thereof is reclassified under the appropriate asset category and depreciated in accordance with the rates set out above.

Fixed asset investments

Listed 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 market price.

The charity does not acquire put options, derivatives or other complex financial instruments.

As noted above, one of the main forms of financial risk faced by the charity is that of volatility in equity markets and investment markets due to wider economic conditions, the attitude of investors to investment risk, and changes in sentiment concerning equities and within particular sectors or sub sectors.

Realised gains (or losses) on investment assets are calculated as the difference between disposal proceeds and their opening carrying value or their purchase value is acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value at that date. Realised and unrealised investment gains (or losses) are combined in the statement of financial activities and are credited (or debited) in the year in which they arise.

Stocks

Stocks of medical and sundry supplies comprising drugs, dressings and medical consumables are stated at the lower of cost and net realisable value. Provision is made against any slow moving or obsolete stock.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably. Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt.

Principal accounting policies 31 December 2017

Fund structure

General funds represent incoming resources received or generated for expenditure on the general objectives of the charity.

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets.

Designated funds represent monies or assets set aside by the trustees, out of general funds, for specific purposes.

Restricted funds represent monies to be applied for specific purposes in accordance with donors' wishes.

Leased assets

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

Contributions in respect of both the charity's defined contribution scheme and stakeholder pension scheme are charged to the statement of financial activities in the period in which they become payable to the scheme.

In August 2014, all eligible members of staff (not already contributing to an eligible scheme) were required to be auto-enrolled in a workplace pension scheme. Employer contributions to the scheme are charged to the statement of financial activities in the year in which they are payable.

1 Investment income and interest receivable

| | Unrestricted funds | |
|--------------------------------|--------------------|----------------|
| | 2017 £ | 2016 £ |
| Interest receivable | 237 | 65 |
| Income from listed investments | 406,353 | 508,066 |
| | 406,590 | 508,131 |

2 Healthcare establishment fees and related charges

| | Unrestricted funds | |
|---|--------------------|-------------------|
| | 2017 £ | 2016 £ |
| Management and consultancy fees | 85,307 | 140,758 |
| Reimbursement of staff costs | 498,151 | 1,512,788 |
| Hospital fees and related charges | 22,422,646 | 24,205,570 |
| Nursing and residential home fees and related charges | 6,378,668 | 6,126,978 |
| | 29,384,772 | 31,986,094 |

Management and consultancy fees represent moneys receivable by the charity under agreements for the management of care homes owned by independent third parties and from consultancy studies carried out for independent hospitals and care homes.

Reimbursement of staff costs represent staff at the Alexian Brothers Care Centre (2016 - Alexian Brothers Care Centre) that were employed by Healthcare Management Trust and reimbursed by the care home until April 2017 when the home was sold by the Alexian Brothers.

3 Financing costs

| | Unrestricted funds | |
|--|--------------------|-----------|
| | 2017 £ | 2016 £ |
| Interest payable on bank loans, overdrafts and other loans | 16,115 | 20,855 |

4 Healthcare establishment expenses

| | Unrestricted funds | |
|---------------------------|--------------------|-------------------|
| | 2017 £ | 2016 £ |
| Staff costs (note 8) | 12,533,253 | 13,191,683 |
| Premises and equipment | 3,277,889 | 3,186,673 |
| Medical and welfare | 11,927,315 | 12,335,725 |
| Governance costs (note 6) | 83,253 | 97,753 |
| Other expenses | 2,308,870 | 1,735,710 |
| | 30,130,580 | 30,547,544 |

5 Charitable grants

The charity authorised the following grants payable during the year ended 31 December 2017:

| | 2017 £ | 2016 £ |
|--|----------------|----------------|
| In support of medical/social research | | |
| Alzheimer's Society – volumetric MRI and patient-related income measures in behavioural variant fronto-temporal dementia | — | 25,051 |
| Alzheimer's Society – sleep disturbance in people with dementia living in care homes | — | 28,193 |
| Alzheimer's Society – developing a programme to reduce the risk of falls in people with dementia | — | 50,136 |
| Parkinson's UK - dementia research | — | 16,650 |
| Swansea University – enhancing person-centered care and wellbeing for older residents with dementia through intergenerational practice | — | 21,500 |
| Swansea University – understanding and improving emotional wellbeing of older care home residents | 21,000 | 21,000 |
| University of Stirling – personalised physical activity for people with dementia and creating a care band | 40,473 | — |
| Marie Curie (University College London) – improving the detection and management of distress in people with advanced dementia and communication difficulties who are nearing the end of life | 26,167 | — |
| Alzheimer's Society (University of Newcastle) – cognitive lifestyle and dementia | 23,372 | — |
| Alzheimer's Society (University of Southampton) – studying loss of connections between brain cells in the early stages of Alzheimer's disease | 28,318 | — |
| Alzheimer's Society (University of Leeds) – excess iron and neurodegeneration in Alzheimer's disease | 28,278 | — |
| Admiral Nurses | 56,474 | — |
| Charitable donations and share of surplus (note 20) | 338,714 | 319,127 |
| Total | 562,796 | 481,657 |

In addition to the above grants payable, at 31 December 2017 the Trustees had made grant offers totalling £573,324 (2016: £83,882). As the payment of these grants is subject to certain specific conditions, they have not been included in these accounts.

6 Governance costs

| | Unrestricted funds | |
|---|--------------------|---------------|
| | 2017 £ | 2016 £ |
| Internal audit | 13,757 | 24,330 |
| External audit, committee and other costs | 69,496 | 73,423 |
| | 83,253 | 97,753 |

7 Net (expenditure) income before gains on investment

This is stated after charging:

| | Unrestricted funds | |
|---|--------------------|------------|
| | 2017 £ | 2016 £ |
| Staff costs (note 8) | 12,533,253 | 13,191,683 |
| External auditor's remuneration | | |
| . Audit services – current year | 32,400 | 31,080 |
| . Audit services – prior year | 2,280 | 9,966 |
| . Other services – taxation and advisory services | 1,500 | 9,120 |
| Depreciation | 938,653 | 814,981 |
| Operating lease rentals | 479,904 | 487,199 |
| Hire of plant and machinery | 329,141 | 330,743 |

8 Staff costs and trustees' remuneration

| | 2017 £ | 2016 £ |
|--|-------------------|------------|
| Staff costs during the year were as follows: | | |
| Wages and salaries | 10,491,087 | 11,146,506 |
| Social security costs | 855,512 | 890,160 |
| Other pension costs | 325,402 | 331,046 |
| Payments to employed staff | 11,672,001 | 12,367,712 |
| Payments to agency staff | 835,901 | 823,971 |
| Apprenticeship levy | 25,351 | — |
| | 12,533,253 | 13,191,683 |

Payments to agency staff during the year reflect the national shortage of nursing staff seeking permanent employment.

The average number of employees, including agency staff, was:

| | Full time equivalents | | Actual numbers | |
|---------------------|-----------------------|------|----------------|------|
| | 2017 | 2016 | 2017 | 2016 |
| Healthcare services | 423 | 437 | 546 | 573 |

The number of employees who earned £60,000 per annum or more (including taxable benefits, but excluding employer's pension contributions) during the year was as follows:

| | 2017 | 2016 |
|---------------------|----------|------|
| £60,001 - £70,000 | 1 | 3 |
| £70,001 - £80,000 | 1 | — |
| £90,001 - £100,000 | 5 | 1 |
| £100,001 - £110,000 | — | 3 |
| £130,001 - £140,000 | 1 | — |
| £140,001 - £150,000 | — | 1 |
| £150,001 - £160,000 | 1 | — |
| £170,001 - £180,000 | — | 1 |

8 Staff costs and trustees' remuneration (continued)

Employer contributions are made to money purchase schemes in respect to 9 (2016 - 9) of those employees who earned £60,000 or more during the year. Total employer contributions to money purchase schemes in respect of such employees during the year amounted to £80,360 (2016 - £82,257).

No Trustee received any remuneration in respect of their services as trustees during the year (2016 - none). During the year, with the approval of the Charity Commission, J R Q Foliott Vaughan received £30,000 in respect to management services provided to the Trust (2016 - £30,000).

Expenses in connection with travel and subsistence were reimbursed to 6 (2016 - 6) Trustees during the year and amounted to £5,412 (2016 - £10,215).

The charity has purchased insurance to protect itself from any loss arising from the neglect or defaults of its Trustees, employees and agents and to indemnify the Trustees or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the charity during the year totalled £2,179 (2016 - £2,024) and provides cover of up to a maximum of £1 million (2016 - £1 million).

The key management personnel of the charity in charge of directing and controlling, running and operating the charity on a day to day basis comprise the Trustees, the Executive Management, the Director at each of the of the Hospitals and the Senior Manager at each of the care homes. The total remuneration (including taxable benefits but excluding employer's pension contributions) of the key management personnel for the year was £1,037,313 (2016 - £1,073,028).

9 Taxation

The Healthcare Management Trust is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

10 Tangible fixed assets

| | Freehold property £ | Assets under construction £ | Fixtures and fittings £ | Plant and equipment £ | Total £ |
|-------------------------------|---------------------------|--------------------------------------|-------------------------------|-----------------------------|--------------------------|
| Cost or valuation | | | | | |
| At 1 January 2017 | 4,350,538 | 682,256 | 2,073,928 | 8,317,245 | 15,423,967 |
| Additions | 96,913 | 446,377 | 334,996 | 676,399 | 1,554,685 |
| Disposals | — | — | — | (132,962) | (132,962) |
| At 31 December 2017 | <u>4,447,451</u> | <u>1,128,633</u> | <u>2,408,924</u> | <u>8,860,682</u> | <u>16,845,690</u> |
| Cost | 3,197,451 | 1,128,633 | 2,408,924 | 8,860,682 | 15,595,690 |
| Deemed cost: Valuation – 1990 | 1,250,000 | — | — | — | 1,250,000 |
| | <u>4,447,451</u> | <u>1,128,633</u> | <u>2,408,924</u> | <u>8,860,682</u> | <u>16,845,690</u> |
| Depreciation | | | | | |
| At 1 January 2017 | 1,455,537 | — | 1,040,048 | 6,029,982 | 8,525,567 |
| Charge for year | 94,042 | — | 114,389 | 730,222 | 938,653 |
| On disposals | — | — | — | (122,012) | (122,012) |
| At 31 December 2017 | <u>1,549,579</u> | <u>—</u> | <u>1,154,437</u> | <u>6,638,192</u> | <u>9,342,208</u> |
| Net book values | | | | | |
| At 31 December 2017 | <u>2,897,872</u> | <u>1,128,633</u> | <u>1,254,487</u> | <u>2,222,490</u> | <u>7,503,482</u> |
| At 31 December 2016 | <u>2,895,001</u> | <u>682,256</u> | <u>1,033,880</u> | <u>2,287,263</u> | <u>6,898,400</u> |

Certain freehold property included above was revalued in 1990 at an existing use valuation of £1,250,000. Had it not been revalued, it would have been included on the historical cost basis at the following amounts:

| | £ |
|-------------------------------------|-----------------------|
| Cost | 1,023,209 |
| Accumulated depreciation | (605,661) |
| Net book amount at 31 December 2017 | <u>417,548</u> |
| Net book value at 31 December 2016 | <u>443,128</u> |

As permitted under the transitional arrangements within Financial Reporting Standard 102, the charity has continued to adopt a policy of not revaluing tangible fixed assets.

It is likely that there are material differences between the open market values of the charity's land and freehold properties and their book values. These arise from the specialised nature of some of the properties and the effects of inflation. The amount of such differences cannot be ascertained without incurring significant costs which, in the opinion of the Trustees, is not justified in terms of the benefits to the users of the accounts.

At 31 December 2017 the charity had capital commitments of £nil (2016 – £nil).

Notes to the accounts 31 December 2017

11 Fixed asset investments

| | 2017 £ | 2016 £ |
|--|-------------------|-------------|
| Listed investments | | |
| Market value at 1 January 2017 | 13,717,289 | 13,275,267 |
| Additions at cost | 2,503,374 | 3,747,890 |
| Disposals at carrying value (proceeds: £1,889,284; gains: £45,285) | (1,843,999) | (4,246,680) |
| Net unrealised investment gains | 1,304,066 | 940,812 |
| Market value at 31 December 2017 | 15,680,730 | 13,717,289 |
| Cash held by investment managers for re-investment | 60,454 | 1,512,756 |
| | 15,741,184 | 15,230,045 |
| Cost of listed investments at 31 December 2017 | 12,514,200 | 11,835,045 |

All listed investments were dealt in on a recognised stock exchange. Listed investments held at 31 December 2017 comprised the following:

| | 2017 £ | 2016 £ |
|-------------------------|-------------------|------------|
| UK Managed funds | 9,466,931 | 8,684,325 |
| Overseas Managed funds | 592,916 | 594,245 |
| UK Bonds | 1,400,428 | 1,295,108 |
| Overseas Bonds | 886,723 | 524,582 |
| Overseas Fixed interest | — | 77,452 |
| UK Equities | 1,895,453 | 1,622,512 |
| Overseas Equities | 1,184,203 | 755,995 |
| Commodities | 254,077 | 163,070 |
| | 15,680,731 | 13,717,289 |

At 31 December 2017 the following individual investment holdings were deemed material holdings in the context of the market value of the entire listed portfolio as at that date:

| Holding | Market value of holding £ | % of total portfolio % |
|---|--|---------------------------------------|
| Vanguard Investments FTSE All Share Index Inc | 2,527,618 | 16% |
| DB X- Trackers FTSE All Share | 1,282,579 | 8% |
| Mayfair Capital Investment Management - Property Income Trust for Charities | 819,576 | 5% |

12 Stocks

| | 2017 £ | 2016 £ |
|----------------------------------|----------------|-----------|
| Drugs, dressings and consumables | 601,698 | 554,873 |
| Other | 16,488 | 16,919 |
| | 618,186 | 571,792 |

Notes to the accounts 31 December 2017

13 Debtors

| | 2017 £ | 2016 £ |
|--------------------------------|------------------|------------------|
| Fees and related charges | 1,257,495 | 1,387,978 |
| Other debtors | 48,194 | 79,975 |
| Prepayments and accrued income | 589,523 | 629,366 |
| | 1,895,212 | 2,097,319 |

14 Creditors: amounts falling due within one year

| | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Expense creditors | 2,653,910 | 1,361,678 |
| Social security and other taxes | 307,985 | 301,327 |
| Other creditors | 74,766 | 78,355 |
| Accruals and deferred income | 766,022 | 833,377 |
| Grant payable | — | 125,000 |
| Bank loan repayable within one year (note 15) | 161,039 | 156,281 |
| | 3,963,722 | 2,856,018 |

15 Creditors: amounts falling due after one year

| | 2017 £ | 2016 £ |
|---------------------------------|-----------|-----------|
| Bank loan repayable (see below) | 294,000 | 455,039 |

Bank loan

| | 2017 £ | 2016 £ |
|----------------------------|----------------|-----------|
| Amounts due: | | |
| Within one year (note 14) | 161,039 | 156,281 |
| Between one and two years | 166,095 | 161,039 |
| Between two and five years | 127,905 | 294,000 |
| | 294,000 | 455,039 |
| | 455,039 | 611,320 |

On 11 March 2015, the charity signed a tailored business loan agreement with Clydesdale Bank plc for a loan of £800,000 towards the cost of the development of St Hugh's Hospital. The loan is subject to a fixed interest rate of 3.05%. The loan is for a period of five years from drawdown i.e. 3 August 2015 and is secured by way of a legal charge over the freehold property known as St Hugh's Hospital, Peaks Lane, Grimsby, Lincolnshire DN32 9RP and the freehold land adjoining St Hugh's Hospital, Peaks Lane, Grimsby. The loan is repayable in equal quarterly instalments of £43,286 (including interest) which commenced on 2 November 2015.

16 Tangible fixed assets fund

| | Total £ |
|--------------------------|------------------|
| At 1 January 2017 | 6,898,400 |
| Net movement in the year | 605,082 |
| At 31 December 2017 | <u>7,503,482</u> |

The tangible fixed assets fund represents the net book value of the charity's tangible fixed assets.

17 Designated funds

The unrestricted funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific reasons or purposes:

| | At 1 January 2017 £ | New designations £ | Released or utilised £ | At 31 December 2017 £ |
|------------------------------------|------------------------------|--------------------------|---------------------------------|--------------------------------|
| Building and equipment reserve | 228,523 | 15,392 | — | 243,915 |
| Grant making reserve | 600,000 | 224,083 | (224,083) | 600,000 |
| Sancta Maria redevelopment reserve | 9,000,000 | 446,376 | (446,376) | 9,000,000 |
| | <u>9,828,523</u> | <u>685,851</u> | <u>(670,459)</u> | <u>9,843,915</u> |

The building and equipment reserve represents moneys set aside to finance the future purchase of equipment, and the repair and maintenance of the buildings occupied by the charity, at Marie Louise House, Romsey.

The grant making reserve represents funds set aside for making grant offers in future accounting periods.

The Sancta Maria redevelopment reserve represents funds set aside to part finance the building of a new hospital in Swansea. The total planned cost of the building is £22,800,000. The charity intends to obtain loan finance to part-finance the building project (see note 22).

18 Restricted funds

The income funds of the charity include the following restricted funds comprising unexpended balances of donations to be applied towards Coloma Court nursing home.

| | At 1 January 2017 £ | Income £ | Expenditure £ | At 31 December 2017 £ |
|--------------|------------------------------|-------------|------------------|--------------------------------|
| Coloma Court | 139,886 | — | — | <u>139,886</u> |

19 Analysis of net assets between funds

| | General funds £ | Tangible fixed assets fund £ | Designated funds £ | Restricted funds £ | Total 2017 £ |
|---|--------------------|---------------------------------|-----------------------|-----------------------|-------------------|
| Tangible fixed assets | — | 7,503,482 | — | — | 7,503,482 |
| Investments | 6,141,184 | — | 9,600,000 | — | 15,741,184 |
| Net current (liabilities) assets | (238,479) | — | 243,915 | 139,886 | 145,322 |
| Creditors: Amounts falling due after one year | (294,000) | — | — | — | (294,000) |
| | 5,608,705 | 7,503,482 | 9,843,915 | 139,886 | 23,095,988 |

The total unrealised gains as at 31 December 2017 constitute a revaluation reserve as defined by the Companies Act 2006. Movements in unrealised gains during the year were as follows:

| | 2017 £ | 2016 £ |
|--|------------------|-----------|
| Unrealised gains included above: | | |
| On listed investments | 3,166,531 | 1,882,244 |
| On freehold property | 92,548 | 98,218 |
| Total unrealised gains at 31 December 2017 | 3,259,079 | 1,980,462 |
| Reconciliation of movements in unrealised gains | | |
| Unrealised gains at 1 January 2017 | 1,980,462 | 1,174,218 |
| Difference between historical cost realised gains/losses on listed investments and the actual realised gains/losses thereon calculated on the revalued amounts | (31,119) | (140,238) |
| Unrealised gains on listed investments arising in the year | 1,304,066 | 940,812 |
| Difference between the depreciation charge based on historic cost and that based on the revalued amounts | 5,670 | 5,670 |
| Total unrealised gains at 31 December 2017 | 3,259,079 | 1,980,462 |

20 Share of surplus and donations to charities

The lease agreement for Coloma Court Care Home stipulates that the Daughters of Mary and Joseph will receive a share of the surplus in respect of the nursing home operations equal to 50% of the net surplus. The 2017 share amounted to £141,903 (2016 - £262,901).

The lease agreement for Marie Louise House stipulates that the Daughters of Wisdom will receive a share of the surplus in respect of the nursing home operations equal to 50% of the net surplus. The 2017 surplus amounted to £88,258 (2016 - £nil).

Further donations amounting to £108,553 (2016 - £10,971) were made to various other charitable organisations and beneficiaries.

21 Pensions

The charity operates a defined contribution scheme for the benefit of the employees and contributes both to personal pension plans, stakeholder pension plans of individual employees and the NEST auto-enrolment scheme. During the year total contributions made by the charity were £325,402 (2016 - £331,046) of which £195,661 (2016 - £225,888) were to the NEST auto-enrolment scheme and £129,741 (2016 - £105,158) were to the defined contribution scheme.

22 Leasing commitments

Operating lease payments amounting to £428,078 (2016 - £434,703) are due within one year. The leases to which these amounts relate expire as follows:

| | Land and buildings | | Other | |
|--------------------------------|--------------------|-----------|---------------|-----------|
| | 2017 £ | 2016 £ | 2017 £ | 2016 £ |
| Operating leases which expire: | | | | |
| . Within one year | 408,822 | 408,822 | 19,256 | 25,881 |
| . Within two to five years | 1,368,808 | 1,548,880 | 3,663 | 41,718 |
| . In more than five years | 857,813 | 1,086,563 | 171 | 812 |
| | 2,635,443 | 3,044,265 | 23,090 | 68,411 |

23 Post balance sheet events

Sancta Maria Hospital new build

As explained in the Trustees' report and in note 17 to these accounts, it is the intention of the Trustees to proceed with the building of a new hospital in Swansea to replace the existing Sancta Maria Hospital. It is anticipated that the cost of the project, to include acquisition of a site, build costs and professional fees, will be circa £22,800,000. At 31 December 2017 no commitment had been made in respect to the new build. However, since the year end plans have progressed and planning permission has been obtained for the site. The charity intends to enter into the lease for the site during 2018. The costs of the project will be financed in part from the charity's own resources and in part from bank finance.