



**The
Institute of**
integrated
systemic
therapy



**Childhood
First**
healing
hurt
minds



Institute of Integrated Systemic Therapy

Annual report and Consolidated Financial Statements for the year ended 31 March 2018

Company number: 01708301

Institute of Integrated Systemic Therapy
Report and consolidated financial statements
for the year ended 31 March 2018

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Report of the Trustees

The Trustees, who are also directors of the charitable company for the purposes of the Companies Act 2006, present their annual report and the audited financial statements for the year ended 31 March 2018. The Trustees have adopted the provisions of the Financial Reporting Standard 102 and Statement of Recommended practice (FRS 102) in preparing the annual report and financial statements.

Reference and administrative details of the Charity, its Trustees and Advisers

Charity name: Institute of Integrated Systemic Therapy
Trading name: Childhood First
Charity registration number: 286909
Company registration number: 01708301
Registered office and operational address: 210 Borough High Street, London SE1 1JX

Board of Trustees

The Trustees (directors of the company) during the year were:

Mr John Harrison (Chairman)
Dr Samantha Deacon
Mr Matthew Fletcher
Lady Jane Grabiner, JP (resigned 23 June 2018)
Mr Sebastian Lyon (Treasurer)
Mr Keith Miller
Mr Scott Murdoch
Mr Daniel Peltz OBE (resigned 23 June 2018)
Mrs Patricia Phillips, JP
Mrs Sarah Scarratt
Ms Elizabeth Szwed
Mr Simon Villette
Mr George Viney (appointed 8 January 2018)
Mrs Margaret Wilson OBE, JP

On 20 June 2018 Mr. Robert Shipton was appointed as a trustee.

Chief Executive

Stephen Blunden

Company Secretary

Greg Whelan

Senior Management team

Stephen Blunden (Chief Executive)
Greg Whelan FCA (Corporate Services Director)
Barbara O'Reilly (Clinical Director)
Roger Stephenson (Business Development Director)
Gary Yexley (Operations Director)

Auditors

BDO LLP, 2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Principal Bankers

Coutts & Co, 440 Strand, London WC2R 0QS.

Report of the Trustees

Structure, governance and management

Governing document

The Institute of Integrated Systemic Therapy (IIST) is a charitable company limited by guarantee (a company without share capital). It was incorporated on 22nd March 1983 as the Peper Harow Foundation and registered as a charity on 12th May 1983. It changed its name to Childhood First on 16th July 2008. To reflect its special status as a training organisation, it changed its name to the Institute of Integrated Systemic Therapy on 28 September 2015. It is governed by memorandum and articles of association which were last amended on 24th November 2004. It still trades under the name Childhood First.

The charity's origins can be traced to 1919, with the foundation of Park House, a Training School for Jewish Boys in Middlesex. In 1947 the school relocated to Peper Harow House in Surrey, evolving in the early 1970s into a pioneering therapeutic community for troubled adolescents, which established the therapeutic values for which the charity is now renowned. Since then, several therapeutic communities and schools have been created and outreach work of various kinds has been undertaken to meet the needs of the day. IIST's current therapeutic communities include Gables House and Greenfields House in Kent, and Earthsea House and Merrywood House in Norfolk. There is also special school attached to Greenfields.

Organisational structure

The Articles provide for between five and fifteen Trustees; there are currently thirteen. Each Trustee is expected to add significant value to the beneficiaries. This is normally through their knowledge, expertise, experience or influence, but can include their ability to provide financial or material support, or their network of other people willing to provide such support. The Trustee Board aims to include members with a range of expertise, including clinical and social work, education, child and family law, business, management, fundraising, marketing and campaigning.

The Board of Trustees meet every quarter. During the year, there have been a number of sub-committees which met quarterly, chaired by Trustees but with additional external members with relevant experience.

Committee	Membership
Finance	Sebastian Lyon, George Viney, Jan Pethick*, John Godfrey*
Safeguarding	Simon Vilette, Samantha Deacon, Margaret Wilson
School Governance	Simon Vilette, Jacqui Ward*
Development Board	John Harrison, Scott Murdoch, Robert Shipton, Sarah Scarratt, Sebastian Lyon, Daniel Peltz, Jane Grabiner, Lynne Ross*

(* external member)

In addition we have local support groups for fundraising led by Sarah Scarratt (Kent) and Patricia Phillips (Norfolk). The Development Board has been set up with the purpose of fundraising for future developments. All Trustees give their time voluntarily and do not receive any material benefits from the charity.

We would like to thank all those involved for the time and expertise they provide to the charity.

The Board of Trustees is responsible for the strategic direction and policy of the charity. It has delegated the day-to-day running of the organisation to the Chief Executive, to whom all other senior staff report.

Remuneration Policy

The remuneration of the staff is set by the Chief Executive in discussion with the trustees. The remuneration of the Chief Executive is set by the Chairman.

Recruitment and appointment of Trustees

Trustees are recruited through nomination to the Board by existing Trustees and senior staff. Nominations are discussed by the Board and, if agreed, the nominees are formally invited to join the Board by the Chair. The sensitivity and risks of the work, and our systemic understanding of therapeutic psychodynamics, mean that all Trustees are thought about very carefully before invitation to join the Board. All Trustees are required to retire from office by rotation and are eligible for re-election every three years.

Trustees' induction and training

On joining, Trustees are given an induction pack and are invited to meet with the Chief Executive and senior staff for a full briefing and discussion about the work of the Charity. They also visit one or more therapeutic communities. Trustees will have been recruited for their skills, knowledge and experience. Training is arranged on an individual basis where additional skills are needed for specific functions.

We are aware of the new Charities Governance Code. We aim to comply with this code following a review in the coming year.

Related parties

IIST is the sole member of Childhood First (Midlands) Limited (registered charity number 0286909), a company limited by guarantee (registered number 03187004), Childhood First (East Anglia) Limited (registered charity number 0286909), a company limited by guarantee (registered number 3706394) and Childhood First (South) Limited (registered charity number 0286909), a company limited by guarantee (registered number 03547839). It is also the sole Trustee of Princess Mary's Trust (registered charity number 0229136).

Report of the Trustees

Endowment funds

IIST, as sole Trustee of the Princess Mary's Trust, holds endowment funds. These funds are represented by property held for the use of the charity. In 2006 the Charity Commissioners for England and Wales granted an order under section 26 of the Charities Act 1993 enabling IIST to decide which part of the unapplied total return from the assets of the Princess Mary's Trust given to it should be held on trust for application (income) for the purposes of the Princess Mary's Trust.

As the property currently held within the permanent endowment by the Princess Mary's Trust is held as functional property there is no income being generated by permanent endowment. There is therefore no unapplied total return to be allocated between capital and income.

During the year one of the properties, Thornby Hall, was sold. It is intended that the funds from this sale are applied to further the aims of the charity. Accordingly, the company passed a resolution in its capacity as sole trustee of PMT in regard to the funds held in respect of Thornby Hall. This resolution sought to release the restrictions of purpose to which the funds were currently subject and to replace the purposes attached to the funds with the objects of IIST.

On 28 March 2018 this resolution was then referred to the Charity Commission along with the reasons for it being passed as required under the Charities Act 2011. The Charity Commission had a 60 day period in which to give notice that it objected to the resolution or the merits of the proposals contained in it for any reason. No such notice was received and therefore the resolution has now come into effect.

Additional information is provided in the Strategic Review below.

Objectives and activities

Objects

The objects of IIST, as laid down in the Memorandum of Association, are to promote and further the care, treatment and rehabilitation of children and adolescents who are psychologically and emotionally disturbed and to promote fuller understanding and knowledge of the causes of psychological and social disturbance and ways in which the causes may be reduced or their consequences ameliorated.

Our mission is to enable children and young people to recover from severe relational trauma, to enjoy life and to achieve their potential; we do this through the provision of:

- therapeutic residential care, treatment and education
- therapeutic foster care and family support
- professional psychotherapeutic training, clinical supervision and consultation.

Strategy

Our strategy is to continue to evolve and grow our mission, and to further develop our therapeutic approach, to better meet the needs of our beneficiaries and to maintain long-term sustainability. This reflects the aims that the charity was set up to further.

We are proud of what we achieve for troubled children and young people, but we recognise that as a charity we must do more. The majority of the children and families who face the problems that we have been set up to address do not receive the help that they need. The outcomes for these children are frequently tragic, resulting in short lives dependent on mental health and justice systems, with the pattern repeated in their own children. The cost to society of such serious untreated early life trauma is immense.

We have systematically developed our clinical capabilities and positioning to meet the needs of the most disturbed children and young people, whose needs can be met by very few providers. In recent years, we have begun to have a significant impact on the UK's political and regulatory understanding of the needs of seriously traumatised children, for example in the recent Independent Review of Residential Child Care undertaken by Sir Martin Narey.

We have also demonstrated a unique capacity to create and sustain a *group* of therapeutic communities for traumatised children and young people. We therefore recognise an obligation to grow our provision and extend its scope to deal with unmet needs.

We plan to play our part in better meeting the needs of seriously traumatised children and young people by:

- a) Increasing the capacity and number of residential placements and special school places that we provide;
- b) Further developing therapeutic services, including our therapeutic foster care provision;
- c) Developing cost effective tapered packages of care;
- d) Influencing relevant national policies on behalf of children and young people who suffer serious emotional and psychological disturbance as a result of their life experiences;
- e) Expanding our psychotherapeutic training programmes and extending IIST's capacity and reputation for clinical excellence; and
- f) Raising development funding by undertaking targeted appeals for capital developments.

Our funding

IIST's basic operational expenditure is primarily supported by statutory funding, with the Local Authorities paying an agreed fee for the children placed at the residential communities. However such funding is not sufficient to

Report of the Trustees

cover the growth and development of the therapeutic work, the facilities required and research and training, which are key to the quality and effectiveness of the therapeutic work.

Voluntary and grant funding is, accordingly, essential to the sustainability and development of our work. As noted earlier, we are developing the capacity to fundraise for capital projects, as well as to increase the proportion of funding raised from trust and voluntary sources. These initiatives will strengthen the sustainability of our mission and increase the number of children and families we can support. Trust and voluntary funding is sought and applied towards specific programmes and activities, such as training and research, and towards capital developments.

Section 162a of the Charities Act 2011 requires charities to make a statement regarding fundraising activities. Although we do not undertake widespread fundraising from the general public, the legislation defines fund raising as "soliciting or otherwise procuring money or other property for charitable purposes." Such amounts receivable are presented in our accounts as "voluntary income" and include legacies and grants. In relation to the above we confirm that all solicitations are managed internally, without involvement of commercial participators or professional fund-raisers, or third parties. The day to day management of all income generation is delegated to the executive team, who are accountable to the trustees. The charity is not bound to adopt any regulatory scheme. However the charity is a member of the Fundraising Regulator and complies with the relevant codes of practice. We have received no complaints in relation to fundraising activities. Our terms of employment require staff to behave reasonably at all times; as we do not approach individuals for funds we do not have to particularise this to fundraising activities; nor do we consider it necessary to design specific procedures to monitor such.

Activities

Our core activities are centred on the work of four residential therapeutic communities and two non-residential programmes: Placement and Family Support and Integrated Therapeutic Fostering (ITF). The residential communities provide integrated programmes of care, education and treatment to children and young people of various ages who are suffering the consequences of neglect and emotional, physical and sexual abuse. The communities are:

- Greenfields House, Kent, for up to 10 children aged 5 to 12. The children are educated at Greenfields School, which also has places for day pupils;
- Gables House, Kent, for up to 4 children aged 10 -16. The children are educated at Greenfields School or onsite;
- Earthsea House, Norfolk, for up to 9 children aged 5 to 14. Education is provided on an adjacent site; and
- Merrywood House, Norfolk, for up to 6 children aged 11 to 17. Children are educated externally.

The Placement and Family Support service provides therapeutic support for vulnerable children with emotional and behavioural difficulties, together with their families and carers.

We have also established an Integrated Therapeutic Fostering (ITF) service in alliance with Anglia Fostering Agency (Norfolk and East Midlands), and Homefinding and Fostering Agency (Kent and South East).

Public Benefit

We review our aims and objectives regularly, looking both at the planned activities for the coming year and the progress against plans for the previous year. We have referred to the Charity Commission general guidance on public benefit when reviewing our aims and objectives and have considered how our activities meet the needs of our beneficiaries.

At each of our communities, places are open to children and young people from all over the UK, with the Local Authorities meeting the cost of the placement.

Due to the intensive and specialised nature of the work, the comparatively long treatment period for severely traumatised children and the size of the residential communities, the number of children and young people who directly benefit from our work each year is relatively small. Each child, however, represents a major investment of public resources. Without successful treatment, these children are likely to continue to demand substantial resources from social, health and justice systems throughout their lives, to impact adversely the lives of many other children and adults, and to pass on similar needs to their own children. Thus the number of people who benefit from our work, directly and indirectly, is substantial. The opportunity to benefit from our work is open to all those who are eligible, as identified by the appropriate Local Authority and mental health services, and all those whom we assess can benefit from the services. Adolescents who are referred to our services must also personally ask to come and participate in the treatment programme.

As the cost of the placements is met by the Local Authorities, no child or young person is denied the opportunity to benefit on account of their own, or their family's, inability to meet any fees due.

The specialist nature of our service, and our unique and successful approach based on four decades of experience, research and clinical development, allows us to influence national policy, service provision and relevant professions more widely on behalf of traumatised children and young people, which provides a public benefit.

Report of the Trustees

Strategic report

The strategic report covers the following: a review of the achievements for the year (A), a financial review that flows from this (B), information about the closure of Thornby Hall (C), our plans for the future (D) and our principle risks and uncertainties (E).

A. Achievements and performance during the year

Last year we set ourselves the following objectives;

- a) **To improve trading profitability.** During the year we completed our registration as a fostering agency. The next stage will be to find suitable carers and for us to increase the number of children in our care. We closed Thornby during the year; this was a costly but necessary exercise. This is described in more detail below (section C). We planned the development of eight new beds in our existing homes and began discussions about a potential new home for 10-12 young people in the longer term.
- b) **To retain, grow and develop the therapeutic care staff team.** We delivered our UKCP-accredited psychotherapeutic training to the therapeutic care staff and 61 were studying by the end of the year. The training is now regarded as a unique contribution to staff development within the residential care sector. We also looked at the salary rates and ensured we remained competitive in the market. We have revised staff induction and initial training. We have developed a new Foundation level therapeutic training that will be taken by all care staff, to replace the more general statutory offering and provide an introduction to therapeutic thinking and practice. We have developed and implemented a number of new modules to our training, e.g. Clinical Supervision Training. We are developing a training pathway for teachers in our schools. We have completed the replacement of the traditional clinical consultation model of therapeutic community with a new approach where all clinical roles are employed staff, increasing the opportunities for our own staff as they complete their training. We have developed improved management systems to ensure staffing levels support the business.
- c) **To build continuity by developing in-house leadership and management skills and planning succession.** The executive team was reorganised with the addition of a residential services director post to line manage community directors, thus freeing up the Chief Executive to focus on strategic and external developments. Clinical leadership and management development has been enhanced through the UKCP-accredited psychotherapeutic training and the replacement of clinical consultants by employed staff for all clinical roles. We also developed senior management training arrangements to assist with succession planning
- d) **Raising development funding.** We held a major fundraising dinner at Claridges in November with the aim to increase awareness of the charity and raise general funds for the charity. The evening made an overall surplus of £196,000 after expenses. We are indebted to those who gave generously and made the evening a success.

We would also like to thank the following donors, fundraisers and heroic challenge event participants for their generous support:

Georgie, Charlie and James Altman
Rachel Atcheson, Jessie Brener, Rosalind Archer, Roseanna Borley, Rachael Massey, Jenny Bradley,
Esmerelda Castrillo-Dick, Gemma Kane, Charlie Morris and Henrietta Cradock
Rachael Baird
Robyn Bartram
Charlie Beard
Matthew Bradley
John Burgess
Lisa Cargill
Claire and Robert Beecham Charitable Trust
Lisa Defty
Eastern Counties Educational Trust
Victoria and Adam Freudenheim
John and Rachel Harrison
Michael Henretty
HS1 Ltd
Jon Adam Limited
Gajal Kumar
Nick and Francine Lyle
Peter Marco and the JSM team
Scott and Alexis Murdoch
Norfolk Community Foundation
Faye Peckham
Natalie Phillips
David Pyne
Redevco Foundation

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Jaye Robinson
 Rye Golf Club
 Robert and Belinda Shipton
 Silver Family Charitable Trust
 Talbot Underwriting
 The Elizabeth & Prince Zaiger Trust
 The Ellerdale Trust
 The Geoffrey Watling Charity
 The Harley Charitable Trust
 The Kent Reliance Provident Society Fund
 The Monica Rabagliati Charitable Trust
 The Paul Bassham Charitable Trust
 The R C Snelling Charitable Trust
 The Sobell Foundation
 The Tompkins Foundation
 Clea Topolski
 Tunstall Jubilee Foundation
 Virgin EMI Records UK
 Mark and Candida Walton
 Whitegates Children's Trust
 Claire Woodman-Smith

Thanks also go to our fundraising committees who volunteer so much of their time to support our work. In total we raised £715,958 during the year (2017: £542,758); all these fundraising activities and donations have made possible important service improvements and developments which could not have happened otherwise.

B. Financial Review

The annual accounts comprise the consolidation of the holding company and the three subsidiaries: Childhood First (South) which contains Greenfields House and Gables House, Childhood First (East Anglia) which contains Earthsea House and Merrywood House, and Childhood First (Midlands) which contained Thornby Hall but has now ceased trading. The accounts also include a dormant company, Princess Mary's Trust.

Turnover

Residential fees (£000)	South	East Anglia	Fostering	Total continuing business	Midland	Total
2017/18	2,944	3,090	167	6,201	764	6,965
2016/17	2,744	2,800	151	5,695	3,270	8,965
Change	200	290	16	506	(2,506)	(2,000)

Turnover from fees for the continuing business is up 9% (£506k) on the previous year. This continues the trend from last year where turnover rose by a similar amount. The increase is partly due to a rise in the average placement rates paid in 2017/18.

The Midland reduction arises from the closure of Thornby. During this time there were eight placements. All the children had left by July 2017. This represents a fall of £2,506k over the previous year.

Fund raising income was £716k, up £173k on last year. This was largely as a result of the Claridges dinner in November.

Financial return

Net income before property disposal (£000)	South	East Anglia	Fostering	Head office	Total continuing business	Midland	Total
2017/18	(52)	260	(117)	163	254	(756)	(502)
2016/17	96	248	30	736	1,110	(85)	1,025
Change	(148)	12	(146)	(573)	(856)	(671)	(1,527)

The above table shows overall financial return for the organisation broken into its main components. Overall the charity made a deficit of £502k. Much of this is explained by the impact of the closure of Thornby in the Midland subsidiary, which made an overall loss of £756k. With this excluded, the charity made £254k surplus.

This is still a decline from the previous year's equivalent figure of £1,110k. £329k of this is due to the different investment return (2018: £74k loss, 2017: £255k profit) as the previous year was exceptionally high. Greenfields

Report of the Trustees

and Gables (South) experienced a rise in income but costs rose by £348k as additional staff were recruited which has led to a temporary drop in profitability. Fostering incurred increased costs in preparation of the launch of our own fostering service which has led to losses in this year.

Total costs

Overall costs have fallen by 8% (£639k), however this simply reflects the absence of Thornby for most of the year. It is more useful to consider the results excluding Thornby.

For the continuing business there is an overall increase in costs of £1,180k. This largely arises from increase in staffing cost (£296k) – staff increased by 18 FTE – a difference in the FRS pension adjustment (£170k), extra fundraising costs (£260k) and £75k on premises. More information on the split between continuing and discontinuing operations is available in note 19.

Fixed assets

The main event was the sale of Thornby Hall in October 2017 for £3,000,000 to the Nagarjuna Kadampa Meditation Centre. The property was held at an historic cost of £1,545,065 which includes its original purchase price and the cost of improvements. Selling costs were £85,401 resulting in an overall surplus of £1,369,534. The property was owned by Princess Mary's Trust which itself is wholly owned by IIST.

We have spent £156k on property improvements as we commence the Gables extension; we also spent £101k on much needed office improvements across the organisation.

Debtors and Creditors

Debtors remain at a low level reflecting the absence of Thornby and our tight credit control. Creditors overall have fallen following a reassessment of the level of provisions needed in the light of Thornby closing.

Cash position

Overall the cash position has increased by £323k. Some of the Thornby proceeds were invested (£2 million). We have also spent £256k on additional buildings and premises. The remainder will have absorbed the overall operational losses, principally incurred at Thornby.

Provision for liabilities and charges

A number of past employees and a few current employees are members of Local Authority defined benefit pension schemes, though these schemes were replaced with defined contribution schemes some years ago for all new employees. The poor performance of these Pension Schemes over the years has resulted in the Institute being responsible for a deficit which currently totals £393k, following a decrease of the deficit during the year of £31k. Full details of these schemes are included in the notes to the accounts.

Investments

IIST aims to maintain an investment portfolio which combines the best long term total financial return with a relatively low risk. In order to achieve this objective the investment portfolio should be invested in managed investment funds with the following guidelines:

- The investments should be divided between at least two different managed funds.
- The managed funds will have an aim of making total returns rather than income generation.

The prime ethical consideration is to avoid any conflict of interest between the Charity's objectives and the activities of any company in which the Charity has invested.

The performance of the funds is monitored by the Finance Committee on a regular basis. The Trustees invest principally in managed funds. During the year £2 million of the proceeds of the Thornby sale were used to purchase investments. £1 million was used to reacquire a holding in Ruffer Balanced Fund. A further £1 million was used to purchase a holding in McInroy Balanced Fund. We also hold investments in two CG Portfolio funds. The value of these investments at the year-end was £3,683,321; this includes a holding in cash. (Further information can be found in note 8 of the accounts).

The investments made an overall loss of £74,689. This was mainly about timing; the investments had recovered most of their value since the year end.

Financial reserves

The Trustees reserve policy is to achieve and maintain an appropriate but not excessive level of reserves to support its activities, taking into account the risks to which it is exposed. The charity holds reserves in the form of designated funds that are earmarked by the trustees to represent fixed and other assets which cannot be readily converted into cash. In addition the charity holds unrestricted funds for the following reasons:

Report of the Trustees

1. to provide working capital to manage fluctuations in its cashflow;
2. to provide protection against a serious disruption to its communities;
3. to provide protection against a decline in the market for our services;
4. to provide capital growth for imminent developments; and
5. to provide development of our service quality.

On the basis of the above needs we calculated that we should retain £3.9m of free reserves. This includes £1.8m for the expansion of three of our homes.

Based on the accounts, total reserves are £8,759k (2017: £7,838k). Excluding fixed assets (£3,135k) and restricted funds (£496k) the unrestricted reserves amount to £5,128k (2017: £2,809k). However this total has been arrived at after recognising the £393k pension deficit which is a long term liability. Short term unrestricted reserves are therefore £5,521k. The charity aims to maintain its reserves through unrestricted donations and through continuing to generate trading surpluses. It also intends to apply excess reserves in further expansion of its residential care provision and other projects

C. Closure of Thornby Hall

Last year we described the background to the decision to close Thornby Hall. Much of this information is repeated in this year's report given the significance of the decision.

Thornby Hall operated a traditional 'large-group therapeutic community' approach, with mixed genders in a large country-house setting. The experiences in recent years led us to conclude this was no longer the safest or most effective therapeutic approach for the care and treatment of today's Looked After Children, and would always struggle to meet contemporary regulatory expectations. The development of the charity's smaller therapeutic homes over the past 15 years, in recognisably domestic settings, has offered a basis for trialling alternative insights and approaches and for performance comparison. Developing a therapeutic approach at once broader and deeper, integrating systemic, organisational, group and individual work (termed Integrated Systemic Therapy by the charity) has resulted in a more effective approach. In December 2016 we suspended admissions and undertook an in-depth review of the future of Thornby Hall, in consultation with the young people, staff, Ofsted, Local Authorities and the Charity Commission.

The trustees and senior managers considered a number of options: do nothing, downsize and remain on the existing site, downsize and move, or close. To do nothing was not considered acceptable. Downsizing would create a more containable community of young people, but the property itself would then be out of proportion to the scale of the group and thus create additional risks and difficulties. The option to move and downsize was considered to carry a high probability of clinical and operational failure; it was also potentially more financially challenging than closure.

The trustees and senior managers felt that the best and most cost effective option, providing a well-managed and positive ending for remaining residents, together with the best available standards of care and treatment for the charity's beneficiaries into the future, would be to close Thornby Hall and use the proceeds to develop our other residential provisions and new IIST services.

In May 2017, following a period of wide consultation with stakeholders, the trustees decided to close the home and the school. A very carefully planned and managed process of preparation and closure took place, focused on the needs and wishes of the remaining resident young people. The last young person left on 28 July 2017 and the staff were made redundant in August. All young people were supported into appropriate new placements, and all staff supported into new employment opportunities. The property was put on the market in September 2017. It was sold in October for £3million to the Nagarjuna Kadampa Meditation Centre. The trustees were pleased with the price and the speed at which the sale was concluded.

We intend to use the net sale proceeds to invest in our Kent and Norfolk homes in order to provide more therapeutic capacity, and beyond that to support new services. This work commenced in March with the start of building work at Gables; this is expected to be completed in late September and add four additional placements to the home.

An additional note has been included in this year's accounts (note 19) as required by Financial Reporting Standard 102. This shows the impact on the organisation if Thornby is excluded. During the year, Thornby made a loss of £727k which included £167k in redundancy pay.

D. Plans for future periods

During the year, trustees and managers conducted a strategic review, which confirmed the following development objectives for our therapeutic and training services.

Report of the Trustees

Developing services

- a) Notwithstanding the closure of Thornby Hall, to increase the capacity and number of residential Integrated Systemic Therapy placements for troubled children. This will include a £1.8m building programme to extend three of our homes.
- b) To grow and further develop Integrated Therapeutic Fostering.
- c) To develop cost effective tapered packages of care.
- d) To grow and further develop therapeutic training programmes, and to consider providing these to other organisations.
- e) To develop advisory and clinical consultation and support services for other organisations involved in the care, education and treatment of disturbed children.

Developing organisational capacity

- f) To further develop our identity and clinical reputation as a psychotherapeutic training and research Institute by:
 - i. improving the quality of our therapeutic work
 - ii. better recruitment and retention of our therapeutic staff
 - iii. better integration of therapeutic and educational cultures
 - iv. influencing policy-makers and relevant professionals on behalf of the children and young people we serve.
- g) To build continuity by developing in-house leadership and management skills and planning succession.
- h) To maintain and develop our therapeutic and educational estates and facilities.
- i) To influence national policy and therapeutic professions on behalf of our beneficiary group.

Developing charity finances

- j) To improve operating surplus by:
 - i. effective cost control, optimised pricing and further growth in sustainable services.
 - ii. consistently positioning and pricing as a specialist Tier 4 mental health provider; and
 - iii. developing statutory funding for innovative services
- k) To raise development funding by undertaking targeted appeals for capital developments. In support of this we intend to recruit a senior fundraising executive to assist with our more ambitious development funding drive.

E. Principal Risks and Uncertainties

The Trustees have assessed the major risks to which the charity is exposed, in particular those related to the operations and finances, and believe that systems are in place to mitigate our exposure to the major risks.

Major risks and the actions which are taken to mitigate these risks include:

- OFSTED rating system. There is considerable risk of OFSTED rating a home below Good. This may or may not be in respect of genuine non-compliance with regulations. Evidence suggests that the rating system continues to be inconsistently applied, and that the approach to inspection is not wholly valid for specialist therapeutic environments. Policies and resources are in place which ensure our compliance with the Children's Homes regulations, with monthly inspections. Systems are in place to ensure that recommendations from OFSTED reports are acted on in a timely way. Our four homes are at the time of writing all rated 'Outstanding', and our school is rated as 'Good'.
- Recruitment and retention of appropriate skilled staff. Terms and conditions have been reviewed and amended, and a system of appraisals and training is in place. We now provide all care staff with a UKCP-accredited professional psychotherapeutic training, which is a substantial career benefit, and appears to be having a positive impact on recruitment and retention. We have replaced the clinical consultation model with employed clinical specialist roles, which provide progressive clinical employment opportunities for experienced and qualified staff that do not require shift-work.
- Shortfall in statutory income. The fees have been reviewed and are based on breaking even at average occupancy levels. There has been investment in marketing activity to ensure a steady stream of referrals and adequate numbers of children at any time. Where numbers fall below a sustainable level the Trustees will take appropriate action.
- Shortfall in voluntary income. A fundraising strategy has been put in place to ensure the voluntary income is sufficient to meet the needs of the charity.
- Residential properties continue to meet the needs of the children and young people. Refurbishment and regular maintenance programmes are in place. All our properties are fit for purpose, as therapeutic children's homes, schools or administrative offices.

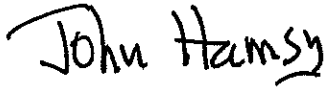
Report of the Trustees

Auditors

All of the current Trustees (who are the directors of the company) have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Charitable Company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The Trustees are not aware of any relevant audit information of which the auditors are unaware.

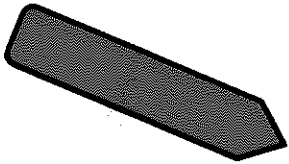
BDO have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

On behalf of the Board of Trustees



John Harrison
Chairman

11 September 2018



Responsibilities of the Trustees

Statement of Responsibilities of the Trustees

The Trustees are responsible for preparing the Report of the Board of Trustees and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees (who are the directors for the purposes of company law) to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the group and charity financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and charity and of the profit or loss of the group for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charity's transactions and 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.

Financial statements are published on the charitable company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Audit report

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF THE INSTITUTE OF INTEGRATED SYSTEMIC THERAPY

Opinion

We have audited the financial statements of the Institute of Integrated Systemic Therapy ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated statement of financial activities, the consolidated and company balance sheets, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2018 and of the Group's incoming resources and application of resources 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 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 related 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 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 other information comprises the information included in the Report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information.

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, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' report, have been prepared in accordance with applicable legal requirements.

Audit report

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 misstatement in the Strategic report or the Trustee's 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 by the Parent Charitable Company, 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 Directors' 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 Responsibilities of the Trustees, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the 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 auditor under the Companies Act 2006 and report in accordance with the Act and relevant regulations made or having effect thereunder.

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 at the Financial Reporting Council's ("FRC's") website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charitable Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charitable Company and the Charitable Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Julia Poulter (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
2 City Place, Beehive Ring Road, Gatwick, West Sussex, RH6 0PA

Date 18th September 2018.

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Financial Activities for the Year Ended 31 March 2018

		2018				2017
Type of funds	Note	Unrestricted £	Restricted £	Endowment £	Total £	Total £
Income and endowments from						
Donations and legacies		545,405	170,553	-	715,958	542,757
Charitable activities		6,964,943	-	-	6,964,943	8,965,522
Investments		8,144	-	-	8,144	7,670
Other		4,445	-	-	4,445	14,291
Total		7,522,937	170,553	-	7,693,490	9,530,240
Expenditure on						
Raising funds		394,160	-	-	394,160	134,087
Charitable activities		7,123,020	74,714	-	7,197,734	8,282,786
Therapeutic residential care						
Fostering		242,350	40,967	-	283,317	121,422
Placement and family support		-	28,385	-	28,385	28,385
Training		217,999	-	-	217,999	193,826
Total	2	7,977,529	144,066	-	8,121,595	8,760,506
(Losses)/Gains on Investments		(74,689)	-	-	(74,689)	255,536
Net (expenditure)/income before profit on property disposal		(529,281)	26,487	-	(502,794)	1,025,270
Profit on disposal of property		-	-	1,369,534	1,369,534	-
Net (expenditure)/income	3	(529,281)	26,487	1,369,534	866,740	1,025,270
Transfers between funds	16	2,914,599	-	(2,914,599)	-	-
Actuarial gains/(losses) on defined benefit schemes	6	55,000	-	-	55,000	(40,000)
Net movement in funds		2,440,318	26,487	(1,545,065)	921,740	985,270
Balance at 1 April 2017		5,338,697	470,320	2,029,012	7,838,029	6,852,759
Balance at 31 March 2018		7,779,015	496,807	483,947	8,759,769	7,838,029

Included in the above are amounts relating the discontinued activities. £779,216 of Total income and £1,535,639 of Total expenditure relate to discontinuing activity. All other amounts relate to continuing activity. Further information is shown in note 19.

The Statement of Financial Activities incorporate the income and expenditure account and includes all recognised gains and losses in the current and prior year.

The notes on page 17 to 33 form part of these financial statements.

Consolidated and Company Balance Sheet

For the year ended 31 March 2018

Company number:
1708301

		Group	Group	Company	Company
		2018	2017	2018	2017
	Note	£	£	£	£
Fixed assets					
Tangible assets	7	3,135,519	4,558,949	2,261,379	2,131,735
Investments	8	3,683,321	1,752,150	3,683,321	1,752,150
		<u>6,818,840</u>	<u>6,311,099</u>	<u>5,944,700</u>	<u>3,883,885</u>
Current assets					
Debtors	10	186,084	357,415	89,502	66,960
Cash at bank		2,752,767	2,428,914	2,679,928	2,163,768
		<u>2,938,851</u>	<u>2,786,329</u>	<u>2,769,430</u>	<u>2,230,728</u>
Creditors: amounts falling due within one year	11	(604,922)	(822,572)	(4,682,594)	(1,754,411)
		<u>2,333,929</u>	<u>1,963,757</u>	<u>(1,913,164)</u>	<u>476,317</u>
Net current assets/(liabilities)					
		<u>9,152,769</u>	<u>8,274,856</u>	<u>4,031,536</u>	<u>4,360,202</u>
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	12	-	(12,827)	-	(12,827)
Pension liability	13	(393,000)	(424,000)	-	-
		<u>8,759,769</u>	<u>7,838,029</u>	<u>4,031,536</u>	<u>4,347,375</u>
Net assets					
Represented by:					
Income funds					
Unrestricted funds					
- General reserves		7,369,822	4,960,504	2,851,498	3,213,181
- Pension reserves		(393,000)	(424,000)	-	-
- Designated funds	15	802,193	802,193	685,618	685,618
		<u>7,779,015</u>	<u>5,338,697</u>	<u>3,537,116</u>	<u>3,898,799</u>
Total unrestricted funds					
Restricted funds	14	496,807	470,320	494,420	448,576
		<u>8,275,822</u>	<u>5,809,017</u>	<u>4,031,536</u>	<u>4,347,375</u>
Capital funds					
Endowment funds	16	483,947	2,029,012	-	-
		<u>8,759,769</u>	<u>7,838,029</u>	<u>4,031,536</u>	<u>4,347,375</u>

The financial statements were approved and authorised for issue by the Trustees on 11 September 2018 and were signed on its behalf by:



John Harrison
Chairman

The notes on pages 17 to 33 form part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 March 2018

	Note	2018 £	2017 £
<u>Cash flow from operating activities</u>			
Net income for the reporting period		921,740	985,270
Adjustments for:			
depreciation		113,402	109,471
losses/(gains) on investments	8	74,689	(255,536)
interest (receivable)		(7,458)	(5,795)
interest payable		-	1,057
(profit) on disposal of fixed assets		(1,369,523)	(2,812)
Decrease/(increase) in debtors	10	171,331	(80,675)
(decrease)/increase in creditors	11	(217,649)	20,516
actuarial loss on defined benefit scheme	13	(31,000)	(101,000)
		<hr/>	<hr/>
Net cash (used in)/ provided by operating activities		<u>(357,295)</u>	<u>670,496</u>
<u>Cash flows from investing activities:</u>			
Dividend, interest and rents from investments		1,597	-
Proceeds from sale of investments		-	887,773
Proceeds from sale of property		2,914,599	2,812
(Purchase) of property, plant equipment	7	(235,048)	(190,148)
(Purchase) of investments	8	(2,000,000)	(375,000)
		<hr/>	<hr/>
Net cash provided by financing activities		<u>681,148</u>	<u>325,437</u>
<u>Cash flows from financing activities</u>			
Repayments of borrowing	11	-	(76,457)
		<hr/>	<hr/>
Net cash provided by financing activities		<u>-</u>	<u>(76,457)</u>
Change in cash in reporting period		323,853	919,476
Cash at beginning of year		2,428,914	1,509,438
		<hr/>	<hr/>
Cash at end of year		<u>2,752,767</u>	<u>2,428,914</u>

The notes on pages 17 to 33 form part of these financial statements.

Notes to the financial statements

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the consolidated financial statements.

a) Basis of preparation

The Institute of Integrated Systemic Therapy is a charitable company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the charity's operations and its aims and objectives are set out in the trustees report. The financial statements have been prepared under the historic cost convention as modified by the valuation of investments and defined benefit pension schemes in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Charity's accounting policies.

Basis for consolidation

The consolidated accounts include the financial statements of the Institute of Integrated Systemic Therapy and of its subsidiary undertakings, Childhood First (Midlands) Limited, Childhood First (East Anglia) Limited and Childhood First (South) Limited. All of these charitable companies are incorporated in England and Wales. The consolidated accounts also include the results and net assets of Princess Mary's Trust, of which Institute of Integrated Systemic Therapy is the sole Trustee and which has similar charitable objectives. The Trust can be contacted through Institute of Integrated Systemic Therapy's registered office.

The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated statement of financial activities and income and expenditure account from the date of acquisition. In the parent charity's financial statements, investments in subsidiary undertakings are stated at cost.

In accordance with the provisions of the Companies Act 2006 the parent charity is exempt from the requirement to present its own profit and loss account. The total incoming resources from the parent charitable company for the year was £1,919,121 (2017 - £1,822,631) and the result for the parent charitable company, including unrealised losses on investments, for the year was £23,489 (2017 - £500,292 surplus).

b) Fixed assets and depreciation

It is the charitable company's practice to maintain freehold buildings in a continual state of sound repair. From the commencement of 2015-16 depreciation has been charged on the building element of the asset. In addition, the Board of Trustees carries out an impairment review every year. If those reviews show that the book value of a property falls below both its net realisable value and its value in use then an impairment charge will be recognised to reduce its carrying value to the lower amount.

Fixed assets are stated at cost less depreciation. Items costing less than £1,000 are not capitalised. Depreciation is provided to write off the cost of each asset over its estimated useful economic life by equal annual instalments as follows:

Freehold Buildings	- 2%
Short leasehold buildings	- over the remaining terms of the lease
Furniture, fittings, tools and equipment	- 10% - 33% per annum
Motor vehicles	- 25% - 33% per annum

c) Leases

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the statement of financial activities.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the statement of financial activities over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are credited to the statements of financial activities on a straight line basis over the term of the lease.

Annual rentals are charged to the statement of financial activities on a straight-line basis over the term of the lease.

Notes to the financial statements

d) Income and expenses

Expenses, rental income, investment income, interest receivable and fees are accounted for on an accruals basis. Donations are accounted for when received. Legacies are accounted for when received or if, before receipt, there is sufficient evidence as to the probability of the receipt and value of the legacy. Grant income received is deferred to future accounting periods to the extent that the conditions for its receipt have not yet been met. Fee income is recognised in line with the delivery of the related service, with fee income spread evenly over the period of a child's placement. Payments received in advance of the associated placements are deferred.

e) Allocation of expenses

- Costs of generating funds comprise the costs associated with attracting voluntary income, and
- Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

f) Investments

Listed investments are included in the balance sheet at market value. Realised gains and losses on the sale of investments and unrealised gains and losses on the revaluation of investments are included in the statement of financial activities.

g) Funds:

- Unrestricted funds
These represent funds which can be expended as the trustees see fit, in accordance with the charitable objects of the group. These are further split into designated funds, which represent the fixed property assets, the pension reserves, representing the pension deficit, and general reserves.
- Restricted income funds
These represent income received which can only be expended for the purpose specified by the donor.
- Permanent Endowment fund
This represents assets donated which must be held as capital and cannot be converted to income.

h) Pension costs

- A number of employees belong to the Teacher's Pension Scheme, which is a defined benefit scheme. It is not been possible to identify the group's share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, and contributions have been charged to the income and expenditure account as they are paid;
- A number of employees belong to the Surrey County Council Pension Scheme or the Norfolk County Council Pension Fund, which are defined benefit pension schemes. These are treated in accordance with FRS 102;

The difference between the fair value of the assets held in the charitable company's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the charitable company's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the charitable company is able to recover the surplus either through reduced contributions in the future or through funds from the scheme. The pension scheme balance is recognised net of any related deferred tax balance;

Charges in the defined benefit pension scheme asset or liability arising from factors other than cash contribution by the charitable company are charged to the Statement of Financial Activities in accordance with FRS 102 'Retirement benefits'; and

- Employees who are not eligible to belong to the above schemes may belong to a group personal pension plan. The assets of this plan are held separately from those of the company in an independently administered fund. The amount charged to the income and expenditure account represents the contribution payable to the plan in respect of the accounting period.

i) Financial instruments

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

j) Cash and cash equivalents

Cash and cash equivalents are near cash items with a similar risk profile to cash and can be accessed within three months.

Notes to the financial statements

2 Analysis of total resources expended

	Basis of allocation	Raising funds	Therapeutics Residential care	Fostering	Training	Placement and family support	2018 Total	2017 Total
		£	£	£	£	£	£	£
Costs directly allocated to activities								
Staff costs	Direct	44,472	4,973,832	137,604	153,822	28,385	5,338,115	6,238,037
FRS 102 pension adjustment	Direct	-	24,000	-	-	-	24,000	(144,000)
Consultancy	Direct	-	28,388	6,987	-	-	35,375	63,575
Travel	Direct	-	125,866	14,105	4,974	-	144,945	162,688
Office costs	Direct	33,220	268,766	5,399	5,383	-	312,768	211,092
Marketing	Direct	274,321	18,755	490	-	-	293,566	22,754
Premises	Direct	-	291,153	-	-	-	291,153	440,389
Household	Direct	-	90,767	-	-	-	90,767	114,481
Provisions	Direct	-	132,088	-	-	-	132,088	161,491
Education	Direct	-	294,936	-	-	-	294,936	392,268
Personal care	Direct	-	64,513	-	-	-	64,513	80,669
Social activities	Direct	40	146,923	-	-	-	146,963	171,373
Other	Direct	-	52,462	4,583	11,713	-	68,758	61,056
Depreciation	Direct	-	113,402	-	-	-	113,402	109,471
Finance charges	Direct	-	(5,226)	-	-	-	(5,226)	1,218
Insurance, legal, professional	Direct	-	134,294	7,074	-	-	141,368	100,936
Audit and accountancy	Direct	-	19,066	-	-	-	19,066	26,556
Support costs allocated to activities								
Premises and office costs	Staff time	15,397	23,096	26,945	15,397	-	80,835	72,270
Finance and HR staff	Staff time	20,092	301,386	60,277	20,092	-	401,847	365,848
Other	Staff time	6,618	99,267	19,853	6,618	-	132,356	108,334
Total resources expended		394,160	7,197,734	283,317	217,999	28,385	8,121,595	8,760,506

Of the total resources expended in 2017, £7,783,089 related to unrestricted funds and £135,155 related to restricted funds and £18,055 to endowment funds. Finance charge includes a bank credit of £6,336 relating to Childhood First (Midlands).

Notes to the financial statements

3 Net (expenditure)/income

	2018 £	2017 £
Net (expenditure)/income for the year is stated after charging:		
Auditors' remuneration: Group	18,950	26,566
Depreciation of tangible fixed assets	113,402	109,471
(Profit) on sale of fixed assets (see below)	(1,369,534)	(2,812)
Rentals payable under operating leases:		
Land and buildings	80,000	80,000
Other	23,932	26,615
Trustees professional indemnity insurance	2,025	2,025

Thornby Hall was sold in October 2017 for £3million to the Nagarjuna Kadampa Meditation Centre. The property was held at an historic cost of £1,545,065 which includes its original purchase price and the cost of improvements. Selling costs were £85,401 resulting in an overall surplus of £1,369,534. The property is owned by Princess Mary's Trust which itself is wholly owned by IIST.

It is planned to use the proceeds of the sale to develop our existing homes to accommodate more children. This work will take place in 2018.

4 Staff numbers and costs

The average number of persons employed by the group during the year was 164 (2017 - 194). The aggregate payroll costs of these persons were as follows:

	2018 £	2017 £
Wages and salaries	4,808,953	5,279,964
Social security costs	400,365	446,428
Other pension costs	257,977	405,615
FRS 102 pension adjustment (see note 6)	24,000	(141,000)
	<u>5,491,295</u>	<u>5,990,537</u>

During the year 66 staff in Childhood First (Midland) were made redundant, the majority on 22 August 2017. Total severance payments were £167,410. This amount is included in the above.

The number of employees whose emoluments for the year were greater than £60,000 fell within the following ranges:

	2018 Number	2017 Number
£60,001 - £70,000	3	3
£70,001 - £80,000	-	1
£80,001 - £90,000	1	1
£90,001 - £100,000	-	-
£100,001 - £110,000	-	-
£110,001 - £120,000	1	1

Pension payments for the above members of staff amounted to £66,280 (2017 - £64,511). The combined remuneration of the senior management team was £451,357 (2017: £417,025).

No payments or remuneration were made to the Trustees during the year. Reimbursement of expenses incurred when travelling to, or engaged upon, the business of the charity amounted to £1,201 (2017 - £623).

Notes to the financial statements

5 Related party transactions

During the year, the following transactions took place between the parent company and its subsidiaries. Further related party transactions are identified in note 4.

	Childhood First (Midlands) £	Childhood First (South) £	Childhood First (East Anglia) £	Total £
Charge to subsidiary				
Management charge	160,019	225,286	262,451	647,756
Institute training	-	64,751	97,750	162,501
Rental	43,000	123,600	50,000	216,600
Total	203,019	413,637	410,201	1,026,857
Donations to subsidiary	14,407	41,323	32,503	88,233
Intercompany balance As at 31 March 2018				
Owed by parent	-	960,808	719,391	
Owed to parent	294,027	-	-	

At the balance sheet date Princess Mary's Trust was owed £2,893,526 by the parent charity (2017: £21,074 owed to parent). The Midland intercompany balance has been fully provided for in books of the parent company.

6 Pension contributions

(a) Surrey Pension Scheme

A number of the company's employees are members of the Surrey County Council Pension Scheme, which is a defined benefit scheme with the assets being held in separate Trustee administered funds. In accordance with FRS102 "retirement benefits", the figures included in the financial statements in respect of this scheme are based on an actuarial valuation carried out at 31 March 2016 by a qualified independent actuary. This does not take into account any impact of changes in general stock market values since that date.

The actuarial deficit attributable to the company at 31 March 2018 was estimated to be £417,000 (2017: £442,000). There are two employees who are members of this scheme. In addition there are 18 deferred pensioners and 21 pensioners.

The contributions of the charitable company during the year were 24.4% of pensionable salary plus a £30,000 lump sum (prior year: 24.4% plus £149,000) and amounted to £92,071 (2017 - £190,906). There were outstanding contributions of £6,831 due at the end of the financial year (prior year - £17,481). The employer contribution for the next financial year has been set at 31.4% of salary plus a lump sum of £30,000.

The major assumptions at 31 March 2018 as used by the actuary were:

Financial	2018	2017
Pension increases	2.4%	2.4%
Salary increases	2.7%	2.7%
Discount rate	2.6%	2.5%

Mortality

This is determined by reference to Vita Curves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

2018	Males	Females
Current pensioners	22.5 years	24.6 years
Future pensioners	24.1 years	26.4 years
2017	Males	Females
Current pensioners	22.5 years	24.6 years
Future pensioners	24.1 years	26.4 years

Notes to the financial statements

Commutation

An allowance is included for future retirements to elect to take 25% of the maximum additional tax-free up to HMRC limits for pre-April 2008 service and 63% of the maximum tax-free for post-April 2008 service.

Assets - solely Childhood First (Midlands) Limited

The market value of the scheme's assets and their current allocation are:

	2018 £	2017 £
Equities	4,296,000	4,192,500
Bonds	551,000	838,500
Property	441,000	279,500
Cash	220,000	279,500
	<hr/>	<hr/>
Totals	5,508,000	5,590,000
	<hr/>	<hr/>

Total investment returns for the year to 31 March 2018 was 1.7% (2017: 20.4%).

	2018 £	2017 £
Net pension assets and liabilities		
Estimated employer assets	5,508,000	5,590,000
Present value of scheme liabilities	(5,925,000)	(6,032,000)
Present value of unfunded liabilities		-
	<hr/>	<hr/>
Net pension liability	(417,000)	(442,000)
	<hr/>	<hr/>

	2018 £	2017 £
Changes in the fair value of plan assets, defined benefit obligation and net liability		
Reconciliation of Funded liabilities		
Opening position	6,032,000	5,048,000
Current service cost	87,000	48,000
Interest cost	148,000	168,000
Contributions by members	20,000	19,000
Benefits paid	(290,000)	(258,000)
	<hr/>	<hr/>
Expected closing position	5,997,000	5,025,000
	<hr/>	<hr/>
Remeasurements		
Changes to financial assumptions	(72,000)	682,000
Other experience	-	325,000
	<hr/>	<hr/>
Total remeasurements	(72,000)	1,007,000
	<hr/>	<hr/>
Closing position	5,925,000	6,032,000
	<hr/>	<hr/>

Notes to the financial statements

Reconciliation of fair value of employer assets	2018	2017
	£	£
Opening position	5,590,000	4,639,000
Interest income	137,000	157,000
Employer contributions	94,000	190,000
Contributions by members	20,000	19,000
Benefits paid	(290,000)	(258,000)
Expected closing position	5,551,000	4,747,000
Remeasurements		
Return on assets	(43,000)	843,000
Total remeasurements	(43,000)	843,000
Closing position	5,508,000	5,590,000
Analysis of amounts credited/(charged) to the statement of financial activities	2018	2017
	£	£
Current service costs	(87,000)	(48,000)
Interest cost	(148,000)	(168,000)
Interest income	137,000	157,000
Employer contributions	94,000	190,000
Net credit/ (charge) to statement of financial activities:	(4,000)	131,000
Actual Return on assets	(43,000)	843,000
Actuarial gains/(losses) arising on scheme liabilities	72,000	(1,007,000)
Actuarial gains/(losses) charged to the statement of Financial Activities	29,000	(164,000)

(b) Norfolk County Council Pension Fund

Two of the company's employees are a member of the Norfolk County Pension Scheme, which is a defined benefit scheme with the assets being held in separate Trustee administered funds. There is one deferred member and two pensioners.

In accordance with FRS102 "retirement benefits", the figures included in the financial statements in respect of this scheme are based on an actuarial valuation carried out at 31 March 2016 by a qualified independent actuary. This does not take into account any impact of changes in general stock market values since that date.

The contributions of the charitable company during the year were 24.3% of pensionable salary plus a lump sum of and amounted to £27,164 (2017 -£46,212). There were outstanding contributions of £2,280 due at the end of the financial year (2017 - £4,732). The employer contribution for the year beginning 1 April 2017 has been set at 22.6% of salaries (2017 - 22.6%). There is no deficit contribution.

The major assumptions at 31 March 2018 as used by the actuary were:

Financial	2018	2017
Pension increases	2.4%	2.4%
Salary increases	2.7%	2.7%
Discount rate	2.6%	2.5%

Notes to the financial statements

Mortality

Vita Curves with improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% p.a.

Current year	Males	Females
Current pensioners	22.1 years	24.4 years
Future pensioners	24.1 years	26.4 years
prior year	Males	Females
Current pensioners	22.1 years	24.4 years
Future pensioners	24.1 years	26.4 years

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free for post-April 2008 service.

Assets - solely Childhood First (East Anglia) Limited

The market value of the scheme's assets and their current allocation are:

	2018	2017
	£	£
Equities	718,300	784,920
Bonds	404,900	316,500
Property	156,700	126,600
Cash	26,100	37,980
	<hr/>	<hr/>
Totals	1,306,000	1,266,000
	<hr/>	<hr/>

Total investment returns for the year to 31 March 2018 was 3.0%

	Current year	Prior year
	£	£
Net pension assets and liabilities		
Estimated employer assets	1,306,000	1,266,000
Present value of scheme liabilities	(1,282,000)	(1,248,000)
	<hr/>	<hr/>
Total value of asset	24,000	18,000
	<hr/>	<hr/>
Net pension asset	24,000	18,000
	<hr/>	<hr/>

Notes to the financial statements

Changes in the fair value of plan assets, defined benefit obligation and net liability	Current year	Prior year
	£	£
Reconciliation of Funded liabilities		
Opening position	1,248,000	1,179,000
Current service cost	48,000	33,000
Interest cost	31,000	41,000
Contributions by members	11,000	11,000
Benefits paid	(36,000)	(35,000)
Expected closing position	1,302,000	1,229,000
Remeasurements		
Changes to financial assumptions	(20,000)	209,000
Other experience	-	(190,000)
Total remeasurements	(20,000)	19,000
Closing position	1,282,000	1,248,000
Reconciliation of fair value of employer assets		
Opening position	1,266,000	1,063,000
Interest income	32,000	38,000
Employer contributions	27,000	46,000
Contributions by members	11,000	11,000
Benefits paid	(36,000)	(35,000)
Expected closing position	1,300,000	1,123,000
Remeasurements		
Return on assets	6,000	143,000
Total remeasurements	6,000	143,000
Closing position	1,306,000	1,266,000
Analysis of amounts credited/(charged) to the statement of financial activities	2018	2017
	£	£
Current service costs	(48,000)	(33,000)
Interest cost	(31,000)	(41,000)
Interest income	32,000	38,000
Employer contributions	27,000	46,000
Net credit to statement of financial activities:	(20,000)	10,000
Actual Return on assets	6,000	143,000
Actuarial (losses) arising on scheme liabilities	20,000	(19,000)
Actuarial Gain charged to the statement of Financial Activities	26,000	124,000
Increase in FRS102 pension asset in the year	6,000	134,000

Notes to the financial statements

Combined summary information for Surrey and Norfolk County Council Pension Funds

The table below provides details of the movement in the deficit during the year for both defined benefit pension schemes on a combined basis:

	2018 £	2017 £
Current service cost	(135,000)	(81,000)
Interest cost	(179,000)	(209,000)
Interest income	169,000	195,000
Contributions paid	121,000	236,000
Net credit to statement of financial activities	(24,000)	141,000
Remeasurements		
Return on assets	(37,000)	986,000
Actuarial liabilities	92,000	(1,026,000)
Actuarial gains charged to statement of financial activities	55,000	(40,000)
Decrease in liability in the year	31,000	101,000
(Deficit) in schemes at beginning of the year	(424,000)	(525,000)
(Deficit) in schemes at end of year	(393,000)	(424,000)

(c) Teacher's Pension Scheme

A number of the charitable company's employees are members of the Teachers' Pension Scheme (TPS). The TPS is a statutory, contributory defined benefit scheme administered by the Teacher's Pension Agency, an executive agency of the Department for Education and Employment.

Not less than every four year, with a supporting interim valuation in between, the Government Actuary (GA), using normal actuarial principles, conducts a formal actuarial review of the TSS. The aim of the review is to specify the level of future contributions.

The last valuation of the TPS was as at 31 March 2012. The value of notional assets (estimated future contributions together with the proceeds from the notional investments held at the valuation date) was £176 billion and the scheme had aggregate liabilities of £191 billion, leaving a deficit of £15 billion. The valuation determined the contribution rates on the basis of a fifteen year recovery timeframe for this deficit.

From 2015 the total scheme contribution was determined to be 26% with employee contributions of 9.6% and employer contributions of 16.4%. Of the employer contributions, 10.8% were normal contributions and 5.8% was identified to cover past service deficits.

Total pension costs during the year were £62,397 (2017 - £74,315). There were outstanding contributions of £5,525 due at the end of the financial year (2017 - £11,001).

(d) Group Personal Pension Plan

A Group Personal Pension Plan exists for employees who are not eligible to be part of the above schemes. This is a defined contribution scheme.

The pension charge for the year represents contributions payable by the group to the fund and amounted to £84,964 (2017 - £93,731). There were outstanding contributions of £11,142 due at the end of the financial year (2017 - £14,125).

Notes to the financial statements

7 Tangible fixed assets

a) Group

	Freehold properties £	Furniture and equipment £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 April 2017	4,258,423	439,841	218,970	4,917,234
Additions	-	227,958	7,090	235,048
Disposals	(1,567,777)	(24,226)	(15,701)	(1,607,704)
At 31 March 2018	2,690,646	643,573	210,359	3,544,578
<i>Depreciation</i>				
At 1 April 2017	73,440	181,496	103,349	358,285
Charge for year	24,070	47,509	41,823	113,402
Disposals	(22,712)	(24,226)	(15,690)	(62,628)
At 31 March 2018	74,798	204,779	129,482	409,059
<i>Net book value</i>				
At 31 March 2018	2,615,848	438,794	80,877	3,135,519
At 31 March 2017	4,184,983	258,344	115,621	4,558,949

b) Company

	Freehold properties £	Furniture and equipment £	Total £
<i>Cost</i>			
At 1 April 2017	2,055,651	199,133	2,254,784
Additions	-	173,067	173,067
At 31 March 2018	2,055,651	372,200	2,427,851
<i>Depreciation</i>			
At 1 April 2017	37,329	85,720	123,049
Charge for year	17,370	26,053	43,423
At 31 March 2018	54,699	111,773	166,472
<i>Net book value</i>			
At 31 March 2018	2,000,952	260,427	2,261,379
At 31 March 2017	2,018,322	113,413	2,131,735

Notes to the financial statements

8 Fixed asset investments

a) Group and Company

	2018			2017
	Cash deposits	Investment funds	Total	Total
	£	£	£	£
Balance at 1 April	408,246	1,343,904	1,752,150	2,003,592
Additions	5,860	2,000,000	2,005,860	375,000
Disposals	-	-	-	(782,358)
Loss/Gain on revaluation	-	(74,689)	(74,689)	155,916
Market value at 31 st March	414,106	3,269,215	3,683,321	1,752,150

The cash deposits are managed by Cazenove Capital Management and the investment funds are invested in CF Ruffer Total Return Fund, McInroy Balanced Fund and CG Portfolio Funds.

b) Subsidiary undertakings

The principal undertakings which have been included in the consolidated financial statements are as follows:

<i>Subsidiary Undertaking</i>	<i>Country of Incorporation</i>	<i>Proportion of voting rights</i>	<i>Share capital held</i>	<i>Nature of business</i>
Childhood First (South) Ltd	England	100%	Limited by guarantee	Charity
Childhood First (Midlands) Ltd	England	100%	Limited by guarantee	Charity
Childhood First (East Anglia) Ltd	England	100%	Limited by guarantee	Charity
Princess Mary's Trust	England	100%	Trust	Charitable Trust

Subsidiary summary results:

	Childhood First (South) Ltd £	Childhood First (Midlands) Ltd £	Childhood First (East Anglia) Ltd £	Princess Mary's Trust £
Income	2,986,422	779,216	3,123,821	-
Expenditure	2,995,952	1,535,639	2,830,473	6,700
Surplus	(9,530)	(756,423)	293,348	(6,700)
Profit on sale of Thornby	-	-	-	1,369,534
Other movements	-	29,000	26,000	-
Reserves b/f	879,465	(61,971)	525,895	2,145,587
Reserves c/f	869,935	(789,394)	845,243	3,508,421

9 Unapplied total return

At both 1st April 2017 and 31st March 2018 the value of assets representing the unapplied total return was nil. There was no surplus generated during the year.

Notes to the financial statements

10 Debtors – due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Trade debtors	111,809	290,278	21,026	320
Amounts owed by group undertakings	-	-	-	21,074
Prepayments and accrued income	65,548	55,853	65,549	40,083
Other debtors	8,727	11,284	2,927	5,483
	<u>186,084</u>	<u>357,415</u>	<u>89,502</u>	<u>66,960</u>

The company is owed £294,027 by Childhood First (Midland). Because this subsidiary has ceased trading, this debt has been fully provided for in the company accounts.

11 Creditors: amounts falling due within one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts owed to group undertakings	-	-	4,573,726	1,664,309
Trade creditors	271,021	126,596	26,927	14,887
Other creditors	106,045	146,227	41,223	25,958
Taxation and social security	103,763	131,314	27,794	25,668
Accruals and deferred income	124,093	418,435	12,924	23,589
	<u>604,922</u>	<u>822,572</u>	<u>4,682,594</u>	<u>1,754,411</u>

12 Creditors: amounts falling due after more than one year

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Other	-	12,827	-	12,827
	<u>-</u>	<u>12,827</u>	<u>-</u>	<u>12,827</u>

13 Pension liability

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Pension costs				
Balance brought forward	424,000	525,000	-	-
(Decrease) in FRS102 pension liability during the year	(31,000)	(101,000)	-	-
	<u>393,000</u>	<u>424,000</u>	<u>-</u>	<u>-</u>
Balance carried forward				

Notes to the financial statements

14 Restricted income funds

The Group's restricted income funds consist of the following material funds:

	Balance at 1 April 2017 £	Income for the year £	Expenditure for the year £	Capital spend £	Balance at 31 March 2018 £
Other projects	470,320	170,553	(144,066)	-	496,807
Total	470,320	170,553	(144,066)	-	496,807

The reserves for other projects are restricted to either the location of the communities and may also be restricted by a particular activity such as a specific building project or service. During the year £40,967 was spent on Fostering Development, £28,385 on Placement and family support, £39,904 on refurbishing Greenfields playroom and kitchen and the remainder on other smaller activities.

15 Designated funds

Designated funds, within restricted funds, represent fixed property assets which are not part of the permanent endowment fund, specifically Earthsea House, Greenfields School and part of Greenfields House.

	Company £	Group £
Balance at 1 April 2017	685,618	802,193
Balance at 31 st March 2018	685,618	802,193

16 Endowment Funds

At the start of the year, the permanent endowment fund represented the freehold land and buildings of Thornby Hall and Greenfields House, with the exception of the refurbishment costs for Greenfields House held in unrestricted (designated) funds.

	Group £
Balance at 1 April 2017	2,029,012
Profit on the sale of Thornby Hall	1,369,534
Transfer to unrestricted funds	(2,914,599)
Balance at 31 March 2018	483,947

During the year one of the properties, Thornby Hall, was sold. It is intended that the funds from this sale are applied to further the aims of the charity. Accordingly, the company passed a resolution, in its capacity as sole trustee of PMT in regard to the funds held in respect of Thornby Hall. This resolution sought to release the restrictions of purpose to which the funds were currently subject and to replace the purposes attached to the funds with the objects of IIST.

On 28 March 2018 this resolution was then referred to the Charity Commission along with the reasons for it being passed as required under the Charities Act 2011. The Charity Commission had a 60 days period in which to give notice that it objected to the resolution or the merits of the proposals contained in it for any reason. No such notice was received and therefore the resolution has now come into effect. The net proceeds of £2,914,599 have therefore been transferred to unrestricted funds in preparation for them being donated to the parent company to further the charitable aim of the trust.

The remaining endowment balance relates to Greenfields House only.

Notes to the financial statements

17 Analysis of net assets between funds

Group	Unrestricted funds £	Restricted Income funds £	Permanent Endowment fund £	Total funds £
Fund balances at 31 March 2018 are represented by:				
Tangible fixed assets	2,651,572	-	483,947	3,135,519
Investments	3,683,321	-	-	3,683,321
Current assets	2,442,045	496,807	-	2,938,852
Current liabilities	(604,923)	-	-	(604,923)
Pension liability	(393,000)	-	-	(393,000)
Total net assets	<u>7,779,015</u>	<u>496,807</u>	<u>483,947</u>	<u>8,759,769</u>

The permanent endowment fund represents some of the assets of Princess Mary's Trust.

18 Commitments

Total commitments under non-cancellable operating leases at 31 March 2018 were as follows:

	2018 £	2017 £
Equipment leases	53,643	77,807
Property leases	294,000	374,000
	<u>347,643</u>	<u>451,807</u>

Property leases relate to rental leases on head office (expires January 2022) and Merrywood House (expires September 2021).

Notes to the financial statements

19 Discontinued activity

On 22 May 2017 the Trustees decided to close Thornby Hall. Thornby continued to operate until the end of July 2017 when all the children had left. Staff were made redundant in August and September 2017 and the property was put on the market in September 2017. The effect of this closure will principally impact on Childhood First (Midland) as it reflected the trading activity of Thornby Hall.

The decision to close Thornby also means that IIST will have a discontinuing operation in the results for this year. The scale of the discontinued activity is represented by the subsidiary Childhood First (Midland). Its results are shown in note 8(b) and show a deficit for the year of £727,423 after including charges and donations from the parent company (note 5).

	2018			2017		
	Continuing £	Discontinuing £	Total £	Continuing £	Discontinuing £	Total £
Statement of financial activity						
Income and endowments from						
Donations and legacies	701,551	14,407	715,958	480,061	62,696	542,757
Charitable activities	6,201,440	763,503	6,964,943	5,695,350	3,270,172	8,965,522
Investments	8,144	-	8,144	7,670	-	7,670
Other	3,139	1,306	4,445	11,479	2,812	14,291
Total	6,914,274	779,216	7,693,490	6,194,560	3,335,680	9,530,240
Expenditure on						
Raising funds	394,160	-	394,160	134,087	-	134,087
Charitable activities						
Therapeutic residential care	5,662,095	1,535,639	7,197,734	4,927,699	3,355,087	8,282,786
Fostering	283,317	-	283,317	121,422	-	121,422
Placement and family support	28,385	-	28,385	28,385	-	28,385
Training	217,999	-	217,999	193,826	-	193,826
Total	6,585,956	1,535,639	8,121,595	5,405,419	3,355,087	8,760,506
Net gains/(losses) on investments	(74,689)	-	(74,689)	255,536	-	255,536
Profit on disposal of property	1,369,534	-	1,369,534	-	-	-
Net income/(expenditure)	1,623,163	(756,423)	866,740	1,044,677	(19,407)	1,025,270
Actuarial gains/(losses) on defined benefit scheme	26,000	29,000	55,000	124,000	(164,000)	(40,000)
Net movement in funds	1,649,163	(727,423)	921,740	1,168,677	(183,407)	985,270
Balance brought forward 1 April 2017	7,900,000	(61,971)	7,838,029	6,731,323	121,436	6,852,759
Balance carried forward 31st March 2018	9,549,163	(789,394)	8,759,769	7,900,000	(61,971)	7,838,029

Notes to the financial statements

The effect of the pension liability (shown as other movements in note 8(b)) will form part of continuing operations of the group.

The Thornby hall property is owned by Princess Mary's Trust which is wholly owned by IIST. This property was sold in October 2017. Further information on this is given in note 3. The continuing business headcount for the year was 146 (2017: 128).

Statement of cash flows	2018			2017		
	Continuing	Discontinuing	Total	Continuing	Discontinuing	Total
Cash flows from operating activities:	£	£	£	£	£	£
Net income for the reporting period	1,649,163	(727,423)	921,740	1,168,675	(183,407)	985,268
Adjustments for:						
Depreciation	103,704	9,698	113,402	89,775	19,696	109,471
(gains)/losses on investments	74,689	-	74,689	(255,536)	-	(255,536)
interest (receivable)	(7,458)	-	(7,458)	(5,795)	-	(5,795)
interest payable	-	-	-	1,059	-	1,059
loss (profit) on fixed assets	(1,369,523)	-	(1,369,523)	(2,812)	-	(2,812)
(increase)/decrease in debtors	(435,779)	607,109	171,330	(301,001)	220,326	(80,675)
increase/(decrease) in creditors	(307,971)	77,496	(230,475)	84,607	(64,091)	20,516
(decrease)/increase in provision for liabilities						
actuarial loss on defined benefit scheme	(6,000)	(25,000)	(31,000)	(134,000)	33,000	(101,000)
Net cash provided by operating activities	(299,175)	(58,120)	(357,295)	644,972	25,524	670,496
Cash flows from investing activities:						
Dividends, interest and rents from investments	1,597	-	1,597	-	-	-
Proceeds from sale of investments	-	-	-	887,774	-	887,774
Proceeds from sale of property	2,914,599	-	2,914,599	2,812	-	2,812
(Purchase) of property, plant equipment	(280,693)	45,645	(235,048)	(175,339)	(14,809)	(190,148)
Purchase of investment	(2,000,000)	-	(2,000,000)	(375,000)	-	(375,000)
Net cash provided by (used in) financing activities	635,503	45,645	681,148	340,247	(14,809)	325,438

Notes to the financial statements

Cash flows from financing activities

Repayments of borrowing	-	-	-	(76,457)	-	(76,457)
Net cash provided by financing activities	-	-	-	(76,457)	-	(76,457)
Change in cash in reporting period	336,328	(12,475)	323,853	908,763	10,714	919,477
Cash at beginning of period	2,416,439	12,475	2,428,914	1,507,676	1,761	1,509,437
Cash at end of period	2,752,767	-	2,752,767	2,416,439	12,475	2,428,914