

KATHARINE HOUSE HOSPICE

KATHARINE HOUSE HOSPICE

FINANCIAL STATEMENTS

For the year ended 31 March 2014

A Company Limited by Guarantee not having share capital

Registered company number 2700516

Registered charity number 1011712

DYKE YAXLEY LIMITED

STATUTORY AUDITORS

KATHARINE HOUSE HOSPICE
DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

Pages	2-5	Chairman's statement
	6-19	Report of the Trustees and Directors
	20-21	Report of the Independent Auditors
	22	Katharine House Hospice Statement of Financial Activities
	23	Consolidated Statement of Financial Activities
	24	Consolidated Summary Income and Expenditure Account
	25	Katharine House Hospice Balance Sheet
	26	Consolidated Balance Sheet
	27	Consolidated Cash Flow Statement
	28	Notes to the Cash Flow Statement
	29 – 43	Notes to the Financial Statements

KATHARINE HOUSE HOSPICE

CHAIRMAN'S STATEMENT

Having joined Katharine House as a volunteer little short of twenty years ago, it is an extraordinary honour to find myself now giving my first report as Chairman of the Board of Trustees. To succeed Dr John Gibson is indeed a hard act to follow and I must begin by recording, on behalf of the whole board, our thanks to him for his superb leadership over the last seven years. His guidance and support once I had become Chairman elect facilitated the smoothest of handovers from which the board will have benefited enormously.

I would like to thank my fellow trustees. It is a privilege and a responsibility to serve as a trustee of such a respected and important charity for the people of mid Staffordshire and Katharine House is indeed fortunate in the dedication and competence of its board. I find my fellow trustees to be independent and clear minded thinkers who challenge but unequivocally support the Executive Team. They give quite freely of their time and skill and their collective sense of purpose shines through in lively but always friendly debates.

The first year of my term has been a hectic one, including a trustees' away day in April 2014. We were supported by the national umbrella body Help the Hospices and our executive team to develop an outline of a strategy for the hospice, which has since been firmed up and approved by the board. The important aspects of this strategy focus on extending our services for patients in their own homes or the wider community, and developing partnerships with other providers. My thanks go to the Executive Team who set up the day for us and provided its structure.

The last year has seen the growth of our embryonic care agency Embrace Quality Care. The main constraint we face is the lack of suitably qualified healthcare assistants willing to work for the agency. The demand for the service far out-strips the supply we can make and the agency is turning away as much work as it is accepting. The focus remains on the delivery of a high quality service to families. It is not intended that the agency should make a profit; indeed it made a small £13k loss last year. Our At Home team continues to flourish, although activity fell last year after a very high level of activity in the previous year.

We have seen a healthy growth in the lymphoedema service as the full complement of staff has been available throughout the year, and we have plans to extend this further in the coming year to support even more patients.

It was a great sadness to the hospice that Shân Parkes, Advanced Nurse Practitioner died this year. She left a large hole in the day therapies team and the hospice as a whole. However, both day therapies and wellbeing services are now moving forward under the management of Cathy Browning. The wellbeing day has seen its first full year of operation, and has been a success with the patients and families involved. We now need to increase both the number of patients who attend and the numbers who have a diagnosis other than cancer.

We have also seen a few of our doctors retire or move away during this year, and I am grateful for the work of Elizabeth Hindmarsh, our Medical Director in ensuring the uninterrupted provision of medical services to our patients.

The Care Quality Commission inspected the hospice, the clinic and Embrace Quality Care during the year and I am delighted to report that all three services passed with flying colours. I would also like to congratulate the catering department who had an environmental health inspection and again received a 5 star rating. The effort, dedication and competence of our managers and staff that lie behind the achievement of these standards cannot be overestimated and the trustees congratulate and thank you all.

We remain grateful to our local NHS commissioners who have been careful to ensure the stability of the hospice's finances, even in turbulent times for the commissioners. We recognise

KATHARINE HOUSE HOSPICE

CHAIRMAN'S STATEMENT

Continued

that the amount of change they are experiencing, coupled with the financial pressures on the NHS make this a very difficult time for them and welcome their continued support of our services.

I had the great pleasure of attending the Volunteers' evening organised, as always, with great verve by Head of Human Resources Bev Wheat. Volunteer roles now cover virtually the whole range of hospice activities – administration, care, retail, fundraising, the lottery, gardening, driving – the list is almost endless. They give so freely of their time and they give the hospice a commitment which makes the hospice what it is. My thanks to them, one and all.

Income generation has been hard this year and we have looked to combine efforts within the organisation by integrating the fundraising and lottery departments under Lisa Taylor's management. Colin Martindale, our Lottery Manager for 16 years, has retired and my report would be incomplete without acknowledging his dedication over this time. He set the Lottery up from nothing and has built a revenue stream for the hospice of £225k per annum. Times have been hard lately, but in his time with us, Colin and his team have raised nearly £3m of revenue to run our services.

All the trustees recognise that it has been a difficult time for retail, ambitious targets, and very considerable change have combined to make it a tough year for the department. Underlying profits have risen dramatically under the leadership of Kate Sharp, but recruiting and retaining staff has become problematic in a department that has expanded very rapidly. Our venture with the Trading and Recycling Company has not proved successful and this has been wound up. This creates a gap in our forward going strategy for retail, one that we will need to fill. However, our DLT Trading venture made some substantial progress and we expect it to take another step forward in the coming year.

There have been a number of developments designed to lay the platform for the next period of growth for the hospice. In particular, we have bought premises at Priestly Court, which now is home to the retail, fundraising and lottery operations together with marketing, finance, personnel, donations processing and IT. This has freed up some space at the hospice, into which we have expanded the At Home Team and provided accommodation for Embrace Quality Care, whilst making provision of space for the Macmillan Community Team. We will be looking to create an additional lymphoedema room downstairs at the clinic and have already provided accommodation for our bereavement counsellor and for Stafford and District Bereavement and Loss Support Service together with an additional counselling room.

We have seen the internal restructuring of our management arrangements with the formation of an executive team and an operations team. I had the opportunity to sit in on an executive team meeting, and witnessed a lively and wide ranging series of discussions on different aspects of taking Katharine House forward. It was good to see the sharing of ideas and information from across the organisation.

Looking to the future, the trustees expect a period of consolidation for our finances and a period of waiting to assess the outcome of an NHS led programme to transform end of life care across Staffordshire. This programme is being driven by four of the six Staffordshire and Stoke-on-Trent Clinical Commissioning Groups. Its purpose is to improve the co-ordination of services across the providers involved in the delivery of services to people at the end of their lives. Not only the obvious providers such as hospices, hospitals and community services, but also care and nursing homes, pharmacies, and ambulances. The array of complex contracting arrangements that exist at present will be replaced by a single contract to a "Prime Provider" which will have the role of reducing the complexities of these contracts and improve the delivery of end of life care through a more effective contracting process.

KATHARINE HOUSE HOSPICE

CHAIRMAN'S STATEMENT

Continued

The trustees at Katharine House welcome the high importance placed on the delivery of end of life services by the new NHS Clinical Commissioning Groups. It is essential that the hospice is constructive in working with others to reduce the fragmentation of service delivery – particularly in mid-Staffordshire – so as to improve services to patients and their families. All participants within end of life care know that the coming years will see a tightening of resources available for end of life care, at a time when local demographics will see the demand for services increasing at an ever more rapid rate. We must play our part in improving our efficiencies and widening access to our services.

At the time of writing this is the subject of a competitive tender, which may stimulate the development of more collaborative forms of working. We are not of a sufficient size, nor do we have the experience to be a prime provider, but we will be seeking to be part of a consortium bidding for the contract. Whether a competitive tender is the best way forward we are not entirely sure, but it will focus the minds of providers to look at how to improve services.

I am sad to announce that Tracey Weetman has resigned as a trustee due to the pressures of her work. In the eight years since she joined us she contributed enormously, especially on clinical matters, and I wish her well for the future.

We are also facing the retirement of Catherine Howlett, our Director of Nursing Services. Her dedication to the delivery of high quality care services has been exemplary. She has built a strong relationship of trust with the trustees; always willing to report negative occurrences as well as positive ones. A strong advocate for the welfare of patients, the services she has built over her 12 years at the hospice have been marked by a patient-centred approach, that seeks to value the wishes of patients – even when these might not have been the wishes of the family or may have been against the advice of other healthcare professionals. During her time she has both recruited and developed a wide range of highly competent staff. The trustees are grateful for all she has done for this hospice and our patients.

We thank Catherine for the lengthy period of notice which she gave to us of her intention to retire. This enabled us to put in place a rigorous and effective process to appoint her successor and I am delighted to be welcoming to Katharine House Jackie Kelly who as from 1st September 2014 will be our Director of Care Services. She joins us from a similar position at Mary Stevens Hospice in Stourbridge. We are fortunate that there is sufficient time for a one month handover period for this vital role within the hospice.

We have again strengthened our commitment to Health and Safety with the development of Roger Pollak's role to give him more dedicated time for Health and Safety by shifting the catering and housekeeping functions under Angela Marston, our Matron. Roger's role is now specifically wider than the hospice, to encompass our retail operations. Our finances remain on a knife edge as trustees seek to develop services. With legacy income below our expected £100k the hospice has made a small but manageable loss. We also expect to make a loss in 2014/15, but will need to see this turn into a breakeven position by 2016/17.

As a charity we need to raise around £2m of funding from general fundraising, retail, lottery and gifts in wills. Our ability to sustain ourselves comes only from the support of all of the members of our local community who help in many ways. Every donation makes a difference to local families and means we can continue to offer our free services.

I mentioned earlier the creation of the Executive Team and I thank them and the Operations Team for their hard work and enthusiasm. My thanks must also go to Richard. As John Gibson before me observed to work with Richard Soulsby is a privilege and a pleasure and in him the

KATHARINE HOUSE HOSPICE

CHAIRMAN'S STATEMENT

Continued

hospice is in safe hands. I also wish to thank him personally for the invaluable support he has given me in my first year.

My thanks go to everyone in and connected with Katharine House for their dedicated support and hard work and in particular to our whole community for their support, both financially and through their volunteering. I would like to express sincere and heartfelt thanks on behalf of all of those families who have and will continue to benefit.

Lady Judith Mitting
Chairman

A handwritten signature in black ink, reading "Judith C Mitting". The signature is written in a cursive style, with the first name "Judith" and the last name "Mitting" being more prominent than the middle initial "C".

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

1. Reference and Administrative Details

Name:	Katharine House Hospice		
Status:	Charity (registered number 1011712)		
Incorporation:	Company Limited by Guarantee (registered company number 2700516)		
Date of incorporation:	25 th March 1992		
Governing Document:	Memorandum and Articles of Association (last amended 11 October 2012)		
Registered Office:	Weston Road, Stafford, ST16 3SB The Registered Office is also the principal address of the Charity		
Trustees:	Lady Mitting Dr J A Gibson Mr M R Melling Mrs J Cashmore-James Mr D M Harding Mr W G Johnson Mrs N M O'Neill Mr J-P Parsons Mrs K Sallah Mr D J Sandy Dr C J Secker Mr I D Starkie Mrs T E Weetman Dr I Wilson Ms J Woodyard	Chairman (from 10 th October 2013) Chairman and Trustee (to 10 th October 2013) Treasurer (to 10 th October 2013) (to 18 March 2014)	
Company Secretary:	Cllr P M M Farrington		
Chief Executive:	Dr R T Soulsby	Chief Executive	
Registered Manager:	Mrs C A Howlett Mrs J Kelly	Director of Nursing Services (Retired 22 September 2014) Director of Care Services (From 22 September 2014)	
Officers:	Dr E Hindmarsh Mrs K Sharp Miss L M Taylor Mrs B Wheat	Medical Director Director of Retail Director of Business Development Head of Human Resources	
Auditors:	Dyke Yaxley Limited 8 Hollinswood Court Stafford Park 1 Telford. TF3 3DE	Bankers:	Lloyds TSB Bank Plc Market Square Stafford ST16 2JL
Investment Brokers:	Ad Valorem Wealth Management LLP Whitehall House Sandy Lane Newcastle-Under-Lyme. ST5 0LZ	Fund Managers:	Williams de Broe plc P.O. Box 515 6 Broadgate London EC2M 2RP
Solicitors:	Hand Morgan & Owen 17 Martin Street Stafford ST16 2LF		

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

2. Structure and Governance

Katharine House Hospice is a charity and company limited by guarantee. Its governing document is the memorandum and articles of association of the company, which may be altered by a simple majority of voting members at an Annual or Extraordinary General Meeting.

2.1 Corporate Structure

Katharine House Hospice has four wholly owned subsidiaries.

1. Katharine House Retail Limited (Registered company number 3949314), which operates the hospice's retail and merchandising activities;
2. KH Promotions Limited (Registered company number 3295776), which operates the hospice's own society lottery.
3. Embrace Quality Care Limited (Registered company number 8050417), which operates a care agency.
4. KHH Developments Limited (Registered company number 8120430), which is dormant.

Each subsidiary company gift aids any profits it makes to the hospice. Katharine House Retail Limited has two wholly owned subsidiaries: DLT Trading Limited (Registered company number 6834846) – which operates charity shops on behalf of another charity; Trading and Recycling Company Ltd (Registered company number 8688911) which operates non-charitable retailing operations.

Note 6 to the financial accounts summarises the performance of these companies, and their accounts will be filed at Companies House.

2.2 Decision-Making Structure

The Trustees (who are also directors of the company) act as a corporate entity through the Board of Trustees, which plans to meet six times in each year. Exceptional meetings may be called from time to time to deal with specific issues. The Board delegates most of its functions to five sub-committees each with their own clearly defined terms of reference. The day-to-day operation of the charity is delegated through the annual budget setting process to the Chief Executive and through him to the management team.

Board of Trustees

- Membership:** All Trustees and Company Secretary
- Attendees:** Chief Executive, Director of Nursing Services (from 22nd September 2014 Director of Care Services), Head of Fundraising, Medical Director, Director of Retail, Head of HR
- Business:** All strategic, tactical, and governance aspects of the hospice's operation and future direction.

Clinical Sub-Committee

- Membership:** All Trustees with a clinical background, currently Dr I Wilson (Chair), Mrs K Sallah, and Dr C J Secker
- Attendees:** Chief Executive, Director of Nursing Services (from 22nd September 2014 Director of Care Services), Medical Director, Consultant in Palliative Medicine, Matron, Community Services Manager, Advanced Nurse Practitioner, and Family Support Team Leader

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

Business: All aspects of the hospice's clinical services including: approval of clinical policies; provision of clinical governance and monitoring of audit; assurance of the quality of care provided; scrutiny of activity and staffing levels; consideration of new practices and procedures; approval of any clinical research; and ensuring compliance with the Health and Social Care Act (2008) (including twice yearly trustee inspections).

Income Generation Sub-Committee

Membership: Trustees Mr W G Johnson (Chair), Mr D Harding, Mr D Sandy, and co-opted member Mrs N. O'Neill.

Attendees: Chief Executive, Director of Business Development, Director of Retail, Marketing & Communications Manager, and Head of Fundraising,

Business: All aspects of the hospice's activities to generate income: fundraising, lottery, and retail. This includes approval of relevant policies; scrutiny of activity and performance; consideration of new initiatives; oversight of all aspects of marketing for the hospice; and inspecting income generation departments.

Finance and Remuneration Sub-Committee

Membership: Trustees Mr M R Melling (Chair), Mrs K Sallah, Mr I D Starkie and co-opted member Mr N L Potter.

Attendees: Chief Executive.

Business: Detailed scrutiny of the hospice's proposed annual budget; reviewing the charity's reserves; monitoring the charity's management accounts; monitoring the performance of the charity's investments; approving all financial policies and procedures; approving pay awards and rate increases for staff; and inspecting systems of financial control.

Staffing and Support Services Sub-Committee

Membership: Trustees Mrs J Cashmore-James (Chair), Lady Mitting, Mr J-P Parsons, and Ms J Woodyard

Attendees: Chief Executive, Director of Nursing Services (from 22nd September 2014 Director of Care Services), Matron, Director of Retail, Head of Human Resources, Personal Assistant to the Chief Executive and Director of Care Services, and H&S and Facilities Manager.

Business: Monitoring of general personnel issues especially staffing levels, training, and attendance; approving all staffing policies and procedures; monitoring health and safety performance; agreeing issues to be resolved within support service areas; and inspecting support service departments.

Nominations and Governance Sub-Committee

Membership: Trustees Mr J-P Parsons (Chair), Mrs J Cashmore-James, Lady Mitting, Mr I Starkie, Dr I Wilson, and Ms J Woodyard.

Attendees: Chief Executive and Director of Nursing Services (from 22nd September 2014 Director of Care Services)

Business: This sub-committee oversees the process of appointing new trustees to the board and their induction and mentorship and reviews the work of the other sub-committees. It also picks up on general areas of governance not supported by any other committee.

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

Management have four committees.

1. An Executive Team providing support to the trustees and taking collective responsibility for the internal management of the organisation.
2. An Operations Team to support the implementation of actions, address general cross organisational issues, and support the Executive Team.
3. A Training Committee which is observed by a trustee representative from the Staffing and Support Services Sub-committee. This committee allocates the training budget across the organisation and monitors the effectiveness and value of training provided.
4. A Staff Forum which is observed by a trustee representative from the Staffing and Support Services Sub-committee. This committee acts as the formal mechanism for staff to raise general issues outside the remit of line management, and for trustees to consult with staff on issues affecting their employment.

2.3 Governance

Governance is undertaken by each sub-committee in their areas of responsibility and is monitored by the Nominations & Governance Sub-Committee and the Board of Trustees.

2.4 Risk Management

The trustees have drawn up a detailed assessment of key risks that they feel are important to consider in the management of the charity. Risks come under one of six domains (Welfare, Compliance, Finances, Governance and Management, Operational, and Environmental and External). A structured methodology is in place for the assessment and management of risk. This is reviewed annually and was last done in January 2014.

2.5 Trustee Recruitment, Induction and Tenure

It is one of the prime functions of the Nominations and Governance Sub-Committee to recruit and induct new trustees. Proposed nominations may be received from any source. Consideration is given to the general suitability of a nominee in relation to the current skills and attributes of the existing trustees, the skills that are deficient on the Board and the need to plan for succession of trustees who are due to stand down.

Once a nominee is determined to be suitable their name is submitted to the full Board to approve taking the nomination forward. If approved the chair of the Nominations and Governance Sub-Committee or the Chairman contacts the nominee to assess their interest, and if they are interested they are asked to complete an application form and submit a curriculum vitae.

Nominees are then invited to a meeting at which there is an exchange of information, and in particular the responsibilities and time commitments are outlined to the nominee. If both the nominee and the trustees at the meeting are content then the nominee is invited to join the Board of Trustees.

New trustees meet with the Chief Executive for a briefing. A trustee induction folder is provided, together with a file of relevant company information. New trustees are invited to meet other senior managers and to spend time in the inpatient unit, day therapies and one of the retail shops.

The Chairman of the Nominations and Governance Sub-Committee also appoints a mentor for new trustees, who acts as a confidential advisor on trustee issues.

Trustees are appointed until the next AGM, when they stand for election for a period of six years. Thereafter trustees may stand for two further elections of two years each, but thereafter must stand down for a period of 11 months.

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

2.6 Relationships with other organisations

Katharine House Hospice is an independent charity, but is affiliated to or has connections with a number of organisations these being: the local council for voluntary services – Support Staffordshire (Stafford); the National Council for Palliative Care; the National Association of Hospice Fundraisers; and Stafford and District Bereavement and Loss Support Service. There is a national independent charity known as Help the Hospices, which is a membership organisation, and Katharine House Hospice is a member of this charity.

Katharine House Hospice is a corporate trustee of Stafford District Bereavement and Loss Support Service (SDBLSS), providing, office accommodation, co-ordination of volunteer counsellors, managing waiting lists, and raising funds. Should SDBLSS require financial support Katharine House Hospice will provide this as the objects of SDBLSS fall wholly within the objects of Katharine House Hospice in the support of people who are suffering.

Katharine House Hospice's and Embrace Quality Care Limited's care services are registered by the Care Quality Commission.

Katharine House has a relationship with Donna Louise Trust, with Katharine House Retail Ltd managing the retail operation for Donna Louise Trust.

Katharine House has a number of shared posts, including Douglas Macmillan Hospice, the County Council, South Staffordshire and Stoke-on-Trent NHS Partnership Trust, and Stafford Hospital.

Katharine House is one of the main supporters of a local neighbourhood scheme that has commenced in the Berkswich locality of Stafford.

The hospice is seeking to develop further relationships with other providers and charities

2.7 Policies

The trustees have adopted policies in order to guide managers in the running of the Charity. Some of the key policies cover:

1. Equal Opportunities
2. Health and Safety
3. Risk Management
4. Employment Relations
5. Complaints
6. Confidentiality
7. Volunteering
8. Smoking
9. Investment

There are also operational policies and procedures for: clinical services, support services, finance, retail, fundraising, personnel, and information technology.

3. Objectives and Activities

The Memorandum of Association identifies the object of the charity as:

"To promote the relief of sickness and suffering (so far as such purpose is charitable) in such ways as the Association shall from time to time think fit, and in particular (but without prejudice to the generality of such object):-

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

- (a) To promote by the establishment of day or domiciliary care the relief of persons of either sex (without regard to race or creed) who are suffering (at any age) from any chronic or terminal illness or from any disability or disease attributable to old age or from other physical or mental infirmity disability or disease and to establish maintain and manage a Hospice Hospital or Residential Home and all ancillary services for such persons;
- (b) By conducting or promoting or encouraging research into the care and treatment of persons suffering from any such illness, disability, disease or infirmity as aforesaid and particularly into the care and treatment of persons suffering from Cancer or terminal illness and to disseminate the results thereof;
- (c) By promoting or encouraging or assisting in the teaching or training of doctors, nurses, physiotherapists and other persons engaged in any branch of medicine, surgery, nursing or allied services, and in the teaching and training of students in any branch of medicine, surgery, nursing or allied services;
- (d) By providing or assisting in or encouraging the provision of counselling or spiritual help or guidance for any persons resident (either as patients or otherwise) or working in any such home or homes as aforesaid."

The trustees have chosen to deliver these objects through the provision of services and support to adults with an advanced life-limiting condition. At 31 March 2014 the charity made provision as follows:

- A day therapies service for 4 days per week, accepting a maximum of 15 patients per day
- A 10 bedded inpatient unit which can and does provide all appropriate palliative care on a 24 hour basis all year round
- A rapid response Hospice at Home service delivered by healthcare assistants
- A Well Being Day service for patients providing structured support over a 6 week period
- A lymphoedema service
- Bereavement support services
- A carers' support service
- A respite sitting service

The hospice also provides a volunteer run transport service, utilising two minibuses and volunteers' own cars.

All these services are provided free of charge to patients and their families and are available to people with both a cancer and a non-cancer diagnosis.

To ensure that these services can be delivered at no charge to the beneficiaries, the charity also carries out activities to provide the necessary funds to operate its charitable services, these are:

- A fundraising department
- A retail operation
- A society lottery

In April 2012 Katharine House established a care agency known as Embrace Quality Care Limited, which commenced operations in November 2012. The purpose is to provide home care services reflecting the quality of care developed within the hospice's charitable services, but as the hospice is constrained by the availability of charitable funds, services for the care agency must be fully reimbursed and are not therefore deemed to be charitable.

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

The vision of the hospice is

Exceeding Expectations

The Mission is:

To offer the best care so that people in our community affected by progressive illnesses can live their lives to the full.

The strategic objectives are to:

- develop services in support of families and carers
- ensure the financial sustainability of the current operations
- develop partnerships and alliances with other organisations
- use the resources of the hospice to support Stafford and Surrounds Clinical Commissioning Group and Cannock Chase Clinical Commissioning Group in the delivery of good quality End of Life care
- develop community and in reach services

4. Achievements and Performance

4.1 Charitable Activities

2013/14 has been a positive year as Katharine House Hospice has supported more patients than ever before. Most of the hospice's services are exhibiting signs of maturing services, where activity is reasonably consistent year on year. The exceptions being the Hospice at Home service where activity fell sharply in the first quarter – referrals fell at a time when local community services were being re-organised. Lymphoedema activity fell in 2012/13 due to the non-availability of staff within a very small staff team, but increased again in 2013/14, carried out 2107 treatments in a year, up 13%.

The new venture of the Well Being Day, has provided fewer attendances than the old drop in day – but has provided services to more patients. Trustees are a little concerned at the fall in IPU admissions, which they expect to be a temporary fall.

Indicator	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09
Day Therapies attendances	1,592	1,423	1,546	1,372	1,530	1,601
Drop-In attendances**		143	344	475	492	392
Well Being Day**	246	187				
Lymphoedema treatments	2,107	1,867	1,981	1,620	1,074	744
IPU occupied bed days	2,586	2,620	2,548	2,683	2,454	2,452
IPU admissions	200	214	220	205	213	202
Respite for carers (hrs)	468	771	756	532	344	446
Carers' Support attendances	125	105	96	153	178	197
Hospice at Home visits*	3,308	3,954	2,949	1,455	--	--

* Service commenced September 2010 ** Drop in closed in August 2012 and Well being commenced in September 2012

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

4.2 Volunteer Support

The hospice enjoys the support of 646 volunteers (2013: 617) who provide their time and energy free of charge. The hospice requires all volunteers to make a formal application, to attend an interview and to attend a formal induction course. The hospice then seeks to match the interests and skills of the volunteer with roles that support the work of the charity. Although there are some one off roles, the main roles include: support of day therapy patients, in-patients, bereavement support, massages for patients, pastoral care, lymphoedema administration, catering, driving, reception, gardening, administration, money counting, fundraising, and finance. 398 volunteers work within the hospice and a further 248 support the work of the retail department, working to sort donations, clean and prepare donated items for sale, and serving customers. Hours of service given are:

	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>	<u>2009/10</u>
Hospice	30,806	29,006	25,125	22,151	20,835
Retail	19,691	19,653	30,810	36,514	34,789

The trustees are extremely grateful not only for the service provided by our volunteers, but also for their enriching of the charity's culture. If the charity had had to pay the minimum wage for these hours of work the cost to the charity would have been £318,636 (2013: £307,038).

4.3 Review of Income Generation

The fundraising department has had a sound year. The net amount raised fell from £620,260 to £559,862 (-9.7%), but 2012/13 included the final payment of a £60,000 annual grant not received in 2013/14. Note 5 contains full details of the department's performance but a brief assessment is:

	<u>2013/14</u>	<u>2012/13</u>	<u>Difference</u>
Fundraising for revenue costs	940,517	964,470	- 23,953
Direct costs of fundraising	321,642	292,050	+ 29,592
Overhead and support costs	59,013	52,160	+ 6,853
Net income for revenue application	559,862	620,260	- 60,398

The picture for the retail department is complex as in December 2011 the company introduced an HMRC approved retail gift aid scheme. This is beginning to show returns, with over £180k of gift aid being reclaimed from these donations. The underlying performance of the retail company has improved considerably. Heavy investment in the transport department and the new venture in Norton Bridge have begun to pay dividends.

The new retail gift aid scheme enables the retail company to sell donated items on behalf of the donor. Money raised through these sales is transferred to the Hospice as a donation on which the charity can reclaim gift aid. Although the arrangement is tax efficient for the hospice it detracts from the performance of the Retail Company. During 2013/14 the hospice received £501,132 (2013: £404,463) in income and gift aid from retail activity which is not recorded in the Income and Expenditure Account of the retail company. This is over and above the £342,110 (2013: £268,454) gift aided by the retail company itself. See the Statements of Financial Activities on pages 22 and 23, and note 6 for summary information about the retail company.

The lottery continues to struggle in the current economic climate although net revenues were stable. The overall return to the hospice (gift aid and recharges) for the company has decreased by 4% to £226,554 (2013: £236,044). See note 6.

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

4.4 Review of Factors Within and Outside the Control of the Charity

The major factors within the control of the charity are managed effectively, enabling the trustees to move the charity forward. In particular, there are sound systems for ensuring the quality and safety of patient care, financial management, staff management and staff representation, volunteer recruitment and induction, and the management of Health and Safety.

There are a wide range of factors lying outside the direct control of the charity. The most significant is the relationship with the Clinical Commissioning Groups (CCGs). The trustees have been impressed by the common sense approach adopted by its major commissioners during the transition to the new system of operating the NHS from 1 April 2013. We are also very pleased to see that commissioning end of life care is seen as a high priority. A major local initiative is that four CCGs across Staffordshire are coming together to commission a single end of life care pathway. These proposals are still being developed, and trustees hope that they will result in the joining together of care services for people at the end of their lives.

A further risk factor is the lack of certainty in future years derived from the economic pressures faced by the country as a whole and the impact of the "austerity" measures of the coalition Government. The negative impact on household or corporate income is likely to affect the capacity of these sectors to donate to charities, whilst the drive for public sector efficiency could see statutory sector income under threat of reductions, although local agreements have secured funding until 2015. Pay freezes in the public sector have helped to reduce immediate future employment costs, but the proposed requirements on employers to enrol employees in pension schemes has not only increased the hospice's operating costs significantly from April 2014, but has been a tremendous administrative burden. The Trustees must express their concerns at the lack of clarity about detailed operational matters concerning auto-enrolment, coupled with the time consuming nature of implementation.

The regulatory framework within which the hospice operates is already complex and is set to become more complex following the enactment of the Health and Social Care Act in 2012 and yet another round of changes to the way we are inspected by the Care Quality Commission.

4.5 Review of Operational Objectives

The objectives set by trustees for 2013/14 and performance against these are examined below:

<u>Objective</u>	<u>Outcome</u>
------------------	----------------

Service	
----------------	--

1. To develop the care agency business with a viable business model

The care agency has increased revenues by £97,323 to £118,387. Although it incurred a loss of £13,938 the underlying business model is believed to be sound, but requires economies of scale through increased activity to reach a break even position.

2. To commence implementing the Family Support Team strategy

The hospice has commenced a neighbourhood scheme within the local community of Berkswich. A more robust counselling team is now in place and we are working more closely with Stafford Bereavement and Loss Support Service.

Financial	
------------------	--

3. To realise revenues from the new Norton Bridge outlet

The Norton Bridge outlet generated gross sales of £390,761, and gross profits of £99,064. Further growth for this outlet is expected in future years.

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

Objective Outcome

4. To contain the Hospice's expected deficit to within £150k

The hospice has recorded an operating surplus of £116,382 whilst the group of companies has recorded an operating surplus of £73,999.

Operational

5. To relocate a number of non-clinical services off the main hospice site

The hospice acquired premises on Staffordshire Technology Park, refurbished these and relocated a number of departments from different sites into the new premises. These include: finance, personnel, IT, retail, marketing, fundraising and lottery. In addition the facilities contain a large and a small meeting room.

6. To provide proper accommodation for the Community Services Team

The relocation under 5, enabled a small conversion of rooms at the hospice. This has provided reasonable accommodation for the community team and Embrace Quality Care, for administration, and we hope to see the Community Macmillan Nursing service come onto the hospice's site.

Managerial

7. To develop agreement with other parties for a researcher role, if possible through a Knowledge Transfer Partnership

A bid for funding for a Knowledge Transfer Partnership was unsuccessful. The trustees considered that to fund the whole of this project, within the context of the organisation's financial position, could not be justified and this project has not progressed.

5. Financial Review

The accounts for the hospice have been produced in accordance with the requirements of the Statement of Recommended Practice (2005).

5.1 2013/14 Financial Performance

The Charity made an operating surplus of £116,382 (2013: surplus £22,468) whilst the charity's investments have realised and unrealised gains of £27,404 (2013: £47,574). The principal uses of the charity's funds are set out below.

	2013/14		2012/13		2011/12		2010/11	
	£	%	£	%	£	%	£	%
Inpatient Care	1,505,497	54.4	1,455,636	53.3	1,448,829	54.9	1,417,259	59.5
Hospice at Home	421,914	15.2	502,110	18.4	563,185	21.3	404,814	17.1
Day Therapies	264,786	9.6	327,163	12.0	232,153	8.8	201,239	8.5
Lymphoedema Service	254,551	9.2	198,337	7.3	155,729	5.9	115,196	4.9
Family Support	212,318	7.7	110,354	4.0	78,745	3.0	83,515	3.5
Drop-In Service / Well Being Day	34,965	1.3	39,803	1.4	28,914	1.1	32,422	1.3
Carers' Support	20,849	0.8	22,098	0.8	25,172	0.9	18,114	0.8
Respite for Carers	6,800	0.2	21,133	0.8	25,530	1.0	32,469	1.4
Other	0	--	572	0.0	4,968	0.2	4,878	0.2
Care sub-total	2,721,680	98.4	2,677,206	98.0	2,563,225	97.1	2,309,906	97.2
Governance	45,068	1.6	55,185	2.0	75,472	2.9	64,576	2.8
Total	2,766,748	100	2,732,391	100	2,638,697	100	2,374,482	100

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

5.2 Principal Funding Sources

There are five main funding sources for the hospice. The performance of these sources is detailed as follows:

	2013/14		2012/13		2011/12		2010/11	
	£	%	£	%	£	%	£	%
Voluntary Income								
Unsolicited donations	78,127	2.4	32,620	1.1	51,840	1.7	39,294	1.2
Legacies	170,105	5.2	103,281	3.3	150,870	5.0	265,995	8.3
Fundraised income	940,517	28.7	964,470	31.0	881,977	29.2	1,074,694	33.7
Total Voluntary Income	1,188,749	36.3	1,100,371	35.4	1,084,687	35.9	1,379,983	43.2
Retail operations (net) ¹	342,110	10.4	268,454	8.6	621,846	20.6	668,436	21.0
Retail gift aided sales	501,132	15.3	404,463	13.0	--	-	--	-
Lottery (net)	207,771	6.3	213,655	6.9	219,833	7.3	230,614	7.2
Statutory Sector	1,005,970	30.7	1,089,047	35.1	1,070,638	35.5	843,219	26.4
Other	36,210	1.0	31,027	1.0	18,486	0.6	68,880	2.2
Total	3,281,942	100	3,107,017	100	3,015,490	100	3,191,132	100

¹ This includes the retained deficit within Katharine House Retail Ltd.

5.3 Investments

The Memorandum of Association empowers the trustees to invest the monies of the Association not immediately required for its purposes in or upon such investments, securities or property as may be thought fit.

The Trustees utilise the services of Investec as investment managers and Ad Valorem Wealth Management LLP as brokers and advisors. Ad Valorem Wealth Management LLP provide formal reports to the Finance and Remuneration Sub-Committee every six months, or more frequently as requested by the Committee.

The Trustees have made no substantial changes to the investment strategy. The assets held are disclosed in Note 16.

Net realised and unrealised gains in 2013/14 were £27,404 (2013: gains £47,574). Overall the investments are £69,962 above their historical cost of £483,092.

5.4 Reserves

The cash reserves of the charity at 31 March 2014 are taken from the Consolidated Balance sheet and include the total assets less tangible assets, less the investment property and less stock:

Free reserves	£ 574,228	(2013: £ 808,241)
Designated reserves	£ 259,968	(2013: £ 250,923)
Total Free and Designated reserves	£ 834,196	(2013: £1,059,164)
Restricted reserves	£ 79,936	(2013: £ 86,431)

The trustees have established seven designated funds, which are explained at 5.5 and in Note 20. The fund for the review of premises has been wound up as this has been completed.

The trustees' reserves policy is that in order to fulfil the charity's obligations to the communities it serves it is desirable for there to be unrestricted funds (or free reserves) available as current assets, or investments, equivalent to one year's running costs of the hospice. The free reserves

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

are 3.6 months operating costs and therefore are well below the desired level. Trustees believe that it is more important to maintain the existing services than to achieve the desired reserves position. However, the trustees also have an investment property valued at £250,000, which has been sold at £275,000 in April 2014 adding a further 1.2 months of free cash reserves.

5.5 Funds

Details of the funds held by the charity are provided in note 20. Trustees have created designated funds as follows:

1. A repairs and renewals fund to cover unexpected or emergency repairs of a substantial nature, in 2014/15 this will cover substantial remedial work to the roof of the day therapies unit.
2. A renewal of IT fund. In order to reduce operating costs the trustees have invested heavily in IT. The organisation made a significant investment in IT in the year under review and this is reflected in the reduction of this fund. Whilst the organisation has an IT infrastructure that is both modern and robust, it is expected that a significant investment will be required in the period between 2020 and 2022. The trustees will therefore continue to set aside an increasing amount each year to ensure there is a sufficient reserve to enable the IT infrastructure to be refreshed in full without a serious negative impact on the free reserves.
3. A training and development fund to ensure contractual commitments to staff training can be met.
4. A legacy equalisation fund to enable trustees to budget for the very unpredictable nature of legacy income.
5. The NHS Pension Rebate fund has been established to provide for the expected withdrawal of the NHS Pension Rebate, as this represents an uncertain threat this fund will allow trustees one year to adjust the financial plans.
6. A review of premises fund. This fund has been closed reflecting the decision of trustees to acquire new premises at Priestly Court and the subsequent movement of staff off-site from the main hospice.
7. A fund for the transforming end of life tender. This is a newly created fund to enable the charity to engage in the public sector tender to transform the provision of end of life care, which includes one third of the charity's income. This fund is intended to enable the trustees to take relevant professional advice and buy in support for the tender process.

6. Plans for the future

The natural development of the hospice's services will be in the provision of increased support within the community. This can only be delivered once the more robust income streams of the hospice can deliver sufficient income to cover the operating costs. The two main aims set by the trustees are for the charity to achieve increased income and to seek to increase the utilisation of the services presently funded by the charity.

The charity's medium term strategic goals are: to continue the existing services; to strengthen the multi-disciplinary team that supports the hospice's patients; to increase the number of patients with non-cancer conditions who access our services; to develop each of the income streams; and to develop the charity's partnership working with other organisations.

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

Continued

The objectives approved by trustees for 2014/15 are:

Strategic

- Preparation of new strategy
- Engagement with the transforming EoL programme

Service

- Growth of the services of Embrace Quality Care
- Establishment of a new lymphoedema clinic

Financial

- Maintain deficit below £150k

Operational

- Establish project with FCC Recycling (UK) Ltd
- Develop "super" store in Stafford

Managerial

- Development of the Executive and Operational Teams
- Restructure fundraising and lottery departments

7. Reporting on Public Benefit

Section 3 sets out the charitable objectives of Katharine House Hospice and how these objectives are being met. Section 4 provides details of the main charitable activities that have been carried out. All the services provided by Katharine House Hospice are provided free of charge to patients and families; trustees consider that all this activity is, in its entirety, charitable. In providing access to these services, the trustees have sought to ensure that the only considerations are the appropriateness of meeting the needs of each patient, the capacity to meet this need, and the safety and welfare of all patients.

The trustees in making decisions in relation to the delivery of current services, the proposed development of new services, and the use of the charity's funds, give due and proper consideration to the issue of public benefit, as described in relevant guidance from the Charity Commission.

8. Responsibilities

The Board of Trustees are required to prepare financial statements which give a true and fair view of the state of affairs of the charity and group at the end of the financial year and of the income and expenditure of the charity and group for the period ending on that date. In preparing those financial statements, the Board of Trustees are required to:

1. Select suitable accounting policies and apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board of Trustees are also responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE TRUSTEES AND DIRECTORS OF

KATHARINE HOUSE HOSPICE

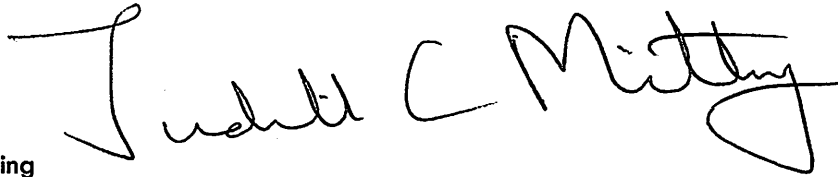
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9. Auditors

The directors will recommend to members the re-appointment of our present auditors Dyke Yaxley Limited.

This report has been prepared in accordance with the small companies regime under the Companies Act 2006.

Approved by the Board on 9 September 2014 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Judith C Mitting', written in a cursive style.

Lady Judith Mitting
Chairman

<p style="text-align: center;">REPORT OF THE INDEPENDENT AUDITORS OF</p> <p style="text-align: center;">KATHARINE HOUSE HOSPICE</p>

Independent Auditor's Report to the members of Katharine House Hospice

We have audited the financial statements of Katharine House Hospice for the year ended 31 March 2014, which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, and the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein and the Financial Reporting Standard for Smaller Entities (effective April 2008).

This report is made solely to the charitable company's members, as a body, in accordance with Sections 495 and 496 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of Katharine House Hospice for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether in our opinion the information given in the Trustees' Annual Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosure of trustees' remuneration specified by law are not made.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

REPORT OF THE INDEPENDENT AUDITORS OF

KATHARINE HOUSE HOSPICE

Basis of audit opinion

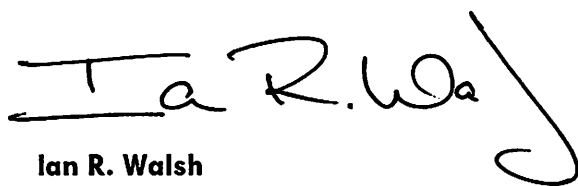
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charity's and the group's affairs as at 31 March 2014, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities;
- the financial statements have been prepared in accordance with the Companies Act 2006; and
- the information given in the Trustees' Annual Report is consistent with the financial statements.



Ian R. Walsh
Senior Statutory Auditor
for and on behalf of:
Dyke Yaxley Limited
Statutory Auditor
8 Hollinswood Court
Stafford Park 1
Telford
Shropshire. TF3 3DE

6/11/14

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2014

	Note	Unrestricted £	Designated £	Restricted £	2014 Totals £	2013 Totals £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary Income	(2)	78,117	170,105	10	248,232	135,901
Fundraised Income	(5)	820,735	--	119,782	940,517	964,470
Gift Aid - Promotions Subsidiary	(6)	207,771	--	--	207,771	213,655
Gift Aid - Retail Subsidiary	(6)	342,110	--	--	342,110	268,454
Retail sales donations and gift aid		497,760	--	3,372	501,132	404,463
Investment Income	(7)	23,256	--	--	23,256	21,689
Incoming resources from charitable activities						
Statutory Sector Income	(8)	3,500	26,214	976,256	1,005,970	1,089,047
Fee Income Received	(9)	12,951	--	--	12,951	9,286
Other Incoming Resources		3	--	--	3	52
Total Incoming Resources		1,986,203	196,319	1,099,420	3,281,942	3,107,017
RESOURCES EXPENDED						
Costs of generating voluntary income						
Fundraising Costs	(5)	380,655	--	--	380,655	344,210
Investment Management Fees		10,403	--	--	10,403	7,303
Investment Property Costs		3,108	--	--	3,108	645
		394,166	--	--	394,166	352,158
Net incoming resources for charitable application		1,592,037	196,319	1,099,420	2,887,776	2,754,859
Hospice Operating Costs	(10)	1,529,789	71,076	1,120,815	2,721,680	2,677,206
Governance Costs	(10)	45,068	--	--	45,068	55,185
		1,574,857	71,076	1,120,815	2,766,748	2,732,391
Interest Payable		4,646	--	--	4,646	--
Total Resources Expended		1,973,669	71,076	1,120,815	3,165,560	3,084,549
Net incoming / (outgoing) resources before transfers		12,534	125,243	(21,395)	116,382	22,468
Gross transfers between funds	(20)	116,198	(116,198)	--	--	--
Net incoming / (outgoing) resources before other gains and losses		128,732	9,045	(21,395)	116,382	22,468
Net gains (losses) on investment assets		27,404	--	--	27,404	47,574
Net Movement in Funds		156,136	9,045	(21,395)	143,786	70,042
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,719,455	250,923	107,871	3,078,249	3,008,207
Fund Balances Carried Forward		2,875,591	259,968	86,476	3,222,035	3,078,249

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2014

	Note	Unrestricted £	Designated £	Restricted £	2014 Totals £	2013 Totals £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary Income	(2)	78,117	170,105	10	248,232	135,901
Fundraised Income	(5)	820,735	—	119,782	940,517	964,470
Gross Income - Promotions	(6)	475,812	—	—	475,812	472,128
Gross Income - Retail	(6)	2,287,847	—	—	2,287,847	1,823,707
Retail sales donated to hospice		497,760	—	3,372	501,132	404,463
Gross Income - DLT Trading	(6)	570,286	—	—	570,286	283,012
Gross Income - T&R Company	(6)	17,381	—	—	17,381	—
Gross Income - EQC Limited	(6)	118,387	—	—	118,387	21,064
Investment Income	(7)	23,285	—	—	23,285	21,720
Incoming resources from charitable activities						
Statutory Sector Grants	(8)	3,500	26,214	976,256	1,005,970	1,089,047
Fee Income Received		12,951	—	—	12,951	9,286
Other Incoming Resources		3	—	—	3	52
Total Incoming Resources		4,906,064	196,319	1,099,420	6,201,803	5,224,850
RESOURCES EXPENDED						
Costs of generating voluntary income						
Fundraising Costs	(5)	380,655	—	—	380,655	344,210
Cost of Operating Promotions	(6)	268,070	—	—	268,070	258,504
Cost of Operating Retail	(6)	1,943,338	—	—	1,943,338	1,557,628
Cost of Operating DLT Trading	(6)	567,686	—	—	567,686	280,637
Cost of Operating T&R Company	(6)	50,825	—	—	50,825	—
Investment Management Fees		10,403	—	—	10,403	7,303
Investment Property Costs		3,108	—	—	3,108	645
		3,224,085	—	—	3,224,085	2,448,927
Net incoming resources for charitable application		1,681,979	196,319	1,099,420	2,977,718	2,775,923
Hospice Operating Costs	(10)	1,529,789	71,076	1,120,815	2,721,680	2,677,206
Embrace Quality Care Costs	(6)	132,325	—	—	132,325	21,111
Governance Costs	(10)	45,068	—	—	45,068	55,185
		1,707,182	71,076	1,120,815	2,899,073	2,753,502
Interest payable		4,646	—	—	4,646	—
Total Resources Expended		4,935,913	71,076	1,120,815	6,127,804	5,202,429
Net incoming / (outgoing) resources before transfers		(29,849)	125,243	(21,395)	73,999	22,421
Gross transfers between funds	(20)	116,198	(116,198)	—	—	—
Net incoming / (outgoing) resources before other gains and losses		86,349	9,045	(21,395)	73,999	22,421
Net gains (losses) on investment assets		27,404	—	—	27,404	47,574
Net Movement in Funds		113,753	9,045	(21,395)	101,403	69,995
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,729,147	250,923	107,871	3,087,941	3,017,946
Fund Balances Carried Forward	(20)	2,842,900	259,968	86,476	3,189,344	3,087,941

KATHARINE HOUSE HOSPICE
CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2014

	2014 £	2013 £
Gross Income from continuing operations	6,201,803	5,224,850
Total expenditure of continuing operations	6,127,804	5,202,429
Net income / (expenditure) for the year before transfers and investment asset disposal	<u>73,999</u>	<u>22,421</u>
Gain / (Loss) on disposal of fixed asset investments	--	--
Net income / (expenditure) for the year	<u><u>73,999</u></u>	<u><u>22,421</u></u>

- Total income comprises:
 - £ 5,102,383 unrestricted and designated funds
 - £ 1,099,420 restricted funds
- A detailed analysis of income by source is provided in the Statement of Financial Activities.
- Net income / expenditure before asset disposals all relates to the activity of the unrestricted and restricted funds.
- Turnover of non-charitable trading activities amounted to £3,469,713 (2013: £2,599,911). Detailed analyses of the trading results are shown in Note 6 to the financial statements.
- Restricted income comprises funds raised where the donor has specified a particular use of the funds. These are described in detail in Note 20.
- All other income is unrestricted.
- Detailed analysis of the expenditure is provided in the Statement of Financial Activities at Notes 5, 10 and 11 to the financial statements.
- The summary Income and Expenditure Account is derived from the Consolidated Statement of Financial Activities on Page 23, which together with the notes to the account on Pages 29 to 43 provides full information on the movements within the year on all the funds of the Charity.

KATHARINE HOUSE HOSPICE
(Registered No. 2700516)

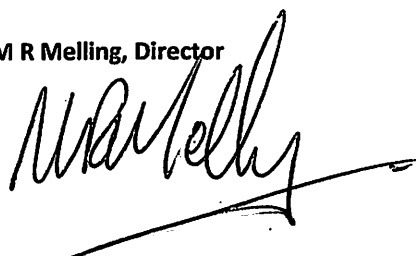
BALANCE SHEET
at 31 March 2014

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2014 Total Funds £	Unrestricted Funds £	Restricted Funds £	2013 Total Funds £
FIXED ASSETS							
Tangible assets	(15)	1,812,076	9,540	1,821,616	1,440,428	21,440	1,461,868
Investments	(16)	553,054	--	553,054	518,747	--	518,747
Investment Property	(16)	250,000	--	250,000	250,000	--	250,000
Investment in Group	(16)	5,602	--	5,602	5,602	--	5,602
		<u>2,620,732</u>	<u>9,540</u>	<u>2,630,272</u>	<u>2,214,777</u>	<u>21,440</u>	<u>2,236,217</u>
CURRENT ASSETS							
Debtors	(17)	1,005,385	--	1,005,385	878,672	--	878,672
Cash at bank and in hand		24,668	76,936	101,604	22,985	86,431	109,416
		<u>1,030,053</u>	<u>76,936</u>	<u>1,106,989</u>	<u>901,657</u>	<u>86,431</u>	<u>988,088</u>
CREDITORS	(19)	(208,763)	--	(208,763)	(146,056)	--	(146,056)
amounts falling due within one year							
NET CURRENT ASSETS		<u>821,290</u>	<u>76,936</u>	<u>898,226</u>	<u>755,601</u>	<u>86,431</u>	<u>842,032</u>
CREDITORS		(306,463)	--	(306,463)	--	--	--
amounts falling due after one year							
TOTAL ASSETS		<u>3,135,559</u>	<u>86,476</u>	<u>3,222,035</u>	<u>2,970,378</u>	<u>107,871</u>	<u>3,078,249</u>
REPRESENTED BY:							
Restricted Funds		--	86,476	86,476	--	107,871	107,871
Designated Funds		259,968	--	259,968	250,923	--	250,923
Unrestricted Funds		2,875,591	--	2,875,591	2,719,455	--	2,719,455
		<u>3,135,559</u>	<u>86,476</u>	<u>3,222,035</u>	<u>2,970,378</u>	<u>107,871</u>	<u>3,078,249</u>

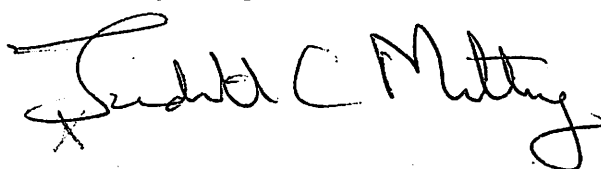
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board of Trustees meeting on 9 September 2014 and signed on its behalf by:-

M R Melling, Director



Lady Mitting, Chairman



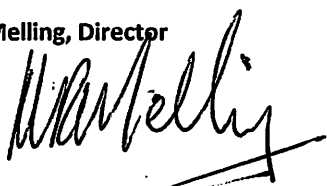
KATHARINE HOUSE HOSPICE
(Registered No. 2700516)
CONSOLIDATED BALANCE SHEET
at 31 March 2014

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2014 Total Funds £	Unrestricted Funds £	Restricted Funds £	2013 Total Funds £
FIXED ASSETS							
Tangible assets	(15)	2,015,137	9,540	2,024,677	1,669,874	21,440	1,691,314
Investments	(16)	553,054	--	553,054	518,747	--	518,747
Investment Property	(16)	250,000	--	250,000	250,000	--	250,000
		<u>2,818,191</u>	<u>9,540</u>	<u>2,827,731</u>	<u>2,438,621</u>	<u>21,440</u>	<u>2,460,061</u>
CURRENT ASSETS							
Debtors	(17)	343,889	--	343,889	223,081	--	223,081
Stock	(18)	3,535	--	3,535	1,032	--	1,032
Cash at bank and in hand		709,234	76,936	786,170	679,467	86,431	765,898
		<u>1,056,658</u>	<u>76,936</u>	<u>1,133,594</u>	<u>903,580</u>	<u>86,431</u>	<u>990,011</u>
CREDITORS	(19)	(465,518)	--	(465,518)	(362,131)	--	(362,131)
amounts falling due within one year							
NET CURRENT ASSETS		<u>591,140</u>	<u>76,936</u>	<u>668,076</u>	<u>541,449</u>	<u>86,431</u>	<u>627,880</u>
CREDITORS		(306,463)	--	(306,463)	--	--	--
amounts falling due after one year							
TOTAL ASSETS		<u>3,102,868</u>	<u>86,476</u>	<u>3,189,344</u>	<u>2,980,070</u>	<u>107,871</u>	<u>3,087,941</u>
REPRESENTED BY:							
Restricted Funds	(20)	--	86,476	86,476	--	107,871	107,871
Designated Funds	(20)	259,968	--	259,968	250,923	--	250,923
Unrestricted Funds	(20)	2,875,591	--	2,875,591	2,719,455	--	2,719,455
Subsidiary Retained Earnings		(32,691)	--	(32,691)			
		<u>3,102,868</u>	<u>86,476</u>	<u>3,189,344</u>	<u>2,980,070</u>	<u>107,871</u>	<u>3,087,941</u>

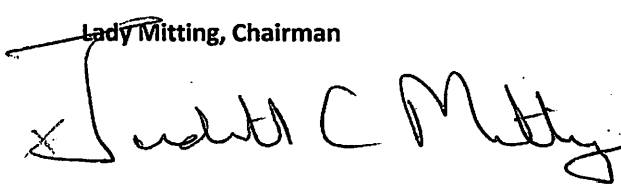
The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board of Trustees meeting on 9 September 2014 and signed on its behalf by:-

M R Melling, Director



Lady Mitting, Chairman



KATHARINE HOUSE HOSPICE
CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2014

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS		2014 £	2013 £
Net (outgoing) / incoming resources		73,999	22,421
Depreciation		165,494	139,194
Income from fixed asset investment	Note 1	(16,552)	(13,511)
Interest received		(6,733)	(64)
Interest payable on loans		4,646	--
(Increase) / decrease in Debtors		(120,808)	(137,464)
(Increase) / decrease in Stock		(2,503)	1,436
Increase / (decrease) in Creditors		72,218	(18,989)
Net cash (outflow) inflow from operating activities		169,761	(6,977)

CASHFLOW STATEMENT

Cashflow from operating activities		169,761	(6,977)
Returns on investments and servicing of finance	Note 1	18,639	21,720
		188,400	14,743
(Purchase) / Sale of fixed assets	Note 1	(503,688)	(277,746)
Payment of Corporation Tax		--	(1,191)
Financing	Note 1	337,632	--
Increase / (Decrease) in cash		22,344	(264,194)

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2014

NOTE 1 TO THE CASHFLOW STATEMENT

	2014 £	2013 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	10,621	13,511
Rents received from properties	5,931	8,145
Total Income from fixed asset investments	16,552	21,656
Other Interest received	6,733	64
Interest payable on loans	(4,646)	--
	<u>18,639</u>	<u>21,720</u>
Financing		
(Purchasing of shares in trading companies) / Issue of shares	--	(5,000)
Bank loan	353,500	--
Repayments of loan capital	(15,868)	--
	<u>337,632</u>	<u>(5,000)</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(498,857)	(199,977)
Purchase of fixed asset investments	(174,961)	(77,769)
Proceeds of sale of fixed asset investments	170,130	--
	<u>(503,688)</u>	<u>(277,746)</u>

NOTE 2 TO THE CASHFLOW STATEMENT - Reconciliation of Net Cash Flow to Movement in Net Funds

Net cash inflow / (outflow)	22,344	(272,339)
Change in net funds in the year	22,344	(272,339)
Net funds at 1 April	783,683	1,056,022
Net funds at 31 March	<u>806,027</u>	<u>783,683</u>

NOTE 3 TO THE CASHFLOW STATEMENT - Analysis of Changes in Net Funds

	As at 1 April 2013	Cash Flows	Non cash Changes	As at 31 March 2014
Cash in hand and at bank	765,898	20,272	--	786,170
Cash in current asset investments	17,785	2,072	--	19,857
TOTAL	<u>783,683</u>	<u>22,344</u>	<u>--</u>	<u>806,027</u>

NOTE 4 TO THE CASHFLOW STATEMENT - Analysis of Changes in Net Debt

	As at 1 April 2013	Cash Flows	Non cash Changes	As at 31 March 2014
Cash at hand and in bank	765,898	20,272	--	786,170
Debt due within 1 year	--	(31,169)	--	(31,169)
Debt due after 1 year	--	(306,463)	--	(306,463)
Cash in investments	17,785	2,072	--	19,857
TOTAL	<u>783,683</u>	<u>(315,288)</u>	<u>--</u>	<u>468,395</u>

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investments, and in accordance with applicable accounting standards, and the Statement of Recommended Practice (SORP 2005), Accounting & Reporting by Charities and the Companies Act 2006, and Financial Reporting Standard for Smaller Entities (April 2008).

b) Branch Accounting

There exist a number of support groups within the community raising awareness about and funds to support the work of Katharine House Hospice. Under the new SORP, Trustees consider these to be branches of Katharine House Hospice but consider the expenses involved in accounting for these Groups on a full accruals basis and auditing these accounts to be unwarranted in relation to the size of the funds generated.

c) Income and donations

Donations, bequests and similar incoming resources are accounted for when receivable by the charity, which is when the charity becomes entitled to the resource. Other income is accounted for on an accruals basis as far as it is prudent so to do. Income includes income tax recovered and recoverable. Dividend income is included in the income and expenditure account when declared. Income from the sale of donated goods through the group's retail outlets is recognised at their sales value, when the goods are sold.

d) Intangible income and expenditure

Intangible income is recognised at an estimate of value to the charity or cost to the donor, whichever is the higher and is recognised in the income and expenditure account.

e) Donation of assets

Gifts of tangible assets are included in these accounts at an estimated valuation which approximates to cost. Donations are included in the income and expenditure account as such, and in the balance sheet under the appropriate headings.

f) Irrecoverable VAT

Irrecoverable VAT is written off in the year it is recognised as such.

g) Basis for the allocation of costs

Where ever possible costs are allocated directly to the main charitable objective. When such direct allocation is not possible costs are first allocated on the basis of estimated usage and then on a proportionate basis.

h) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Capital items in excess of £5,000 are capitalised.

Depreciation is provided at rates calculated to write off the cost of fixed assets less their estimated residual value, over the expected useful lives on the following bases:-

Charity leasehold buildings	2% straight line basis
Subsidiaries leasehold buildings	10-33% straight line basis
Equipment, furniture and vehicles	20% straight line basis
General IT equipment	50% straight line basis
Household equipment	100%

During 2010/11 the trustees refreshed the entire IT infrastructure. A proportion of this has been capitalised. Whilst general IT equipment is considered to have little value after two years, the trustees consider that the infrastructure has longer term value for the charity and have therefore determined that this should be treated as equipment rather than IT and written off at 20% rather than 50%.

i) Investments

Investments are stated at market value at the year end. Gains and losses on disposal and revaluation of investments are charged or credited to the Statement of Financial Activities.

j) Investment property

The investment property is held as a medium-term investment, which will not be depreciated, and is valued as the minimum expected market value of the property at the date of the balance sheet. It is presently tenanted and has not been revalued since 31 March 2010.

k) Pensions

The Charity will contribute to the NHS superannuation scheme for those staff eligible to join. This is a national, statutory contributory, unfunded defined benefit scheme administered by the NHS Pensions Agency, an executive agency of the Department of Health. Pensions costs are assessed in accordance with the advice of the Government Actuary. For those employees who are not eligible to join the NHS superannuation scheme the charity offers a defined contribution pension scheme operated by Standard Life.

Contributions payable for the year are charged in the income and expenditure account.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

l) Fund accounting

General Funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objects of the charity and which have not been designated for other purposes. Restricted funds can only be applied to particular purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for a particular restricted purpose. The nature and purpose of each restricted fund is explained in note 20.

m) Method of consolidation

The financial statements consolidate the accounts of Katharine House Hospice and all its subsidiary undertakings using the acquisition method.

n) Deferred income

Other grants are credited to the profit and loss account as the related expenditure is incurred. Income received prior to an event which would be returnable if the event does not occur is deferred until the event has occurred.

o) Deferred taxation

Deferred tax is provided in full on timing differences which represents a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is not provided on timing differences arising from accelerated capital allowances as it is not thought that a tax charge will arise in the foreseeable future due to the charitable nature of the Holding Company. Deferred tax assets and liabilities are not discounted.

p) Operating leases

Rental applicable to operating leases where substantially all of the benefit and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

2. VOLUNTARY INCOME

	Note	2014 £	2013 £
Unsolicited donations and gifts		78,127	32,620
Legacies	(3)	170,105	103,281
		<u>248,232</u>	<u>135,901</u>

3. LEGACIES

During the year the charity was in receipt of legacies and bequests as follows:-

	No.	2014 £	No.	2013 £
Up to £10,000	12	18,060	12	35,754
£10,000 to £49,999	4	92,045	4	67,527
£50,000 to £99,999	1	60,000	--	--
Over £100,000	--	--	--	--
		<u>170,105</u>		<u>103,281</u>

4. MEMBERSHIP AND LIABILITIES OF MEMBERS

The charity is incorporated as a Company Limited by Guarantee and does not have share capital. Each member of the company has undertaken to contribute to the assets of the company in the event of it being wound up while s/he is a member, or within one year after s/he ceases to be a member, for payment of the debts and liabilities of the company contracted before s/he ceases to be a member, and of the rights of the contributions amongst themselves, such amount as may be required not exceeding £1. Each member pays a subscription fee annually. Income from membership is the annual subscription.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

5. FUNDRAISING INCOME AND EXPENDITURE

The Charity operates a fundraising department, whose objectives are: to raise funds to support the work of the Charity; to acknowledge support given to the Charity; to account for each donation given to the Charity; to raise awareness about the work of the Charity; and to raise awareness of the Charity's need for funds.

It is not always easy to determine whether certain donations have been raised as a direct consequence of fundraising activity. In presenting this assessment of the fundraising performance Trustees draw attention to the fact that activity in one year may produce income in the following year, and therefore matching income and expenditure can be extremely difficult.

The Trustees are grateful to the many tax-paying donors who are willing to sign gift aid forms, this enhances the value of the donation to the Hospice and last year raised an additional £57,353 (2013: £65,892).

The performance set out below specifically excludes: £170,105 of legacy income (2013: £103,281); £78,127 of unsolicited donations (2013: £32,620); grants from the statutory sector; and fee income derived from education, consultancy and similar.

	Unrestricted	Restricted	2014	2013
	Note	£	Total	Total
		£	£	£
Income Sources				
Individuals and groups		284,731	319,708	324,505
Donation in kind		85,000	85,000	--
Gift aid		56,510	57,353	65,892
Collections		20,970	21,078	40,808
Membership	(4)	640	640	615
Corporate Support		82,383	82,536	84,450
Trusts		38,323	122,024	194,821
Local Councillors		--	--	15,384
Events		229,510	229,510	220,508
Support groups		13,692	13,692	10,104
Tea bar income		6,622	6,622	5,076
Other sources		2,354	2,354	2,307
		820,735	940,517	964,470
Direct Costs				
Wage costs		215,695	215,695	205,672
Bought-in staff		174	174	--
Other staff costs		2,113	2,113	1,947
IT Costs		5,965	5,965	8,013
External suppliers		--	--	--
Event costs		68,696	68,696	60,333
Project costs		4,094	4,094	1,931
Tea bar costs		3,009	3,009	2,682
Other costs		18,005	18,005	7,879
Depreciation		3,891	3,891	3,593
		321,642	321,642	292,050
Support Costs				
Housekeeping		1,409	1,409	1,327
Maintenance		801	801	792
		2,210	2,210	2,119
Overhead Costs				
Administrative costs		56,803	56,803	50,041
		56,803	56,803	50,041
Total Fundraising Costs		380,655	380,655	344,210
Net Income from Fundraising			559,862	620,260

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

6. TRADING SUBSIDIARIES

A summary of the results of the subsidiary companies of the charity are set out in this note. Audited accounts have been approved by the Directors of these companies and will be filed with the Registrar of Companies.

KHH Development Ltd

KHH Development is a dormant company, established to ensure tax efficiency in the event that the hospice carries out any building works. As the company is dormant no results are shown.

KH Promotions Ltd

KH Promotions was established to operate a society lottery. The Funds for KH Promotions Limited represent 100 Ordinary Shares of £1 each.

	2014 £	2013 £
Turnover	475,812	472,128
Operational costs	(249,287)	(236,115)
Recharges paid to Katharine House	(18,783)	(22,389)
Interest Received	29	31
NET PROFIT	207,771	213,655
Gift Aid Payment to Katharine House Hospice	(207,771)	(213,655)
Retained in subsidiary undertaking	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	158,336	234,997
Liabilities	(158,236)	(234,897)
Funds	100	100

Katharine House Retail Ltd

Katharine House Retail Ltd was established to operate charity shops on behalf of the parent charity. The Funds for Katharine House Retail Limited represent 2 Ordinary Shares of £1 each and £29,200 retained profit.

	2014 £	2013 £
Turnover	2,287,847	1,823,707
Operational costs	(1,849,114)	(1,477,451)
Recharges paid to Katharine House	(99,223)	(80,177)
Interest Received	2,600	2,375
NET PROFIT	342,110	268,454
Gift Aid Payment to Katharine House Hospice	(342,110)	(268,454)
Retained in subsidiary undertaking	--	--
Retained earnings brought forward	29,200	29,200
Retained earnings carried forward	29,200	29,200
The aggregate of the assets, liabilities and funds at 31 March was:		
Tangible Assets	153,597	173,359
Assets	663,467	602,209
Liabilities	(787,862)	(746,366)
Funds	29,202	29,202

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

DLT Trading Ltd

DLT Trading is a wholly owned subsidiary of Katharine House Retail Ltd and was established to run charity shops on behalf of another charity. The Funds for DLT Trading Limited represent 1 Ordinary Shares of £1 each and retained losses of £-19,461.

	2014	2013
	£	£
Turnover	570,286	283,012
Operating costs	(510,418)	(244,637)
GROSS PROFIT	59,868	38,375
Interest Payable	(2,600)	(2,375)
Donation under Gift Aid	(57,268)	(36,000)
Retained in subsidiary undertaking	--	--
Retained earnings brought forward	(19,461)	(19,461)
Retained earnings carried forward	(19,461)	(19,461)
The aggregate of the assets, liabilities and funds at 31 March was:		
Tangible Assets	49,466	56,088
Assets	64,003	62,461
Liabilities	(132,929)	(138,009)
Funds	(19,460)	(19,460)

Trading & Recycling Company Ltd

The Trading & Recycling Company Limited is a wholly owned subsidiary of Katharine House Retail Ltd and was established to run non-charitable shops. The Funds for the company represent 1 Ordinary Shares of £1 each and retained losses of £33,444.

	2014	2013
	£	£
Turnover	17,381	--
Operating costs	(50,825)	--
GROSS PROFIT	(33,444)	--
Retained in subsidiary undertaking	(33,444)	--
Retained earnings brought forward	--	--
Retained earnings carried forward	(33,444)	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	13,515	--
Liabilities	(41,959)	--
Funds	(28,444)	--

Embrace Quality Care Limited

The Charity established a subsidiary company for the purposes of operating as a care agency. The Funds for Embrace Quality Care Limited represent 5000 Ordinary Shares of £1 each and retained losses of £13,985.

	2014	2013
	£	£
Turnover	118,387	21,064
Operating costs	(132,325)	(21,111)
GROSS PROFIT	(13,938)	(47)
Retained in subsidiary undertaking	(13,938)	(47)
Retained earnings brought forward	(47)	--
Retained earnings carried forward	(13,985)	(47)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	29,787	12,560
Liabilities	(38,772)	(7,607)
Funds	(8,985)	4,953

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

7. INVESTMENT INCOME

	Company		Group	
	2014	2013	2014	2013
	£	£	£	£
Bank Interest	20	25	49	56
Interest from Investments	6,684	8	6,684	8
Dividends	10,516	13,511	10,516	13,511
Rent	5,931	8,145	5,931	8,145
Tax reclaim	105	--	105	--
	<u>23,256</u>	<u>21,689</u>	<u>23,285</u>	<u>21,720</u>

8. STATUTORY SECTOR INCOME

The charity is in receipt of income from a number of statutory agencies. Trustees are pleased to report that the four local Clinical Commissioning Groups (Stafford and Surrounds, Cannock Chase, East Staffordshire, and Seisdon and South Staffordshire) have continued commitments to fund the hospices work.

The percentages shown are of total incoming resources on the unconsolidated SOFA, page 22.

	2014		2013	
	£	%	£	%
Local Clinical Commissioning Groups				
Support for operating the Day Unit (a)	59,000	1.80	59,000	1.90
Support for operating the Inpatient Unit (a)	552,319	16.83	563,837	18.15
Support to provide lymphoedema (a)	145,000	4.42	145,000	4.67
Support for at home team (b)	219,387	6.68	288,793	9.29
Lymphoedema treatments (c)	--	--	1,260	0.04
Stafford Borough Council (d)	3,500	0.11	3,500	0.11
NHS Pension Rebate (e)	26,214	0.80	26,214	0.84
Student placements (f)	550	0.02	1,443	0.05
	<u>1,005,970</u>	<u>30.66</u>	<u>1,089,047</u>	<u>35.05</u>

- (a) The second year of a three year recurring conditional grant the value of which is derived annually.
- (b) A conditional grant to run the At Home Team.
- (c) Specific income for the provision of care to named patients.
- (d) A continuing annual service level agreement.
- (e) The hospice is in receipt of an annual rebate from the Department of Health, paid through South Staffordshire PCT, to cover the increased costs to the employer of the NHS pension scheme.
- (f) Placements for medical students and nurses, funded by various universities.

In addition the hospice has received one off grants from local councils for specific objectives, as described below and reported in notes 5 and 20.

	2014	2013
	£	£
Staffordshire County Councillors to provide replacement doors and lymphoedema service	--	6,559
Staffordshire County Councillors to support carers	5,128	--
Stafford Borough Council for the provision of automatic doors to aid disabled people	--	3,600
East Staffordshire Borough Council for the provision of patient transport	--	1,625
East Staffordshire Borough Council for the provision of at home services in East Staffs	2,789	--
Utttoxeter Town Council for provision of spiritual support	150	--

9. FEE INCOME

The main object of the charity is to provide home care, day care and inpatient care to people in mid-Staffordshire in need of specialist palliative care. The charity makes no charge for the provision of these services. A subsidiary object is to provide training, education and other resources for those involved in the provision of specialist palliative care services. To this end a training room was built as part of the extension in 2000. Training and education is often provided without charge, but for some a fee is charged to external trainees. Furthermore, the facilities are not always in use for the objects of the charity, and at times when the facilities are idle they are available to external organisations.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

10. EXPENDITURE ANALYSIS

	Direct Staff	Direct Other	Depreciation	Recharged Direct Support	Recharged Management and Admin	2014 Total	2013 Total
Charitable Activity							
Inpatient Care	925,457	78,537	28,697	355,390	117,416	1,505,497	1,455,636
Day Care	141,548	13,115	12,541	65,233	32,349	264,786	327,163
Lymphoedema	96,351	74,734	13,818	47,532	22,116	254,551	198,337
At Home Care	295,431	20,744	2,828	60,711	42,200	421,914	502,110
Family Support	152,561	3,894	2,638	31,515	21,710	212,318	110,354
Respite for carers	4,559	94	--	461	1,686	6,800	21,133
Drop-In/ Wellbeing Day	12,431	146	2,294	9,063	11,031	34,965	39,803
Carers Support	13,070	1,139	--	3,159	3,481	20,849	22,098
Education	--	--	--	--	--	--	572
Charitable Expenditure	1,641,408	192,403	62,816	573,064	251,989	2,721,680	2,677,206
Governance (11)	18,652	10,084	--	2,693	13,639	45,068	55,185
Fundraising (5)	215,869	101,883	3,891	5,225	53,788	380,656	344,210
Recharges to Subsidiaries							
To KH Retail	131	38,294	3,431	16,867	40,500	99,223	80,177
To KH Promotions	26	751	2,212	1,509	14,285	18,783	22,389
Total Recharges	157	39,045	5,643	18,376	54,785	118,006	102,566
Total Expenditure				599,358	374,201	3,265,410	3,179,167
Direct Support Services							
Management of Care	117,219	64,727	2,568			184,514	185,263
Catering	51,420	21,804	567			73,791	72,987
Laundry	--	7,828	887			8,715	8,476
Housekeeping	44,250	26,076	138			70,464	66,341
Property Costs	31,836	48,296	--			80,132	79,216
Administration	51,522	125,117	5,103			181,742	179,229
Total Direct Support	296,247	293,848	9,263			599,358	591,512
Overhead Costs							
Management	100,589	108,058	4,331			212,978	147,610
Finance	49,264	(17,134)	2,924			35,054	43,606
Personnel	32,091	1,636	1,778			35,505	31,487
Voluntary Services	28,506	4,171	875			33,552	28,350
Marketing	41,853	15,259	--			57,112	74,670
Total overhead	252,303	111,990	9,908			374,201	325,723
Total Direct Expenditure	2,424,636	749,253	91,521				

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

11. GOVERNANCE COSTS

	2014	2013
	£	£
Allocation of the costs of Management Time	18,652	27,230
Professional advice to trustees	2,100	960
Trustee Indemnity Insurance	1,164	740
Audit and accountancy fees	6,330	6,000
Other Costs	490	640
Direct Support Recharge	13,639	16,330
Management and Admin Recharge	2,693	3,285
	<u>45,068</u>	<u>55,185</u>

12. SPECIFIC CHARGES TO EXPENDITURE

Audit fees for the group were £12,200 (2013: £9,638).
Directors expenses were £NIL (2013: £NIL), see note 13.

13. TRUSTEES' REMUNERATION AND EXPENSES

None of the directors or connected person received any remuneration during the year, nor did they have any financial interest in the Company's activities (2013: £NIL). The secretary received expenses of £NIL (2013 - £NIL).

14. EMPLOYEE NUMBERS AND COSTS

The number of staff and whole time equivalents employed by the charity, analysed by function was:

Company				
	2014		2013	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	68	47.57	70	46.75
Medical and Therapies	3	1.20	3	1.20
Ancillary	17	7.84	19	7.70
Fundraising	8	7.70	8	7.28
Administration / Management	27	14.95	23	12.55
	<u>123</u>	<u>79.26</u>	<u>123</u>	<u>75.48</u>

Group				
	2014		2013	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	78	48.91	71	46.82
Medical and Therapies	3	1.20	3	1.20
Ancillary	17	7.84	19	7.70
Generating Funds	145	86.80	102	58.10
Administration / Management	27	14.95	28	15.78
	<u>270</u>	<u>159.70</u>	<u>223</u>	<u>129.60</u>

The costs of employment were:

	Company		Group	
	2014	2013	2014	2013
	£	£	£	£
Salary	1,961,188	1,918,074	3,437,582	2,898,087
National Insurance	149,269	146,523	230,747	206,110
Pension	145,943	139,098	153,543	146,069
	<u>2,256,400</u>	<u>2,203,695</u>	<u>3,821,872</u>	<u>3,250,266</u>
Non-payroll staff	207,061	197,315	216,370	207,202
	<u>2,463,461</u>	<u>2,401,010</u>	<u>4,038,242</u>	<u>3,457,468</u>

The number of staff whose emoluments exceeded £60,000 during the year was:

	Company		Group	
	2014	2013	2014	2013
£60,001 - £70,000	1	1	1	1

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

15. TANGIBLE FIXED ASSETS

COMPANY	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Cost					
At 1 April 2013	1,826,382	241,803	101,353	87,465	2,257,003
Additions	312,325	114,056	24,888	—	451,269
At 31 March 2014	<u>2,138,707</u>	<u>355,859</u>	<u>126,241</u>	<u>87,465</u>	<u>2,708,272</u>
Depreciation					
At 1 April 2013	476,001	195,878	56,410	66,846	795,135
Charge for the year	40,690	20,828	21,098	8,905	91,521
At 31 March 2014	<u>516,691</u>	<u>216,706</u>	<u>77,508</u>	<u>75,751</u>	<u>886,656</u>
Net Book Value					
At 31 March 2014	<u>1,622,016</u>	<u>139,153</u>	<u>48,733</u>	<u>11,714</u>	<u>1,821,616</u>
At 1 April 2013	<u>1,350,381</u>	<u>45,925</u>	<u>44,943</u>	<u>20,619</u>	<u>1,461,868</u>
GROUP					
Cost					
At 1 April 2013	2,038,505	264,202	153,353	165,887	2,621,947
Additions	327,016	121,157	26,484	24,200	498,857
Disposals	—	—	—	—	—
At 31 March 2014	<u>2,365,521</u>	<u>385,359</u>	<u>179,837</u>	<u>190,087</u>	<u>3,120,804</u>
Depreciation					
At 1 April 2013	532,554	210,480	87,850	99,749	930,633
Charge for the year	79,028	25,448	37,366	23,652	165,494
Disposals	—	—	—	—	—
At 31 March 2014	<u>611,582</u>	<u>235,928</u>	<u>125,216</u>	<u>123,401</u>	<u>1,096,127</u>
Net Book Value					
At 31 March 2014	<u>1,753,939</u>	<u>149,431</u>	<u>54,621</u>	<u>66,686</u>	<u>2,024,677</u>
At 1 April 2013	<u>1,505,951</u>	<u>53,722</u>	<u>65,503</u>	<u>66,138</u>	<u>1,691,314</u>

The Net Book Value of the Groups assets at 31 March 2014 represents Fixed Assets used for:

	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Care and education	1,125,343	42,208	18,576	11,714	1,197,841
Fundraising	77,040	23,957	4,439	—	105,436
Retail Subsidiary	193,555	29,444	10,327	54,972	288,298
Trading Subsidiary	15,408	5,110	3,257	—	23,775
Support Services	52,071	—	473	—	52,544
Administration	290,522	48,712	17,549	—	356,783
	<u>1,753,939</u>	<u>149,431</u>	<u>54,621</u>	<u>66,686</u>	<u>2,024,677</u>
Restricted Assets (20)	—	9,540	—	—	9,540
Unrestricted Assets	<u>1,753,939</u>	<u>139,891</u>	<u>54,621</u>	<u>66,686</u>	<u>2,015,137</u>
	<u>1,753,939</u>	<u>149,431</u>	<u>54,621</u>	<u>66,686</u>	<u>2,024,677</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

16. FIXED ASSET INVESTMENT - Company and Group

	2014		2013	
	£	%	£	%
At 31 March 2014 investments were held as:				
UK securities	370,071	66.9	391,567	75.5
Overseas securities	108,746	19.7	35,308	6.8
Other assets	—	—	38,189	7.4
Property Funds	32,672	5.9	13,864	2.7
Absolute return	21,708	3.9	22,034	4.2
Total Invested Funds	533,197	96.4	500,962	96.6
Cash held for investment	19,857	3.6	17,785	3.4
Total Funds in Investment portfolio	553,054	100	1,019,709	100

	2014	2013
	£	£
Listed investments		
Market Value at 31 March	500,963	375,620
Less Disposals at opening book value (proceeds £170,130)	(149,815)	—
Add acquisitions at cost	174,961	77,769
Net gain/(loss) on revaluation at 31 March	7,088	47,574
Market Value at 31 March of listed investments	533,197	500,963
Historical Cost at 31 March	483,092	429,676

All investments are held in unrestricted funds. The net gains and losses on revaluation are based on the market value of investment provided by William de Broe plc who manage the fund on behalf of the trustees.

INVESTMENT PROPERTY - Group and Company

	2014	2013
	£	£
Net book Value - brought forward	250,000	250,000
Net book Value - carried forward	250,000	250,000

The trustees have considered the value of the investment property and have determined that in their opinion it is not materially different to that stated.

The charity also received and disposed of a property within the year at a value of £85,000.

FIXED ASSET INVESTMENT - Company

The company's investments at the balance sheet date in the share capital of unlisted companies comprising:

	2014	2013
	£	£
KH Promotions Limited	100	100
Katharine House Retail Limited	2	2
Embrace Quality Care Limited	5,000	5,000
KHH Development Limited	500	500
	5,602	5,602

Results for the year are shown in note 6.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

17. DEBTORS

	Company		Group	
	2014	2013	2014	2013
	£	£	£	£
Intercompany accounts	777,882	782,978	–	–
Trade debtors	–	–	10,548	5,908
NHS pharmaceutical supplies	11,389	11,861	11,389	11,861
HMRC - tax and social security	101,652	56,820	126,540	103,660
Other debtors	16,852	250	21,122	1,496
Accrued legacy income	97,000	–	97,000	–
Prepayments	610	26,763	73,415	96,281
Deposits provided	–	–	3,875	3,875
	<u>1,005,385</u>	<u>878,672</u>	<u>343,889</u>	<u>223,081</u>

The intercompany accounts are the balance of funds to be transferred to the Hospice in respect of gift aid payments for the year. The balances are payable on demand. In view of the nature of the balances, interest is not charged by the Hospice on the outstanding amounts, nor has it taken security for the balances.

18. STOCK

	Company		Group	
	2014	2013	2014	2013
	£	£	£	£
Christmas Cards	–	–	3,535	1,032

19. CREDITORS

Amounts due in under one year

	Company		Group	
	2014	2013	2014	2013
	£	£	£	£
Bank Loans	31,169	–	31,169	–
Intercompany account	–	2,627	–	–
Share capital KHH Development Ltd	500	500	–	–
Payments on account	–	–	174,066	156,790
Trade creditors	127,895	90,641	179,249	136,531
Accruals	21,651	15,547	39,848	31,080
Deferred income	22,358	31,581	22,358	31,581
Other creditors	5,190	5,160	18,828	6,149
	<u>208,763</u>	<u>146,056</u>	<u>465,518</u>	<u>362,131</u>

Amounts due after one year

	Company		Group	
	2014	2013	2014	2013
	£	£	£	£
Bank Loans	306,463	–	306,463	–

This is a term loan of 15 years, with an option to repay early at year 5 with no penalty, at 2.16% above base rate. The loan is secured on two premises owned by the hospice: Unit I Priestly Court, Stafford and 150 Weston Road, Stafford.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

20. FUNDS

General, Designated and Restricted Funds

	General Funds £	Designated Funds £	Restricted Funds £	Total Funds £
Income	4,906,064	196,319	1,099,420	6,201,803
Expenditure in generating funds	(3,224,085)	--	--	(3,224,085)
Financing costs	(4,646)	--	--	(4,646)
	<u>1,677,333</u>	<u>196,319</u>	<u>1,099,420</u>	<u>2,973,072</u>
Opening value of funds	2,729,147	250,923	107,871	3,087,941
Transfers (to) / from general funds	116,198	(116,198)	--	--
Gains / (losses) on investment assets				
Realised	20,316	--	--	20,316
Unrealised	<u>7,088</u>	<u>--</u>	<u>--</u>	<u>7,088</u>
	<u>4,550,082</u>	<u>331,044</u>	<u>1,207,291</u>	<u>6,088,417</u>
Charitable expenditure	(1,707,182)	(71,076)	(1,120,815)	(2,899,073)
Closing value of funds	<u>2,842,900</u>	<u>259,968</u>	<u>86,476</u>	<u>3,189,344</u>

Restricted Funds

Details of restricted funds are shown overleaf. The purposes of these funds are described below and overleaf.

The capital and equipment funds are primarily for the purchase of items of equipment or refurbishments. The assets purchased remain restricted until the asset has been written off. Some have small cash balances which are used in the maintenance of the asset. The day care equipment fund has been built up to purchase equipment for the development of a therapies day within the service.

The revenue funds to operate specified services are generally funds that are expected to be spent within 12 months to support the operation of whole services. Within some of these funds there are more specifically restricted donations for specific elements of the services. Expenditure against these funds is only ever for direct costs of running the services, not for recharges or overheads.

The other revenue funds for specified purposes are funds for use in the provision of aspects of services or for provision not specific to a service. The multi-disciplinary team fund is to assist the hospice to develop its multi-disciplinary team, and in 2011/12 two part-time social workers were appointed, with future funds going towards Occupational Therapy, Physiotherapy, and support of the family.

The patients comfort funds are to acquire unusual items such as Christmas presents solely for the benefit of individual patients.

The Awards 4 All fund was originally to support patient transport services to the lymphoedema service, the original grant has been used up but other donors continue to provide resources for this specific purpose.

The Keele Medical Students fund originally purchased equipment for use whilst medical students visit the hospice on placements. It continues mainly to fund support of medical students.

The Medical Staffing Day Care fund helped establish the provision of specific medical sessions for day care patients.

The memorial funds are for capital equipment bought in memory of someone close to the donors, usually a former patient of the hospice. The Shân Parkes fund is in memory of the Advanced Nurse Practitioner and former IPU Sister, the funds were added to after the year end and a stained glass window was purchased for the small chapel.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

(Continued)

Details of all major restricted funds are set out below:

Fund	Movements on Restricted Funds				Closing value held as:		
	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £	Vehicles Equipment Fixtures and Fittings £	Net Current Assets £
Capital and Equipment funds:							
Day Care Equipment	9,838	11,352	(1,013)	--	20,177	--	20,177
IPU Refurbishment and Equipment	3,482	4,017	(7,499)	--	--	--	--
- Tilly's Fund	--	4,215	--	--	4,215	--	4,215
Lymphoedema Equipment	6,116	2,777	(5,407)	--	3,486	--	3,486
Clothworkers Fund	13,700	--	(6,300)	--	7,400	7,400	--
Awards for All - Cross care roll out	1,052	--	(1,052)	--	--	--	--
Minibus fund	371	--	(371)	--	--	--	--
IPU French Windows	3,820	--	(1,680)	--	2,140	2,140	--
Multi-sensory Equipment	1,543	--	--	--	1,543	--	1,543
Revenue funds to operate specified services:							
Lymphoedema Services	17,986	2,323	(18,736)	--	1,573	--	1,573
IPU Fund	18,647	--	(10,801)	--	7,846	--	7,846
At Home Team fund	--	15,690	(192)	--	15,498	--	15,498
Embrace Quality Care fund	--	1,123	(169)	--	954	--	954
David Wright Acupuncture Clinic	1,061	--	--	--	1,061	--	1,061
PCT Support of IPU	--	552,319	(552,319)	--	--	--	--
PCT Support of At Home Team	--	219,387	(219,387)	--	--	--	--
PCT Support of Day Care	--	59,000	(59,000)	--	--	--	--
PCT Support of Lymphoedema	--	145,000	(144,763)	--	237	--	237
Carers Group	--	8,628	(7,796)	--	832	--	832
Complementary therapies at home	--	1,147	(1,147)	--	--	--	--
Day Therapies Fund	2,225	551	(48)	--	2,728	--	2,728
Well being Day	4,545	5,150	(9,695)	--	--	--	--
Spiritual Support	1,225	3,820	(726)	--	4,319	--	4,319
Nutrition Project	1,000	--	(1,000)	--	--	--	--
Other revenue funds for specified purposes:							
Multi-disciplinary Team	11,342	48,000	(59,342)	--	--	--	--
Patients Comfort Fund Day Care	3,028	202	(530)	--	2,700	--	2,700
Patients Comfort Fund IPU	1,906	636	(434)	--	2,108	--	2,108
Diversional Therapies	1,415	--	(161)	--	1,254	--	1,254
IPU Staff Gift	585	--	--	--	585	--	585
Awards 4 All / Patient Transport	--	12,010	(9,406)	--	2,604	--	2,604
Staff Education	410	1,000	(1,410)	--	--	--	--
Keele Medical Students Fund	2,328	550	--	--	2,878	--	2,878
Garden Fund	246	--	(246)	--	--	--	--
Aromatharapy Fund	--	225	(185)	--	40	--	40
Memorial Funds							
Shân Parkes (Window fund)	--	298	--	--	298	--	298
	107,871	1,099,420	(1,120,815)	--	86,476	9,540	76,936

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

(Continued)

Designated Funds

The trustees have established six designated reserves from within the free and unrestricted funds available. The primary purpose of these funds is to assist the charity in managing its reserves and financial risks, particularly in the light of known future commitments, unexpected failure of income and larger one off items of expenditure.

Movements on Designated Funds:

Designated Fund	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £
Repairs and Renewals Fund	35,000	--	--	10,000	45,000
Renewal of IT fund	30,000	--	12,121	10,121	28,000
Training and Development Fund	8,923	--	8,955	10,000	9,968
Legacy Equalisation Fund	100,000	170,105	--	(170,105)	100,000
NHS Pension Rebate Fund	27,000	26,214	--	(26,214)	27,000
Review of premises	50,000	--	50,000	--	--
Transforming end of life tender	--	--	--	50,000	50,000
	250,923	196,319	71,076	(116,198)	259,968

The Repairs and Renewals fund has been established to assist in budgeting the Hospices' annual expenditure. The tendency has been to over-budget in certain areas to cover "emergency" expenditure. This fund will enable trustees to allocate larger items of expenditure on maintenance and repair costs against this fund rather than the general funds.

The renewal of IT fund is to be built up to accommodate expected expenditure on the refreshing of IT sometime between 2020 and 2022.

The Training and Development fund has been established to ensure that commitments to staff development can be funded. In particular this fund will support staff through Masters, Diploma and Degree courses, as well as the professional development of nursing staff to become prescribers.

The Legacy Equalisation fund has been established to help trustees make sound financial decisions without reference to legacy income. The Hospice's legacy income has varied from as low as £35k to as high as £567k in the last seven years. This creates a great deal of uncertainty when setting budgets at the beginning of the year. By establishing this fund trustees will be able to use these funds in the event of a shortfall in legacy income against the annual budget. This will enable trustees to make robust decisions on the commitment of expenditure to new or existing projects over a three year period. The 2014/15 budget for legacies is £100,000.

The NHS Pension Rebate fund has been established to recognise the uncertain nature of this rebate. The Hospice is opted into the NHS Pension Scheme. Following an increase in employer contributions to the scheme in 2004 the NHS provided a rebate to hospices. After an initial three year period this rebate has continued annually, but is not certain to continue. This fund will give the Hospice one year to put in place necessary contingency arrangements to manage the loss of this high risk income.

The transforming end of life tender fund has been established to help the hospice to participate in tendering for the contract for transformmming end of life care. A provisional sum of £50,000 has been set aside to pay for technical professional advice on legal and accounting matters, and to pay for external organisations to help write the bid, which is a specialist activity beyond the scope and experience of the hospice's management team.

21. TRANSFERS BETWEEN FUNDS

	Transfers In	Transfers Out	Net Transfers
General Funds	196,319	(80,121)	116,198
Designated Funds:			
Repairs and Renewals	10,000	--	
Renewal of IT fund	10,121	--	
Training and Development Fund	10,000	--	
Transforming end of life tender	50,000	--	
Legacy Equalisation Fund	--	(170,105)	
NHS Pension Rebate Fund	--	(26,214)	
	80,121	(196,319)	(116,198)

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014**

(Continued)

22. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The charity has no capital commitments at 31 March 2014.

Operating Lease Commitments - Company and Group

At 31 March 2014 the charity had annual commitments under non-cancellable operating leases as follows:

	At 31 March 2014	At 31 March 2013
Expiring in 2 to 5 years	256,750	236,000
Expiring after 5 years	67,000	38,500

23. POST BALANCE SHEET EVENTS

The hospice has: sold its investment property at a value of £275,000; closed the Trading and Recycling Company Limited, with further expected losses of £30,000; and carried out essential maintenance work to the roof of day therapies at a cost of £22,000.