



embracing life and living

"How We Are Doing"

OUR DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

A Company Limited by Guarantee not having share capital

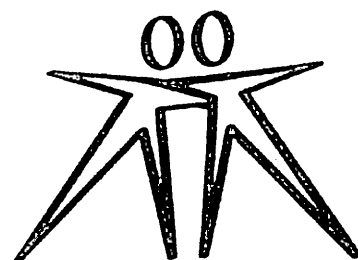
Registered company number 2700516

Registered charity number 1011712

day therapies wellbeing day in-patient care at home care lymphoedema service family support

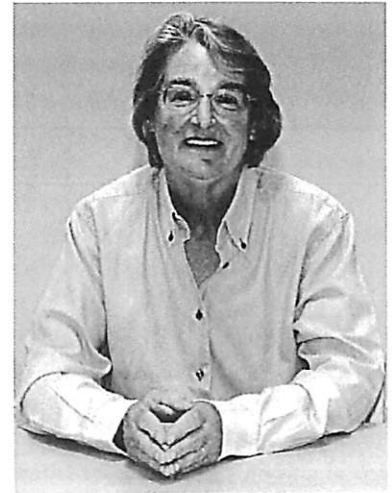
Contents

Pages	2-5	Chairman's statement
	6 – 22	Report of the Trustees and Directors
	23 – 24	Report of the Independent Auditors
	25	Katharine House Hospice Statement of Financial Activities
	26	Consolidated Statement of Financial Activities
	27	Consolidated Summary Income and Expenditure Account
	28	Katharine House Hospice Balance Sheet
	29	Consolidated Balance Sheet
	30	Consolidated Cash Flow Statement
	31	Notes to the Cash Flow Statement
	32 – 46	Notes to the Financial Statements



Chairman's Statement

2014/15 saw Katharine House celebrate its Silver Jubilee, an event marked by the unveiling of a beautifully engraved commemorative stone, both the stone and the engraving having been very kindly donated. Such an anniversary is always a time not only to look forward but to look back and it is right that we should look back because in so doing we celebrate the achievements of those who have gone before us. We celebrate the vision of our founding Trustees and we celebrate the passion and hard work of our staff and volunteers, past and present, but above all we celebrate the continuous and unstinting commitment and generosity of the community we serve. We have evolved in a changing world from a volunteer run Hospice At Home service to the Hospice you see today and it was a pleasure to mark with a tea party in May 2015 our 10,000th patient. Demand for our service, delivered free to patients and their families, continues to grow apace.



*Katharine House Hospice
Chairman Lady Mitting*

It was fitting that in this Jubilee year the Hospice was one of the chosen charities of the Mayor of Stafford, Councillor Ray Sutherland. I pay tribute to Councillor Sutherland not only for his fundraising efforts but for his commitment to the Hospice in terms of the time he spent with us and the number of events he celebrated with us.

In my last Statement, I reported on the retirement of our Director of Nursing Services, Catherine Howlett, and the pending appointment of Jackie Kelly to be our Director of Care Services. Jackie took up her role on 1st September 2014 and has settled in superbly. She is committed to a multi-professional approach centred around a high quality nursing and care team and will ensure that exceptional patient care continues to be at the heart of all that we do.

We responded to the continued increase in demand for our Lymphoedema Services with an expansion of our Clinic in Spring 2015. An additional clinic room was developed and staffing increased to allow the delivery of more treatment sessions. This has reduced the waiting time for first assessment following referral and for subsequent treatments, thus enabling us to support more individuals living with lymphoedema and improving their quality of life.

Penny Graysmith, our Chaplain, in her role as Family Support Team Leader has overseen the further development of the support which the Hospice offers to carers and families. Penny is always very keen to stress that the word 'family' carries a very broad meaning and encompasses everyone of importance to the patient. Last year saw us successfully raise funds for a new support group for carers of working age. This service will be offered in conjunction with CASS (Carers Association Southern Staffordshire). We also supported the development of the Berkswich Good Neighbour Scheme to help local people stay independent whilst providing friendly contact and making sure they are safe and well. In the coming year we wish to continue to focus on support in the community and intend to introduce a new volunteer role offering companionship to patients in their own home, for example whilst their carer attends one of our support groups. Contact will also be maintained with patients who are discharged from the Hospice's services.

Work began on a new care centre in Uttoxeter which will support improved end-of-life care. Holly Road Supportive Care Centre is a partnership project between St Giles Hospice, Katharine House Hospice and The Hermitage Charity Care Trust and has been funded thanks to an award from the Lottery-backed Heath Big Local investment initiative. The Centre is due to open in late summer, 2015. A variety of day therapies will be delivered there by Katharine House and St Giles Hospices. These will include lymphoedema management, bereavement care and complementary therapies.

Our volunteers form the backbone of the Hospice. Without their contribution, the Hospice quite simply would not exist and I cannot think of a single one of our many activities in which volunteers are not involved. Their numbers continue to grow and masterminded and inspired by Bev Wheat, our Head of Human Resources, they have in this current year contributed more hours than ever before.

In particular, as our retail outlets have expanded so have our absolutely crucial retail volunteers. It can sometimes be difficult for our retail teams to feel an integral part of the Hospice because by the nature of their roles they are located away from the Hospice. It is important that they should feel involved and appreciate how much they are valued and it was a pleasure to see so many at the last Volunteers Thank You Evening.

I was particularly pleased to be invited by the Support Group Forum to one of their quarterly meetings in March. The Support Groups, representing Colwich & the Haywoods, Eccleshall, Gnosall, Stafford, Stone and Uttoxeter, have raised in the last twenty five years over £250,000 but more than that, they take the name of Katharine House and our services into their communities. Our thanks and congratulations to all of them.

We were delighted to welcome onto the Board this year four new Trustees. Allison Cape and Terry Mingay both come with extensive clinical and managerial experience in the NHS. Bernard Bester's background is at the senior levels of Social Care where he held operational, budgetary and strategic responsibilities. Karen Overmass, prior to her taking early retirement, was Human Resources Director to a large international corporation. Their skills and competencies complement those of the existing Trustees and we welcome them wholeheartedly onto the Board.

It has always been a pleasure to work with my fellow Trustees and the call on their time and skills goes far beyond attending the Board meetings. All are members of one or more of the Board's Committees, where a huge amount of Trustee business is enacted and where their individual skills and knowledge is vital. Trustees have this year continued to carry out a significant number of audits and announced and unannounced inspections. This is primarily as an essential part of our governance responsibility but it also gives us a hugely enjoyable insight into the day to day running of the Hospice. As always my thanks to all my fellow Trustees.

Our reliance on donations and the support of our community is increasing as we struggle to raise the funds we need to provide our full range of services. At the same time we see that the potential to increase our income generation is becoming harder. Our lottery is reaching maturity, and whilst we constantly refresh our fundraising activities our catchment area is limited and further growth will take ingenuity and initiative. In order to increase the potential of our fundraising and lottery activities these two departments have been combined. Of particular note last year was the launch of a major giving initiative by Barry Baggott, a non-executive Director of our Retail Board. This was a welcome boost to our funds in 2014/15 and we hope will form a platform for further fundraising from major givers in 2015/16.

The main income generation priority last year was to continue to develop our retail initiatives. In particular we relocated our traditional charity shop in Stafford town centre to a larger premises and it now operates more like a 'superstore'. The funds generated by this store have increased considerably and customers now contribute more than ever before to our cause. Last year also saw us continue to develop the retail transport operation which has enabled us to commence a small house clearance operation which is growing well.

In a departure from our regular retail models we have commenced a joint initiative with FCC the private contractor that won the household waste recycling contract with Staffordshire County Council. The first unit opened at Cannock in July 2014. In this venture they supply and transport the goods and we run the unit selling and auctioning goods off. It is still too early to forecast what we will raise but the potential is considerable.

I have been overwhelmed by the efforts and commitment of individuals raising substantial sums of money in ever more awe inspiring challenges. Last year saw a multitude of activities including a Sahara Trek; a Ben Nevis climb; skydives; cycle rides and walks across the Pyrenees, in the Italian Alps, London to Paris, Coast to Coast and from Land's End to John O'Groats.

It was a great sadness to the Hospice during the year to hear of the deaths of Norman Potter and Jane Revell. Norman Potter, founder trustee and long-serving volunteer, was vice-chairman of the charity, and chairman of the development company that built the Hospice. Norman retired as a trustee in 2000, but continued to volunteer. I know that it gave John Gibson, my predecessor, great pleasure to present Norman and his wife Joan with their 25 year badges. Norman will be sadly missed by us all but I have been delighted to see Joan continue as a volunteer and to have attended so many Hospice events since. Jane Revell was the driving force behind the establishment of a dedicated Lymphoedema Service at Katharine House Hospice, a service that she started from nothing and last year carried out nearly 1,900 treatments. Jane's contribution to the Hospice over the last 12 years has been immeasurable and her death is a huge loss to all of us who were so fond of her. Sadly last year also saw the death of a number of long serving volunteers, all of whom will be greatly missed.

Significant changes will be taking place in the NHS's commissioning of end of life care in our locality. Four local NHS Commissioners intend to appoint a single "service integrator" to streamline the care provided for people at the end of their lives. We will continue to engage with this "Transforming End of Life Care" programme. At present it is extremely difficult to define a specific future direction for Katharine House because we want to ensure our services integrate into the future services that the new service integrator designs.

We are continuing to widen access to our services to include reaching out to more people with non-cancer conditions and in so doing to pursue working partnerships with other providers. As we strive to improve care for patients in the community we will be developing a joint end of life district nursing role in partnership with Staffordshire and Stoke-on-Trent Partnership Trust, and facilitating the relocation of the Macmillan community nursing team into the Hospice building. We hope to enhance the provision of consultant palliative care by developing a joint proposal with other providers to recruit a new Consultant in Palliative Medicine.

Nationally there is still a misunderstanding of the role of Hospices. This can lead to fears and misgivings which inhibit people from accessing the services of their local hospice. Hospice UK is working on this in the national arena and we at Katharine House will be focussing on this at a local level.

During this Jubilee year we took the opportunity to review our core organisational values. It was heartening to reflect that the importance we placed on valuing people, excellence, and innovation is as profound now as it has always been. I know that the Executive and Operations Teams plot their various courses with these values as their compass. My thanks and congratulations go to both these Teams for their hard work and enthusiasm throughout the year. Their roles and the integration between them continue to evolve, and every sign is good that they are developing a sound and effective working relationship. I thank especially our Chief Executive Richard Soulsby. It is, as I have said before, a privilege to work with him and he continues to guide and drive the Hospice forward.

Finally, speaking on behalf of all those patients and their families who have and who will continue to derive benefit from our services, 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.



Lady Mitting
Chairman

Report of the Trustees and Directors

1. Objectives and Activities – what we do

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

“To promote the relief of sickness and suffering ... and in particular ...:

- a) To promote by the establishment of day or domiciliary care the relief of persons ... who are suffering (at any age) from any chronic or terminal illness or from any disability or disease ... and to establish, maintain and manage a Hospice Hospital or Residential Home and all ancillary services for such persons;

The Mission of the charity is

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

- 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 ...;
- c) By promoting or encouraging or assisting in the teaching or training of doctors, nurses, physiotherapists and other persons ... 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 ... 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 31st March 2015 the charity provided:

- A day therapies service for 4 days per week, for up to 15 patients per day
- A 10 bedded inpatient unit which operates 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 up to 15 patients per 6 week programme
- A Lymphoedema service
- Family Support services, including Counselling and Bereavement support services, complementary therapies, occupational therapy, physiotherapy and social work support
- A carers' support service
- A respite sitting service
- A volunteer run transport service for patients, using two minibuses and volunteers' own cars.



All these services are provided free of charge to support people affected by either a cancer or a non-cancer diagnosis.

To ensure that these services can be delivered at no charge to the beneficiaries, the charity also carries out retail, fundraising and lottery activities.

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.

1.1 Current Aims:

The current aims of the charity are to:

- Relieve the sickness and suffering of more people through the services presently funded by the charity
- Achieve an increase in income to enable us to develop services in response to what patients and their families need.

1.2 Review of significant activities

2014/15 has been a year of consolidation. The future of the Hospice's care services are overshadowed by the current tender of End of Life care services across North and Mid-Staffordshire. The Hospice has therefore seen a year in which our services have broadly continued in a steady state. There was an increase in the occupied bed days of 1.5% but a reduction in the number admissions by 6% as we cared for more dependent patients in the unit.

Community services saw an increase of 22.6% in the number of referrals resulting in an increase of 2.6% in the number of contacts in the community, whilst we increased the provision of respite-for-carers sits from 468 hours to 670.

The day therapies unit has been extremely busy, with an increase of 6.4% in attendances for day therapies. There was a 3.7% fall in attendances at the wellbeing day service.

The untimely death of a key member of the lymphoedema service has meant a six month reduction in the number of treatments we have been able to carry out, so treatments fell to 1,880 and 10.8% reduction. New proposals for the development of the team have been approved by the trustees and will be implemented during 2015/16.

Support of patients and families through counselling, chaplaincy, social workers, and complementary therapists have continued to flourish during the year.

In raising funds the retail operations have proved disappointing in difficult times. The performance is somewhat distorted by the development of a large store in Stafford and a new venture with FCC Environment, a partnership with a commercial company that has provided some challenges to both parties. Further developments also took place within the DLT Trading Ltd subsidiary. Whilst Gross revenues increased considerably, so too did the operating costs, resulting in no additional revenues flowing to the Hospice. However, the benefit of the investments made should be felt during the coming year, especially with a strong focus on cost management.

Fundraising and lottery both had a positive year, with the decline in lottery membership appearing to have slowed down, halted, and now beginning to show signs of increasing again.

1.3 Key objectives for 2015/16 and plans for achieving them:

- 1. Engage with the transforming End of Life Care programme**
 - *The Hospice continues to engage with potential bidders for this tender – including more extensive engagement with another public sector bid.*
- 2. Explore how to make services more appealing to referrers and service users in order to increase access.**
 - *Hold focus groups with key audiences*
 - *Develop and introduce sub-brands for care services as needed*
- 3. Continue to grow the services of Embrace Quality Care**
 - *Address recruitment challenges*
 - *Undertake promotional activity once staffing levels support an increase in activity*
- 4. Improve quality and integration of care for end of life patients in the Stafford and the surrounding community**
 - *Facilitate the relocation of the Macmillan community nursing team into the main Hospice building*
 - *Develop a joint end of life district nursing role in partnership with Staffordshire and Stoke-on-Trent Partnership Trust*
- 5. Support the enhancement of consultant palliative care available to the residents of Stafford and Cannock**
 - *Develop a joint proposal with other providers*
 - *Participate in the recruitment of a new Consultant in Palliative Medicine*
- 6. Maintain deficit below £150k**
 - *Review profitability across the retail business*
 - *Halt the decline in lottery membership*
 - *Appoint a Finance Manager*
- 7. Continue to develop the Executive and Operational Teams**
 - *Review effectiveness and introduce plans to advance the individual teams and liaison across the teams*

1.4 Future Plans - medium term strategic goals

- Continue to deliver and increase access to the existing services
- Reach patients earlier in their diagnosis
- Develop community and in-reach services
- Increase the number of patients with non-cancer conditions who access our services

- Ensure the financial sustainability of the current operations
- Develop partnerships with other organisations
- Support Stafford and Surrounds Clinical Commissioning Group and Cannock Chase Clinical Commissioning Group in the delivery of good quality End of Life care

15 Vital Volunteer Support

The Hospice is fortunate enough to have the support of 631 volunteers (2014: 646) who provide their time, energy and enthusiasm free of charge. 419 volunteers work within the Hospice and a further 212 support the work of the retail department

"Volunteering at Katharine House is one of the best things that I have ever done and it is a very special place"

The main volunteer roles include: support of day therapy and in-patients, bereavement support, massages for patients, pastoral care, lymphoedema administration, catering, driving, reception, gardening, administration, money counting, fundraising, and finance, as well as some one-off project roles, and of course our Trustee roles. Retail roles include sorting donations, cleaning and preparing donated items for sale, and serving customers.

The Hospice regularly hosts successful work placements for younger volunteers, from age 14 upwards. In addition a number of local companies recognise the value of volunteering and encourage their employees to volunteer as groups or on an individual basis. As individuals these volunteers provide valuable specialist skills, and as larger groups they undertake projects such as gardening, painting or even valeting the Hospice's minibuses.

The Trustees are extremely grateful not only for the service provided by our volunteers, but also for the many ways in which they enrich the charity. If the charity had had to pay the minimum wage for these hours of work the cost to the charity would have been in excess of £473,000 (2014: £318,636).

Hours of voluntary service



2. Achievements and Performance

2.1 Progress Against 2014/15 Objectives

The objectives identified by trustees for 2014/15, and performance against these, are outlined below:

- | | |
|--|---|
| 1. Prepare a new strategy | ✓ |
| Following a Trustees Away Day and discussion with the executive team an updated strategy was approved by the board in July 2014. | |
| 2. Engage with the transforming EoL programme | X |
| Progress has proved problematic. As a small provider the Hospice was not eligible to bid directly for this contract and therefore completed an expression of interest as part of a collaboration of public and voluntary sector organisations. This was not successful and the commissioners did not invite this collaboration to tender. The Hospice has therefore engaged with any potential bidders who have approached the Hospice – including more extensive engagement with another public sector bid. | |
| 3. Grow the services of Embrace Quality Care | ✓ |
| The care agency has increased revenues by £85,915 to £204,302. The agency made a loss of £14,307 and still requires economies of scale through increased activity to reach a break even position | |
| 4. Establish a new lymphoedema clinic | ✓ |
| The premises at the clinic building, 150 Weston Road, have converted a downstairs office into an additional lymphoedema clinic. Progress in bringing this clinic room into full operation through the development and training of healthcare assistants has been slower than desired. | |
| 5. Establish a project with FCC Recycling (UK) Ltd | ✓ |
| Whilst initial progress has commenced, advances have not been at the desired level and this will continue to be developed in 2015/16. | |
| 6. Develop a “super” store in Stafford | ✓ |
| We opened our new Stafford store, situated over 2 floors on Prince's Street. | |
| 7. Develop effective Executive and Operational Teams | ✓ |
| These new teams have now been in place for 12 months. We are reviewing progress and will continue to develop the teams in the coming year. | |
| 8. Maintain deficit below £150k | ✓ |
| The Hospice has recorded an operating surplus of £4,009 whilst the group of companies has recorded an operating deficit of £27,116. Gains on investment assets were £65,941 | |
| 9. Restructure the fundraising and lottery departments | ✓ |
| Following the retirement of the Lottery Manager, the Fundraising and Lottery teams have been combined. It is hoped that this will lead to increased collaboration, and improved liaison with supporters. | |

22 Charitable Activities 2014/15

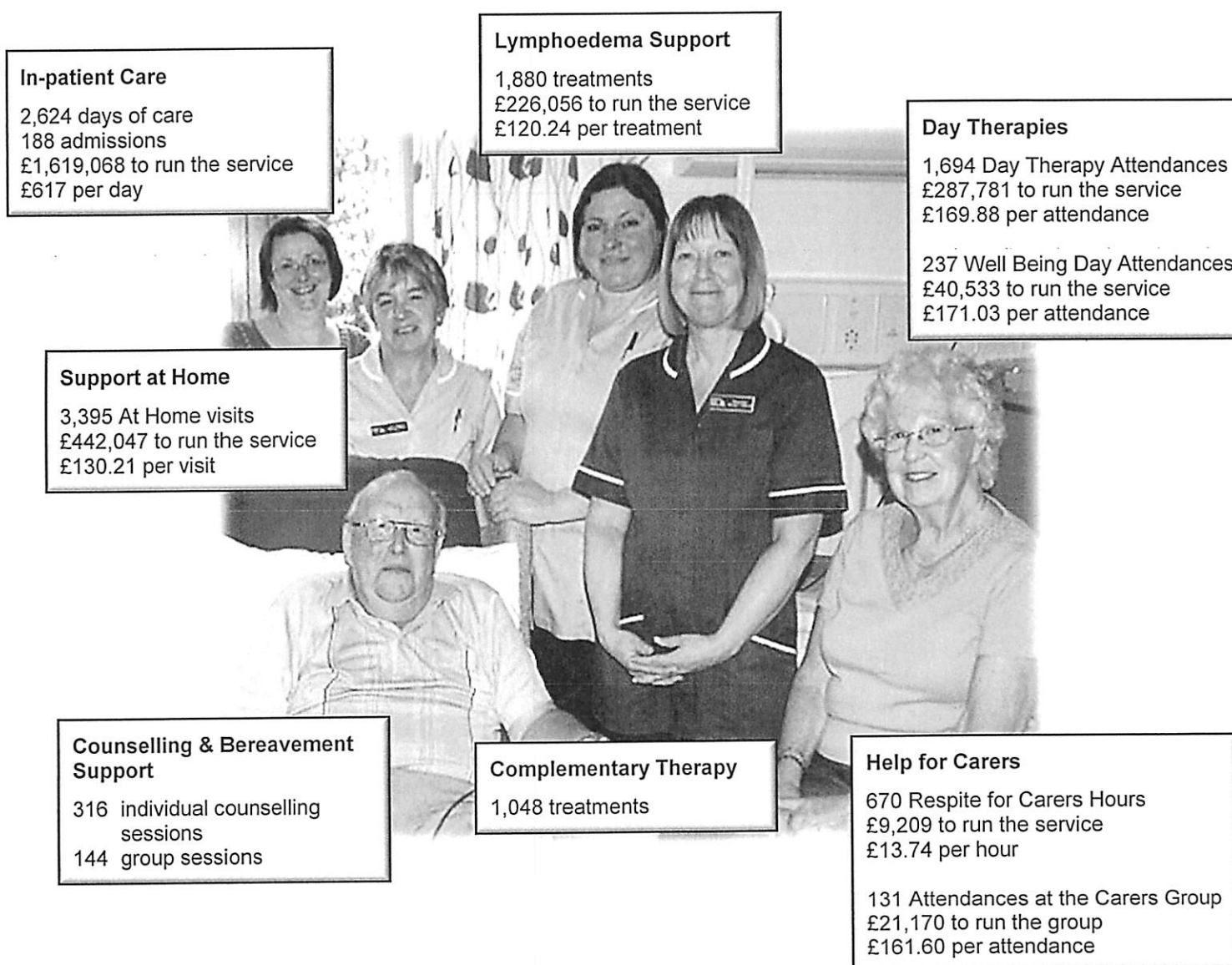
It has been noticeable during 2014/15 that we are receiving referrals for patients with more complex needs. Our day therapies service has increased provision by 6.4% to 1,694 attendances; the referrals to hospice at home increased by 22.6% to 320 and the number of visits by 2.6% to 3,395. The hours of respite sitting increased by 43.5% to 670 hours.

The inpatient had more occupied bed days, but admissions fell by 12 to 188 – which is indicative of the increasing patient complexity. Lymphoedema treatments fell by 10.8% to 1,880 due to staff shortages in a small team.

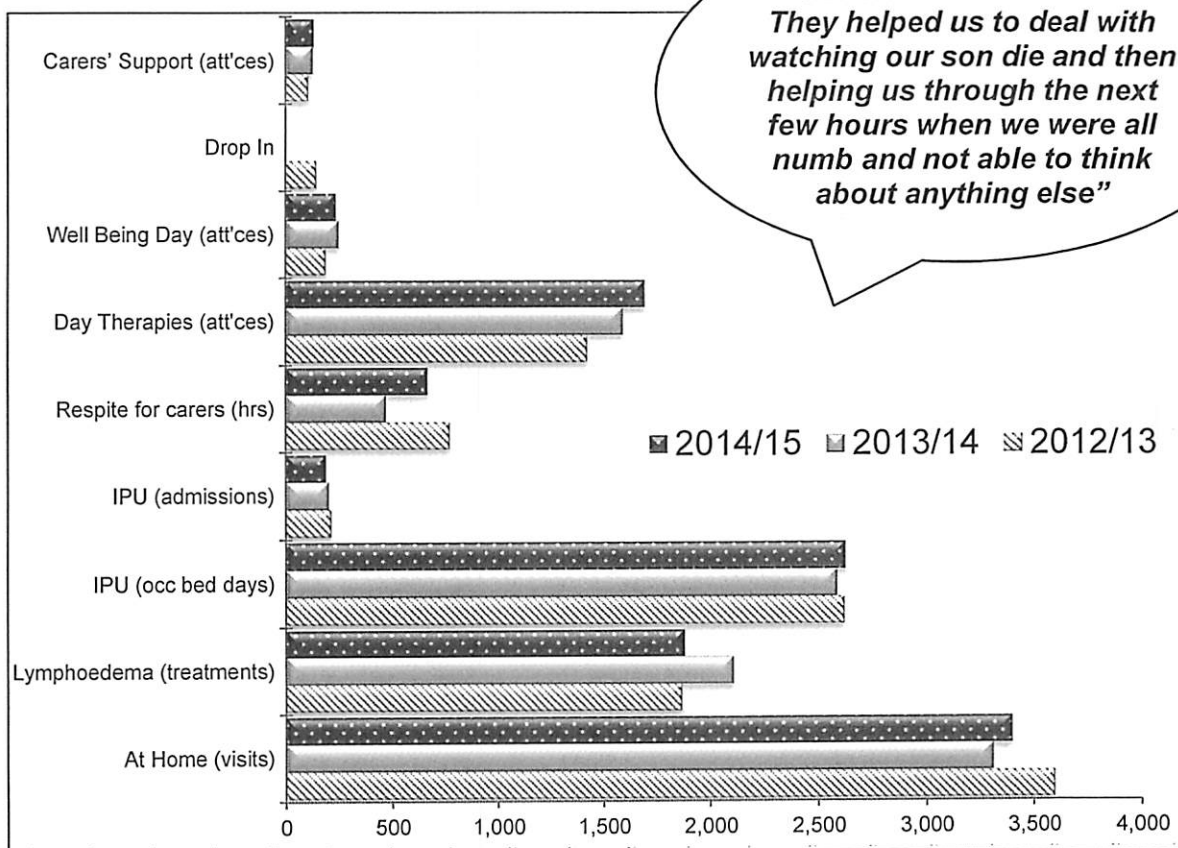
Care activity for 2014/15:

Last year we helped 1,176 patients and their families

It cost £2,866,574 to deliver our services, and we charged £0 to provide them.



Comparisons 2012/13 – 2014/15



"The team were fantastic. They helped us to deal with watching our son die and then helping us through the next few hours when we were all numb and not able to think about anything else"

Note Drop in closed in August 2012 and Well Being commenced in September 2012

23 Review of Income Generation Against Targets

The organisation continues to rely on donations and other charitable income generation activities to be able to provide the full range of free care services. At present the voluntary sources of income are struggling to increase at the same rate as the costs of providing care. The table below shows performance for 2014/15 against targets for all the main sources of income. Thanks to continued support from our local community we exceeded our income targets for fundraising. The lottery income fell below target levels due to a continued struggle to recruit sufficient new members. The major underperformance has been in the retail department, where late commencement of trading in new ventures and overspend on operating costs have meant the return to the charity has not been as high as expected.

"I have met some wonderful people in my life and several of them have been helped by Katharine House Hospice. I decided to walk to show my support for the wonderful care the Hospice provides"

85p in every £1 donated was spent on supporting patients and their families.

13 people left a gift in their will and donated £152,148 this will fund the care for 1 in 19 of our patients in the coming year.

There were 7,800 lucky winners of our Hospice Lottery who received £115,425 in prize money. Players contributed £226,176 over the year which is enough to fund our entire lymphoedema services.

Our shops sold an average of 15,371 items each week and customers contributed £701,698 to our cause. In addition £143,165 was also raised through the Gift Aid we were able to claim on donated items.

	<u>Net Revenues</u>	
	<u>Actual</u>	<u>Target</u>
Fundraising	622,259	607,643
Lottery	226,176	224,390
Retail	844,863	966,707

The Financial Review and Statements of Financial Activities show more information about fundraising activity the Hospice Lottery and the Retail Company.

2.4 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 and these are identified as:

The relationship with the Clinical Commissioning Groups (CCGs).

Over 30% of the charity's income comes from CCGs. The Trustees are pleased to see that commissioning end of life care is a high priority. Trustees hope that the Transforming End of Life tender will result in the joining together of care services. However the CCGs are at serious financial risk and have offered the Hospice only the same level of funding in 2015/16 as we were given for 2014/15.

Austerity

There is a lack of certainty due to the economic pressures faced by the country as a whole and the impact of the "austerity" measures of the 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 2016.

Cost pressures

Whilst pay freezes in the public sector have helped to reduce immediate future employment costs, the indications are that these freezes will soon be relaxed. The requirement for employers to enrol employees in pension schemes has increased operating costs significantly from April 2014. 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.

Recruitment

The low levels of unemployment in the local area are making it difficult to recruit to certain positions – in particular care agency workers and retail assistants.

Competition

The external conditions for all income generation areas has become increasingly competitive, particularly in retail where more charity shops are competing for donations and customers, whilst commercial companies will pay former potential donors for some of their donations.

Regulatory burden

The regulatory framework within which the Hospice operates is extremely complex and has become more complex following the enactment of the Health and Social Care Act (2012) and another round of changes to the way we are inspected by the Care Quality Commission.

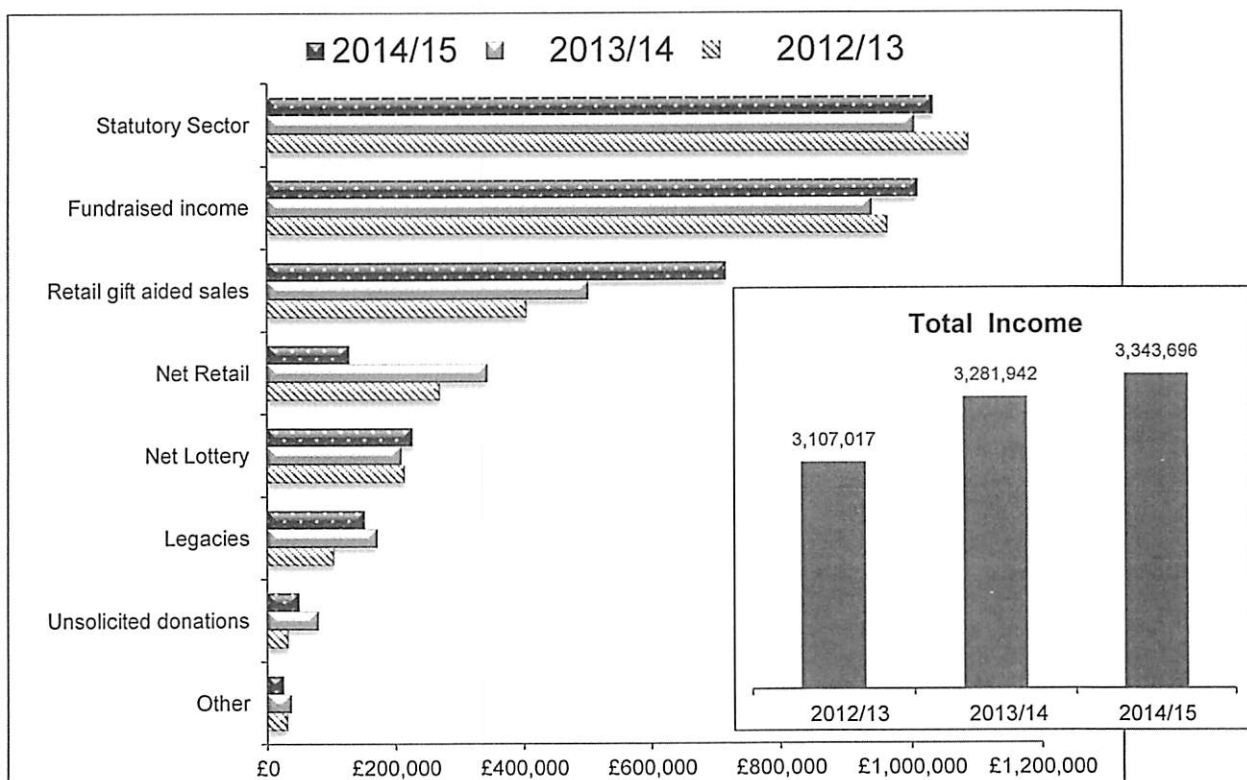
The reforms to pension arrangements have been a tremendous administrative burden, requiring the Hospice to appoint a payroll assistant to cope with the increased workload.

3. Financial Review

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

3.1 2014/15 Financial Performance

The Charity made an operating surplus of £4,009 (2014: surplus £116,382) Sources of income are outlined below.



32 Proportion of Income Spent on Care in 2014/15



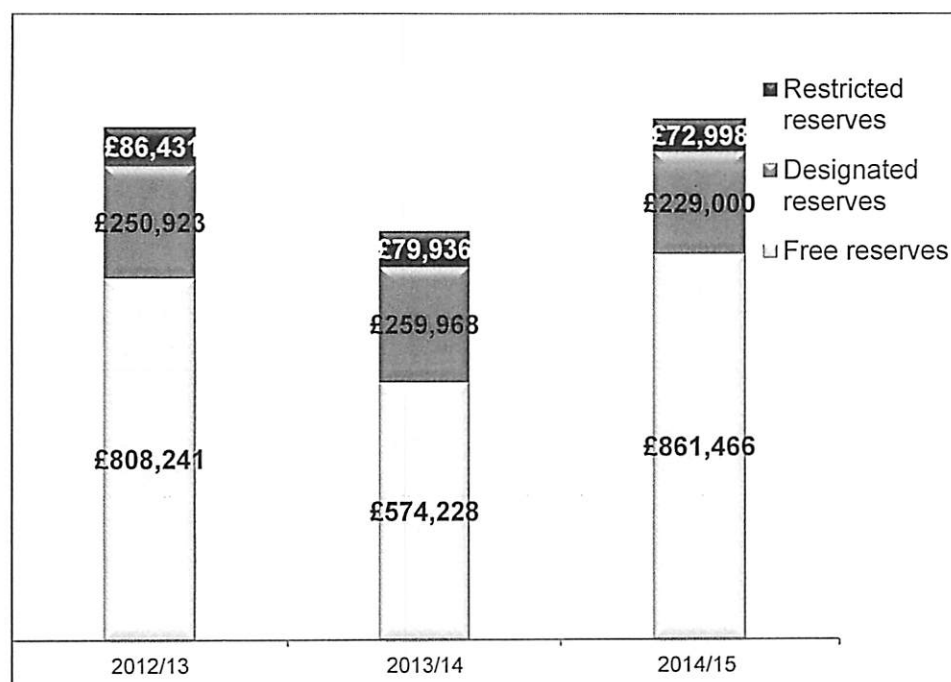
33 Investments

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. Net realised and unrealised gains in 2014/15 were £65,941 (2014: gains £27,404), which includes a realised gain of £25,000 on the sale of an investment property. Overall the investments are £60,629 above their historical cost of £527,919.

Ad Valorem Wealth Management LLP provide formal reports to the Finance and Remuneration Committee every six months, or more frequently as requested by the Committee. The Trustees have made no substantial changes to the investment strategy in relation to social, ethical and environmental considerations. The assets held are disclosed in Note 16.

34 Reserves

The free reserves of the charity at 31 March 2015 are taken from the Consolidated Balance sheet and include the total assets less tangible assets, less the investment property. These are summarised below.



The Trustees have established seven designated funds, which are explained at 3.5 and in Note 20.

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 are calculated using the consolidated balance sheet Unrestricted and designated column as Investments (£597,568) and Net Current Assets (£767,669) less term loans (£274,771) and designated funds (£229,000) and stand at £861,466 equating to 3.1 months operating costs. Whilst the reserves are below the desired level trustees believe that it is more important to maintain the existing services than to achieve the desired reserves position.

35 Funds

Trustees have designated funds as follows:

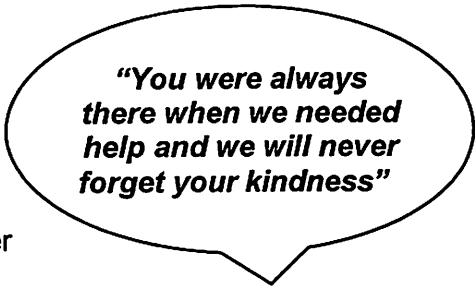
Repairs and renewals fund	to cover unexpected or emergency repairs of a substantial nature, in 2014/15 this will cover substantial remedial work to the roof of the day therapies unit.
Renewal of IT fund	to ensure there is a sufficient reserve to enable the IT infrastructure to be refreshed in full without a serious negative impact on the free reserves.
Training and development fund	to ensure contractual commitments to staff training can be met.
Legacy equalisation fund	to enable trustees to budget for the very unpredictable nature of legacy income.
NHS Pension Rebate fund	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.

Details of the funds held by the charity are provided in note 20.

4. Structure, Governance and Management

4.1 How the Charity is Constituted

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. This document was last amended on 11th October 2012.



"You were always there when we needed help and we will never forget your kindness"

4.2 Organisational 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 operated non-charitable retailing operations.

Trading and Recycling Company Ltd ceased to trade on 7 June 2014. At the year end it had accumulated losses of £45,262 and was owed £151 from a third party. The group will have to absorb these losses.

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

4.3 How Trustees Are Appointed and Inducted

Proposed nominations for new Trustees may be received from any source and are overseen by the Nominations and Governance Committee.



"I appreciate the positive contact between the management team and trustees"

Consideration is given to suitability in relation to the current skills and attributes of 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 approval is sought from the full Board regarding taking the nomination forward. If approved the nominee is asked to submit a

completed application form and curriculum vitae, and then to attend a meeting. If both the nominee and the Trustees involved are satisfied then the nominee is invited to join the Board of Trustees.

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.

New Trustees meet with the Chief Executive and receive an induction folder together with relevant company information. New Trustees have a trustee mentor who acts as a confidential advisor on trustee issues, they meet other senior managers, undergo a tour of the Hospice and are invited to spend time in key areas for example care and retail.

4.4 Decision-Making Processes

Board of Trustees

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.

Committees

The Board oversees all strategic, tactical, and governance aspects of the Hospice's operation and future direction and delegates most of its functions to five committees, each with their own clearly defined terms of reference. Governance is undertaken by each Trustee committee in their areas of responsibility and is monitored by the Nominations & Governance Committee and the Board of Trustees. The committees are:

1. Clinical Committee

Oversees 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).

2. Income Generation Committee

Oversees 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.

3. Finance and Remuneration Committee

Undertakes detailed scrutiny of the Hospice's proposed annual budget; reviews the charity's reserves; monitors the charity's management accounts; monitors the performance of the charity's investments; approves all financial policies and procedures; approves pay awards and rate increases for staff; and inspects systems of financial control.

4. Staffing and Support Services Committee

Monitors general personnel issues especially staffing levels, training, and attendance; approves all staffing policies and procedures; monitors health and safety performance; agrees issues to be resolved within support service areas; and inspects support service departments.

5. Nominations and Governance Committee

Oversees the process of appointing new Trustees to the board and their induction and mentorship and reviews the work of the other committees. Also undertakes general areas of governance not supported by any other committee.

Management

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 teams. There are four management committees.

1. Executive Team

Provides support to the Trustees and takes collective responsibility for the internal management of the organisation.

2. Operations Team

Supports the implementation of actions, address general cross organisational issues, and supports the Executive Team.

3. Training Committee

Allocates the training budget across the organisation and monitors the effectiveness and value of training provided. This committee is observed by a Trustee representative from the Staffing and Support Services Committee.

4. Staff Forum

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. This committee is observed by a Trustee representative from the Staffing and Support Services Committee.

45 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 year 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.

So far as the trustees are aware, there is no relevant information of which the charity's and group's auditors are unaware. Additionally, the trustees have taken all necessary steps that they ought to have taken as trustees in order to make themselves aware of all relevant audit information and to establish that the charity's and group's auditors are aware of that information.

4.6 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. Katharine House Hospice is a member of Hospice UK.



"The team at Katharine House are very focussed on partnership working and here at SDBLSS we, and our clients, have benefitted in a number of different ways from working with the Hospice"

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 regulated by and registered with 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 with Staffordshire and Stoke-on-Trent NHS Partnership Trust, and University Hospital of North Midlands.

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. In the last year Katharine House has moved forward with:

1. A project in collaboration with St Giles Hospice and the Hermitage Centre in Uttoxeter to develop a supportive care centre using funding from The Big Lottery
2. Working through Stafford Borough Council's Health and Well Being Strategy to develop an End Well open day for the public.
3. A project to develop an End Well website working with both Stafford Borough Council and the charity A Child of Mine.
4. Working with CASS (Carers Association Southern Staffordshire) to set up an evening support group for carers of working age.

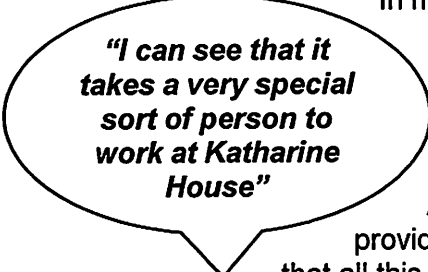
4.7 Risk Management

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 May 2015.

5. Reference and Administrative Details

Charity Name:	Katharine House Hospice
Charity Registration No:	1011712
Incorporation:	Company Limited by Guarantee Registered Company Number 2700516
Date of incorporation:	25 th March 1992
Registered Office:	Weston Road, Stafford, ST16 3SB The Registered Office is also the principal address of the Charity
Trustees:	Lady Mitting Chairman Mr M R Melling Treasurer Mr B Bester (from 18 th November 2014) Mrs A Cape (from 18 th November 2014) Mrs J Cashmore-James Mr D M Harding Mr W G Johnson Mrs T Mingay (from 18 th November 2014) Mrs K Overmass (from 18 th November 2014) Mr J-P Parsons Mrs K Sallah Mr D J Sandy Dr C J Secker Mr I D Starkie Dr I Wilson Ms J Woodyard
Company Secretary:	Cllr P M M Farrington
Chief Executive:	Dr R T Soulsby, Chief Executive
Registered Manager:	Mrs C A Howlett, Director of Nursing Services (retired 22 Sept 2014) Mrs J Kelly, Director of Care Services (from 22 Sept 2014)
Officers:	Dr E Hindmarsh, Medical Director Mrs K Sharp, Director of Retail Miss L M Taylor, Business Development Director Mrs B Wheat, Head of Human Resources
Auditors:	Dyke Yaxley Limited 8 Hollinswood Court, Stafford Park 1, Telford. TF3 3DE
Investment Brokers:	Ad Valorem Wealth Management LLP Whitehall House, Sandy Lane, Newcastle-Under-Lyme. ST5 0LZ
Fund Managers:	Investec Colmore Plaza, Colmore Circus, Birmingham, B4 6AT
Bankers:	Lloyds TSB Bank Plc Market Square, Stafford, ST16 2JL
Solicitors:	Hand Morgan & Owen 17 Martin Street, Stafford ST16 2LF

6. Public Benefit Statement



"I can see that it takes a very special sort of person to work at Katharine House"

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, the Trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

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.

7. Re-appointment of 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 15 September 2015 signed on its behalf by Lady Mitting, Chairman



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KATHARINE HOUSE HOSPICE

FOR THE YEAR ENDED 31 MARCH 2015

We have audited the financial statements of Katharine House Hospice for the year ended 31 March 2015, 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. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Trustees' Responsibilities Statement set out in the Trustees Annual Report, the trustees (who are also the directors of Katharine House Hospice for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KATHARINE
HOUSE HOSPICE**

FOR THE YEAR ENDED 31 MARCH 2015

Opinion on financial statements

In our opinion the financial statements:

1. give a true and fair view of the state of the charitable company's and the group's affairs as at 31 March 2015, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
2. have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
3. have been prepared in accordance with the Companies Act 2006;

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

1. adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
2. the financial statements are not in agreement with the accounting records and returns; or
3. certain disclosures of trustees' remuneration specified by law are not made; or
4. we have not received all the information and explanations we require for our audit; or
5. the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Ian R. Walsh
Senior Statutory Auditor
for and on behalf of: Dyke Yaxley Limited

23/10/15

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2015

	Note	Unrestricted £	Designated £	Restricted £	2015 Totals £	2014 Totals £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary Income	(2)	49,255	152,148	--	201,403	248,232
Fundraised Income	(5)	890,621	--	120,339	1,010,960	940,517
Gift Aid - Promotions Subsidiary	(6)	226,176	--	--	226,176	207,771
Gift Aid - Retail Subsidiary	(6)	128,143	--	--	128,143	342,110
Retail sales donations and gift aid		716,720	--	--	716,720	501,132
Investment Income	(7)	17,252	--	--	17,252	23,256
Incoming resources from charitable activities						
Statutory Sector Income	(8)	3,500	26,594	1,005,057	1,035,151	1,005,970
Fee Income Received	(9)	3,839	--	3,912	7,751	12,951
Other Incoming Resources		60	--	80	140	3
Total Incoming Resources		2,035,566	178,742	1,129,388	3,343,696	3,281,942
RESOURCES EXPENDED						
Costs of generating voluntary income						
Fundraising Costs	(5)	388,701	--	--	388,701	380,655
Investment Management Fees		13,631	--	--	13,631	10,403
Investment Property Costs		4,835	--	--	4,835	3,108
		407,167	--	--	407,167	394,166
Net incoming resources for charitable application		1,628,399	178,742	1,129,388	2,936,529	2,887,776
Hospice Operating Costs	(10)	1,666,796	56,912	1,142,866	2,866,574	2,721,680
Governance Costs	(10)	57,343	--	--	57,343	45,068
		1,724,139	56,912	1,142,866	2,923,917	2,766,748
Interest Payable		8,603	--	--	8,603	4,646
Total Resources Expended		2,139,909	56,912	1,142,866	3,339,687	3,165,560
Net incoming / (outgoing) resources before transfers		(104,343)	121,830	(13,478)	4,009	116,382
Gross transfers between funds	(20)	152,798	(152,798)	--	--	--
Net incoming / (outgoing) resources before other gains and losses		48,455	(30,968)	(13,478)	4,009	116,382
Net gains (losses) on investment assets		65,941	--	--	65,941	27,404
Net Movement in Funds		114,396	(30,968)	(13,478)	69,950	143,786
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,875,591	259,968	86,476	3,222,035	3,078,249
Fund Balances Carried Forward		2,989,987	229,000	72,998	3,291,985	3,222,035

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2015

	Note	Unrestricted £	Designated £	Restricted £	2015 Totals £	2014 Totals £
INCOMING RESOURCES						
Incoming resources from generated funds						
Voluntary Income	(2)	49,255	152,148	–	201,403	248,232
Fundraised Income	(5)	890,621	–	120,339	1,010,960	940,517
Gross Income - Promotions	(6)	456,625	–	–	456,625	475,812
Gross Income - Retail	(6)	2,472,477	–	–	2,472,477	2,287,847
Retail sales donated to hospice		716,720	–	–	716,720	501,132
Gross Income - DLT Trading	(6)	791,626	–	–	791,626	570,286
Gross Income - T&R Company	(6)	10,837	–	–	10,837	17,381
Gross Income - EQC Limited	(6)	204,302	–	–	204,302	118,387
Investment Income	(7)	17,280	–	–	17,280	23,285
Incoming resources from charitable activities						
Statutory Sector Grants	(8)	3,500	26,594	1,005,057	1,035,151	1,005,970
Fee Income Received		3,839	–	3,912	7,751	12,951
Other Incoming Resources		60	–	80	140	3
Total Incoming Resources		5,617,142	178,742	1,129,388	6,925,272	6,201,803
RESOURCES EXPENDED						
Costs of generating voluntary income						
Fundraising Costs	(5)	388,701	–	–	388,701	380,655
Cost of Operating Promotions	(6)	230,477	–	–	230,477	268,070
Cost of Operating Retail	(6)	2,346,934	–	–	2,346,934	1,943,338
Cost of Operating DLT Trading	(6)	789,026	–	–	789,026	567,686
Cost of Operating T&R Company	(6)	27,655	–	–	27,655	50,825
Investment Management Fees		13,631	–	–	13,631	10,403
Investment Property Costs		4,835	–	–	4,835	3,108
		3,801,259	–	–	3,801,259	3,224,085
Net incoming resources for charitable application		1,815,883	178,742	1,129,388	3,124,013	2,977,718
Hospice Operating Costs	(10)	1,666,796	56,912	1,142,866	2,866,574	2,721,680
Embrace Quality Care Costs	(6)	218,609	–	–	218,609	132,325
Governance Costs	(10)	57,343	–	–	57,343	45,068
		1,942,748	56,912	1,142,866	3,142,526	2,899,073
Interest payable		8,603	–	–	8,603	4,646
Total Resources Expended		5,752,610	56,912	1,142,866	6,952,388	6,127,804
Net incoming / (outgoing) resources before transfers		(135,468)	121,830	(13,478)	(27,116)	73,999
Gross transfers between funds	(20)	152,798	(152,798)	–	–	–
Net incoming / (outgoing) resources before other gains and losses		17,330	(30,968)	(13,478)	(27,116)	73,999
Net gains (losses) on investment assets		65,941	–	–	65,941	27,404
Net Movement in Funds		83,271	(30,968)	(13,478)	38,825	101,403
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,842,900	259,968	86,476	3,189,344	3,087,941
Fund Balances Carried Forward	(20)	2,926,171	229,000	72,998	3,228,169	3,189,344

KATHARINE HOUSE HOSPICE
CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2015

	2015 £	2014 £
Gross Income from continuing operations	6,925,272	6,201,803
Total expenditure of continuing operations	6,952,388	6,127,804
Net income / (expenditure) for the year before transfers and investment asset disposal	<u>(27,116)</u>	<u>73,999</u>
Gain / (Loss) on disposal of fixed asset investments	--	--
Net income / (expenditure) for the year	<u><u>(27,116)</u></u>	<u><u>73,999</u></u>

- Total income comprises:
£ 5,795,884 unrestricted and designated funds
£ 1,129,388 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 £3,935,867 (2014: £3,469,713). 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 26, which together with the notes to the account on Pages 32 to 46 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 2015

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2015 Total Funds £	Unrestricted Funds £	Restricted Funds £	2014 Total Funds £
FIXED ASSETS							
Tangible assets	(15)	1,753,288	1,560	1,754,848	1,812,076	9,540	1,821,616
Investments	(16)	597,568	--	597,568	553,054	--	553,054
Investment Property	(16)	--	--	--	250,000	--	250,000
Investment in Group	(16)	5,602	--	5,602	5,602	--	5,602
		<u>2,356,458</u>	<u>1,560</u>	<u>2,358,018</u>	<u>2,620,732</u>	<u>9,540</u>	<u>2,630,272</u>
CURRENT ASSETS							
Debtors	(17)	1,078,459	--	1,078,459	1,005,385	--	1,005,385
Cash at bank and in hand		254,433	71,438	325,871	24,668	76,936	101,604
		<u>1,332,892</u>	<u>71,438</u>	<u>1,404,330</u>	<u>1,030,053</u>	<u>76,936</u>	<u>1,106,989</u>
CREDITORS	(19)	(195,592)	--	(195,592)	(208,763)	--	(208,763)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,137,300</u>	<u>71,438</u>	<u>1,208,738</u>	<u>821,290</u>	<u>76,936</u>	<u>898,226</u>
CREDITORS		(274,771)	--	(274,771)	(306,463)	--	(306,463)
amounts falling due after one year							
TOTAL ASSETS		<u>3,218,987</u>	<u>72,998</u>	<u>3,291,985</u>	<u>3,135,559</u>	<u>86,476</u>	<u>3,222,035</u>
REPRESENTED BY:							
Restricted Funds		--	72,998	72,998	--	86,476	86,476
Designated Funds		229,000	--	229,000	259,968	--	259,968
Unrestricted Funds		2,989,987	--	2,989,987	2,875,591	--	2,875,591
		<u>3,218,987</u>	<u>72,998</u>	<u>3,291,985</u>	<u>3,135,559</u>	<u>86,476</u>	<u>3,222,035</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.

Approved by the Board of Trustees meeting on 15 September 2015 and signed on its behalf by:-

M R Melling, Director

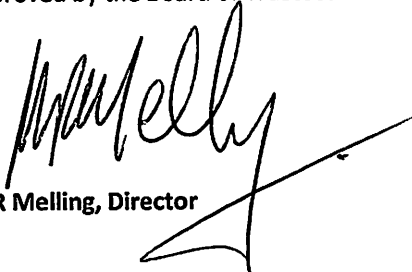
Lady Mitting, Chairman

KATHARINE HOUSE HOSPICE
(Registered No. 2700516)
CONSOLIDATED BALANCE SHEET
at 31 March 2015

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2015 Total Funds £	Unrestricted Funds £	Restricted Funds £	2014 Total Funds £
FIXED ASSETS							
Tangible assets	(15)	2,064,705	1,560	2,066,265	2,015,137	9,540	2,024,677
Investments	(16)	597,568	--	597,568	553,054	--	553,054
Investment Property	(16)	--	--	--	250,000	--	250,000
		<u>2,662,273</u>	<u>1,560</u>	<u>2,663,833</u>	<u>2,818,191</u>	<u>9,540</u>	<u>2,827,731</u>
CURRENT ASSETS							
Debtors	(17)	468,128	--	468,128	343,889	--	343,889
Stock	(18)	2,008	--	2,008	3,535	--	3,535
Cash at bank and in hand		742,856	71,438	814,294	709,234	76,936	786,170
		<u>1,212,992</u>	<u>71,438</u>	<u>1,284,430</u>	<u>1,056,658</u>	<u>76,936</u>	<u>1,133,594</u>
CREDITORS	(19)	(445,323)	--	(445,323)	(465,518)	--	(465,518)
amounts falling due within one year							
NET CURRENT ASSETS		<u>767,669</u>	<u>71,438</u>	<u>839,107</u>	<u>591,140</u>	<u>76,936</u>	<u>668,076</u>
CREDITORS		(274,771)	--	(274,771)	(306,463)	--	(306,463)
amounts falling due after one year							
TOTAL ASSETS		<u>3,155,171</u>	<u>72,998</u>	<u>3,228,169</u>	<u>3,102,868</u>	<u>86,476</u>	<u>3,189,344</u>
REPRESENTED BY:							
Restricted Funds	(20)	--	72,998	72,998	--	86,476	86,476
Designated Funds	(20)	229,000	--	229,000	259,968	--	259,968
Unrestricted Funds	(20)	2,989,987	--	2,989,987	2,875,591	--	2,875,591
Subsidiary Retained Earnings		(63,816)	--	(63,816)	(32,691)	--	(32,691)
		<u>3,155,171</u>	<u>72,998</u>	<u>3,228,169</u>	<u>3,102,868</u>	<u>86,476</u>	<u>3,189,344</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.

Approved by the Board of Trustees meeting on 15 September 2015 and signed on its behalf by:-


M R Melling, Director


Lady Mitting, Chairman

KATHARINE HOUSE HOSPICE
CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2015

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS		2015	2014
		£	£
Net (outgoing) / incoming resources		(27,116)	73,999
Depreciation		189,428	165,494
Income from fixed asset investment	Note 1	(13,760)	(16,552)
Interest received		(3,520)	(6,733)
Interest payable on loans		8,603	4,646
(Increase) / decrease in Debtors		(124,239)	(120,808)
(Increase) / decrease in Stock		1,527	(2,503)
Increase / (decrease) in Creditors		(20,195)	72,218
Net cash (outflow) inflow from operating activities		10,728	169,761

CASHFLOW STATEMENT

Cashflow from operating activities		10,728	169,761
Returns on investments and servicing of finance	Note 1	8,677	18,639
		19,405	188,400
(Purchase) / Sale of fixed assets	Note 1	29,575	(503,688)
Payment of Corporation Tax		--	--
Financing	Note 1	(31,692)	337,632
Increase / (Decrease) in cash		17,288	22,344

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2015

NOTE 1 TO THE CASHFLOW STATEMENT

	2015 £	2014 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	13,760	10,621
Rents received from properties	—	5,931
Total Income from fixed asset investments	<u>13,760</u>	<u>16,552</u>
Other Interest received	3,520	6,733
Interest payable on loans	<u>(8,603)</u>	<u>(4,646)</u>
	<u>8,677</u>	<u>18,639</u>
Financing		
Bank loan	—	353,500
Repayments of loan capital	<u>(31,692)</u>	<u>(15,868)</u>
	<u>(31,692)</u>	<u>337,632</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(231,016)	(498,857)
Proceeds of sale of investment property	275,000	—
Purchase of fixed asset investments	(340,671)	(174,961)
Proceeds of sale of fixed asset investments	<u>326,262</u>	<u>170,130</u>
	<u>29,575</u>	<u>(503,688)</u>

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

Net cash inflow / (outflow)	17,288	22,344
	<u>17,288</u>	<u>22,344</u>
Change in net funds in the year		
Net funds at 1 April	806,027	783,683
Net funds at 31 March	<u><u>823,315</u></u>	<u><u>806,027</u></u>

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

	As at 1 April 2014	Cash Flows	Non cash Changes	As at 31 March 2015
Cash in hand and at bank	786,170	28,125	(1)	814,294
Cash in current asset investments	<u>19,857</u>	<u>(10,837)</u>	—	<u>9,020</u>
TOTAL	<u><u>806,027</u></u>	<u><u>17,288</u></u>	<u><u>(1)</u></u>	<u><u>823,314</u></u>

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

	As at 1 April 2014	Cash Flows	Non cash Changes	As at 31 March 2015
Cash at hand and in bank	786,170	28,125	(1)	814,294
Debt due within 1 year	(31,169)	31,169	(31,692)	(31,692)
Debt due after 1 year	(306,463)	523	31,692	(274,248)
Cash in investments	<u>19,857</u>	<u>(10,837)</u>	—	<u>9,020</u>
TOTAL	<u><u>468,395</u></u>	<u><u>48,980</u></u>	<u><u>(1)</u></u>	<u><u>517,374</u></u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

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.

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 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 was held as a medium-term investment, which was not depreciated, and was sold during the year.

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 2015

(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	2015 £	2014 £
Unsolicited donations and gifts		49,255	78,127
Legacies	(3)	152,148	170,105
		<u>201,403</u>	<u>248,232</u>

3. LEGACIES

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

		No.	2015 £	No.	2014 £
Up to £10,000	(a)	10	17,893	12	18,060
£10,000 to £49,999		1	12,497	4	92,045
£50,000 to £99,999		2	121,758	1	60,000
Over £100,000		--	--	--	--
			<u>152,148</u>		<u>170,105</u>

(a) Includes residual values of £2,683 from two legacies accrued at 31 March 2014.

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 2015

(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 £73,841 (2014: £57,353).

The performance set out below specifically excludes: £152,148 of legacy income (2014: £170,105); £49,255 of unsolicited donations (2014: £78,127); grants from the statutory sector; and fee income derived from education, consultancy and similar.

	Unrestricted	Restricted	2015 Total	2014 Total
Note	£	£	£	£
Income Sources				
Individuals and groups	367,257	53,620	420,877	319,708
Donation in kind	--	--	--	85,000
Gift Aid	73,826	15	73,841	57,353
Collections	20,446	--	20,446	21,078
Membership (4)	710	--	710	640
Corporate Support	74,502	--	74,502	82,536
Trusts	56,320	59,684	116,004	122,024
Local Councillors	--	3,316	3,316	--
Events	276,507	--	276,507	229,510
Support groups	13,767	3,704	17,471	13,692
Tea bar income	5,488	--	5,488	6,622
Other sources	1,798	--	1,798	2,354
	890,621	120,339	1,010,960	940,517
Direct Costs				
Wage costs	217,072		217,072	215,695
Bought-in staff	92		92	174
Other staff costs	1,446		1,446	2,113
IT Costs	4,093		4,093	5,965
Event costs	64,894		64,894	68,696
Project costs	3,070		3,070	4,094
Tea bar costs	2,493		2,493	3,009
Other costs	18,926		18,926	18,005
Depreciation	8,568		8,568	3,891
	320,654		320,654	321,642
Support Costs				
Housekeeping	1,512		1,512	1,409
Maintenance	1,162		1,162	801
	2,674		2,674	2,210
Overhead Costs				
Administrative costs	65,373		65,373	56,803
	65,373		65,373	56,803
Total Fundraising Costs	388,701		388,701	380,655
Net Income from Fundraising			622,259	559,862

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(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.

	2015 £	2014 £
Turnover	456,625	475,812
Operational costs	(198,226)	(249,287)
Recharges paid to Katharine House	(32,251)	(18,783)
Interest Received	28	29
NET PROFIT	226,176	207,771
Gift Aid Payment to Katharine House Hospice	(226,176)	(207,771)
Retained in subsidiary undertaking	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	158,336	158,336
Liabilities	(158,236)	(158,236)
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.

	2015 £	2014 £
Turnover	2,472,477	2,287,847
Operational costs	(2,210,873)	(1,849,114)
Recharges paid to Katharine House	(136,061)	(99,223)
Interest Received	2,600	2,600
NET PROFIT	128,143	342,110
Gift Aid Payment to Katharine House Hospice	(128,143)	(342,110)
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	268,364	153,597
Assets	543,068	663,467
Liabilities	(782,230)	(787,862)
Funds	29,202	29,202
Additional Financial Value from KH Retail Ltd		
Gift Aided sales donated to Katharine House Hospice	573,519	401,005
Gift Aid on these sales	143,165	128,144

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(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.

	2015 £	2014 £
Turnover	791,626	570,286
Operating costs	(711,782)	(510,418)
GROSS PROFIT	79,844	59,868
Interest Payable	(2,600)	(2,600)
Donation under Gift Aid	(77,244)	(57,268)
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	43,987	49,466
Assets	77,497	64,003
Liabilities	(140,944)	(132,929)
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 5000 Ordinary Shares of £1 each and retained losses of £50,262. The company ceased to trade on 7 June 2014 and is now dormant.

	2015 £	2014 £
Turnover	10,837	17,381
Operating costs	(27,655)	(50,825)
GROSS PROFIT	(16,818)	(33,444)
Retained in subsidiary undertaking	(16,818)	(33,444)
Retained earnings brought forward	(33,444)	--
Retained earnings carried forward	(50,262)	(33,444)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	151	13,515
Liabilities	(45,413)	(41,959)
Funds	(45,262)	(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 £28,292.

	2015 £	2014 £
Turnover	204,302	118,387
Operating costs	(218,609)	(132,325)
GROSS PROFIT	(14,307)	(13,938)
Retained in subsidiary undertaking	(14,307)	(13,938)
Retained earnings brought forward	(13,985)	(47)
Retained earnings carried forward	(28,292)	(13,985)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	44,240	29,787
Liabilities	(67,532)	(38,772)
Funds	(23,292)	(8,985)

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(Continued)

7. INVESTMENT INCOME

	Company		Group	
	2015	2014	2015	2014
	£	£	£	£
Bank Interest	48	20	76	49
Interest from Investments	3,444	6,684	3,444	6,684
Dividends	13,645	10,516	13,645	10,516
Rent	--	5,931	--	5,931
Tax reclaim	115	105	115	105
	<u>17,252</u>	<u>23,256</u>	<u>17,280</u>	<u>23,285</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 hospice's work.

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

	2015		2014	
	£	%	£	%
Local Clinical Commissioning Groups				
Support for operating the Day Unit	(a) 60,230	1.80	59,000	1.80
Support for operating the Inpatient Unit	(a) 573,176	17.14	552,319	16.83
Support to provide lymphoedema	(a) 146,780	4.39	145,000	4.42
Support for at home team	(b) 224,871	6.73	219,387	6.68
Stafford Borough Council	(c) 3,500	0.10	3,500	0.11
NHS Pension Rebate	(d) 26,594	0.80	26,214	0.80
Student placements	(e) --	-	550	0.02
	<u>1,035,151</u>	<u>30.96</u>	<u>1,005,970</u>	<u>30.66</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) A continuing annual service level agreement.
- (d) 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.
- (e) 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.

	2015	2014
	£	£
Staffordshire County Council Sustainable Transport Fund for a cycle shelter at the hospice	2,816	--
Staffordshire County Councillors to provide at home services	1,910	--
Staffordshire County Councillors to support carers	--	5,128
East Staffordshire Borough Council for the provision of at home services in East Staffs	--	2,789
Uttoxeter 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 2015

(Continued)

10. EXPENDITURE ANALYSIS

	Direct Staff	Direct Other	Depreciation	Recharged Direct Support	Recharged Management and Admin	2015 Total	2014 Total
Charitable Activity							
Inpatient Care	1,042,308	72,038	30,890	346,766	127,066	1,619,068	1,505,497
Day Care	146,558	26,879	13,434	64,631	36,279	287,781	264,786
Lymphoedema	99,474	50,405	13,892	40,351	21,934	226,056	254,551
At Home Care	314,232	23,381	2,972	50,311	51,151	442,047	421,914
Family Support	160,317	5,605	2,733	26,219	22,901	217,775	212,318
Respite for carers	5,700	372	--	364	2,773	9,209	6,800
Drop-In/ Wellbeing Day	14,075	(50)	2,297	9,914	14,297	40,533	34,965
Carers Support	12,044	1,637	--	3,011	4,478	21,170	20,849
Education	--	2,819	--	116	--	2,935	--
Charitable Expenditure	1,794,708	183,086	66,218	541,683	280,879	2,866,574	2,721,680
Governance (11)	20,397	7,744	--	2,492	26,710	57,343	45,068
Fundraising (5)	217,164	94,922	8,568	5,514	62,533	388,701	380,656
Recharges to Subsidiaries							
To KH Retail	69	27,289	7,247	24,433	77,023	136,061	99,223
To KH Promotions	14	904	3,260	1,922	26,151	32,251	18,783
Total Recharges	83	28,193	10,507	26,355	103,174	168,312	118,006
Analysis of Direct Support and Overhead recharges				576,044	473,296		
Direct Support Services							
Management of Care	95,569	14,969	2,755			113,293	184,514
Catering	55,749	22,090	567			78,406	73,791
Laundry	--	7,246	887			8,133	8,715
Housekeeping	48,360	27,130	113			75,603	70,464
Property Costs	55,272	60,828	100			116,200	80,132
Administration	51,493	127,627	5,289			184,409	181,742
Total Direct Support	306,443	259,890	9,711			576,044	599,358
Overhead Costs							
Management	57,301	110,833	8,146			176,280	212,978
Finance	124,416	(18,448)	6,739			112,707	35,054
Personnel	56,851	8,248	3,872			68,971	35,505
Voluntary Services	31,958	4,696	1,061			37,715	33,552
Marketing	54,049	23,574	--			77,623	57,112
Total overhead	324,575	128,903	19,818			473,296	374,201
Total Direct Expenditure	2,663,370	702,738	114,822				

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(Continued)

11. GOVERNANCE COSTS

	2015	2014
	£	£
Allocation of the costs of Management Time	20,397	18,652
Professional advice to trustees	–	2,100
Trustee Indemnity insurance	1,164	1,164
Audit and accountancy fees	6,580	6,330
Other Costs	–	490
Direct Support Recharge	26,710	13,639
Management and Admin Recharge	2,492	2,693
	<u>57,343</u>	<u>45,068</u>

12. SPECIFIC CHARGES TO EXPENDITURE

Audit fees for the group were £15,550 (2014: £12,200).
Directors expenses were £NIL (2014: £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 (2014: £NIL). The secretary received expenses of £NIL (2014 - £NIL).

14. EMPLOYEE NUMBERS AND COSTS

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

Company	2015		2014	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	68	48.24	68	47.57
Medical and Therapies	4	1.68	3	1.20
Ancillary	15	7.87	17	7.84
Fundraising	9	7.85	8	7.70
Administration / Management	30	16.02	27	14.95
	<u>126</u>	<u>81.66</u>	<u>123</u>	<u>79.26</u>

Group	2015		2014	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	68	62.56	78	48.91
Medical and Therapies	4	1.68	3	1.20
Ancillary	15	7.87	17	7.84
Generating Funds	167	103.57	145	86.80
Administration / Management	30	16.02	27	14.95
	<u>284</u>	<u>191.70</u>	<u>270</u>	<u>159.70</u>

The costs of employment were:

	Company		Group	
	2015	2014	2015	2014
	£	£	£	£
Salary	2,137,739	1,961,188	3,614,133	3,437,582
National Insurance	158,977	149,269	240,455	230,747
Pension	158,198	145,943	165,798	153,543
	<u>2,454,914</u>	<u>2,256,400</u>	<u>4,020,386</u>	<u>3,821,872</u>
Bought-in staff	208,457	207,061	217,766	216,370
	<u>2,663,371</u>	<u>2,463,461</u>	<u>4,238,152</u>	<u>4,038,242</u>

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

	Company		Group	
	2015	2014	2015	2014
£60,001 - £70,000	1	1	1	1
£70,001 - £80,000	1	0	1	0

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(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 2014	2,138,707	355,859	126,241	87,465	2,708,272
Additions	--	48,060	--	--	48,060
At 31 March 2015	<u>2,138,707</u>	<u>403,919</u>	<u>126,241</u>	<u>87,465</u>	<u>2,756,332</u>
Depreciation					
At 1 April 2014	516,691	216,706	77,508	75,751	886,656
Charge for the year	42,776	41,697	23,964	6,391	114,828
At 31 March 2015	<u>559,467</u>	<u>258,403</u>	<u>101,472</u>	<u>82,142</u>	<u>1,001,484</u>
Net Book Value					
At 31 March 2015	<u>1,579,240</u>	<u>145,516</u>	<u>24,769</u>	<u>5,323</u>	<u>1,754,848</u>
At 1 April 2014	<u>1,622,016</u>	<u>139,153</u>	<u>48,733</u>	<u>11,714</u>	<u>1,821,616</u>
GROUP					
Cost					
At 1 April 2014	2,365,521	385,359	179,837	190,087	3,120,804
Additions	168,456	48,060	--	14,500	231,016
Disposals	--	--	--	--	--
At 31 March 2015	<u>2,533,977</u>	<u>433,419</u>	<u>179,837</u>	<u>204,587</u>	<u>3,351,820</u>
Depreciation					
At 1 April 2014	611,582	235,928	125,216	123,401	1,096,127
Charge for the year	92,709	44,980	29,253	22,486	189,428
Disposals	--	--	--	--	--
At 31 March 2015	<u>704,291</u>	<u>280,908</u>	<u>154,469</u>	<u>145,887</u>	<u>1,285,555</u>
Net Book Value					
At 31 March 2015	<u>1,829,686</u>	<u>152,511</u>	<u>25,368</u>	<u>58,700</u>	<u>2,066,265</u>
At 1 April 2014	<u>1,753,939</u>	<u>149,431</u>	<u>54,621</u>	<u>66,686</u>	<u>2,024,677</u>

The Net Book Value of the Groups assets at 31 March 2015 represents Fixed Assets used for:

	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Care and education	1,094,012	69,533	8,052	5,323	1,176,920
Fundraising	75,479	18,913	2,477	--	96,869
Retail Subsidiary	310,829	22,126	3,076	53,377	389,408
Trading Subsidiary	15,096	3,877	1,544	--	20,517
Support Services	50,504	--	373	--	50,877
Administration	283,766	38,062	9,846	--	331,674
	<u>1,829,686</u>	<u>152,511</u>	<u>25,368</u>	<u>58,700</u>	<u>2,066,265</u>
Restricted Assets (20)	--	1,560	--	--	1,560
Unrestricted Assets	<u>1,829,686</u>	<u>150,951</u>	<u>25,368</u>	<u>58,700</u>	<u>2,064,705</u>
	<u>1,829,686</u>	<u>152,511</u>	<u>25,368</u>	<u>58,700</u>	<u>2,066,265</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(Continued)

16. FIXED ASSET INVESTMENT - Company and Group

	2015	%	2014	%
	£		£	
At 31 March 2014 investments were held as:				
UK securities	302,059	50.5	370,071	66.9
Overseas securities	181,997	30.5	108,746	19.7
Other assets	–	–	–	–
Property Funds	60,214	10.1	32,672	5.9
Absolute return	44,278	7.4	21,708	3.9
Total Invested Funds	588,548	98.5	533,197	96.4
Cash held for investment	9,020	1.5	19,857	3.6
Total Funds in Investment portfolio	597,568	100	553,054	100

	2015	2014
	£	£
Listed investments		
Market Value at 31 March	533,197	500,963
Less Disposals at opening book value (proceeds £326,262)	(323,539)	(149,815)
Add acquisitions at cost	340,671	174,961
Net gain/(loss) on revaluation at 31 March	38,219	7,088
Market Value at 31 March of listed investments	588,548	533,197
Historical Cost at 31 March	527,919	483,092

All investments are held in unrestricted funds. The net gains and losses on revaluation are based on the market value of investment provided by Ad Valorum Wealth Management LLP who manage the fund on behalf of the trustees.

INVESTMENT PROPERTY - Group and Company

	2015	2014
	£	£
Net book Value - brought forward	250,000	250,000
Less disposal at opening book value (Proceeds £275,000)	(250,000)	–
Net book Value - carried forward	–	250,000

FIXED ASSET INVESTMENT - Company

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

	2015	2014
	£	£
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 2015

(Continued)

17. DEBTORS

	Company		Group	
	2015	2014	2015	2014
	£	£	£	£
Intercompany accounts	744,809	777,882	930	—
Trade debtors	13,297	—	34,076	10,548
NHS pharmaceutical supplies	54,180	11,389	54,180	11,389
HMRC - tax and social security	155,247	101,652	182,898	126,540
Other debtors	5,897	16,852	6,711	21,122
Accrued legacy income	70,000	97,000	70,000	97,000
Prepayments	35,029	610	115,458	73,415
Deposits provided	—	—	3,875	3,875
	<u>1,078,459</u>	<u>1,005,385</u>	<u>468,128</u>	<u>343,889</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	
	2015	2014	2015	2014
	£	£	£	£
Christmas Cards	—	—	2,008	3,535

19. CREDITORS

Amounts due in under one year

	Company		Group	
	2015	2014	2015	2014
	£	£	£	£
Bank Loans	31,169	31,169	31,169	31,169
Share capital KHH Development Ltd	500	500	—	—
Payments on account	—	—	122,723	174,066
Trade creditors	97,446	127,895	122,518	179,249
Accruals	32,275	21,651	117,452	39,848
Deferred income	29,151	22,358	29,151	22,358
Other creditors	5,051	5,190	22,310	18,828
	<u>195,592</u>	<u>208,763</u>	<u>445,323</u>	<u>465,518</u>

Amounts due after one year

	Company		Group	
	2015	2014	2015	2014
	£	£	£	£
Bank Loans	<u>274,771</u>	<u>306,463</u>	<u>274,771</u>	<u>306,463</u>

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 2015

(Continued)

20. FUNDS

General, Designated and Restricted Funds

	General Funds £	Designated Funds £	Restricted Funds £	Total Funds £
Income	5,617,142	178,742	1,129,388	6,925,272
Expenditure in generating funds	(3,801,259)	–	–	(3,801,259)
Financing costs	(8,603)	–	–	(8,603)
	<u>1,807,280</u>	<u>178,742</u>	<u>1,129,388</u>	<u>3,115,410</u>
Opening value of funds	2,842,900	259,968	86,476	3,189,344
Transfers (to) / from general funds	152,798	(152,798)	–	–
Gains / (losses) on investment assets				
Realised	27,722	–	–	27,722
Unrealised	38,219	–	–	38,219
	<u>4,868,919</u>	<u>285,912</u>	<u>1,215,864</u>	<u>6,370,695</u>
Charitable expenditure	(1,942,748)	(56,912)	(1,142,866)	(3,142,526)
Closing value of funds	<u>2,926,171</u>	<u>229,000</u>	<u>72,998</u>	<u>3,228,169</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 2015

(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	20,177	4,345	(10,665)	--	13,857	--	13,857
February Foundation Day care	--	4,000	(4,000)	--	--	--	--
IPU Refurbishment and Equipment	--	6,700	(3,688)	--	3,012	--	3,012
- Tilly's Fund	4,215	--	(4,215)	--	--	--	--
IPU Bed replacement	--	3,440	(3,440)	--	--	--	--
Cycle Shelter	--	3,316	(3,316)	--	--	--	--
Lymphoedema Equipment	3,486	6,350	(1,904)	--	7,932	--	7,932
Lymphoedema treatment room	--	7,250	(7,572)	--	(322)	--	(322)
Clothworkers Fund	7,400	--	(6,300)	--	1,100	1,100	--
IPU French Windows	2,140	--	(1,680)	--	460	460	--
Multi-sensory Equipment	1,543	--	--	--	1,543	--	1,543
Kitchen Fund	--	4,409	--	--	4,409	--	4,409
Revenue funds to operate specified services:							
Lymphoedema Services	1,573	5,995	--	--	7,568	--	7,568
IPU Fund	7,846	--	(4,784)	--	3,062	--	3,062
At Home Team fund	15,498	22,593	(38,091)	--	--	--	--
Embrace Quality Care fund	954	1,645	(1,610)	--	989	--	989
David Wright Acupuncture Clinic	1,061	--	--	--	1,061	--	1,061
PCT Support of IPU	--	573,176	(573,176)	--	--	--	--
PCT Support of At Home Team	--	224,871	(224,871)	--	--	--	--
PCT Support of Day Care	--	60,230	(60,230)	--	--	--	--
PCT Support of Lymphoedema	237	146,780	(147,017)	--	--	--	--
Carers Group	832	--	(565)	--	267	--	267
Respite for carers	--	15,000	(6,658)	--	8,342	--	8,342
Day Therapies Fund	2,728	165	--	--	2,893	--	2,893
Family support Services	--	1,864	(1,206)	--	658	--	658
Well being Day	--	30	(30)	--	--	--	--
Spiritual Support	4,319	656	(558)	--	4,417	--	4,417
Other revenue funds for specified purposes:							
Patients Comfort Fund Day Care	2,700	2,210	(780)	--	4,130	--	4,130
Patients Comfort Fund IPU	2,108	614	(618)	--	2,104	--	2,104
Diversional Therapies	1,254	--	(189)	--	1,065	--	1,065
IPU Staff Gift	585	--	(35)	--	550	--	550
Patient Transport	2,604	40	(2,644)	--	--	--	--
Keele Medical Students Fund	2,878	3,842	(2,819)	--	3,901	--	3,901
Medical Staffing Day Care	--	--	--	--	--	--	--
Aromatherapy Fund	40	80	(120)	--	--	--	--
Memorial Funds							
Pay for a day tribute funds	--	29,787	(29,787)	--	--	--	--
Shân Parkes (Window fund)	298	--	(298)	--	--	--	--
	86,476	1,129,388	(1,142,866)	--	72,998	1,560	71,438

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(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

Movements on Designated Funds:

Designated Fund	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £
Repairs and Renewals Fund	45,000	—	18,328	23,328	50,000
Renewal of IT fund	28,000	—	—	14,000	42,000
Training and Development Fund	9,968	—	9,390	9,422	10,000
Legacy Equalisation Fund	100,000	152,148	—	(152,148)	100,000
NHS Pension Rebate Fund	27,000	26,594	26,594	—	27,000
Transforming end of life tender	50,000	—	2,600	(47,400)	—
	<u>259,968</u>	<u>178,742</u>	<u>56,912</u>	<u>(152,798)</u>	<u>229,000</u>

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 2015/16 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 was established to help the hospice to participate in tendering for the contract for transforming end of life care. As the hospice is no longer involved in this tender the fund has been closed.

21. TRANSFERS BETWEEN FUNDS

	Transfers In	Transfers Out	Net Transfers
General Funds	199,548	(46,750)	<u>152,798</u>
Designated Funds:			
Repairs and Renewals	23,328	—	
Renewal of IT fund	14,000	—	
Training and Development Fund	9,422	—	
Transforming end of life tender	—	(47,400)	
Legacy Equalisation Fund	—	(152,148)	
NHS Pension Rebate Fund	—	—	
	<u>46,750</u>	<u>(199,548)</u>	<u>(152,798)</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2015

(Continued)

22. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The charity has no capital commitments at 31 March 2015.

Operating Lease Commitments - Company and Group

At 31 March 2015 the charity had annual commitments under non-cancellable operating leases as follows:

	At 31 March 2015	At 31 March 2014
Expiring in 2 to 5 years	172,500	256,750
Expiring after 5 years	30,000	67,000

23. POST BALANCE SHEET EVENTS

The trustees have determined to close KHH Developments Ltd.
There are no other material operational or financial matters to report.

24. RELATED PARTY TRANSACTIONS

During the year some of the trustees, senior managers, and employees of all group entities made donations to the charity, played the lottery run by KH Promotions Ltd, and bought and donated goods to the charity of Katharine House Retail Ltd. All these transactions were conducted on an arms length basis in support of the charity.

Access to the hospice's care services is based on the assessment of clinical need and the availability of provision. It is possible that relatives of trustees, senior managers, and employees of all group entities may have accessed the charity's services, but this is not separately identifiable and therefore not disclosed.