



embracing life and living

"How We Are Doing"

OUR DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

A Company Limited by Guarantee not having share capital

Registered company number 2700516

Registered charity number 1011712

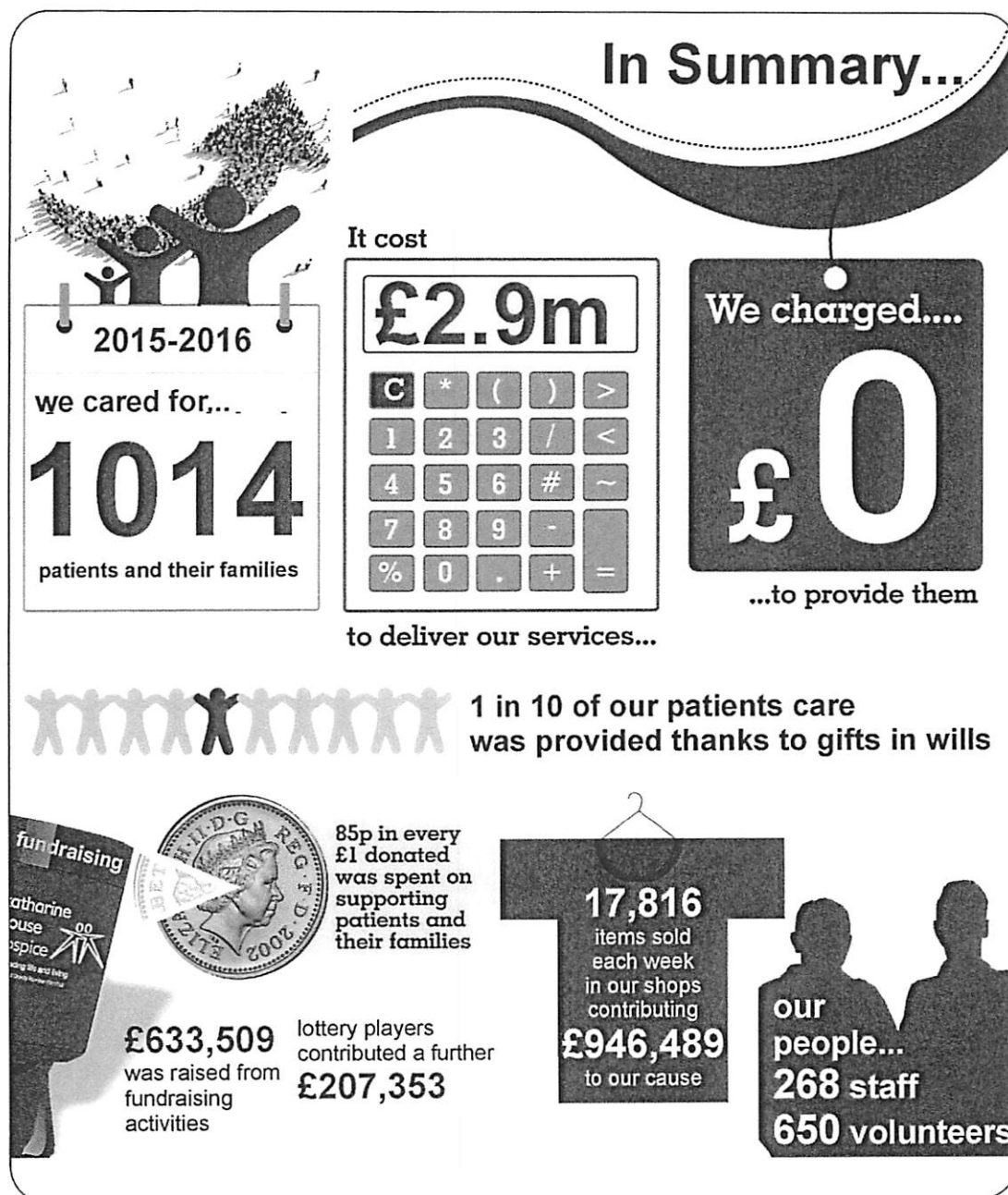
day therapies wellbeing day in-patient care at home care lymphoedema service family support

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Our Performance At A Glance

1. Summary of the Report



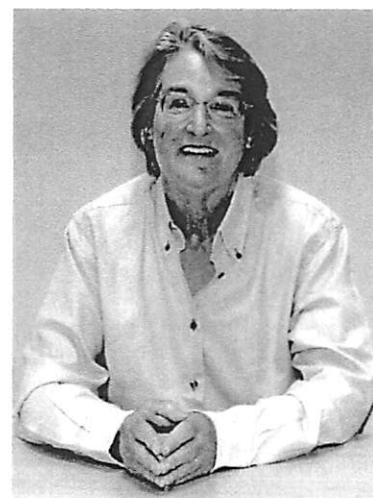
The Trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiary for the year ending 31 March 2016 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1st January 2015).

Introduction from the Chairman

2. Chairman's Statement

As I write this my 3rd Chairman's Statement, we are in the midst of an ongoing and much needed national debate on end of life care. I have just returned from attending, with representatives from a dozen or so other hospices, a roadshow put on by Hospice UK. Hospice UK is undertaking a strategic review preparatory to setting a new strategy and business plan in 2017 and the purpose of the roadshows is to enable all hospices to feed into that review. What was immediately apparent from our discussions was the sheer breadth and diversity of services now offered by hospices. As society has evolved, so have hospices, and the extent of hospice care is vast and far-reaching. People are living longer and they are living longer with life-limiting illnesses and, not unusually, with more than one medical condition – whether it be mental or physical. Hospices are adapting to meet their needs and crucially also to meet the needs of their families and carers. It is fascinating, reading through the reports of my predecessors, to see how Katharine House has never stood still but has developed fresh services and facilities as they are needed. We have adapted with the times to meet the ever changing and increasing needs of the community which we serve.



*Katharine House Hospice
Chairman Lady Mitting*

It is against this background that I now report on the last year at Katharine House.

There can be no doubt that the local health economy has been under severe pressure over the last year and this looks set to continue. The merger of University Hospitals North Staffordshire with Stafford Hospital and the subsequent changes to services offered at Stafford have presented us with some key operational challenges. Considerable time has been invested in re-establishing links at the County Hospital and building relationships with staff at Royal Stoke Hospital. While we saw referrals drop for a period of time, we hope we have now re-established these referral routes, but remain vigilant to ensure that patients who could benefit from our services do so. Moreover the changes gave us an opportunity to work more closely with our NHS colleagues to improve the care provided for end of life patients.

The financial pressure the NHS is under has begun to affect Katharine House, with the local Clinical Commissioning Groups seeking to reduce our funding by 10% for 2016/17. Whilst in the short-term we intend that this should not affect patient care, it means we are planning for a substantial deficit in 2016/17 which has to be eliminated in the next three years. The hospice holds reserves to manage such contingencies but the deficit position will need to be resolved.

Partnership working is a key strategic priority and we have worked to establish new relationships and build on existing partnerships. The Macmillan Team employed by Staffordshire and Stoke Partnership Trust has moved into the Hospice to facilitate closer working with our teams. Also, thanks to a generous donation from the Connie & Albert Taylor Charitable Trust, we have been able to join with the Partnership Trust in the enhancement of palliative care within the community through two shared District Nurse palliative liaison posts.

We have long benefited from social workers, physiotherapists and occupational therapists who work at the Hospice and in local services, an approach which has innumerable benefits for patients in terms of continuity of care. We now have sessions from two palliative care consultants who also work in hospital and in the

community, which further demonstrates our intention to work towards more integrated palliative care services for the benefit of people in Stafford.

I talked in my last Statement of the new Holly Road Supportive Care Centre in Uttoxeter. This was launched and opened to the public in September 2015 and in its first 6 months had already welcomed 150 visitors. Organisations that are providing or developing services with the Centre include Age UK, Uttoxeter Police, Alzheimer's Society, Changes, University of the Third Age (U3A) and St Giles Hospice.

The Transforming End of Life care tender, having reached the tender phase, has, not for the first time, been paused. This not only creates considerable uncertainty but also a vacuum in which health economy wide decisions are not being taken. The Clinical Commissioning Group locally, while very supportive of Katharine House Hospice, is driven by the decisions made by NHS England and the Treasury.

Within the Hospice, access to Day Therapies has improved and as a result the service is running at full capacity meaning we are able to support even more patients as part of the community care they rely on.

We recognise the diverse needs of carers. Some are young, juggling work with caring. Others may be elderly and struggling with their own medical problems. During the year, we increased our support for carers. We set up a new group for carers of working age and, to facilitate attendance at carers' groups, and to provide additional support to day patients following discharge, we have introduced a service called "Lean on Us" providing companionship to patients and acting as a link with the Hospice.

Care comes in a multitude of forms. In Katharine House it is holistic in the truest sense of the word. What is striking is how often, when people talk of the care their relatives received, they focus on the smaller things which might almost pass unnoticed but, in fact, serve to define their thoughts and memories of Katharine House. Examples shared with me this year include the moistening of parched lips, the holding of a hand, or stroking of an arm, often in a patient who is barely conscious.

Katharine House Hospice is a magnificent team made up of staff and volunteers working together towards the delivery of an invaluable service. Nurturing and supporting that hardworking and dedicated team remains of paramount importance.

It is a truism to say that our volunteers form the backbone of the Hospice but there is just no better way of putting it. We continue to rely heavily on our volunteer workforce of around 630 local people. At our Volunteers' Evenings, when long service certificates are presented, we are extremely fortunate to be able to recognise the support of a high number of volunteers who have served for 5, 10, 15, or even 25 years. This is a tribute to the strength of the bond between the Hospice and our volunteers. I can do no better than to quote my Chief Executive, Richard Soulsby in his annual presentation, "What our volunteers bring to the Hospice is not just their time and support, but also the richness of their personalities and the diversity of their skills and knowledge".

As always I thank my fellow Trustees, also of course volunteers, who continue to work prodigiously hard for the Hospice, giving their time and expertise unstintingly. During the year 4 Trustees stepped down, our Treasurer Martin Melling, Dr Ian Wilson, after total service of 20 years, Will Johnson and Kate Sallah. I thank them wholeheartedly for their contribution to the Board. The Board, through its Nominations and Governance Committee, keeps under constant review the makeup of the Board and ensures that in the ever changing, and it has to be said evermore complex,

environment in which we operate the Board contains the skills and competencies required of it.

I am delighted to welcome both Stuart Lloyd and Barry Baggott who have joined the Board this year. Stuart has been a Trustee previously and as both a local GP and a retailer of antiques he brings both clinical and commercial knowledge to our debates. Barry has been an independent director of our retail companies for many years, and has been an outstanding supporter of the hospice movement and Katharine House in particular.

As our Director of Retail moved on during 2015, Richard Soulsby took the opportunity to carry out a full review of our retail operations. I am grateful for the very considerable time devoted to this review by David Harding, Trustee. The Board has approved a number of recommendations that are expected to improve the operations and efficiency of the retail department.

We have always worked hard to foster strong relationships with our supporters, but this is not the case for all charities. Last year saw high profile stories of fundraising malpractice and undue pressure being placed on members of the public. As a result the fundraising regulatory landscape is changing. This is proving challenging, and our teams are working hard to understand and respond to these changes whilst trying to minimise their impact on the level of funds we raise.

I spoke last year of the enormous contribution of our local Support Groups. Sadly the Gnosall Friends have retired after 28 years. In fact their formation predated the laying of the first brick of the Hospice. In their 28 years they have raised not far short of £70,000. Their final event was an enormously successful Coffee Morning which Richard and I both attended. Well done Gnosall and thank you! Coincidentally, and fortunately for us, a new support group was formed last year in the guise of the Cannock Friends of Katharine House. We are thrilled and I wish them, and our other Support Groups, the best of luck with their vital fundraising efforts in the coming year.

Due to the increasing costs of providing our free care services we are forever looking for new ways to raise funds. Last year we introduced our Big Summer Walk which we hope will go on to prove a vital source of income as well as offering a fun day out for all who take part. We continue to rely heavily on donations and were both fortunate and honoured in this year to have been remembered in more wills than ever before. We are humbled that people have chosen to support us in this important, impactful and personal way.

The Hospice has in Richard Soulsby a first rate Chief Executive. I thank him for his constant support not only to me as Chairman but to the entire Board. Now more than ever we must look to new ways of working, explore new income streams and develop more partnerships. I know that Richard, with his strengths and talent, will lead the way as we continue to adapt and evolve, and Katharine House will go on responding to the ever increasing needs of the community.

This is a highly challenging but exciting time for anyone involved in the Hospice Movement. That the people of Mid-Staffordshire have the resource of Katharine House, a place of peace, calm, dignity, and compassion, is down to all of you: staff, volunteers, and supporters. On behalf of the community I thank you all.



Lady Mitting
Chairman

Report of the Trustees and Directors

3. Objectives and Activities – what we do

3.1. The Purpose of the Charity

Our Memorandum of Association identifies the purpose of the charity as **to promote the relief of sickness and suffering.**

In particular it states that we exist to:

- 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;
- b) By conducting or promoting or encouraging research into the care and treatment of persons suffering from any such illness, disability, disease or infirmity ...;
- 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”

3.2. Our Services

In order to achieve our objectives we provide the following principal services free of charge to support people affected by any progressive, life-limiting condition:

- **Day Therapies** for 4 days per week, for up to 15 patients per day
- A **Well Being Day** for up to 15 patients per 6 week programme
- 24 hour **in-patient care** in the form of respite care, symptom control or terminal care for up to 10 patients at a time
- A rapid response **Hospice at Home** service delivered by healthcare assistants
- A specialist **Lymphoedema** clinic
- **Family Support** services, including Counselling and Bereavement support, complementary therapies, occupational therapy, physiotherapy and social work
- Services to support **carers**
- A **respite sitting** service
- A **transport** service for patients delivered by volunteers.

In April 2012 Katharine House established a care agency known as Embrace Quality Care Limited. The agency provides home care services that reflect the quality of care within the Hospice's charitable services. Embrace Quality Care Limited is expected to



break even, but in practice the costs of this service are, in part, underwritten by the charity. The trustees take the view that there are a number of additional benefits including increased donations to the charity (which are not reflected in the accounts of Embrace Quality Care Limited), improved integration of our community services and therefore better use of the charitable Hospice at Home service, and improved recruitment of healthcare assistants for the hospice.

33. How We Make A Difference - Our Mission & Aims

Our Mission is

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

We currently aim to relieve the sickness and suffering of more people through increasing access to the services we currently provide.

Our secondary aim is to achieve an increase in income so that we can continue to develop services in response to what patients and their families need.

34. Short Term Objectives and Strategies to Achieving these

The current major organisational objectives and planned activities for 2016/17 are:

1. Maintain the quality and safety of existing care services within the constraints of changing resources and capabilities.

- *Undertake Patient Flow Mapping including referrals, discharges & patient pathways*
- *Reconfigure our Community Services*
- *Review Care Administration to make more effective use of nursing resources*
- *Increase utilisation of inpatient care, wellbeing day, at home care and maintain the high utilisation of day therapies and lymphoedema services.*

2. Develop clinical collaborations with other organisations to achieve effective use of resources improving the patients' experience of care and increasing value.

- *Develop integrated working with the community Macmillan Team operated by Staffordshire & Stoke on Trent Partnership Trust*
- *Continue to pursue interconnectivity with NHS information systems*
- *Develop and implement (with St Giles Hospice a neighbouring Hospice) a plan to secure funds for Holly Road Supportive Care Service*

3. Implement the findings of the retail review

- *Appoint and induct a Retail General Manager*
- *Integrate the operations of Katharine House Retail and DLT Trading Ltd*
- *Develop a discount store and enhance the e-bay operation*

4. Respond to the outcome of the transforming End of Life Care programme

- *Ensure that the hospice is engaged with the outcome of the current tender process, whether or not a contract is let at the end of the process*

5. Develop and implement a plan to improve internal communication

- *Hold focus groups to review communication*
- *Undertake a communications themed staff survey*
- *Implement any actions identified through the survey and through focus groups*

6. Maintain the expected operating deficit below £150k

- *Halt the decline in lottery membership*
- *Review the Embrace Care model and devise an action plan for growth*
- *Explore selling KHH non-clinical services to other organisations*

3.5. Plans for the Future

Our longer term aims and objectives are to:


1. Increase the community care services that we offer including at home, in nursing homes and in hospital
2. Increase awareness and improve understanding of our services so we support more people and from earlier in their diagnosis
3. Identify how to offer step-down support to existing patients
4. Respond to the increasing need for end of life care for people with dementia
5. Identify and pursue opportunities for partnership working and mergers
6. Identify how we will increase our income to support the proposed activities.

3.6. Vital Volunteer Support

Katharine House has, since before its inception, been fortunate enough to be the beneficiary of the support of our local community and during 2015/16 629 volunteers supported the charity (2015: 631) freely, regularly and passionately giving their time. 395 volunteers support the Hospice and a further 234 support the work of the retail department (although some volunteers hold dual roles supporting both areas of the organisation).

Volunteer support roles are extremely varied: being one of our Trustees; helping to provide patient care; assisting in our day therapy or in-patient units; helping provide bereavement support, pastoral care, or companionship; providing simple massages for patients; working with catering, on reception, in our gardens; helping with administration tasks; counting donations; supporting our fundraising efforts; working in our IT or finance teams; undertaking one-off project roles; or bringing in patients (our volunteer drivers travelled in excess of 55,000 miles in their own vehicles last year).

Within Retail our volunteers undertake tasks including sorting and steaming donations, cleaning and preparing donated items, and working in sales areas with



"I feel more valued at KHH than I did when I was working. I have been at KHH for 12 years and look forward to being here for many more"

Hospice volunteer

customers. They share their knowledge and interest in specialist areas such as art, books or antiques, and provide invaluable time for customer service.

We continue to host many successful work placements for younger volunteers, who will be the community we serve in the future. In addition we are privileged to be held in high esteem by a number of local employers who encourage their employees to volunteer as groups or on an individual basis.

The average age and overall popularity of volunteering has reduced nationally but we are likely to see a decrease in the number of volunteers achieving long service awards in the future as volunteering is becoming more short-term. However, we continue to welcome and appreciate the input of all of our volunteers, who, having seen first-hand the work of Katharine House, help promote the reputation and care the organisation provides and dispel some of the myths and fears that surround hospice care.

Without doubt our volunteers enhance the services and reputation of Katharine House Hospice and the Trustees are very grateful for their contribution. During 2015/16 our volunteers provided over 78,979 hours of support which, had the charity had to pay minimum wage, would have cost in excess of £529,150 (2015: £473,000).

Hours Contributed By Volunteers



4. Achievements and Performance

4.1. Summary of Main Achievements

- We helped 1,014 patients and their families.
- It cost £2,894,823 to deliver our services, and we charged £0 to provide them
- The day therapies unit is now extremely busy, with an increase of 17.5% in the number of attendances and 21% in the number of booked sessions. This was not mirrored in the wellbeing day, which saw a reduction of 6.3% in the number of attendances.
- Support of patients and families through counselling, chaplaincy, social workers, and complementary therapists continued to flourish during the year. The carers group saw a 23% increase in attendance, although there was a 3% drop in complementary therapy services.
- Lymphoedema service saw a 15.3% increase in the number of treatments carried out.
- Inpatient activity increased marginally by 1%.

4.2. Summary of Main Challenges

- The community services saw a sudden drop in referrals in the early part of the year. We believe the merger of the Royal Stoke Hospital and Stafford Hospital (now the County Hospital) to form the University Hospital of the North Midlands and the associated relocation of staff and services between sites and departments meant that referral pathways into the hospice were adversely affected. Referrals fell by 26% and contacts by 18%.
- There is a great deal of pressure on the retail high street, both with increased direct competition from other charities and discount stores and as people move their shopping onto the internet.
- It is proving difficult even to maintain the current membership of our lottery.
- Embrace Quality Care Limited has not recruited as many healthcare assistants as had been planned and consequently has been unable to increase its revenues.

43. 2015/16 Charitable Activities

The trend reported last year, of referrals being more complex has continued over the year under review. It has been noticeable during 2015/16 that we are receiving referrals for patients with much more complex needs.

In-patient Care

2,650 days of care
190 admissions
£1,639,605 to run the service
£618.72 per day

Lymphoedema Support

2168 treatments
£217,074 to run the service
£100.13 per treatment

Day Therapies

1,991 Day Therapy Attendances
£312,562 to run the service
£156.99 per attendance

222 Well Being Day Attendances
£37,156 to run the service
£167.37 per attendance

Support at Home

2794 At Home visits
£435,081 to run the service
£155.72 per visit

Counselling & Bereavement Support

828 individual counselling sessions
51 group sessions

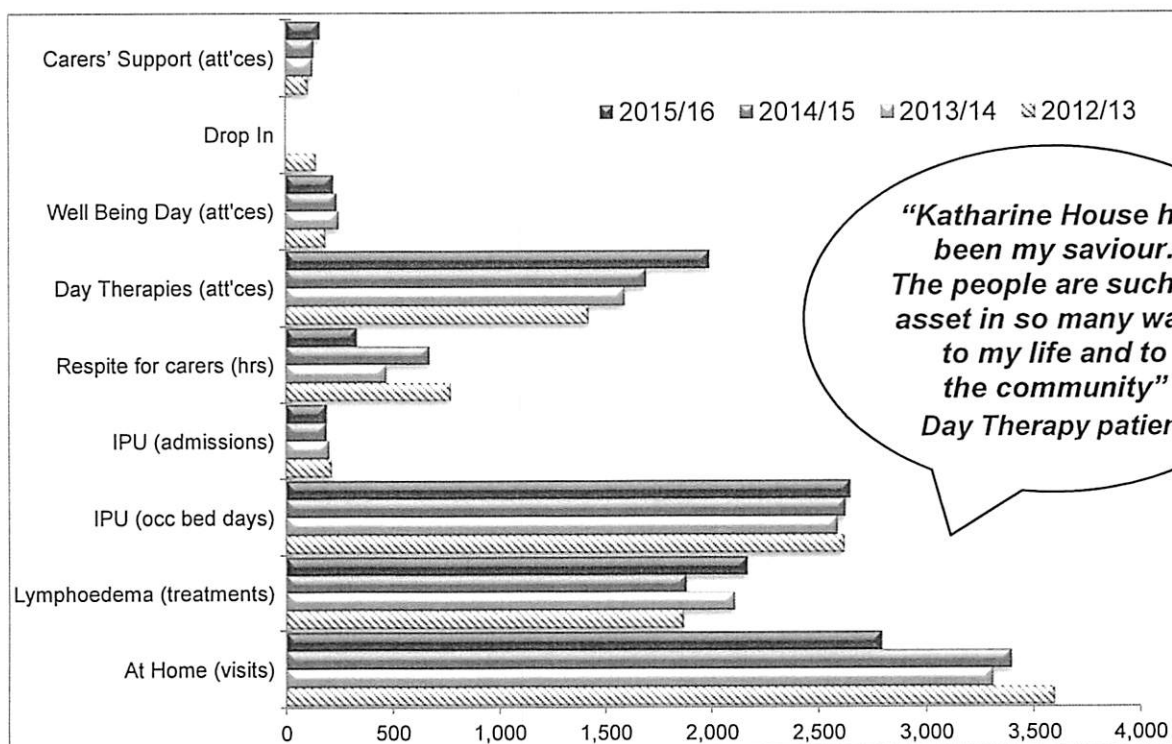
Complementary Therapy

979 treatments

Help for Carers

161 Attendances at a Carers Group
£21,105 to run the groups
£131.09 per attendance

The Services We Provided 2012/13 – 2015/16



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

4.4. How We Measured Performance and Success

The provision of metrics to measure performance in the delivery of any health care service is made complex by the inter-relationship between quality and amount of care provided. The main sources for assessing the care that we provide come from:

1. Measures of activity – such as number of bed days, attendances, sessions held, treatments – which trustees use to assess whether resources are being deployed effectively to meet the charity's objectives.
2. More qualitative measures to ensure that the services are being provided safely and to the satisfaction of patients and their families. This may include notes of patient forums, letters of compliment or complaint, data on rates of infection or pressure sores.

The detail is provided to the Clinical Committee for scrutiny quarterly and to the local Clinical Commissioning Group Quality Review Meeting.

4.5. Progress With 2015/16 Objectives

2015/16 has been a further 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 we have not sought to develop our services.

The objectives identified by trustees for 2015/16, and performance against these, are outlined below:

- 1. Engage with the transforming End of Life Care programme** ✓
The Hospice continued to engage wherever possible. Nevertheless progress has been problematic and the process has been paused. Much of local statutory sector commissioning appears in stasis as commissioners seek to address unsustainable deficits in the finances of the local health services.
- 2. Explore how to make services more appealing to referrers and service users in order to increase access.** ✓
We held focus groups with key audiences and their response indicated that we should not introduce sub-brands for care services but should continue to use the term Hospice and educate referrers and service users. We are working with local providers to map out patient pathways to try to ensure simple access to our services.
- 3. Continue to grow the services of Embrace Quality Care** ✗
The programme to recruit additional carers was not successful. Changing contractual arrangements meant we did recruit additional staff, but we also saw a high turnover – particularly into the hospice. This meant we struggled to grow the revenues of Embrace. The increase of £33k, or 16% was a lot lower than planned.

4. **Improve quality and integration of care for end of life patients in the Stafford and the surrounding community** ✓
As planned the community Macmillan team (managed by Staffordshire and Stoke-on-Trent Partnership Trust) moved into Katharine House, but experienced technical problems with their IT and relocated back out. In 2016 they have now moved back into the premises.
Working with Staffordshire and Stoke-on-Trent Partnership Trust and thanks to the financial support of a grant giving body, we have funded two new end of life district nursing posts
5. **Support the enhancement of consultant palliative care available to the residents of Stafford and Cannock** ✓
Together with Douglas Macmillan Hospice and the University of North Midlands NHS Trust, a stable team of medical consultants has been appointed across north and mid-Staffordshire. Our patients now have more reliable access to this specialist knowledge.
6. **Maintain deficit below £150k** ✓
As planned the profitability of the retail business was reviewed. We made some inroad in halting the decline in lottery membership but could not sustain this across the whole year. With positive legacy income the hospice made a surplus.
7. **Continue to develop the Executive and Operational Teams** ✓
These teams continue to become increasingly effective since their introduction in 2014. We are seeing a greater level of support to trustees enabling the board to discharge their governance requirements, whilst there is improved co-ordination and communication between the different teams working for the charity.

4.6. Fundraising Performance

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

27 people left a gift in their will (2015: 17) and donated £335,372 (2015: £152,148) this will fund the care for 1 in 10 of our patients in the coming year.

There were 7,800 lucky winners of our Hospice Lottery who received £94,400 (2015: £115,425) in prize money. Players contributed £207,353 (2015: £226,176) over the year which is a sum equivalent to the costs of our entire lymphoedema services.

	<u>Net Revenues</u>	
	<u>Actual</u>	<u>Target</u>
Fundraising	633,509	694,523
Lottery	207,353	219,752

4.6.1. Approach to Fundraising

The Hospice's fundraising activities are carried out by members of our community, volunteers, and paid members of our staff. On occasions we will employ the services

of professional fundraisers where we do not have the in-house skills to carry out the work. Last year Burden & Burden were engaged to promote our lottery in the local community. The performance of this company was monitored in terms of how many additional lottery members were signed up. The initial success was not maintained and this contract was terminated after 7 months.

4.6.2. Fundraising Standards

The charity conducts its fundraising in accordance with the Institute of Fundraising's Codes of Practice and complied with these standards in 2015/16. We take a relationship-based approach to our fundraising and think about the needs of our supporters (and our beneficiaries) when undertaking all of our fundraising activities.

4.6.3. Fundraising Complaints

In 2015/16 in relation to our fundraising activities the charity received no formal complaints, 2 informal complaints and 8 adverse comments. The informal complaints were unrelated. One was from a lottery player who felt that they had been pressurised into joining the lottery, for which we apologised, and their play was cancelled. We received no other similar complaints or adverse comments of this nature. The other informal complaint was from a supporter who did not wish to receive requests for further support and found this offensive, we apologised and updated our records so that they wouldn't be contacted again. We received a similar adverse comment of this nature in so much as an existing supporter did not wish to receive requests for support, however they wished to stay in touch and we agreed to reduce our contact to sending our newsletter.

4.6.4. Vulnerable People

By working within the Institute of Fundraising's Codes of Practice and maintaining a relationship based approach to our fundraising activities we endeavor to protect vulnerable members of our community. We have over many years actively sought to understanding the wishes of our supporters in regard to our communication with them.

4.7. Proportion of Income Spent on Fundraising in 2015/16

The charity provides its services free to patients and their families. It must therefore raise the funds needed to cover the costs of making this provision. The hospice operates a fundraising department to do this. In addition to raising funds fundraising costs include managing the receipt, counting, banking of all donations, thanking all donors, reclaiming gift aid on relevant donations, as well as supporting others to raise funds on our behalf. We received 14,550 donations the smallest of which was 3 pence and the largest was almost £120,000.

The income raised by the department and direct costs are shown below:

	<u>2016</u>	<u>2015</u>
Event Income	222,908	281,995
Event costs	(48,552)	(67,387)
Net income from events	<u>174,356</u>	<u>214,608</u>
Other Income	769,573	728,965
Income after event costs	<u>943,939</u>	<u>943,573</u>
Other direct costs	(239,829)	(253,267)
Net Income raised	<u>704,100</u>	<u>690,306</u>
Less allocated support and overhead costs	(70,591)	(68,047)
Net funds raised	<u>633,509</u>	<u>622,259</u>

Net revenues from events have declined in the year under review. Other direct costs as a proportion of income after event costs are 25% (2015: 27%).



4.8. Retail Performance

The retail operation has seen a return to growth after its poor performance in 2014/15. However, trustees were disappointed with the uptake of the gift aid scheme. A review is to be undertaken and actions implemented to increase both the number of donors who gift aid and the capture of gift aided donations.

Our shops sold an average of 17,816 (2015:15,371) items each week and customers contributed £947,489 (2015: £701,698) to our cause. In addition £156,000 (2015: £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>
Retail	947,489	948,616
Gift Aid	156,000	193,749

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

4.9. Review of Factors Affecting Performance

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).

Just under 28% of the charity's income comes from CCGs. The Trustees are pleased to see that commissioning end of life care is a high priority, but the continued delays in determining the outcome of the Transforming End of Life tender has created uncertainty and an absence of decision-making which is needed to improve the experiences of patients in mid-Staffordshire.

Austerity and Brexit

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 and the vote to leave Europe. The negative impact of austerity 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 has seen our funding cut by 10% in 2016/17. The vote to leave Europe may also increase uncertainty, but it is not felt that this is a significant risk to the charity's income.

Cost pressures

The requirement for employers to enrol employees in pension schemes has increased operating costs significantly from April 2014. The increases in the minimum wage will see increasing costs – particularly within retail, which will have an adverse effect on the funds that can be donated to the charity.

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. It has become more complex following the enactment of the Charities (Protection and Social Investment) Act (2016) which will cost the hospice in terms of a levy to be paid and the time of staff and volunteers to ensure we are compliant.

The reforms to pension arrangements continue to create a tremendous administrative burden, which required the Hospice to appoint a payroll assistant to cope with the increased workload.

5. Financial Review

The accounts for 2015/16 are prepared for the first time in accordance with the requirements of the Charities Statement of Recommended Practice (2015) (FRS 102).

5.1. Review of the Financial Position

The charity has had a financially positive year due to the receipt of considerable legacy income, and the performance of the retail department. Operating costs within the charity increased by 1.51% to £3.39m (2015: £3.34m).

Specific points are:

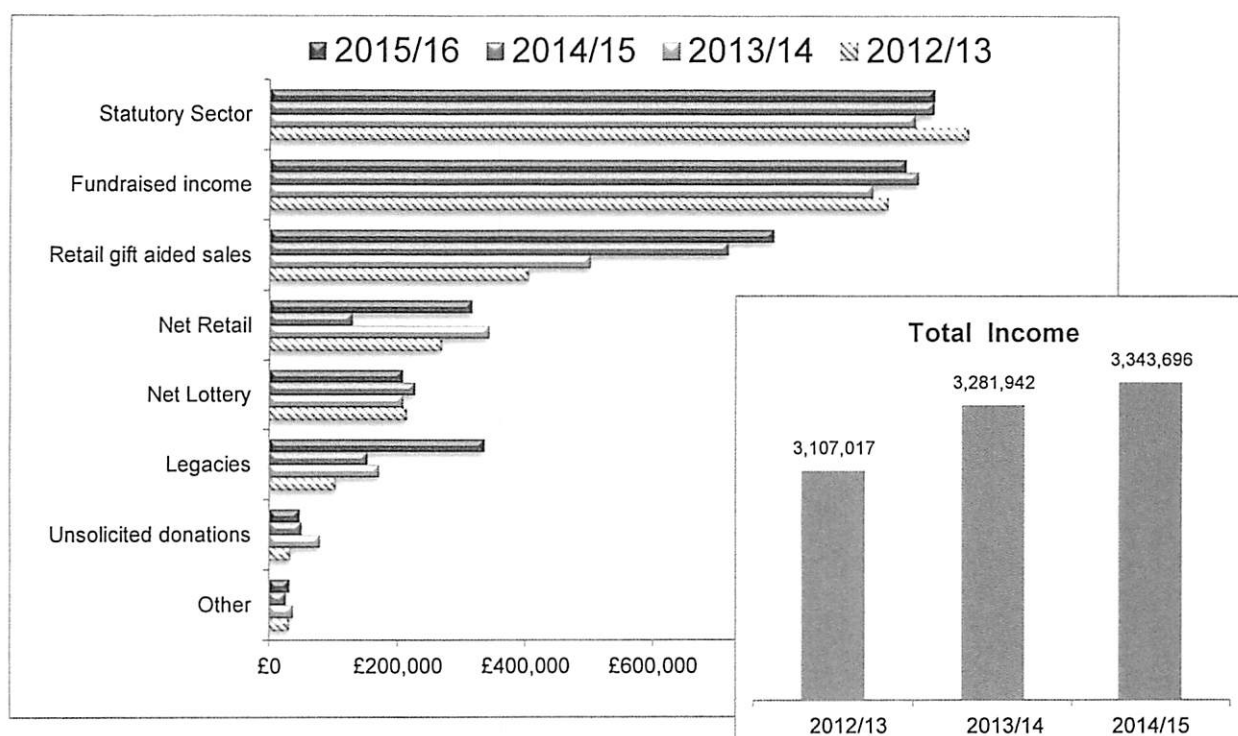
1. Legacy income increased by £183,224 (see note 3)
2. Although gross fundraising income fell by £18,479, total costs were reduced by £29,729. The net contribution of fundraising increased by £11,250 (see note 5).
3. The lottery has struggled for a number of years to retain membership, and last year contributed £18,823 less than the previous year (see note 6)
4. The retail operations contributions come through the net surplus of the retail company, gift aided sales and gift aid on these sales. In total retail contributed £1.10m (2015: £0.84m) an increase of £258,626. (see note 6)
5. The hospice's charitable costs increased by £31,027.
6. The operating surplus for the hospice was £363,489, but after losses of £12,258 in the investments, funds increased by £351,231

5.2. 2015/16 Sources of Funding

The charity's primary sources of funding derive from its retail trading activities, from the statutory sector, from fundraising (including a lottery) and from legacies and unsolicited donations. Income from the key sources is show below.

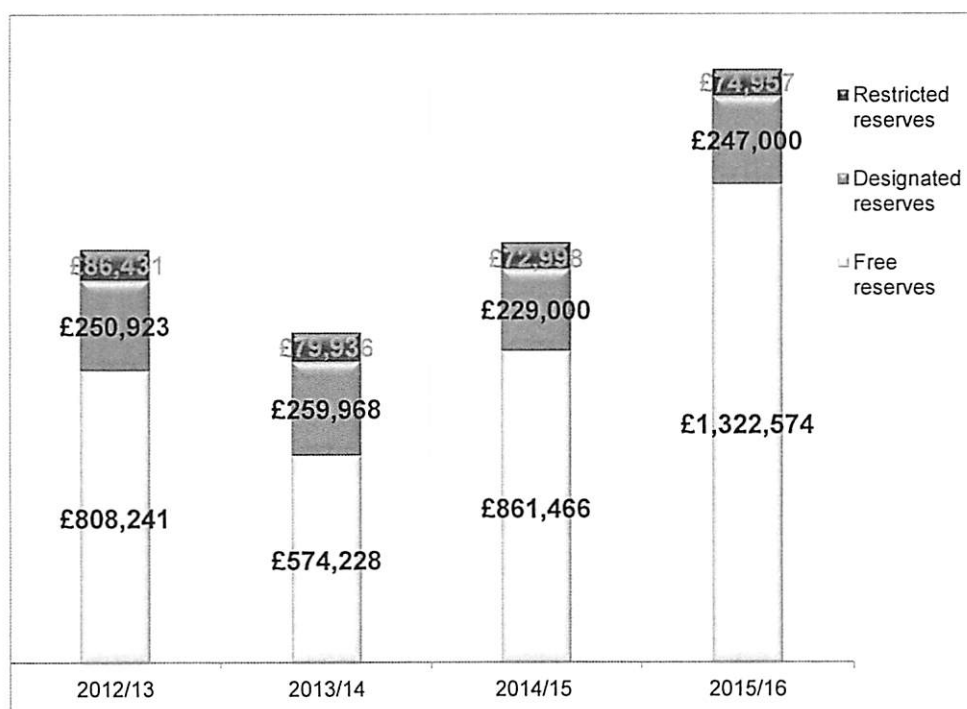
The trustees have some concerns about future revenues. The local Clinical Commissioners have announced an across the board cut of 10% to their funding of providers due to their financial position. Retail high street revenues are under very considerable pressures as shoppers move to out of town retail parks (where charity retail units are harder to obtain) and onto the internet. Fundraising and lottery are mature departments within the hospice and continued growth is harder to achieve.





5.3. Reserves Policy and Going Concern

The free reserves of the charity at 31 March 2016 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 five designated funds, which are explained at 5.4 and in Note 22.

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 stand at £1,322,575 (2015: £861,466) equating to 4.7 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. Trustees are satisfied that the charity has reserves sufficient to maintain the charity's current operations over a medium term of three years.

Reserves are calculated as:

Free:	£1,322,575
Designated:	£ 247,000
Restricted:	£ 74,957

Embrace Quality Care, a trading subsidiary of Katharine House Hospice, made a loss of £56,121, and has retained losses of £84,415. The trustees of the charity have agreed to continue funding Embrace Quality Care as its prime purposes are in line with the objectives of the charity. This decision is reviewed annually, and losses are expected to be £63,000 for 2016/17 (see section 3.2).

54. Specific Funds

Trustees have designated funds as follows:

Repairs and renewals fund	<i>to cover unexpected or emergency repairs of a substantial nature, this will cover substantial remedial work to the roof of the clinic expected to be carried out during 2017.</i>
Renewal of IT fund	<i>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. Renewal is expected between 2020 and 2022.</i>
Training and development fund	<i>to ensure contractual commitments to staff training can be met. This fund is expended and renewed on an annual basis.</i>
Legacy equalisation fund	<i>to enable trustees to budget for the very unpredictable nature of legacy income. This fund is balanced annually to the following year's budget for legacies, for 2016/17 £120,000 (2015/16: £100,000).</i>

Details of the funds held by the charity are provided in note 22.

55. Investment Policy

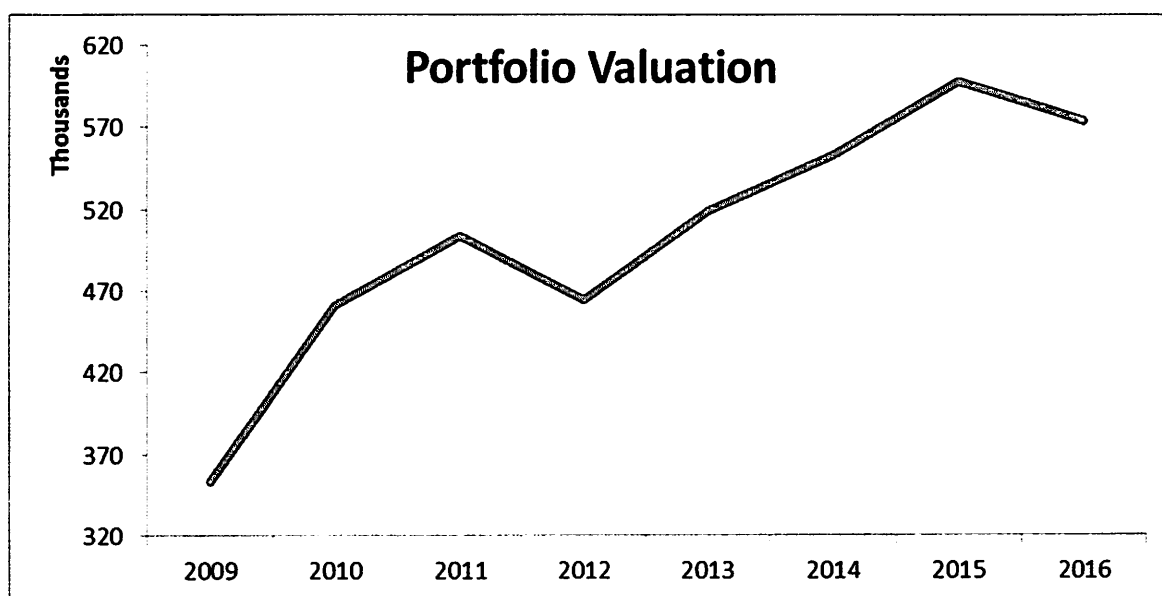
The Memorandum of Association empowers the Trustees to invest the monies of the Association not immediately required for its purposes in or upon such investments, securities or property as may be thought fit. Ad Valorem Wealth Management LLP provide advice and formal reports to the Finance and Remuneration Committee every six months, or more frequently as requested by the Committee. The assets held are disclosed in Note 16.

The primary objective of the investment portfolio is to provide capital growth over the medium term. Ad Valorem take an active approach to the management of the portfolio, seeking to take defensive positions in times of volatility. There have been a number of factors that have increased volatility in the markets during the year under review, in particular the ongoing issues in the world's financial markets, and the

domestic general election, this has seen increased levels of movements in the assets held. This has increased brokerage fees, but during 2016/17 the portfolio will move to a platform that will eliminate these fees.

No funds have been added to or withdrawn from the investments for the last seven years. Performance over this time is set out in the table and graph below based on the portfolio market valuation at the relevant year end.

Year	2009	2010	2011	2012	2013	2014	2015	2016
Value ('000s)	354	461	504	465	519	553	598	574
Annual growth		30.2%	9.3%	-7.7%	11.6%	6.6%	8.1%	-4.0%



Although the portfolio lost 3.99% in the last year, the compound annual growth rate over the last 7, 5, and 3 years has been: 7.13%, 2.63%, and 3.41% respectively.

5.6. Principal Risks and Uncertainties

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 March 2016.

The principal risks relate to:

1. The outcome of the local health services commissioners Transforming End of Life Care programme. The only way to manage risk in this is to seek to maintain involvement in the process.
2. A 10% reduction in NHS funding which is being mitigated through the charity's reserve position and three year budget and forecasting cycle.
3. The long-term decline in retail revenues on the high street, which risk is being managed through the development of additional revenue streams within the retail operation.

4. The long-term decline in lottery membership.
5. Increasing pressures on fundraising revenues, which are likely to be exacerbated by the introduction of the new Fundraising Standards Board.

6. Structure, Governance and Management

6.1. 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.

6.2. 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 Development Limited** (*Registered company number 8120430*), which was dormant until 1st April 2016.

Each subsidiary company gift aids any profits it makes to the Hospice. Katharine House Retail Limited has one wholly owned subsidiary: DLT Trading Limited (*Registered company number 6834846*) – which operates charity shops on behalf of another charity.

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

6.3. 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 meets six times in each year. Additional 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 income generation activities: fundraising, lottery, and retail. This includes approval of relevant policies; scrutiny of activity and performance; consideration of new initiatives; oversight of compliance, 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 pay 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: organisational risk management, disaster planning, succession planning, insurance covers, complaints management, and monitors new legislation.

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, addresses 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.

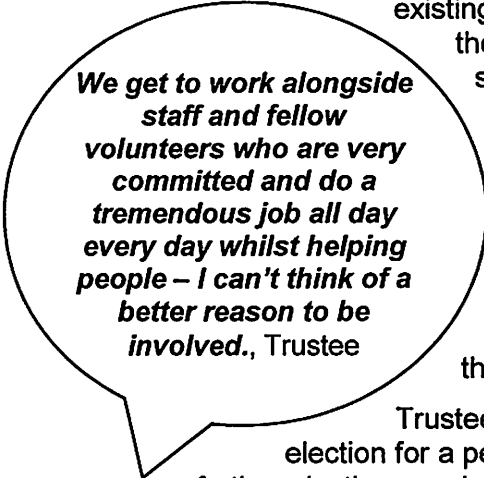
4. Staff Forum

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.

6.4. 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.

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.



We get to work alongside staff and fellow volunteers who are very committed and do a tremendous job all day every day whilst helping people – I can't think of a better reason to be involved., Trustee

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 with two current trustees. If both the nominee and the trustees 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 each for two year terms, but thereafter must stand down for a period of 11 months.

New Trustees meet with senior staff, tour the services, 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 have the option to spend time in key areas for example care and retail.

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



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.

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

Katharine House Retail Ltd manages 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 collaborates to deliver enhanced local services:

- Offering support in Uttoxeter through a supportive care centre with St Giles Hospice and the Hermitage Centre
- Providing an evening support group for Carers with CASS (Carers Association Southern Staffordshire)
- Supporting the community of Berkswich through the Berkswich Good Neighbour Scheme.

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



6.6. Related Parties

The following persons have connections with organisations to which Katharine House Hospice contracts:

- Mrs Cape is an employee of Staffordshire and Stoke-on-Trent Partnership Trust.
- Mrs Cashmore-James is an employee of Touchstone Consulting
- Dr Secker is an employee of County Hospital, Stafford, part of the University Hospital of the North Midlands.
- Mrs Woodyard is an employee of Hand Morgan and Owen Solicitors
- Dr Soulsby's spouse is the sole trader of AL Services.

Further details on transactions with these parties are at note 25 to the accounts.

Katharine House jointly funds posts with both the University Hospital of the North Midlands and Staffordshire and Stoke-on-Trent Partnership Trust. Decisions in relation to these posts either pre-date the appointment of the trustee or the trustee has declared an interest in the decision and been absent when any such decision has taken place. The relevant trustees have taken no part in the contract negotiations. Hand Morgan and Owen are the organisation's solicitors, but commercial relations are

handled directly with the relevant partner or through the company secretary. These mainly relate to property matters.

None of our trustees receive remuneration or other benefit from their work with the charity. Any connection between a trustee or senior manager of the charity with a production company, contracted actor, performer or exhibitor must be disclosed to the full board of trustees in the same way as any other contractual relationship with a related party. In the current year no such related party transactions were reported.

6.7. Pay Policy for Senior Staff

The directors consider the board of directors, who are the Trust's trustees, and the senior management team comprise the key management personnel of the charity in charge of directing, controlling, running and operating the charity on a day-to-day basis. All directors give of their time freely and no director received remuneration in the year. Details of directors' expenses and related party transactions are disclosed in notes 12, 13 and 25 to the accounts.

The pay of all staff is reviewed annually by the Finance and Remuneration committee comprising trustees and the Chief Executive and on an ad hoc basis as and when it is felt appropriate to adjust salaries. The committee seek to use benchmarking data provided for the hospice movement, through Hospice UK, by Croners. This report is used to assess the appropriateness of current pay arrangements. The committee seeks to ensure fairness and equity in the pay of staff for the roles performed, whilst balancing this against affordability for the charity. For positions for which it is hard to recruit higher wages may be offered. Certain groups of staff – in particular nursing and care staff – have structured pay grades that are broadly commensurate with similar role in the NHS Agenda for Change pay scale.

The Chief Executive's pay is determined by trustees at a full board meeting.

The Remuneration Committee is empowered to award discretionary bonuses to staff for exceptional performance, however this is rare, with only one such award being made in the year (2015: 2). Senior officers are not on bonus schemes.

Staffing levels, pensions and emoluments are detailed in notes 14, 15 and 16 to the accounts.

6.8. Public Benefit Statement

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.

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.

7. 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: 25th March 1992
Registered Office: Weston Road, Stafford, ST16 3SB
The Registered Office is also the principal address of the Charity

Trustees and Directors and Key Management Personnel:

The Directors of the Charity are its trustees for the purpose of charity law. The Trustees and Officers serving during the year and since the year end were as follows:

Trustees:

Lady Mitting	Chairman
Mr M R Melling	Treasurer (up to 17 th November 2015)
Mr I D Starkie	Treasurer (from 18 th Nov 2015)
Mr B Baggott	(from 26 th January 2016)
Mr B Bester	
Mrs A Cape	
Mrs J Cashmore-James	
Mr D M Harding	
Mr W G Johnson	(up to 17 th November 2015)
Dr S Lloyd	(from 18 th November 2015)
Mrs T Mingay	
Mrs K Overmass	
Mr J-P Parsons	
Mrs K Sallah	(up to 17 th November 2015)
Mr D J Sandy	
Dr C J Secker	
Dr I Wilson	(up to 17 th November 2015)
Ms J Woodyard	

Company Secretary: Cllr P M M Farrington

Registered Manager: Mrs J Kelly

Officers:

Director of Care Services:	Mrs J Kelly
Medical Director:	Dr E Hindmarsh
Chief Executive:	Dr R T Soulsby
Director of Retail:	Mrs K Sharp (until 24th September 2015)
Business Development Director:	Miss L M Taylor
Head of Human Resources:	Mrs B Wheat

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

8. Responsibilities in Relation to the Financial Statements

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.

9. Statement as to Disclosure to our Auditors

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

In so far as the Trustees are aware at the time of approving our trustees' annual report:

- There is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- The Trustees, having made enquiries of fellow Directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the Board on 27th September 2016 and signed on its behalf by Lady Judith Mitting, Chairman



10. Independent Auditors' Report

Independent Auditors' Report to the Members of Katharine House Hospice For The Year Ended 31st March 2016

We have audited the financial statements of Katharine House Hospice for the year ended 31 March 2016 which comprise the Statement of Financial Activities, the Summary Income and Expenditure Account, the Balance Sheet, 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), including Financial Reporting Standard 102.

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's 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 auditor

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

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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's and the group's affairs as at 31 March 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102, and

- have been prepared in accordance with the requirements of the Companies Act 2006.

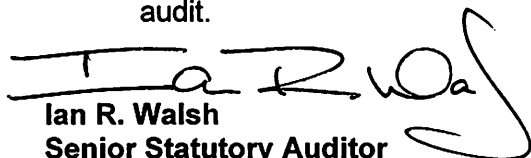
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report (which incorporates the strategic report and directors' report required by company law) 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:

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



Ian R. Walsh
Senior Statutory Auditor
For and on behalf of Dyke Yaxley Limited,
Chartered Accountants and Statutory Auditor

8 Hollinswood Court
 Stafford Park 1
 Telford
 Shropshire
 TF3 3DE

Dated: . 1/11/16

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2016

	Note	Unrestricted £	Designated £	Restricted £	2016 Totals £	2015 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	46,874	335,372	--	382,246	201,403
Fundraised Income	(5)	837,223	--	155,258	992,481	1,010,960
Gift Aid - Promotions Subsidiary	(6)	207,353	--	--	207,353	226,176
Gift Aid - Retail Subsidiary	(6)	315,718	--	--	315,718	128,143
Retail sales donations and gift aid		787,136	--	635	787,771	716,720
Investment Income	(8)	12,008	--	--	12,008	17,252
Charitable activities						
Statutory Sector Income	(9)	3,500	26,594	1,006,720	1,036,814	1,035,151
Fee Income Received	(7)	8,963	--	2,904	11,867	7,751
Other Income		7,388	--	--	7,388	140
Total Income		2,226,163	361,966	1,165,517	3,753,646	3,343,696
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	358,972	--	--	358,972	388,701
Investment Management Fees	(8)	23,092	--	--	23,092	13,631
Trading and Recycling costs		45,413	--	--	45,413	--
Investment Property Costs		--	--	--	--	4,835
		427,477	--	--	427,477	407,167
Net income for charitable application		1,798,686	361,966	1,165,517	3,326,169	2,936,529
Hospice Operating Costs	(10)	1,712,786	15,211	1,166,826	2,894,823	2,866,574
Governance Costs	(11)	60,121	--	--	60,121	57,343
		1,772,907	15,211	1,166,826	2,954,944	2,923,917
Interest Payable		7,736	--	--	7,736	8,603
Total Expenditure		2,208,120	15,211	1,166,826	3,390,157	3,339,687
Net gains (losses) on investment assets		(12,258)	--	--	(12,258)	65,941
Net income / (expenses) before transfers		5,785	346,755	(1,309)	351,231	69,950
Gross transfers between funds	(22)	325,487	(328,755)	3,268	--	--
Net movement in Funds		331,272	18,000	1,959	351,231	69,950
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,989,987	229,000	72,998	3,291,985	3,222,035
Fund Balances Carried Forward		3,321,259	247,000	74,957	3,643,216	3,291,985

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2016

	Note	Unrestricted £	Designated £	Restricted £	2016 Totals £	2015 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	46,874	335,372	--	382,246	201,403
Fundraised Income	(5)	837,223	--	155,258	992,481	1,010,960
Gross Income - Promotions	(6)	416,589	--	--	416,589	456,625
Gross Income - Retail	(6)	2,756,045	--	--	2,756,045	2,472,477
Retail sales donated to hospice		787,136	--	635	787,771	716,720
Gross Income - DLT Trading	(6)	987,783	--	--	987,783	791,626
Gross Income - T&R Company	(6)	--	--	--	--	10,837
Gross Income - EQC Limited	(6)	237,276	--	--	237,276	204,302
Investment Income	(8)	12,039	--	--	12,039	17,280
Charitable activities						
Statutory Sector Grants	(9)	3,500	26,594	1,006,720	1,036,814	1,035,151
Fee Income Received	(7)	8,963	--	2,904	11,867	7,751
Other Income		7,388	--	--	7,388	140
Total Income		6,100,816	361,966	1,165,517	7,628,299	6,925,272
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	358,972	--	--	358,972	388,701
Cost of Operating Promotions	(6)	209,267	--	--	209,267	230,477
Cost of Operating Retail	(6)	2,442,926	--	--	2,442,926	2,346,934
Cost of Operating DLT Trading	(6)	985,183	--	--	985,183	789,026
Cost of Operating T&R Company	(6)	153	--	--	153	27,655
Investment Management Fees	(8)	23,092	--	--	23,092	13,631
Investment Property Costs		--	--	--	--	4,835
		4,019,593	--	--	4,019,593	3,801,259
Net income for charitable application		2,081,223	361,966	1,165,517	3,608,706	3,124,013
Hospice Operating Costs	(10)	1,712,786	15,211	1,166,826	2,894,823	2,866,574
Embrace Quality Care Costs	(6)	293,397	--	--	293,397	218,609
Governance Costs	(10)	60,121	--	--	60,121	57,343
		2,066,304	15,211	1,166,826	3,248,341	3,142,526
Interest payable		7,736	--	--	7,736	8,603
Total Expenditure		6,093,633	15,211	1,166,826	7,275,670	6,952,388
Net gains (losses) on investment assets		(12,258)	--	--	(12,258)	65,941
Net income / (expenses) before transfers		(5,075)	346,755	(1,309)	340,371	38,825
Gross transfers between funds	(22)	325,487	(328,755)	3,268	--	--
Net Movement in Funds		320,412	18,000	1,959	340,371	38,825
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,926,171	229,000	72,998	3,228,169	3,189,344
Fund Balances Carried Forward	(22)	3,246,583	247,000	74,957	3,568,540	3,228,169

KATHARINE HOUSE HOSPICE
CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2016

	2016	2015
	£	£
Gross Income from continuing operations	7,628,299	6,925,272
Total expenditure of continuing operations	7,275,670	6,952,388
Net income / (expenditure) for the year before transfers and investment asset disposal	352,629	(27,116)
Gain / (Loss) on disposal of fixed asset investments	(12,258)	65,941
Net income / (expenditure) for the year	340,371	38,825

• Total income comprises:	2016	2015
	£	£
Unrestricted	6,100,816	5,617,142
Designated	361,966	178,742
Restricted	1,165,517	1,129,388

- 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 £4,397,693 (2015: £3,935,867). 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 22.
- All other income is unrestricted.

• Total expenditure comprises:	2016	2015
	£	£
Unrestricted	6,093,633	5,752,610
Designated	15,211	56,912
Restricted	1,166,826	1,142,866

- 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 31, which together with the notes to the account on Pages 37 to 55 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 2016

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2016 Total Funds £	Unrestricted Funds £	Restricted Funds £	2015 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	1,689,967	--	1,689,967	1,753,288	1,560	1,754,848
Investments	(18)	573,715	--	573,715	597,568	--	597,568
Investment in Group	(18)	5,602	--	5,602	5,602	--	5,602
		<u>2,269,284</u>	<u>--</u>	<u>2,269,284</u>	<u>2,356,458</u>	<u>1,560</u>	<u>2,358,018</u>
CURRENT ASSETS							
Debtors	(19)	1,138,921	--	1,138,921	1,078,459	--	1,078,459
Cash at bank and in hand		679,435	74,957	754,392	254,433	71,438	325,871
		<u>1,818,356</u>	<u>74,957</u>	<u>1,893,313</u>	<u>1,332,892</u>	<u>71,438</u>	<u>1,404,330</u>
CREDITORS	(21)	(278,215)	--	(278,215)	(195,592)	--	(195,592)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,540,141</u>	<u>74,957</u>	<u>1,615,098</u>	<u>1,137,300</u>	<u>71,438</u>	<u>1,208,738</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,809,425</u>	<u>74,957</u>	<u>3,884,382</u>	<u>3,493,758</u>	<u>72,998</u>	<u>3,566,756</u>
CREDITORS		(241,166)	--	(241,166)	(274,771)	--	(274,771)
amounts falling due after one year							
TOTAL NET ASSETS		<u>3,568,259</u>	<u>74,957</u>	<u>3,643,216</u>	<u>3,218,987</u>	<u>72,998</u>	<u>3,291,985</u>
REPRESENTED BY:							
Restricted Funds		--	74,957	74,957	--	72,998	72,998
Designated Funds		247,000	--	247,000	229,000	--	229,000
Unrestricted Funds		3,321,259	--	3,321,259	2,989,987	--	2,989,987
		<u>3,568,259</u>	<u>74,957</u>	<u>3,643,216</u>	<u>3,218,987</u>	<u>72,998</u>	<u>3,291,985</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 27 September 2016 and signed on its behalf by:-


I D Starkie, Director


Lady Mitting, Chairman

KATHARINE HOUSE HOSPICE
(Registered No. 2700516)
CONSOLIDATED BALANCE SHEET
at 31 March 2016

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2016 Total Funds £	Unrestricted Funds £	Restricted Funds £	2015 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	1,924,009	--	1,924,009	2,065,635	1,560	2,067,195
Investments	(18)	573,715	--	573,715	597,568	--	597,568
		<u>2,497,724</u>	<u>--</u>	<u>2,497,724</u>	<u>2,663,203</u>	<u>1,560</u>	<u>2,664,763</u>
CURRENT ASSETS							
Debtors	(19)	479,289	--	479,289	467,198	--	467,198
Stock	(20)	661	--	661	2,008	--	2,008
Cash at bank and in hand		1,239,232	74,957	1,314,189	742,856	71,438	814,294
		<u>1,719,182</u>	<u>74,957</u>	<u>1,794,139</u>	<u>1,212,062</u>	<u>71,438</u>	<u>1,283,500</u>
CREDITORS	(21)	(482,157)	--	(482,157)	(445,323)	--	(445,323)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,237,025</u>	<u>74,957</u>	<u>1,311,982</u>	<u>766,739</u>	<u>71,438</u>	<u>838,177</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,734,749</u>	<u>74,957</u>	<u>3,809,706</u>	<u>3,429,942</u>	<u>72,998</u>	<u>3,502,940</u>
CREDITORS		(241,166)	--	(241,166)	(274,771)	--	(274,771)
amounts falling due after one year							
TOTAL NET ASSETS		<u>3,493,583</u>	<u>74,957</u>	<u>3,568,540</u>	<u>3,155,171</u>	<u>72,998</u>	<u>3,228,169</u>
REPRESENTED BY:							
Restricted Funds	(22)	--	74,957	74,957	--	72,998	72,998
Designated Funds	(22)	247,000	--	247,000	229,000	--	229,000
Unrestricted Funds	(22)	3,321,259	--	3,321,259	2,989,987	--	2,989,987
Subsidiary Retained Losses		(74,676)	--	(74,676)	(63,816)	--	(63,816)
		<u>3,493,583</u>	<u>74,957</u>	<u>3,568,540</u>	<u>3,155,171</u>	<u>72,998</u>	<u>3,228,169</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 27 September 2016 and signed on its behalf by:-



I D Starkie, Director



Lady Mitting, Chairman

KATHARINE HOUSE HOSPICE
CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2016

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS		2016 £	2015 £ Restated
Net (outgoing) / incoming resources		340,371	38,825
Depreciation		191,488	189,428
(Gains)/Losses on investment assets		12,258	(65,941)
Income from fixed asset investment	Note 1	(9,281)	(13,760)
Interest received		(2,758)	(3,520)
Interest payable on loans		7,736	8,603
(Increase) / decrease in Debtors		(12,091)	(124,239)
(Increase) / decrease in Stock		1,347	1,527
Increase / (decrease) in Creditors		35,788	(20,195)
Net cash (outflow) inflow from operating activities		564,858	10,728

CASHFLOW STATEMENT

Cashflow from operating activities		564,858	10,728
Returns on investments and servicing of finance	Note 1	4,303	8,677
		569,161	19,405
(Purchase) / Sale of fixed assets	Note 1	(12,919)	29,575
Payment of Corporation Tax		--	--
Financing	Note 1	(32,559)	(31,692)
Increase / (Decrease) in cash		523,683	17,288

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2016

NOTE 1 TO THE CASHFLOW STATEMENT

	2016 £	2015 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	9,281	13,760
Total Income from fixed asset investments	9,281	13,760
Other Interest received	2,758	3,520
Interest payable on loans	(7,736)	(8,603)
	<u>4,303</u>	<u>8,677</u>
Financing		
Repayments of loan capital	(32,559)	(31,692)
	<u>(32,559)</u>	<u>(31,692)</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(48,300)	(231,016)
Proceeds of sale of investment property	--	275,000
Purchase of fixed asset investments	(868,151)	(340,671)
Proceeds of sale of fixed asset investments	903,532	326,262
	<u>(12,919)</u>	<u>29,575</u>

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

Net cash inflow / (outflow)	523,683	17,288
Change in net funds in the year	523,683	17,288
Net funds at 1 April	823,314	806,027
Non-Cash changes	--	(1)
Net funds at 31 March	<u><u>1,346,997</u></u>	<u><u>823,314</u></u>

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

	As at 1 April 2015	Cash Flows	Non cash Changes	As at 31 March 2016
Cash in hand and at bank	814,294	499,895	--	1,314,189
Cash in current asset investments	9,020	23,788	--	32,808
TOTAL	<u><u>823,314</u></u>	<u><u>523,683</u></u>	<u><u>--</u></u>	<u><u>1,346,997</u></u>

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

	As at 1 April 2015	Cash Flows	Non cash Changes	As at 31 March 2016
Cash at hand and in bank	814,294	499,895	--	1,314,189
Debt due within 1 year	(31,692)	31,169	(31,692)	(32,215)
Debt due after 1 year	(274,248)	1,390	31,692	(241,166)
Cash in investments	9,020	23,788	--	32,808
TOTAL	<u><u>517,374</u></u>	<u><u>556,242</u></u>	<u><u>--</u></u>	<u><u>1,073,616</u></u>

1. ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Practice as it applies from 1 January 2015.

Katharine House Hospice meets the definition of a public benefit entity under FRS 102. The financial statements have been prepared by the trustees to give a 'true and fair' view and on a going concern basis under the historical cost convention as modified by the revaluation of investments. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest pound. The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Transition to FRS 102

The charity adopted SORP (FRS102) in the current year and in preparing the accounts, the trustees consider that there is no restatement of comparative items required in making the transition to FRS102 from 1 April 2014.

b) Going concern

The charity reported a consolidated cash inflow of £523,683 for the year and have cash reserves of £1,314,189. The trustees have no plans to restructure the debt or investments of the charity and have approved an achievable budget for financial years 2016/17 to 2018/19. These accounts have therefore been prepared on an ongoing basis.

c) 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 expense 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.

d) Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably. The charity receives income from different sources :-

i) Voluntary Donations

Voluntary donations are unsolicited gifts to the charity.

ii) Legacy Income

Legacies are treated as voluntary donations. Entitlement to legacy income is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. When legacies have been notified to the charity, or the charity is aware of probate being granted, and the criteria for income recognition have not been met, the legacy is treated as a contingent asset and disclosed if material. Further details regarding the legacy income received by the charity are set out in note 4.

iii) Donated goods

Donated goods refer to items donated to the hospice for resale through the charity shops. The income from these items is recognised at the point of sale. Any stocks of donated goods held at the financial year end is not attributed a value as it is not practical or otherwise uneconomical to do this.

iv) Fundraising income

Fundraising income is income received as a result of time taken by fundraisers in organising fundraising events, soliciting donations and arranging for donations to be made to the charity. Further details regarding the fundraising income received by the charity are set out in note 5.

v) Investment Income

Investment income includes dividends and interest on funds held on deposit. This income is included when receivable and the amount can be measured reliably by the charity. Further details regarding investment income received by the charity are set out in note 8.

1. ACCOUNTING POLICIES (Cont.)

d) Income (cont.)

vi) Grants

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received, and the amount can be measured reliably and is not deferred. Further details regarding statutory sector grant income received by the charity are set out in note 9.

7. Fees and other income

Fees and other income include miscellaneous charges for use of facilities and services.

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) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

i) Costs of generating income

These include the expenditure on fundraising to generate donations and to record and thank donors (see note 5), the costs associated with managing the investment portfolio (including brokerage costs, see note 8), and the costs involved in managing properties owned for investment purposes. The consolidated accounts detail the cost of carrying out subsidiary operations such as lotteries and retail outlets, the surplus from these activities is donated to the charity.

ii) Expenditure on charitable activities

Expenditure on charitable activities includes the expenditure incurred to operate the hospice services, including the overheads of the charity and the cost of governance.

iii) Irrecoverable VAT

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

g) Basis for the allocation of costs

i) Direct costs

Where possible costs are charged directly to one of the primary services of the charity.

ii) Support costs

Support costs are those deemed to be essential to the operation of the charity's primary purposes, for example catering and laundry, and are allocated on the basis of usage. These also include costs that cannot be charged directly to one primary service as they support all primary services, these are allocated either on the basis of usage where this can be easily determined or otherwise apportioned on the basis of total costs of services.

iii) Overhead costs

Overhead costs are those that support not only the primary services of the charity but also other functions, including those of the subsidiary companies. These are allocated on the basis of fair usage of the relevant overhead or otherwise apportioned on the basis of cost. Overheads are allocated directly to primary services, governance, fundraising and subsidiary companies rather than allocating or apportioning costs to other support and overhead functions.

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%.

1. ACCOUNTING POLICIES (Cont.)

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 prior year.

k) Stock

Stock is the value of Christmas card stocks held for sale stated at cost of acquisition, with stock over eighteen months old being written off.

l) Debtors

Trade and other debtors are recognised at the settlement amount due after trade discounts have been applied.

Prepayments are valued at the proportionate amount pre-paid relating to future accounting periods at the balance sheet date.

m) Cash

Cash at bank and cash in hand includes all operating cash held and immediately available for the charity's use.

n) Creditors

Creditors are recognised where the charity has a present obligation arising from a past event that will probably result in a transfer of funds to a third party and the amount to be transferred can be reliably determined.

o) Payments on Account

Payments on account is income received but at the balance sheet date the charity has no legal entitlement to the funds, in particular donor's money held by the retail company, which donors are yet to confirm may be donated to the charity and lottery players who have paid in advance of future draws.

p) 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.

q) Pensions

The Charity operates a number of employees's pension schemes. Further details regarding the schemes operated are set out in note 16 of these accounts.

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

r) 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. Designated funds are unrestricted funds of the charity which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the charity's work. The nature and purpose of each restricted fund is explained in note 22.

s) Method of consolidation

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

t) 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.

u) 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.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

1. ACCOUNTING POLICIES (Cont.)

v) Volunteers

The charity benefits greatly from the involvement and enthusiastic support of its many volunteers, details of which are given in the annual report. In accordance with FRS 102 and the Charities SORP (FRS 102), the economic contribution of general volunteers is not recognised in the accounts.

2. LEGAL STATUS OF THE CHARITY

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, see note 5.

3. VOLUNTARY INCOME

	Note	2016 £	2015 £
Unsolicited donations and gifts		46,874	49,255
Legacies	(4)	335,372	152,148
		<u>382,246</u>	<u>201,403</u>

4. LEGACIES

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

		No.	2016 £	No.	2015 £
Up to £10,000	(a)	20	31,779	10	17,893
£10,000 to £49,999		5	105,069	1	12,497
£50,000 to £99,999		1	82,376	2	121,758
Over £100,000		1	116,148	--	--
			<u>335,372</u>		<u>152,148</u>

(a) 2016 includes residual values of £5,434 from two legacies above the level accrued at 31 March 2015.

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 £71,304 (2015: £73,841).

The performance set out below specifically excludes: £335,372 of legacy income (2015: £152,148); £46,874 of unsolicited donations (2015: £49,255); grants from the statutory sector; and fee income derived from education, consultancy and similar.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

5. FUNDRAISING INCOME AND EXPENDITURE (Cont.)

	Unrestricted	Restricted	2016	2015
	Note	£	Total	Total
		£	£	£
Income Sources				
Individuals and groups		371,208	13,858	385,066
Gift Aid		71,304	--	71,304
Collections		18,000	33	18,033
Membership	(2)	705	--	705
Corporate Support		81,948	12,081	94,029
Trusts and grant giving bodies		58,019	123,555	181,574
Local Councillors		--	3,940	3,940
Events		217,892	--	217,892
Support groups		11,001	1,781	12,782
Tea bar income		5,006	10	5,016
Other sources		2,140	--	2,140
		<u>837,223</u>	<u>155,258</u>	<u>992,481</u>
				<u>1,010,960</u>
Direct Costs				
Wage costs		198,047		198,047
Bought-in staff		--	--	92
Other staff costs		1,420	1,420	1,446
IT Costs		3,835	3,835	4,093
Event costs		46,133	46,133	64,894
Project costs		1,485	1,485	3,070
Tea bar costs		2,419	2,419	2,493
Other costs		27,329	27,329	18,926
Depreciation		7,713	7,713	8,568
		<u>288,381</u>	<u>288,381</u>	<u>320,654</u>
Support Costs				
Housekeeping		1,430	1,430	1,512
Maintenance		1,485	1,485	1,162
		<u>2,915</u>	<u>2,915</u>	<u>2,674</u>
Overhead Costs				
Administrative costs		67,676	67,676	65,373
		<u>67,676</u>	<u>67,676</u>	<u>65,373</u>
Total Fundraising Costs		<u>358,972</u>	<u>358,972</u>	<u>388,701</u>
Net Income from Fundraising			<u>633,509</u>	<u>622,259</u>

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 for the year under review is a dormant company and no results are shown.

Trading & Recycling Company Ltd

The Trading & Recycling Company Limited was a wholly owned subsidiary of Katharine House Retail Ltd with a £5,000 share capital and was established to run non-charitable shops. The venture was not successful and has been closed down.

	2016	2015
	£	£
Turnover	--	10,837
Operating costs	--	(27,655)
GROSS LOSS	--	(16,818)
Retained earnings brought forward	--	(33,444)
Retained earnings carried forward	--	(50,262)

The aggregate of the assets, liabilities and funds at 31 March was:

Current Assets	--	151
Liabilities	--	(45,413)
Funds	--	(45,262)

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

6. TRADING SUBSIDIARIES (Cont.)

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.

	2016	2015
	£	£
Turnover	416,589	456,625
Operational costs	(180,803)	(198,226)
Recharges paid to Katharine House	(28,464)	(32,251)
Interest Received	31	28
NET PROFIT	207,353	226,176
Distribution under Gift Aid to Katharine House Hospice	(207,353)	(226,176)
Retained in subsidiary undertaking	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	155,027	115,702
Liabilities	(154,927)	(115,602)
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.

	2016	2015
	£	£
Turnover	2,756,045	2,472,477
Operational costs	(2,329,369)	(2,210,873)
Recharges paid to Katharine House	(113,557)	(136,061)
Interest Received	2,600	2,600
NET PROFIT	315,719	128,143
Amounts written off investments	(1)	--
Distribution under Gift Aid to Katharine House Hospice	(315,718)	(128,143)
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:		
Fixed Assets	195,322	268,364
Assets	518,107	543,068
Liabilities	(684,227)	(782,230)
Funds	29,202	29,202
Additional Financial Value from KH Retail Ltd		
Gift Aided sales donated to Katharine House Hospice	630,217	573,555
Gift Aid on these sales	157,554	143,165

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

6. TRADING SUBSIDIARIES (Cont.)

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 loss of £19,461.

	2016 £	2015 £ (Restated)
Turnover	987,783	791,626
Operating costs	(842,470)	(711,782)
GROSS PROFIT	145,313	79,844
Interest Payable	(2,600)	(2,600)
Donation under Gift Aid to Donna Louise Children's Hospice	(142,713)	(77,244)
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	38,721	43,987
Assets	100,570	77,497
Liabilities	(158,751)	(140,944)
Funds	(19,460)	(19,460)

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 £84,415.

	2016 £	2015 £
Turnover	237,276	204,302
Operating costs	(276,411)	(218,611)
Recharges paid to Katharine House	(16,986)	--
GROSS PROFIT	(56,121)	(14,309)
Retained in subsidiary undertaking	(56,121)	(14,309)
Retained earnings brought forward	(28,294)	(13,985)
Retained earnings carried forward	(84,415)	(28,294)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	76,855	44,239
Liabilities	(156,270)	(67,533)
Funds	(79,415)	(23,294)

7. 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 is provided at the KH Hospice Business Centre. 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 2016

(Continued)

8. INVESTMENT INCOME AND FEES

Investment income comprises:

	Company		Group	
	2016	2015	2016	2015
	£	£	£	£
Bank Interest	348	48	379	76
Interest from Investments	2,216	3,444	2,216	3,444
Tax reclaimable on interest	163	--	163	--
Dividends	9,281	13,645	9,281	13,645
Tax reclaim received in investments	--	115	--	115
	<u>12,008</u>	<u>17,252</u>	<u>12,039</u>	<u>17,280</u>

Investment fees reported are incurred in the operation of the charity's Investment Portfolio and for the company and group comprise:

	2016	2015
	£	£
Management of the portfolio	7,681	7,336
Brokerage costs on Sales of Assets	7,755	3,229
Brokerage costs on Acquisitions of Assets	7,656	3,066
	<u>23,092</u>	<u>13,631</u>

9. 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 25.

		2016		2015	
		£	%	£	%
Local Clinical Commissioning Groups					
Stafford & Surrounds	(a)	658,081	17.53	656,418	1.80
Cannock Chase	(a)	325,442	8.67	325,442	16.83
East Staffordshire	(a)	16,342	0.44	16,342	4.42
Seisdon & South Staffordshire	(a)	6,855	0.18	6,855	6.68
Stafford Borough Council	(b)	3,500	0.09	3,500	0.11
NHS Pension Rebate	(c)	26,594	0.71	26,594	0.80
		<u>1,036,814</u>	<u>27.62</u>	<u>1,035,151</u>	<u>30.64</u>

- (a) A one year recurring conditional grant the value of which is derived annually.
(b) A continuing annual service level agreement.
(c) The hospice is in receipt of an annual rebate from the Department of Health, paid through Stafford & Surrounds and Cannock Chase CCGs, to cover the increased costs to the employer of the NHS pension scheme.

In addition the hospice has received non-recurring grants from local councils for specific objectives, as described below and reported in notes 5 and 22.

	2016	2015
	£	£
Staffordshire County Councillors to support carers	3,940	--
Hednesford Town Centre for the provision of Hospice Services	250	--
Utttoxeter Town Council for provision of Day Therapies	200	--
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

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

10. EXPENDITURE ANALYSIS

		Direct Staff	Direct Other	Deprec- iation	Recharged Direct Support	Recharged Management and Admin	2016 Total	2015 Total
Charitable Activity								
Inpatient Care		1,054,817	79,768	26,751	339,235	139,034	1,639,605	1,619,068
Day Care		157,442	36,318	14,176	66,101	38,525	312,562	287,781
Lymphoedema		94,946	48,197	11,065	39,492	23,374	217,074	226,056
At Home Care		304,805	28,431	2,327	43,778	55,740	435,081	442,047
Family Support		149,576	9,914	2,505	22,273	18,421	202,689	217,775
Drop-In/ Wellbeing Day		13,032	–	2,038	10,759	11,327	37,156	40,533
Carers Support		11,812	1,220	–	3,501	4,572	21,105	21,170
Other Care / Education		5,025	19,428	–	1,483	3,615	29,551	12,144
Charitable Expenditure		1,791,455	223,276	58,862	526,622	294,608	2,894,823	2,866,574
<hr/>								
Governance	(11)	21,471	7,589	–	1,648	29,413	60,121	57,343
<hr/>								
Fundraising	(5)	198,047	82,621	7,713	4,550	66,041	358,972	388,701
<hr/>								
Recharges to Subsidiaries								
To KH Retail		–	5,511	6,392	31,186	70,468	113,557	136,061
To Trading and Recycling		–	45,413	–	–	–	45,413	–
To Embrace		–	–	–	3,053	13,933	16,986	–
To KH Promotions		–	–	2,274	2,201	23,989	28,464	32,251
Total Recharges		–	50,924	8,666	36,440	108,390	204,420	168,312
<hr/>								
Analysis of Direct Support and Overhead recharges					569,260	498,452		
<hr/>								
Direct Support Services								
Management of Care		108,783	35,042	2,327			146,152	113,293
Catering		50,616	22,838	933			74,387	78,406
Laundry		–	6,785	1,021			7,806	8,133
Housekeeping		49,187	22,930	113			72,230	75,603
Property Costs		75,960	73,896	100			149,956	116,200
Administration		47,214	68,131	3,384			118,729	184,409
Total Direct Support		331,760	229,622	7,878			569,260	576,044
<hr/>								
Overhead Costs								
Management		68,519	116,838	7,715			193,072	176,280
Finance		137,150	11,531	6,181			154,862	112,707
Personnel		58,882	8,448	3,445			70,775	68,971
Voluntary Services		31,017	2,048	720			33,785	37,715
Marketing		36,613	9,345	–			45,958	77,623
Total overhead		332,181	148,210	18,061			498,452	473,296
<hr/>								
Total Direct Expenditure		2,674,914	742,242	101,180				

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

11. GOVERNANCE COSTS

	2016	2015
	£	£
Allocation of the costs of Management Time	21,471	20,397
Trustee Indemnity insurance	1,009	1,164
Audit and accountancy fees	6,580	6,580
Direct Support Recharge	29,413	26,710
Management and Admin Recharge	1,648	2,492
	<u>60,121</u>	<u>57,343</u>

12. SPECIFIC CHARGES TO EXPENDITURE

Audit fees for the group were £15,550 (2015: £15,550).

Directors expenses were £NIL (2015: £NIL), see note 13.

13. TRUSTEES' REMUNERATION AND EXPENSES

None of the directors or connected persons received any remuneration during the year, nor did they have any financial interest in the Company's activities (2015: £NIL). The secretary received expenses of £NIL (2015 - £NIL).

14. EMPLOYEE NUMBERS AND COSTS

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

Company	2016		2015 - Restated	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	57	49.67	59	48.48
Medical and Therapies	3	1.45	3	0.93
Ancillary	15	9.76	12	8.24
Fundraising	7	6.49	8	7.06
Administration / Management	26	18.45	24	18.87
	<u>108</u>	<u>85.82</u>	<u>106</u>	<u>83.58</u>

Group	2016		2015 - Restated	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	77	61.13	74	57.95
Medical and Therapies	3	1.45	3	0.93
Ancillary	15	9.76	12	8.24
Generating Funds	149	102.69	140	98.51
Administration / Management	26	18.45	24	18.87
	<u>270</u>	<u>193.48</u>	<u>253</u>	<u>184.50</u>

The costs of employment were:

	Company		Group	
	2016	2015	2016	2015
	£	£	£	£
		Restated		Restated
Salary	2,208,850	2,156,001	4,167,330	4,009,987
National Insurance	161,435	158,977	257,516	253,176
Pension	134,984	139,936	148,146	152,977
	<u>2,505,269</u>	<u>2,454,914</u>	<u>4,572,992</u>	<u>4,416,140</u>
Bought-in staff	169,645	208,457	169,645	217,766
	<u>2,674,914</u>	<u>2,663,371</u>	<u>4,742,637</u>	<u>4,633,906</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

15. EMOLUMENTS

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

	Company		Group	
	2016	2015	2016	2015
£60,001 - £70,000	1	1	1	1
£70,001 - £80,000	1	1	1	1

The number of staff whose emoluments would have exceeded £60,000 during the year had they worked full-time (37.5 hours) for a full year is assessed as:

	Company		Group	
	2016	2015	2016	2015
£60,001 - £70,000	1	1	1	1
£70,001 - £80,000	3	4	3	4
£80,001 - £90,000	0	1	0	1
£90,001 - £100,000	2	1	2	1

16. PENSIONS

The hospice makes provision for employees' pensions in accordance with the Memorandum of Association and its legal obligations. The hospice does not operate its own pension scheme, but contributes to schemes as follows:

a) NHS Defined Benefit Scheme

Employees who are members of the NHS pension scheme, if eligible, may continue to contribute to this scheme. Employer contributions are 14.3%. Employee contributions range from 5% to 13.5% dependent upon the level of their notional full-time pensionable pay. This scheme is an unfunded defined benefit scheme that covers NHS employees, General Practitioners and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is managed in a manner that does not make it practical for the hospice to ascertain its share of the assets and liabilities under the scheme and the scheme is therefore treated in the accounts as if it were a defined contribution scheme, with the cost being taken as the contributions payable during the accounting period.

b) Standard Life Group/Stakeholder Pension Scheme

The charity, in response to requirements to provide access to employees to pension schemes, opened a scheme in 2000 for eligible employees to the Standard Life Group Pension Scheme. The charity matches Employee contributions up to 7%. From 1 April 2015 Standard Life closed this scheme. This scheme is a defined contribution scheme.

c) Employees' own schemes

Where employees wish the hospice to contribute to their own defined contribution schemes. This is done on the same basis as for the Standard Life Scheme.

d) National Employment Savings Trust (NEST)

Eligible employees who are not in any of the three types of scheme above are automatically enrolled into the NEST scheme. The automatic enrolment is done at the statutory minimum (at present 1% for employers) but employees can increase their contributions and the charity will match these up to 7%. This is a defined contribution scheme.

Numbers of staff and contributions to the different schemes are:

Company	2016		2015	
	Average Number	Employer Contribution	Average Number	Employer Contribution
NHS	26	104,939	29	110,796
Standard Life	19	23,898	19	23,751
Royal Liverpool Assurance	1	836	1	828
NEST	39	5,311	33	4,561
	85	134,984	82	139,936

Group	2016		2015	
	Average Number	Employer Contribution	Average Number	Employer Contribution
NHS	26	104,939	29	109,697
Standard Life	26	32,250	25	33,074
Royal Liverpool Assurance	1	836	1	828
NEST	93	10,121	83	9,378
	146	148,146	138	152,977

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

17. TANGIBLE FIXED ASSETS

COMPANY	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Cost					
At 1 April 2015	2,138,707	403,919	126,241	87,465	2,756,332
Additions	--	36,300	--	--	36,300
Disposals	--	(61,127)	(3,466)	--	(64,593)
At 31 March 2016	<u>2,138,707</u>	<u>379,092</u>	<u>122,775</u>	<u>87,465</u>	<u>2,728,039</u>
Depreciation					
At 1 April 2015	559,467	258,403	101,472	82,142	1,001,484
Charge for the year	42,773	42,004	11,081	5,323	101,181
Disposals	--	(61,127)	(3,466)	--	(64,593)
At 31 March 2016	<u>602,240</u>	<u>239,280</u>	<u>109,087</u>	<u>87,465</u>	<u>1,038,072</u>
Net Book Value					
At 31 March 2016	<u>1,536,467</u>	<u>139,812</u>	<u>13,688</u>	<u>--</u>	<u>1,689,967</u>
At 1 April 2015	<u>1,579,240</u>	<u>145,516</u>	<u>24,769</u>	<u>5,323</u>	<u>1,754,848</u>
GROUP					
Cost					
At 1 April 2015	2,533,977	433,419	179,837	204,587	3,351,820
Additions	--	36,300	--	12,000	48,300
Disposals	--	(61,127)	(3,466)	(24,522)	(89,115)
At 31 March 2016	<u>2,533,977</u>	<u>408,592</u>	<u>176,371</u>	<u>192,065</u>	<u>3,311,005</u>
Depreciation					
At 1 April 2015	703,359	280,908	154,469	145,887	1,284,623
Charge for the year	112,278	44,987	11,680	22,543	191,488
Disposals	--	(61,127)	(3,466)	(24,522)	(89,115)
At 31 March 2016	<u>815,637</u>	<u>264,768</u>	<u>162,683</u>	<u>143,908</u>	<u>1,386,996</u>
Net Book Value					
At 31 March 2016	<u>1,718,340</u>	<u>143,824</u>	<u>13,688</u>	<u>48,157</u>	<u>1,924,009</u>
At 1 April 2015	<u>1,830,618</u>	<u>152,511</u>	<u>25,368</u>	<u>58,700</u>	<u>2,067,197</u>

The Net Book Value of the Groups assets at 31 March 2016 represents Fixed Assets used for:

	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Care and education	1,062,687	54,834	4,517	--	1,122,038
Fundraising	73,917	13,869	1,369	--	89,155
Retail Subsidiaries	241,006	15,108	1,369	48,157	305,640
Trading Subsidiary	14,783	2,774	684	--	18,241
Support Services	48,937	29,500	274	--	78,711
Administration	277,010	27,739	5,475	--	310,224
	<u>1,718,340</u>	<u>143,824</u>	<u>13,688</u>	<u>48,157</u>	<u>1,924,009</u>
Unrestricted Assets	<u>1,718,340</u>	<u>143,824</u>	<u>13,688</u>	<u>48,157</u>	<u>1,924,009</u>
	<u>1,718,340</u>	<u>143,824</u>	<u>13,688</u>	<u>48,157</u>	<u>1,924,009</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2016

(Continued)

18. FIXED ASSET INVESTMENT - Company and Group

	2016		2015	
	£	%	£	%
At 31 March 2016 investments were held as:				
UK securities	219,979	38.3	302,059	50.5
Overseas securities	23,927	4.2	181,997	30.5
European equities	22,811	4.0	–	–
International equities	52,121	9.1	–	–
Property Funds	110,071	19.2	60,214	10.1
Absolute return	–	–	44,278	7.4
Alternative Assets	111,998	19.5	–	–
Total Invested Funds	540,907	94.3	588,548	98.5
Cash held for investment	32,808	5.7	9,020	1.5
Total Funds in Investment portfolio	573,715	100	597,568	100

	2016	2015
	£	£
Listed investments		
Market Value at 31 March	588,548	533,197
Less Disposals at opening book value (proceeds £903,532)	(924,108)	(323,539)
Add acquisitions at cost	868,151	340,671
Net gain/(loss) on revaluation at 31 March	8,316	38,219
Market Value at 31 March of listed investments	540,907	588,548
Historical Cost at 31 March	536,568	527,919

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

	2016	2015
	£	£
Net book Value - brought forward	–	250,000
Less disposal at opening book value (Proceeds £275,000)	–	(250,000)
Net book Value - carried forward	–	–

FIXED ASSET INVESTMENT - Company

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

	2016	2015
	£	£
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 2016

(Continued)

19. DEBTORS

	Company		Group	
	2016	2015	2016	2015
	£	£	£	£
Intercompany accounts	824,706	744,809	--	--
Trade debtors	--	13,297	57,083	34,076
NHS pharmaceutical supplies	80,010	54,180	80,010	54,180
HMRC - tax and social security	188,928	155,247	222,477	182,898
Other debtors	5,965	5,897	5,965	6,711
Accrued legacy income	--	70,000	--	70,000
Prepayments	39,312	35,029	109,879	115,458
Deposits provided	--	--	3,875	3,875
	<u>1,138,921</u>	<u>1,078,459</u>	<u>479,289</u>	<u>467,198</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.

20. STOCK

	Company		Group	
	2016	2015	2016	2015
	£	£	£	£
Christmas Cards	--	--	661	2,008

21. CREDITORS

Amounts due in under one year

	Company		Group	
	2016	2015	2016	2015
	£	£	£	£
Bank Loans	32,215	31,169	32,215	31,169
Share capital KHH Development Ltd	--	500	--	--
Payments on account	--	--	67,319	122,723
Trade creditors	96,440	97,446	125,577	122,518
Accruals	28,951	32,275	117,903	117,452
Deferred income	116,631	29,151	116,631	29,151
Other creditors	3,978	5,051	22,512	22,310
	<u>278,215</u>	<u>195,592</u>	<u>482,157</u>	<u>445,323</u>

Amounts due after one year

	Company		Group	
	2016	2015	2016	2015
	£	£	£	£
Bank Loans	<u>241,166</u>	<u>274,771</u>	<u>241,166</u>	<u>274,771</u>

This is a term loan of 15 years commencing September 2013, with an option to repay at year 5 without 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 2016

(Continued)

22. FUNDS

General, Designated and Restricted Funds

	General Funds £	Designated Funds £	Restricted Funds £	Total Funds £
Income	6,100,816	361,966	1,165,517	7,628,299
Expenditure in generating funds	(4,019,593)	—	—	(4,019,593)
Financing costs	(7,736)	—	—	(7,736)
	<u>2,073,487</u>	<u>361,966</u>	<u>1,165,517</u>	<u>3,600,970</u>
Opening value of funds	2,926,171	229,000	72,998	3,228,169
Transfers (to) / from general funds	325,487	(328,755)	3,268	—
Gains / (losses) on investment assets				
Realised	(20,574)	—	—	(20,574)
Unrealised	8,316	—	—	8,316
	<u>5,312,887</u>	<u>262,211</u>	<u>1,241,783</u>	<u>6,816,881</u>
Charitable expenditure	(2,066,304)	(15,211)	(1,166,826)	(3,248,341)
Closing value of funds	<u>3,246,583</u>	<u>247,000</u>	<u>74,957</u>	<u>3,568,540</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 patients comfort funds are to acquire unusual items such as Christmas presents solely for the benefit of individual or groups of patients.

Flower donations are given to help pay towards flower displays at the hospice, predominantly provided by volunteers.

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 Garden fund is a specific donation to be used for the hospice's celebration garden.

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Details of all major restricted funds are set out below, all funds held at 31 March are held as cash at bank:

Movements on Restricted Funds

Fund	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £	Net Current Assets £
Capital and Equipment funds:						
Day Care Equipment	13,857	6,850	(2,082)	—	18,625	18,625
IPU Refurbishment and Equipment	3,012	9,232	(5,484)	—	6,760	6,760
- Tilly's Fund	—	635	—	—	635	635
IPU Bed replacement	—	6,243	(5,028)	—	1,215	1,215
i-nurse technology	—	3,250	(3,600)	350	—	—
Lymphoedema Equipment	7,932	7,542	(9,023)	—	6,451	6,451
Lymphoedema treatment room	(322)	—	—	322	—	—
Infusion Pump	—	600	—	—	600	600
Clothworkers Fund	1,100	—	(1,100)	—	—	—
Rank Foundation - Therapy Room	—	9,993	(9,993)	—	—	—
IPU French Windows	460	—	(460)	—	—	—
Multi-sensory Equipment	1,543	—	(277)	—	1,266	1,266
Kitchen Fund	4,409	17,712	(23,121)	1,000	—	—
Washing Machine	—	6,500	(8,047)	1,547	—	—
Revenue funds to operate specified services:						
Lymphoedema Services	7,568	5,506	(13,074)	—	—	—
IPU Fund	3,062	21,950	(22,625)	—	2,387	2,387
At Home Team fund	—	4,461	(4,461)	—	—	—
Embrace Quality Care fund	989	204	—	—	1,193	1,193
David Wright Acupuncture Clinic	1,061	—	(1,070)	9	—	—
District Nurses	—	17,500	(17,500)	—	—	—
Clinical Commissioners	—	1,006,720	(1,006,720)	—	—	—
Carers Group	267	7,014	(7,281)	—	—	—
Respite for carers	8,342	3,500	(10,742)	—	1,100	1,100
Day Therapies Fund	2,893	—	—	—	2,893	2,893
Family support Services	658	1,880	(2,487)	—	51	51
Well being Day	—	60	(60)	—	—	—
Spiritual Support	4,417	4,095	(3,420)	—	5,092	5,092
Other revenue funds for specified purposes:						
Patients Comfort Fund Day Care	4,130	4,093	(1,148)	—	7,075	7,075
Patients Comfort Fund IPU	2,104	827	(357)	—	2,574	2,574
Diversional Therapies	1,065	—	(550)	—	515	515
IPU Staff Gift	550	20	(610)	40	—	—
Keele Medical Students Fund	3,901	2,574	(1,847)	—	4,628	4,628
Garden Fund	—	12,081	(259)	—	11,822	11,822
Flower donations	—	75	—	—	75	75
Al Zohra - Dementia Training	—	4,400	(4,400)	—	—	—
	72,998	1,165,517	(1,166,826)	3,268	74,957	74,957

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(Continued)

Designated Funds

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

Movements on Designated Funds:

Designated Fund	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £
Repairs and Renewals Fund	50,000	--	4,313	4,313	50,000
Renewal of IT fund	42,000	--	--	20,000	62,000
Training and Development Fund	10,000	--	10,898	15,898	15,000
Legacy Equalisation Fund	100,000	335,372	--	(315,372)	120,000
NHS Pension Rebate Fund	27,000	26,594	--	(53,594)	--
	229,000	361,966	15,211	(328,755)	247,000

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 2016/17 budget for legacies is £120,000.

The NHS Pension Rebate fund was established to recognise the uncertain nature of this rebate. Recent commitments by the Clinical Commissioning Groups to the rebate's continuance makes this fund redundant.

23. TRANSFERS BETWEEN FUNDS

	Transfers In	Transfers Out
General Funds	368,966	(43,479)
Designated Funds:		
Repairs and Renewals	4,313	--
Renewal of IT fund	20,000	--
Training and Development Fund	15,898	--
Legacy Equalisation Fund	--	(315,372)
NHS Pension Rebate Fund	--	(53,594)
	40,211	(368,966)
Restricted funds:		
i-nurse technology	350	--
Lymphoedema treatment room	322	--
Kitchen Fund	1,000	--
Washing Machine	1,547	--
David Wright Acupuncture Clinic	9	--
IPU Staff Gift	40	--
	3,268	--

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24. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The charity has no capital commitments at 31 March 2016.

Operating Lease Commitments

The company and group hold leases for retail outlets. The annual costs of these leases by remaining time to expiry of the lease as at 31 March 2016 is:

	Out of lease	<2 years	2-5 years	5-10 years	10 years
Company	76,150	42,500	17,500	40,000	69,500
Group	248,450	214,000	221,000	120,000	208,500

The total commitments (including leases that are out of lease as 6 months' liability) are:

	To next date of cancellation	Total Cost of Lease
Company	776,575	1,133,575
Group	3,124,559	4,567,559

There were no other operating lease commitments at 31 March 2016 that exceeded one year.

25. 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.

Specific related party transactions are:

	2016 £	2015 £
Alison Cape		
Stafford and Stoke-on-Trent Partnership Trust (relationship: Employee)		
(i) Contract for the provision of social work services	40,855	40,855
(ii) Funding for two End of Life District Nursing posts	17,500	—
Provision of manual handling training	420	1,610
Judith Cashmore-James		
Touchstone Consulting (relationship: employee)		
(iii) Provision of access to Executive Coaching training	1,458	—
Chris Secker		
County Hospital and University Hospitals of the North Midlands (formerly Mid Staffordshire Hospitals NHS Trust) (relationship: Employee)		
Contract for the provision of occupational and physiotherapy services	34,992	34,994
(iv) Provision of pharmacy supplies	—	16,902
(iv) Provision of stores	—	5,895
Provision of manual handling training	405	—
Richard Soulsby		
AL Services (relationship: Spouse is proprietor)		
Spot purchasing of counselling services	4,051	4,340

- (i) The contract was originally with Staffordshire County Council, until the staff transferred under TUPE
- (ii) These posts are funded by a grant from an external body and are intended to strengthen liaison between agencies for patients in the community requiring end of life care.
- (iii) Provision through Touchstone Consulting was made at cost.
- (iv) The pharmacy supplies and stores contracts ceased part way through the year.

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(Continued)

26. POST BALANCE SHEET EVENTS

The trustees reversed their decision to close KHH Developments Ltd and have instead commenced trading from 1 April 2016, providing book-keeping and consultancy services.

The Clinical Commissioning Groups have advised the trustees that funding for 2016/17 will be reduced by 10% due to financial pressures.

There are no other material operational or financial matters to report.