



embracing life and living

"How We Are Doing"

OUR DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

A Company Limited by Guarantee not having share capital

Registered company number 2700516

Registered charity number 1011712

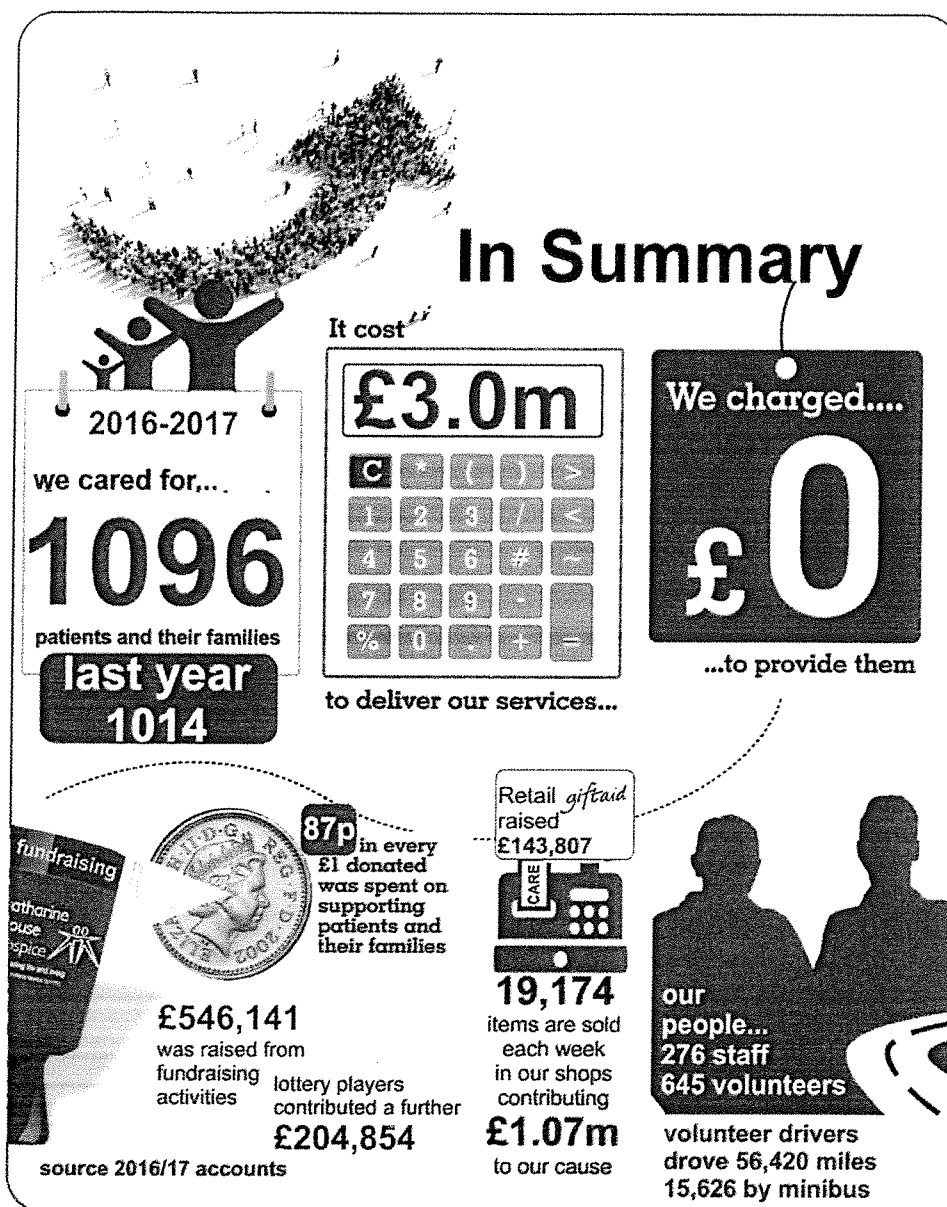
day therapies wellbeing day in-patient care at home care lymphoedema service family support

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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 2017 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).

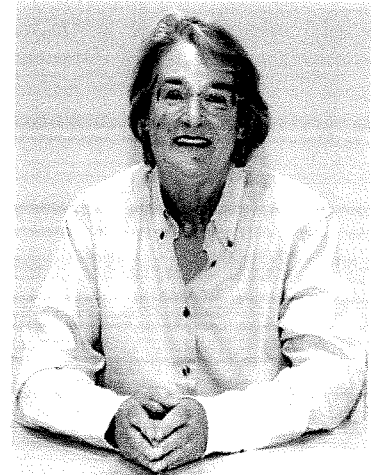
Introduction from the Chairman

2. Chairman's Statement

(1st April 2016 – 31st March 2017)

"We found staff to be very motivated and enthusiastic and demonstrated a commitment to providing the best quality and end of life care in a compassionate way.

People and their relatives were consistently very positive about the caring and compassionate attitude of the staff. They told us they were satisfied with the care, which they said they would not in their view be able to manage without."



Katharine House Hospice
Chairman Lady Mitting

This comment was made in a report from the Care Quality Commission* following their full inspection in May 2016. The report was exceedingly positive and in fact made no recommendations or reproaches. Congratulations to the staff and volunteers who contribute to the provision of such high quality care in so many different ways.

During this year, despite having faced an increasing number of financial strictures, I'm pleased to report that we made no reduction in our services and indeed we supported more patients and families than ever before. For the first time our retail, lottery and fundraising income streams all struggled to keep up with the increasing costs of our care. In addition we saw a 10% reduction in our statutory funding, although thankfully it has recently been confirmed that there will be no further cuts in 2017/18.

Additionally, the continuing uncertainty surrounding the Transforming End of Life care tender has meant an absence of the direction that is much needed to progress and improve end of life care in Mid-Staffordshire.

The Board of Trustees has again worked tirelessly. We were delighted to welcome on to the Board Prakash Samani, who joins us from a life spent in the newspaper industry. My sincere thanks, as always, to all of my fellow Trustees who as ever give so generously of their time and expertise.

Following the departure of Jackie Kelly as Director of Care, we embarked on an extensive and rigorous recruitment process. In May, a panel of six, including four Trustees appointed Sally Whitmore as Director of Care. Sally joined Katharine House in 2010 and before her appointment was Community Services Manager.

Following a comprehensive review of our retail operation, carried out by Chief Executive Richard Soulsby and Trustee David Harding, we identified the need for a Retail General Manager and subsequently appointed Iain Miller whom we welcomed to the Executive Team.

Our Executive Team was further strengthened with the redefining of Lisa Taylor's role from Business Development Director to Deputy Chief Executive and the Trustees very much look forward to working more closely with Lisa.

For almost fifteen years Reverend Penny Graysmith was seen day in and day out offering solace to our patients and their families of all faiths and none. It was with great sadness that we bade her farewell as she went to join her husband in his new ministry in Guernsey. We were delighted to welcome Reverend John Austerberry as our new Family Support Team Leader and Chaplain and what a joy it was to welcome the Bishop of Stafford to the Hospice for a service to licence him in his new ministry with us.

We are, as always, looking forward and the year ended with a highly successful strategic planning day for which for the first time the Board of Trustees, Executive Team, and Operations Team all came together. It was heartening to see just how similar our hopes, concerns and aspirations are. It was particularly interesting for the Trustees to have the opportunity to draw on the experience and expertise of the Operations Team. The ensuing work should enable Katharine House Hospice, superbly led by Chief Executive Richard Soulsby and the whole Executive Team, to strengthen our financial position and continue to adapt to meet the ever changing and increasing needs of the community we serve.

Finally, on behalf of all those patients and families who we have and will continue to support, my thanks go to everyone associated with Katharine House. It is your dedication, enthusiasm, hard work and generosity which makes the Hospice what it is and ensures we can continue to serve our community.

Finally, I quote again from the CQC Report*:

"People and their relatives told us that staff treated them with kindness, care, dignity and respect at all times. They demonstrated compassion in every aspect of their work to make people feel valued and supported".



Lady Mitting
Chairman

*For the full CQC Report please visit www.khhospice.org.uk/about-us

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 person's 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 a week, for up to 15 patients per day
- A **Well Being Day** 1 day a week 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.

3.3. *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.

3.4. *Short Term Objectives and Strategies to Achieving these*

The current major organisational objectives and planned activities for 2017/18 are:

1. Review the strategic direction of the hospice

- *Hold an Away day for Trustees, Executive Team and Operations Team.*
- *Pursue the development of the Strategic Themes identified at the Away Day*
- *Hold internal events to engage with staff and volunteers*
- *Hold external events to engage with key stakeholders, especially healthcare professionals, patients and carers*
- *Ensure consideration is given to income generation as well as service provision*
- *Aim to prepare a draft strategic plan for Trustees by November 2017*

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

- *Implement a new patient reported outcome measurement tool (known as OACCS) to improve delivery of care and the outcomes we achieve for patients and their families*
- *Increase uptake of Advanced Care Planning and ensure co-ordination across care services*
- *Strengthen clinical skills training for all care staff*
- *Improve use of IT in care*
- *Develop care volunteer roles*

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

- *Strengthen relationship and integrate working with the District Nurse Liaison posts and the Macmillan Nurses*

- Continue to pursue interconnectivity with NHS information systems
- With St Giles Hospice deliver and evaluate services within the 'Uttoxeter Cares' facility

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

35. Plans for the Future

The overwhelming desire of Trustees is to find ways we can use the charity's resources to support more local families. We also need to establish sufficient sources of income to deliver our services. By the end of 2017/18 we expect to have a clearer picture of how to do this and will have produced a new strategic plan.

3.6. Vital Volunteer Support

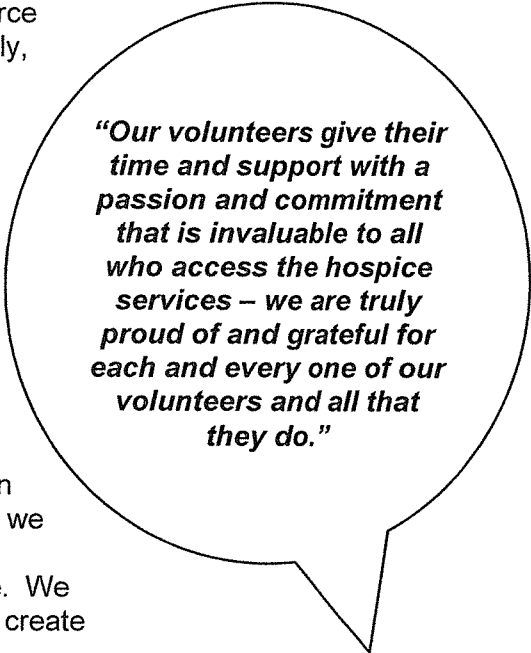
We are extremely fortunate to count amongst our workforce members of our local community who give their time freely, regularly and passionately. During 2016/17 645 volunteers supported the charity (2016: 629).

We are gaining support from more and more young people as the interest in work placements and the support from students of local schools and colleges increases each year. Last year we extended the placements across our retail sites, which have proved immensely popular and mutually beneficial. We remain keen to attract and increase the involvement from the younger members of our community.

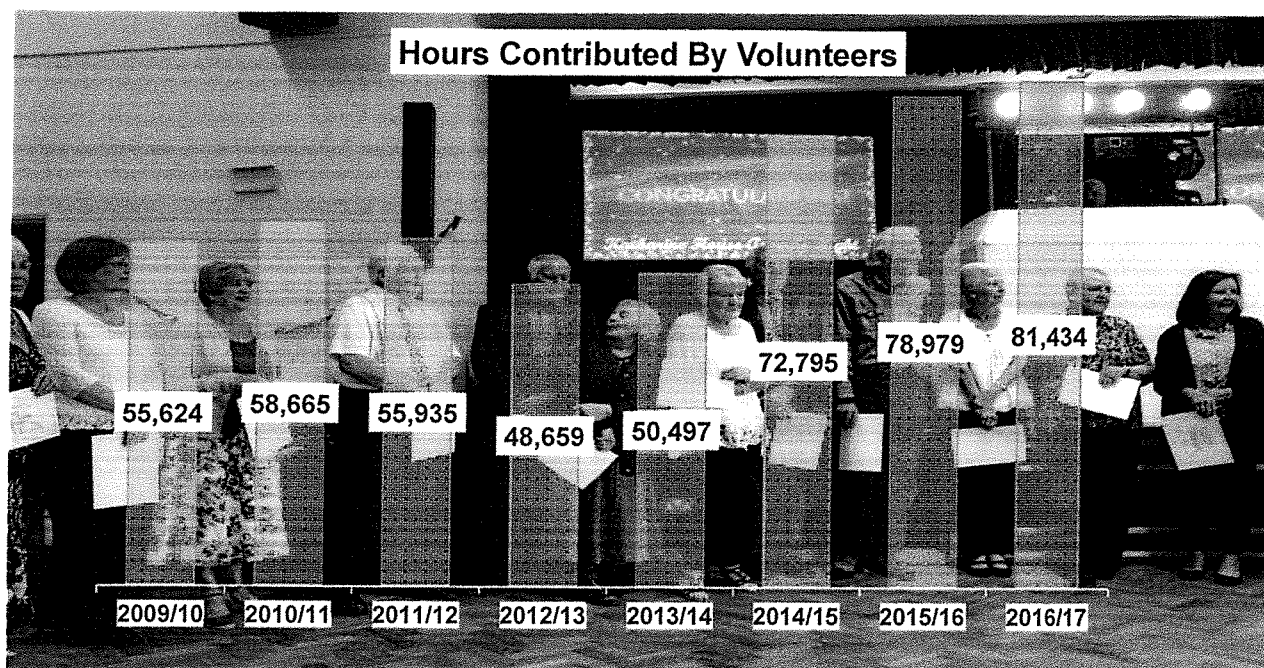
Volunteers work in almost all areas of the organisation. In the coming year we intend to identify more ways in which we can maximise the input of the generous and enthusiastic members of our community who wish to donate their time. We hope this will enable our funds to go even further and will create even more rewarding opportunities for local people.

In addition to their direct support, it is impossible to measure the added value from the families of our volunteers who get involved because they've been inspired by the passion and pride of those who work with us. For example we have wives (and husbands) of volunteers who regularly make jam, chutney, Christmas cakes, and cards; another who collects flowers for us each week; and one who bought and wrapped Christmas gifts for all the day patients who were attending on the day her husband was on duty – their young grandson (8 years of age) dressed up as Father Christmas to present the gifts.

Our volunteers greatly enhance the services and reputation of Katharine House Hospice and we would not be able to continue to function without their contribution. During 2016/17 our volunteers provided over 81,434 hours of support (2016: 78,979) which, had the charity had to pay minimum wage, would have cost in excess of £586,320 (2016: £529,150).



"Our volunteers give their time and support with a passion and commitment that is invaluable to all who access the hospice services – we are truly proud of and grateful for each and every one of our volunteers and all that they do."



4. Achievements and Performance

4.1. Summary of Main Achievements

- We helped 1,096 patients and their families (2015/16: 1,014).
- It cost £3,000,815 to deliver our services, (2015/16: £2,894,823), and we charged £0 to provide them.
- The day therapies unit remained extremely busy, with 2,000 attendances (up 0.5%) and 281 Wellbeing Day attendances (up 26.6%).
- Support of patients and families through counselling, chaplaincy, social workers, and complementary therapists continued to flourish during the year. The carers' group saw a 76% increase in attendance to 283, whilst the monthly Lean on Us group for carers of working age saw an increase to 45 attendances. Counselling services saw a 45% increase in referrals to 208, whilst the number of counselling sessions increased by 4.1% to 862.
- Lymphoedema treatments continued to grow by 14.7% to 2,486.
- However inpatient activity decreased with referrals down 4% and occupied bed days down 7.5%.

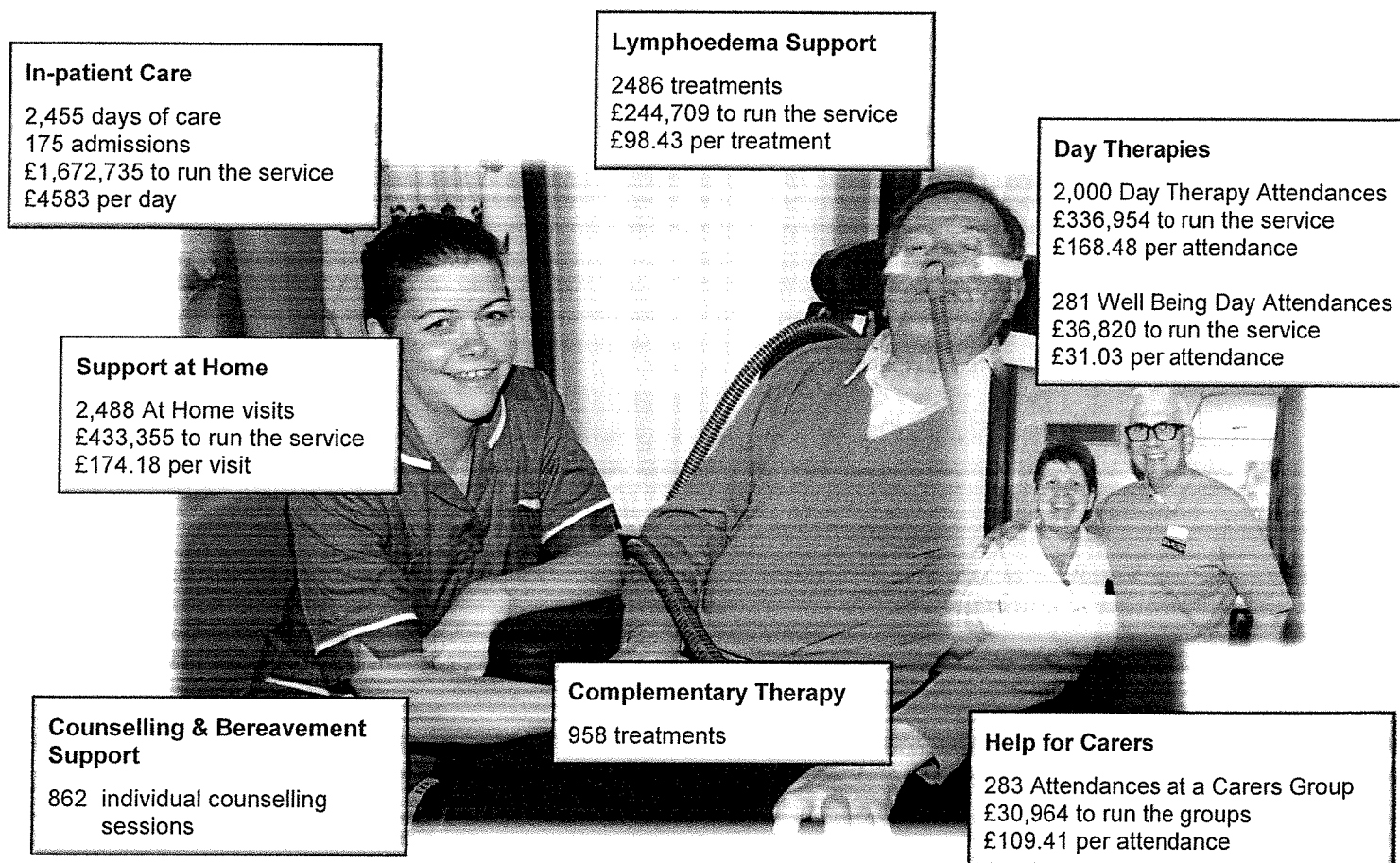
4.2. Summary of Main Challenges

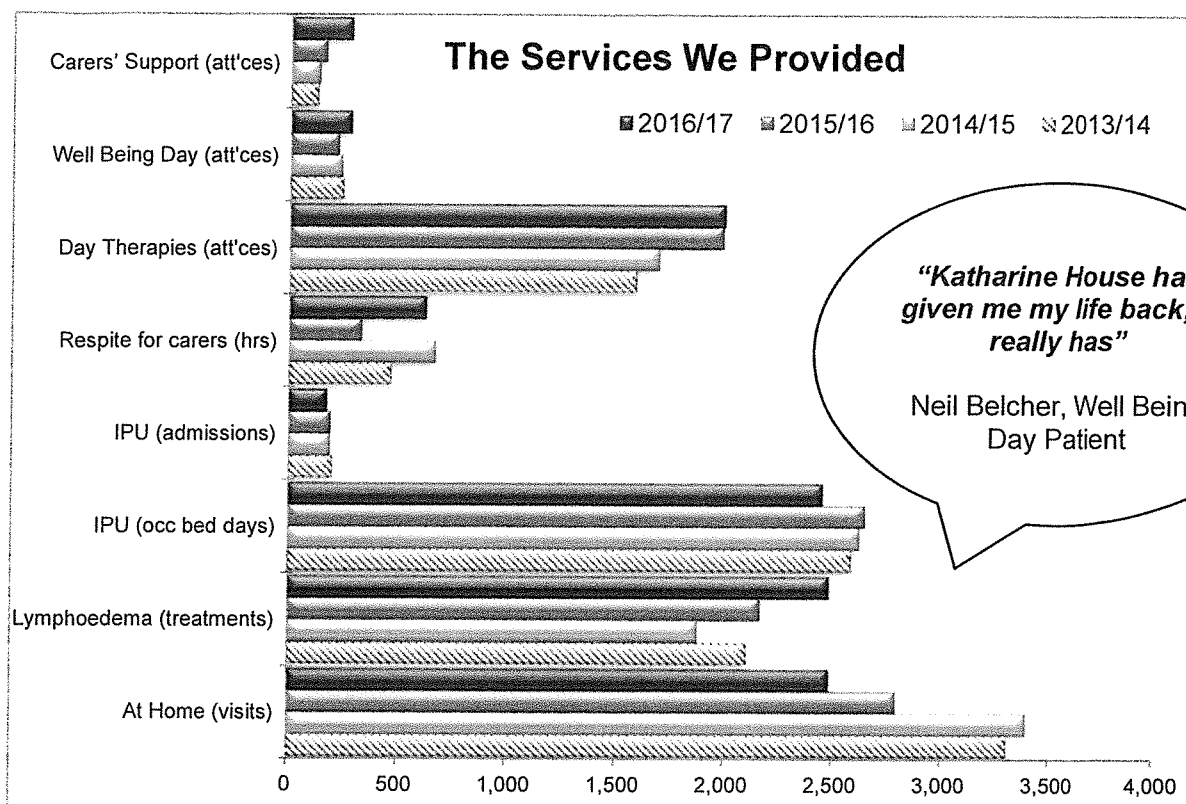
- There continued to be considerable upheavals within the local health economy. Given the dependence of our services on the referral pathways through the NHS, each time there are major changes in staffing within the community district nursing or specialist nursing teams or within the hospitals' palliative care teams it disrupts the referrals into our services.
- The inability to recruit capable healthcare assistants into Embrace continues to hamper the development and growth of the care agency.

- The pressure on the retail high street continues, both with increased direct competition from other charities and discount stores and customers moving onto the internet.
- It is proving difficult even to maintain the current membership of our lottery, although the decline has slowed somewhat over the last year.
- The year has also proved extremely challenging for fundraising, with unexpected reductions in revenues, not helped by the introduction of new fundraising and data protection legislation.

43. 2016/17 Charitable Activities

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





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.

45. Progress With 2016/17 Objectives

The objectives identified by Trustees for 2016/17, and performance against these, are outlined below:

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

Two Care Quality Commission (CQC) inspections found the services of both the Hospice and the Care Agency to be "Good" in all domains. The CQC found our services to be safe, effective, caring, responsive to people's needs and well-led. Following the departure of the Director of Care two existing care managers acted as Registered Managers and joined the Executive Team.

We continued to increase the use of our day therapies and wellbeing day.

We reviewed Care Administration to make more effective use of nursing resources.
- 2. Develop clinical collaborations with other organisations to achieve effective use of resources improving the patients' experience of care and increasing value.** ✓

We worked closely with St Giles Hospice on developing the Holly Road Supportive Care Centre project (recently renamed 'Uttoxeter Cares'). We continued to work closely with the community Macmillan Team operated by Staffordshire & Stoke on Trent Partnership Trust.
- 3. Implement the findings of the retail review** ✓

We restructured our retail department, appointed a new Retail General Manager Iain Miller who joined us in February 2017, and relocated the transport department to join the main retail department. Iain and his team are working on a number of new projects that we hope will increase revenues by 2018/19.
- 4. Respond to the outcome of the transforming End of Life Care programme** n/a

The NHS has made no progress with the transforming end of life care programme. We had expected an outcome during the year, but the processes within the NHS were paused whilst NHS England reviewed commissioning processes.
- 5. Develop and implement a plan to improve internal communication** ✓

As planned we held focus groups to review communication, undertook a communications themed staff survey and implemented actions arising from these activities.
- 6. Maintain the expected operating deficit below £150k** ✓

The hospice's deficit for 2016/17 was £109,760 but after gains on investments and provision for deferred tax the outgoing funds were £64,810. 2016/17 was the first year the hospice experienced reductions in all its main revenue streams.

4.6. Fundraising Performance

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

18 people left a gift in their will (2016: 27) and donated £165,856 (2016: £335,372) this will fund the care for 1 in 20 of our patients in the coming year.

There were 7,800 lucky winners of our Hospice Lottery who received £96,100 (2016: £94,400) in prize money. Players contributed £204,854 (2016: £207,353) over the year which is a sum equivalent to the costs of our entire Family Support Services.

	<u>Net Revenues</u>	
	<u>Actual</u>	<u>Target</u>
Fundraising	£546,141	£694,523
Lottery	£204,854	£219,752

Responding to the new fundraising regulatory code and preparing for the new General Data Protection Regulations have both severely hampered our ability to communicate effectively with our donors. Some donors do not realise that they need to opt-in to enable us to contact them by telephone and e-mail. This requirement has contributed to a loss of £119,676 in individual giving, the main cause of the reduction in fundraising income.

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 but we did not engage any outside support last year.

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 last year. 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 2016/17 in relation to our fundraising activities the charity received 3 formal complaints, 1 informal complaint and 5 adverse comments. Two of the formal complaints were related to requests for support made by telephone. We followed this up with both supporters and agreed that we would not contact them by telephone in future.

The third formal complaint was a supporter regarding a failure on our part to respond appropriately to his query. The Head of Fundraising apologised and our procedures have now been updated.

The one informal complaint was from a donor that had continued to receive communications from us despite asking not to be contacted on more than one occasion. It is unclear who the supporter spoke to on previous occasions, but as soon as the fundraising team became aware their record was updated to ensure that they will not be contacted again.

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. Last year we introduced a policy regarding liaison with supporters who may be vulnerable. We have over many years actively sought to understand the wishes of our supporters in regard to our communication with them.

4.7. Proportion of Income Spent on Fundraising

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 supporters, reclaiming Gift Aid on relevant donations, as well as supporting others to raise funds on our behalf. We received 14,771 donations the smallest of which was 1 pence and the largest was £35,000.

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

	<u>2017</u>	<u>2016</u>
Event Income	248,158	222,908
Event costs	(71,609)	(48,552)
Net income from events	176,549	174,356
Other Income	690,680	769,573
Income after event costs	867,229	943,929
Other direct costs	(253,053)	(239,829)
Net Income raised	614,176	704,100
Less allocated support and overhead costs	(68,035)	(70,591)
Net funds raised	546,141	633,509



4.8. Retail Performance

The retail operations return to growth in 2015/16 has been reversed in 2016/17 as charity retailing has struggled on the high street. However, Trustees were disappointed with the uptake of the gift aid scheme. Steps are being taken to overcome this.

Our shops sold an average of 19,174 (2015:17,816) items each week and customers contributed £1.07m (2016: £946,489) to our cause. In addition £143,807 was also raised through the Gift Aid we were able to claim on donated items.

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, staff and 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:

4.9.1. The relationship with the Clinical Commissioning Groups (CCGs).

28% of the income needed to fund and operate our services 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 with no further clarity over the last eighteen months.

4.9.2. Austerity and Brexit

There is a lack of certainty due to the economic pressures faced by the country as a whole and the continuing 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 (perhaps one of the reasons for the falling revenues in fundraising). 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.

4.9.3. 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. In 2017 the hospice is now subject to a 0.5% apprenticeship levy. There are also very considerable increases in the internal costs of compliance with new fundraising and data protection legislation.

4.9.4. Recruitment

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

4.9.5. 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.

4.9.6. 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 potential 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 2016/17 are prepared 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 challenging year. All the main revenue streams have fallen, whilst operating costs within the charity increased by 4.1% to £3.53m (2016: £3.39m).

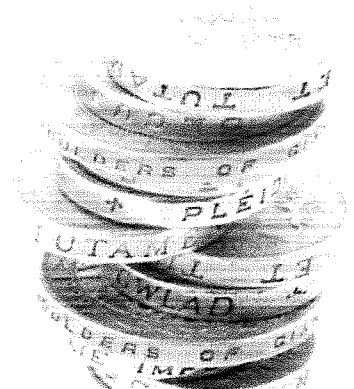
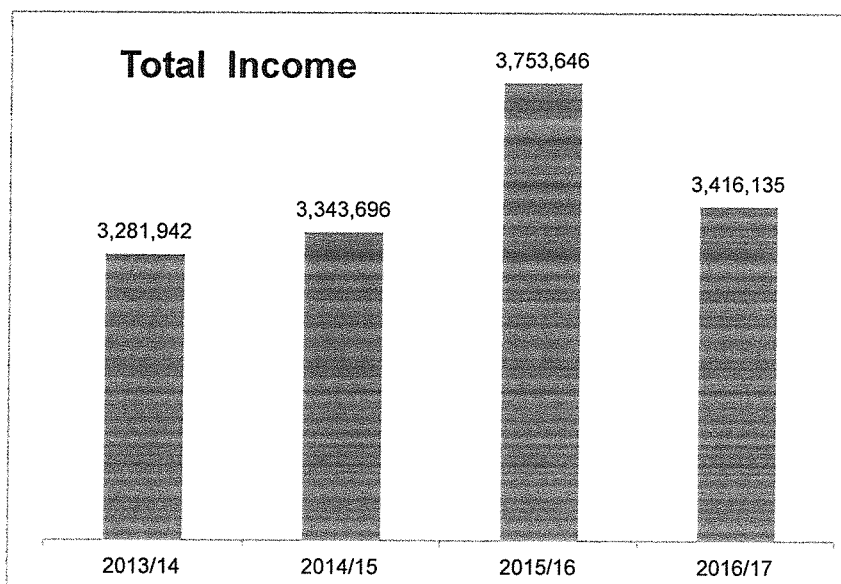
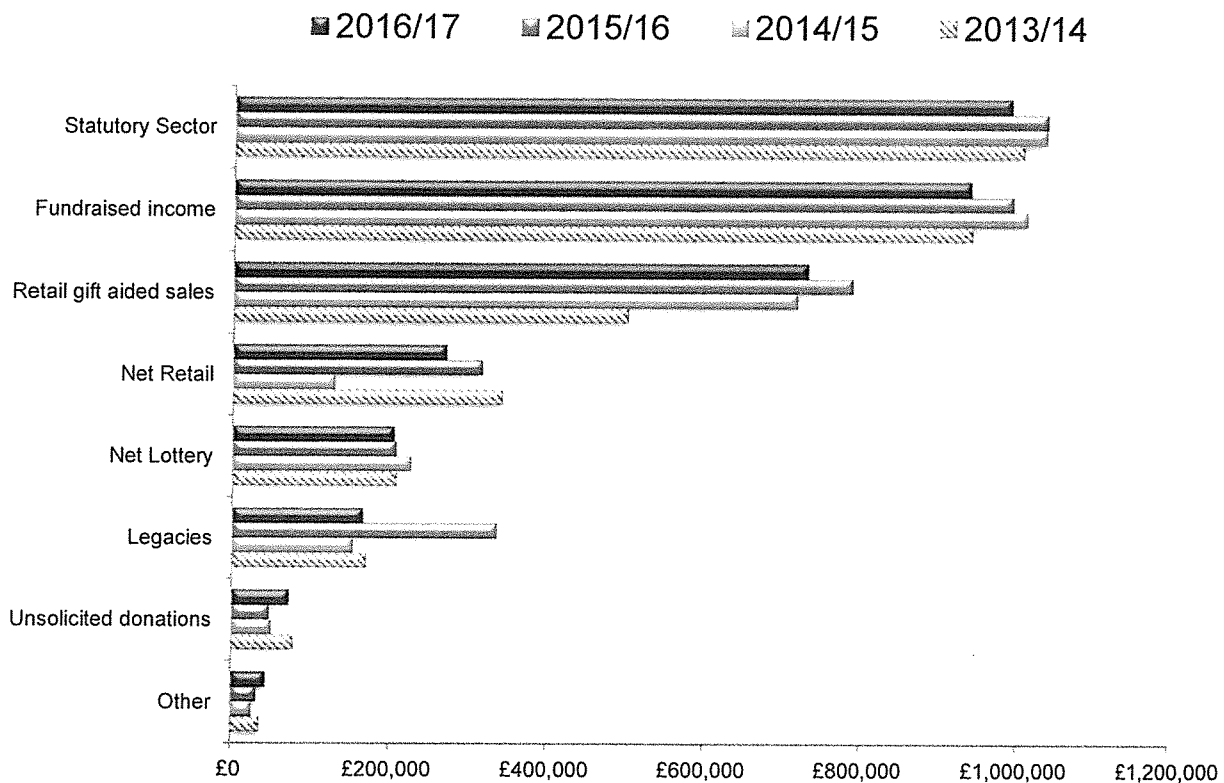
Specific points are:

1. Legacy income fell by £169,516 (see note 4)
2. Gross fundraising income fell by £53,643, fundraising costs increased by £30,332. The net contribution of fundraising decreased by £33,725 (see note 5). As highlighted in 4.6, regulatory compliance has adversely affected fundraising performance.
3. The lottery has struggled for a number of years to retain membership, and last year contributed £2,499 less than the previous year (see note 6)
4. The retail operation's contributions come through the net surplus of the retail company, gift aided sales and gift aid on these sales. In total retail contributed £1.0m (2016: £1.1m) a reduction of £102,236 (see note 6)
5. The hospice's charitable costs increased by £106,856. The main constituent of this increase relates to employee costs, with additional staff, increases in the minimum wage, and the impact of auto-enrolment.
6. The hospice's group recorded an operating deficit of £109,760, but after gains of £58,457 in the investments and provisions for deferred tax of £13,507, funds reduced by £64,810.

52. Sources of Funding

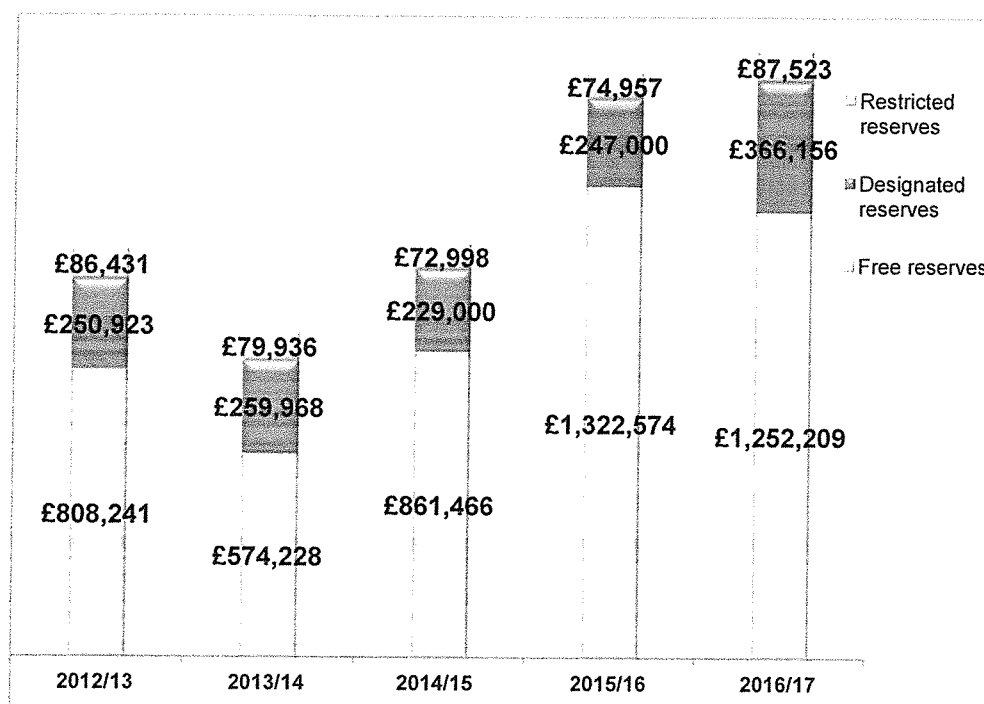
The charity's primary sources of funding derive from its retail trading activities, from the statutory sector, from fundraising (including a lottery) and from legacies and unsolicited donations. Income from the key sources is shown below.

The Trustees have serious concerns about future revenues. The local Clinical Commissioners have agreed to maintain the hospice's grant at the 2016/17 level for 2017/18. 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 hard to achieve, whilst new fundraising and data protection legislation is making it harder to maintain contact with our existing donors if they choose not to opt-in to our communications.



53. Reserves Policy and Going Concern

The free reserves of the charity at 31 March 2017 are taken from the Consolidated Balance Sheet and include the total assets less tangible assets. 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 £1,252,209 (2016: £1,322,574) equating to 5 months operating costs for the hospice. 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:	£1,252,209
Designated:	£ 366,156
Restricted:	£ 87,523

Embrace Quality Care, a trading subsidiary of Katharine House Hospice, made a loss of £65,240, and has retained losses of £149,655. 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 £13,325 for 2017/18 (see section 3.2).

5.4. 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 2017/18 £120,000 (2016/17: £120,000).</i>
Retail vehicle fund	<i>To fund the hire-purchase of 4 vehicles for the use of the retail department.</i>

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

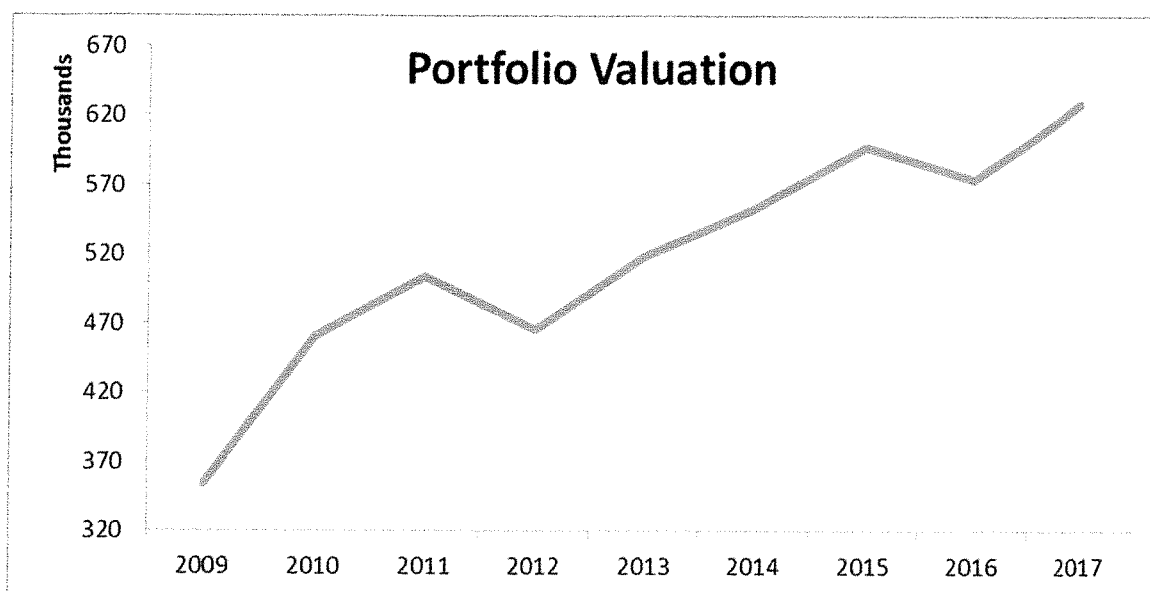
5.5. Investment Policy

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 18.

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 moved to a platform in December 2016, which has eliminated these fees.

No funds have been added to or withdrawn from the investments for the last eight 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	2017
Value ('000s)	354	461	504	465	519	553	598	574	628
Annual growth		30.2%	9.3%	-7.7%	11.6%	6.6%	8.1%	-4.0%	9.5%



The compound annual growth rate over the last 7, 5, and 3 years as at year end 2017 and 2016 are:

Years	2017	2016
Over 7 years	4.51%	7.13%
Over 5 years	6.19%	2.63%
Over 3 years	4.32%	3.41%

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. The impact of Donna Louise terminating the agreement for Katharine House to run their retail operation.

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 22nd November 2016.

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 and now operates administrative services.

Each subsidiary company of the hospice 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. 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, mentorship and appraisal, 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 three 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, monitors the effectiveness and value of training and supports the Executive Team.

3. 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.

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.

To help people when they most need it and to work alongside staff who are very committed. What better reason could you have to get involved?

Judith Cashmore – James, Trustee

Consideration is given to suitability in relation to the current skills and attributes of existing Trustees, the skills that are deficient on the Board, and the need to plan for succession of Trustees who are due to stand down.

Once a nominee is determined to be suitable approval is sought from the full Board. 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 stand down at the next AGM and must 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; the National Association of Hospice Fundraisers; the National Council for Palliative Care; and Katharine House Hospice is a member of Hospice UK (which is merging with the National Council for Palliative Care).

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 until 22 December 2017.

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.

Uttoxeter
Cares
living well locally

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

6.6. *Related Parties*

None of our Trustees receive remuneration or other benefit from their work with the charity. The following persons have connections with organisations to which Katharine House Hospice contracted during the year:

- Mrs Cape is an employee of Staffordshire and Stoke-on-Trent Partnership Trust.
- 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.

6.7. *Pay Policy for Senior Staff*

The directors, who are the Trustees, and the executive management team comprise the key management personnel of the charity responsible for 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 are disclosed in notes 12 and 13 to the accounts and were nil.

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 where 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 roles 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 two such awards being made in the year (2016: 1). 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:	25 th 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 I D Starkie	Treasurer
	Mr B Baggott	
	Mr B Bester	
	Mrs A Cape	
	Mrs J Cashmore-James	
	Mr D M Harding	
	Dr S Lloyd	
	Mrs T Mingay	
	Mrs K Overmass	
	Mr J-P Parsons	
	Mr P Samani	(From 24th January 2017)
	Mr D J Sandy	
	Dr C J Secker	
	Ms J Woodyard	
Company Secretary:	Cllr P M M Farrington	
Registered Manager	Mrs J Kelly (until 6 th January 2017)	
	Mrs A Marston (KHH from 17 th February 2017)	
	Mrs S Whitmore (Embrace Quality Care from 8 th February 2017)	

Officers:

Director of Care Services:	Mrs J Kelly (until 6 th January 2017)
Medical Director:	Dr E Hindmarsh
Chief Executive:	Dr R T Soulsby
Retail General Manager:	Mr I Miller (From 13 th February 2017)
Deputy Chief Executive:	Miss L M Taylor (Business Development Director until 1 st February 2017)
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 is 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 is 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 is 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. Trustees 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 26th September 2017 and signed on its behalf by Lady Judith Mitting, Chairman

A handwritten signature in black ink, appearing to read "Judith C. Mitting". The signature is written in a cursive, flowing style.

Independent Auditors' Report

Independent Auditor's Report to the Members of Katharine House Hospice For the Year Ended 31st March 2017

We have audited the financial statements of Katharine House Hospice for the year ended 31 March 2017 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 2017 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.

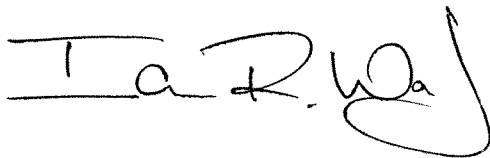
Opinion on other matter prescribed by the Companies Act 2006

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: 9 October 2017

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2017

	Note	Unrestricted £	Designated £	Restricted £	2017 Totals £	2016 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	72,045	165,856	--	237,901	382,246
Fundraised Income	(5)	744,448	--	194,390	938,838	992,481
Gift Aid - KHH Development	(6)	15,698	--	--	15,698	--
Gift Aid - Promotions Subsidiary	(6)	204,854	--	--	204,854	207,353
Gift Aid - Retail Subsidiary	(6)	270,694	--	--	270,694	315,718
Retail sales donations and gift aid		730,559	--	--	730,559	787,771
Investment Income	(8)	9,258	--	--	9,258	12,008
Charitable activities						
Statutory Sector Income	(9)	6,500	--	983,794	990,294	1,036,814
Fee Income Received	(7)	6,230	--	6,947	13,177	11,867
Other Income						
		4,862	--	--	4,862	7,388
Total Income		2,065,148	165,856	1,185,131	3,416,135	3,753,646
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	392,697	--	--	392,697	358,972
Investment Management Fees	(8)	13,157	--	--	13,157	23,092
Trading and Recycling costs		--	--	--	--	45,413
		405,854	--	--	405,854	427,477
Net income for charitable application		1,659,294	165,856	1,185,131	3,010,281	3,326,169
Hospice Operating Costs	(10)	1,783,008	45,242	1,172,565	3,000,815	2,894,823
Governance Costs	(11)	60,985	--	--	60,985	60,121
		1,843,993	45,242	1,172,565	3,061,800	2,954,944
Interest Payable		6,508	--	--	6,508	7,736
Total Expenditure		2,256,355	45,242	1,172,565	3,474,162	3,390,157
Net gains (losses) on investment assets		58,457	--	--	58,457	(12,258)
Net income / (expenses) before transfers		(132,750)	120,614	12,566	430	351,231
Gross transfers between funds	(22)	1,458	(1,458)	--	--	--
Net movement in Funds		(131,292)	119,156	12,566	430	351,231
RECONCILIATION OF FUNDS						
Fund balances brought forward		3,321,259	247,000	74,957	3,643,216	3,291,985
Fund Balances Carried Forward		3,189,967	366,156	87,523	3,643,646	3,643,216

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2017

	Note	Unrestricted £	Designated £	Restricted £	2017 Totals £	2016 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	72,045	165,856	--	237,901	382,246
Fundraised Income	(5)	744,448	--	194,390	938,838	992,481
Gross Income - KHH Development	(6)	16,490	--	--	16,490	--
Gross Income - Promotions	(6)	409,754	--	--	409,754	416,589
Gross Income - Retail	(6)	2,656,727	--	--	2,656,727	2,756,045
Retail sales donated to hospice		730,559	--	--	730,559	787,771
Gross Income - DLT Trading	(6)	1,085,292	--	--	1,085,292	987,783
Gross Income - EQC Limited	(6)	275,377	--	--	275,377	237,276
Investment Income	(8)	9,279	--	--	9,279	12,039
Charitable activities						
Statutory Sector Grants	(9)	6,500	--	983,794	990,294	1,036,814
Fee Income Received	(7)	6,230	--	6,947	13,177	11,867
Other Income						
		4,862	--	--	4,862	7,388
Total Income		6,017,563	165,856	1,185,131	7,368,550	7,628,299
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	392,697	--	--	392,697	358,972
Cost of Operating KHH Developme	(6)	792	--	--	792	--
Cost of Operating Promotions	(6)	204,921	--	--	204,921	209,267
Cost of Operating Retail	(6)	2,466,334	--	--	2,466,334	2,442,926
Cost of Operating DLT Trading	(6)	991,484	--	--	991,484	985,183
Cost of Operating T&R Company	(6)	--	--	--	--	153
Investment Management Fees	(8)	13,157	--	--	13,157	23,092
		4,069,385	--	--	4,069,385	4,019,593
Net income for charitable application		1,948,178	165,856	1,185,131	3,299,165	3,608,706
Hospice Operating Costs	(10)	1,783,008	45,242	1,172,565	3,000,815	2,894,823
Embrace Quality Care Costs	(6)	340,617	--	--	340,617	293,397
Governance Costs	(10)	60,985	--	--	60,985	60,121
		2,184,610	45,242	1,172,565	3,402,417	3,248,341
Interest payable		6,508	--	--	6,508	7,736
Total Expenditure		6,260,503	45,242	1,172,565	7,478,310	7,275,670
Net gains (losses) on investment assets		58,457	--	--	58,457	(12,258)
Net income / (expenses) before provisions and transfers		(184,483)	120,614	12,566	(51,303)	340,371
Provision for deferred tax liabilities		(13,507)	--	--	(13,507)	--
Gross transfers between funds	(22)	1,458	(1,458)	--	--	--
Net Movement in Funds		(196,532)	119,156	12,566	(64,810)	340,371
RECONCILIATION OF FUNDS						
Fund balances brought forward		3,246,583	247,000	74,957	3,568,540	3,228,169
Fund Balances Carried Forward	(22)	3,050,051	366,156	87,523	3,503,730	3,568,540

KATHARINE HOUSE HOSPICE
CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2017

	2017	2016
	£	£
Gross Income from continuing operations	7,368,550	7,628,299
Total expenditure of continuing operations	7,478,310	7,275,670
Net income / (expenditure) for the year before transfers and investment asset disposal	(109,760)	352,629
Gain / (Loss) on disposal of fixed asset investments	58,457	(12,258)
Net income / (expenditure) for the year	(51,303)	340,371

- Total income comprises:

	2017	2016
	£	£
Unrestricted	6,017,563	6,100,816
Designated	165,856	361,966
Restricted	1,185,131	1,165,517

- 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 £4,443,640 (2016: £4,397,693). 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:

	2017	2016
	£	£
Unrestricted	6,260,503	6,093,633
Designated	45,242	15,211
Restricted	1,172,565	1,166,826

- 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 30, 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.

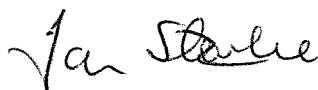
KATHARINE HOUSE HOSPICE
(Registered No. 2700516)
BALANCE SHEET
at 31 March 2017

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2017 Total Funds £	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	1,635,389	--	1,635,389	1,689,967	--	1,689,967
Investments	(18)	627,955	--	627,955	573,715	--	573,715
Investment in Group	(18)	5,602	--	5,602	5,602	--	5,602
		<u>2,268,946</u>	<u>--</u>	<u>2,268,946</u>	<u>2,269,284</u>	<u>--</u>	<u>2,269,284</u>
CURRENT ASSETS							
Debtors	(19)	1,698,425	--	1,698,425	1,138,921	--	1,138,921
Cash at bank and in hand		60,917	87,523	148,440	679,435	74,957	754,392
		<u>1,759,342</u>	<u>87,523</u>	<u>1,846,865</u>	<u>1,818,356</u>	<u>74,957</u>	<u>1,893,313</u>
CREDITORS	(21)	(266,972)	--	(266,972)	(278,215)	--	(278,215)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,492,370</u>	<u>87,523</u>	<u>1,579,893</u>	<u>1,540,141</u>	<u>74,957</u>	<u>1,615,098</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,761,316</u>	<u>87,523</u>	<u>3,848,839</u>	<u>3,809,425</u>	<u>74,957</u>	<u>3,884,382</u>
CREDITORS		(205,193)	--	(205,193)	(241,166)	--	(241,166)
amounts falling due after one year							
TOTAL NET ASSETS		<u>3,556,123</u>	<u>87,523</u>	<u>3,643,646</u>	<u>3,568,259</u>	<u>74,957</u>	<u>3,643,216</u>
REPRESENTED BY:							
Restricted Funds		--	87,523	87,523	--	74,957	74,957
Designated Funds		366,156	--	366,156	247,000	--	247,000
Unrestricted Funds		3,189,967	--	3,189,967	3,321,259	--	3,321,259
		<u>3,556,123</u>	<u>87,523</u>	<u>3,643,646</u>	<u>3,568,259</u>	<u>74,957</u>	<u>3,643,216</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 2017 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 2017

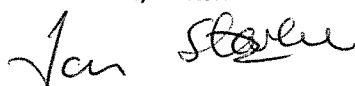
	Note	Unrestricted & Designated Funds £	Restricted Funds £	2017 Total Funds £	Unrestricted Funds £	Restricted Funds £	2016 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	1,811,349	--	1,811,349	1,924,009	--	1,924,009
Investments	(18)	627,955	--	627,955	573,715	--	573,715
		<u>2,439,304</u>	<u>--</u>	<u>2,439,304</u>	<u>2,497,724</u>	<u>--</u>	<u>2,497,724</u>
CURRENT ASSETS							
Debtors	(19)	429,092	--	429,092	479,289	--	479,289
Stock	(20)	820	--	820	661	--	661
Cash at bank and in hand		1,261,315	87,523	1,348,838	1,239,232	74,957	1,314,189
		<u>1,691,227</u>	<u>87,523</u>	<u>1,778,750</u>	<u>1,719,182</u>	<u>74,957</u>	<u>1,794,139</u>
CREDITORS	(21)	(495,624)	--	(495,624)	(482,157)	--	(482,157)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,195,603</u>	<u>87,523</u>	<u>1,283,126</u>	<u>1,237,025</u>	<u>74,957</u>	<u>1,311,982</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,634,907</u>	<u>87,523</u>	<u>3,722,430</u>	<u>3,734,749</u>	<u>74,957</u>	<u>3,809,706</u>
CREDITORS		(205,193)	--	(205,193)	(241,166)	--	(241,166)
amounts falling due after one year							
PROVISIONS							
deferred tax liabilities		(13,507)	--	(13,507)	--	--	--
TOTAL NET ASSETS		<u>3,416,207</u>	<u>87,523</u>	<u>3,503,730</u>	<u>3,493,583</u>	<u>74,957</u>	<u>3,568,540</u>
REPRESENTED BY:							
Restricted Funds	(22)	--	87,523	87,523	--	74,957	74,957
Designated Funds	(22)	366,156	--	366,156	247,000	--	247,000
Unrestricted Funds	(22)	3,189,967	--	3,189,967	3,321,259	--	3,321,259
Subsidiary Retained Losses		(139,916)	--	(139,916)	(74,676)	--	(74,676)
		<u>3,416,207</u>	<u>87,523</u>	<u>3,503,730</u>	<u>3,493,583</u>	<u>74,957</u>	<u>3,568,540</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 2017 and signed on its behalf by:-

I D Starkie, Director

Lady Mitting, Chairman




KATHARINE HOUSE HOSPICE
CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2017

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS		2017	2016
		£	£
Net movement in funds		(64,810)	340,371
Deferred taxation		13,507	--
Depreciation		171,340	191,488
(Gains)/Losses on investment assets		(58,457)	12,258
Income from fixed asset investment	Note 1	(8,852)	(9,281)
Interest received		(427)	(2,758)
Interest payable on loans		6,508	7,736
(Increase) / decrease in Debtors		50,197	(12,091)
(Increase) / decrease in Stock		(159)	1,347
Increase / (decrease) in Creditors		11,052	35,788
Net cash (outflow) inflow from operating activities		119,899	564,858

CASHFLOW STATEMENT

Cashflow from operating activities		119,899	564,858
Returns on investments and servicing of finance	Note 1	2,771	4,303
		122,670	569,161
(Purchase) / Sale of fixed assets	Note 1	37,357	(12,919)
Payment of Corporation Tax		--	--
Financing	Note 1	(33,558)	(32,559)
Increase / (Decrease) in cash		126,469	523,683

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2017

NOTE 1 TO THE CASHFLOW STATEMENT

	2017 £	2016 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	8,852	9,281
Total Income from fixed asset investments	<u>8,852</u>	<u>9,281</u>
Other Interest received	427	2,758
Interest payable on loans	<u>(6,508)</u>	<u>(7,736)</u>
	<u>2,771</u>	<u>4,303</u>
Financing		
Repayments of loan capital	<u>(33,558)</u>	<u>(32,559)</u>
	<u>(33,558)</u>	<u>(32,559)</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(58,680)	(48,300)
Proceeds of sale of investment property	--	--
Purchase of fixed asset investments	(528,884)	(868,151)
Proceeds of sale of fixed asset investments	<u>624,921</u>	<u>903,532</u>
	<u>37,357</u>	<u>(12,919)</u>

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

Net cash inflow / (outflow)	126,469	523,683
Change in net funds in the year	<u>126,469</u>	<u>523,683</u>
Net funds at 1 April	1,346,997	823,314
Non-Cash changes	--	--
Net funds at 31 March	<u><u>1,473,466</u></u>	<u><u>1,346,997</u></u>

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

	As at 1 April 2016	Cash Flows	Non cash Changes	As at 31 March 2017
Cash in hand and at bank	1,314,189	34,649	--	1,348,838
Cash in current asset investments	<u>32,808</u>	<u>91,820</u>	--	<u>124,628</u>
TOTAL	<u><u>1,346,997</u></u>	<u><u>126,469</u></u>	<u><u>--</u></u>	<u><u>1,473,466</u></u>

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

	As at 1 April 2016	Cash Flows	Non cash Changes	As at 31 March 2017
Cash at hand and in bank	1,314,189	34,649	--	1,348,838
Debt due within 1 year	(32,215)	32,215	(34,630)	(34,630)
Debt due after 1 year	(241,166)	1,343	34,630	(205,193)
Cash in investments	<u>32,808</u>	<u>91,820</u>	--	<u>124,628</u>
TOTAL	<u><u>1,073,616</u></u>	<u><u>160,027</u></u>	<u><u>--</u></u>	<u><u>1,233,643</u></u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

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.

b) Going concern

The charity reported a consolidated cash inflow of £126,469 for the year and have cash reserves of £1,348,834. The trustees have no plans to restructure the debt or investments of the charity and have approved an achievable budget for financial years 2017/18 to 2019/20. 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.

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.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

1. ACCOUNTING POLICIES (Cont.)

d) Income (cont.)

vii) 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%.

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017**

(Continued)

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 now provided on timing differences arising from accelerated capital allowances as in accordance with SORP (FRS 102). 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 2017

(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	2017 £	2016 £
Unsolicited donations and gifts		72,045	46,874
Legacies	(4)	165,856	335,372
		<u>237,901</u>	<u>382,246</u>

4. LEGACIES

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

		No.	2017 £	No.	2016 £
Up to £10,000	(a)	10	10,674	20	31,779
£10,000 to £49,999		8	155,182	5	105,069
£50,000 to £99,999		--	--	1	82,376
Over £100,000		--	--	1	116,148
			<u>165,856</u>		<u>335,372</u>

(a) The 2017 amount includes residual values of £78 for three legacies above the level accrued for at year end 2016, which legacies are not included in the number of legacies received (2016: £5,434 from 2 legacies).

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 £59,978 (2016: £71,304).

The performance set out below specifically excludes: £165,856 of legacy income (2016: £335,372); £72,045 of unsolicited donations (2016: £46,874); 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 2017

(Continued)

5. FUNDRAISING INCOME AND EXPENDITURE (Cont.)

	Note	Unrestricted £	Restricted £	2017 Total £	2016 Total £
Income Sources					
Individuals and groups		254,119	11,271	265,390	385,066
Gift Aid		59,978	--	59,978	71,304
Collections		17,320	158	17,478	18,033
Membership	(2)	655	--	655	705
Corporate Support		102,524	3,080	105,604	94,029
Trusts and grant giving bodies		43,636	179,881	223,517	181,574
Local Councillors		--	--	--	3,940
Events		243,467	--	243,467	217,892
Support groups		16,548	--	16,548	12,782
Tea bar income		4,691	--	4,691	5,016
Other sources		1,510	--	1,510	2,140
		<u>744,448</u>	<u>194,390</u>	<u>938,838</u>	<u>992,481</u>
Direct Costs					
Wage costs		219,411		219,411	198,047
Other staff costs		3,543		3,543	1,420
IT Costs		743		743	3,835
Event costs		69,907		69,907	46,133
Project costs		6,198		6,198	1,485
Tea bar costs		1,702		1,702	2,419
Other costs		15,898		15,898	27,329
Depreciation		7,260		7,260	7,713
		<u>324,662</u>		<u>324,662</u>	<u>288,381</u>
Support Costs					
Housekeeping		1,467		1,467	1,430
Maintenance		1,711		1,711	1,485
		<u>3,178</u>		<u>3,178</u>	<u>2,915</u>
Overhead Costs					
Management charges				--	--
Administrative costs		64,857		64,857	67,676
		<u>64,857</u>		<u>64,857</u>	<u>67,676</u>
Total Fundraising Costs		<u>392,697</u>		<u>392,697</u>	<u>358,972</u>
Net Income from Fundraising				<u>546,141</u>	<u>633,509</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 completed its first year of trading and the funds represent 500 Ordinary Shares of £1 each.

	2017 £	2016 £
Turnover	16,490	--
Operating costs	(792)	--
Net Profit	<u>15,698</u>	<u>--</u>
Distribution under Gift Aid to Katharine House Hospice	(15,698)	--
Retained earnings carried forward	<u>--</u>	<u>--</u>
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	21,971	--
Liabilities	(21,471)	--
Funds	<u>500</u>	<u>--</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

(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.

	2017 £	2016 £
Turnover	409,754	416,589
Operational costs	(182,226)	(180,803)
Recharges paid to Katharine House	(22,695)	(28,464)
Interest Received	21	31
NET PROFIT	204,854	207,353
Distribution under Gift Aid to Katharine House Hospice	(204,854)	(207,353)
Retained in subsidiary undertaking	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	168,576	155,027
Liabilities	(168,476)	(154,927)
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. From 1 April 2017 the hospice will run the charity shops directly, and the retail company will manage new goods only.

	2017 £	2016 £
Turnover	2,744,767	2,756,045
Operational costs	(2,359,139)	(2,329,369)
Recharges paid to Katharine House	(117,534)	(113,557)
Interest Received	2,600	2,600
NET PROFIT	270,694	315,719
Amounts written off investments		(1)
Distribution under Gift Aid to Katharine House Hospice	(270,694)	(315,718)
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	142,505	195,322
Assets	1,011,523	518,107
Liabilities	(1,124,826)	(684,227)
Funds	29,202	29,202
Additional Financial Value from KH Retail Ltd		
Gift Aided sales donated to Katharine House Hospice	586,752	630,217
Gift Aid on these sales	143,807	157,554

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017**

(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.

	2017 £	2016 £
Turnover	1,085,292	987,783
Operating costs	(935,877)	(842,470)
GROSS PROFIT	149,415	145,313
Interest Payable	(2,600)	(2,600)
Donation under Gift Aid to Donna Louise Children's Hospice	(146,815)	(142,713)
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	33,455	38,721
Assets	351,932	100,570
Liabilities	(404,847)	(158,751)
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 £149,655.

	2017 £	2016 £
Turnover	275,377	237,276
Operating costs	(292,553)	(276,411)
Recharges paid to Katharine House	(48,064)	(16,986)
GROSS LOSS	(65,240)	(56,121)
Retained in subsidiary undertaking	(65,240)	(56,121)
Retained earnings brought forward	(84,415)	(28,294)
Retained losses carried forward	(149,655)	(84,415)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	86,939	76,855
Liabilities	(231,594)	(156,270)
Funds	(144,655)	(79,415)

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 medical and nursing students from universities have paid placements at the hospice and 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
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8. INVESTMENT INCOME AND FEES

Investment income comprises:

	Company		Group	
	2017	2016	2017	2016
	£	£	£	£
Bank Interest	318	348	339	379
Interest from Investments	88	2,216	88	2,216
Tax reclaimable on interest	--	163	--	163
Dividends	8,852	9,281	8,852	9,281
	<u>9,258</u>	<u>12,008</u>	<u>9,279</u>	<u>12,039</u>

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

	2017	2016
	£	£
Management of the portfolio	6,242	7,681
Brokerage costs on Sales of Assets	4,266	7,755
Brokerage costs on Acquisitions of Assets	2,649	7,656
	<u>13,157</u>	<u>23,092</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 29.

		2017		2016	
		£	%	£	%
Local Clinical Commissioning Groups					
Stafford & Surrounds	(a)	625,154	18.30	658,081	17.53
Cannock Chase	(a)	309,169	9.05	325,442	8.67
East Staffordshire	(a)	16,341	0.48	16,342	0.44
Seisdon & South Staffordshire	(a)	6,536	0.19	6,855	0.18
Continuing Care Funding		3,000	0.09	--	-
Stafford Borough Council	(b)	3,500	0.10	3,500	0.09
NHS Pension Rebate	(c)	26,594	0.78	26,594	0.71
		<u>990,294</u>	<u>28.99</u>	<u>1,036,814</u>	<u>27.62</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.

	2017	2016
	£	£
Mayor of Stafford Borough Council	2,000	--
Hednesford Town Council for the provision of Hospice Services	300	250
Rugeley Town Council for provision of IPU Services	617	--
Staffordshire County Council for Lymphoedema Coach for Uttoxeter Care	1,000	--
Staffordshire County Council for new rucksacks for the At Home Team	500	--
Staffordshire County Council for provisions of Wellbeing Day Services	2,003	--
Staffordshire County Councillors to support carers	--	3,940
Uttoxeter Town Council for provision of Lymphoedema Equipment	200	--
Uttoxeter Town Council for provision of Day Therapies	--	200

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

(Continued)

10. EXPENDITURE ANALYSIS

	Direct Staff	Direct Other	Deprec- iation	Recharged Direct Support	Recharged Management and Admin	2017 Total	2016 Total
Charitable Activity							
Inpatient Care	1,069,371	84,164	27,301	344,948	146,951	1,672,735	1,639,605
Day Care	181,699	31,122	14,134	69,061	40,938	336,954	312,562
Lymphoedema	121,326	50,460	5,858	42,042	25,023	244,709	217,074
At Home Care	307,825	29,232	2,022	39,490	54,786	433,355	435,081
Family Support	156,585	3,525	2,513	20,359	19,447	202,429	202,689
Respite for carers	--	--	--	--	--	--	--
Drop-In/ Wellbeing Day	13,385	--	1,977	11,452	10,006	36,820	37,156
Carers Support	18,171	3,694	--	4,060	5,039	30,964	21,105
Other Care / Education	--	37,939	--	1,862	3,048	42,849	29,551
Charitable Expenditure	1,868,362	240,136	53,805	533,274	305,238	3,000,815	2,894,823
Governance (11)	26,747	8,639	--	1,824	23,775	60,985	60,121
Fundraising (5)	219,411	97,991	7,260	4,852	63,183	392,697	358,972
Recharges to Subsidiaries							
To KH Retail	11,617	747	5,908	35,949	63,313	117,534	113,557
To Trading and Recycling	--	--	--	--	--	--	45,413
To Embrace	--	--	--	17,352	30,712	48,064	16,986
To KH Promotions	--	--	1,601	2,446	18,648	22,695	28,464
Total Recharges	11,617	747	7,509	55,747	112,673	188,293	204,420
Analysis of Direct Support and Overhead recharges				595,696	504,868		
Direct Support Services							
Management of Care	112,592	30,681	2,022			145,295	146,152
Catering	54,295	23,620	4,959			82,874	74,387
Laundry	--	6,172	2,495			8,667	7,806
Housekeeping	52,291	21,689	113			74,093	72,230
Property Costs	81,224	91,533	100			172,857	149,956
Administration	46,611	63,277	2,022			111,910	118,729
Total Direct Support	347,013	236,972	11,711			595,696	569,260
Overhead Costs							
Management	119,701	117,626	8,027			245,354	193,072
Finance Department	106,654	6,724	5,908			119,286	154,862
Personnel	54,798	14,785	3,203			72,786	70,775
Voluntary Services	32,276	1,812	476			34,564	33,785
Marketing	27,183	5,695	--			32,878	45,958
Total overhead	340,612	146,642	17,614			504,868	498,452
Total Direct Expenditure	2,813,762	731,127	97,898				

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

(Continued)

11. GOVERNANCE COSTS

	2017	2016
	£	£
Allocation of the costs of Management Time	26,747	21,471
Trustee Indemnity insurance	1,009	1,009
Audit and accountancy fees	7,630	6,580
Direct Support Recharge	23,775	29,413
Management and Admin Recharge	1,824	1,648
	<u>60,985</u>	<u>60,121</u>

12. SPECIFIC CHARGES TO EXPENDITURE

Audit fees for the group were £17,025 (2016: £15,550).

Directors expenses were £NIL (2016: £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 (2016: £NIL). The secretary received expenses of £NIL (2016 - £NIL).

14. EMPLOYEE NUMBERS AND COSTS

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

Company	2017		2016	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	61	51.83	57	49.67
Medical and Therapies	4	2.60	3	1.45
Ancillary	14	7.91	15	9.76
Fundraising	9	7.61	7	6.49
Administration / Management	21	17.79	26	18.45
	<u>109</u>	<u>87.74</u>	<u>108</u>	<u>85.82</u>

Group	2017		2016	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	80	63.43	77	61.13
Medical and Therapies	4	2.60	3	1.45
Ancillary	14	7.91	15	9.76
Generating Funds	157	104.71	149	102.69
Administration / Management	21	17.79	26	18.45
	<u>276</u>	<u>196.44</u>	<u>270</u>	<u>193.48</u>

The costs of employment were:

	Company		Group	
	2017	2016	2017	2016
	£	£	£	£
Salary	2,269,305	2,208,850	4,364,945	4,167,330
National Insurance	186,261	161,435	287,344	257,516
Pension	150,496	134,984	162,883	148,146
	<u>2,606,062</u>	<u>2,505,269</u>	<u>4,815,172</u>	<u>4,572,992</u>
Bought-in staff	207,700	169,645	208,287	169,645
	<u>2,813,762</u>	<u>2,674,914</u>	<u>5,023,459</u>	<u>4,742,637</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

15. EMOLUMENTS

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

	Company		Group	
	2017	2016	2017	2016
£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	
	2017	2016	2017	2016
£60,001 - £70,000	1	1	1	1
£70,001 - £80,000	4	3	4	3
£80,001 - £90,000	0	0	0	0
£90,001 - £100,000	1	2	1	2

The gross cost of the Executive Team responsible for running the group of companies (including all emoluments, employer's national insurance contributions, and employer's pension contributions) was £354,372 (2016: £362,767). There were 5 members of the team until February 2017 and 7 members in February and March 2017 (2016: 6 members until August 2015 and 5 members for the rest of the year).

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:

	2017		2016	
	Average Number	Employer Contribution	Average Number	Employer Contribution
Company				
NHS	30	112,852	26	104,939
Standard Life	19	25,053	19	23,898
Royal Liverpool Assurance	1	371	1	836
NEST	57	7,858	39	5,311
	<u>107</u>	<u>146,134</u>	<u>85</u>	<u>134,984</u>
Group				
NHS	30	112,852	26	104,939
Standard Life	24	30,536	26	32,250
Royal Liverpool Assurance	1	371	1	836
NEST	132	12,779	93	10,121
	<u>187</u>	<u>156,538</u>	<u>146</u>	<u>148,146</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

(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 2016	2,138,707	379,092	122,775	87,465	2,728,039
Additions	--	33,600	9,720	--	43,320
At 31 March 2017	<u>2,138,707</u>	<u>412,692</u>	<u>132,495</u>	<u>87,465</u>	<u>2,771,359</u>
Depreciation					
At 1 April 2016	602,240	239,280	109,087	87,465	1,038,072
Charge for the year	42,774	49,660	5,464	--	97,898
At 31 March 2017	<u>645,014</u>	<u>288,940</u>	<u>114,551</u>	<u>87,465</u>	<u>1,135,970</u>
Net Book Value					
At 31 March 2017	<u>1,493,693</u>	<u>123,752</u>	<u>17,944</u>	<u>--</u>	<u>1,635,389</u>
At 1 April 2016	<u>1,536,467</u>	<u>139,812</u>	<u>13,688</u>	<u>--</u>	<u>1,689,967</u>
GROUP					
Cost					
At 1 April 2016	2,533,977	408,592	176,371	192,065	3,311,005
Additions	15,360	33,600	9,720	--	58,680
Disposals	--	--	--	--	--
At 31 March 2017	<u>2,549,337</u>	<u>442,192</u>	<u>186,091</u>	<u>192,065</u>	<u>3,369,685</u>
Depreciation					
At 1 April 2016	815,637	264,768	162,683	143,908	1,386,996
Charge for the year	95,506	51,150	5,464	19,220	171,340
Disposals	--	--	--	--	--
At 31 March 2017	<u>911,143</u>	<u>315,918</u>	<u>168,147</u>	<u>163,128</u>	<u>1,558,336</u>
Net Book Value					
At 31 March 2017	<u>1,638,194</u>	<u>126,274</u>	<u>17,944</u>	<u>28,937</u>	<u>1,811,349</u>
At 1 April 2016	<u>1,718,340</u>	<u>143,824</u>	<u>13,688</u>	<u>48,157</u>	<u>1,924,009</u>

The Net Book Value of the Groups assets at 31 March 2017 represents Fixed Assets used for:

	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Care and education	1,031,358	59,276	2,875	--	1,093,509
Fundraising	72,355	10,244	871	--	83,470
Retail Subsidiaries	202,385	10,717	871	28,937	242,910
Trading Subsidiary	14,471	2,049	436	--	16,956
Support Services	47,371	23,500	174	--	71,045
Administration	270,254	20,488	12,717	--	303,459
	<u>1,638,194</u>	<u>126,274</u>	<u>17,944</u>	<u>28,937</u>	<u>1,811,349</u>
Unrestricted Assets	<u>1,638,194</u>	<u>126,274</u>	<u>17,944</u>	<u>28,937</u>	<u>1,811,349</u>
	<u>1,638,194</u>	<u>126,274</u>	<u>17,944</u>	<u>28,937</u>	<u>1,811,349</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

18. FIXED ASSET INVESTMENT - Company and Group

	2017		2016	
	£	%	£	%
Bonds	127,383	20.3	100,127	17.5
UK Equities and Funds	122,861	19.6	143,779	25.1
Overseas Equities and Funds	236,358	37.6	58,671	10.2
Property Funds	--	-	110,071	19.2
Other Assets	16,725	2.7	128,259	22.4
Value of Listed Investments	503,327		540,907	
Cash Held for Investment Purposes	124,628	19.8	32,808	5.7
	627,955		573,715	
	2017		2016	
	£		£	
Listed investments				
Market Value at 31 March	540,907		588,548	
Less Disposals at opening book value (proceeds £624,921)	(620,439)		(924,108)	
Add acquisitions at cost	528,884		868,151	
Net gain/(loss) on revaluation at 31 March	53,975		8,316	
Market Value at 31 March of listed investments	503,327		540,907	
Historical Cost at 31 March	445,629		536,568	

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.

FIXED ASSET INVESTMENT - Company

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

	2017	2016
	£	£
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 2017

(Continued)

19. DEBTORS

	Company		Group	
	2017	2016	2017	2016
	£	£	£	£
Intercompany accounts	1,455,277	824,706	--	--
Trade debtors	--	--	27,806	57,083
NHS pharmaceutical supplies	44,185	80,010	44,185	80,010
HMRC - tax and social security	82,966	188,928	117,699	222,477
Other debtors	105	5,965	22,192	5,965
Accrued legacy income	72,981	--	72,981	--
Prepayments	42,911	39,312	140,354	109,879
Deposits provided	--	--	3,875	3,875
	<u>1,698,425</u>	<u>1,138,921</u>	<u>429,092</u>	<u>479,289</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	
	2017	2016	2017	2016
	£	£	£	£
Christmas Cards	--	--	820	661

21. CREDITORS

Amounts due in under one year

	Company		Group	
	2017	2016	2017	2016
	£	£	£	£
Bank Loans	34,630	32,215	34,630	32,215
Intercompany account	--	--	--	--
Share capital KHH Development Ltd	--	--	--	--
Payments on account	--	--	58,751	67,319
Trade creditors	81,216	96,440	129,476	125,577
HMRC	--	--	--	--
Accruals	59,197	28,951	150,879	117,903
Deferred income	87,263	116,631	87,263	116,631
Other creditors	4,666	3,978	34,625	22,512
	<u>266,972</u>	<u>278,215</u>	<u>495,624</u>	<u>482,157</u>

Amounts due after one year

	Company		Group	
	2017	2016	2017	2016
	£	£	£	£
Bank Loans	<u>205,193</u>	<u>241,166</u>	<u>205,193</u>	<u>241,166</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
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For the year ended 31 March 2017

(Continued)

22. FUNDS

General, Designated and Restricted Funds

	General Funds £	Designated Funds £	Restricted Funds £	Total Funds £
Income	6,017,563	165,856	1,185,131	7,368,550
Expenditure in generating funds	(4,069,385)	--	--	(4,069,385)
Financing costs	(6,508)	--	--	(6,508)
	1,941,670	165,856	1,185,131	3,292,657
Opening value of funds	3,246,583	247,000	74,957	3,568,540
Provision for deferred tax liabilities	(13,507)	--	--	(13,507)
Transfers (to) / from general funds	1,458	(1,458)	--	--
Gains / (losses) on investment assets				
Realised	4,482	--	--	4,482
Unrealised	53,975	--	--	53,975
	5,234,661	411,398	1,260,088	6,906,147
Charitable expenditure	(2,184,610)	(45,242)	(1,172,565)	(3,402,417)
Closing value of funds	3,050,051	366,156	87,523	3,503,730

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.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2017

(Continued)

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

Fund	Movements on Restricted Funds				Closing value held as:		
	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £	Vehicles Equipment Fixtures and Fittings £	Net Current Assets £
Capital and Equipment funds:							
Day Care Equipment	18,625	--	(5,783)	--	12,842	--	12,842
IPU Refurbishment and Equipment - Tilly's Fund	6,760	28,570	(26,738)	--	8,592	--	8,592
IPU Bed replacement	635	--	(635)	--	--	--	--
Lymphoedema Equipment	1,215	--	(1,215)	--	--	--	--
Infusion Pump	6,451	6,320	(9,692)	--	3,079	--	3,079
Rank Foundation - Therapy Room	600	--	--	--	600	--	600
Multi-sensory Equipment	--	742	(216)	--	526	--	526
Kitchen Fund	1,266	--	(132)	--	1,134	--	1,134
Day Therapies Equipment	--	2,500	(2,500)	--	--	--	--
Abdominal Scanner	--	3,700	(1,485)	--	2,215	--	2,215
Utttoxeter Care - Lymphoedema Equip	--	8,098	(6,861)	--	1,237	--	1,237
Clinic Flooring	--	1,000	(935)	--	65	--	65
Defibrillator Fund	--	2,000	--	--	2,000	--	2,000
Patient Transport - minibus fund	--	2,000	(2,000)	--	--	--	--
	--	14,075	--	--	14,075	--	14,075
Revenue funds to operate specified services:							
Lymphoedema Services	--	50,771	(50,771)	--	--	--	--
IPU Fund	2,387	1,257	(3,644)	--	--	--	--
Bereaved Carers Group	--	--	--	--	--	--	--
At Home Team fund	--	1,470	(1,470)	--	--	--	--
Embrace Quality Care fund	1,193	325	--	--	1,518	--	1,518
District Nurses	--	35,000	(35,000)	--	--	--	--
Clinical Commissioners	--	983,794	(983,794)	--	--	--	--
Carers Group	--	88	(88)	--	--	--	--
Respite for carers	1,100	3,000	(4,100)	--	--	--	--
Day Therapies Fund	2,893	--	--	--	2,893	--	2,893
Family support Services	51	1,945	(1,996)	--	--	--	--
Well being Day	--	5,153	(5,153)	--	--	--	--
Spiritual Support	5,092	132	(552)	--	4,672	--	4,672
Lean On Us Project	--	17,354	(17,354)	--	--	--	--
Other revenue funds for specified purposes:							
Multi-disciplinary Team	--	--	--	--	--	--	--
Patients Comfort Fund Day Care	7,075	3,216	(3,763)	--	6,528	--	6,528
Patients Comfort Fund IPU	2,574	190	(1,002)	--	1,762	--	1,762
Diversional Therapies	515	--	(515)	--	--	--	--
IPU Staff Gift	--	385	(5)	--	380	--	380
Keele Medical Students Fund	4,628	6,947	(4,719)	--	6,856	--	6,856
Garden Fund	11,822	300	(254)	--	11,868	--	11,868
Flower Donations	75	120	(14)	--	181	--	181
Aromatherapy Fund	--	129	(129)	--	--	--	--
Al Zohra - Dementia Training	--	4,500	--	--	4,500	--	4,500
Annual Celebrations	--	50	(50)	--	--	--	--
	74,957	1,185,131	(1,172,565)	--	87,523	--	87,523

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For the year ended 31 March 2017

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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	--	7,820	2,820	45,000
Renewal of IT fund	62,000	--	18,687	32,687	76,000
Training and Development Fund	15,000	--	18,735	21,735	18,000
Legacy Equalisation Fund	120,000	165,856	--	(138,700)	147,156
Retail Vehicle fund	--	--	--	80,000	80,000
	<u>247,000</u>	<u>165,856</u>	<u>45,242</u>	<u>(1,458)</u>	<u>366,156</u>

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

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

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

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 Retail Vehicle fund is to provide for the hire-purchase of 4 retail vehicles in 2017/18 to refresh the fleet of vehicles.

23. TRANSFERS BETWEEN FUNDS

	Transfers In	Transfers Out	Net Transfers
General Funds	<u>138,700</u>	<u>(137,242)</u>	<u>1,458</u>
Designated Funds:			
Repairs and Renewals	2,820	--	
Renewal of IT fund	32,687	--	
Training and Development Fund	21,735	--	
Retail Vehicle fund	80,000	--	
Legacy Equalisation Fund	--	(138,700)	
	<u>137,242</u>	<u>(138,700)</u>	<u>(1,458)</u>

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24. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The charity has no capital commitments at 31 March 2017.

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 2017 is:

	Out of lease	<2 years	2-5 years	5-10 years	10 years
Company	148,150	45,500	9,225	79,500	30,000
Group	168,150	136,500	44,225	150,500	30,000

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	639,869	996,674
Group	892,507	1,672,312

There were no other operating lease commitments at 31 March 2017 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:

	2017 £	2016 £
Alison Cape		
Stafford and Stoke-on-Trent Partnership Trust (relationship: Employee)		
(i) Contract for the provision of social work services	47,453	40,855
(ii) Funding for two End of Life District Nursing posts	31,500	17,500
Provision of manual handling training	770	420
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	34,992
(iv) Provision of pharmacy services and drug supplies	16,363	--
Provision of manual handling training	304	405
Miscellaneous	92	--
Richard Soulsby		
AL Services (relationship: Spouse is proprietor)		
Spot purchasing of counselling services	5,460	4,051
Jennifer Woodyard		
Hand Morgan & Owen Solicitors (relationship: Employee)		
Provision of legal services connected with property transactions	816	--

(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 services and supplies contract commenced in December 2016

**KATHARINE HOUSE HOSPICE
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26. POST BALANCE SHEET EVENTS

Donna Louise Children's Hospice have advised that they will terminate the agreement with Katharine House Hospice in regard to the operation of their retail units with effect from 22 December 2017. This will obviate the purpose of DLT Trading Ltd, which will cease trading and be wound up. This will not affect the going concern of the charity or its subsidiary Katharine House Retail Ltd.

At its board meeting 28 March 2017, the trustees of Katharine House Hospice decided to transfer the principal operations of Katharine House Retail Ltd to the parent charity with effect from 1 April 2017. Katharine House Retail Ltd will continue to operate the retail gift aid scheme on behalf of the charity, and will sell bought in goods and carry out house clearances for clients. As a result it is expected that turnover of the charity will increase by £2.5m. However, all operating liabilities and staff have or will transfer to the parent charity.

The Clinical Commissioning Groups have advised the trustees that funding for 2017/18 will remain unchanged from 2016/17.