

"Our thanks to the generosity
of the people of mid-
Staffordshire and for the
dedication of our staff."

**OUR DIRECTORS' AND TRUSTEES' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

A Company Limited by Guarantee not having share capital
Registered company number 02700516 (England and Wales)
Registered charity number 1011712

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Introduction from the Chairman

Chairman's Statement 2020/21

Throughout the pandemic supporting our patients and their families remained our greatest priority, but this was coupled with a desire to help our community by supporting the NHS as needed. We did our utmost to ensure that support was available for patients when they needed it.

We adapted our services throughout the year to continue to respond to what patients needed and what restrictions allowed. We moved our day therapies, Lymphoedema support, counselling, and wellbeing day to virtual formats.

We offered remote support to nursing and care homes and intended to redeploy our Registered Nurses to the Covid-19 Ward at County Hospital, Stafford but the need did not arise. We also launched a Covid bereavement helpline.

During the year, a patient and some of our nursing staff working in the In-Patient Unit tested positive for Covid-19 and we temporarily closed the unit. Due to the infection control measures we had introduced no other staff groups tested positive.

When restrictions allowed we began to offer face to face appointments to a small number of Lymphoedema patients and to those requiring counselling and who didn't wish to have virtual or telephone sessions.

We did manage to press ahead with one significant development in our provision. To ensure that all patients, wherever they may live in our locality, can be supported seven days a week by specialists in Palliative Care, we introduced a combined, single caseload for our Palliative Care Nurse Specialists and Advanced Nurse Practitioners. This specialist team, combined with the newly formed single point of access for all hospice referrals, has enabled the hospice to offer specialist support more flexibly to all patients.



The end of the year saw the retirement of our Director of Care, Sally Whitmore. Sally was a valuable member of the Executive Team and an extremely reliable senior manager during the pandemic. May I take this opportunity to thank Sally for all she did for the hospice during her time with us. In March we welcomed Neil Grannon as our new Director of Care and he will be involved in a strategic review of our care services in the coming months.

It has been a very challenging time for all of our teams. Our staff and volunteers adapted superbly to the many changes arising from the pandemic. Everyone played their part whether by working from home, being furloughed or still coming into work. The Board of Trustees is extremely grateful to the every member of our workforce for the role they played in helping us to navigate some very challenging times.

Many of our volunteers were asked to stay at home, but some, including those who help in our shops, continued to work when possible. Inevitably we had to cancel our annual Volunteers' Evening where we thank our volunteers and recognise long service. Nevertheless our Voluntary Services team has endeavoured to stay in touch with our volunteers and we look forward to welcoming them back to work as soon as possible.

Our Trustees met virtually, and much more regularly, to ensure sufficient levels of governance and support. Six new Trustees joined our board during the year filling a number of vacancies. Despite the limitations of a virtual induction and no face-to-face meetings, Sue Milakovic, Brett Phillips, Francis Gaffney, Peter Catchpole, Zia Din and Richard Hughes have all made an impact since their arrival.

This year we bade farewell to Chris Secker who was a member of the Board for seven years and was Chair of our Clinical Committee. I would like to thank Chris for his valuable contribution, particularly to our clinical service provision.

Our charitable income was significantly reduced with the closure of our charity shops, the cancellation of our fundraising events, and the curtailing of most of our other regular fundraising activities. The government's support through NHS England, furlough arrangements and business grants, was very welcome indeed.

When we did re-open our shops for the first time we were inundated with donated goods, but sales were much lower than expected and by the autumn our future finances began to look troubling. These donated items are now available for sale as we have re-opened our shops with the lifting of the Covid restrictions.

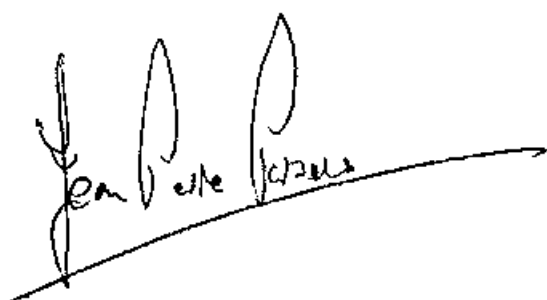
As our financial position continued to weaken, and in light of innumerable uncertainties, Trustees had no choice but to commence a cost reduction review. Regrettably there were a number of redundancies and shop closures needed to ensure our sustainability.

Due to our potentially perilous and extremely uncertain financial position, in the second half of the year we launched an emergency fundraising campaign. The generosity of our community in their response to this campaign was beyond our wildest expectations; we are extremely grateful to all those who donated so selflessly. £1 million was raised in just 6 months.

This enabled us to continue operating without needing to reduce services. It has also given us a fighting fund with which to tackle the post pandemic period which we believe will continue to be very challenging. We expect retail revenues to continue to be under significant pressure and fundraising and lottery revenues to be difficult to maintain. We are forecasting deficits totalling over £1 million over the next 3 years as we rebuild our revenue streams. We will be carrying out a comprehensive review of the services we provide and learning from the positive changes we made during the pandemic. We will continue to look for efficiencies in our cost base and endeavour to improve the services we offer to our loyal community.

We also received a second wave of support from the government during this time as well as financial and practical assistance from Staffordshire County Council and our Clinical Commissioning Group (CCG). Whilst some uncertainties remain, the hospice is now on a considerably more positive footing.

We are indebted to our community and will endeavour to continue to provide vital services to support those faced with the challenges of a life-limiting condition.

A handwritten signature in black ink, appearing to read 'Jean-Pierre Parsons', written over a horizontal line.

Jean-Pierre Parsons
Chairman

A YEAR OF OUR CARE

Directors' and Trustees' Report 2020-2021





A year of crisis, compassion and community

In summary, the year has been challenging for our operations, which have managed to continue providing vital care and support to our community. It has also been a turbulent year financially, but large influxes of revenues in the second half of the year, accompanied by considerable cost reductions have left the hospice in a stronger financial position than at the start of the year.

In the last six months of the year, five retail units were earmarked for closure and their leases were not renewed. In excess of £1m annual cost savings were implemented, with over £500k being achieved within the financial year.

"The Emergency Fundraising Campaign proved to be a phenomenal success, raising over £1m. There can be no greater affirmation than this as to the value of Katharine House to our local community - their support has been invaluable."

As a charity it cost us £3.23M to provide our care



CORONAVIRUS IMPACT ON CARE

Day Therapies services were closed, with support moving on-line or through telephone support. This service has not yet re-opened in its pre-pandemic form, but is now offering virtual wellbeing support to patients.

Lymphoedema services initially closed for in-person appointments, moving these into a virtual environment. However, some patients need face-to-face assessments so some in-person sessions resumed during the year.

Inpatient services were reduced as 4 beds were closed due to the configuration of the two three bedded bays. These bays could only support one bed whilst maintaining social distancing for visitors and staff. At various times during the year as government guidance changed and as levels of infection decreased in the local population, two of the beds were re-opened. Due to an outbreak of Covid-19 and following Public Health England guidance the inpatient unit had to close for two weeks in November 2020. At present 8 of the 10 beds are open for admission

Community services, including Embrace Quality Care, continued almost unchanged, albeit with greater use of Personal Protective Equipment (PPE).

Our care during the pandemic

Phone and video calls

15,992

2020

6,790



Lymphoedema Support
514 treatments
958 Telephone contacts

Jeffery's Story

Jeffery Bennet (63) has motor neurone disease and he attends Katharine House once a week, when possible given the restrictions.

He says "You hope you never need them but if you do you'll be glad they are there".

Mr Bennett said he could not comprehend a world where the hospice no longer existed. Without it, he says, he would have nothing.

It's clear when Mr Bennett is asked what is so special about Katharine House that camaraderie is key - a feeling of being amongst others who are in the same boat, as well as being able to call on a dedicated team offering focused support.

"Some people just don't like talking to people who have got an illness. Here, there isn't a problem. You can talk to a wide range of people and you can get support.

You get to see people. I very rarely go out any more, because it's difficult"



He said: "If the hospice was to go I'd have nothing. Nothing at all. And that's sad. When you need the service the most it's not going to be there.

"You need someone to talk to you, spend some time with you, give you some guidance on how you overcome some of these things.

"It's like when you got to a football match. You don't necessarily go for the football, you go to meet your mates, have a chat and have a drink afterwards which is more important than the match. Same as here. Forget about the illness, look at the support you get while you're there."



Community care contacts

6,376

In-patient Care

1,717 days of care
125 admissions



Photograph courtesy of The Express and Star Stafford

Louise's Story

Louise Coronan (picture above with her Mum Mo) ran 50 miles in the month of January 2021 (despite being a terrible runner) to support our emergency appeal and she raised a fantastic £1,000. Louise shares why Katharine House means so much to her.

"My mum Mo sadly passed away very quickly from pancreatic cancer aged 60 and she spent her last 24 hours in Katharine House Hospice. She really was the most amazing mum anyone could ever wish for, very gentle and loving. We were all completely devastated as a family it was heart breaking.

"It has affected all of us and has shaped us a little differently. Life is different and difficult without having a loving mum."

Speaking about their time at the hospice, Louise added: "Mum went into Katharine House as she was in quite a lot of pain but didn't need to be in the hospital. The staff were kind and caring and the hospice was much more welcoming than a hospital. Not clinical at all.

"Mum wasn't there long but the short time that she was there was as pleasant as it could be. The difference between a hospital and Katharine House is HUGE.

"The rooms are lovely and bright and the staff are so friendly and welcoming and understanding of the situation.

"It's extremely difficult to lose a parent but the hospice environment helped ease things slightly. The staff make you, as family, feel important."

"I am fundraising in my mum's memory. She would give anything to anyone and was the kindest person ever. Therefore I want to make her proud and raise some money for this wonderful cause. They do such fantastic work and they rely on the support of the community"



486

Specialist nurse contacts

TRUSTEES' AND DIRECTORS' ANNUAL REPORT 2021

1. Introduction

The directors of the charitable company Katharine House Hospice (the Charity) are its Trustees for the purpose of charity law and are pleased to present their annual report together with the consolidated financial statements of the Charity and its subsidiaries for the year ending 31 March 2021, which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The year has been dominated by the impact of the Covid-19 pandemic and its impact on the Charity and its implications for the future are reported in section 3.

In summary, the year has been challenging for our operations, which have managed to continue providing vital care and support to our community. It has also been a turbulent year financially, but large influxes of revenues in the second half of the year, accompanied by considerable cost reductions have left the Charity in a stronger financial position than at the start of the year.

2. How we make a difference

2.1 Legal purpose

Our Memorandum of Association defines the purpose of the Charity as **to promote the relief of sickness and suffering**, in particular:

- a) by the establishment of day or domiciliary care and to establish, maintain and manage a Hospice Hospital or Residential Home;
- b) To promote the teaching or training of doctors, nurses, and other persons;
- c) To provide counselling or spiritual help.

2.2 Our services

In fulfilling its legal purpose Katharine House provides services free of charge to support people and their families affected by any progressive, life-limiting conditions. The nature of these services are described below.

Community Services

Services provided in the community include: a specialist nursing service providing advice to healthcare professionals in primary care; a healthcare assistant led, rapid response, hospice at home service providing hands on care and support to patients and families; a respite sitting service to support carers; and a care agency.

Embrace Quality Care Limited was established in April 2012, to provide home care services reflecting the quality of care of the Charity, but charging for its services. The Trustees take the view that there are a number of additional benefits including increased donations to the Charity, improved integration of our community services enabling better use of the

charitably funded hospice at home service, and improved recruitment of healthcare assistants. The work of Embrace falls fully within the charitable objects of Katharine House Hospice, so Trustees are willing to subsidise these. Whilst Embrace Quality Care Limited is expected to break even, in practice the costs of this service are underwritten by the Charity.

All these services have continued to function as normal during the pandemic with increased demand for service provision.

Day Therapies

12 week programmes of therapeutic support for up to 15 patients a day operating 4 days a week. This service has moved to a telephone and on line support service at present.

Well Being Programmes

6 week programmes of advice, education, and support for up to 15 patients once a week. The programme is designed for patients earlier in the disease to learn about different aspects of their condition and improve self-management. This is now relaunched as a virtual programme.

Inpatient Care

24 hour specialist in-patient care providing symptom control, terminal care or respite care for up to 10 patients.

Lymphoedema services

A specialist lymphoedema service provided to outpatients. At present this is a mixture of a telephone or teleconferencing service and face to face assessments and treatments.

Other services

Other services include family support, including counselling and bereavement support, and complementary therapies. This service also runs support groups for carers. Counselling and bereavement support is currently being offered remotely. We also provide a volunteer transport service for patients which is currently suspended.

3. The impact of the Covid-19 pandemic

There have been two broad implications from the pandemic: on our operations and on our finances.

3.1 Operational implications

The Trustees thank all the care and support staff who enabled the Charity to continue delivering services to our patients in very challenging circumstances.

At the outset of the pandemic service provision sought to eliminate unnecessary in-person contact and to implement measures to restrict the potential spread of the virus. This was not possible for all services, whilst maintaining service provision. Measures taken included:

- Day Therapies services were closed, with support moving on-line or through telephone support. This service has not yet re-opened in its pre-pandemic form, but is now offering virtual wellbeing support to patients.
- Lymphoedema services initially closed for in-person appointments, moving these into a virtual environment. However, some patients need face-to-face assessments so some in-person sessions resumed during the year.
- Inpatient services were reduced as 4 of the 10 beds were closed due to the configuration of the two three bedded bays. These bays could only support one bed whilst maintaining social distancing for visitors and staff. At various times during the year, as government guidance changed and as levels of infection decreased in the local population, two of the four beds were re-opened. Due to an outbreak of Covid-19 and following Public Health England guidance the inpatient unit had to close for two weeks in November 2020. At present 8 of the 10 beds are open for admission.
- Visiting was initially heavily restricted, but this restriction was eased during the year. There is more open visiting now, albeit visitors are required to take a lateral flow test prior to entering the unit.
- Community services, including Embrace Quality Care, continued almost unchanged, albeit with greater use of Personal Protective Equipment (PPE).

Many services were able to transfer online – In some areas enabling the Charity to provide increased levels of support.

Early in the pandemic, Katharine House prepared to use its clinical and care resources in support of the local health service. Doctors and Advanced Nurse Practitioners helped nursing and care homes to prepare advanced care plans for their residents, whilst senior nurses prepared to support wards at County Hospital, in whose grounds the main hospice building is located. In practice, the numbers of Covid-19 admissions were not as great as feared, whilst staff teams at County were able to continue to deliver services.

Later in the pandemic, the Charity focussed on maintaining its own services in the face of depleted staffing levels, and it is a great credit to care and clinical staff that services could be maintained.

Our services were supported admirably by Staffordshire County Council and NHS England through the regular supply of PPE, and despite concerns we were able to ensure staff were supplied with all necessary PPE.

3.2 Financial implications

From a financial perspective 2020/21 could broadly be divided into three parts. April to July saw NHS England provide specific funding to help hospices remain viable. This support alongside the Government's Business Rate Grants and the Coronavirus Job Retention Scheme, meant we were financially stable during this period.

From July to early September we were able to reopen our charity shops, but performance was extremely poor, with the department operating at a loss. Fundraising income was half the usual level as our events programme was cancelled for the year. At this stage ongoing

government support was very uncertain so by early September the Charity was facing a serious financial problem over the coming year. In response Trustees launched an emergency fundraising campaign and implemented a cost reduction programme.

In the last six months of the year, five retail units were earmarked for closure and their leases were not renewed. In excess of £1m annual cost savings were implemented, with over £500k being achieved within the financial year.

The Emergency Fundraising Campaign proved to be a phenomenal success, raising over £1m. There can be no greater affirmation than this as to the value of Katharine House to our local community – their support has been invaluable and the Trustees are extremely grateful for it.

In addition, we received considerable additional government support in the last five months of the year, although this was only confirmed in late January.

Late in the year the Charity received several legacies of substantial value, whilst the long-term investments increased significantly. The consequence has been that the Charity and its subsidiaries have generated a surplus of £1.52m. This surplus will be used to fund the deficits budgeted for the coming three years, which are projected to amount to over £1m.

4. Looking forward

4.1 Our mission

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”

4.2 Strategic aims and short-term objectives

The Charity's strategic goals have been derailed as the short-term exigencies of the pandemic took priority. The coming year will be one in which the Trustees will review the future direction of the Charity whilst overseeing the restoration of its operations and its recovery from the consequences of Covid-19. The key short-term objectives are to:

1. Ensure the Charity remains a viable entity in the post-pandemic operating environment. The Charity will need to rebalance its expenditure to the income that can be generated in the future. At the time of writing there is too much uncertainty to enable a reasonable judgement of what this might look like.
2. Carry out a comprehensive review of the Charity's services, including engagement with the public, local NHS trusts, general practitioners, and community leaders.
3. Capture the positive changes arising from the pandemic and build these into long-term, sustainable models for reaching more patients. This is reflective of both a new normal for what patients and families expect and what staff will see as feasible.

4. Embed new working practices, such as remote working, and identify and implement staff and volunteer proposals made during the cost reduction programme, in particular looking at improving efficiencies in our administrative functions.
5. Review the estate requirements of the Charity.

The next twelve to twenty four months will be primarily geared to recovering from and learning from the pandemic and setting out a new vision for the Charity.

5. Achievements and Performance

5.1 Summary of main achievements

The Charity has remained viable during the pandemic, whilst continuing to deliver its essential services to people at the end of life. During the pandemic we have maintained and strengthened relationships with our clinical commissioners, local NHS providers, and other local hospices. We reorganised our support for many patients from in-person to on-line or telephone formats.

The Charity provides consultant medical cover for a 10 bed specialist palliative care unit at County Hospital, part of the University Hospitals of North Midlands NHS Trust, and this initiative continues to enable more patients to die under the care of specialist palliative care teams.

5.2 Progress with 2020/21 Objectives

There were two primary objectives: one to maintain services throughout the pandemic and the other to remain viable. Both these objectives were achieved as described in more detail in Section 3.

5.3 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 resources, quality of provision, and the amount of care provided. The main sources for assessing the care that we provide are quantitative and qualitative.

1. Quantitative data

- Measures of activity – such as number of occupied bed days, attendances, sessions held and treatments delivered
- Monitoring and thematic review of safety incidents including medication errors, falls, pressure ulcers and infections to identify areas for improvement. Where possible these are benchmarked against national statistics

2. Qualitative data

- Patient and carer satisfaction surveys
- Minutes from Hospice User Group meetings
- Thematic review of compliments to identify areas of good practice
- Thematic review of complaints and adverse comments to identify areas for improvement.

The detail is provided to the Clinical Committee for scrutiny quarterly and to the local Clinical Commissioning Group Quality Review Meeting (although this was suspended during 2020/21). For further information on the qualitative aspects of our services readers can access the Charity's Quality Account, which are produced annually.

5.4 2020/21 Charitable Activities

During 2020/21 the activities as we usually measure them were severely disrupted due to the pandemic. The number of individual patients we supported decreased from 1,679 to 1,131. A summary of some of the key metrics for our main services is set out in the following table – with some patients accessing services more than once and accessing multiple services.

| Year ended | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------|--------|-------|-------|-------|-------|
| Inpatient bed days | 1,717 | 2,269 | 2,454 | 2,388 | 2,455 |
| Inpatient admissions | 125 | 143 | 176 | 180 | 175 |
| Day therapy attendances | Closed | 1,853 | 2,053 | 1,791 | 2,000 |
| Specialist nurse contacts | 486 | 1,071 | 242 | - | - |
| Community care contacts | 6,376 | 6,521 | 6,806 | 4,974 | 5,248 |
| Lymphoedema treatments | 514 | 1,685 | 1,593 | 1,778 | 2,486 |
| Telephone/video calls | 15,992 | 6,760 | 4,820 | 3,861 | 3,554 |

5.5 Summary of Main Operational Challenges

The challenges of the pandemic are described in Section 3.

There continue to be changes within the local health economy. Given the dependence of our services on the referral pathways through the NHS, each time there are major changes it disrupts the referrals into our services. Major changes are being implemented within the NHS at present with the introduction of the Integrated Care System.

Public misconceptions about death and dying, the nature of our services, and the work of hospices continue to create a barrier to patients accessing our services.

Increasing demands from government on a range of compliance issues has meant efficiency and innovation has been stifled as senior management time is diverted to addressing legal requirements rather than improving internal efficiency.

6. Income Generation

To ensure our services can be delivered at no charge the Charity carries out income generation activities, most notably retail, fundraising and a lottery.

6.1 Approach to Fundraising

The Charity's fundraising activities are carried out by members of our community, volunteers, and paid members of our staff. Fundraising activities are monitored by our Income Generation Committee, including the requirements of the Fundraising Regulator.

On occasion we will employ the services of professional fundraisers where we do not have the in-house skills to carry out the work and in 2020/21 we worked with a company to increase the membership of our lottery, albeit this was heavily restricted by guidance on security during the pandemic. Their activities were monitored by our Head of Fundraising through regular contact with the Sales Manager of the company, by monitoring for any adverse comments or complaints, and through a weekly in-house monitoring report.

6.1.1 Fundraising Regulator

All charities with fundraising costs of £100,000 or more have been asked to pay an annual voluntary contribution to fund the Fundraising Regulator. Trustees are unable to ascertain the value of this expenditure to this organisation and have chosen not to do this.

6.1.2 Fundraising Standards

The Charity conducts its fundraising in accordance with the best practice guidelines available, for example from the Fundraising Regulator's Codes of Practice and guidance from the Institute of Fundraising. 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.

6.1.3 Fundraising Complaints

Fundraising complaints are considered by two Committees. In 2020/21 in relation to our fundraising activities the Charity received 2 formal complaints and 9 adverse comments, which is higher than last year (2019/20: 0, 7). Of these 3 related to data processing and 7 to the lottery, with 1 other. 5 of the concerns raised related to Covid security – in particular wearing or not wearing masks. None of the complaints related to breaches of the Fundraising Code of Conduct. All were followed up swiftly, and concluded within the Charity's complaints policy.

6.1.4 Vulnerable People

By working within the Fundraising Regulator's Codes of Practice and maintaining a relationship based approach to our fundraising activities we endeavour to protect vulnerable members of our community. We have a policy in place regarding liaison with supporters who may be vulnerable.

6.1.5 Proportion of Income Spent on Raising Funds

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 almost 15,988 donations last year the smallest of which was 13 pence and the largest was £91,677. Fundraising raised £1,250,051 gross (2020: £646,537), in large part, thanks to the terrific response of the public to our emergency fundraising campaign.

13 people left a gift in their will (2020: 14) and donated £245,807 (2020: £114,880) this will fund the care for 1 in 16 of our patients in the coming year.

There were 6,822 lucky winners of our Hospice Lottery and annual Snowball who received £91,100 in prize money (2020: £90,900). Players contributed £255,387 (2020: £221,644).

6.2 Retail Performance

There was a complete collapse in retail income during each lockdown. Although government support did help to mitigate the losses, the Charity expected £1.5m of net income from this source. A comparison of performance is shown below

| Year ended | 2021 | 2020 |
|-----------------------------------|------------------|----------------|
| Katharine House Retail Ltd | | |
| Trading income | 165,872 | 312,155 |
| Job Retention Scheme | 4,582 | 3,138 |
| Expenses | (117,230) | (238,021) |
| Net revenues | 53,224 | 77,272 |
| Katharine House Hospice | | |
| Sale of donated goods | 1,073,908 | 4,394,811 |
| Business rate grants | 587,001 | 0 |
| Job Retention Scheme | 778,189 | 33,851 |
| Expenses | (2,794,472) | (3,558,057) |
| Net revenues | (355,374) | 870,605 |
| Total Surplus / (Deficit) | (302,150) | 947,877 |

7. Financial review

7.1 Factors affecting financial performance

7.1.1 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. There are sound systems for reviewing 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, of which the pandemic is having the greatest impact at present, as noted earlier.

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

£1,284m of the £2.87m needed to fund and operate our services comes from CCGs: (44.7%). The Trustees are pleased to see that end of life care is a high priority with the local NHS, but are concerned to see another reorganisation of commissioning arrangements. Whilst relationships are strong, the local NHS is under extraordinary financial pressures and has been unable to uplift our main grant for the last five years. Although additional support has been made available for the short-term.

7.1.3 Cost pressures

We continue to see unavoidable costs imposed on the Charity: pension auto-enrolment from April 2014 and the increases in employer contributions from April 2018 and 2019, a 0.5% apprenticeship levy from 2017, a 30% increase in the national minimum wage since January 2016 have all created cost burdens that have hampered the Charity's ability to take our services forward. There are also very considerable increases in the internal costs of compliance, for example, with new fundraising and data protection legislation and gender pay gap reporting.

7.1.4 Recruitment

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

7.1.5 Competition

The external conditions for all income generation have 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 goods they might otherwise have donated.

7.1.6 Regulatory burden

The regulatory burdens on the Charity are extensive, burdensome and costly, both financially and in staff time. The next significant change will be compliance with HMRC requirements on making tax digital.

7.2 Review of the Financial Accounts

The accounts for 2020/21 are prepared in accordance with the requirements of the Charities Statement of Recommended Practice (2015) (FRS 102).

7.2.1 Review of the Financial Position

The overall financial performance for the year has been distorted by the pandemic. The picture is so unbalanced that meaningful comparisons are almost impossible.

Key financial aspects of performance are:

1. Legacy income increased by £130,927 to £245,807
2. Revenues from the statutory sector increased by £1,700,276 – this was due to NHS England's decision to award non-recurrent funding to allow the Charity to make available bed capacity and community support to provide support to people with complex needs in the context of Covid-19 from April to July 2020 and November 2020 to April 2021
3. Fundraising had an extraordinary year, with all face-to-face fundraising ceasing, to be replaced by a limited programme of virtual fundraising. However an emergency fundraising campaign launched in September saw fundraised income reach £1,250,051 (2020: 646,537).
4. The lottery contribution increased by £33,743 to £255,387 (see note 11), principally due to the reduction in canvassing costs. However, this will have an impact on future revenues as membership falls.
5. The retail operations were devastated by Covid-19. Including Business Rate Grants and the Coronavirus Job Retention Scheme, retail operations made a loss of £302,150 (2020: surplus £915k).
6. The charitable costs reduced by £155,977 to £3,228,649 (2020: £3,384,626).
7. Investments showed an increase of £83,128 (2020: reduction of £112,537)
8. The Charity's group recorded an increase in total funds of £1.50m (2020: reduction of £115,534).

7.2.2 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. Usual operating income for 2020/21 has been severely disrupted by Covid and comparative performance data has little meaning. Considerable additional income from government support is shown overleaf:

| | 2021 | 2020 |
|--------------------------------------|-----------|--------|
| NHS England Hospice Capacity Funding | 1,714,251 | 0 |
| Coronavirus Job retention Scheme | 903,469 | 42,265 |
| Business Rate Grants | 587,001 | 0 |

This represents over 38% of total income (2020: 0.54%).

Future revenues streams appear more stable since coming out from the latest lockdown. The local Clinical Commissioners have agreed to maintain the Charity's grant without reduction for 2021/22. Notwithstanding the very negative impact of the pandemic, retail revenues were already under pressure from declining high streets as shoppers move to out of town retail parks (where charity retail units are harder to obtain) and onto the internet. We have closed 5 retail units that seemed unlikely to return to profitability. Fundraising and lottery are mature income streams and continued growth is hard to achieve.

7.2.3 Reserves Policy

The reserve funds of the Charity are calculated from the consolidated balance sheet as total net assets less fixed assets, creditors over one year, and provisions. These are summarised below for the last five years.

| At 31 March | 2021 | 2020 | 2019 | 2018 | 2017 |
|---------------------------|------------------|------------------|------------------|------------------|------------------|
| Restricted | 67,519 | 73,758 | 93,268 | 83,254 | 87,523 |
| Free | 1,537,735 | 628,698 | 488,213 | 985,605 | 1,457,402 |
| Designated: | | | | | |
| For income | 120,000 | 120,000 | 120,000 | 120,000 | 147,156 |
| For expenses | 1,249,616 | 617,023 | 700,664 | 303,135 | 63,000 |
| For capital spend | 100,000 | 100,000 | 200,000 | 260,000 | 156,000 |
| Total Liquid Funds | 3,074,870 | 1,539,479 | 1,602,145 | 1,751,994 | 1,911,081 |
| Total Group Assets | 4,763,611 | 3,259,532 | 3,375,066 | 3,287,259 | 3,503,730 |
| Capital assets | (2,066,099) | (2,184,598) | (2,325,277) | (1,745,643) | (1,811,349) |
| Creditors > 1 year | 379,947 | 463,793 | 550,238 | 204,491 | 205,193 |
| Provisions | (2,589) | 752 | 2,118 | 5,887 | 13,507 |
| Assets for Funds | 3,074,870 | 1,539,479 | 1,602,145 | 1,751,994 | 1,911,081 |

The Trustees have established seven designated funds. Details of funds are contained in note 22 to the accounts.

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 six months' running costs of the Charity and the services of Embrace Quality Care and the minimum reserves should be two months' running costs of the same. The free reserves stand at £1,593,735 (2020: £628,698) equating to 4.9 months operating costs for the Charity's and for the services of Embrace Quality Care. Whilst the reserves are below the desired level they are above the minimum. Trustees believe that maintaining existing services should be a higher priority than achieving the desired reserves position. Furthermore, Trustees were satisfied that the Charity has sufficient liquidity within the reserves to maintain the Charity's current operations over a medium term of three years in a normal operating environment.

Embrace Quality Care, a trading subsidiary of Katharine House Hospice, made a loss of £28,187, and has retained losses of £302,918. The Trustees of the Charity have agreed to continue funding Embrace Quality Care as its prime purposes are in accordance with the objects of the Charity. This decision is reviewed annually; it is expected to make a small loss in 2021/22.

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

7.2.4 Going concern

When setting the 2021/22 budget the Trustees look at a further two year forecast and the implications on the Charity's reserves. At the time of setting the budget a significant surplus was predicted for 2020/21, much of which was generated by the local community. The Trustees were therefore willing to allow an unusually high deficit in the budget to facilitate the continuance of service provision by using the Emergency Fundraising Campaign donations to support the Charity over the medium term. Deficits forecasted are:

| | 2021/22 Budget | 2022/23 Forecast | 2023/24 Forecast |
|---------|---------------------------|-----------------------------|-----------------------------|
| Deficit | 613,270 | 251,734 | 167,835 |

Capital expenditure is expected to be offset by the disposal of a property.

7.2.5 Investment Policy

The Memorandum of Association empowers the Trustees to invest the monies of the Charity not immediately required for its purposes in or upon such investments, securities or property as may be thought fit. Perspective (Midlands and Cheshire) Limited ("Perspective") 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 17.

The primary objective of the investment portfolio is to provide capital growth over the medium term. Perspective take an active approach to the management of the portfolio, seeking to take defensive positions in times of volatility. The pandemic has had a

significant impact on the portfolio, initial losses have been partially recovered in 2020/21 with an increase of £83,128 in the value of the portfolio.

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

| Year ending | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Value (£000's) | 584 | 499 | 609 | 618 | 628 | 574 | 598 | 553 | 519 | 465 |
| Annual Growth % | 17.0 | -18.0 | -1.5 | -1.6 | 9.5 | -4.0 | 8.1 | 6.6 | 11.6 | -7.7 |

The compound annual growth rate over the last 9, 7, 5, and 3 years as at year ends 2017-2021 are:

| Years | 2021 | 2020 | 2019 | 2018 | 2017 |
|--------------|-------------|-------------|-------------|-------------|-------------|
| Over 9 years | 2.57% | -0.10% | 3.13% | 6.37% | -- |
| Over 7 years | 0.79% | -0.54% | 3.92% | 2.95% | 4.51% |
| Over 5 years | 0.36% | -3.53% | 1.93% | 3.55% | 6.19% |
| Over 3 years | -1.84% | -7.36% | 1.98% | 1.10% | 4.32% |

8. Structure, Governance and Management

8.1 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 26th November 2019.

8.2 Organisational structure

Katharine House Hospice has four wholly owned subsidiaries.

1. Katharine House Retail Limited (Registered company number 03949314), operates eBay, house clearances, sales in prisons, new goods, and merchandising activities.
2. KH Promotions Limited (Registered company number 03295776), operates the Charity's own society lottery.
3. Embrace Quality Care Limited (Registered company number 08050417), operates a care agency.
4. KHH Development Limited (Registered company number 08120430), operates administrative services.

Each subsidiary company of the Charity gift aids any profits it makes to the Charity.

Note 11 to the financial accounts summarises the performance of these companies; their accounts will be filed at Companies House.

8.3 Decision-making processes

8.3.1 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, for example there have been 11 meetings during 2020/21. The Board oversees all strategic, tactical, and governance aspects of the Charity's operation and its future direction.

The Board delegates most of its functions to five committees, each with their own terms of reference. Governance is undertaken by each Trustee committee in their areas of responsibility, monitored by the Nominations & Governance Committee and the Board of Trustees. These committees are:

1. Clinical
2. Income Generation
3. Finance and Remuneration
4. Staffing and Support Services
5. Nominations and Governance

8.3.2 Management

The day-to-day operation of the Charity is delegated through the annual budget setting and operational planning process to the Chief Executive and through him to the management teams. There are three management committees.

1. Executive Team
2. Operations Team
3. Staff Forum

8.4 Trustees appointment, induction, and support

Recruitment of trustees is overseen by the Nominations and Governance Committee. Consideration is given to the knowledge and skills desired of new trustees 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.

Following a shortlisting process candidates are invited to attend a meeting with two current Trustees. The full Board must approve any initial appointment. At the AGM immediately after appointment Trustees are formally elected and can serve for up to 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.

Every three years appraisals take place for Trustees and for the full Board.

9. Other relevant or required disclosures

9.1 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 & Management, Operational, and Environmental & External). A structured methodology is in place for the assessment and management of risk. This is reviewed annually and was under review when the pandemic interrupted normal operations. A formal review of these risks was last done in Spring 2019.

However, all risks have been subsumed under the existential threat to the Charity arising from the pandemic. The main issues of concern are:

1. Whether and how quickly retail and fundraising revenues will recover to enable the Charity to continue to fund its services.
2. The impact of the pandemic on the long-term welfare of our staff and volunteers and whether volunteering hours will recover.

9.2 Vital Volunteer Support

Katharine House Hospice simply would not exist without the volunteers who were so heavily involved in the Charity's inaugural steering committee and we would not be able to provide the quality and variety of services we do without the ongoing passion, time and commitment of this amazing group of people who have continued to support the Charity.

The pandemic has had a major impact on the levels of volunteering. Factors include: the closure of retail shops; the need to reduce non-essential travel to work; and the age profile of our volunteers.

At 31 March 2021 we had a total of 580 volunteers supporting the Charity (2020: 635). Volunteering hours have been considerably reduced due to the impact of Covid and the desire to reduce footfall at the Charity and minimise face to face contact.

Our volunteers, who vary in age from 14 years old to over 85, bring with them a diverse set of life experience, passion and enthusiasm. We are immensely proud and appreciative of all of our volunteers and have large numbers who have completed and have been recognised for long service (in excess of 5 years). During 2020/21 59 of our volunteers were acknowledged for long service: 5 for 20 years and 8 for 15 years of service.

9.3 Relationships with other organisations

Katharine House Hospice is an independent charity, but is affiliated to or has connections with a number of organisations. These are: the local council for voluntary services – Support Staffordshire; the National Association of Hospice Fundraisers; and Katharine House Hospice is a member of Hospice UK.

Katharine House Hospice is a Corporate Trustee of Stafford District Bereavement and Loss Support Service (SDBLSS), providing office accommodation and helping to raise funds. Should SDBLSS require financial support, Katharine House Hospice would consider doing 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 has a number of shared posts with the University Hospitals of North Midlands NHS Trust.

Katharine House collaborates to deliver enhanced local services, including offering support in Uttoxeter through a supportive care centre with St Giles' Hospice and the Hermitage Centre.

The Charity is also funded by the NHS to provide in-reach services to two local prisons and to support local care homes in the delivery of palliative and end of life care.

The Charity seeks to develop further relationships in the furtherance of its objectives with other providers and charities.

9.4 Related Parties

None of our Trustees receive remuneration or other benefit from their work with the Charity. There are a number of connected entities associated with Trustees and executives and these are disclosed in full in note 24 to the accounts.

Katharine House jointly funds posts with the University Hospitals of North Midlands 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 Charity's solicitors, but commercial relations are handled directly with the relevant partner or through the company secretary. These mainly relate to property matters.

9.5 Pay Policy for Senior Staff

The Trustees, and the executive management team comprise the key management personnel of the Charity responsible for directing, controlling, 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 note 10 to the accounts and were nil (2020: 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 seeks to balance fairness and equity in the pay of staff for the roles performed, against affordability for the Charity. For positions where recruitment is more difficult 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 payments to staff for exceptional performance; however this is rare. No awards were made in the year under review (2020: 6). Senior officers are not on bonus schemes.

Staffing levels, pensions and emoluments are detailed in notes 12, 13 and 14 to the accounts.

9.6 Employment Policy

Katharine House seeks to be an equal opportunities employer. The nature of some of the tasks required to be done in retail and care (the two largest employment sectors of the Charity) make it difficult to employ people with significant physical disabilities. All positions are open to people with a range of mental health issues. We do not record and maintain comprehensive data on employees with disabilities. Only when the organisation has a need to know do we keep such records, for example where we have a duty of care as an employer. We are therefore only able to report on the minimum numbers of people with disabilities known to us.

We provide a free and confidential advice line to all employees, but as this is confidential we have no data on levels of access.

During the year we established the role of a Mental Health Champion, who has gathered considerable engagement from staff and managers. During the current pandemic her focus on mental health issues has been a key part of the Charity's response for our staff. It is expected that this role will become more and more visible within the Charity.

The Charity is required to report its pay arrangements under The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. The following table provides a summary.

| As at: | <u>April</u> <u>2021</u> | <u>April</u> <u>2020</u> | <u>April</u> <u>2019</u> | <u>April</u> <u>2018</u> | <u>April</u> <u>2017</u> |
|-----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Mean gender pay gap | - 3.78 | - 12.17 | - 13.46 | - 7.87 | - 0.21 |
| Median gender pay gap | - 12.2 | - 3.45 | - 10.13 | - 9.62 | - 9.32 |

The mean gender pay gap is negative meaning women are paid on average 13% more than men. This gap has consistently widened since 2017. The median gender pay gap is also negative, showing the median pay for women is over 10% higher than for men. There

are several relevant factors that may explain this difference. The business is care and retail orientated, which are attractive sectors for women. The highest number of professional roles are in care. There are a range of part-time roles which offer opportunities for family friendly hours which may also be more attractive for women than men.

10. Public Benefit Statement

All 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.

All services provided by Embrace Quality Care Ltd are deemed by the Trustees to be charitable in nature, but these services are provided for a fee, whether paid by the individual or by statutory authorities.

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.

11. Reference and Administrative Details

| | |
|-------------------------------|--|
| Charity Name: | Katharine House Hospice |
| Charity Registration: | 1011712 |
| Incorporation: | Company Limited by Guarantee |
| Company Number: | 02700516 |
| Date of incorporation: | 25th March 1992 |
| Registered Office: | Weston Road, Stafford, ST16 3SB |
| | The Registered Office is also the principal address of the Charity |

Trustees and Directors and Key Management Personnel:

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

| | | |
|------------------|------------------|-----------------------------|
| Trustees: | Mr J-P Parsons | Chairman |
| | Mr I D Starkie | Treasurer |
| | Dr M Bland | |
| | Mrs A J Cape | |
| | Mr P R Catchpole | (appointed 27 October 2020) |
| | Dr Z Din | (appointed 26 January 2021) |
| | Mr M G Evans | |

| | | |
|--------------------------------|---|-----------------------------|
| Trustees (cont.) | Mr F A Gaffney | (appointed 27 October 2020) |
| | Mrs S J Harris | |
| | Dr R G M Hughes | (appointed 26 January 2021) |
| | Mr A P Jeffries | |
| | Mrs S F Milakovic | |
| | Mrs T Mingay | |
| | Mr B W J Phillips | (appointed 27 October 2020) |
| | Ms J Woodyard | |
| Company Secretary: | Cllr P M M Farrington | |
| Registered Manager: | Mrs S Whitmore (to 15 March 2021) | |
| | Mr N Grannon (from 30 March 2021) | |
| Officers: | | |
| Director of Care: | Mrs S Whitmore (to 15 March 2021) | |
| | Mr N Grannon (from 15 March 2021) | |
| Medical Director: | Dr C Bruckner-Holt | |
| Chief Executive: | Dr R T Soulsby | |
| Deputy Chief Executive: | Miss L M Taylor | |
| Retail General Manager: | Mr S Dodd | |
| Head of Human Resources: | Mrs B Wheat | |
| Auditors / Accountants: | | |
| | Dyke Yaxley Limited | |
| | 8 Hollinswood Court, Stafford Park 1, Telford. TF3 3DE | |
| Investment Brokers: | | |
| | Perspective (Midlands and Cheshire) Ltd | |
| | Whitehall House, Sandy Lane, Newcastle-Under-Lyme, Staffordshire, ST5 0LZ | |
| Fund Managers: | | |
| | Standard Life | |
| | Wrap Customer Centre, Dundas House, 20 Brandon Street, Edinburgh, EH3 5PP | |
| Bankers: | | |
| | Lloyds Bank Plc | |
| | Market Square, Stafford, ST16 2JL | |
| Solicitors: | | |
| | Hand Morgan & Owen | |
| | 17 Martin Street, Stafford ST16 2LF | |

12. 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.

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).

13. 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 28th September 2021 and signed on its behalf by Jean-Pierre Parsons, Chairman

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KATHARINE HOUSE HOSPICE

Opinion

We have audited the financial statements of Katharine House Hospice (the charitable company) for the year ended 31 March 2021 which comprise the Group and Parent Charity's Statement of Financial Activities, the Group and Parent Charity's Company Balance Sheets, the Consolidated Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Parent Charity's and the Group's affairs as at 31 March 2021 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of Katharine House Hospice in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so,

consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Trustees' report, which includes the Directors' report, prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's report, included within the Trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Annual Report or the Directors' report included within the report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- 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.

Responsibilities of Trustees

As explained more fully in the statement of responsibilities, the Trustees, who are also the Directors of Katharine House Hospice for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing Katharine House Hospice's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Irregularities including fraud

We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We gained an understanding of the legal and regulatory framework applicable to the charity and the industry in which it operates, and considered the risk of acts by the charity that were contrary to applicable laws and regulations, including fraud.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We focused on laws and regulations which could give rise to a material misstatement in the financial statements, including, but not limited to, the Companies Act 2006 and UK tax legislation. Our tests included agreeing the financial statement disclosures to underlying supporting documentation and enquiries with management.

There are inherent limitations in the audit procedures described above and, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud.

As in all our audits, we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

Ian Walsh (Senior Statutory Auditor)
For and on behalf of Dyke Yaxley Limited

Chartered Accountants
Statutory Auditor

1 Brassey Road
Old Potts Way
Shrewsbury
Shropshire
SY3 7FA

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 March 2021

| | Note | Unrestricted / Designated £ | Restricted £ | 2021 Totals £ | Unrestricted / Designated £ | Restricted £ | Restated 2020 Totals £ |
|---|---------------|-----------------------------------|------------------|---------------------|-----------------------------------|------------------|---------------------------------|
| INCOME | | | | | | | |
| Fundraised income | (3) | 1,143,450 | 106,601 | 1,250,051 | 539,087 | 107,450 | 646,537 |
| Legacies | | 245,807 | -- | 245,807 | 114,880 | -- | 114,880 |
| Other trading income | (4) | 1,710,735 | -- | 1,710,735 | 4,919,176 | 8,091 | 4,927,267 |
| Charitable activities | (5) | 1,180,445 | 1,823,101 | 3,003,546 | 3,500 | 1,302,256 | 1,305,756 |
| Investment income | (6) | 9,424 | -- | 9,424 | 12,378 | -- | 12,378 |
| Other income | (7) | 1,480,571 | 16 | 1,480,587 | 46,246 | -- | 46,246 |
| Total Income | | 5,770,432 | 1,929,718 | 7,700,150 | 5,635,267 | 1,417,797 | 7,053,064 |
| EXPENDITURE | | | | | | | |
| Costs of generating income | (8) | 3,365,269 | -- | 3,365,269 | 3,979,170 | -- | 3,979,170 |
| Charitable activities | (8) | 935,195 | 1,935,957 | 2,871,152 | 1,598,726 | 1,437,307 | 3,036,033 |
| Interest payable | | 14,591 | -- | 14,591 | 18,944 | -- | 18,944 |
| Total Expenditure | | 4,315,055 | 1,935,957 | 6,251,012 | 5,596,840 | 1,437,307 | 7,034,147 |
| Net gains/(losses) on investment assets | | 83,128 | -- | 83,128 | (112,537) | -- | (112,537) |
| Net income / (expenses) before transfers | | 1,538,505 | (6,239) | 1,532,266 | (74,110) | (19,510) | (93,620) |
| Gross transfers between funds | (22) | -- | -- | -- | -- | -- | -- |
| Net Movement in Funds | | 1,538,505 | (6,239) | 1,532,266 | (74,110) | (19,510) | (93,620) |
| RECONCILIATION OF FUNDS | | | | | | | |
| Fund balances brought forward | | 3,450,766 | 73,758 | 3,524,524 | 3,524,876 | 93,268 | 3,618,144 |
| Fund Balances Carried Forward | (22) | 4,989,271 | 67,519 | 5,056,790 | 3,450,766 | 73,758 | 3,524,524 |

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME & EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 March 2021

| | Note | Unrestricted / Designated £ | Restricted £ | 2021 Totals £ | Unrestricted / Designated £ | Restricted £ | Restated 2020 Totals £ |
|--|-------|-----------------------------------|------------------|---------------------|-----------------------------------|------------------|---------------------------------|
| INCOME | | | | | | | |
| Fundraised income | (3) | 1,143,450 | 106,601 | 1,250,051 | 539,087 | 107,450 | 646,537 |
| Legacies | | 245,807 | -- | 245,807 | 114,880 | -- | 114,880 |
| Other trading income | (4) | 2,006,141 | -- | 2,006,141 | 5,375,247 | 8,091 | 5,383,338 |
| Charitable activities | (5) | 1,500,395 | 1,823,101 | 3,323,496 | 329,800 | 1,302,256 | 1,632,056 |
| Investment income | (6) | 9,433 | -- | 9,433 | 12,402 | -- | 12,402 |
| Other income | (7) | 1,503,524 | 16 | 1,503,540 | 50,000 | -- | 50,000 |
| Total Income | | 6,408,750 | 1,929,718 | 8,338,468 | 6,421,416 | 1,417,797 | 7,839,213 |
| EXPENDITURE | | | | | | | |
| Costs of generating income | (8) | 3,677,510 | -- | 3,677,510 | 4,438,670 | -- | 4,438,670 |
| Charitable activities | (8) | 1,292,692 | 1,935,957 | 3,228,649 | 1,947,319 | 1,437,307 | 3,384,626 |
| Interest payable | | 14,699 | -- | 14,699 | 20,280 | -- | 20,280 |
| Total Expenditure | | 4,984,901 | 1,935,957 | 6,920,858 | 6,406,269 | 1,437,307 | 7,843,576 |
| Net gains/(losses) on investment assets | | 83,128 | -- | 83,128 | (112,537) | -- | (112,537) |
| Net income / (expenses) before provisions and transfers | | 1,506,977 | (6,239) | 1,500,738 | (97,390) | (19,510) | (116,900) |
| Provision for deferred tax liabilities | | 3,341 | -- | 3,341 | 1,366 | -- | 1,366 |
| Gross transfers between funds (22) | | -- | -- | -- | -- | -- | -- |
| Net Movement in Funds | | 1,510,318 | (6,239) | 1,504,079 | (96,024) | (19,510) | (115,534) |
| RECONCILIATION OF FUNDS | | | | | | | |
| Fund balances brought forward | | 3,185,774 | 73,758 | 3,259,532 | 3,281,798 | 93,268 | 3,375,066 |
| Fund Balances Carried Forward (22) | | 4,696,092 | 67,519 | 4,763,611 | 3,185,774 | 73,758 | 3,259,532 |

The consolidated statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derived from continuing activities.

The consolidated statement of financial activities also complies with the requirements for an income and expenditure account under the companies act 2006.

KATHARINE HOUSE HOSPICE

(Registered No. 02700516)

BALANCE SHEET

AT 31 March 2021

| | Note | Unrestricted & Designated Funds £ | Restricted Funds £ | 2021 Total Funds £ | Unrestricted Funds £ | Restricted Funds £ | 2020 Total Funds £ |
|--|---------------|--|--------------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|
| FIXED ASSETS | | | | | | | |
| Tangible assets | (16) | 2,041,828 | -- | 2,041,828 | 2,134,117 | -- | 2,134,117 |
| Investments | (17) | 584,106 | -- | 584,106 | 499,282 | -- | 499,282 |
| Investment in Group | (17) | 5,602 | -- | 5,602 | 5,602 | -- | 5,602 |
| | | 2,631,536 | -- | 2,631,536 | 2,639,001 | -- | 2,639,001 |
| CURRENT ASSETS | | | | | | | |
| Debtors | (18) | 2,564,622 | -- | 2,564,622 | 1,253,620 | -- | 1,253,620 |
| Cash at bank and in hand | | 531,112 | 67,519 | 598,631 | 439,832 | 73,758 | 513,590 |
| | | 3,095,734 | 67,519 | 3,163,253 | 1,693,452 | 73,758 | 1,767,210 |
| CREDITORS | (20) | (358,052) | -- | (358,052) | (417,894) | -- | (417,894) |
| amounts falling due within one year | | | | | | | |
| NET CURRENT ASSETS | | 2,737,682 | 67,519 | 2,805,201 | 1,275,558 | 73,758 | 1,349,316 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 5,369,218 | 67,519 | 5,436,737 | 3,914,559 | 73,758 | 3,988,317 |
| CREDITORS | (20) | (379,947) | -- | (379,947) | (463,793) | -- | (463,793) |
| amounts falling due after one year | | | | | | | |
| TOTAL NET ASSETS | | 4,989,271 | 67,519 | 5,056,790 | 3,450,766 | 73,758 | 3,524,524 |
| REPRESENTED BY: | | | | | | | |
| Restricted funds | (22) | | 67,519 | 67,519 | | 73,758 | 73,758 |
| Designated funds | (22) | 1,469,616 | -- | 1,469,616 | 837,023 | -- | 837,023 |
| Unrestricted funds | (22) | 3,519,655 | -- | 3,519,655 | 2,613,743 | -- | 2,613,743 |
| | | 4,989,271 | 67,519 | 5,056,790 | 3,450,766 | 73,758 | 3,524,524 |

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 28 September 2021 and signed on its behalf by:-

I D Starkie
Treasurer

J P Parsons
Chairman

KATHARINE HOUSE HOSPICE
(Registered No. 02700516)
CONSOLIDATED BALANCE SHEET
AT 31 March 2021

| | Note | Unrestricted & Designated Funds £ | Restricted Funds £ | 2021 Total Funds £ | Unrestricted Funds £ | Restricted Funds £ | 2020 Total Funds £ |
|--|--------|--|--------------------------|-----------------------------|----------------------------|--------------------------|-----------------------------|
| FIXED ASSETS | | | | | | | |
| Tangible assets | (16) | 2,066,099 | — | 2,066,099 | 2,184,598 | — | 2,184,598 |
| Investments | (17) | 584,106 | — | 584,106 | 499,282 | — | 499,282 |
| | | 2,650,205 | — | 2,650,205 | 2,683,880 | — | 2,683,880 |
| CURRENT ASSETS | | | | | | | |
| Debtors | (18) | 521,676 | — | 521,676 | 662,057 | — | 662,057 |
| Stock | (19) | 811 | — | 811 | 1,679 | — | 1,679 |
| Cash at bank and in hand | | 2,383,966 | 67,519 | 2,451,485 | 863,490 | 73,758 | 937,248 |
| | | 2,906,453 | 67,519 | 2,973,972 | 1,527,226 | 73,758 | 1,600,984 |
| CREDITORS | (20) | (483,208) | — | (483,208) | (560,787) | — | (560,787) |
| amounts falling due within one year | | | | | | | |
| NET CURRENT ASSETS | | 2,423,245 | 67,519 | 2,490,764 | 966,439 | 73,758 | 1,040,197 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 5,073,450 | 67,519 | 5,140,969 | 3,650,319 | 73,758 | 3,724,077 |
| CREDITORS | (20) | (379,947) | — | (379,947) | (463,793) | — | (463,793) |
| amounts falling due after one year | | | | | | | |
| PROVISIONS | | | | | | | |
| deferred tax liabilities | | 2,589 | — | 2,589 | (752) | — | (752) |
| TOTAL NET ASSETS | | 4,696,092 | 67,519 | 4,763,611 | 3,185,774 | 73,758 | 3,259,532 |
| REPRESENTED BY: | | | | | | | |
| Restricted funds | (22) | — | 67,519 | 67,519 | — | 73,758 | 73,758 |
| Designated funds | (22) | 1,469,616 | — | 1,469,616 | 837,023 | — | 837,023 |
| Unrestricted funds | (22) | 3,519,655 | — | 3,519,655 | 2,613,743 | — | 2,613,743 |
| Subsidiary retained losses | | (293,179) | — | (293,179) | (264,992) | — | (264,992) |
| | | 4,696,092 | 67,519 | 4,763,611 | 3,185,774 | 73,758 | 3,259,532 |

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 28 September 2021 and signed on its behalf by:-

I D Starkle
Treasurer

J P Parsons
Chairman

KATHARINE HOUSE HOSPICE
STATEMENT OF CASH FLOWS
AT 31 March 2021

| RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS | | 2021 £ | 2020 £ |
|--|--------|-------------------------|-------------------------|
| Net movement in funds | | 1,504,079 | (115,534) |
| Deferred taxation | | (3,341) | (1,366) |
| Depreciation | | 158,709 | 182,209 |
| (Gains) / losses on investment assets | | (83,128) | 112,537 |
| Income from fixed asset investment | Note i | (9,376) | (12,275) |
| Interest received | Note i | (57) | (127) |
| Interest payable on loans | Note i | 14,699 | 20,280 |
| Loss / (gain) on disposal of fixed assets | | 1,208 | (250) |
| Decrease / (increase) in debtors | | 140,381 | (311,887) |
| Decrease / (increase) in stock | | 868 | 17,411 |
| (Decrease) / increase in creditors | | (74,199) | 4,448 |
| Net cash (outflow)/inflow from operating activities | | 1,649,843 | (104,554) |

CASHFLOW STATEMENT

| | | | |
|---|--------|------------------|------------------|
| Net cash provided by/(used in) operating activities | | 1,649,843 | (104,554) |
| Returns on investments and servicing of finance | Note i | (5,266) | (7,878) |
| | | 1,644,577 | (112,432) |
| (Purchase) / sale of fixed assets | Note i | (141,394) | (60,857) |
| Financing | Note i | (78,339) | (75,045) |
| Increase / (decrease) in cash | | 1,424,844 | (248,334) |

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
AT 31 March 2021

NOTE i TO THE CASHFLOW STATEMENT

| | 2021 | 2020 |
|--|------------------|-----------------|
| | £ | £ |
| Returns on investments and servicing of finance | | |
| Income from fixed asset investments in portfolio | 9,376 | 12,275 |
| Total Income from fixed asset investments | 9,376 | 12,275 |
| Other interest received | 57 | 127 |
| Interest payable on loans | (14,699) | (20,280) |
| | <u>(5,266)</u> | <u>(7,878)</u> |
| Financing | | |
| Repayments of loan capital | (78,339) | (75,045) |
| Bank Loan for purchase of fixed assets | -- | |
| | <u>(78,339)</u> | <u>(75,045)</u> |
| Sale and purchase of fixed assets | | |
| Purchase of tangible fixed assets | (41,668) | (41,529) |
| Sale proceeds of other fixed assets | 250 | 250 |
| Capital payment on HP | (8,887) | (34,536) |
| Purchase of fixed asset investments | (905,072) | (813,138) |
| Proceeds of sale of fixed asset investments | 813,983 | 828,096 |
| | <u>(141,394)</u> | <u>(60,857)</u> |

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

| | | |
|---------------------------------|-------------------------|-------------------------|
| Net cash inflow / (outflow) | 1,424,844 | (248,334) |
| Change in net funds in the year | 1,424,844 | (248,334) |
| Net funds at 1 April | 1,046,510 | 1,278,607 |
| Non-cash changes | -- | 16,237 |
| Net funds at 31 March | <u>2,471,354</u> | <u>1,046,510</u> |

NOTE iii TO THE CASHFLOW STATEMENT - Analysis of changes in net funds

| | As at | Cash | Non cash | As at |
|---------------------------------|-------------------------|-------------------------|-----------------|-------------------------|
| | 1 April 2020 | Flows | Changes | 31 March 2021 |
| Cash in hand and at bank | 937,248 | 1,514,237 | -- | 2,451,485 |
| Cash in fixed asset investments | 109,262 | (89,393) | - | 19,869 |
| TOTAL | <u>1,046,510</u> | <u>1,424,844</u> | <u>-</u> | <u>2,471,354</u> |

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

| | As at | Cash | Non cash | As at |
|--------------------------|-----------------------|-------------------------|-----------------|-------------------------|
| | 1 April 2020 | Flows | Changes | 31 March 2021 |
| Cash at hand and in bank | 937,248 | 1,514,237 | -- | 2,451,485 |
| Debt due within 1 year | (85,180) | 85,180 | (81,800) | (81,800) |
| Debt due after 1 year | (463,793) | 2,046 | 81,800 | (379,947) |
| Cash in investments | 109,262 | (89,393) | -- | 19,869 |
| TOTAL | <u>497,537</u> | <u>1,512,070</u> | <u>-</u> | <u>2,009,607</u> |

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts. The financial statements have been prepared in accordance with the second edition of the Charities Statement of Recommended Practice issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) and the Charities Act 2011.

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 £1,424,844 for the year and has cash reserves of £2,451,485. The Trustees have repaid all long-term debt after the balance sheet date, but have no plans to restructure the investments of the Charity. In March the Board approved a balanced budget for financial years 2020/21 to 2022/23. However COVID-19 has rendered these budgets meaningless and until a more stable financial operating environment can be achieved the Hospice is preparing contingency plans to achieve financial sustainability. 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) 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. Unsolicited gifts are classed as voluntary donations and are included in this section. Further details to this income are shown in note 3.

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.

iii) Other Trading Income

A breakdown of income is shown in note 4. KH Promotions is a subsidiary company operating a society lottery. KHH Development provided a management consultancy services to other charities. KHH Retail sold donated goods through Ebay sales and the prison outlets and any new goods sold through the shops. The company also acted as an agent for the selling of donated goods that are gift aided to the Hospice. In addition the company operated a house clearance service. 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) Charitable activities

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 5.

v) 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 economical to do this.

1. ACCOUNTING POLICIES (Cont.)

d) Income (cont.)

vi) 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 17.

vii) Fees and Other Income

The breakdown of this is shown in note 7. This includes the HMRC job retention scheme, business rates grants and miscellaneous (other income 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 operating the retail charity shops, fundraising to generate donations and to record and thank donors, the costs associated with managing the investment portfolio (including brokerage costs), 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 additional retail activity, 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 their 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 | 20-50% | straight line basis |
| Household equipment | 100% | |

1. ACCOUNTING POLICIES (Cont.)

i) Investments

Fixed asset investment in quoted shares, traded bonds and similar investments are valued initially at cost and subsequently at fair value (their market value) at year end. The same treatment is applied to unlisted investments unless fair value cannot be measured reliably in which case it is measured at cost less impairment.

j) Stock

Stock is the value of Christmas card stocks held for sale stated at the lower of cost and net realisable value.

k) Debtors

Trade and other debtors are recognised at the settlement amount due after trade discounts have been applied. Subsequently they are measured at the cash or other consideration expected to be received. Prepayments are valued at the proportionate amount prepaid relating to future accounting periods at the balance sheet date.

l) Cash

Cash at bank and cash in hand includes all operating cash held and immediately available for the Charity's use. In addition to this there is cash sitting within the investment portfolio.

m) 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.

n) 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.

o) 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.

p) Pensions

The Charity operates a number of employee pension schemes. Further details regarding the schemes operated are set out in note 15 of these accounts. Contributions payable for the year are charged in the income and expenditure account.

q) Redundancy Costs

Termination benefits are recognised immediately as an expense when the Charity is demonstrably committed to terminate the employment of an employee or to provide termination benefit.

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 used solely for particular areas of the Charity's work. Note 22 provides further explanation behind the restricted and designated funds.

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 income and expenditure account as incurred.

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021**

(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 registered with the Charity Commission in England and Wales (registered number 1011712) and is incorporated in England and Wales 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.

3. FUNDRAISED INCOME

| Hospice & Group | Unrestricted £ | Restricted £ | 2021 Total £ | Unrestricted £ | Restricted £ | 2020 Total £ |
|--------------------------------|-------------------|-----------------|--------------------|-------------------|-----------------|--------------------|
| Income Sources | | | | | | |
| Unsolicited donations | 53,929 | 100 | 54,029 | 31,490 | 300 | 31,790 |
| Solicited donations | 888,736 | 6,617 | 895,353 | 384,947 | 25,708 | 410,655 |
| Trusts and grant giving bodies | 87,306 | 99,884 | 187,190 | 59,919 | 81,442 | 141,361 |
| Gift aid on donations | 111,515 | -- | 111,515 | 57,798 | -- | 57,798 |
| Other sources | 1,964 | -- | 1,964 | 4,933 | -- | 4,933 |
| | 1,143,450 | 106,601 | 1,250,051 | 539,087 | 107,450 | 646,537 |

4. INCOME FROM OTHER TRADING ACTIVITIES

| | Unrestricted £ | Restricted £ | 2021 Total £ | Unrestricted £ | Restricted £ | 2020 Total £ |
|------------------------|-------------------|-----------------|--------------------|-------------------|-----------------|--------------------|
| Hospice | | | | | | |
| KH Promotions Ltd | 255,387 | -- | 255,387 | 221,644 | -- | 221,644 |
| KHH Development Ltd | 3,485 | -- | 3,485 | 9,845 | -- | 9,845 |
| KH Retail Ltd | 53,224 | -- | 53,224 | 78,638 | -- | 78,638 |
| Sale of Donated Goods | 1,064,765 | -- | 1,064,765 | 3,354,609 | -- | 3,354,609 |
| Gift Aid on Sale Goods | 273,235 | -- | 273,235 | 1,040,202 | -- | 1,040,202 |
| Fundraising Events | 60,639 | -- | 60,639 | 214,238 | 8,091 | 222,329 |
| | 1,710,735 | -- | 1,710,735 | 4,919,176 | 8,091 | 4,927,267 |
| Group | | | | | | |
| KH Promotions Ltd | 437,761 | -- | 437,761 | 443,651 | -- | 443,651 |
| KHH Development Ltd | 3,868 | -- | 3,868 | 10,392 | -- | 10,392 |
| KH Retail Ltd | 165,873 | -- | 165,873 | 312,155 | -- | 312,155 |
| Sale of Donated Goods | 1,064,765 | -- | 1,064,765 | 3,354,609 | -- | 3,354,609 |
| Gift Aid on Sale Goods | 273,235 | -- | 273,235 | 1,040,202 | -- | 1,040,202 |
| Fundraising Events | 60,639 | -- | 60,639 | 214,238 | 8,091 | 222,329 |
| | 2,006,141 | -- | 2,006,141 | 5,375,247 | 8,091 | 5,383,338 |

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

5. INCOME FROM CHARITABLE ACTIVITIES

Income from charitable activities incorporates receipts of income from statutory agencies, whether as grants or contracts and fees received for the provision of the Charity's services. 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.

| Hospice | | Unrestricted £ | Restricted £ | 2021 Total £ | Unrestricted £ | Restricted £ | 2020 Total £ |
|--|-----|-------------------|------------------|--------------------|-------------------|------------------|--------------------|
| Local Clinical Commissioning Groups | | | | | | | |
| Grants | (a) | 1,176,457 | -- | 1,176,457 | -- | 1,243,583 | 1,243,583 |
| Contracts | (b) | -- | 80,556 | 80,556 | -- | 27,405 | 27,405 |
| Pension Rebate | (c) | -- | 26,594 | 26,594 | -- | 26,594 | 26,594 |
| NHS England | | | | | | | |
| Capacity Grant | (d) | -- | 1,714,251 | 1,714,251 | -- | -- | -- |
| Prison Services Contract | (e) | -- | -- | -- | -- | -- | -- |
| Stafford Borough Council | (f) | 3,500 | -- | 3,500 | 3,500 | -- | 3,500 |
| Other Fee Income | (g) | 488 | 1,700 | 2,188 | -- | 4,674 | 4,674 |
| Income from Charitable Activities | | 1,180,445 | 1,823,101 | 3,003,546 | 3,500 | 1,302,256 | 1,305,756 |
| Group | | | | | | | |
| Hospice - as above | | 1,180,445 | 1,823,101 | 3,003,546 | 3,500 | 1,302,256 | 1,305,756 |
| Embrace Quality Care | | 319,950 | -- | 319,950 | 326,300 | -- | 326,300 |
| Group income from Charitable Activities | | 1,500,395 | 1,823,101 | 3,323,496 | 329,800 | 1,302,256 | 1,632,056 |

(a) A one year recurring conditional grant the value of which is derived annually.

(b) Spot purchasing of care services for individually named patients.

(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.

(d) The NHSE awarded funding to allow the Hospice to make available bed capacity and community support from April 2020 to July 2020 to provide support to people with complex needs in the context of the COVID-19 situation and to provide bed capacity and community support from November 2020 to March 2021 for the same purpose.

(e) A contract with NHS England for the provision of in reach services to HMP Stafford and HMP YOI Drake Hall for prisoners at end of life.

(f) A one year recurring service level agreement.

(g) 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 Katharine House 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.

In addition the Hospice has received non-recurring grants from local councils for specific objectives, as described below.

| | 2021 £ | 2020 £ |
|--|-----------|-----------|
| Hednesford Town Council for IT equipment | 351 | -- |
| Uttoxeter Town Council for At Home Team Service | 300 | -- |
| Rugeley Town Council for Day Therapies riser recliner chairs | -- | 429 |
| Uttoxeter Town Council for Day Therapies dining room chairs | -- | 278 |

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

6. INVESTMENT INCOME

All investment income is unrestricted and comprises:

| | Company | | Group | |
|--------------------------------|--------------|---------------|--------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Bank interest | 48 | 103 | 57 | 127 |
| Interest from investments | -- | 352 | -- | 352 |
| Dividends | 9,376 | 11,892 | 9,376 | 11,892 |
| Tax reclaim due in investments | -- | 31 | -- | 31 |
| | <u>9,424</u> | <u>12,378</u> | <u>9,433</u> | <u>12,402</u> |

7. OTHER INCOME

| | | Unrestricted | Restricted | 2021 Total | Unrestricted | Restricted | 2020 Total |
|--------------------------------------|-----|------------------|------------|------------------|---------------|------------|---------------|
| | | £ | £ | £ | £ | £ | £ |
| Hospice | | | | | | | |
| HMRC Job Retention Scheme | | 871,374 | -- | 871,374 | 38,511 | -- | 38,511 |
| Business Rates Grants | | 587,001 | -- | 587,001 | -- | -- | -- |
| Miscellaneous | | 22,196 | 16 | 22,212 | 7,735 | -- | 7,735 |
| | | <u>1,480,571</u> | <u>16</u> | <u>1,480,587</u> | <u>46,246</u> | <u>--</u> | <u>46,246</u> |
| Group | | | | | | | |
| HMRC Job Retention Scheme | (a) | 890,125 | -- | 890,125 | 42,265 | -- | 42,265 |
| Business Rates Grants | | 587,001 | -- | 587,001 | -- | -- | -- |
| Miscellaneous | (b) | 26,398 | 16 | 26,414 | 7,735 | -- | 7,735 |
| | | <u>1,503,524</u> | <u>16</u> | <u>1,503,540</u> | <u>50,000</u> | <u>--</u> | <u>50,000</u> |
| (a) HMRC Job Retention Scheme | | | | | | | |
| Katharine House Hospice | | 871,374 | -- | 871,374 | 38,511 | -- | 38,511 |
| KH Promotions Ltd | | 9,011 | -- | 9,011 | 237 | -- | 237 |
| KH Retail Ltd | | 4,582 | -- | 4,582 | 3,138 | -- | 3,138 |
| Embrace Quality Care Ltd | | 5,158 | -- | 5,158 | 379 | -- | 379 |
| | | <u>890,125</u> | <u>--</u> | <u>890,125</u> | <u>42,265</u> | <u>--</u> | <u>42,265</u> |
| (b) Miscellaneous | | | | | | | |
| Katharine House Hospice | | 22,196 | -- | 22,196 | 7,735 | -- | 7,735 |
| KH Promotions Ltd | | -- | -- | -- | -- | -- | -- |
| KH Retail Ltd | | -- | -- | -- | -- | -- | -- |
| Embrace Quality Care Ltd | | 4,202 | -- | 4,202 | -- | -- | -- |
| | | <u>26,398</u> | <u>--</u> | <u>26,398</u> | <u>7,735</u> | <u>--</u> | <u>7,735</u> |

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

8. EXPENSE ANALYSIS

| | Note | Direct Staff £ | Other Direct £ | Deprec- iation £ | Allocated £ | 2021 Total £ | Direct Staff £ | Other Direct £ | Deprec- iation £ | Allocated £ | Restated 2020 Total £ |
|---------------------------------------|------|----------------------|----------------------|------------------------|----------------|--------------------|----------------------|----------------------|------------------------|----------------|--------------------------------|
| COSTS OF GENERATING FUNDS | | | | | | | | | | | |
| Hospice | | | | | | | | | | | |
| Fundraising | | 186,754 | 22,511 | 1,877 | 69,844 | 280,986 | 227,862 | 22,762 | 1,877 | 71,165 | 323,666 |
| Other trading activities | | 2,083,160 | 708,461 | 48,122 | 236,864 | 3,076,607 | 2,156,449 | 1,171,327 | 52,443 | 266,554 | 3,646,773 |
| Investment management fees | | -- | 7,676 | -- | -- | 7,676 | -- | 8,731 | -- | -- | 8,731 |
| (a) | | <u>2,269,914</u> | <u>738,648</u> | <u>49,999</u> | <u>306,708</u> | <u>3,365,269</u> | <u>2,384,311</u> | <u>1,202,820</u> | <u>54,320</u> | <u>337,719</u> | <u>3,979,170</u> |
| Group | | | | | | | | | | | |
| Fundraising | | 186,754 | 22,511 | 1,877 | 69,844 | 280,986 | 227,862 | 22,762 | 1,877 | 71,165 | 323,666 |
| Other trading activities | | 2,152,181 | 922,509 | 74,332 | 239,826 | 3,388,848 | 2,291,287 | 1,496,363 | 100,529 | 218,094 | 4,106,273 |
| Investment management fees | | -- | 7,676 | -- | -- | 7,676 | -- | 8,731 | -- | -- | 8,731 |
| (a) | | <u>2,338,935</u> | <u>952,696</u> | <u>76,209</u> | <u>309,670</u> | <u>3,677,510</u> | <u>2,519,149</u> | <u>1,527,856</u> | <u>102,406</u> | <u>289,259</u> | <u>4,438,670</u> |
| COSTS OF CHARITABLE ACTIVITIES | | | | | | | | | | | |
| Hospice | | | | | | | | | | | |
| Patient care | (b) | 1,671,201 | 259,293 | 63,085 | 745,585 | 2,739,164 | 1,737,316 | 380,681 | 60,513 | 775,280 | 2,953,790 |
| Governance | (a) | 80,166 | 12,020 | -- | 39,802 | 131,988 | 34,090 | 12,515 | -- | 35,638 | 82,243 |
| | | <u>1,751,367</u> | <u>271,313</u> | <u>63,085</u> | <u>785,387</u> | <u>2,871,152</u> | <u>1,771,406</u> | <u>393,196</u> | <u>60,513</u> | <u>810,918</u> | <u>3,036,033</u> |
| Group | | | | | | | | | | | |
| Patient care | (b) | 1,964,339 | 300,156 | 63,085 | 769,081 | 3,096,661 | 2,039,360 | 410,092 | 60,513 | 792,418 | 3,302,383 |
| Governance | (a) | 80,166 | 12,020 | -- | 39,802 | 131,988 | 34,090 | 12,515 | -- | 35,638 | 82,243 |
| | | <u>2,044,505</u> | <u>312,176</u> | <u>63,085</u> | <u>808,883</u> | <u>3,228,649</u> | <u>2,073,450</u> | <u>422,607</u> | <u>60,513</u> | <u>828,056</u> | <u>3,384,626</u> |

ANALYSIS OF EXPENSES BETWEEN FUNDS

(a) All expenses incurred in raising funds and governance are taken from unrestricted or designated funds
(b) Patient care expenses are analysed between unrestricted/designated funds and restricted funds as follows:

| | Hospice | | Group | |
|-------------------------|------------------|------------------|------------------|------------------|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Unrestricted/designated | 935,195 | 1,598,726 | 1,292,692 | 1,947,319 |
| Restricted | 1,935,957 | 1,437,307 | 1,935,957 | 1,437,307 |
| | <u>2,871,152</u> | <u>3,036,033</u> | <u>3,228,649</u> | <u>3,384,626</u> |

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021**

(Continued)

9. SUPPORT AND OVERHEAD EXPENSE ANALYSIS

| | Staff Costs £ | Other Costs £ | Deprec- iation £ | 2021 Total £ | Staff Costs £ | Other Costs £ | Deprec- iation £ | Restated 2020 Total £ |
|-------------------|---------------------|---------------------|------------------------|--------------------|---------------------|---------------------|------------------------|--------------------------------|
| Support functions | 479,531 | 259,521 | 11,577 | 750,629 | 428,630 | 307,756 | 11,113 | 747,499 |
| Overheads | 312,056 | 78,145 | 7,838 | 398,039 | 352,534 | 87,766 | 7,896 | 448,196 |
| | 791,587 | 337,666 | 19,415 | 1,148,668 | 781,164 | 395,522 | 19,009 | 1,195,695 |

Allocations to:

| | | |
|--------------------------|------------------|------------------|
| Patient Care | 745,585 | 775,280 |
| Governance | 39,802 | 35,638 |
| Fundraising | 69,844 | 71,165 |
| KH Promotions Ltd | 24,410 | 21,790 |
| KH Retail Ltd | 8,667 | 8,375 |
| Sale of donated goods | 236,864 | 266,554 |
| Embrace Quality Care Ltd | 23,496 | 16,893 |
| | 1,148,668 | 1,195,695 |

10. NET INCOME

Net income is stated after charging the following items to the Income and Expenditure Account.

| | Hospice | | Group | |
|---|-----------|-----------|-----------|-----------|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Auditors remuneration | 13,255 | 11,280 | 13,255 | 11,280 |
| Depreciation of tangible fixed assets | 132,499 | 134,123 | 158,709 | 182,209 |
| (Profit)/loss on disposal of fixed assets | 1,455 | — | 1,205 | 250 |
| Operating lease rentals | 366,578 | 464,250 | 366,578 | 464,250 |
| Payments to directors/trustees | — | — | — | — |
| Trustee indemnity insurance | 1,235 | 1,235 | 1,235 | 1,235 |

11. TRADING SUBSIDIARIES

Katharine House has 4 subsidiary trading companies

KH Promotions Limited 03295776 runs a society lottery on behalf of the Charity

Katharine House Retail Limited 03949314 carries out trading activity, including ebay, house clearances, collection and delivery services

Embrace Quality Care Limited 08050417 is a care agency meeting the core objectives of the Charity, but charging for its services.

KHH Development Limited 08120430 provides administrative and financial support to other charities.

DLT Trading Limited 06834846 was dissolved on the 16th March 2021.

A summary of the results of the subsidiary companies of the Charity are set out in this note. Accounts have been approved by the directors of these companies and will be filed with the Registrar of Companies.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

11. TRADING SUBSIDIARIES (Cont.)

| | KH Promotions Ltd | | KH Retail Ltd | |
|---|---------------------------------|------------------|----------------------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Turnover (including HMRC Job Retention Scheme) | 446,772 | 443,888 | 170,455 | 315,293 |
| Direct operating costs | (166,592) | (200,036) | (108,188) | (306,011) |
| Net recharges to/(from) Katharine House Hospice | (24,802) | (22,232) | (8,935) | 70,692 |
| Gross Profit | 255,378 | 221,620 | 53,332 | 79,974 |
| Interest payable | — | — | (108) | (1,336) |
| Interest receivable | 9 | 24 | — | — |
| Net profit before Gift Aid | 255,387 | 221,644 | 53,224 | 78,638 |
| Distribution under Gift Aid to Katharine House | (255,387) | (221,644) | (53,224) | (78,638) |
| Retained in subsidiary undertaking | -- | -- | -- | -- |
| Retained earnings brought forward | -- | -- | 9,739 | 9,739 |
| Retained earnings carried forward | -- | -- | 9,739 | 9,739 |
| The aggregate of the assets, liabilities and funds at 31 March was: | | | | |
| Fixed assets | -- | -- | 24,271 | 50,481 |
| Current assets | 340,116 | 134,270 | 1,433,132 | 289,035 |
| Current liabilities | (340,016) | (134,170) | (1,447,862) | (329,775) |
| Total Assets | 100 | 100 | 9,741 | 9,741 |
| Share capital | 100 | 100 | 2 | 2 |
| Retained earnings | -- | -- | 9,739 | 9,739 |
| Funds | 100 | 100 | 9,741 | 9,741 |
| | | | | |
| | Embrace Quality Care Ltd | | KHH Development Ltd | |
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Turnover (including HMRC JRS & Misc Income) | 329,310 | 326,679 | 3,868 | 10,392 |
| Direct operating costs | (334,001) | (331,455) | (383) | (547) |
| Net recharges to/(from) Katharine House Hospice | (23,496) | (17,138) | -- | -- |
| (Deficit) / net profit before Gift Aid | (28,187) | (21,914) | 3,485 | 9,845 |
| Distribution under Gift Aid to Katharine House | -- | -- | (3,485) | (9,845) |
| Retained in subsidiary undertaking | (28,187) | (21,914) | -- | -- |
| Retained earnings brought forward | (274,731) | (252,817) | -- | -- |
| Retained earnings carried forward | (302,918) | (274,731) | -- | -- |
| The aggregate of the assets, liabilities and funds at 31 March was: | | | | |
| Current assets | 117,535 | 66,231 | 20,499 | 27,010 |
| Current liabilities | (415,453) | (335,962) | (19,999) | (26,510) |
| Total Assets | (297,918) | (269,731) | 500 | 500 |
| Share capital | 5,000 | 5,000 | 500 | 500 |
| Retained earnings | (302,918) | (274,731) | -- | -- |
| Funds | (297,918) | (269,731) | 500 | 500 |

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

12. EMPLOYEE NUMBERS AND COSTS

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

| Company | 2021 | | 2020 | |
|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Average Employees | Whole time Equivalent | Average Employees | Whole time Equivalent |
| Care services | 65 | 52.82 | 70 | 54.77 |
| Support and overheads | 28 | 19.99 | 38 | 26.44 |
| Income generation | 136 | 95.31 | 160 | 108.27 |
| | <u>229</u> | <u>168.12</u> | <u>268</u> | <u>189.48</u> |

| Group | 2021 | | 2020 | |
|-----------------------|-------------------|-----------------------|-------------------|-----------------------|
| | Average Employees | Whole time Equivalent | Average Employees | Whole time Equivalent |
| Care services | 84 | 67.23 | 90 | 69.56 |
| Support and overheads | 28 | 19.99 | 38 | 26.44 |
| Income generation | 143 | 101.74 | 167 | 114.71 |
| | <u>255</u> | <u>188.96</u> | <u>295</u> | <u>210.71</u> |

The costs of employment were:

| | Company | | Group | |
|--------------------|------------------|------------------|------------------|------------------|
| | 2021 £ | 2020 £ | 2021 £ | 2020 £ |
| Salary | 4,252,153 | 4,408,439 | 4,586,657 | 4,818,346 |
| National Insurance | 295,785 | 293,626 | 314,389 | 311,510 |
| Pension | 264,931 | 234,816 | 273,981 | 243,907 |
| | <u>4,812,869</u> | <u>4,936,881</u> | <u>5,175,027</u> | <u>5,373,763</u> |
| Bought-in staff | 186,455 | 254,860 | 188,705 | 254,860 |
| | <u>4,999,324</u> | <u>5,191,741</u> | <u>5,363,732</u> | <u>5,628,623</u> |

13. REDUNDANCY COSTS

During the year the Trustees carried out a cost reduction programme which necessitated voluntary and compulsory redundancies. The group made statutory redundancy payments amounting to £53,806 (2020: Nil) with respect to 18 (2020: 0) individual cases.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

14. EMOLUMENTS

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

| | Company | | Group | |
|-------------------|---------|------|-------|------|
| | 2021 | 2020 | 2021 | 2020 |
| £60,001 - £70,000 | 0 | 0 | 0 | 0 |
| £70,001 - £80,000 | 0 | 0 | 0 | 0 |
| £80,001 - £90,000 | 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 | |
|---------------------|---------|------|-------|------|
| | 2021 | 2020 | 2021 | 2020 |
| £60,001 - £70,000 | 0 | 0 | 0 | 0 |
| £70,001 - £80,000 | 4 | 3 | 4 | 4 |
| £80,001 - £90,000 | 1 | 1 | 1 | 1 |
| £90,001 - £100,000 | 0 | 1 | 0 | 1 |
| £100,001 - £110,000 | 1 | 0 | 1 | 0 |

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 £420,511 (2020: £384,682). There were 5 employees and 1 non-employee on the team until February 2021 and in March 2021 there were 6 employees and 1 non-employee as two senior nurses fulfilled the Director of Care role during a handover period (2020: 4 employees and 1 non-employee on the team until June 2019 and 5 employees and 1 non-employee for the rest of the year).

15. 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 14.38%. 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 the Stakeholder Pension Schemes Regulations 2000, opened a scheme in the year 2000 for eligible employees to join the Standard Life Group Pension Scheme. The Charity matches employee contributions up to 7%. From 1 April 2015 Standard Life closed this scheme and it is not available to new employees. This scheme is a defined contribution scheme.

c) National Employment Savings Trust (NEST)

Eligible employees who are not in either of the two schemes above are automatically enrolled into the NEST scheme. The automatic enrolment is done at the statutory minimum (at present 5% 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:

| | 2021 | | 2020 | |
|---------------|----------------|-----------------------|----------------|-----------------------|
| Company | Average Number | Employer Contribution | Average Number | Employer Contribution |
| NHS | 27 | 139,877 | 29 | 106,060 |
| Standard Life | 15 | 39,607 | 16 | 40,907 |
| NEST | 154 | 85,447 | 165 | 87,849 |
| | 196 | 264,931 | 210 | 234,816 |
| Group | | | | |
| NHS | 27 | 139,877 | 29 | 106,060 |
| Standard Life | 15 | 39,607 | 16 | 40,907 |
| NEST | 170 | 94,497 | 185 | 96,940 |
| | 212 | 273,981 | 230 | 243,907 |

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

16. TANGIBLE FIXED ASSETS

| COMPANY | Long Leasehold Land and Buildings £ | Equipment, Furniture and Fixtures £ | IT Equipment and Software £ | Motor Vehicles £ | Total £ |
|-----------------------|--|--|--|---------------------------------|--------------------|
| Cost | | | | | |
| At 1 April 2020 | 2,748,707 | 552,782 | 196,940 | 98,763 | 3,597,192 |
| Additions | -- | 41,668 | -- | -- | 41,668 |
| Disposals | -- | (123,741) | (12,103) | (55,525) | (191,369) |
| At 31 March 2021 | <u>2,748,707</u> | <u>470,709</u> | <u>184,837</u> | <u>43,238</u> | <u>3,447,491</u> |
| Depreciation | | | | | |
| At 1 April 2020 | 794,456 | 441,974 | 149,501 | 77,144 | 1,463,075 |
| Charge for the year | 58,614 | 50,404 | 14,833 | 8,648 | 132,499 |
| Disposals | -- | (123,741) | (10,645) | (55,525) | (189,911) |
| At 31 March 2021 | <u>853,070</u> | <u>368,637</u> | <u>153,689</u> | <u>30,267</u> | <u>1,405,663</u> |
| Net Book Value | | | | | |
| At 31 March 2021 | <u>1,895,637</u> | <u>102,072</u> | <u>31,148</u> | <u>12,971</u> | <u>2,041,828</u> |
| At 1 April 2020 | <u>1,954,251</u> | <u>110,808</u> | <u>47,439</u> | <u>21,619</u> | <u>2,134,117</u> |
| GROUP | | | | | |
| Cost | | | | | |
| At 1 April 2020 | 3,114,859 | 594,952 | 196,940 | 247,768 | 4,154,519 |
| Additions | -- | 41,668 | -- | -- | 41,668 |
| Disposals | (312,230) | (165,911) | (12,103) | (70,025) | (560,269) |
| At 31 March 2021 | <u>2,802,629</u> | <u>470,709</u> | <u>184,837</u> | <u>177,743</u> | <u>3,635,918</u> |
| Depreciation | | | | | |
| At 1 April 2020 | 1,151,128 | 471,123 | 162,521 | 185,149 | 1,969,921 |
| Charge for the year | 67,224 | 50,404 | 14,833 | 26,248 | 158,709 |
| Disposals | (312,230) | (165,911) | (25,145) | (55,525) | (558,811) |
| At 31 March 2021 | <u>906,122</u> | <u>355,616</u> | <u>152,209</u> | <u>155,872</u> | <u>1,569,819</u> |
| Net Book Value | | | | | |
| At 31 March 2021 | <u>1,896,507</u> | <u>115,093</u> | <u>32,628</u> | <u>21,871</u> | <u>2,066,099</u> |
| At 1 April 2020 | <u>1,963,731</u> | <u>123,829</u> | <u>34,419</u> | <u>62,619</u> | <u>2,184,598</u> |

There are three properties owned by the Hospice (Unit i Priestly Court, Stafford, 150 Weston Road, Stafford, and Trading & Recycling Centre, Stone Road, ST15 0NS), which are all used as security for the four outstanding bank loans

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

17. FIXED ASSET INVESTMENT - Company and Group

| | 2021 | % | 2020 | % |
|--|----------------|--------------|----------------|--------------|
| | £ | | £ | |
| At 31 March investments were held as: | | | | |
| Bonds | 43,618 | 7.5 | 77,993 | 15.6 |
| UK equities and funds | 76,513 | 13.1 | 120,445 | 24.1 |
| Overseas equities and funds | 391,424 | 67.0 | 164,673 | 33.0 |
| Other assets | 52,682 | 9.0 | 26,909 | 5.4 |
| Total Invested Funds | 564,237 | 96.6 | 390,020 | 78.1 |
| Cash held for investment | 19,869 | 3.4 | 109,262 | 21.9 |
| Total Funds in Investment portfolio | 584,106 | 100.0 | 499,282 | 100.0 |

| | 2021 | 2020 |
|--|----------------|----------------|
| | £ | £ |
| Listed investments | | |
| Market value at 5 April | 390,020 | 533,753 |
| Less Disposals at opening book value (proceeds £813,983) | (748,423) | (838,956) |
| Less return of capital | -- | (16,237) |
| Add acquisitions at cost | 905,072 | 813,138 |
| Net gain/(loss) on revaluation at 5 April | 17,568 | (101,678) |
| Market value at 5 April of listed investments | 564,237 | 390,020 |
| Historical cost at 5 April | 547,022 | 497,234 |

All investments are held in unrestricted funds. The net gains and losses on revaluation are based on the market value of investment provided by Perspective Managing Wealth 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 which are registered in the UK comprising:

| | Company registration no. | % of shareholding held by KH Hospice | 2021 | 2020 |
|--------------------------------|--------------------------------|---|--------------|--------------|
| | | | £ | £ |
| KH Promotions Limited | 03295776 | 100% | 100 | 100 |
| Katharine House Retail Limited | 03949314 | 100% | 2 | 2 |
| Embrace Quality Care Limited | 08050417 | 100% | 5,000 | 5,000 |
| KHH Development Limited | 08120430 | 100% | 500 | 500 |
| | | | 5,602 | 5,602 |

Results for the year are shown in note 11 and are included in the consolidated accounts.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

18. DEBTORS

| | Company | | Group | |
|--------------------------------|------------------|------------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Intercompany accounts | 2,100,563 | 682,772 | -- | -- |
| Trade debtors | 162,152 | 287,826 | 199,545 | 329,167 |
| NHS pharmaceutical supplies | 16,748 | 22,039 | 16,748 | 22,039 |
| HMRC - tax and social security | 68,722 | 91,201 | 86,928 | 91,817 |
| Other debtors | 34,613 | 36,048 | 35,683 | 84,196 |
| Accrued legacy income | 53,508 | -- | 53,508 | -- |
| Prepayments | 124,066 | 129,859 | 125,014 | 130,963 |
| Deposits provided | 4,250 | 3,875 | 4,250 | 3,875 |
| | 2,564,622 | 1,253,620 | 521,676 | 662,057 |

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.

19. STOCK

| | Company | | Group | |
|-----------------|---------|------|-------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| | £ | £ | £ | £ |
| Bought in goods | -- | -- | 811 | 1,679 |

20. CREDITORS

| Amounts due in under one year | | Company | | Group | |
|-------------------------------|--------|----------------|----------------|----------------|----------------|
| | Note | 2021 | 2020 | 2021 | 2020 |
| | | £ | £ | £ | £ |
| Bank Loans | | 81,800 | 76,293 | 81,800 | 76,293 |
| Hire purchase loan | | -- | -- | -- | 8,887 |
| Payments on account | | -- | -- | 114,494 | 106,973 |
| Trade creditors | | 158,779 | 194,472 | 161,259 | 213,429 |
| HMRC | | -- | -- | -- | -- |
| Accruals | | 100,255 | 72,727 | 101,186 | 73,658 |
| Deferred income | (21) | 11,913 | 66,925 | 11,913 | 66,925 |
| Other creditors | | 5,305 | 7,477 | 12,556 | 14,622 |
| | | 358,052 | 417,894 | 483,208 | 560,787 |

| Amounts due after one year | | Company | | Group | |
|----------------------------|--|----------------|----------------|----------------|----------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | £ | £ | £ | £ |
| Bank loans | | 379,947 | 463,793 | 379,947 | 463,793 |
| | | 379,947 | 463,793 | 379,947 | 463,793 |

The bank loans consist of two different bank loans. The first bank loan 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 second bank loan is split into two, one half at a fixed rate of 3.96% and the other half at a variable rate of 2.15% above base rate. The second loan is a term loan of ten years which commenced December 2018.

The long term loans are secured on all three premises owned by the Hospice: Unit i Priestly Court, Stafford; 150 Weston Road, Stafford; and Trading & Recycling Centre, Stone Road, ST15 0NS.

**KATHARINE HOUSE HOSPICE
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FOR THE YEAR ENDED 31 March 2021**

(Continued)

21. DEFERRED INCOME & CONTINGENT ASSETS

Income deferred in accordance with FRS 102 and included in accruals and deferred income was:

| For 2021 | Balance at 1 April £ | Released £ | Deferred £ | Balance at 31 March £ |
|-------------------------|----------------------------|---------------|---------------|-----------------------------|
| Refundable event income | 43,026 | 43,026 | 11,913 | 11,913 |
| Nursing home project | 23,899 | 23,899 | — | — |
| | <u>66,925</u> | <u>66,925</u> | <u>11,913</u> | <u>11,913</u> |
| For 2020 | Balance at 1 April £ | Released £ | Deferred £ | Balance at 31 March £ |
| Refundable event income | 34,879 | 34,879 | 43,026 | 43,026 |
| Nursing home project | 47,797 | 47,797 | 23,899 | 23,899 |
| | <u>82,676</u> | <u>82,676</u> | <u>66,925</u> | <u>66,925</u> |

The Hospice recognises the residual benefit of three estates as at 31.03.21. The residual payment of two of these estates are expected in 1-2 years time. The third estate consists of two trusts which have a life interest, which may be realised in future years.

22. FUNDS

Unrestricted Funds - Designated and General Funds

General funds are freely available for the Trustees to apply for its charitable purposes, but include fixed assets that are not expendable. The Trustees have established eight 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.

The Repairs and Renewals Fund enables Trustees to allocate larger items of expenditure on maintenance and repair and has been increased for anticipated repairs to the Hospice's roof.

The Renewal of IT Fund is to be built up to accommodate expected expenditure on the refreshing of the main IT infrastructure sometime between 2021 and 2023.

The Training and Development Fund ensures that existing commitments to staff development can be funded.

The Legacy Equalisation Fund helps Trustees manage the unpredictability of legacy income and use these funds in the event of a shortfall in legacy income against the annual budget.

The Retail Vehicle Fund and Loan Repayments Fund are for capital and interest commitments on the hire-purchase of 4 retail vehicles in 2017/18 and two bank loans to purchase two properties.

The Emergency Campaign Fund represents unrestricted funds received by the Charity to support its services through the pandemic. The balance will be used to support services in the next two years.

Restricted Funds

The Capital and Equipment Funds are primarily for the purchase of items of equipment or refurbishments. Some have small cash balances which are used in the maintenance of the asset.

The NHSE awarded funding to allow the Hospice to make available bed capacity and community support from April 2020 to July 2020 to provide support to people with complex needs in the context of the COVID 19 situation and to provide bed capacity and community support from November 2020 to March 2021 for the same purpose.

The Service Funds are to operate specified services and are expected to be spent within 12 months. Expenditure against these funds is only for direct costs of running the services, not for recharges or overheads.

The Other Restricted Funds are for use in the provision of aspects of services or for provisions not specific to a service, for example: patient comfort funds, funds for the upkeep of the garden and other areas, funds to provide training and development for staff.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

22. FUNDS (Cont.)

COMPANY

For the Year Ended 31 March 2021

| Funds | Opening Fund Value £ | Income £ | Costs of Generating Income £ | Charitable Expenditure and Financing £ | Investment Gains / (Losses) £ | Transfer from / (to) General Fund £ | Closing Fund Value £ |
|-----------------------------|-------------------------|------------------|---------------------------------|---|----------------------------------|--|-------------------------|
| General Fund | 2,613,743 | 4,699,530 | (3,365,269) | (774,051) | 83,128 | 262,574 | 3,519,655 |
| Designated Funds | | | | | | | |
| Repairs and Renewals | 60,000 | -- | -- | (7,390) | -- | 47,390 | 100,000 |
| Renewal of IT | 100,000 | -- | -- | -- | -- | -- | 100,000 |
| Training and Development | 11,000 | -- | -- | (3,022) | -- | -- | 7,978 |
| Legacy Equalisation | 120,000 | 245,807 | -- | -- | -- | (245,807) | 120,000 |
| Retail Vehicle | 7,550 | -- | -- | (108) | -- | (7,442) | -- |
| Loan Repayments | 538,473 | -- | -- | (14,430) | -- | (56,715) | 467,328 |
| Emergency Campaign | -- | 825,095 | -- | (150,785) | -- | -- | 674,310 |
| | 837,023 | 1,070,902 | -- | (175,735) | -- | (262,574) | 1,469,616 |
| Restricted Funds | | | | | | | |
| Capital and Equipment Funds | 33,709 | 27,808 | -- | (32,590) | -- | -- | 28,927 |
| NHSE Capacity Funding | -- | 1,714,251 | -- | (1,714,251) | -- | -- | -- |
| Service Funds | 14,434 | 180,576 | -- | (180,127) | -- | -- | 14,883 |
| Other Restricted Funds | 25,615 | 7,083 | -- | (8,989) | -- | -- | 23,709 |
| | 73,758 | 1,929,718 | -- | (1,935,957) | -- | -- | 67,519 |
| | 3,524,524 | 7,700,150 | (3,365,269) | (2,885,743) | 83,128 | -- | 5,056,790 |

For the Year Ended 31 March 2020

| Funds | Opening Fund Value £ | Income £ | Costs of Generating Income £ | Charitable Expenditure and Financing £ | Investment Gains / (Losses) £ | Transfer from / (to) General Fund £ | Closing Fund Value £ |
|-----------------------------|-------------------------|------------------|---------------------------------|---|----------------------------------|--|-------------------------|
| General Fund | 2,504,212 | 5,520,387 | (3,979,170) | (1,508,461) | (112,537) | 189,312 | 2,613,743 |
| Designated Funds | | | | | | | |
| Repairs and Renewals | 40,000 | -- | -- | (2,103) | -- | 22,103 | 60,000 |
| Renewal of IT | 100,000 | -- | -- | -- | -- | -- | 100,000 |
| Training and Development | 11,000 | -- | -- | (3,465) | -- | 3,465 | 11,000 |
| Legacy Equalisation | 120,000 | 114,880 | -- | -- | -- | (114,880) | 120,000 |
| Retail Vehicle | 34,535 | -- | -- | (26,985) | -- | -- | 7,550 |
| Loan Repayments | 615,129 | -- | -- | (76,656) | -- | -- | 538,473 |
| Norton Bridge Development | 100,000 | -- | -- | -- | -- | (100,000) | -- |
| | 1,020,664 | 114,880 | -- | (109,209) | -- | (189,312) | 837,023 |
| Restricted Funds | | | | | | | |
| Capital and Equipment Funds | 27,729 | 65,552 | -- | (59,572) | -- | -- | 33,709 |
| Service Funds | 36,067 | 1,342,391 | -- | (1,364,024) | -- | -- | 14,434 |
| Other Restricted Funds | 29,472 | 9,854 | -- | (13,711) | -- | -- | 25,615 |
| | 93,268 | 1,417,797 | -- | (1,437,307) | -- | -- | 73,758 |
| | 3,618,144 | 7,053,064 | (3,979,170) | (3,054,977) | (112,537) | -- | 3,524,524 |

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021

(Continued)

GROUP

For the Year Ended 31 March 2021

| Funds | Opening Fund Value £ | Income £ | Costs of Generating Income £ | Charitable Expenditure and Financing £ | Investment Gains / (Losses) and provisions £ | Transfer from / (to) General Fund £ | Closing Fund Value £ |
|------------------|-------------------------|------------------|---------------------------------|---|---|--|-------------------------|
| General Fund | 2,348,751 | 5,337,848 | (3,677,510) | (1,131,656) | 86,469 | 262,574 | 3,226,476 |
| Designated Funds | 837,023 | 1,070,902 | -- | (175,735) | -- | (262,574) | 1,469,616 |
| Restricted Funds | 73,758 | 1,929,718 | -- | (1,935,957) | -- | -- | 67,519 |
| | <u>3,259,532</u> | <u>8,338,468</u> | <u>(3,677,510)</u> | <u>(3,243,348)</u> | <u>86,469</u> | <u>--</u> | <u>4,763,611</u> |

For the Year Ended 31 March 2020

| Funds | Opening Fund Value £ | Income £ | Costs of Generating Income £ | Charitable Expenditure and Financing £ | Investment Gains / (Losses) and provisions £ | Transfer from / (to) General Fund £ | Closing Fund Value £ |
|------------------|-------------------------|------------------|---------------------------------|---|---|--|-------------------------|
| General Fund | 2,261,134 | 6,306,536 | (4,438,670) | (1,858,390) | (111,171) | 189,312 | 2,348,751 |
| Designated Funds | 1,020,664 | 114,880 | -- | (109,209) | -- | (189,312) | 837,023 |
| Restricted Funds | 93,268 | 1,417,797 | -- | (1,437,307) | -- | -- | 73,758 |
| | <u>3,375,066</u> | <u>7,839,213</u> | <u>(4,438,670)</u> | <u>(3,404,906)</u> | <u>(111,171)</u> | <u>--</u> | <u>3,259,532</u> |

23. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The Charity has no capital commitments at 31 March 2021 (2020: Nil).

Operating Lease Commitments

The Company and Group hold leases for retail outlets and office equipment. The future outstanding commitments broken down by time periods are shown below with prior year comparatives:

| | <1 year | 2-5 years | +5 years |
|--------------------------------|---------|-----------|----------|
| Company & Group as at 31.03.21 | 265,891 | 355,724 | 73,890 |
| Company & Group as at 31.03.20 | 308,276 | 562,299 | 119,815 |

The total operating lease commitments (this includes leases that are out of lease calculated at 6 months' liability) are:

| | To next date of cancellation | Total Cost of Lease |
|--------------------------------|------------------------------|---------------------|
| Company & Group as at 31.03.21 | 570,824 | 690,824 |
| Company & Group as at 31.03.20 | 624,342 | 990,390 |

There were no other operating lease commitments at 31 March 2021 that exceeded one year.

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021**

(Continued)

24. RELATED PARTY TRANSACTIONS

During the year some of the Trustees, senior managers, and employees of all Group entities made donations to the Charity, played the lottery run by KH Promotions Ltd, and bought and donated goods to the Charity. All these transactions were conducted on an arms length basis in support of the Charity. All donations made by the Trustees were unrestricted.

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:

| | 2021 | 2020 |
|--|---------------|---------------|
| | £ | £ |
| Allison Cape (Trustee of Katharine House Hospice) | | |
| Midlands Partnership Foundation Trust (MPFT) (relationship: Employee) | | |
| (i) Contract for the provision of social work services | -- | 21,099 |
| Infection Control Training | -- | 100 |
| Outstanding Creditor Balance as at 31st March | -- | -- |
| Chris Secker (Trustee of Katharine House Hospice - resigned 30/05/20), Caroline Bruckner Holt (Medical Director of Katharine House Hospice), Zia Din (Trustee of Katharine House Hospice) & R Hughes (Trustee of Katharine House Hospice) | | |
| County Hospital and University Hospitals of the North Midlands (formerly Mid Staffordshire Hospitals NHS Trust) (relationship: Employees) | | |
| Provision of pharmacy services and drug supplies | 46,414 | 57,741 |
| Provision of palliative medical consultant sessions | 107,783 | 185,799 |
| Contract for the provision of occupational and physiotherapy services | 26,886 | 36,247 |
| Outstanding Creditor Balance as at 31st March | 30,747 | 57,011 |
| Richard Soulsby (CEO of Katharine House Hospice) | | |
| AL Services (relationship: Spouse is proprietor) | | |
| Spot purchasing of counselling services | 2,652 | 5,058 |
| Outstanding Creditor Balance as at 31st March | 325 | -- |
| Jennifer Woodyard (Trustee of Katharine House Hospice) | | |
| Hand Morgan & Owen Solicitors (relationship: Employee) | | |
| Provision of legal services connected with property transactions | -- | 253 |
| Outstanding Creditor Balance as at 31st March | -- | -- |
| Stafford and District Bereavement and Loss Support Service (company number 07288186) | | |
| (Katharine House Hospice is a director of Staffors and District Breavement and Loss Support Service) | | |
| Donation | 1,000 | -- |

(i) The contract was originally with Staffordshire County Council, until the staff transferred under TUPE to MPFT

**KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 March 2021**

(Continued)

25. Financial Statements restated for the year ended 31 March 2020

In-line with the recommendations from the Trustees, the format of the financial statements have been amended so that the financial statements are now presented in a clearer format. In certain areas the prior year figures have been restated due to the change in the format but overall movement in funds has remained static for the prior year.

26. Post Balance Sheet Events

The Hospice has repaid all of its term loans.

The Trustees have decided to sell the property at 150 Weston Road and at the time of preparing these accounts the property is being marketed. As services have reduced the value of this property to the Charity is limited, and the cash realised will continue to support the free reserves of the Charity.

27. Audit Liability Limitation Agreement (LLA)

In accordance with Companies Act 2006 (s538), we are required to disclose any audit liability limitation agreements in effect. A resolution was passed 27 October 2020 which limits the liability of the auditor to £5m for any loss or damage suffered by Katharine House Hospice arising out of or in connection with the provision of services provided by the auditor including negligence but not wilful default.