



"How We Are Doing"

OUR DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

A Company Limited by Guarantee not having share capital

Registered company number 2700516

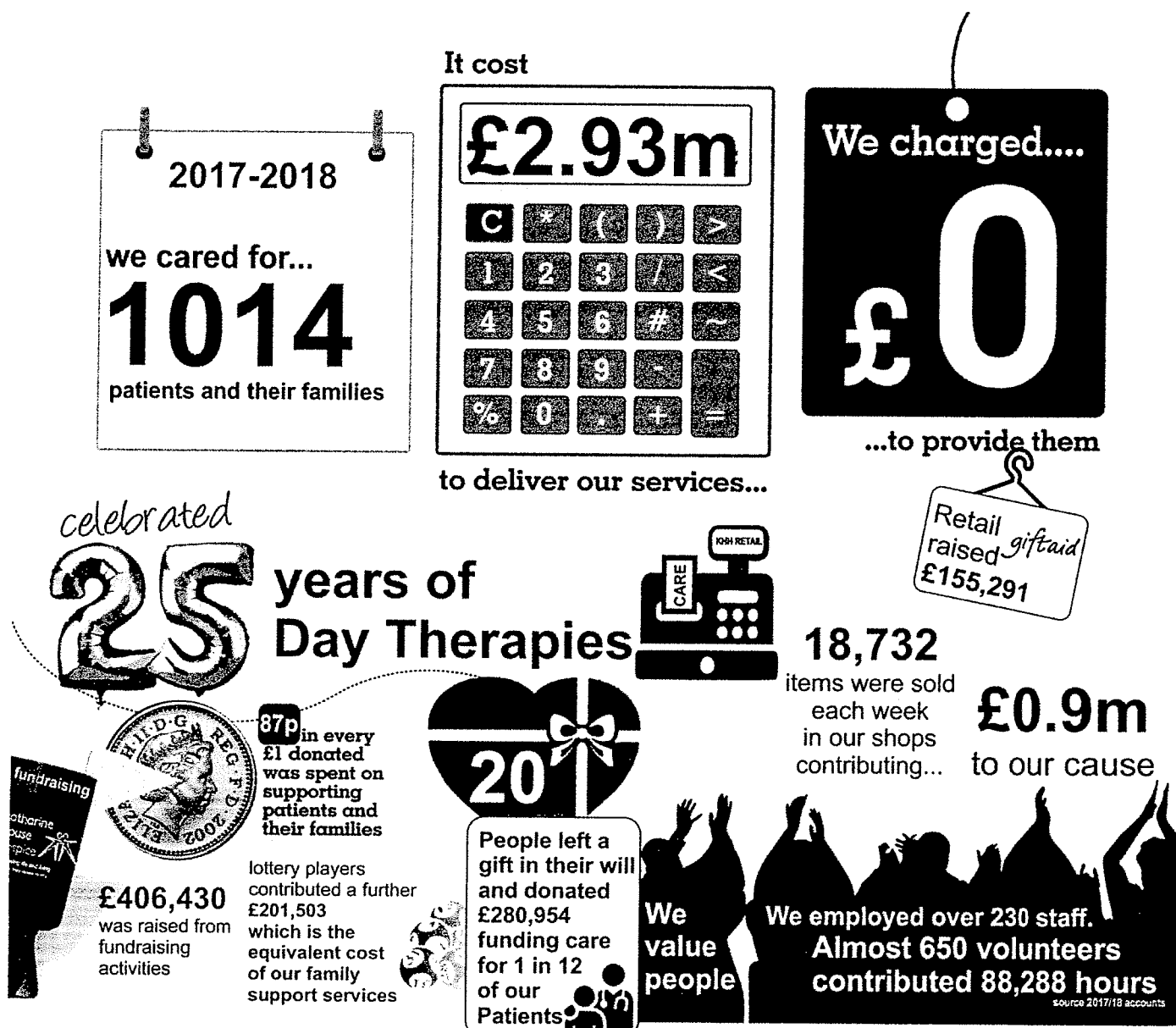
Registered charity number 1011712

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Our Performance At A Glance

1. Summary of the Report



The Trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiaries for the year ending 31 March 2018 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

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

Introduction from the Chairman

2. Chairman's Statement

(1st April 2017 – 31st March 2018)

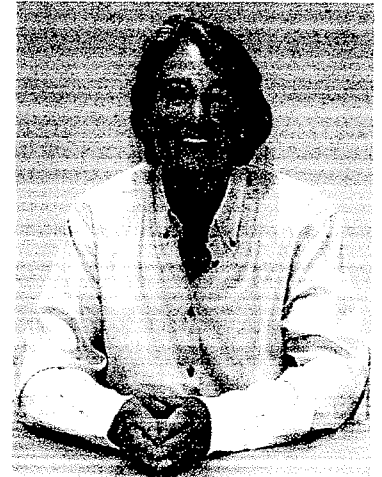
In my Statement last year, I reported on the uncertainty surrounding the Transforming End Of Life Care Tender and the consequent lack of direction in improving end of life care in Mid-Staffordshire. This Tender did not conclude with the appointment of a provider and has been abandoned. However, in its stead, the NHS in Staffordshire has established an End of Life Care Board. Although it is early days, it is already showing intent to be a vehicle to make changes to improve end of life care.

I also reported on our highly successful strategic planning day in which the Board of Trustees, the Executive and the Operations Teams had all come together. Our discussions have been followed up and developed throughout this year and we have spent a considerable amount of time on internal consultation about our strategy for the next five years. Whilst there is more on this in the Directors' Report, two main streams of work are to reach more patients and to create more opportunities for collaboration. On the first of these there is a great deal of attention on seeking, with others, to enable the community to help itself. On the second we are actively pursuing opportunities to work with others, in particular in the delivery of services.

As I write this Statement in April 2018 Elizabeth Hindmarsh has just stepped down as our Medical Director, but will continue to provide Medical Officer input. She has been a delight to work with; supportive, compassionate, and hard working. One of her final achievements was to agree with the trustees that her replacement should be a Consultant in Palliative Medicine, in partnership with the University Hospitals of North Midlands, and we are delighted to welcome Caroline Bruckner-Holt into this role. Caroline was appointed in January to work alongside Elizabeth for several months and is now in post.

Sally Whitmore is now completing her first year as Director of Care and she has re-energised the delivery of care services, implementing new processes and methods of working that continue to improve the wellbeing of our patients. During the year Sally has overseen Living Well Clinics set up in Day Therapies to allow patients to see a Community Palliative Care Consultant and / or Palliative Care Specialist Nurse at the Hospice; the development of a relationship with the Motor Neurone Association which led to two excellent study days on MND being delivered at the Hospice; and the introduction of Healthcare Assistants on the in-patient unit trained in phlebotomy skills to free up doctors' time and enable our patients to have blood taken efficiently at the Hospice. In a restructuring we have also seen the appointment of Katrina Brown as our new In-Patient Ward Manager. In the coming year we hope to see a return to growth in our delivery of services.

My own involvement with Katharine House started 24 years ago as a volunteer on Reception and I cannot overstate the continuing contribution of our volunteers to the



*Katharine House Hospice
Chairman Lady Mitting*

success of the Hospice. Now standing at over 650 in number, a record 88,288 volunteer hours were worked during this year in the Hospice, at the Clinic, in our shops, at the Business Centre and assisting with our fundraising events. Almost exactly half of these hours were worked by our retail volunteers in the numerous retail outlets over Mid-Staffordshire and in addition to the vital funds these volunteers help us to raise, they also help to raise the awareness of Katharine House within our local communities. Our volunteers are, as can be imagined, utterly diverse in age (14 - 85+), skills, knowledge and experience but together they share a dedication and passion which brings a dynamism to all the many roles they fill.

Our managers, as innovative as ever, have been instrumental in developing a wide range of opportunities within the Hospice for the young. Excluding our medical students, educational placements covering 1,440 hours have been offered to Duke of Edinburgh Award Scheme students, those on enrichment programmes, and work experience placements for 14 to 18 year olds.

On behalf of the Board I thank all of the volunteers for their tireless contribution to the life of the Hospice. I also must thank everyone who has, throughout the year, held or participated in events which have raised awareness and much-needed funds for Katharine House.

As always I thank my fellow Trustees. They have given unstintingly of their time and expertise not just in attending Board or Committee meetings or through audits, but being available to managers to offer support and advice where needed. Few Trustees have given more to the Hospice than Judith Cashmore-James who stepped down this year having served her full ten year tenure. During this time she served on the Nominations & Governance Committee and chaired the Staffing Committee. She was immensely active in audit work and was a constant source of support for the HR Department giving freely of her skills in the development of employment procedures and policies. Also during the year Stuart Lloyd and Prakash Samani felt the need to step down due to their business commitments. The departure of all three is our loss but I thank them and wish them well.

My thanks as always to Richard who continues to lead the Hospice superbly in times which are far from easy. Under his leadership, Katharine House will, as it has always done, adapt and evolve to respond to and reflect the growing but changing needs of our community.



Lady Mitting
Chairman

Report of the Trustees and Directors

3. Objectives and Activities – what we do

3.1. The Purpose of the Charity

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

In particular it states that we exist:

- a) To promote by the establishment of day or domiciliary care the relief of persons ... who are suffering (at any age) from any chronic or terminal illness or from any disability or disease ... and to establish, maintain and manage a Hospice Hospital or Residential Home and all ancillary services for such persons;
- b) By conducting or promoting or encouraging research into the care and treatment of persons suffering from any such illness, disability, disease or infirmity ...;
- c) By promoting or encouraging or assisting in the teaching or training of doctors, nurses, physiotherapists and other persons ... and training of students in any branch of medicine, surgery, nursing or allied services;
- d) By providing or assisting in or encouraging the provision of counselling or spiritual help or guidance for any person's resident ... or working in any such home or homes"

3.2. Our Services

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

- **Day Therapies** for 4 days a week, for up to 15 patients per day
- A **Well Being Day** 1 day a week for up to 15 patients per 6 week programme
- 24 hour **in-patient care** providing respite care, symptom control or terminal care for up to 10 patients at a time
- A rapid response **Hospice at Home** service delivered by healthcare assistants
- A specialist **Lymphoedema** clinic
- **Family Support** services, including Counselling and Bereavement support, complementary therapies, occupational therapy, physiotherapy and social work
- Services to support **carers**
- A **respite sitting** service
- A **transport** service for patients delivered by volunteers.



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

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

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

Our Mission is

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

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

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

34. *Strategic Aims and Plans for the Future*

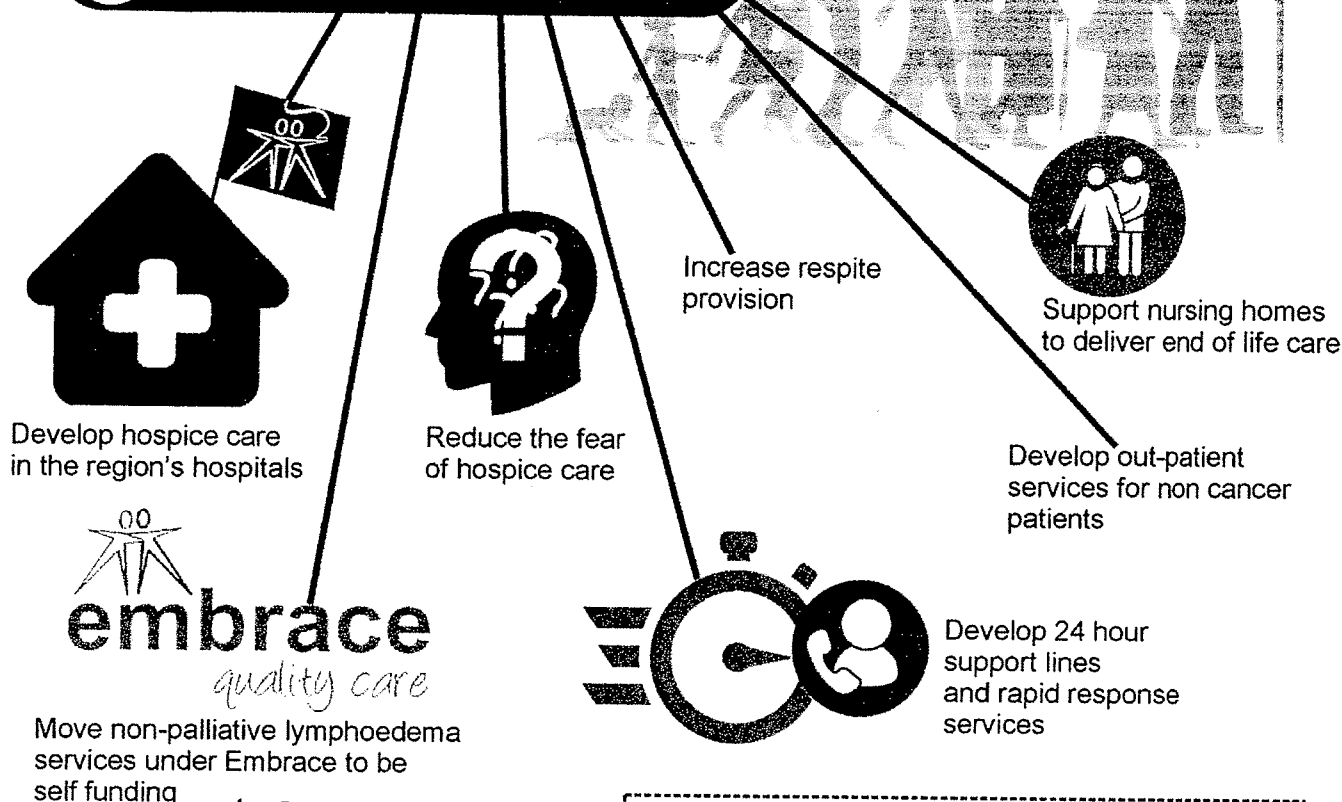
In March 2018 the Trustees approved a new strategy for 2018-2023. The key themes of this strategy are:

1. To reach more patients, specific initiatives will include
 - a. Developing, with others, the public health approach to end of life care
 - b. Developing and delivering a compassionate communities programme
 - c. Enhancing support to patients with hospitals through specialist manpower resources
 - d. Working with nursing homes
 - e. Demystifying the work of hospices.
2. To seek opportunities to collaborate and integrate our services with other organisations, including: the local hospitals, community services providers, neighbouring hospices, and care homes.
3. To develop our workforce – in particular to enhance the use of volunteers, work placements and apprenticeships.
4. To raise more funds – in particular through initiatives within retail.
5. To make our money go further by reducing operational costs.

Hospice Strategy 2018-2023

Key Themes at a glance

1 Reach more people



'Compassionate Communities' is an approach where people determine how they can help each other when members of the community approach the end of their lives. Working with the voluntary, statutory sector and other hospices, we want to empower our community to care.

This will involve:

- Community engagement.
- Developing support for carers in the community.
- Developing an open access point for referral with KHH as a coordination hub.
- Educating families and supporting people to manage their conditions.

2 Collaborate



- To meet our strategic goals.
- To support the NHS end of life strategy for South Staffordshire.
- To create better systems to integrate patient records across the region.

3 Develop our Workforce



Review opportunities to employ apprentices and volunteers

Develop a wider range of volunteer roles and projects

Introduce staff and volunteer development programmes

4 Raise more funds

Promote the need for funding future care for patients and families to current patients and their families

Diversify retail operations

Seek alternative retail partnerships

KATHARINE HOUSE HOSPICE CARE... PASS IT ON

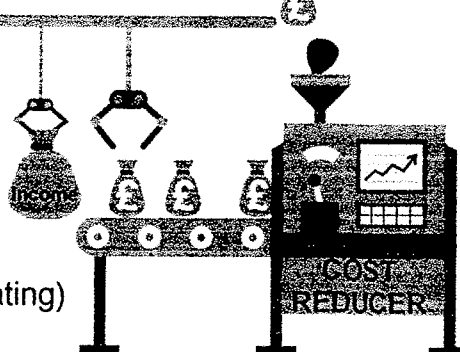


5 Make our money go further

Introducing charges after a number of sessions for aromatherapy, counselling etc. to free up funds to provide care for more patients



Cost savings by:
Reducing waste
Reviewing suppliers
Efficient systems (e.g lighting and heating)



35. Short Term Objectives and Strategies for Achieving these

- Reach more non-cancer patients by appointing additional palliative medicine consultant sessions to support people with cardiac conditions and to support elderly patients at County Hospital, Stafford. This will be done in partnership with University Hospitals of the North Midlands and is expected to enable earlier identification of patients at end of life and thereby plan their care more appropriately.
- Reconfigure the in-patient unit to create a larger medicines room to reduce errors in medications administration, thereby improving patient safety.
- Enhance the use of our workforce by exploring apprenticeships and work placements, and making more effective use of the input from volunteers
- Produce a work plan to help to demystify hospices especially to patients and referrers in order to support more patients
- Continue the current initiatives identified by our GDPR process, to enhance our compliance
- Introduce initiatives to promote the "Compassionate Communities" agenda, to enable people in our communities to support each other, including at end of life.
- Acquire an existing retail premises using a medium term loan to enable investment in the premises with consequent growth of revenues for the hospice.

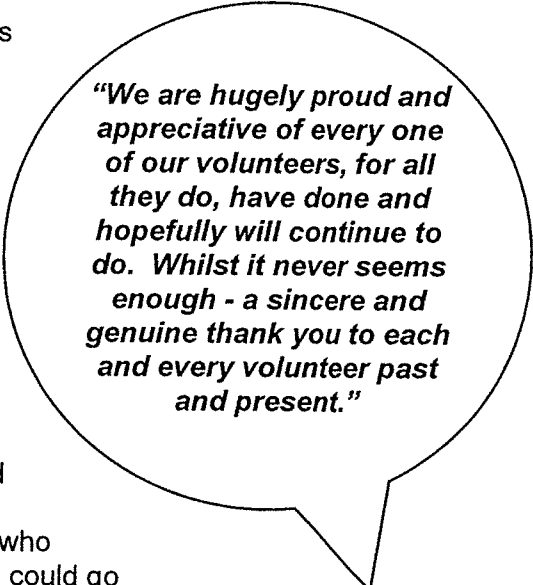
3.6. Vital Volunteer Support

Katharine House is, as always, heavily reliant on the support provided by our team of volunteers, who continue to help by sharing their skills, knowledge and passion.

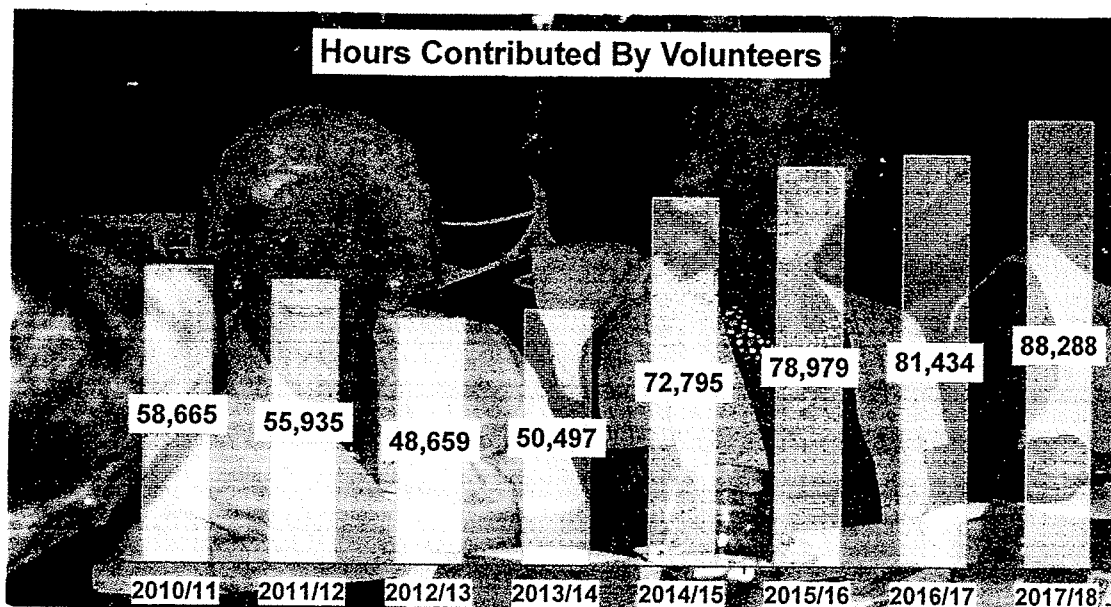
At the end of the 2017/18 we had a total of 640 volunteers supporting the charity (2017: 645).

Whilst the actual number of volunteers has very slightly reduced we have seen an increase in the total number of hours our volunteers have provided; during 2017/18 the charity benefitted from 88,288 hours (2017: 81,434). In monetary terms, if paid at the rate of the minimum wage, this time would have cost the charity more than £662,000.

Our volunteers range in age from 14 to 85+ and we continue to host an increasing number of educational voluntary placements, including Duke of Edinburgh Award Scheme, enrichment programmes, and work experience placements. These young people become ambassadors who help raise awareness of the work of the hospice, and they could go on to become our volunteers, employees, or supporters of the future. We remain keen to attract and build on this involvement from the younger members of our community.



"We are hugely proud and appreciative of every one of our volunteers, for all they do, have done and hopefully will continue to do. Whilst it never seems enough - a sincere and genuine thank you to each and every volunteer past and present."



Volunteer roles exist in almost all areas of the organisation and we are keen to extend these opportunities. In the coming years we hope to continue to identify more ways in which we can benefit from this input and welcome enquiries from enthusiastic members of our community who wish to donate their time, however restricted that might be. This support continues to allow our funds to go even further and creates even more rewarding opportunities for local people who wish to support their local hospice.

Our volunteers remain a key part of our team to whom we owe a great deal – without them the hospice quite simply would not do what it does today. A large number of our volunteers are recognised for long service (over 5 years) and during 2017/18 we saw 78 volunteers receive individual recognition. This included 20 volunteers with 10 years, 10 with 15 years, 5 achieving 20 years and another 5 volunteers reaching 25 years of service. Our longest serving volunteer – Joan Potter - is seen below welcoming HRH Princess Alexandra.



4. Achievements and Performance

4.1. Summary of Main Achievements

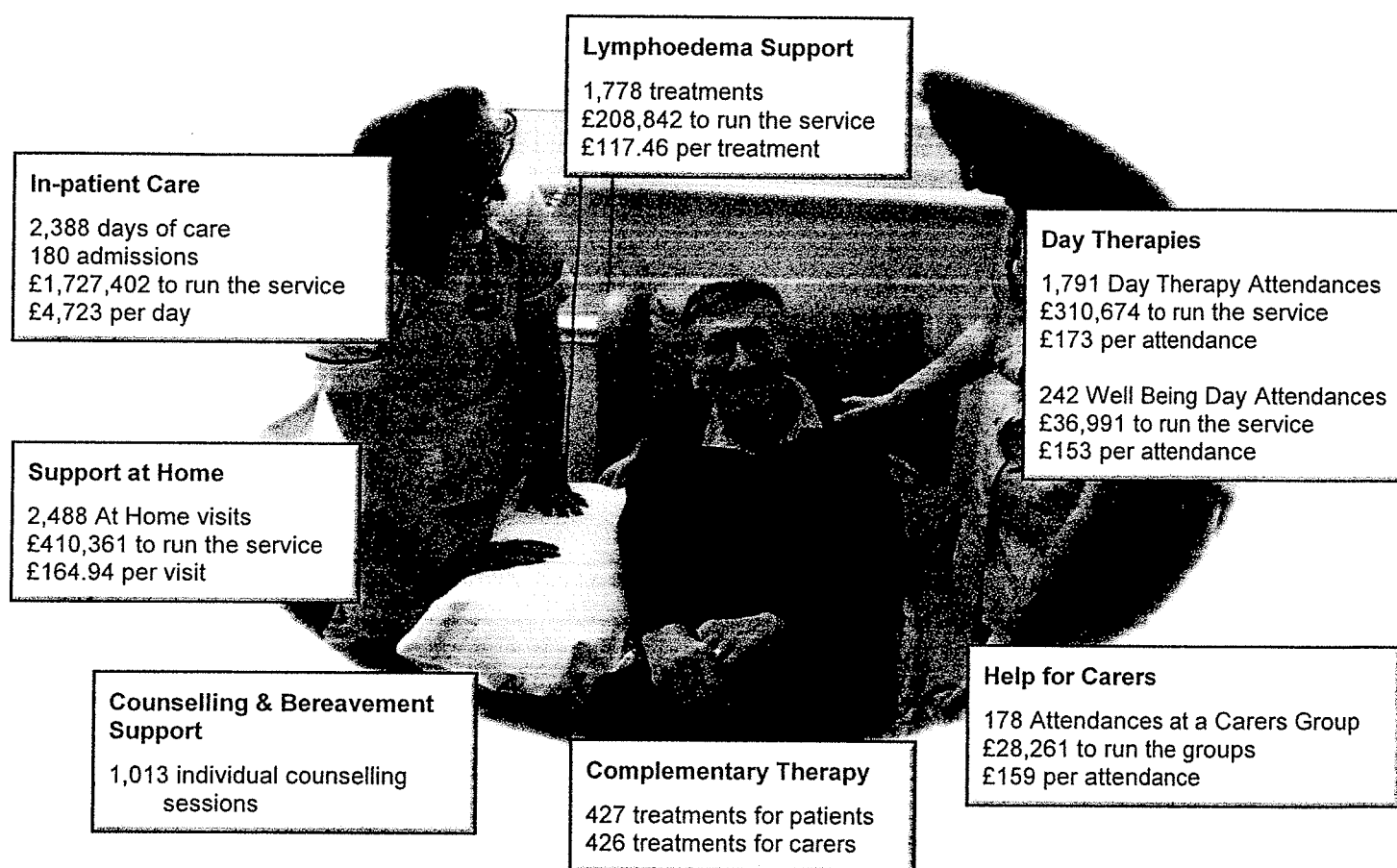
- We helped 1,014 patients and their families (2017: 1,096)
- It cost £2,296,682 to deliver our services (2017: £3,000,815) and we charged £0 to provide them
- Having had two very busy years within day therapies there was a fall in attendances to 1,791 (2017: 2,000). Referrals to day therapies increased to 123 (2017: 106). Activity appears to be down due to the later referral of patients who subsequently become too ill to attend. The service has more recently introduced measures to fill places when vacancies arise.
- The NHS commissioner's decision in 2016 to reduce our funding and to no longer fund non-cancer Lymphoedema services has led to a reduction in service provision to 1,778 (2017: 2,486)
- The family support services provided 2,011 sessions of counselling, complementary therapy and bereavement support (2017: 1,940)
- The Inpatient unit increased the number of admissions to 180 (2017: 175), but there was a reduction in number of occupied beds to 2,388 (2017: 2,455)

4.2. Summary of Main Challenges

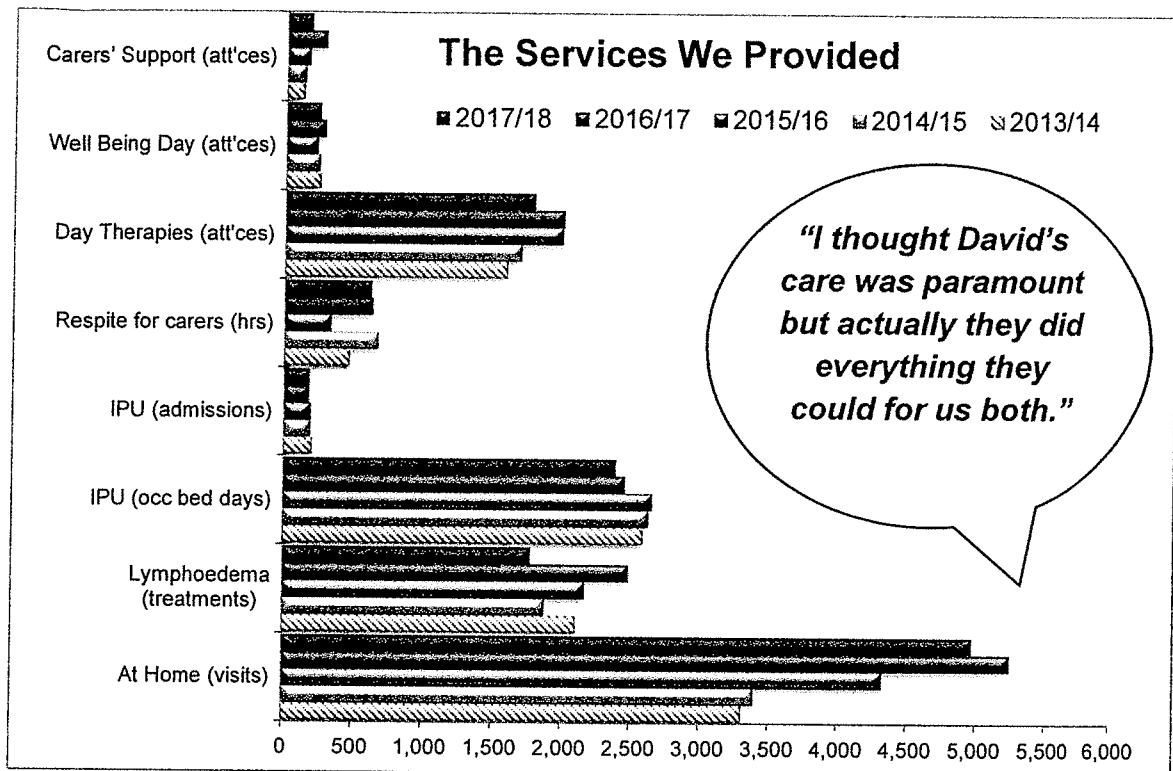
- There continued to be considerable changes within the local health economy. Given the dependence of our services on the referral pathways through the NHS, each time there are major changes in staffing within the community district nursing or specialist nursing teams or within the hospitals' palliative care teams it disrupts the referrals into our services.
- Public misconceptions about death and dying, our services, and the work of hospices continue to create a barrier to accessing our services.
- The increasing requirements for compliance and governance are resource intensive. This year was particularly challenging due to the need to respond to the requirements of GDPR (General Data Protection Regulation).
- It was another challenging year for fundraising activities and we are finding that as existing income streams plateau or decline there are few new opportunities for step changes in generating income. It is also noticeable that new initiatives appear to have a limited life span.
- Efficiency and innovation has been stifled due to minimal time and/or scope to evaluate and improve what our departments do.

4.3. 2017/18 Charitable Activities

During 2017/18 there was an upward trend in demand for care services with increased levels of referrals for Day Therapies, Lymphoedema support and In-patient Care. There were also increases in the number of sessions delivered by counselling, Complementary Therapies for Carers and Lean on Us. However, the number of individual patients we supported decreased from 1,096 to 1,014. There could be a number of reasons for this including whether referrals are changing in terms of timeliness or appropriateness, and / or whether the responsiveness of any of our services could be improved. The Director of Care has already begun to explore this in more detail.



*"I lost him too soon but Katharine House Hospice gave us extra time,
extra things and memories for which I will always be grateful."
"They look after you. There's laughter, alongside respect and dignity."*



4.4. How We Measured Performance and Success

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

1. **Quantitative data** which is used to drive continuous improvement and assure Trustees that the care provided is safe and that resources are being deployed effectively to meet the charity's objectives. This data includes
 - 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. These are also benchmarked against national statistics
2. **Qualitative data** which is used to drive continuous improvement and assure Trustees that the care provided is caring and responsive to patient and carers' needs, including
 - 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.

45. Progress With 2017/18 Objectives

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

- 1. Review the strategic direction of the hospice** ✓
 - *An Away Day for Trustees, Executive Team and Operations Team was held. Internal events were held to engage with staff and volunteers. External workshops were held to engage with key stakeholders, especially healthcare professionals, patients and carers.*
 - *The Board approved a new strategy in March 2018*
- 2. Maintain the quality and safety of existing care services within the constraints of changing resources and capabilities.** In part
 - *The implementation of a new patient reported outcome measurement tool (known as OACCS) proved frustrating and has done nothing to improve delivery of care and the outcomes for patients and their families within the year – work done during the year will have an impact in the year to come*
 - *There has only been limited uptake of Advanced Care Planning*
 - *Clinical skills training has been significantly enhanced*
 - *There has been limited improvement in the use of IT in care*
 - *Care volunteer roles have been developed, but need to become embedded*
- 3. Develop clinical collaborations with other organisations to achieve effective use of resources improving the patients' experience of care and increasing value.** Partially
 - *Relationship and integration work with the innovative District Nurse Liaison posts has proved very disappointing. However, the integration of services with the local Macmillan Nurses has been extremely successful*
 - *Interconnectivity with NHS information systems is now a whole health economy initiative, in which the charity is engaged*
 - *With St Giles Hospice the 'Uttoxeter Cares' facility continues to thrive*
 - *The Hospice will be engaged in a project to support nursing homes in mid-Staffordshire*
- 4. Respond to the outcome of the transforming End of Life Care programme** ✓
 - *Although the transforming End of Life Care tender was halted by NHS commissioners, the Hospice Chief Executive is engaged with the End of Life Care Board that has replaced this initiative.*

4.6. Fundraising Performance

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

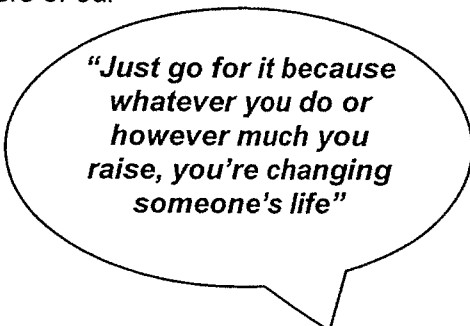
20 people left a gift in their will (2017: 25) and donated £280,954 (2017: £165,856) this will fund the care for 1 in 12 of our patients in the coming year.

There were 6,847 lucky winners of our Hospice Lottery who received £92,950 (2017: £96,100) in prize money. Players contributed £201,503 (2017: £204,854) over the year which is a sum equivalent to the costs of our entire Family Support Services.

Responding to changes in fundraising regulatory requirements and preparing for the General Data Protection Regulations have continued to hamper our ability to communicate effectively with some of our supporters. Some donors still do not realise that they need to opt-in to enable us to contact them by telephone and e-mail.

4.6.1. Approach to Fundraising

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



"Just go for it because whatever you do or however much you raise, you're changing someone's life"

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 2017/18 we worked with a company to increase the membership of our Lottery. 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.

4.6.2. 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 but, having considered this extensively, Trustees have chosen not to do this.

4.6.3. 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.

4.6.4. Fundraising Complaints

Fundraising complaints are considered by two Committees. In 2017/18 in relation to our fundraising activities the charity received 4 formal complaints (2016/17: 3), 9 informal complaints (2016/17: 1) and 5 adverse comments (2016/17: 5). After contacting the complainants no complaints were taken further and one was withdrawn.

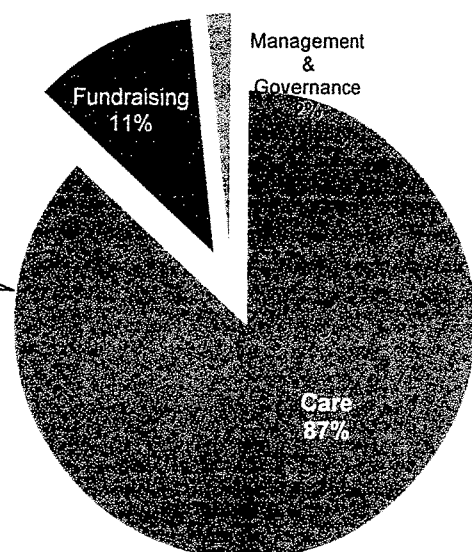
4.6.5. Vulnerable People

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

4.7. Proportion of Income Spent on Fundraising

The charity provides its services free to patients and their families. It must therefore raise the funds needed to cover the costs of making this provision. The hospice operates a fundraising department to do this. In addition to raising funds, fundraising costs include managing the receipt, counting, banking of all donations, thanking all supporters, reclaiming Gift Aid on relevant donations, as well as supporting others to raise funds on our behalf. We received 15,586 donations the smallest of which was 1 pence and the largest was £68,200.

"We all might need them and the only way to keep them is to fundraise and keep the money coming in".



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

	<u>2018</u>	<u>2017</u>
Event Income	167,084	243,467
Event costs	(47,865)	(69,907)
Net income from events	<u>119,219</u>	<u>173,560</u>
Other Income	639,457	695,371
Income after event costs	<u>758,676</u>	<u>868,931</u>
Other direct costs	(259,860)	(254,755)
Net Income raised	<u>498,816</u>	<u>614,176</u>
Less allocated support and overhead costs	(92,383)	(68,035)
Net funds raised	<u>406,433</u>	<u>546,141</u>

4.8. Retail Performance

There has been a further deterioration in the performance of the retail operation, however this includes one off costs related to the termination of the agreement with Donna Louise Children's' Hospice. However, considerable investment has been made for the future growth of the retail operation and a return to a surplus in excess of £1m is projected in the next year.

4.9. Review of Factors Affecting Performance

The major factors within the control of the charity are managed effectively, enabling the Trustees to move the charity forward. In particular, there are sound systems for 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 and these are described below.

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

33% of the income needed to fund and operate our services comes from CCGs. The Trustees are pleased to see that commissioning end of life care is a high priority with the local NHS. The collapse of the Transforming End of Life tender has been followed by the creation of an end of life care board within NHS Staffordshire's Sustainability and Transformation Partnership. This board commenced in November 2017 and is beginning to make change happen.

4.9.2. Austerity and Brexit

There is a lack of certainty due to the economic pressures faced by the country as a whole and the continuing impact of the "austerity" measures of the Government and the vote to leave Europe. The negative impact of austerity on household or corporate income is likely to affect the capacity of these sectors to donate to charities (perhaps one of the reasons for the falling revenues in fundraising). The vote to leave Europe may also increase uncertainty, but it is not felt that this is a significant risk to the charity's income.

4.9.3. Cost pressures

The requirement for employers to enrol employees in pension schemes has increased operating costs significantly from April 2014 and the increase in employer contributions from April 2018 will create further financial pressures. The 4.4% increase in the minimum wage will see increasing costs – particularly within retail, which will have an adverse effect on the funds that can be donated to the charity. From 2017 the hospice has had to pay a 0.5% apprenticeship levy. There are also very considerable increases in the internal costs of compliance with new fundraising and data protection legislation.

4.9.4. Recruitment

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

4.9.5. Competition

The external conditions for all income generation areas 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 some of their donations.

4.9.6. Regulatory burden

The regulatory framework within which the Hospice operates is extremely complex and has become more so following the enactment of the Charities (Protection and Social Investment) Act (2016) which will cost the hospice in terms of the time of staff and volunteers to ensure we are compliant.

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

5. Financial Review

The accounts for 2017/18 are prepared in accordance with the requirements of the Charities Statement of Recommended Practice (2015) (FRS 102). At the commencement of the financial year the hospice transferred most of its retail operations from its trading subsidiary to the main charity. This makes direct comparative analysis more complex. On 22nd December Donna Louise Children's' Hospice terminated its agreement with the hospice to operate its retail outlets. This has resulted in significant one off costs.

5.1. Review of the Financial Position

The charity has had a financially challenging year. Most of the main revenue streams have fallen or stagnated, although the operating costs of the charitable provision fell by £73,926 to £2.99m (2017: £3.06m).

Specific points are:

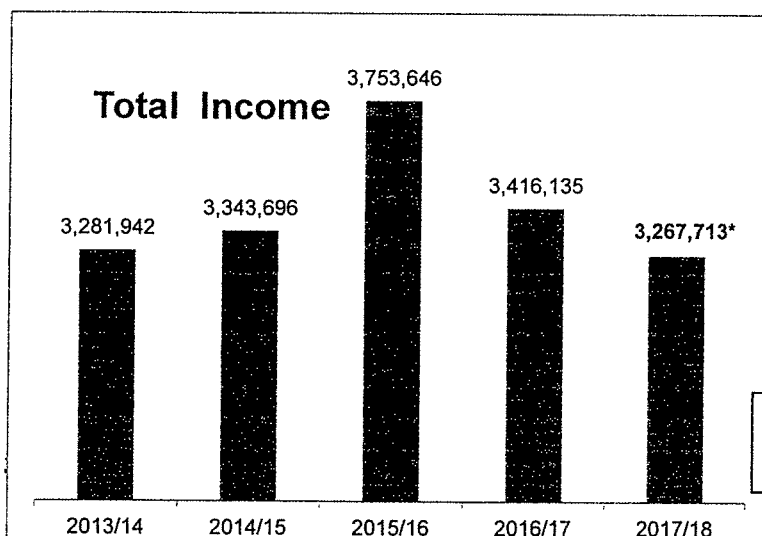
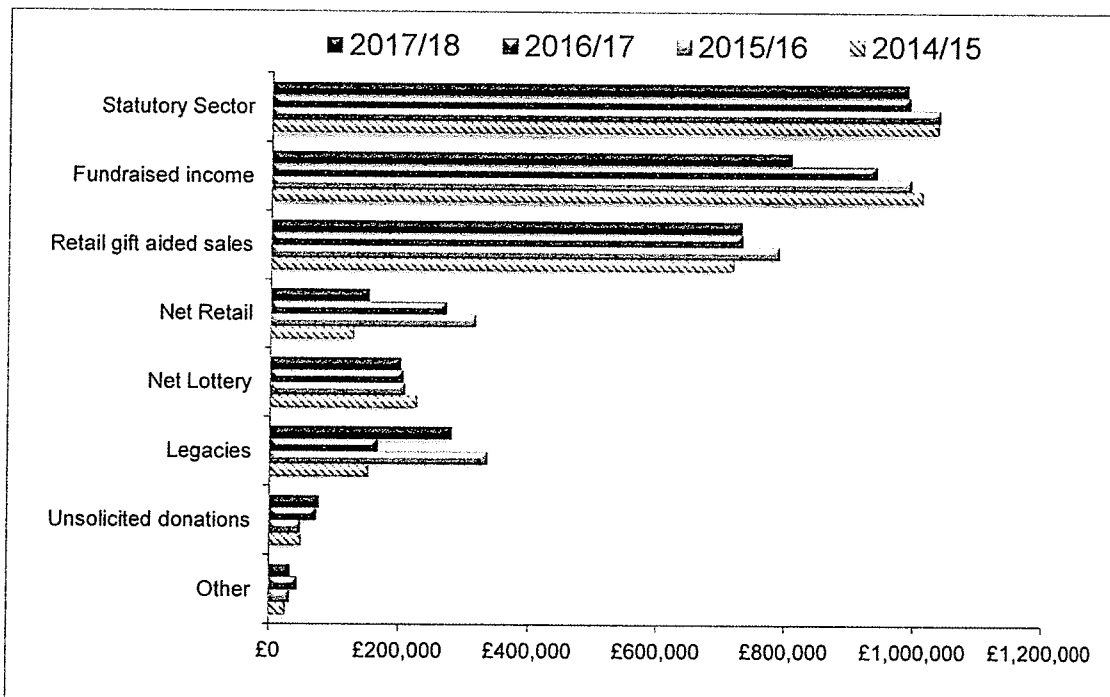
1. Legacy income rose by £115,098 (see note 4)
2. Gross fundraising income fell by £132,297 (see note 5). As highlighted in 4.6, regulatory compliance has adversely affected fundraising performance, but it is expected that this reduction in income will reverse in 2018/19 as new initiatives begin to generate more funds.
3. The lottery has maintained its previous performance, its contribution fell by £3,351 (see note 6)
4. The retail operation's contributions come through the operation of charity shops in the hospice, the net surplus of the retail company, gift aided sales, and gift aid on these sales. In total retail contributed £884k (2017: £1.0m) a reduction of £116k– this reduction includes one off costs of £51k.
5. The hospice's charitable costs reduced by £73,926. The main constituent of this decrease relates to reductions in employee numbers.
6. The hospice's group recorded a reduction in funds of £216,471 (2017: £64,810). This was projected within the three year financial plan. This reflects the deteriorating financial position. Trustees take the view that the

charity holds reserves to enable it to continue delivering services through difficult financial times. Trustees and managers have identified actions to reverse this deterioration. Losses are expected in 2018/19 before a break even position is expected in 2019/20.

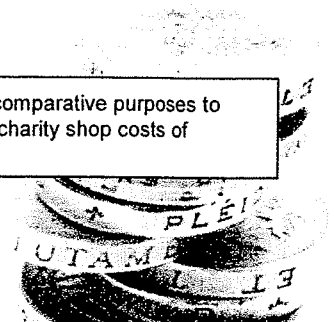
52. Sources of Funding

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

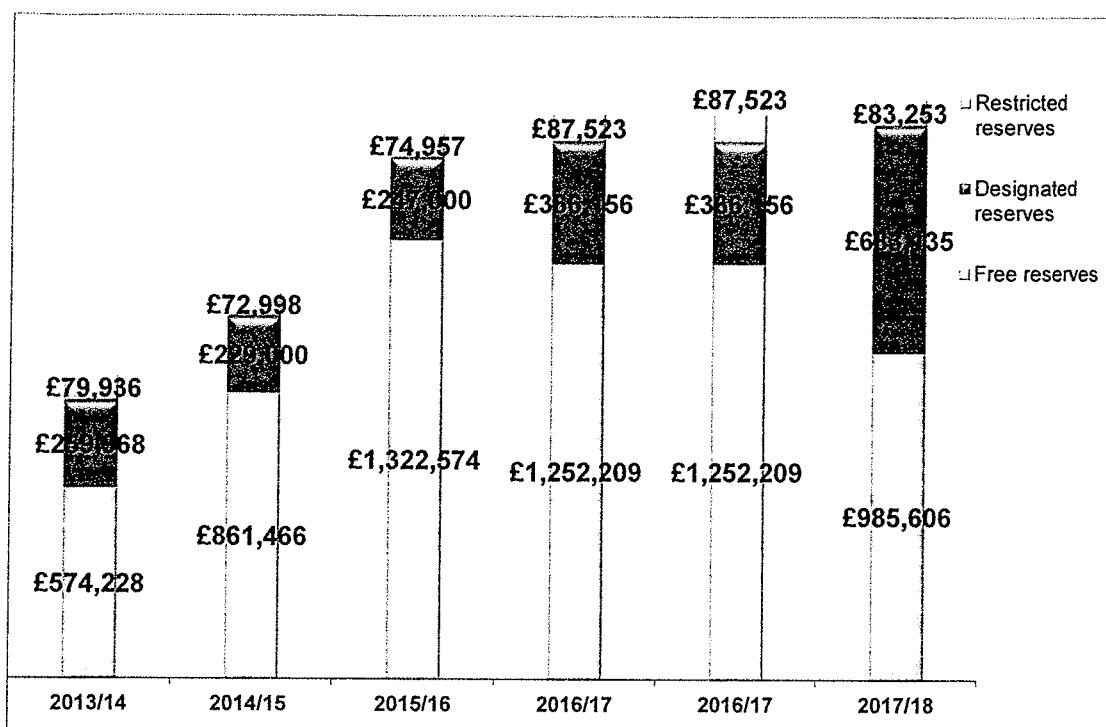
The Trustees have serious concerns about future revenues. The local Clinical Commissioners have agreed to maintain the hospice's grant at the 2017/18 level for 2018/19 and 2019/20. Retail high street revenues are under very considerable pressures as shoppers move to out of town retail parks (where charity retail units are harder to obtain) and onto the internet. Fundraising and lottery are mature departments within the hospice and continued growth is hard to achieve, whilst new fundraising and data protection legislation is making it harder to maintain contact with our existing donors if they choose not to opt-in to our communications.



*Restated for comparative purposes to exclude gross charity shop costs of £2,645,186



The reserves of the charity at 31 March 2018 are summarised below.



The Trustees have established seven designated funds, which are explained at 5.4 and in Note 22.

The Trustees' reserves policy is that in order to fulfil the charity's obligations to the communities it serves it is desirable for there to be unrestricted funds (or free reserves) available as current assets, or investments, equivalent to one year's running costs of the Hospice. The free reserves stand at £985,606 (2017: £1,252,209) equating to 4 months operating costs for the hospice. Whilst the reserves are below the desired level Trustees believe that it is more important to maintain the existing services than to achieve the desired reserves position. Trustees are satisfied that the charity has reserves sufficient to maintain the charity's current operations over a medium term of three years.

Operating costs are calculated as the Hospice Operating costs and Governance Costs. Reserves are calculated from the consolidated balance sheet and include investments, net current assets, and creditors due after one year. They exclude tangible assets and provisions for deferred tax liabilities. They have been calculated as:

Free:	£ 985,605
Designated:	£ 683,135
Restricted:	£ 83,254

Embrace Quality Care, a trading subsidiary of Katharine House Hospice, made a loss of £69,731, and has retained losses of £219,386. The Trustees of the charity have agreed to continue funding Embrace Quality Care as its prime purposes are in line with the objectives of the charity. This decision is reviewed annually, and losses are expected to be £47,000 for 2018/19 (see section 3.2).

5.4. Specific Funds

Trustees have designated funds as follows:

Repairs and renewals fund	<i>To cover unexpected or emergency repairs of a substantial nature.</i>
Renewal of IT fund	<i>To ensure there is a sufficient reserve to enable the IT infrastructure to be refreshed in full without a serious negative impact on the free reserves. Renewal is expected between 2020 and 2022 however a programme of gradual refreshing of IT infrastructure will commence in 2018/19.</i>
Training and development fund	<i>To ensure contractual commitments to staff training can be met. This fund is expended and renewed on an annual basis.</i>
Legacy equalisation fund	<i>To enable Trustees to budget for the very unpredictable nature of legacy income. This fund is balanced annually to the following year's budget for legacies, for 2018/19 £120,000 (2017/18: £120,000).</i>
Retail vehicle fund	<i>To fund the hire-purchase of 4 vehicles for the use of the retail department.</i>
Retail Premises Purchase	<i>To fund the proposed purchase of one of our retail sites.</i>
Fund to repay Loan	<i>Provides flexibility for trustees to repay the outstanding loan when the initial period of the loan expires in November 2018.</i>

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

5.5. Investment Policy

The Memorandum of Association empowers the Trustees to invest the monies of the Association not immediately required for its purposes in or upon such investments, securities or property as may be thought fit. Ad Valorem Wealth Management LLP provide advice and formal reports to the Finance and Remuneration Committee every six months, or more frequently as requested by the Committee. The assets held are disclosed in Note 18.

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

The portfolio moved to a new platform in December 2016, which has eliminated many of the brokerage fees.

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Value ('000s)	461	504	465	519	553	598	574	628	618
Annual growth	30.2%	9.3%	-7.7%	11.6%	6.6%	8.1%	-4.0%	9.5%	- 1.6%

The compound annual growth rate over the last 7, 5, and 3 years as at year end 2018 and 2017 are:

Years	2018	2017
Over 7 years	2.95%	4.51%
Over 5 years	3.55%	6.19%
Over 3 years	1.10%	4.32%

5.6. Principal Risks and Uncertainties

The Trustees have drawn up a detailed assessment of key risks that they feel are important to consider in the management of the charity. Risks come under one of six domains (Welfare, Compliance, Finances, Governance and Management, Operational, and Environmental and External). A structured methodology is in place for the assessment and management of risk. This is reviewed annually and was last done in April 2018.

The principal risks relate to:

1. The long-term decline in retail revenues on the high street, which risk is being managed through the development of additional revenue streams within the retail operation.
2. The long-term decline in lottery membership.
3. Increasing pressures on fundraising revenues.
4. An increasing burden of regulatory compliance, most recently: the General Data Protection Regulations; Gender Pay Gap Reporting; and Apprenticeship Levy. These take high value resources away from the charity's primary purpose.

6. Structure, Governance and Management

6.1. How the Charity is Constituted

Katharine House Hospice is a charity and company limited by guarantee. Its governing document is the Memorandum and Articles of Association of the company, which may be altered by a simple majority of voting members at an Annual or Extraordinary General Meeting. This document was last amended on 22nd November 2016.

62. Organisational Structure

Katharine House Hospice has four wholly owned subsidiaries.

1. **Katharine House Retail Limited** (*Registered company number 3949314*), which operates eBay, house clearances, sales in prisons, new goods, and merchandising activities;
2. **KH Promotions Limited** (*Registered company number 3295776*), which operates the Hospice's own society lottery.
3. **Embrace Quality Care Limited** (*Registered company number 8050417*), which operates a care agency.
4. **KHH Development Limited** (*Registered company number 8120430*), now operates administrative services.

Each subsidiary company of the hospice gift aids any profits it makes to the Hospice. Katharine House Retail Limited has one wholly owned subsidiary: DLT Trading Limited (*Registered company number 6834846*) – which operated charity shops on behalf of another charity until the agreement was terminated on 22nd December 2017. This company will be wound up.

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

63. Decision-Making Processes

Board of Trustees

The Trustees (who are also directors of the company) act as a corporate entity through the Board of Trustees, which meets six times in each year. Additional meetings may be called from time to time to deal with specific issues. The Board oversees all strategic, tactical, and governance aspects of the Hospice's operation and its future direction. It delegates most of its functions to five committees, each with their own clearly defined terms of reference. Governance is undertaken by each Trustee committee in their areas of responsibility and is monitored by the Nominations & Governance Committee and the Board of Trustees. The committees are:

1. Clinical Committee

Oversees all aspects of the Hospice's clinical services including: approval of clinical policies; provision of clinical governance and monitoring of audits; assurance of the quality of care provided; scrutiny of activity and staffing levels; consideration of new practices and procedures; approval of any clinical research; and ensuring compliance with the Health and Social Care Act (2008) (including at least one, usually two Trustee inspections per year).

2. Income Generation Committee

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

3. Finance and Remuneration Committee

Undertakes detailed scrutiny of the Hospice's proposed annual budget; reviews the charity's reserves; monitors the charity's management accounts;

monitors the performance of the charity's investments; approves all financial policies and procedures; approves pay awards and pay rate increases for staff; and inspects systems of financial control.

4. Staffing and Support Services Committee

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

5. Nominations and Governance Committee

Oversees the process of appointing new Trustees to the board and their induction, mentorship and appraisal, and reviews the work of the other committees. Also undertakes general areas of governance not supported by any other committee: organisational risk management, disaster planning, succession planning, non-clinical regulatory compliance, insurance covers, complaints management, and monitors new legislation.

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

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

2. Operations Team

Supports the implementation of actions, addresses general cross organisational issues, manages change and new initiatives and supports the Executive Team.

3. Staff Forum

Acts as the formal mechanism for staff to raise general issues outside the remit of line management, and for Trustees to consult with staff on issues affecting their employment.

6.4. How Trustees Are Appointed, Inducted, and Supported

Proposed nominations for new Trustees may be received from any source and are overseen by the Nominations and Governance Committee. Consideration is given to suitability in relation to the current skills and attributes of existing Trustees, the skills that are deficient on the Board, and the need to plan for succession of Trustees who are due to stand down. Recently the Trustees have approved the use of advertising to seek a wider and more diverse pool from which to recruit.

Once a nominee is determined to be suitable, approval is sought from the full Board. If approved the nominee is asked to submit a completed application form and curriculum vitae, and then to attend a meeting with two current Trustees. If both the nominee and the Trustees are satisfied then the nominee is invited to join the Board of Trustees. At the AGM immediately after their appointment they are 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.

During 2017/18 the Trustees carried out both a full assessment of the board's performance, and individual reviews for each Trustee. Learning and ideas from these processes are being implemented during 2018/19.

6.5. Relationships with Other Organisations

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

During the year Katharine House Retail Ltd managed the retail operation for Donna Louise Trust until the relationship terminated on 22 December 2017.

Katharine House has a number of shared posts, including with Staffordshire and Stoke-on-Trent NHS Partnership Trust (from June 2018 Midlands Partnership Foundation Trust), and University Hospitals of North Midlands.

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

6.6. Related Parties

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

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

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

Katharine House jointly funds posts with both the University Hospitals of the North Midlands and Staffordshire and Stoke-on-Trent Partnership Trust. Decisions in relation to these posts either pre-date the appointment of the Trustee or the Trustee has declared an interest in the decision and been absent when any such decision has

taken place. The relevant Trustees have taken no part in the contract negotiations. Hand Morgan and Owen are the organisation's solicitors, but commercial relations are handled directly with the relevant partner or through the company secretary. These mainly relate to property matters.

6.7. Pay Policy for Senior Staff

The directors, who are the Trustees, and the executive management team comprise the key management personnel of the charity responsible for directing, controlling, running and operating the charity on a day-to-day basis. All directors give of their time freely and no director received remuneration in the year. Details of directors' expenses are disclosed in notes 12 and 13 to the accounts and were nil.

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

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

The Remuneration Committee is empowered to award discretionary bonuses to staff for exceptional performance; however this is rare, with no such award being made in the year (2017: 2). Senior officers are not on bonus schemes.

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

6.8. Public Benefit Statement

All the services provided by Katharine House Hospice are provided free of charge to patients and families; Trustees consider that all this activity is, in its entirety, charitable. In providing access to these services, the Trustees have sought to ensure that the only considerations are the appropriateness of meeting the needs of each patient, the capacity to meet this need, and the safety and welfare of all patients.

In making decisions in relation to the delivery of current services, the proposed development of new services, and the use of the charity's funds, the Trustees have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission.

7. Reference and Administrative Details

Charity Name: Katharine House Hospice
Charity Registration No: 1011712
Incorporation: Company Limited by Guarantee Registered Company
Number 2700516
Date of incorporation: 25th March 1992
Registered Office: Weston Road, Stafford, ST16 3SB
The Registered Office is also the principal address of the Charity

Trustees and Directors and Key Management Personnel:

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

Trustees:

Lady Mitting	Chairman
Mr I D Starkie	Treasurer
Mr B Baggott	
Mr B Bester	
Mrs A Cape	
Mrs J Cashmore-James	(Term of office ended 28 th Nov 2017)
Mr D M Harding	
Dr S Lloyd	(Resigned 27 Mar 2018)
Mrs T Mingay	
Mrs K Overmass	
Mr J-P Parsons	
Mr P Samani	(Resigned 28 th Nov 2017)
Mr D J Sandy	
Dr C J Secker	
Ms J Woodyard	

Company Secretary: Cllr P M M Farrington

Registered Manager Mrs S Whitmore (from 30th May 2017)
Mrs A Marston (from 17th February 2017 to 30th May 2017)

Officers:

Director of Care:	Mrs S Whitmore (from 6 th January 2017)
Medical Director:	Dr E Hindmarsh (to 14 th April 2018)
	Dr C Bruckner-Holt (from 14 th April 2018)
Chief Executive:	Dr R T Soulsby
Deputy Chief Executive:	Miss L M Taylor
Retail General Manager:	Mr I Miller
Head of Human Resources:	Mrs B Wheat

Auditors / Accountants: Dyke Yaxley Limited
8 Hollinswood Court, Stafford Park 1, Telford. TF3 3DE

Investment Brokers: Ad Valorem Wealth Management LLP
Whitehall House, Sandy Lane, Newcastle-Under-Lyme. ST5 0LZ

(trading as Perspective (Midlands and Cheshire) Ltd since 1st June 2018)

Fund Managers: Standard Life
Wrap Customer Centre, Dundas House, 20 Brandon Street,
Edinburgh, EH3 5PP

Bankers: Lloyds TSB Bank Plc
Market Square, Stafford, ST16 2JL

Solicitors: Hand Morgan & Owen
17 Martin Street, Stafford ST16 2LF

8. *Responsibilities in Relation to the Financial Statements*

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

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

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

9. *Statement as to Disclosure to our Auditors*

The directors will recommend to members the re-appointment of our present auditors Dyke Yaxley Limited. In so far as the Trustees are aware at the time of approving our Trustees' annual report:

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

Approved by the Board on 25th September 2018 and signed on its behalf by Lady Judith Mitting, Chairman



Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF KATHARINE HOUSE HOSPICE

Opinion

We have audited the financial statements of Katharine House Hospice (the 'Katharine House Hospice') for the year ended 31 March 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 charitable company's and the group's affairs as at 31 March 2018 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 accounts section of our report. We are independent of the Katharine House Hospice in accordance with the ethical requirements that are relevant to our audit of the accounts 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Katharine House Hospice's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 the audit:

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the trustees' report (incorporating the strategic report and the directors' 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 [including the Strategic Report].

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

- the information given in the financial statements is inconsistent in any material respect with the Trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations necessary for the purposes of

Responsibilities of Trustees

As explained more fully in the statement of Trustees' responsibilities, the Trustees, who are also the directors of the 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 the 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.

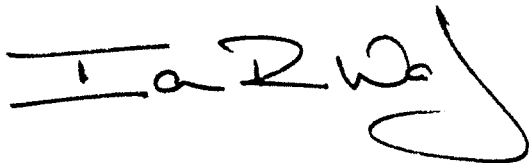
Auditor's responsibilities for the audit of the financial statements

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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Charity'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 Charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity'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**

11/4/15

8 Hollinswood Court
Stafford Park 1
Telford
TF3 3DE

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2018

	Note	Unrestricted £	Designated £	Restricted £	2018 Totals £	2017 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	77,037	254,454	26,500	357,991	237,901
Fundraised Income	(5)	662,868	--	143,673	806,541	938,838
Gift Aid - KHH Development	(6)	5,729	--	--	5,729	15,698
Gift Aid - Promotions Subsidiary	(6)	201,503	--	--	201,503	204,854
Gift Aid - Retail Subsidiary	(6)	--	--	--	--	270,694
Retail sales donations - gift aid		729,434	--	--	729,434	730,559
Charity Shops Income		2,797,177	--	--	2,797,177	--
Investment Income	(8)	10,568	--	--	10,568	9,258
Charitable activities						
Statutory Sector Income	(9)	3,500	--	983,879	987,379	990,294
Fee Income Received	(7)	395	--	4,582	4,977	13,177
Other Income		11,600	--	--	11,600	4,862
Total Income		4,499,811	254,454	1,158,634	5,912,899	3,416,135
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	400,108	--	--	400,108	392,697
Investment Management Fees	(8)	8,542	--	--	8,542	13,157
Charity Shop Costs		2,645,186	--	--	2,645,186	--
		3,053,836	--	--	3,053,836	405,854
Net income for charitable application		1,445,975	254,454	1,158,634	2,859,063	3,010,281
Hospice Operating Costs	(10)	1,749,290	14,489	1,162,903	2,926,682	3,000,815
Governance Costs	(11)	61,192	--	--	61,192	60,985
		1,810,482	14,489	1,162,903	2,987,874	3,061,800
Interest Payable		5,605	--	--	5,605	6,508
Total Expenditure		4,869,923	14,489	1,162,903	6,047,315	3,474,162
Net gains (losses) on investment assets		(12,324)	--	--	(12,324)	58,457
Net income / (expenses) before transfers		(382,436)	239,965	(4,269)	(146,740)	430
Gross transfers between funds	(22)	(77,014)	77,014	--	--	--
Net movement in Funds		(459,450)	316,979	(4,269)	(146,740)	430
RECONCILIATION OF FUNDS						
Fund balances brought forward		3,189,967	366,156	87,523	3,643,646	3,643,216
Fund Balances Carried Forward		2,730,517	683,135	83,254	3,496,906	3,643,646

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2018

	Note	Unrestricted £	Designated £	Restricted £	2018 Totals £	2017 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	77,037	254,454	26,500	357,991	237,901
Fundraised Income	(5)	662,868	--	143,673	806,541	938,838
Gross Income - KHH Development	(6)	6,540	--	--	6,540	16,490
Gross Income - Promotions	(6)	409,401	--	--	409,401	409,754
Gross Income - Retail	(6)	180,729	--	--	180,729	2,656,727
Retail sales donated to hospice		729,434	--	--	729,434	730,559
Charity Shops Income		2,797,177	--	--	2,797,177	--
Gross Income - DLT Trading	(6)	807,006	--	--	807,006	1,085,292
Gross Income - EQC Limited	(6)	298,639	--	--	298,639	275,377
Investment Income	(8)	10,579	--	--	10,579	9,279
Charitable activities						
Statutory Sector Grants	(9)	3,500	--	983,879	987,379	990,294
Fee Income Received	(7)	395	--	4,582	4,977	13,177
Other Income		11,600	--	--	11,600	4,862
Total Income		5,994,905	254,454	1,158,634	7,407,993	7,368,550
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	400,108	--	--	400,108	392,697
Cost of Operating KHH Developme	(6)	811	--	--	811	792
Cost of Operating Promotions	(6)	207,909	--	--	207,909	204,921
Cost of Operating Retail	(6)	184,868	--	--	184,868	2,466,334
Cost of Operating Charity Shops		2,645,186	--	--	2,645,186	--
Cost of Operating DLT Trading	(6)	808,224	--	--	808,224	991,484
Investment Management Fees	(8)	8,542	--	--	8,542	13,157
		4,255,648	--	--	4,255,648	4,069,385
Net income for charitable application		1,739,257	254,454	1,158,634	3,152,345	3,299,165
Hospice Operating Costs	(10)	1,749,290	14,489	1,162,903	2,926,682	3,000,815
Embrace Quality Care Costs	(6)	368,370	--	--	368,370	340,617
Governance Costs	(10)	61,192	--	--	61,192	60,985
		2,178,852	14,489	1,162,903	3,356,244	3,402,417
Interest payable		7,868	--	--	7,868	6,508
Total Expenditure		6,442,368	14,489	1,162,903	7,619,760	7,478,310
Net gains (losses) on investment assets		(12,324)	--	--	(12,324)	58,457
Net income / (expenses) before provisions and transfers		(459,787)	239,965	(4,269)	(224,091)	(51,303)
Provision for deferred tax liabilities		7,620	--	--	7,620	(13,507)
Gross transfers between funds	(22)	(77,014)	77,014	--	--	--
Net Movement In Funds		(529,181)	316,979	(4,269)	(216,471)	(64,810)
RECONCILIATION OF FUNDS						
Fund balances brought forward		3,050,051	366,156	87,523	3,503,730	3,568,540
Fund Balances Carried Forward	(22)	2,520,870	683,135	83,254	3,287,259	3,503,730

KATHARINE HOUSE HOSPICE
CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2018

	2018 £	2017 £
Gross Income from continuing operations	7,407,993	7,368,550
Total expenditure of continuing operations	7,619,760	7,478,310
Net income / (expenditure) for the year before transfers and investment asset disposal	(211,767)	(109,760)
Gain / (Loss) on disposal of fixed asset investments	(12,324)	58,457
Net income / (expenditure) for the year	(224,091)	(51,303)

• Total income comprises:

	2018 £	2017 £
Unrestricted	5,994,905	6,017,563
Designated	254,454	165,856
Restricted	1,158,634	1,185,131

- A detailed analysis of income by source is provided in the Statement of Financial Activities.
- Net income / expenditure before asset disposals all relates to the activity of the unrestricted and restricted funds.
- Turnover of non-charitable trading activities amounted to £4,499,492 (2017: £4,443,640). Detailed analyses of the trading results are shown in Note 6 to the financial statements.
- Restricted income comprises funds raised where the donor has specified a particular use of the funds. These are described in detail in Note 22.
- All other income is unrestricted.

• Total expenditure comprises:

	2018 £	2017 £
Unrestricted	6,442,368	6,260,503
Designated	14,489	45,242
Restricted	1,162,903	1,172,565

- Detailed analysis of the expenditure is provided in the Statement of Financial Activities at Notes 5, 10 and 11 to the financial statements.
- The summary Income and Expenditure Account is derived from the Consolidated Statement of Financial Activities on Page 34, which together with the notes to the account on Pages 41 to 58 provides full information on the movements within the year on all the funds of the Charity.

BALANCE SHEET
at 31 March 2018

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2018 Total Funds £	Unrestricted Funds £	Restricted Funds £	2017 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	1,577,080	--	1,577,080	1,635,389	--	1,635,389
Investments	(18)	617,641	--	617,641	627,955	--	627,955
Investment in Group	(18)	5,602	--	5,602	5,602	--	5,602
		<u>2,200,323</u>	<u>--</u>	<u>2,200,323</u>	<u>2,268,946</u>	<u>--</u>	<u>2,268,946</u>
CURRENT ASSETS							
Debtors	(19)	1,038,708	--	1,038,708	1,698,425	--	1,698,425
Cash at bank and in hand		763,610	83,254	846,864	60,917	87,523	148,440
		<u>1,802,318</u>	<u>83,254</u>	<u>1,885,572</u>	<u>1,759,342</u>	<u>87,523</u>	<u>1,846,865</u>
CREDITORS	(21)	(419,034)	--	(419,034)	(266,972)	--	(266,972)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,383,284</u>	<u>83,254</u>	<u>1,466,538</u>	<u>1,492,370</u>	<u>87,523</u>	<u>1,579,893</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,583,607</u>	<u>83,254</u>	<u>3,666,861</u>	<u>3,761,316</u>	<u>87,523</u>	<u>3,848,839</u>
CREDITORS	(21)	(169,955)	--	(169,955)	(205,193)	--	(205,193)
amounts falling due after one year							
TOTAL NET ASSETS		<u>3,413,652</u>	<u>83,254</u>	<u>3,496,906</u>	<u>3,556,123</u>	<u>87,523</u>	<u>3,643,646</u>
REPRESENTED BY:							
Restricted Funds		--	83,254	83,254	--	87,523	87,523
Designated Funds		683,135	--	683,135	366,156	--	366,156
Unrestricted Funds		2,730,517	--	2,730,517	3,189,967	--	3,189,967
		<u>3,413,652</u>	<u>83,254</u>	<u>3,496,906</u>	<u>3,556,123</u>	<u>87,523</u>	<u>3,643,646</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006.

Approved by the Board of Trustees meeting on 25 September 2018 and signed on its behalf by:-



I D Starkie, Director




Lady Mitting, Chairman

KATHARINE HOUSE HOSPICE
(Registered No. 2700516)
CONSOLIDATED BALANCE SHEET
at 31 March 2018

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2018 Total Funds £	Unrestricted Funds £	Restricted Funds £	2017 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	1,745,643	--	1,745,643	1,811,349	--	1,811,349
Investments	(18)	617,641	--	617,641	627,955	--	627,955
		<u>2,363,284</u>	<u>--</u>	<u>2,363,284</u>	<u>2,439,304</u>	<u>--</u>	<u>2,439,304</u>
CURRENT ASSETS							
Debtors	(19)	285,851	--	285,851	429,092	--	429,092
Stock	(20)	6,296	--	6,296	820	--	820
Cash at bank and in hand		1,326,999	83,254	1,410,253	1,261,315	87,523	1,348,838
		<u>1,619,146</u>	<u>83,254</u>	<u>1,702,400</u>	<u>1,691,227</u>	<u>87,523</u>	<u>1,778,750</u>
CREDITORS	(21)	(568,047)	--	(568,047)	(495,624)	--	(495,624)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,051,099</u>	<u>83,254</u>	<u>1,134,353</u>	<u>1,195,603</u>	<u>87,523</u>	<u>1,283,126</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,414,383</u>	<u>83,254</u>	<u>3,497,637</u>	<u>3,634,907</u>	<u>87,523</u>	<u>3,722,430</u>
CREDITORS	(21)	(204,491)	--	(204,491)	(205,193)	--	(205,193)
amounts falling due after one year							
PROVISIONS							
deferred tax liabilities		(5,887)	--	(5,887)	(13,507)	--	(13,507)
TOTAL NET ASSETS		<u>3,204,005</u>	<u>83,254</u>	<u>3,287,259</u>	<u>3,416,207</u>	<u>87,523</u>	<u>3,503,730</u>
REPRESENTED BY:							
Restricted Funds	(22)	--	83,254	83,254	--	87,523	87,523
Designated Funds	(22)	683,135	--	683,135	366,156	--	366,156
Unrestricted Funds	(22)	2,730,517	--	2,730,517	3,189,967	--	3,189,967
Subsidiary Retained Losses		(209,647)	--	(209,647)	(139,916)	--	(139,916)
		<u>3,204,005</u>	<u>83,254</u>	<u>3,287,259</u>	<u>3,416,207</u>	<u>87,523</u>	<u>3,503,730</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime under the Companies Act 2006.

Approved by the Board of Trustees meeting on 25 September 2018 and signed on its behalf by:-


I D Starkie, Director


Lady Mitting, Chairman

KATHARINE HOUSE HOSPICE
CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2018

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS		2018 £	2017 £
Net movement in funds		(216,471)	(64,810)
Deferred taxation		(7,620)	13,507
Depreciation		171,403	171,340
(Gains)/Losses on investment assets		12,324	(58,457)
Income from fixed asset investment	Note 1	(10,508)	(8,852)
Interest received		(71)	(427)
Interest payable on loans		7,868	6,508
Loss on disposal of fixed assets		13,541	
(Increase) / decrease in Debtors		143,241	50,197
(Increase) / decrease in Stock		(5,476)	(159)
Increase / (decrease) in Creditors		47,454	11,052
Net cash (outflow) inflow from operating activities		155,685	119,899
CASHFLOW STATEMENT			
Cashflow from operating activities		155,685	119,899
Returns on investments and servicing of finance	Note 1	2,711	2,771
		158,396	122,670
(Purchase) / Sale of fixed assets	Note 1	(120,722)	37,357
Payment of Corporation Tax		--	--
Financing	Note 1	(34,468)	(33,558)
Increase / (Decrease) in cash		3,206	126,469

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2018

NOTE 1 TO THE CASHFLOW STATEMENT

	2018 £	2017 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	10,508	8,852
Total Income from fixed asset investments	10,508	8,852
Other Interest received	71	427
Interest payable on loans	(7,868)	(6,508)
	<u>2,711</u>	<u>2,771</u>
Financing		
Repayments of loan capital	(34,468)	(33,558)
	<u>(34,468)</u>	<u>(33,558)</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(60,020)	(58,680)
Add proceeds for DLT transfer	16,782	--
Sale Proceeds of other fixed assets	2,000	--
Capital Payment on HP	(19,266)	
Purchase of fixed asset investments	(1,156,302)	(528,884)
Proceeds of sale of fixed asset investments	1,096,084	624,921
	<u>(120,722)</u>	<u>37,357</u>

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

Net cash inflow / (outflow)	3,206	126,469
Change in net funds in the year	<u>3,206</u>	<u>126,469</u>
Net funds at 1 April	1,473,466	1,346,997
Net funds at 31 March	<u><u>1,476,672</u></u>	<u><u>1,473,466</u></u>

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

	As at 1 April 2017	Cash Flows	Non cash Changes	As at 31 March 2018
Cash in hand and at bank	1,348,838	61,415		1,410,253
Cash in current asset investments	124,628	(58,209)		66,419
TOTAL	<u><u>1,473,466</u></u>	<u><u>3,206</u></u>	<u><u>--</u></u>	<u><u>1,476,672</u></u>

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

	As at 1 April 2017	Cash Flows	Non cash Changes	As at 31 March 2018
Cash at hand and in bank	1,348,838	61,415		1,410,253
Debt due within 1 year	(34,630)	34,630	(59,599)	(59,599)
Debt due after 1 year	(205,193)	(58,897)	59,599	(204,491)
Cash in investments	124,628	(58,209)		66,419
TOTAL	<u><u>1,233,643</u></u>	<u><u>(21,061)</u></u>	<u><u>--</u></u>	<u><u>1,212,582</u></u>

1. ACCOUNTING POLICIES

a) Basis of Accounting

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

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

b) Going concern

The charity reported a consolidated cash inflow of £3,206 for the year and have cash reserves of £1,410,253. The trustees have no plans to restructure the debt or investments of the charity and have approved an achievable budget for financial years 2018/19 to 2020/21. These accounts have therefore been prepared on an ongoing basis.

c) Branch Accounting

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

d) Income

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

i) Voluntary Donations

Voluntary donations are unsolicited gifts to the charity.

ii) Legacy Income

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

iii) Donated goods

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

iv) Fundraising income

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

v) Investment Income

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

1. ACCOUNTING POLICIES (Cont.)

d) Income (cont.)

vi) Grants

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

7. Fees and other income

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

e) Donation of assets

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

f) Expenditure and irrecoverable VAT

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

i) Costs of generating income

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

ii) Expenditure on charitable activities

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

iii) Irrecoverable VAT

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

g) Basis for the allocation of costs

i) Direct costs

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

ii) Support costs

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

iii) Overhead costs

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

h) Tangible fixed assets and depreciation

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

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

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

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

1. ACCOUNTING POLICIES (Cont.)

i) Investments

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

j) Investment property

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

k) Stock

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

l) Debtors

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

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

m) Cash

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

n) Creditors

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

o) Payments on Account

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

p) Deferred income

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

q) Pensions

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

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

r) Fund accounting

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

s) Method of consolidation

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

t) Deferred taxation

Deferred tax is provided in full on timing differences which represents a liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income or expenditure in tax computations in periods different from those in which they are included in the financial statements. Deferred tax is now provided on timing differences arising from accelerated capital allowances as in accordance with SORP (FRS 102). Deferred tax assets and liabilities are not discounted.

u) Operating leases

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

1. ACCOUNTING POLICIES (Cont.)

v) Volunteers

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

2. LEGAL STATUS OF THE CHARITY

The charity is incorporated as a Company Limited by Guarantee and does not have share capital. Each member of the company has undertaken to contribute to the assets of the company in the event of it being wound up while s/he is a member, or within one year after s/he ceases to be a member, for payment of the debts and liabilities of the company contracted before s/he ceases to be a member, and of the rights of the contributions amongst themselves, such amount as may be required not exceeding £1. Each member pays a subscription fee annually. Income from membership is the annual subscription, see note 5.

3. VOLUNTARY INCOME

	Note	2018 £	2017 £
Unsolicited donations and gifts		77,037	72,045
Legacies	(4)	254,454	165,856
Legacies Restricted	(4)	26,500	--
		<u>357,991</u>	<u>237,901</u>

4. LEGACIES

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

	No.	2018 £	No.	2017 £
Up to £10,000	13	9,940	20	10,674
£10,000 to £49,999	5	144,053	5	155,182
£50,000 to £99,999	2	126,961	-	--
Over £100,000	-	--	-	--
		<u>280,954</u>		<u>165,856</u>

5. FUNDRAISING INCOME AND EXPENDITURE

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

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

The trustees are grateful to the many tax-paying donors who are willing to sign Gift Aid forms, this enhances the value of the donation to the Hospice and last year raised an additional £55,481 (2017: £59,978).

The performance set out below specifically excludes: £280,954 of legacy income (2017: £165,856); £77,037 of unsolicited donations (2017: £72,045); grants from the statutory sector; and fee income derived from education, consultancy and similar.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

5. FUNDRAISING INCOME AND EXPENDITURE (Cont.)

	Unrestricted	Restricted	2018	2017
Note	£	£	Total £	Total £
Income Sources				
Individuals and groups	280,771	9,400	290,171	265,390
Gift Aid	55,481	--	55,481	59,978
Collections	20,500	8	20,508	17,478
Membership (2)	615	--	615	655
Corporate Support	71,317	145	71,462	105,604
Trusts and grant giving bodies	48,255	134,120	182,375	223,517
Events	167,084	--	167,084	243,467
Support groups	11,461	--	11,461	16,548
Tea bar income	3,639	--	3,639	4,691
Other sources	3,745	--	3,745	1,510
	<u>662,868</u>	<u>143,673</u>	<u>806,541</u>	<u>938,838</u>
Direct Costs				
Wage costs	213,469		213,469	219,411
Other staff costs	5,897		5,897	3,543
IT Costs	4,018		4,018	743
Event costs	47,865		47,865	69,907
Project costs	7,685		7,685	6,198
Tea bar costs	1,956		1,956	1,702
Other costs	19,417		19,417	15,898
Depreciation	7,418		7,418	7,260
	<u>307,725</u>		<u>307,725</u>	<u>324,662</u>
Support Costs				
Housekeeping	1,597		1,597	1,467
Maintenance	1,656		1,656	1,711
	<u>3,253</u>		<u>3,253</u>	<u>3,178</u>
Overhead Costs				
Administrative costs	89,130		89,130	64,857
	<u>89,130</u>		<u>89,130</u>	<u>64,857</u>
Total Fundraising Costs	<u>400,108</u>		<u>400,108</u>	<u>392,697</u>
Net Income from Fundraising			<u>406,433</u>	<u>546,141</u>

6. TRADING SUBSIDIARIES

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.

KHH Development Ltd

	2018 £	2017 £
Turnover	6,540	16,490
Operating costs	(811)	(792)
Net Profit	<u>5,729</u>	<u>15,698</u>
Distribution under Gift Aid to Katharine House Hospice	(5,729)	(15,698)
Retained earnings carried forward	<u>--</u>	<u>--</u>
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	22,372	21,971
Liabilities	(21,872)	(21,471)
Funds	<u>500</u>	<u>500</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

6. TRADING SUBSIDIARIES (Cont.)

KH Promotions Ltd

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

	2018 £	2017 £
Turnover	409,401	409,754
Operational costs	(182,048)	(182,226)
Recharges paid to Katharine House	(25,861)	(22,695)
Interest Received	11	21
NET PROFIT	201,503	204,854
Distribution under Gift Aid to Katharine House Hospice	(201,503)	(204,854)
Retained in subsidiary undertaking	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	160,315	168,576
Liabilities	(160,215)	(168,476)
Funds	100	100

Katharine House Retail Ltd

Katharine House Retail Ltd was established to operate charity shops on behalf of the parent charity. The Funds for Katharine House Retail Limited represent 2 Ordinary Shares of £1 each and £9,739 retained profit. From 1 April 2017 the hospice has operated the charity shops directly, and the retail company have 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.

	2018 £	2017 £
Turnover	180,729	2,744,767
Operational costs	(148,885)	(2,359,139)
Recharges paid to Katharine House	(31,531)	(117,534)
Interest payable	(2,263)	--
Interest Received	1,950	2,600
NET PROFIT	--	270,694
Amounts written off investments	(19,461)	--
Distribution under Gift Aid to Katharine House Hospice	--	(270,694)
Retained in subsidiary undertaking	(19,461)	--
Retained earnings brought forward	29,200	29,200
Retained earnings carried forward	9,739	29,200
The aggregate of the assets, liabilities and funds at 31 March was:		
Fixed Assets	168,564	142,505
Assets	383,288	1,011,523
Liabilities	(542,111)	(1,124,826)
Funds	9,741	29,202
Additional Financial Value from KH Retail Ltd		
Gift Aided sales donated to Katharine House Hospice	587,229	586,752
Gift Aid on these sales	142,205	143,807

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

6. TRADING SUBSIDIARIES (Cont.)

DLT Trading Ltd

DLT Trading is a wholly owned subsidiary of Katharine House Retail Ltd and was established to run charity shops on behalf of another charity. The Funds for DLT Trading Limited represent 1 Ordinary Shares of £1 each and retained loss of £0.

This agreement was terminated as at 22nd December 2017 at which point DLT Trading Ltd ceased trading.

	2018 £	2017 £
Turnover	807,006	1,085,292
Operating costs	(663,877)	(935,877)
GROSS PROFIT	143,129	149,415
Interest Payable	(1,950)	(2,600)
Loan written off in current liabilities	19,461	--
Donation under Gift Aid to Donna Louise Children's Hospice	(141,179)	(146,815)
Retained in subsidiary undertaking	19,461	--
Retained earnings brought forward	(19,461)	(19,461)
Retained earnings carried forward	--	(19,461)
The aggregate of the assets, liabilities and funds at 31 March was:		
Tangible Assets	--	33,455
Assets	179,312	351,932
Liabilities	(179,311)	(404,847)
Funds	1	(19,460)

Embrace Quality Care Limited

The charity established a subsidiary company for the purposes of operating as a care agency. The Funds for Embrace Quality Care Limited represent 5000 Ordinary Shares of £1 each and retained losses of £219,386.

	2018 £	2017 £
Turnover	298,639	275,377
Operating costs	(338,209)	(292,553)
Recharges paid to Katharine House	(30,161)	(48,064)
GROSS LOSS	(69,731)	(65,240)
Retained in subsidiary undertaking	(69,731)	(65,240)
Retained earnings brought forward	(149,655)	(84,415)
Retained losses carried forward	(219,386)	(149,655)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	72,237	86,939
Liabilities	(286,623)	(231,594)
Funds	(214,386)	(144,655)

7. FEE INCOME

The main object of the charity is to provide home care, day care and inpatient care to people in mid-Staffordshire in need of specialist palliative care. The charity makes no charge for the provision of these services. A subsidiary object is to provide training, education and other resources for those involved in the provision of specialist palliative care services. To this end medical and nursing students from universities have paid placements at the hospice and a training room is provided at the KH Hospice Business Centre. Training and education is often provided without charge, but for some a fee is charged to external trainees. Furthermore, the facilities are not always in use for the objects of the charity, and at times when the facilities are idle they are available to external organisations.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

8. INVESTMENT INCOME AND FEES

Investment income comprises:

	Company		Group	
	2018	2017	2018	2017
	£	£	£	£
Bank Interest	5	318	16	339
Interest from Investments	55	88	55	88
Dividends	10,496	8,852	10,496	8,852
Tax reclaim due in investments	12	--	12	--
	<u>10,568</u>	<u>9,258</u>	<u>10,579</u>	<u>9,279</u>

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

	2018	2017
	£	£
Management of the portfolio	8,542	6,242
Brokerage costs on Sales of Assets	--	4,266
Brokerage costs on Acquisitions of Assets	--	2,649
	<u>8,542</u>	<u>13,157</u>

9. STATUTORY SECTOR INCOME

The charity is in receipt of income from a number of statutory agencies. Trustees are pleased to report that the four local Clinical Commissioning Groups (Stafford and Surrounds, Cannock Chase, East Staffordshire, and Seisdon and South Staffordshire) have continued commitments to fund the hospice's work. The percentages shown are of total incoming resources on the unconsolidated SOFA, page 33.

		2018		2017	
		£	%	£	%
Local Clinical Commissioning Groups					
Stafford & Surrounds	(a)	625,154	10.57	625,154	18.30
Cannock Chase	(a)	309,254	5.23	309,169	9.05
East Staffordshire	(a)	16,341	0.28	16,341	0.48
Seisdon & South Staffordshire	(a)	6,536	0.11	6,536	0.19
Continuing Care Funding		--	-	3,000	0.09
Stafford Borough Council	(b)	3,500	0.06	3,500	0.10
NHS Pension Rebate	(c)	26,594	0.45	26,594	0.78
		<u>987,379</u>	<u>16.70</u>	<u>990,294</u>	<u>28.99</u>

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

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

	2018	2017
	£	£
Staffordshire County Council for the provision of Hospice Services	5,600	--
Rugeley Town Council for new syringe pump lock boxes and a commode chair	500	--
Uttoxeter Town Council for provision of Hospice Services	234	--
Hednesford Town Council for the provision of Hospice Services	100	300
Staffordshire County Council for provisions of Wellbeing Day Services	--	2,003
Mayor of Stafford Borough Council	--	2,000
Staffordshire County Council for Lymphoedema Coach for Uttoxeter Care	--	1,000
Rugeley Town Council for provision of IPU Services	--	617
Staffordshire County Council for new rucksacks for the At Home Team	--	500
Uttoxeter Town Council for provision of Lymphoedema Equipment	--	200

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

10. EXPENDITURE ANALYSIS

		Direct Staff	Direct Other	Deprec- iation	Recharged Direct Support	Recharged Management and Admin	2018 Total	2017 Total
Charitable Activity								
Inpatient Care		1,078,821	52,912	23,917	369,461	199,391	1,724,502	1,672,735
Day Care		170,651	12,750	19,074	71,305	36,314	310,094	336,954
Lymphoedema		96,558	37,378	5,858	42,086	25,996	207,876	244,709
At Home Care		277,478	20,879	2,022	43,806	63,857	408,042	433,355
Family Support		151,054	3,713	2,513	24,110	26,748	208,138	202,429
Drop-In/ Wellbeing Day		12,718	2	1,977	11,810	10,291	36,798	36,820
Carers Support		17,600	1,330	--	4,394	4,744	28,068	30,964
Other Care / Education		--	28	--	200	2,936	3,164	42,849
Charitable Expenditure		1,804,880	128,992	55,361	567,172	370,277	2,926,682	3,000,815
Governance	(11)	25,432	11,886	--	1,435	22,439	61,192	60,985
Fundraising	(5)	213,469	86,838	7,418	4,907	87,476	400,108	392,697
Charity Shops		1,626,980	932,313	--	27,041	58,852	2,645,186	--
Recharges to Subsidiaries								
To KH Retail		--	514	6,442	7,737	16,838	31,531	117,534
To Embrace		--	--	--	10,196	19,965	30,161	48,064
To KH Promotions		--	283	1,225	2,456	21,897	25,861	22,695
Total Recharges		--	797	7,667	20,389	58,700	87,553	188,293
Analysis of Direct Support and Overhead recharges					620,944	597,744		
Direct Support Services								
Management of Care		136,620	43,604	2,022			182,246	145,295
Catering		53,734	20,571	4,959			79,264	82,874
Laundry		--	--	2,495			2,495	8,667
Housekeeping		55,072	25,486	113			80,671	74,093
Property Costs		94,485	72,663	100			167,248	172,857
Administration		49,177	57,821	2,022			109,020	111,910
Total Direct Support		389,088	220,145	11,711			620,944	595,696
Overhead Costs								
Management		188,667	119,412	9,611			317,690	245,354
Finance Department		80,774	5,446	6,036			92,256	119,286
Personnel		63,473	19,179	3,266			85,918	72,786
Voluntary Services		30,404	417	478			31,299	34,564
Marketing		59,158	11,423	--			70,581	32,878
Total overhead		422,476	155,877	19,391			597,744	504,868
Total Direct Expenditure		2,855,345	604,535	101,548				

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

11. GOVERNANCE COSTS

	2018	2017
	£	£
Allocation of the costs of Management Time	25,432	26,747
Trustee Indemnity insurance	1,256	1,009
Audit and accountancy fees	10,630	7,630
Direct Support Recharge	1,435	1,824
Management and Admin Recharge	22,439	23,775
	<u>61,192</u>	<u>60,985</u>

12. SPECIFIC CHARGES TO EXPENDITURE

Audit fees for the group were £14,000 (2017: £17,025).

Directors expenses were £NIL (2017: £NIL), see note 13.

13. TRUSTEES' REMUNERATION AND EXPENSES

None of the directors or connected persons received any remuneration during the year, nor did they have any financial interest in the Company's activities (2017: £NIL). The secretary received expenses of £NIL (2017 - £NIL).

14. EMPLOYEE NUMBERS AND COSTS

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

Company	2018		2017	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	62	52.03	61	51.83
Medical and Therapies	5	3.13	4	2.60
Ancillary	14	8.84	14	7.91
Fundraising	8	7.16	9	7.61
Charity shops	114	80.27	0	0.00
Administration / Management	23	18.44	21	17.79
	<u>226</u>	<u>169.87</u>	<u>109</u>	<u>87.74</u>

Group	2018		2017	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	83	67.91	80	63.43
Medical and Therapies	5	3.13	4	2.60
Ancillary	14	8.84	14	7.91
Generating Funds	10	8.09	157	104.71
Charity shops	144	96.30	0	0.00
Administration / Management	23	18.44	21	17.79
	<u>279</u>	<u>202.71</u>	<u>276</u>	<u>196.44</u>

The costs of employment were:

	Company		Group	
	2018 £	2017 £	2018 £	2017 £
Salary	3,840,980	2,269,305	4,552,827	4,364,945
National Insurance	270,770	186,261	300,149	287,344
Pension	157,335	150,496	160,470	162,883
	<u>4,269,085</u>	<u>2,606,062</u>	<u>5,013,446</u>	<u>4,815,172</u>
Bought-in staff	208,997	207,700	208,997	208,287
	<u>4,478,082</u>	<u>2,813,762</u>	<u>5,222,443</u>	<u>5,023,459</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
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15. EMOLUMENTS

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

	Company		Group	
	2018	2017	2018	2017
£60,001 - £70,000	0	1	0	1
£70,001 - £80,000	1	1	1	1

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

	Company		Group	
	2018	2017	2018	2017
£60,001 - £70,000	0	1	0	1
£70,001 - £80,000	4	4	4	4
£80,001 - £90,000	0	0	0	0
£90,001 - £100,000	1	1	1	1

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 £372,883 (2017: £354,372). There were 5 members of the team until May 2017 and 6 members for the rest of the year (2017: 5 members of the team until February 2017 and 7 members in February and March 2017).

16. PENSIONS

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

a) NHS Defined Benefit Scheme

Employees who are members of the NHS pension scheme, if eligible, may continue to contribute to this scheme. Employer contributions are 14.38%. 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 requirements to provide access to employees to pension schemes, opened a scheme in 2000 for eligible employees to the Standard Life Group Pension Scheme. The charity matches Employee contributions up to 7%. From 1 April 2015 Standard Life closed this scheme. This scheme is a defined contribution scheme.

c) Employees' own schemes

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

d) National Employment Savings Trust (NEST)

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

Numbers of staff and contributions to the different schemes are:

	2018		2017	
Company	Average Number	Employer Contribution	Average Number	Employer Contribution
NHS	27	106,443	30	112,852
Standard Life	25	28,499	19	25,053
Scottish Widows	1	2,198	0	0
Royal Liverpool Assurance	0	0	1	371
NEST	123	16,417	57	7,858
	<u>176</u>	<u>153,557</u>	<u>107</u>	<u>146,134</u>
Group				
NHS	27	106,443	30	112,852
Standard Life	25	51,011	24	30,536
Scottish Widows	1	2,198	0	0
Royal Liverpool Assurance	0	0	1	371
NEST	161	19,554	132	12,779
	<u>214</u>	<u>179,206</u>	<u>187</u>	<u>156,538</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

17. TANGIBLE FIXED ASSETS

COMPANY	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Cost					
At 1 April 2017	2,138,707	412,692	132,495	87,465	2,771,359
Additions	--	--	--	43,238	43,238
Disposals	--	--	--	--	--
At 31 March 2018	<u>2,138,707</u>	<u>412,692</u>	<u>132,495</u>	<u>130,703</u>	<u>2,814,597</u>
Depreciation					
At 1 April 2017	645,014	288,940	114,551	87,465	1,135,970
Charge for the year	42,774	47,525	6,922	4,326	101,547
Disposals	--	--	--	--	--
At 31 March 2018	<u>687,788</u>	<u>336,465</u>	<u>121,473</u>	<u>91,791</u>	<u>1,237,517</u>
Net Book Value					
At 31 March 2018	<u>1,450,919</u>	<u>76,227</u>	<u>11,022</u>	<u>38,912</u>	<u>1,577,080</u>
At 1 April 2017	<u>1,493,693</u>	<u>123,752</u>	<u>17,944</u>	<u>--</u>	<u>1,635,389</u>
GROUP					
Cost					
At 1 April 2017	2,549,337	442,192	186,091	192,065	3,369,685
Additions	--	16,782	--	121,238	138,020
Disposals	(61,260)	(350)	(852)	(19,700)	(82,162)
At 31 March 2018	<u>2,488,077</u>	<u>458,624</u>	<u>185,239</u>	<u>293,603</u>	<u>3,425,543</u>
Depreciation					
At 1 April 2017	911,143	315,918	168,147	163,128	1,558,336
Charge for the year	89,179	48,980	6,922	26,322	171,403
Disposals	(31,737)	(350)	(852)	(16,900)	(49,839)
At 31 March 2018	<u>968,585</u>	<u>364,548</u>	<u>174,217</u>	<u>172,550</u>	<u>1,679,900</u>
Net Book Value					
At 31 March 2018	<u>1,519,492</u>	<u>94,076</u>	<u>11,022</u>	<u>121,053</u>	<u>1,745,643</u>
At 1 April 2017	<u>1,638,194</u>	<u>126,274</u>	<u>17,944</u>	<u>28,937</u>	<u>1,811,349</u>

The Net Book Value of the Groups assets at 31 March 2018 represents Fixed Assets used for:

	Long Leasehold Land and Buildings £	Equipment, Furniture and Fixture £	IT Equipment and Software £	Motor Vehicles £	Total £
Care and education	1,000,029	39,187	1,231	38,912	1,079,359
Fundraising	70,794	4,885	373	--	76,052
Retail Subsidiary	125,208	21,757	373	82,141	229,479
Trading Subsidiary	14,159	977	187	--	15,323
Support Services	45,804	17,500	75	--	63,379
Administration	263,498	9,770	8,783	--	282,051
	<u>1,519,492</u>	<u>94,076</u>	<u>11,022</u>	<u>121,053</u>	<u>1,745,643</u>
Unrestricted Assets	<u>1,519,492</u>	<u>94,076</u>	<u>11,022</u>	<u>121,053</u>	<u>1,745,643</u>
	<u>1,519,492</u>	<u>94,076</u>	<u>11,022</u>	<u>121,053</u>	<u>1,745,643</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

18. FIXED ASSET INVESTMENT - Company and Group

	2018		2017	
	£	%	£	%
At 31 March 2018 investments were held as:				
Bonds	23,729	3.8	127,383	20.3
UK Equities and funds	106,384	17.2	122,861	19.6
Overseas Equities and funds	374,138	60.6	236,358	37.6
Other Assets	46,971	7.6	16,725	2.7
Total Invested Funds	551,222	89.2	503,327	80.2
Cash held for investment	66,419	10.8	124,628	19.8
Total Funds in Investment portfolio	617,641	100.0	627,955	100.0

	2018	2017
	£	£
Listed investments		
Market Value at 31 March	503,327	540,907
Less Disposals at opening book value (proceeds £1,096,084)	(1,091,763)	(620,439)
Add acquisitions at cost	1,156,302	528,884
Net gain/(loss) on revaluation at 31 March	(16,644)	53,975
Market Value at 31 March of listed investments	551,222	503,327
Historical Cost at 31 March	566,420	445,629

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

FIXED ASSET INVESTMENT - Company

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

	2018	2017
	£	£
KH Promotions Limited	100	100
Katharine House Retail Limited	2	2
Embrace Quality Care Limited	5,000	5,000
KHH Development Limited	500	500
	5,602	5,602

Results for the year are shown in note 6.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

19. DEBTORS

	Company		Group	
	2018	2017	2018	2017
	£	£	£	£
Intercompany accounts	808,590	1,455,277	–	–
Trade debtors	740	–	35,672	27,806
NHS pharmaceutical supplies	23,789	44,185	23,789	44,185
HMRC - tax and social security	63,734	82,966	81,578	117,699
Other debtors	3,337	105	4,121	22,192
Accrued legacy income	–	72,981	–	72,981
Prepayments	134,643	42,911	136,816	140,354
Deposits provided	3,875	–	3,875	3,875
	<u>1,038,708</u>	<u>1,698,425</u>	<u>285,851</u>	<u>429,092</u>

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

20. STOCK

	Company		Group	
	2018	2017	2018	2017
	£	£	£	£
Bought in Goods	–	–	6,296	820

21. CREDITORS

Amounts due in under one year

	Company		Group	
	2018	2017	2018	2017
	£	£	£	£
Bank Loans	35,400	34,630	35,400	34,630
Hire Purchase Loan	–	–	24,199	–
Payments on account	–	–	66,011	58,751
Trade creditors	144,474	81,216	147,701	129,476
Accruals	154,394	59,197	155,624	150,879
Deferred income	76,497	87,263	76,497	87,263
Other creditors	8,269	4,666	62,615	34,625
	<u>419,034</u>	<u>266,972</u>	<u>568,047</u>	<u>495,624</u>

Amounts due after one year

	Company		Group	
	2018	2017	2018	2017
	£	£	£	£
Bank Loans	169,955	205,193	169,955	205,193
Hire Purchase Loan	–	–	34,536	–
	<u>169,955</u>	<u>205,193</u>	<u>204,491</u>	<u>205,193</u>

The 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 loan is secured on two premises owned by the hospice: Unit 1 Priestly Court, Stafford and 150 Weston Road, Stafford.

The hire purchase loan is a hire purchase loan of 3 years with an option to purchase the 4 Retail vans it relates to for a nominal amount at the end of the term. The loan is at 5.83%.

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For the year ended 31 March 2018

(Continued)

22. FUNDS

General, Designated and Restricted Funds

	General Funds	Designated Funds	Restricted Funds	Total Funds
	£	£	£	£
Income	5,994,905	254,454	1,158,634	7,407,993
Expenditure in generating funds	(4,255,648)	--	--	(4,255,648)
Financing costs	(7,868)	--	--	(7,868)
	1,731,389	254,454	1,158,634	3,144,477
Opening value of funds	3,050,051	366,156	87,523	3,503,730
Provision for deferred tax liabilities	7,620	--	--	(13,507)
Transfers (to) / from general funds	(77,014)	77,014	--	--
Gains / (losses) on investment assets				
Realised	4,320	--	--	4,320
Unrealised	(16,644)	--	--	(16,644)
	4,699,722	697,624	1,246,157	6,643,503
Charitable expenditure	(2,178,852)	(14,489)	(1,162,903)	(3,356,244)
Closing value of funds	2,520,870	683,135	83,254	3,287,259

Restricted Funds

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

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

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

The other revenue funds for specified purposes are funds for use in the provision of aspects of services or for provision not specific to a service.

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

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

Movements on Restricted Funds						
Fund	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £	Funds Held as Net Current Assets £
Capital and Equipment funds:						
Day Care Equipment	15,057	3,000	(5,913)	--	12,144	12,144
Oxygen Concentrator Day therapies	--	1,000	(170)	--	830	830
IPU Refurbishment and Equipment	8,592	2,950	(9,143)	--	2,399	2,399
Slide Sheets IPU	--	434	(129)	--	305	305
Lymphoedema Equipment	3,079	7,355	(7,357)	--	3,077	3,077
Infusion Pump	600	--	--	--	600	600
Rank Foundation - Therapy Room	526	--	--	--	526	526
Multi-sensory Equipment	1,134	--	--	--	1,134	1,134
Abdominal Scanner	1,237	--	(900)	--	337	337
Uttoxeter Care - Lymphoedema Equip	65	--	--	--	65	65
Clinic Flooring	2,000	1,121	(3,121)	--	--	--
Hospice Flooring	--	1,497	--	--	1,497	1,497
Patient Transport - minibus fund	14,075	20,366	(34,441)	--	--	--
Patient Transport - WAV vehicle	--	11,634	(11,614)	--	20	20
Day Therapies Heating Project	--	3,100	(2,100)	--	1,000	1,000
Revenue funds to operate specified services:						
Lymphoedema Services	--	480	(480)	--	--	--
IPU Fund	--	15,102	(15,102)	--	--	--
At Home Team fund	--	26,925	(26,925)	--	--	--
Embrace Quality Care fund	1,518	2,082	(375)	--	3,225	3,225
District Nurses	--	35,000	(26,250)	--	8,750	8,750
Clinical Commissioners	--	983,879	(983,879)	--	--	--
Carers Group	--	500	(23)	--	477	477
Respite for carers	--	9,000	(9,000)	--	--	--
Day Therapies Fund	2,893	699	(3,592)	--	--	--
Family support Services	--	1,160	(1,160)	--	--	--
Well being Day	--	260	(260)	--	--	--
Spiritual Support	4,672	--	(536)	--	4,136	4,136
Day Therapies Co-ordinator	--	22,618	(11,657)	--	10,961	10,961
Other revenue funds for specified purposes:						
Patients Comfort Fund Day Care	6,528	3,169	(2,640)	--	7,057	7,057
Patients Comfort Fund IPU	1,762	--	(138)	--	1,624	1,624
IPU Staff Gift	380	140	--	--	520	520
Keele Medical Students Fund	6,856	4,581	(2,632)	--	8,805	8,805
Garden Fund	11,868	100	(400)	--	11,568	11,568
Flower Donations	181	--	--	--	181	181
Complementary Therapies	--	58	(24)	--	34	34
Al Zohra - Dementia Training	4,500	100	(2,618)	--	1,982	1,982
Education	--	324	(324)	--	--	--
	87,523	1,158,634	(1,162,903)	--	83,254	83,254

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2018

(Continued)

Designated Funds

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

Movements on Designated Funds:

Designated Fund	Opening Fund Value £	Income £	Charitable Expend £	Transfer from / (to) General Fund £	Closing Fund Value £
Repairs and Renewals Fund	45,000	--	--	(2,220)	42,780
Renewal of IT fund	76,000	--	6,055	30,055	100,000
Training and Development Fund	18,000	--	8,434	1,434	11,000
Legacy Equalisation Fund	147,156	254,454	--	(281,610)	120,000
Retail Vehicle fund	80,000	--	--	(36,000)	44,000
Retail Premises Purchase	--	--	--	160,000	160,000
Fund to repay loan	--	--	--	205,355	205,355
	<u>366,156</u>	<u>254,454</u>	<u>14,489</u>	<u>77,014</u>	<u>683,135</u>

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

The renewal of IT fund is to be built up to accommodate expected expenditure on the refreshing of the main IT infrastructure sometime between 2020 and 2022. From 2018/19 onwards there will be a rolling programme of renewal of PCs.

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

The Legacy Equalisation fund has been established to help trustees make sound financial decisions without reference to unpredictable legacy income. The Hospice's legacy income has varied from as low as £35k to as high as £567k in the last eight years. This creates a great deal of uncertainty when setting budgets at the beginning of the year. By establishing this fund trustees will be able to use these funds in the event of a shortfall in legacy income against the annual budget. This will enable trustees to make robust decisions on the commitment of expenditure to new or existing projects over a three year period. The 2018/19 budget for legacies is £120,000.

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

The Retail Premises purchase relates to the proposed purchase of one of our retail sites.

The trustees have established a designated fund for the repayment of outstanding capital amounts on an existing loan. This provides flexibility for trustees to repay the loan early, when the initial period of the loan expires in November 2018.

23. TRANSFERS BETWEEN FUNDS

	Transfers In	Transfers Out	Net Transfers
General Funds	319,830	(396,844)	(77,014)
Designated Funds:			
Repairs and Renewals	--	(2,220)	
Renewal of IT fund	30,055	--	
Training and Development Fund	1,434	--	
Retail Vehicle fund	--	(36,000)	
Retail Premises Purchase	160,000	--	
Fund to repay loan	205,355	--	
Legacy Equalisation Fund	--	(281,610)	
	<u>396,844</u>	<u>(319,830)</u>	<u>77,014</u>

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24. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The charity has no capital commitments at 31 March 2018.

Operating Lease Commitments

The company and group hold leases for retail outlets. The annual costs of these leases by remaining time to expiry of the lease as at 31 March 2018 is:

	Out of lease	<2 years	2-5 years	5-10 years	10 years
Company and Group	182,650	41,725	--	166,000	30,000

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

	To next date of cancellation	Total Cost of Lease
Company and Group	670,767	1,491,886

There were no other operating lease commitments at 31 March 2018 that exceeded one year.

25. RELATED PARTY TRANSACTIONS

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

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

Specific related party transactions are:

	2018 £	2017 £
Allison Cape		
Stafford and Stoke-on-Trent Partnership Trust (relationship: Employee)		
(i) Contract for the provision of social work services	50,011	47,453
(ii) Funding for two End of Life District Nursing posts	35,000	31,500
Provision of manual handling training	--	770
Chris Secker and Caroline Bruckner-Holt		
County Hospital and University Hospitals of the North Midlands (formerly Mid Staffordshire Hospitals NHS Trust) (relationship: Employees)		
(iii) Provision of pharmacy services and drug supplies	72,481	16,363
Provision of Palliative Medical Consultant Sessions	48,578	--
Contract for the provision of occupational and physiotherapy services	32,687	34,992
Provision of manual handling training	142	304
Miscellaneous	--	92
Richard Soulsby		
AL Services (relationship: Spouse is proprietor)		
Spot purchasing of counselling services	4,585	5,460
Jennifer Woodyard		
Hand Morgan & Owen Solicitors (relationship: Employee)		
Provision of legal services connected with property transactions	271	816
(i) The contract was originally with Staffordshire County Council, until the staff transferred under TUPE		
(ii) These posts are funded by a grant from an external body and are intended to strengthen liaison between agencies for patients in the community requiring end of life care.		
(iii) The pharmacy services and supplies contract commenced in December 2016.		

26. POST BALANCE SHEET EVENTS

The Clinical Commissioning Groups have advised the trustees that funding for 2018/19 will remain unchanged from 2017/18.

The retail operation is currently in the process of acquiring the Norton Bridge site for £610k with the deposit out of reserves of £160k and a loan of £450k.

In Autumn 2018 there is a planned changeover of the current retail till system with an approximate capital outlay of £70k. There is expected to be a considerable improvement in how we process Gift Aid, enabling us to generate more funds from this income stream. Other benefits will include improvement in the reports available and a projected reduction in annual operating costs.

Following recommendation on improvements to managing and administering medicines, £30k expenditure is within the capital budget for 2018/19 to enable the drugs room to be relocated. Work will be started once funds have been raised for this move.