

"How We Are Doing"

OUR DIRECTORS' AND TRUSTEES' REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

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

Last Year..



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 2019 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 2018 – 31st March 2019)

As I write this, my sixth and last statement, it seems no time at all since I was writing my first. This period has seen major changes in the provision of hospice care across the country and as we all adapt to meet the changing needs of our communities, different models of service provision are evolving. Over the last 6 years, here at Katharine House, activity in the Inpatient Unit has fallen by 6% but over the same period, Hospice at Home has doubled the number of contacts to 6,800, whilst Day Therapy attendances have increased by a fifth to 2,053. The nature of our services are also changing as we care increasingly for patients with both more complex conditions and with multiple conditions. The clinical expertise of the Hospice has been strengthened accordingly both in terms of the development of specialist skills and the appointment of a medical consultant as our medical director. Our care management structure has been reconfigured to include the appointment of a new Ward Manager which has led to direct clinical leadership for all services. Of major importance in the last year has been the transfer across to the Katharine House care team of the Community Palliative Care Nurse Specialists, previously employed by the Midlands Partnership Foundation Trust. Their integration in to the Hospice will considerably extend the palliative care and end of life services we offer to the people of Mid Staffordshire.



*Katharine House Hospice
Chairman Lady Mitting*

In my previous report, I referred to the establishment of the End of Life Care Board, then in its very early stages. The Board continues to operate and I am pleased to see that the Staffordshire Sustainability and Transformation Partnership have given a very

high priority to improving end of life care. This should be reflected in increasing support to nursing homes and the reduction in avoidable hospital admissions. Much has been achieved in the face of a challenging financial climate and, in particular, rapidly increasing cost pressures from a range of external sources. These include increased employment costs in the minimum wage increases, the introduction of auto-enrolment for pensions and the apprenticeship levy. Increased regulatory demands have increased the cost of compliance both in terms of financial expenditure and staff resources.

A review of the year must include the visit of Her Royal Highness Princess Alexandra in June. The visit, superbly organised by Jane Chappell, was an outstanding success and Her Royal Highness spent several hours speaking with a depth of knowledge to staff and volunteers and with great compassion to our patients and their families. Particularly memorable on such a memorable day was to see Joan Potter, celebrating 30 years as a volunteer, being introduced to Her Royal Highness. Congratulations Joan.

On behalf of the Board, I, as always, pay tribute to our volunteers without whom the Hospice quite simply could not function as it does. It is their tireless contribution to every aspect of Hospice life that makes Katharine House what it is.

I also thank my fellow Trustees for their support both to me personally and to the Hospice. We were sorry to lose, during the course of the year, David Sandy and Karen Overmass from the Board. David's contribution to the Board has been immense and I am delighted that he remains on the Retail Board. Karen was a constant source of support for the HR department and she will be much missed. We are delighted to welcome on to the Board Stephanie Harris with her experience of HR in a care setting, Mark Bland with his clinical expertise and Alan Jeffries with his

experience in retail, including retail in the charitable sector. The Trustees give freely of their time, knowledge and skills and I leave a Board which is energetic and united in its commitment to Katharine House.

It has been my great good fortune to have worked throughout with Richard, a quite outstanding Chief Executive, so ably supported by a strong and competent Executive Team. I thank them all for the advice, guidance and support they have given to me over the years and as I hand over the reins to Jean-Pierre Parsons, the Hospice will be in the safest of hands and will, I know, go forward and thrive.

I conclude by thanking our community for their dedication and steadfast support, given in so many differing ways, which serve as an inspiration to us all. It has been an enormous privilege to serve on the Board of Katharine House and I wish the Hospice and everyone connected to it the greatest success in the future.

**Lady Mitting
Chairman**

A handwritten signature in black ink, appearing to read 'Lady Mitting', written in a cursive style.

Report of the Trustees and Directors

3. Objectives and Activities – what we do

Katharine House Hospice's prime purpose is to support people at the end of their lives seeking to enable them to be cared for and to die in the place of their choosing. In doing this Katharine House also supports families and friends of our patients both before and after bereavement.

Katharine House Hospice also offers an array of peripheral services in support of the prime purpose.

3.1. The Purpose of the Charity

Our Memorandum of Association defines the purpose of the Charity as **to promote the relief of sickness and suffering.**

In particular it states that the Charity exists:

- a) To promote the relief of persons who are suffering (at any age) from any chronic or terminal illness or from any disability or disease by the establishment of day or domiciliary care and to establish, maintain and manage a Hospice Hospital or Residential Home;
- b) To promote the teaching or training of doctors, nurses, physiotherapists and other persons;
- c) To provide counselling or spiritual help or guidance for any person's resident or working in any such home or homes



3.2. Our Services

We provide the following principal services free of charge to support people affected by any progressive, life-limiting condition:

- **Day Therapies**
- A six week **Well Being Day** programme
- 24 hour **in-patient care** providing respite care, symptom control or terminal care for up to 10 patients at a time
- A **Community Palliative Care Nurse Specialist** service
- 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.

Katharine House established a care agency – ***Embrace Quality Care Limited*** - In April 2012, to provide home care services that reflect the quality of care within the charitable hospice, but the agency charges for its services. Whilst Embrace Quality Care Limited is expected to break even, in practice the costs of this service are underwritten by the Charity. The Trustees take the view that there are a number of additional benefits including increased donations to the Charity, improved integration of our community services 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 fully within the charitable objects of the Hospice, so Trustees are willing to subsidise these.

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

Our Mission is

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

We 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.

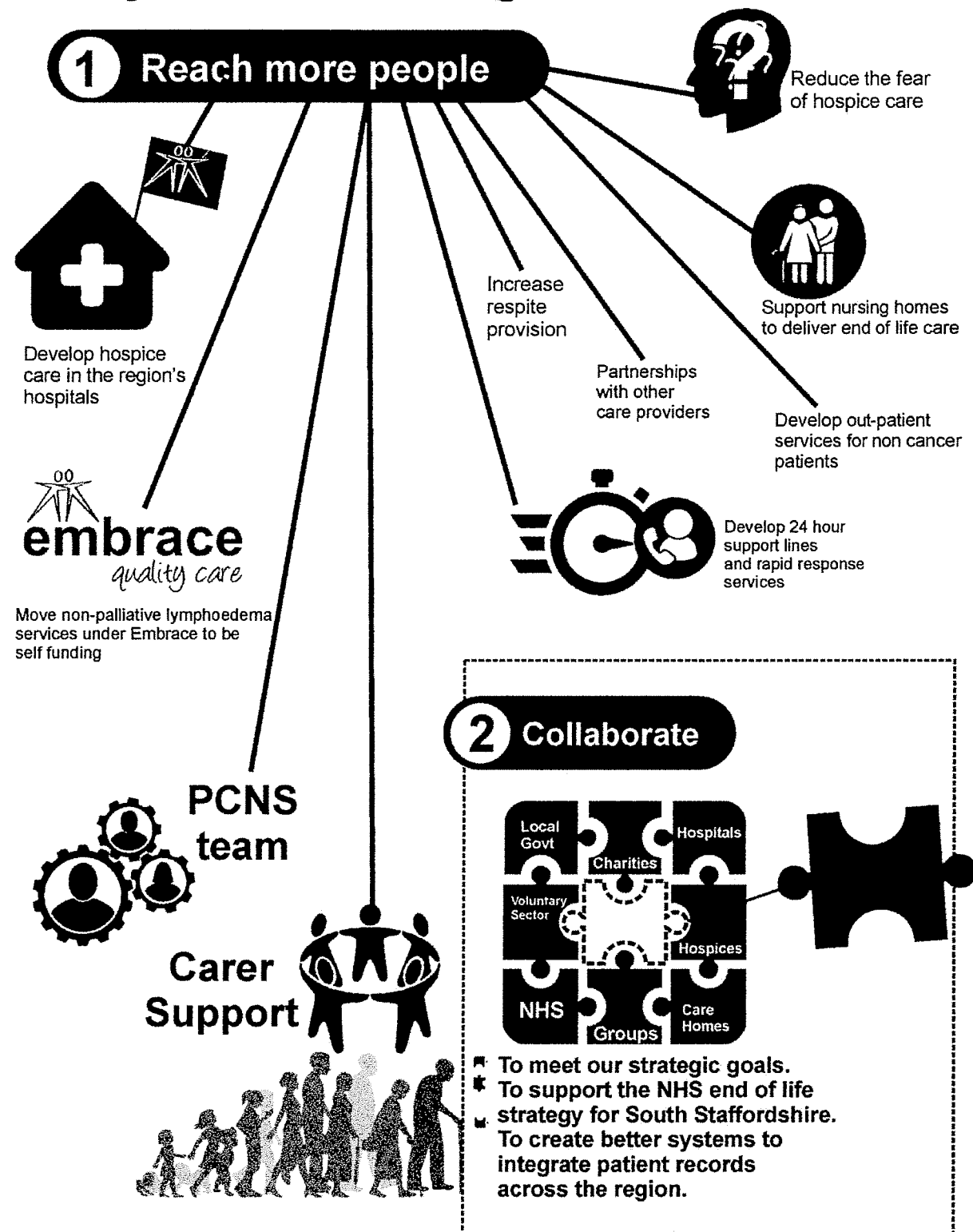
3.4. Strategic Aims and Plans for the Future

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

1. To reach more patients through specific initiatives including
 - 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



3 Develop our Workforce



Develop a wider range of volunteer roles and projects

Our newly employed Learning & Development Co-ordinator will offer dedicated training support to staff and volunteers

Review opportunities to employ volunteers

We continue to review how we can maximise the input of our volunteers, no matter how limited their availability

Introduce staff and volunteer development programmes

Over 30 members of our retail team are currently enrolled on a staff development programme which we plan to roll out across the organisation 76 members of staff and volunteers successfully completed accredited training during 2018/19

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

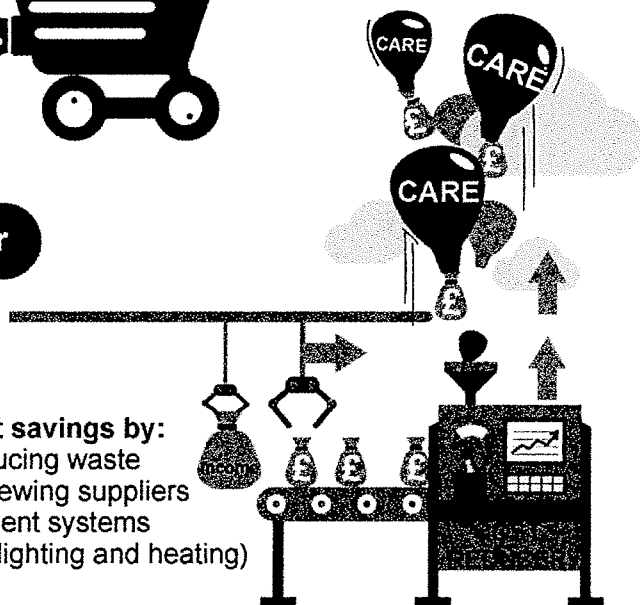
KATHARINE HOUSE HOSPICE
CARE...
PASS IT ON



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


- Carry out and implement a review of skillmix across the care services
- Review the capacity of each service to determine where / how we could support more people within our current resources
- Introduce an internal triage system to increase responsiveness to patient needs
- Introduce a single point of access for all referrals
- Deliver a project to improve end of life care in 9 local Nursing Homes
- Produce and implement a development plan for our Norton Bridge retail site
- Develop a plan to increase levels of gift aided retail sales to £19,000 per week by March 2020
- Conduct a review of administrative functions across the organisation.

3.6. Vital Volunteer Support

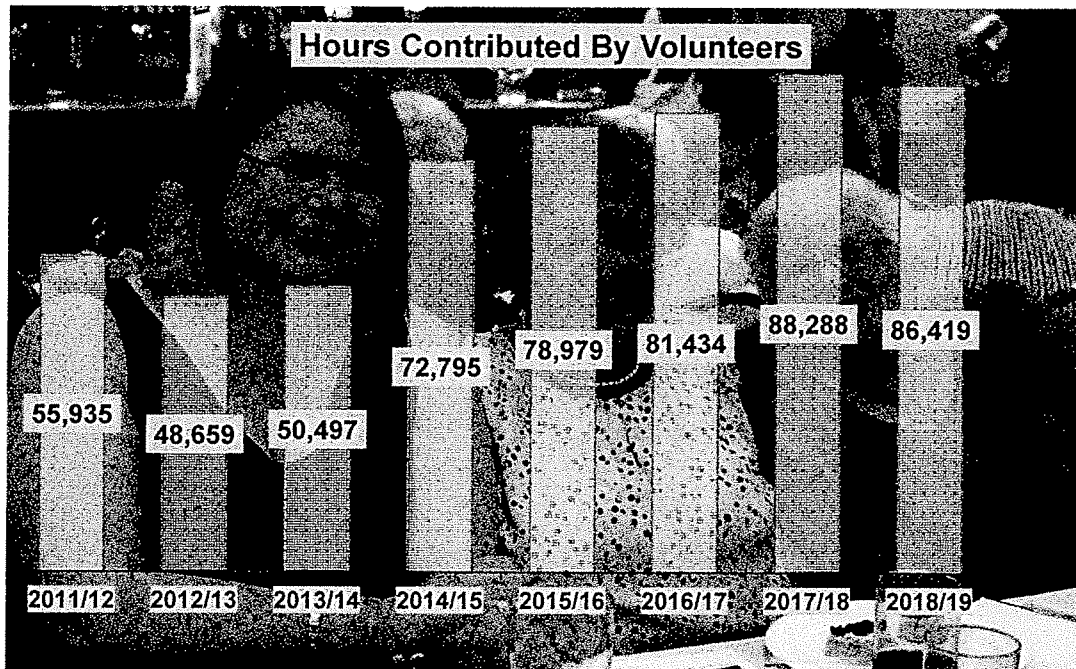
Katharine House Hospice simply would not exist without the volunteers who were so heavily involved in the Hospice's inaugural steering committee and we would not be able to provide the quality and variety of services we do without the ongoing passion, time and commitment of this amazing group of people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

At the end of the 2018/19 financial year we had a total of 652 volunteers supporting the Charity (2018: 640). Whilst we have seen an increase in the number of volunteers, we have seen a slight reduction in the total number of hours of voluntary support we have received, as people become busier and have their own commitments. Nevertheless, during 2018/19 the Charity benefitted from 86,419 hours of support (2018: 88,288). From a monetary perspective, based on the minimum wage, this has saved the Hospice over £676,600

What is inspirational is the increase in the variety of ways that our volunteers continue to passionately support the Charity. More and more individuals have been able and willing to offer their time, skills and knowledge on an occasional basis, whether that has been by helping in a regular role, by taking on a short term project, or offering specialist advice or training. We have a list of key roles within the Hospice and our retail section, but remain keen to hear from any individuals who have talents, expertise or knowledge they feel the Charity could benefit from and would like to help, however limited their time might be.



"Volunteering for Katharine House Hospice has really helped me to enhance my confidence at work and in life in general"



Our volunteers, who vary in age from 14 years old to over 85, bring with them a diverse set of life experience, passion and enthusiasm. We are immensely proud and appreciative of all of our volunteers and have large numbers who have completed and have been recognised for long service (in excess of 5 years). During 2018/19 69 of our volunteers were acknowledged for long service, including 1 volunteer who has completed 25 years of voluntary service, 3 with 20 years of service and 14 with 15 years of service. Also in 2018/19 we hosted 23 work placements for students who are required to secure a placement in support of their studies. In addition we hosted 14 individuals who completed Duke of Edinburgh awards at Bronze, Silver and Gold levels. These youngsters have not only provided the Hospice with valuable time, but have taken away an invaluable perspective and understanding of hospice care that will help guide them both personally and with their future career choices.

4. Achievements and Performance

4.1. Summary of Main Achievements

- We helped 1,302 patients and their families (2018: 1,014)
- It cost £3.1m to deliver our services (2018: £2,926,682) and we charged £0 to provide them
- Attendances at day therapies were 2,053 (2018: 1,791). Referrals to day therapies increased to 168 (2018: 123).
- The NHS commissioner's decision in 2016 to reduce our funding and to no longer fund non-cancer Lymphoedema services has led to a continued reduction in service provision to 1,593 treatments (2018: 1,778), but the level of walk in and telephone support increased to 390 (2018: 292)
- The family support services provided 1,795 sessions of counselling, complementary therapy and bereavement support (2018: 2,051)

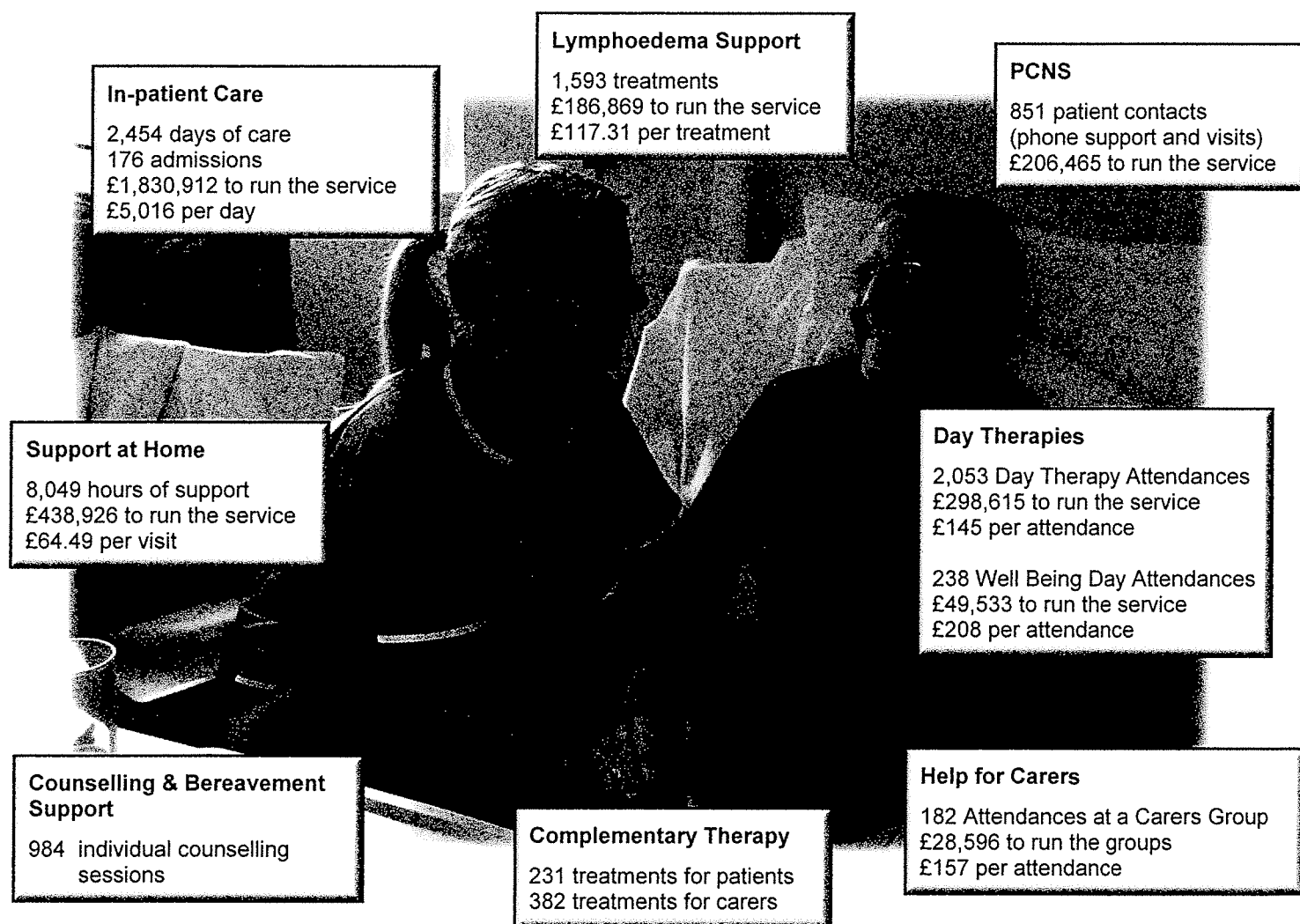
- The number of admissions to the inpatient unit was 176 (2018: 180), with occupied beds being 2,454 (2018: 2,388)
- On 1 January 2019 the local Palliative Care Nurse Specialist service transferred from the Midlands Partnership Foundation NHS Trust to Katharine House and we welcomed 5 members of the team. This will afford us the opportunity to review working patterns across the Hospice.

42. *Summary of Main Challenges*

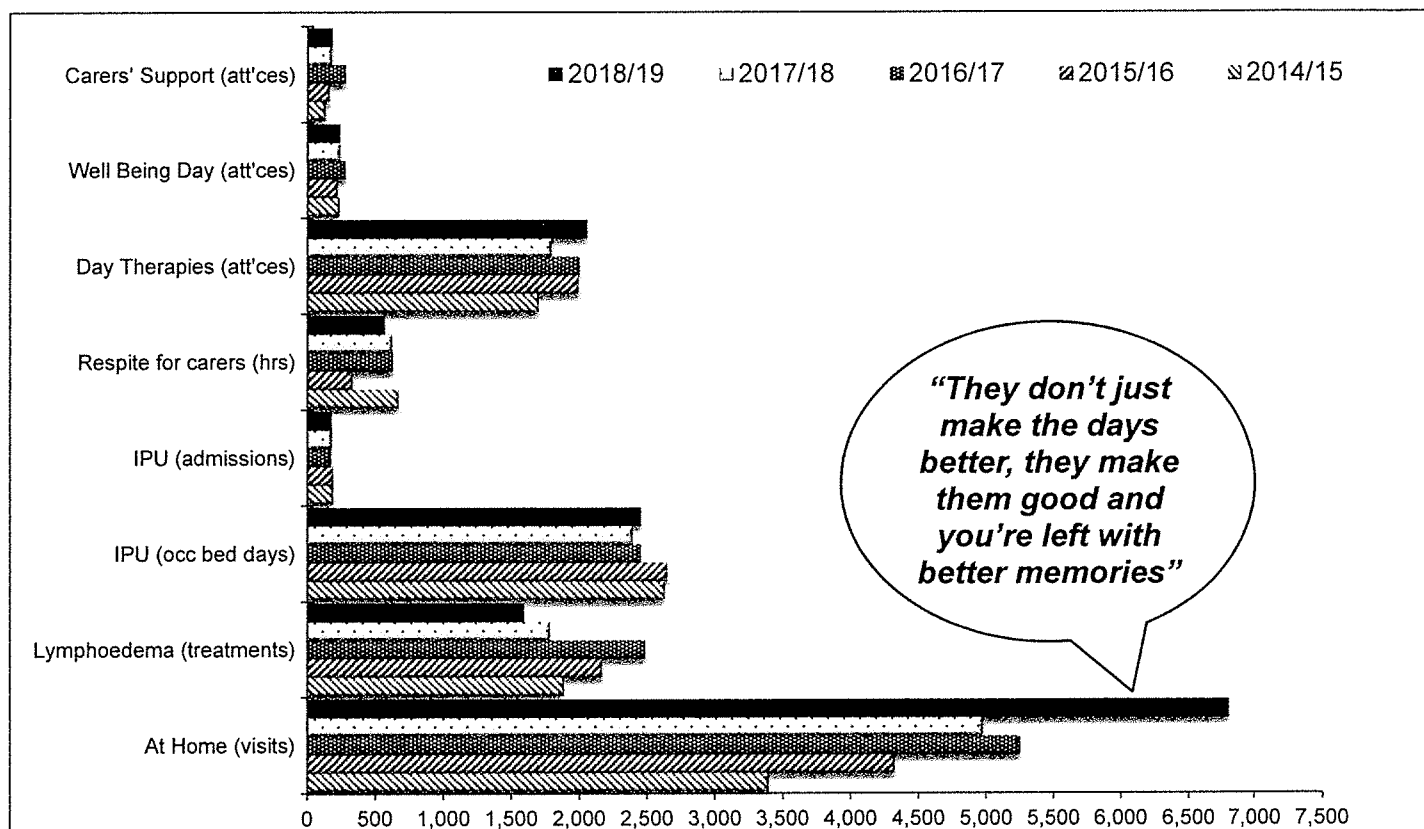
- There continue to be a series of considerable changes within the local health economy. Given the dependence of our services on the referral pathways through the NHS, each time there are major changes in staffing within the community district nursing or specialist nursing teams or within the hospitals' 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.
- It was another challenging year for fundraising activities, although there was some recovery from a poor year in 2017/18. We are finding that as existing income streams plateau or decline there are few new opportunities for step changes in generating income. However, we were delighted with the response to an Extreme Warrior event, and after the year end to a Forget-me-not appeal.
- Retail had a poor year as our costs increased due to a number of new initiatives that failed to yield the expected revenues. New management will commence in 2019/20.
- Increasing demands from government on a range of compliance issues has meant efficiency and innovation has been stifled due to a lack of time and/or scope to evaluate and improve what our departments do.
- The National Minimum Wage is now having a very serious impact on the work of the Charity. Our lowest pay scales are beginning to merge.

43. 2018/19 Charitable Activities

During 2018/19 there was an upward trend in demand for care services with increased levels of referrals for Day Therapies, Lymphoedema support and In-patient Care. The number of individual patients we supported increased from 1,014 to 1,302.



“Katharine House has have given me that quality of life so whatever time I have left now, I’ve got quality of life to spend with my family and friends and do the stuff that I want to do.”



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 2018/19 Objectives

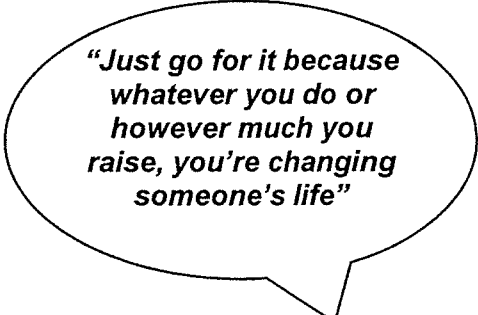
1. Reach more non-cancer patients	In part
<ul style="list-style-type: none"> <i>We have funded additional palliative medicine consultant sessions to support people with cardiac conditions and to support elderly patients at County Hospital, Stafford (in partnership with University Hospitals of the North Midlands)</i> <i>Data on number of cancer patients is being extracted</i> 	
2. Reconfigure the in-patient unit	✓
<ul style="list-style-type: none"> <i>Created a larger medicines room to reduce errors in medications administration</i> <i>Refreshed patient bedrooms and bays and generally improved the patient environment</i> 	
3. Enhance the use of our workforce	Partially
<ul style="list-style-type: none"> <i>Explored apprenticeships and work placements – the latter proved more effective than the former</i> <i>Began to explore how to make more effective use of the input from volunteers</i> 	
4. Produce a work plan to help to demystify hospices	Deferred
<ul style="list-style-type: none"> <i>This work was intended to increase understanding amongst patients and referrers so that we could support more patients, however it was deferred until we could carry out a piece of work to determine how many more patients we could support safely and with the level of quality we expect to deliver.</i> 	
5. Continue the current initiatives identified by our GDPR process	✓
<ul style="list-style-type: none"> <i>A project team identified and delivered a final set of actions within our GDPR project. This was monitored by our Nominations & Governance Committee.</i> 	
6. Introduce initiatives to promote the “Compassionate Communities” agenda	Limited progress
<ul style="list-style-type: none"> <i>Whilst there is considerable support for the ideas within the compassionate communities agenda, there has been no funding forthcoming, without which progress will be very limited.</i> <i>Katharine House is an active participant in the newly formed South Staffordshire End of Life Action alliance, which aims to bring together local community groups and charities to support end of life care.</i> 	
7. Acquire an existing retail premises	✓
<ul style="list-style-type: none"> <i>This property, in Norton Bridge, was purchased in late 2018 using a medium term loan.</i> <i>This acquisition will enable investment in the premises with consequent growth of revenues for the Hospice.</i> 	

4.6. Fundraising Performance

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

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 2018/19 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. Trustees are unable to ascertain the value of this expenditure and 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 2018/19 in relation to our fundraising activities the Charity received 2 formal complaints, 9 informal complaints and 1 adverse comment, which is fewer than last year (2017/18: 4, 9, 5). All were followed up swiftly, and after discussions with the complainants, no complaints were taken further and three were withdrawn.

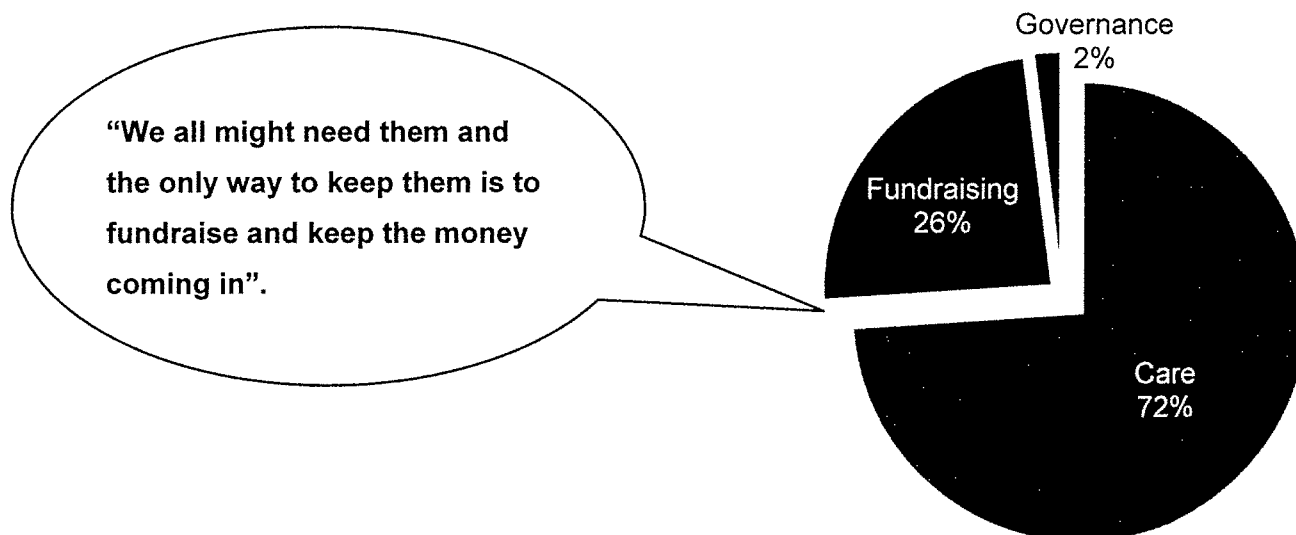
4.6.5. Vulnerable People

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 Raising Funds

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, retail department, and lottery 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.

72p of every £1 raised is spent on patient care. We received almost 13,500 donations last year the smallest of which was 5 pence and the largest was £350,000.



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

	<u>2019</u>	<u>2018</u>
Event Income	204,991	167,084
Event costs	(71,550)	(47,865)
Net income from events	<u>133,441</u>	<u>119,219</u>
Other Income	801,035	639,457
Income after event costs	<u>934,976</u>	<u>758,676</u>
Other direct costs	(244,242)	(259,860)
Net Income raised	<u>690,734</u>	<u>498,816</u>
Less allocated support and overhead costs	(86,075)	(92,383)
Net funds raised	<u>604,159</u>	<u>406,433</u>

24 people left a gift in their will (2018: 20) and donated £499,277 (2018: £280,954) this will fund the care for 1 in 7 of our patients in the coming year.

There were 6,835 lucky winners of our Hospice Lottery and annual Snowball who received £90,900 in prize money (2018: £92,950). Players contributed £194,157 (2018: £201,503) over the year which is a sum equivalent to the costs of our entire Family Support Services.

4.8. Retail Performance

Investment in a range of new initiatives in retail have not yielded the returns expected. A café, garden centre, a new site, and a roll out of new goods have generally not performed as well as envisaged. Costs, in particular in payroll from the national minimum wage and pension auto-enrolment, have increased and the overall performance of the department was disappointing. Net revenues did increase from £881,425 to £930,245. Plans for growth in 2019/20 have been initiated and the first three months are much more positive.

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).

£957k of the £3.1m needed to fund and operate our services comes from CCGs: (31%). 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 but to date has initiated no significant changes.

4.9.2. Brexit

There is a lack of certainty due to the economic pressures faced by the country as a whole and the indecision surrounding the way we will leave the European Union.

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 and 2019 will create further financial pressures. The 5% 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 ongoing low levels of unemployment in the local area continue to make it difficult to recruit to certain positions – in particular care agency workers and retail assistants.

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 burdens on the Hospice are extensive, burdensome and costly, both financially and in time. The next significant change will be to comply with HMRC requirements on making tax digital.

5. Financial Review

The accounts for 2018/19 are prepared in accordance with the requirements of the Charities Statement of Recommended Practice (2015) (FRS 102).

5.1. Review of the Financial Position

The Charity has had a more satisfactory year in terms of its finances. Most of the main revenue streams have improved or remained close to the previous years, although the operating costs of the charitable provision increased by £187,743 to £3.18m (2018: £2.99m).

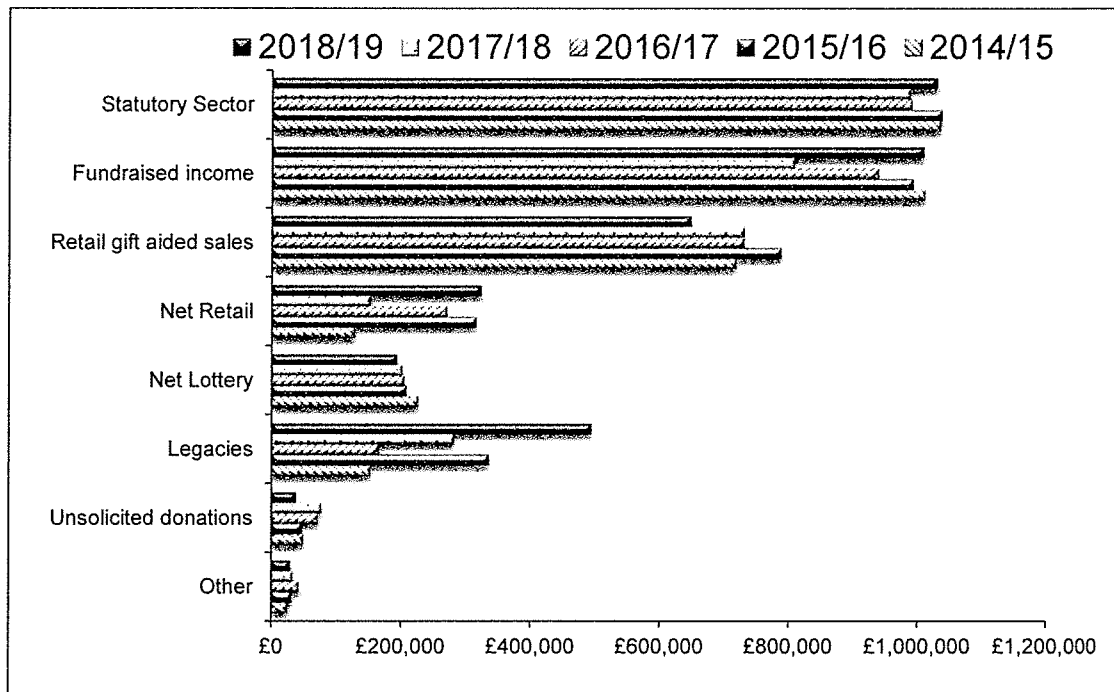
Specific points are:

1. Legacy income rose by £218,323 (see note 4)
2. Gross fundraising income rose by £199,485 (see note 5).
3. The lottery contribution fell by £7,346 (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 £930k (2018: £881k) an increase of £49k.
5. The Hospice's charitable costs increased by £187,743. A quarter of this was due to the new community team, much of the rest related to inflationary costs.
6. The Hospice's group recorded an increase in funds of £87,807 (2018: a reduction of £216,471). This was much better than the three year financial plan. However, legacy income of £499k means the underlying operating position remains financially challenging. 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 address the underlying structural deficit. Losses are expected in 2019/20 and 2020/21 before a break even position is expected in 2021/22.

5.2. Sources of Funding

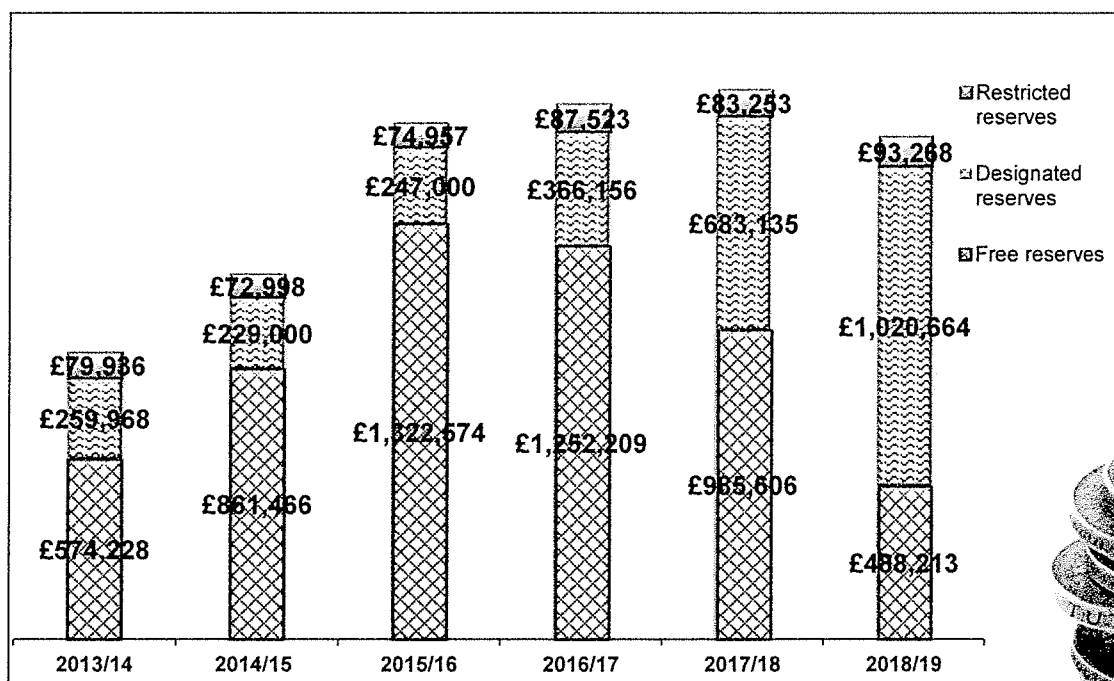
The Charity's primary sources of funding derive from its retail trading activities, from the statutory sector, from fundraising (including a lottery) and from legacies and unsolicited donations. Income from the key sources is shown below.

The Trustees have serious concerns about future revenues. The local Clinical Commissioners have agreed to maintain the Hospice's grant without reduction for 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 income streams and continued growth is hard to achieve. We continue to explore potential new sources of income and opportunities for reducing our costs.



5.3. Reserves Policy and Going Concern

The reserves of the Charity at 31 March 2019 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 £488,213 (2018: £985,606) equating to 2 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. Furthermore, trustees are satisfied that the Charity has sufficient liquidity within the reserves 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, but exclude creditors due after one year which are included in the provisions within the designated reserves. They exclude tangible assets and provisions for deferred tax liabilities. They have been calculated as:

Free:	£ 488,213
Designated:	£1,020,664
Restricted:	£ 93,268

Embrace Quality Care, a trading subsidiary of Katharine House Hospice, made a loss of £33,431, and has retained losses of £252,817. The Trustees of the Charity have agreed to continue funding Embrace Quality Care as its prime purposes are in accordance with the objectives of the Charity. This decision is reviewed annually, and losses are expected to be £40,000 for 2019/20 (see section 3.2).

5.4. Specific Funds

Trustees have set aside designated funds for specific purposes:

1. **Repairs and renewals** to cover unexpected or emergency repairs of a substantial nature
2. **Renewal of IT** to ensure there is a sufficient reserve to enable the IT infrastructure to be refreshed in full.
3. **Training and development** to ensure contractual commitments to staff training can be met.
4. **Legacy equalisation** 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 2019/20 £120,000 (2018/19: £120,000).
5. **Retail vehicle** to fund the hire-purchase of 4 vehicles for the use of the retail department.
6. **Funds to repay Loans** to fund the repayment of two mortgages
7. **Norton Bridge Development** a provision to fund the development of the Norton Bridge site

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. Perspective (Midlands and Cheshire) 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. Perspective Managing Wealth 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 investment portfolio is reviewed by the Trustees to ensure the portfolio consists of socially responsible investments.

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

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Value ('000s)	461	504	465	519	553	598	574	628	618	609
Annual growth	30.2%	9.3%	-7.7%	11.6%	6.6%	8.1%	-4.0%	9.5%	- 1.6%	- 1.5%

The compound annual growth rate over the last 7, 5, and 3 years as at year ends 2019, 2018 and 2017 are:

<u>Years</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Over 7 years	3.92%	2.95%	4.51%
Over 5 years	1.93%	3.55%	6.19%
Over 3 years	1.98%	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 Spring 2019.

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. Increasing pressures on fundraising revenues.
3. An increasing burden of regulatory compliance, including: 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.

6.2. Organisational Structure

Katharine House Hospice has four wholly owned subsidiaries.

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

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

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

6.3. Decision-Making Processes

Board of Trustees

The Trustees (who are also directors of the company) act as a corporate entity through the Board of Trustees, which meets six times in each year. Additional meetings may be called from time to time. 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 terms of reference. Governance is undertaken by each Trustee committee in their areas of responsibility, monitored by the Nominations & Governance Committee and the Board of Trustees. The committees are:

1. Clinical Committee

Oversees all aspects of the Hospice's clinical services including: approval of clinical policies; provision of clinical governance; 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 relevant health and social care legislation.

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 and volunteer levels, training, and attendance; approves 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

Recruitment of trustees is overseen by the Nominations and Governance Committee. In 2018/19 advertising was used for the first time to seek a wider and more diverse pool from which to recruit. 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.

Following a shortlisting process candidates are invited to attend a meeting with two current Trustees. The full Board must approve any initial appointment. At the AGM immediately after appointment trustees are formally elected and can serve for up to six years. Thereafter Trustees may stand for two further elections each for two year terms, but thereafter must stand down for a period of 11 months.

New Trustees meet with senior staff, tour the services, and receive an induction folder together with relevant company information. New Trustees have a Trustee mentor who acts as a confidential advisor on Trustee issues. They have the option to spend time in key areas for example care and retail.

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

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.

Katharine House has a number of shared posts with the University Hospitals of North Midlands NHS Trust.

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

The 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 Midlands Partnership NHS 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 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 (2018: 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 recruitment is more difficult higher wages may be offered. Certain groups of staff – in particular nursing and care staff – have structured pay grades that are broadly commensurate with similar roles in the NHS Agenda for Change pay scale.

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

The Remuneration Committee is empowered to award discretionary bonuses to staff for exceptional performance; however this is rare, with no such award being made in the year (2018: 0). 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. Employment Policy

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

We provide free and confidential advice line to all employees, but have no data on levels of access. We offer access to staff counselling, and have made over 30 referrals to this service – but as we consider this information to be confidential no further details (for example whether they attended for counselling) is routinely captured.

We are developing a role of Mental Health Champion to promote wellbeing on mental health across the organisation, but this is at a formative stage.

The Charity is required to report its pay arrangements under The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. Table 6.7 provides a summary.

Table 6.7

	<u>As at</u> <u>April 2019</u>	<u>As at</u> <u>April 2018</u>	<u>As at</u> <u>April 2017</u>
Mean gender pay gap	- 13.46	- 7.87	- 0.21
Median gender pay gap	- 10.13	- 9.62	- 9.32

The mean gender pay gap is negative meaning women are paid on average 13% more than men. This gap has consistently widened since 2017. The median gender pay gap is also negative, showing the median pay for women is over 10% higher than for men. There are several relevant factors that may explain this difference. The business is care and retail orientated, which are attractive sectors for women. The highest number of professional roles are in care. There are a range of part-time roles which offer opportunities for family friendly hours which may also be more attractive for women than men.

6.9. Public Benefit Statement

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

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

7. Reference and Administrative Details

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

Trustees and Directors and Key Management Personnel:

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

Trustees:	Lady Mitting	Chairman
	Mr I D Starkie	Treasurer
	Mr B Baggott	
	Mr B Bester	
	Mrs A Cape	
	Mr D M Harding	
	Mrs T Mingay	
	Mrs K Overmass	(Resigned 25 th April 2019)
	Mr J-P Parsons	
	Mr D J Sandy	(Term of office ended 27 th Nov 2018)
	Dr C J Secker	
	Ms J Woodyard	
	Dr M Bland	(Joined 24 th July 2018)
	Mr A Jeffries	(Joined 25 th Sept 2018)
Company Secretary:	Mrs S Harris	(Joined 22 nd Jan 2019)
	Mr M Evans	(Joined 28 th May 2019)
Registered Manager	Cllr P M M Farrington	
	Mrs S Whitmore	

Officers:

Director of Care:	Mrs S Whitmore
Medical Director:	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 (Resigned 31 st Dec 2018)
Head of Human Resources:	Mrs B Wheat

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

Investment Brokers: Perspective (Midlands and Cheshire) Ltd
Whitehall House, Sandy Lane, Newcastle Under Lyme,
Staffordshire, ST5 0LZ

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

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

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

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 24th September 2019 and signed on its behalf by Lady Judith Mitting, Chairman

A handwritten signature in black ink, appearing to read 'Judith Mitting', written in a cursive style.

Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF KATHARINE HOUSE HOSPICE

Opinion

We have audited the financial statements of Katharine House Hospice (a company limited by guarantee) for the year ended 31 March 2019 which comprise the Parent Charity's Statement of Financial Activities, the Group Statement of Financial Activities, the Group and Parent Charity's Company Balance Sheets, the Consolidated Cash Flow Statement 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 Parent Charity's and the Group's affairs as at 31 March 2019 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 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 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 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 Directors' 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 our audit.

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

16/10/19

8 Hollinswood Court
Stafford Park 1
Telford
TF3 3DE

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2019

	Note	Unrestricted £	Designated £	Restricted £	2019 Totals £	2018 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	37,700	494,779	5,198	537,677	357,991
Fundraised Income	(5)	790,174	--	215,852	1,006,026	806,541
Gift Aid - KHH Development	(7)	3,569	--	--	3,569	5,729
Gift Aid - Promotions Subsidiary	(7)	194,157	--	--	194,157	201,503
Gift Aid - Retail Subsidiary	(7)	956	--	--	956	--
Retail sales donations - gift aid		648,873	--	--	648,873	729,434
Charity Shops Income		3,777,073	--	--	3,777,073	2,797,177
Investment Income	(8)	13,779	--	--	13,779	10,568
Charitable activities						
Statutory Sector Income	(9)	3,500	--	1,030,208	1,033,708	987,379
Fee Income Received	(6)	9	--	11,671	11,680	4,977
Other Income		969	--	--	969	11,600
Total Income		5,470,759	494,779	1,262,929	7,228,467	5,912,899
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	401,867	--	--	401,867	400,108
Investment Management Fees	(8)	8,967	--	--	8,967	8,542
Charity Shop Costs		3,496,657	--	--	3,496,657	2,645,186
		3,907,491	--	--	3,907,491	3,053,836
Net income for charitable application		1,563,268	494,779	1,262,929	3,320,976	2,859,063
Hospice Operating Costs	(10)	1,622,956	228,107	1,252,915	3,103,978	2,926,682
Governance Costs	(11)	71,639	--	--	71,639	61,192
		1,694,595	228,107	1,252,915	3,175,617	2,987,874
Interest Payable		10,338	--	--	10,338	5,605
Total Expenditure		5,612,424	228,107	1,252,915	7,093,446	6,047,315
Net gains (losses) on investment assets		(13,783)	--	--	(13,783)	(12,324)
Net income / (expenses) before transfers		(155,448)	266,672	10,014	121,238	(146,740)
Gross transfers between funds	(22)	(70,857)	70,857	--	--	--
Net movement in Funds		(226,305)	337,529	10,014	121,238	(146,740)
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,730,517	683,135	83,254	3,496,906	3,643,646
Fund Balances Carried Forward		2,504,212	1,020,664	93,268	3,618,144	3,496,906

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 31 March 2019

	Note	Unrestricted £	Designated £	Restricted £	2019 Totals £	2018 Totals £
INCOME						
Generated funds						
Voluntary Income	(3)	37,700	494,779	5,198	537,677	357,991
Fundraised Income	(5)	790,174	--	215,852	1,006,026	806,541
Gross Income - KHH Development	(7)	4,233	--	--	4,233	6,540
Gross Income - Promotions	(7)	403,834	--	--	403,834	409,401
Gross Income - Retail	(7)	226,017	--	--	226,017	180,729
Retail sales donated to hospice		648,873	--	--	648,873	729,434
Charity Shops Income		3,777,073	--	--	3,777,073	2,797,177
Gross Income - DLT Trading	(7)	--	--	--	--	807,006
Gross Income - EQC Limited	(7)	337,496	--	--	337,496	298,639
Investment Income	(8)	13,779	--	--	13,779	10,579
Charitable activities						
Statutory Sector Grants	(9)	3,500	--	1,030,208	1,033,708	987,379
Fee Income Received	(6)	9	--	11,671	11,680	4,977
Other Income						
		969	--	--	969	11,600
Total Income		6,243,657	494,779	1,262,929	8,001,365	7,407,993
EXPENDITURE						
Costs of generating income						
Fundraising Costs	(5)	401,867	--	--	401,867	400,108
Cost of Operating KHH Development	(7)	664	--	--	664	811
Cost of Operating Promotions	(7)	209,677	--	--	209,677	207,909
Cost of Operating Retail	(7)	226,964	--	--	226,964	184,868
Cost of Operating Charity Shops		3,496,657	--	--	3,496,657	2,645,186
Cost of Operating DLT Trading	(7)	--	--	--	--	808,224
Investment Management Fees	(8)	8,967	--	--	8,967	8,542
		4,344,796	--	--	4,344,796	4,255,648
Net income for charitable application		1,898,861	494,779	1,262,929	3,656,569	3,152,345
Hospice Operating Costs	(10)	1,622,956	228,107	1,252,915	3,103,978	2,926,682
Embrace Quality Care Costs	(7)	370,927	--	--	370,927	368,370
Governance Costs	(10)	71,639	--	--	71,639	61,192
		2,065,522	228,107	1,252,915	3,546,544	3,356,244
Interest payable		12,204	--	--	12,204	7,868
Total Expenditure		6,422,522	228,107	1,252,915	7,903,544	7,619,760
Net gains (losses) on investment assets		(13,783)	--	--	(13,783)	(12,324)
Net income / (expenses) before provisions and transfers		(192,648)	266,672	10,014	84,038	(224,091)
Provision for deferred tax liabilities		3,769	--	--	3,769	7,620
Gross transfers between funds	(22)	(70,857)	70,857	--	--	--
Net Movement in Funds		(259,736)	337,529	10,014	87,807	(216,471)
RECONCILIATION OF FUNDS						
Fund balances brought forward		2,520,870	683,135	83,254	3,287,259	3,503,730
Fund Balances Carried Forward	(22)	2,261,134	1,020,664	93,268	3,375,066	3,287,259

KATHARINE HOUSE HOSPICE
STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 2019 - Comparative for 2018

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

KATHARINE HOUSE HOSPICE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the year ended 2019 - Comparative for 2018

	Note	Unrestricted £	Designated £	Restricted £	2018 Totals £
INCOME					
Generated funds					
Voluntary Income	(3)	77,037	254,454	26,500	357,991
Fundraised Income	(5)	662,868	--	143,673	806,541
Gross Income - KHH Development	(7)	6,540	--	--	6,540
Gross Income - Promotions	(7)	409,401	--	--	409,401
Gross Income - Retail	(7)	180,729	--	--	180,729
Retail sales donated to hospice		729,434	--	--	729,434
Charity Shops Income		2,797,177	--	--	2,797,177
Gross Income - DLT Trading	(7)	807,006	--	--	807,006
Gross Income - EQC Limited	(7)	298,639	--	--	298,639
Investment Income	(8)	10,579	--	--	10,579
Charitable activities					
Statutory Sector Grants	(9)	3,500	--	983,879	987,379
Fee Income Received	(6)	395	--	4,582	4,977
Other Income		11,600	--	--	11,600
Total Income		5,994,905	254,454	1,158,634	7,407,993
EXPENDITURE					
Costs of generating income					
Fundraising Costs	(5)	400,108	--	--	400,108
Cost of Operating KHH Development	(7)	811	--	--	811
Cost of Operating Promotions	(7)	207,909	--	--	207,909
Cost of Operating Retail	(7)	184,868	--	--	184,868
Cost of Operating Charity Shops		2,645,186	--	--	2,645,186
Cost of Operating DLT Trading	(7)	808,224	--	--	808,224
Investment Management Fees	(8)	8,542	--	--	8,542
		4,255,648	--	--	4,255,648
Net income for charitable application		1,739,257	254,454	1,158,634	3,152,345
Hospice Operating Costs	(10)	1,749,290	14,489	1,162,903	2,926,682
Embrace Quality Care Costs	(6)	368,370	--	--	368,370
Governance Costs	(10)	61,192	--	--	61,192
		2,178,852	14,489	1,162,903	3,356,244
Interest payable		7,868	--	--	7,868
Total Expenditure		6,442,368	14,489	1,162,903	7,619,760
Net gains (losses) on investment assets		(12,324)	--	--	(12,324)
Net income / (expenses) before provisions and transfers		(459,787)	239,965	(4,269)	(224,091)
Provision for deferred tax liabilities		7,620	--	--	7,620
Gross transfers between funds	(22)	(77,014)	77,014	--	--
Net Movement in Funds		(529,181)	316,979	(4,269)	(216,471)
RECONCILIATION OF FUNDS					
Fund balances brought forward		3,050,051	366,156	87,523	3,503,730
Fund Balances Carried Forward	(22)	2,520,870	683,135	83,254	3,287,259

KATHARINE HOUSE HOSPICE
CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT
for the year ended 31 March 2019

	2019 £	2018 £
Gross Income from continuing operations	8,001,365	7,407,993
Total expenditure of continuing operations	7,903,544	7,619,760
Net income / (expenditure) for the year before transfers and investment asset disposal	97,821	(211,767)
Gain / (Loss) on disposal of fixed asset investments	(13,783)	(12,324)
Net income / (expenditure) for the year	84,038	(224,091)

• Total income comprises:

	2019 £	2018 £
Unrestricted	6,243,657	5,994,905
Designated	494,779	254,454
Restricted	1,262,929	1,158,634

- 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 £4,748,653 (2018: £4,499,492). Detailed analyses of the trading results are shown in Note 7 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:

	2019 £	2018 £
Unrestricted	6,422,522	6,442,368
Designated	228,107	14,489
Restricted	1,252,915	1,162,903

- 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 35, which together with the notes to the account on Pages 41 to 62 provides full information on the movements within the year on all the funds of the Charity.

KATHARINE HOUSE HOSPICE

(Registered No. 2700516)

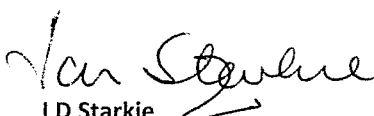
BALANCE SHEET


at 31 March 2019

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2019 Total Funds £	Unrestricted Funds £	Restricted Funds £	2018 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	2,226,710	--	2,226,710	1,577,080	--	1,577,080
Investments	(18)	608,539	--	608,539	617,641	--	617,641
Investment in Group	(18)	5,602	--	5,602	5,602	--	5,602
		<u>2,840,851</u>	<u>--</u>	<u>2,840,851</u>	<u>2,200,323</u>	<u>--</u>	<u>2,200,323</u>
CURRENT ASSETS							
Debtors	(19)	911,545	--	911,545	1,038,708	--	1,038,708
Cash at bank and in hand		744,037	93,268	837,305	763,610	83,254	846,864
		<u>1,655,582</u>	<u>93,268</u>	<u>1,748,850</u>	<u>1,802,318</u>	<u>83,254</u>	<u>1,885,572</u>
CREDITORS	(21)	(430,206)	--	(430,206)	(419,034)	--	(419,034)
amounts falling due within one year							
NET CURRENT ASSETS		<u>1,225,376</u>	<u>93,268</u>	<u>1,318,644</u>	<u>1,383,284</u>	<u>83,254</u>	<u>1,466,538</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,066,227</u>	<u>93,268</u>	<u>4,159,495</u>	<u>3,583,607</u>	<u>83,254</u>	<u>3,666,861</u>
CREDITORS	(21)	(541,351)	--	(541,351)	(169,955)	--	(169,955)
amounts falling due after one year							
TOTAL NET ASSETS		<u>3,524,876</u>	<u>93,268</u>	<u>3,618,144</u>	<u>3,413,652</u>	<u>83,254</u>	<u>3,496,906</u>
REPRESENTED BY:							
Restricted Funds		--	93,268	93,268	--	83,254	83,254
Designated Funds		1,020,664	--	1,020,664	683,135	--	683,135
Unrestricted Funds		2,504,212	--	2,504,212	2,730,517	--	2,730,517
		<u>3,524,876</u>	<u>93,268</u>	<u>3,618,144</u>	<u>3,413,652</u>	<u>83,254</u>	<u>3,496,906</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 24 September 2019 and signed on its behalf by:-


I D Starkie
Treasurer

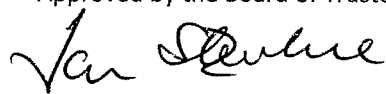

Lady Mitting
Chairman


KATHARINE HOUSE HOSPICE
(Registered No. 2700516)
CONSOLIDATED BALANCE SHEET
at 31 March 2019

	Note	Unrestricted & Designated Funds £	Restricted Funds £	2019 Total Funds £	Unrestricted Funds £	Restricted Funds £	2018 Total Funds £
FIXED ASSETS							
Tangible assets	(17)	2,325,277	--	2,325,277	1,745,643	--	1,745,643
Investments	(18)	608,539	--	608,539	617,641	--	617,641
		<u>2,933,816</u>	<u>--</u>	<u>2,933,816</u>	<u>2,363,284</u>	<u>--</u>	<u>2,363,284</u>
CURRENT ASSETS							
Debtors	(19)	350,170	--	350,170	285,851	--	285,851
Stock	(20)	19,090	--	19,090	6,296	--	6,296
Cash at bank and in hand		1,110,553	93,268	1,203,821	1,326,999	83,254	1,410,253
		<u>1,479,813</u>	<u>93,268</u>	<u>1,573,081</u>	<u>1,619,146</u>	<u>83,254</u>	<u>1,702,400</u>
CREDITORS	(21)	(579,475)	--	(579,475)	(568,047)	--	(568,047)
amounts falling due within one year							
NET CURRENT ASSETS		<u>900,338</u>	<u>93,268</u>	<u>993,606</u>	<u>1,051,099</u>	<u>83,254</u>	<u>1,134,353</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,834,154</u>	<u>93,268</u>	<u>3,927,422</u>	<u>3,414,383</u>	<u>83,254</u>	<u>3,497,637</u>
CREDITORS	(21)	(550,238)	--	(550,238)	(204,491)	--	(204,491)
amounts falling due after one year							
PROVISIONS							
deferred tax liabilities		(2,118)	--	(2,118)	(5,887)	--	(5,887)
TOTAL NET ASSETS		<u>3,281,798</u>	<u>93,268</u>	<u>3,375,066</u>	<u>3,204,005</u>	<u>83,254</u>	<u>3,287,259</u>
REPRESENTED BY:							
Restricted Funds	(22)	--	93,268	93,268	--	83,254	83,254
Designated Funds	(22)	1,020,664	--	1,020,664	683,135	--	683,135
Unrestricted Funds	(22)	2,504,212	--	2,504,212	2,730,517	--	2,730,517
Subsidiary Retained Losses		(243,078)	--	(243,078)	(209,647)	--	(209,647)
		<u>3,281,798</u>	<u>93,268</u>	<u>3,375,066</u>	<u>3,204,005</u>	<u>83,254</u>	<u>3,287,259</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 24 September 2019 and signed on its behalf by:-


I D Starkie
Treasurer


Lady Mitting
Chairman

KATHARINE HOUSE HOSPICE
CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2019

RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS		2019 £	2018 £
Net movement in funds		87,807	(216,471)
Deferred taxation		(3,769)	(7,620)
Depreciation		193,369	171,403
(Gains)/Losses on investment assets		13,783	12,324
Income from fixed asset investment	Note 1	(13,677)	(10,508)
Interest received		(102)	(71)
Interest payable on loans		12,204	7,868
Loss on disposal of fixed assets		--	13,541
(Increase) / decrease in Debtors		(64,319)	143,241
(Increase) / decrease in Stock		(12,794)	(5,476)
Increase / (decrease) in Creditors		(28,402)	47,454
Net cash (outflow) inflow from operating activities		184,100	155,685

CASHFLOW STATEMENT

Cashflow from operating activities		184,100	155,685
Returns on investments and servicing of finance	Note 1	1,575	2,711
		185,675	158,396
(Purchase) / Sale of fixed assets	Note 1	(793,516)	(120,722)
Payment of Corporation Tax		--	--
Financing	Note 1	409,776	(34,468)
Increase / (Decrease) in cash		(198,065)	3,206

KATHARINE HOUSE HOSPICE
NOTES TO THE CONSOLIDATED CASHFLOW STATEMENT
at 31 March 2019

NOTE 1 TO THE CASHFLOW STATEMENT

	2019 £	2018 £
Returns on investments and servicing of finance		
Income from fixed asset investments in portfolio	13,677	10,508
Total Income from fixed asset investments	13,677	10,508
Other Interest received	102	71
Interest payable on loans	(12,204)	(7,868)
	<u>1,575</u>	<u>2,711</u>
Financing		
Repayments of loan capital	(44,724)	(34,468)
Bank Loan for purchase of fixed assets	454,500	
	<u>409,776</u>	<u>(34,468)</u>
Sale and purchase of fixed assets		
Purchase of tangible fixed assets	(773,003)	(60,020)
Bank Loan for purchase of fixed assets		--
Add proceeds for DLT transfer	--	16,782
Sale Proceeds of other fixed assets	--	2,000
Capital Payment on HP	(24,199)	(19,266)
Purchase of fixed asset investments	(1,151,700)	(1,156,302)
Proceeds of sale of fixed asset investments	1,155,386	1,096,084
	<u>(793,516)</u>	<u>(120,722)</u>

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

Net cash inflow / (outflow)	(198,065)	3,206
Change in net funds in the year	(198,065)	3,206
Net funds at 1 April	1,353,409	1,350,203
Net funds at 31 March	<u><u>1,155,344</u></u>	<u><u>1,353,409</u></u>

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

	As at 1 April 2018	Cash Flows	Non cash Changes	As at 31 March 2019
Cash in hand and at bank	1,410,253	(206,432)	--	1,203,821
Cash in current asset investments	66,419	8,367	--	74,786
TOTAL	<u><u>1,476,672</u></u>	<u><u>(198,065)</u></u>	<u><u>--</u></u>	<u><u>1,278,607</u></u>

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

	As at 1 April 2018	Cash Flows	Non cash Changes	As at 31 March 2019
Cash at hand and in bank	1,410,253	(206,432)	--	1,203,821
Debt due within 1 year	(59,599)	59,599	(99,429)	(99,429)
Debt due after 1 year	(204,491)	(445,176)	99,429	(550,238)
Cash in investments	66,419	8,367	--	74,786
TOTAL	<u><u>1,212,582</u></u>	<u><u>(583,642)</u></u>	<u><u>--</u></u>	<u><u>628,940</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 outflow of £198,065 for the year and have cash reserves of £1,203,821. The trustees have no plans to restructure the debt or investments of the charity and have approved an achievable budget for financial years 2019/20 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.

vii) Fees and other income

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

e) Donation of assets

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

f) Expenditure and irrecoverable VAT

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

i) Costs of generating income

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

ii) Expenditure on charitable activities

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

iii) Irrecoverable VAT

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

g) Basis for the allocation of costs

i) Direct costs

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

ii) Support costs

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

iii) Overhead costs

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

h) Tangible fixed assets and depreciation

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

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

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

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

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) Stock

Stock is the value of Christmas card stocks, Garden Centre stocks and other bought in goods stock held for sale stated at cost of acquisition, with stock over eighteen months old being written off.

k) 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.

l) Cash

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

m) Creditors

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

n) Payments on Account

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

o) Deferred income

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

p) Pensions

The Charity operates a number of employees' 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.

q) Fund accounting

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

r) Method of consolidation

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

s) 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.

t) 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.)

u) 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	2019 £	2018 £
Unsolicited donations and gifts		37,700	77,037
Legacies	(4)	494,779	254,454
Unsolicited donations - restricted		700	--
Legacies Restricted	(4)	4,498	26,500
		<u>537,677</u>	<u>357,991</u>

4. LEGACIES

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

	No.	2019 £	No.	2018 £
Up to £10,000	24	41,927	13	9,940
£10,000 to £49,999	4	137,350	5	144,053
£50,000 to £99,999	-	--	2	126,961
Over £100,000	1	320,000	-	--
		<u>499,277</u>		<u>280,954</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 £55,162 (2018: £55,481).

The performance set out below specifically excludes: £499,277 of legacy income (2018: £280,954); £38,400 of unsolicited donations (2018: £77,037); 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 2019

(Continued)

5. FUNDRAISING INCOME AND EXPENDITURE (Cont.)

			2019			2018	
	Note	Unrestricted £	Restricted £	Total £	Unrestricted £	Restricted £	Total £
Income Sources							
Individuals and groups		367,449	38,836	406,285	280,771	9,400	290,171
Gift Aid		55,162	--	55,162	55,481	--	55,481
Collections		14,222	--	14,222	20,500	8	20,508
Membership	(2)	675	--	675	615	--	615
Corporate Support		79,401	1,279	80,680	71,317	145	71,462
Trusts and grant giving bodies		44,145	175,737	219,882	48,255	134,120	182,375
Events		204,991	--	204,991	167,084	--	167,084
Support groups		18,003	--	18,003	11,461	--	11,461
Tea bar income		4,028	--	4,028	3,639	--	3,639
Other sources		2,098	--	2,098	3,745	--	3,745
		790,174	215,852	1,006,026	662,868	143,673	806,541
Direct Costs							
Wage costs		198,690		198,690	213,469		213,469
Other staff costs		6,999		6,999	5,897		5,897
IT Costs		4,915		4,915	4,018		4,018
Event costs		71,550		71,550	47,865		47,865
Project costs		14,443		14,443	7,685		7,685
Tea bar costs		1,465		1,465	1,956		1,956
Other costs		11,697		11,697	19,417		19,417
Depreciation		6,033		6,033	7,418		7,418
		315,792		315,792	307,725		307,725
Support Costs							
Housekeeping		1,531		1,531	1,597		1,597
Maintenance		2,052		2,052	1,656		1,656
		3,583		3,583	3,253		3,253
Overhead Costs							
Administrative costs		82,492		82,492	89,130		89,130
		82,492		82,492	89,130		89,130
Total Fundraising Costs		401,867		401,867	400,108		400,108
Net Income from Fundraising				604,159	406,433		

6. 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.

7. 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

	2019	2018
	£	£
Turnover	4,233	6,540
Operating costs	(664)	(811)
Net Profit	<u>3,569</u>	<u>5,729</u>
Distribution under Gift Aid to Katharine House Hospice	(3,569)	(5,729)
Retained earnings carried forward	<u>--</u>	<u>--</u>
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	20,697	22,372
Liabilities	(20,197)	(21,872)
Funds	<u>500</u>	<u>500</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

(Continued)

7. 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.

	2019 £	2018 £
Turnover	403,834	409,401
Operational costs	(187,757)	(182,048)
Recharges paid to Katharine House	(21,920)	(25,861)
Interest Received	--	11
NET PROFIT	194,157	201,503
Distribution under Gift Aid to Katharine House Hospice	(194,157)	(201,503)
Retained in subsidiary undertaking	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Assets	120,968	160,315
Liabilities	(120,868)	(160,215)
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.

	2019 £	2018 £
Turnover	226,017	180,729
Operational costs	(215,748)	(148,885)
Recharges paid to Katharine House	(7,447)	(31,531)
Interest payable	(1,866)	(2,263)
Interest Received	--	1,950
NET PROFIT	956	--
Amounts written off investments	--	(19,461)
Distribution under Gift Aid to Katharine House Hospice	(956)	--
Retained in subsidiary undertaking	--	(19,461)
Retained earnings brought forward	9,739	29,200
Retained earnings carried forward	9,739	9,739
The aggregate of the assets, liabilities and funds at 31 March was:		
Fixed Assets	98,568	168,564
Assets	279,851	383,288
Liabilities	(368,678)	(542,111)
Funds	9,741	9,741
Additional Financial Value from KH Retail Ltd		
Gift Aided sales donated to Katharine House Hospice	519,634	587,229
Gift Aid on these sales	129,239	142,205

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

(Continued)

7. 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.

	2019 £	2018 £
Turnover	--	807,006
Operating costs	--	(663,877)
GROSS PROFIT	--	143,129
Interest Payable	--	(1,950)
Loan written off in current liabilities	--	19,461
Donation under Gift Aid to Donna Louise Children's Hospice	--	(141,179)
Retained in subsidiary undertaking	--	19,461
Retained earnings brought forward	--	(19,461)
Retained earnings carried forward	--	--
The aggregate of the assets, liabilities and funds at 31 March was:		
Tangible Assets	--	--
Assets	1	179,312
Liabilities	--	(179,311)
Funds	1	1

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 £252,817.

	2019 £	2018 £
Turnover	337,496	298,639
Operating costs	(340,748)	(338,209)
Recharges paid to Katharine House	(30,179)	(30,161)
GROSS LOSS	(33,431)	(69,731)
Retained in subsidiary undertaking	(33,431)	(69,731)
Retained earnings brought forward	(219,386)	(149,655)
Retained losses carried forward	(252,817)	(219,386)
The aggregate of the assets, liabilities and funds at 31 March was:		
Current Assets	24,178	72,237
Liabilities	(271,995)	(286,623)
Funds	(247,817)	(214,386)

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

(Continued)

8. INVESTMENT INCOME AND FEES

Investment income comprises:

	Company		Group	
	2019	2018	2019	2018
	£	£	£	£
Bank Interest	102	5	102	16
Interest from Investments	3,750	55	3,750	55
Dividends	9,898	10,496	9,898	10,496
Rent	--	--	--	--
Tax reclaim due in investments	29	12	29	12
	13,779	10,568	13,779	10,579

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

	2019	2018
	£	£
Management of the portfolio	8,967	8,542
Brokerage costs on Sales of Assets	--	--
Brokerage costs on Acquisitions of Assets	--	--
	8,967	8,542

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.

		2019		2018	
		£	%	£	%
Local Clinical Commissioning Groups					
Stafford & Surrounds	(a)	625,154	8.65	625,154	10.57
Cannock Chase	(a)	309,254	4.28	309,254	5.23
East Staffordshire	(a)	16,341	0.23	16,341	0.28
Seisdon & South Staffordshire	(a)	6,536	0.09	6,536	0.11
Midlands Partnership NHS Foundation Trust	(d)	46,329	0.64	--	-
Stafford Borough Council	(b)	3,500	0.05	3,500	0.06
NHS Pension Rebate	(c)	26,594	0.37	26,594	0.45
		1,033,708	14.31	987,379	16.70

- (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.
(d) Last quarter payment for Palliative Care Nursing Service, going forward this grant will be received annually pro rata for a full year

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.

	2019	2018
	£	£
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	200	234
Hednesford Town Council for the provision of Hospice Services	100	100
Rugeley Town Council for Paracentesis	50	--
Staffordshire County Council for IPU Equipment	250	--

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

(Continued)

10. EXPENDITURE ANALYSIS

		Direct Staff	Direct Other	Deprec- iation	Recharged Direct Support	Recharged Management and Admin	2019 Total	2018 Total
Charitable Activity								
Inpatient Care		1,138,640	53,792	23,160	398,243	217,077	1,830,912	1,724,502
Day Care		157,587	7,390	24,801	73,563	35,274	298,615	310,094
Lymphoedema		95,211	19,018	5,796	42,786	24,058	186,869	207,876
At Home Care		295,818	26,107	1,960	45,173	69,868	438,926	408,042
Palliative Nurse Specialists		41,919	2,041	500	9,343	7,267	61,070	--
Family Support		152,391	1,978	2,476	23,347	26,283	206,475	208,138
Drop-In/ Wellbeing Day		22,827	--	1,964	14,654	10,088	49,533	36,798
Carers Support		18,409	502	--	4,857	4,828	28,596	28,068
Other Care / Education		--	--	--	184	2,798	2,982	3,164
Charitable Expenditure		1,922,802	110,828	60,657	612,150	397,541	3,103,978	2,926,682
Governance	(11)	30,069	15,680	--	2,041	23,849	71,639	61,192
Fundraising	(5)	198,690	111,069	6,033	4,992	81,083	401,867	400,108
Charity Shops		2,372,608	977,463	27,403	40,657	78,526	3,496,657	2,645,186
Recharges to Subsidiaries								
To KH Retail		--	20	295	2,433	4,699	7,447	31,531
To Embrace		--	--	--	10,868	19,311	30,179	30,161
To KH Promotions		--	147	989	2,819	17,965	21,920	25,861
Total Recharges		--	167	1,284	16,120	41,975	59,546	87,553
Analysis of Direct Support and Overhead recharges					675,960	622,974		
Direct Support Services								
Management of Care		151,805	37,731	10,438			199,974	182,246
Catering		55,908	22,431	4,959			83,298	79,264
Laundry		--	6,012	2,495			8,507	2,495
Housekeeping		60,992	17,750	113			78,855	80,671
Property Costs		96,987	112,222	75			209,284	167,248
Administration		44,657	49,425	1,960			96,042	109,020
Total Direct Support		410,349	245,571	20,040			675,960	620,944
Overhead Costs								
Management		185,310	154,744	--			340,054	317,690
Finance Department		75,892	7,251	4,903			88,046	92,256
Personnel		82,763	26,902	2,637			112,302	85,918
Voluntary Services		30,265	518	416			31,199	31,299
Marketing		41,604	9,769	--			51,373	70,581
Total overhead		415,834	199,184	7,956			622,974	597,744
Total Direct Expenditure		5,350,352	1,659,962	123,373				

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 2019 - Note 10 Comparative for 2018

(Continued)

10. EXPENDITURE ANALYSIS - PRIOR YEAR COMPARISON

	Direct Staff	Direct Other	Deprec- iation	Recharged Direct Support	Recharged Management and Admin	2018 Total
Charitable Activity						
Inpatient Care	1,078,821	52,912	23,917	369,461	199,391	1,724,502
Day Care	170,651	12,750	19,074	71,305	36,314	310,094
Lymphoedema	96,558	37,378	5,858	42,086	25,996	207,876
At Home Care	277,478	20,879	2,022	43,806	63,857	408,042
Family Support	151,054	3,713	2,513	24,110	26,748	208,138
Drop-In/ Wellbeing Day	12,718	2	1,977	11,810	10,291	36,798
Carers Support	17,600	1,330	--	4,394	4,744	28,068
Other Care / Education	--	28	--	200	2,936	3,164
Charitable Expenditure	1,804,880	128,992	55,361	567,172	370,277	2,926,682
Governance (11)	25,432	11,886	--	1,435	22,439	61,192
Fundraising (5)	213,469	86,838	7,418	4,907	87,476	400,108
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
To Embrace	--	--	--	10,196	19,965	30,161
To KH Promotions	--	283	1,225	2,456	21,897	25,861
Total Recharges	--	797	7,667	20,389	58,700	87,553
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
Catering	53,734	20,571	4,959			79,264
Laundry	--	--	2,495			2,495
Housekeeping	55,072	25,486	113			80,671
Property Costs	94,485	72,663	100			167,248
Administration	49,177	57,821	2,022			109,020
Total Direct Support	389,088	220,145	11,711			620,944
Overhead Costs						
Management	188,667	119,412	9,611			317,690
Finance Department	80,774	5,446	6,036			92,256
Personnel	63,473	19,179	3,266			85,918
Voluntary Services	30,404	417	478			31,299
Marketing	59,158	11,423	--			70,581
Total overhead	422,476	155,877	19,391			597,744
Total Direct Expenditure	4,482,325	1,536,848	101,548			

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

(Continued)

11. GOVERNANCE COSTS

	2019	2018
	£	£
Allocation of the costs of Management Time	30,069	25,432
Trustee Indemnity insurance	1,050	1,256
Audit and accountancy fees	14,630	10,630
Direct Support Recharge	2,041	1,435
Management and Admin Recharge	23,849	22,439
	<u>71,639</u>	<u>61,192</u>

12. SPECIFIC CHARGES TO EXPENDITURE

Audit fees for the group were £14,630 (2018: £13,685).

Directors expenses were £NIL (2018: £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 (2018: £NIL). The secretary received expenses of £NIL (2018 - £NIL).

14. EMPLOYEE NUMBERS AND COSTS

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

Company	2019		2018	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	66	54.99	62	52.03
Medical and Therapies	6	1.99	5	3.13
Ancillary	15	8.96	14	8.84
Fundraising	9	7.44	8	7.16
Charity shops	146	103.42	114	80
Administration / Management	23	19.18	23	18.44
	<u>265</u>	<u>195.98</u>	<u>226</u>	<u>169.87</u>

Group	2019		2018	
	Average Employees	Whole time Equivalent	Average Employees	Whole time Equivalent
Nursing and Care	86	70.29	83	67.91
Medical and Therapies	6	1.99	5	3.13
Ancillary	15	8.96	14	8.84
Generating Funds	10	8.11	10	8.09
Charity shops	146	103.42	144	96
Administration / Management	23	19.18	23	18.44
	<u>286</u>	<u>211.95</u>	<u>279</u>	<u>202.71</u>

The costs of employment were:

	Company		Group	
	2019	2018	2019	2018
	£	£	£	£
Salary	4,377,497	3,840,980	4,754,205	4,552,827
National Insurance	291,621	270,770	306,925	300,149
Pension	190,870	157,335	196,112	160,470
	<u>4,859,988</u>	<u>4,269,085</u>	<u>5,257,242</u>	<u>5,013,446</u>
Bought-in staff	235,258	208,997	235,258	208,997
	<u>5,095,246</u>	<u>4,478,082</u>	<u>5,492,500</u>	<u>5,222,443</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

15. EMOLUMENTS

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

	Company		Group	
	2019	2018	2019	2018
£60,001 - £70,000	0	0	0	0
£70,001 - £80,000	0	1	0	1
£80,001 - £90,000	1	0	1	0

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	
	2019	2018	2019	2018
£60,001 - £70,000	0	0	0	0
£70,001 - £80,000	3	4	4	4
£80,001 - £90,000	1	0	1	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 £384,741 (2018: £372,883). There were 5 employees and 1 non-employee on the team until December 2018 and 4 employees and 1 non-employee for the rest of the year (2018: 5 members of the team until May 2017 and 6 for the rest of the year).

16. PENSIONS

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

a) NHS Defined Benefit Scheme

Employees who are members of the NHS pension scheme, if eligible, may continue to contribute to this scheme. Employer contributions are 14.38%. 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 2% 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:

	2019		2018	
	Average Number	Employer Contribution	Average Number	Employer Contribution
Company				
NHS	28	99,695	27	106,443
Standard Life	20	46,896	25	28,499
Scottish Widows	1	2,730	1	2,198
NEST	146	60,661	123	16,417
	<u>195</u>	<u>209,982</u>	<u>176</u>	<u>153,557</u>
Group				
NHS	28	99,695	27	106,443
Standard Life	20	46,896	25	51,011
Scottish Widows	1	2,730	1	2,198
NEST	177	66,117	161	19,554
	<u>226</u>	<u>215,438</u>	<u>214</u>	<u>179,206</u>

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
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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 2018	2,138,707	412,692	132,495	130,703	2,814,597
Additions	610,000	98,558	64,445		773,003
Disposals	--		--	(31,940)	(31,940)
At 31 March 2019	<u>2,748,707</u>	<u>511,250</u>	<u>196,940</u>	<u>98,763</u>	<u>3,555,660</u>
Depreciation					
At 1 April 2018	687,788	336,465	121,473	91,791	1,237,517
Charge for the year	48,054	53,479	13,194	8,646	123,373
Disposals	--	--	--	(31,940)	(31,940)
At 31 March 2019	<u>735,842</u>	<u>389,944</u>	<u>134,667</u>	<u>68,497</u>	<u>1,328,950</u>
Net Book Value					
At 31 March 2019	<u>2,012,865</u>	<u>121,306</u>	<u>62,273</u>	<u>30,266</u>	<u>2,226,710</u>
At 1 April 2018	<u>1,450,919</u>	<u>76,227</u>	<u>11,022</u>	<u>38,912</u>	<u>1,577,080</u>
GROUP					
Cost					
At 1 April 2018	2,488,077	458,624	185,239	293,603	3,425,543
Additions	610,000	98,558	64,445	--	773,003
Disposals	--	--	(39,724)	(31,940)	(71,664)
At 31 March 2019	<u>3,098,077</u>	<u>557,182</u>	<u>209,960</u>	<u>261,663</u>	<u>4,126,882</u>
Depreciation					
At 1 April 2018	968,585	364,548	174,217	172,550	1,679,900
Charge for the year	94,568	54,545	13,194	31,062	193,369
Disposals	--	--	(39,724)	(31,940)	(71,664)
At 31 March 2019	<u>1,063,153</u>	<u>419,093</u>	<u>147,687</u>	<u>171,672</u>	<u>1,801,605</u>
Net Book Value					
At 31 March 2019	<u>2,034,924</u>	<u>138,089</u>	<u>62,273</u>	<u>89,991</u>	<u>2,325,277</u>
At 1 April 2018	<u>1,519,492</u>	<u>94,076</u>	<u>11,022</u>	<u>121,053</u>	<u>1,745,643</u>
The Net Book Value of the Groups assets, which are all unrestricted, represent assets used for:					
As at 31 March 2019:					
Care and education	968,701	56,078	--	30,266	1,055,045
Fundraising	69,232	788	--	--	70,020
Retail Subsidiary	22,060	16,782	--	59,725	98,567
Charity Shops	660,106	51,208	56,927	--	768,241
Trading Subsidiary	13,846	158	--	--	14,004
Support Services	44,237	11,500	--	--	55,737
Administration	256,742	1,575	5,346	--	263,663
	<u>2,034,924</u>	<u>138,089</u>	<u>62,273</u>	<u>89,991</u>	<u>2,325,277</u>
As at 31 March 2018:					
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
Charity Shops	--	--	--	--	--
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>

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18. FIXED ASSET INVESTMENT - Company and Group

	2019		2018	
	£	%	£	%
At 31 March 2019 investments were held as:				
Bonds	267,045	43.9	23,729	3.8
UK Equities and funds	127,759	21.0	106,384	17.2
Overseas Equities and funds	99,893	16.4	374,138	60.6
Other Assets	39,056	6.4	46,971	7.6
Total Invested Funds	533,753	87.7	551,222	89.2
Cash held for investment	74,786	12.3	66,419	10.8
Total Funds in Investment portfolio	608,539	100.0	617,641	100.0

	2019	2018
	£	£
Listed investments		
Market Value at 31 March	551,222	503,327
Less Disposals at opening book value (proceeds £1,155,386)	(1,169,732)	(1,091,763)
Add acquisitions at cost	1,151,700	1,156,302
Net gain/(loss) on revaluation at 31 March	563	(16,644)
Market Value at 31 March of listed investments	533,753	551,222
Historical Cost at 31 March	534,316	566,420

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

FIXED ASSET INVESTMENT - Company

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

	2019	2018
	£	£
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.

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For the year ended 31 March 2019

(Continued)

19. DEBTORS

	Company		Group	
	2019	2018	2019	2018
	£	£	£	£
Intercompany accounts	621,523	808,590	--	--
Trade debtors	--	740	24,203	35,672
NHS pharmaceutical supplies	16,550	23,789	16,550	23,789
HMRC - tax and social security	66,683	63,734	101,296	81,578
Other debtors	74,923	3,337	75,445	4,121
Prepayments	127,991	134,643	128,801	136,816
Deposits provided	3,875	3,875	3,875	3,875
	<u>911,545</u>	<u>1,038,708</u>	<u>350,170</u>	<u>285,851</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	
	2019	2018	2019	2018
	£	£	£	£
Bought in Goods	--	--	19,090	6,296

21. CREDITORS

Amounts due in under one year

	Company		Group	
	2019	2018	2019	2018
	£	£	£	£
Bank Loans	73,780	35,400	73,780	35,400
Hire Purchase Loan	--	--	25,649	24,199
Payments on account	--	--	66,590	66,011
Trade creditors	172,570	144,474	180,520	147,701
Accruals	93,373	154,394	107,551	155,624
Deferred income	82,676	76,497	82,676	76,497
Other creditors	7,807	8,269	42,709	62,615
	<u>430,206</u>	<u>419,034</u>	<u>579,475</u>	<u>568,047</u>

Amounts due after one year

	Company		Group	
	2019	2018	2019	2018
	£	£	£	£
Bank Loans	541,351	169,955	541,351	169,955
Hire Purchase Loan	--	--	8,887	34,536
	<u>541,351</u>	<u>169,955</u>	<u>550,238</u>	<u>204,491</u>

The bank loans consists of two different bank loans. The first bank loan is a term loan of 15 years commencing September 2013, with an option to repay at year 5 without penalty, at 2.16% above base rate.

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

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

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%.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

(Continued)

22. FUNDS

General, Designated and Restricted Funds

	General Funds £	Designated Funds £	Restricted Funds £	Total Funds £
Income	6,243,657	494,779	1,262,929	8,001,365
Expenditure in generating funds	(4,344,796)	--	--	(4,344,796)
Financing costs	(12,204)	--	--	(12,204)
	<u>1,886,657</u>	<u>494,779</u>	<u>1,262,929</u>	<u>3,644,365</u>
Opening value of funds	2,520,870	683,135	83,254	3,287,259
Provision for deferred tax liabilities	3,769	--	--	3,769
Transfers (to) / from general funds	(70,857)	70,857	--	--
Gains / (losses) on investment assets				
Realised	(14,346)	--	--	(14,346)
Unrealised	563	--	--	563
	<u>4,326,656</u>	<u>1,248,771</u>	<u>1,346,183</u>	<u>6,921,610</u>
Charitable expenditure	(2,065,522)	(228,107)	(1,252,915)	(3,546,544)
Closing value of funds	<u>2,261,134</u>	<u>1,020,664</u>	<u>93,268</u>	<u>3,375,066</u>

Restricted Funds

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

The capital and equipment funds are primarily for the purchase of items of equipment or refurbishments. 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 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 provisions 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.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2019

(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	12,144	600	(2,871)	--	9,873	9,873
Oxygen Con Day therapies	830	--	(624)	--	206	206
IPU Refurbishment and Equip	2,399	15,533	(8,636)	--	9,296	9,296
Slide Sheets IPU	305	--	--	--	305	305
Lymphoedema Equipment	3,077	3,467	(6,172)	--	372	372
Lymphoedema Consumables	--	6,000	(2,454)	--	3,546	3,546
Infusion Pump	600	--	--	--	600	600
Rank Foundation-Therapy Room	526	--	(526)	--	--	--
Multi-sensory Equipment	1,134	--	--	--	1,134	1,134
Abdominal Scanner	337	--	(337)	--	--	--
Uttoxeter Care-Lymphoedema Equi	65	--	--	--	65	65
Hospice Flooring	1,497	21,816	(23,313)	--	--	--
Patient Transport - WAV vehicle	20	--	(20)	--	--	--
Day Therapies Heating Project	1,000	4,418	(5,418)	--	--	--
Controlled Drugs Room Project	--	19,071	(19,071)	--	--	--
At Home Team Equipment	--	150	--	--	150	150
Boilers Hospice	--	2,182	--	--	2,182	2,182
Revenue funds to operate specified services:						
Lymphoedema Services	--	1,050	(1,050)	--	--	--
IPU Fund	--	20,304	(20,304)	--	--	--
At Home Team fund	--	12,052	(12,052)	--	--	--
Embrace Quality Care fund	3,225	--	(350)	--	2,875	2,875
District Nurses	8,750	17,500	(26,250)	--	--	--
Clinical Commissioners	--	983,879	(983,879)	--	--	--
Mids Partnership Foundation Trust	--	46,329	(46,329)	--	--	--
Carers Group	477	--	--	--	477	477
Paracentesis	--	3,750	--	--	3,750	3,750
Day Therapies Fund	--	27,794	(27,794)	--	--	--
Family support Services	--	13,000	(13,000)	--	--	--
Spiritual Support	4,136	2,227	--	--	6,363	6,363
Day Therapies Co-ordinator	10,961	22,618	(21,237)	--	12,342	12,342
Learning & Develop Co-ordinator	--	23,000	(12,740)	--	10,260	10,260
Other revenue funds for specified purposes:						
Patients Comfort Fund Day Care	7,057	1,900	(3,688)	--	5,269	5,269
Patients Comfort Fund IPU	1,624	983	(902)	--	1,705	1,705
Embrace Comfort Fund	--	250	--	--	250	250
IPU Staff Gift	520	500	(500)	--	520	520
Materials for Corporate Vols	--	735	(71)	--	664	664
Keele Medical Students Fund	8,805	11,671	(2,975)	--	17,501	17,501
Garden Fund	11,568	--	(10,310)	--	1,258	1,258
Flower Donations	181	--	(11)	--	170	170
Complementary Therapies	34	150	(31)	--	153	153
Al Zohra - Dementia Training	1,982	--	--	--	1,982	1,982
	83,254	1,262,929	(1,252,915)	--	93,268	93,268

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

Designated Funds

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

Movements on Designated Funds:

	Opening Fund Value	Income	Charitable Expend	Transfer from / (to) General Fund	Closing Fund Value
	£	£	£	£	£
Designated Fund					
Repairs and Renewals Fund	42,780	--	(3,742)	962	40,000
Renewal of IT fund	100,000	--	--	--	100,000
Training and Development Fund	11,000	--	(10,174)	10,174	11,000
Legacy Equalisation Fund	120,000	494,779	--	(494,779)	120,000
Retail Vehicle fund	44,000	--	(9,465)	--	34,535
Retail Premises Purchase	160,000	--	(160,000)	--	--
Fund to repay loan - Priestly Court	205,355	--	(35,084)	--	170,271
Fund to repay loan - Norton Bridge	--	--	(9,642)	454,500	444,858
Norton Bridge Development	--	--	--	100,000	100,000
	683,135	494,779	(228,107)	70,857	1,020,664

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 nine 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 2019/20 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 purchase of one of our retail sites which has now been eliminated as the purchase was completed in the year.

The trustees have established a designated fund for the repayment of outstanding capital amounts on the two bank loans which relate to the purchase of two properties.

The Norton Bridge premises which was purchased in December 2018 requires development to enhance business opportunities.

KATHARINE HOUSE HOSPICE
NOTES TO THE FINANCIAL STATEMENTS
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(Continued)

23. TRANSFERS BETWEEN FUNDS

	Transfers In	Transfers Out	Net Transfers
General Funds	<u>494,779</u>	<u>(565,636)</u>	<u>(70,857)</u>
Designated Funds:			
Repairs and Renewals	962		962
Training and Development Fund	10,174	--	10,174
Norton Bridge Development	100,000	--	100,000
Norton bridge Loan repayment	454,500		454,500
Legacy Equalisation Fund	--	(494,779)	(494,779)
	<u>565,636</u>	<u>(494,779)</u>	<u>70,857</u>

24. FINANCIAL COMMITMENTS

Capital Commitments - Company and Group

The charity has no capital commitments at 31 March 2019.

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 2019 with prior year comparatives are:

	Out of lease	<2 years	2-5 years	5-10 years	10 years
Company & Group as at 31.03.19	165,150	111,765	96,000	79,500	--
Company & Group as at 31.03.18	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 & Group as at 31.03.19	787,242	1,203,241
Company & Group as at 31.03.18	670,767	1,491,886

There were no other operating lease commitments at 31 March 2019 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. 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.

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(Continued)

Specific related party transactions are:

	2019 £	2018 £
Allison Cape		
Midlands Partnership Foundation Trust (relationship: Employee)		
(i) Contract for the provision of social work services	32,278	41,677
(ii) Funding for two End of Life District Nursing posts	17,500	35,000
Dysphagia training sessions	4,250	--
Income following TUPE of PCNS service	(46,329)	--
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	65,608	72,481
Provision of Palliative Medical Consultant Sessions	105,071	48,578
Contract for the provision of occupational and physiotherapy services	32,905	32,687
Provision of manual handling training	930	142
Richard Soulsby		
AL Services (relationship: Spouse is proprietor)		
Spot purchasing of counselling services	3,780	4,585
Jennifer Woodyard		
Hand Morgan & Owen Solicitors (relationship: Employee)		
Provision of legal services connected with property transactions	8,964	271
Iain Miller		
(iv) Rouge Marketing (relationship: left KHH to join Rouge)	32,981	
Provision of bought in goods for sale in retail shops		
(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.		
(iv) Iain Miller left Katharine House Hospice on 31.12.18.		

26. POST BALANCE SHEET EVENTS

There are no post balance sheet events to report.