

**THE KATHARINE HOUSE HOSPICE TRUST**  
(A company limited by guarantee)

**Reports and Consolidated Financial Statements**  
**31 March 2011**

**Registered in England and Wales**  
**No: 2133391**

**Registered Charity**  
**No: 297099**

**Ellacotts LLP**  
**Chartered Accountants**  
**Countrywide House**  
**23 West Bar**  
**Banbury**  
**OX16 9SA**

## THE KATHARINE HOUSE HOSPICE TRUST

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**REPORT OF THE BOARD OF TRUSTEES**

For the Year Ended 31 March 2011

The Trustees present their annual report and the audited financial statements for the year ended 31 March 2011. The format and content of the report and the financial statements complies with current statutory requirements, the charity's Memorandum and Articles of Association and the recommendations in *Accounting and Reporting by Charities: Statement of Recommended Practice* (revised 2005) ('Charities SORP').

***1 REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY***

The registered name of the charity is The Katharine House Hospice Trust.

The company registration number (England and Wales) is 2133391.

The charity registration number is 297099.

The Registered Office and Principal Address of the Charity is East End, Adderbury, Banbury, OX17 3NL.

The following Trustees served during the year and to the date of the report: - Mr N F Gadsby - Chairman, Mr R S Greaves - Deputy Chairman, Mr M Covill, Miss J Miles, Mr A J Overton, Dr R Smith, Mrs O H Stewart, Mr R Worrall and Mrs K E Overton (who is also the Secretary).

The Executive Management Team consists of: - Dr C Bond – Medical Director, Miss B M Ross – Director of Nursing and Mrs E M Wheeldon – Business Director.

Principal Bankers are: - Yorkshire Bank, 66 High Street, Banbury, OX16 8JN, CAF Bank Ltd, 25 Kings Hill Avenue, Kings Hill, West Malling, Kent, ME19 4JQ, CCLA Investment Management Ltd, 80, Cheapside, London EC2V 6DZ and HSBC, 17 Market Place, Banbury, OX16 5ED.

Investment Managers are: - Williams de Broe Plc, Austin Friars House, 2-6 Austin Friars, London, EC2N 2HD and Rensburg Sheppards, 2 Gresham Street, London, EC2V 7QN.

Solicitors are: - Hancocks, 24 Horsefair, Banbury, OX16 0YA.

Auditors are: - Ellacotts LLP, Chartered Accountants, Countrywide House, 23 West Bar, Banbury, OX16 9SA.

***2 STRUCTURE, GOVERNANCE AND MANAGEMENT***

***Governing Document and Structure***

The company was registered in June 1987 (no.2133391) with the governing instrument being its Memorandum and Articles of Association. The Articles state that the Board of Trustees shall have full discretion as to the admission of any person to membership of the association.

The Trust is a company limited by guarantee, having no share capital, with all Trustees being members of the company. The liability of the members is limited to £1 in the event of the winding up of the company. During 2010 the Articles were amended, following pro bono legal advice, to reflect the Companies Act 2006. This included a strengthening of the clause addressing conflicts of interest although this issue has always been addressed as described on page 2.

The charity is also supported by its subsidiary company, Katharine's Cupboard Limited, which raises funds from the retailing of Christmas cards, calendars and associated goods, with all profits being donated to the charity to support its operations.

**REPORT OF THE BOARD OF TRUSTEES - continued**

For the Year Ended 31 March 2011

***Trustees Role, Recruitment, Appointment, Induction and Training***

The Trustees are guided by an agreed scheme of corporate governance which sets out their responsibilities and those of the executive management team. They have also agreed and each signed a code of governance based on the Nolan committee's seven principles of public life. Potential conflicts of interest are addressed in a Conflict of Interests Policy and a register of Trustees' interests is maintained. Potential conflicts of interest are addressed at every meeting of the Trustees.

New Trustees are sought from the local community and join the Trustee group bringing their relevant skills and experiences after interview. New Trustees are asked to sign a statement confirming that they are not barred from charity trusteeship for any reason. Induction of new Trustees is based on the *Trustee Induction Pack*, published jointly by Help the Hospices and The Forum of Chairman of Independent Hospices and involves perusal of a wide range of relevant documents including Memorandum and Articles of Association, recent financial statements, Job Description and policies such as those associated with reserves, investment and risk and also includes an introduction to hospice staff.

***Organisation Structure***

Trustees are responsible for the strategic direction of the organisation. They decide whether or not to provide a new service. For example, the Trustees agreed to the establishment of a Hospital Support Team in 2002 and most recently agreed to pilot a home nursing service which was reviewed in 2009 and now becomes a permanent feature. The Trustees are recognised as providers of the hospice services by the Care Quality Commission, our major regulator, and in this capacity are required twice each year to interview service users and submit reports on the views of service users to the Care Quality Commission. These face to face meetings are seen as a valuable contribution to the Trustees' ability to monitor the services provided by the organisation. There were no changes to the Trustee group during the year.

Trustees appoint the executive management team and are also responsible for the organisation's investments. The executive management team manage their own departments including the appointment of staff within budgets agreed by the Trustees. The Team meet together regularly and, six times a year, attend Trustees' meetings to present reports. The Chairman meets informally with the executive management team members either individually or as a team.

No Trustee received any remuneration during the year other than reimbursement of certain expenses as detailed in note 6 to the financial statements.

***Risk Management***

The Trustees are responsible for the management of risks faced by the hospice. Policy is based on the Charity Commission's Internal Financial Control advice and a range of frequently reviewed policy documents. Through the risk management processes established by the organisation, written details of which are held by all relevant staff, the Trustees are satisfied that the major risks identified have been adequately mitigated.

The Trustees have followed Charity Commission's advice, given to all charities, to minimise the risks arising from commercial trading activities. A wholly owned subsidiary, Katharine's Cupboard Limited, was incorporated on 29 June 2007 as a company limited by shares, registration number 6297831. Its purpose is to retail the Christmas cards, calendar and associated goods previously handled successfully by the charity. All profits arising within Katharine's Cupboard Limited are to be donated using Gift Aid to the charity and their results are summarised in note 2c) to the financial statements.

**REPORT OF THE BOARD OF TRUSTEES - continued**

For the Year Ended 31 March 2011

***3 OBJECTIVES AND ACTIVITIES FOR THE PUBLIC BENEFIT***

The objects of the charity are to promote the holistic welfare of those suffering terminal illness and to establish, maintain and manage a hospice or other premises for that purpose. This is being achieved through specialist palliative care services provided by Katharine House. Physical, psychological, social and spiritual dimensions are addressed in equal balance for each individual within the context of their family. This is undertaken by a multi-disciplinary palliative care team including specialist palliative care nurses and doctors and through effective liaison with other health providers and volunteers where appropriate.

Referrals are taken from general practitioners and hospital doctors for admission to the specialist palliative care programme. Initial admission may be to home care, day care, in-patient care, hospital support or lymphoedema care. Typically, patients transfer between each of these areas as the course of their illness changes in severity over a period of weeks, months or even years. An active bereavement service is in operation.

A major objective is to reach every member of the community who can benefit from the services which we provide. The possibility of achieving this objective is enhanced by the close working relationships with those who refer patients to the hospice, namely GPs and hospital staff. For example a named/dedicated community nurse is attached to each GP practice and a similar arrangement exists with the local hospital. Publicity, including a column in the local newspaper, also plays a part in ensuring that the services which we provide are known to the public.

Katharine House aims to run a number of palliative care courses for doctors, trained nurses and other members of the primary health care team, including untrained staff.

Underpinning these activities is a set of values which acknowledge that dying is an important part of living and respects the individuality and dignity of all who are referred. The values are described in two papers, "A Statement of Purpose" and "Katharine House Philosophy" both of which are available to professionals and to the general public.

There have been no material changes in the policies adopted by Katharine House since the last report.

All assets are held for the furtherance of the objectives, in enabling Katharine House to provide high quality palliative care. These assets are considered to be adequate for this purpose. The net book value of the freehold property as shown in the financial statements is £2,202,440. The Trustees are of the opinion that the current market value is not less than the net book value shown in the accounts. The increase on the previous year reflects the value of recently completed building works, which includes two new family rooms and the enhancement of two existing family rooms, and the value of the land upon which the hospice is built, which was donated last year.

While the hospice employs appropriately qualified professional staff to provide our core services, significant contributions are made by nearly 400 volunteers as bereavement counsellors, drivers, receptionists, administrators, fundraisers, shop helpers, gardeners, complementary therapists and trustees. We benefit from more than 47,000 voluntary hours per annum and this equates to about 27 full time staff and the estimated value of those donated hours is nearly £400,000 each year.

In accordance with the Memorandum of Association, the Trustees have the power to invest in such stocks, shares, investments and property as they see fit. An agreed Investment Policy describes the Trustees' investment aspirations which are to provide income, enhanced value if possible, avoid undue risk by investing diversely and by monitoring carefully and to avoid investment in tobacco related industries.

**REPORT OF THE BOARD OF TRUSTEES - continued**

For the Year Ended 31 March 2011

***Public Benefit***

The Trustees have again referred to the Charity Commission's guidance on public benefit when reviewing the Hospice's aims and objectives and in planning its future activities and are again able to confirm their belief that the Hospice's activities are of public benefit.

The charity was established, to quote from the Memorandum of Association, "To promote material, medical, mental and spiritual welfare for persons of either sex without regard to race or creed who are suffering at any age from any illness which the association is advised by a responsible person or body which is likely to terminate the life of any such person including terminal cancer or any other terminal illness and to establish, maintain and manage a hospice or hospices or other premises for the purpose."

These objects and activities are described less formally on page 3 of this report and the achievements and performance against these objectives are detailed below. In the year under review, 702 patients were referred to our services. They were accepted purely on the basis of need and no charges were levied on any beneficiary. These are clearly identifiable benefits and the patients who were referred to our services constitute a clearly defined section of the public, namely those in need of end of life care and support.

We also believe that the existence of the hospice creates an opportunity within a local community for its members to offer voluntary services and donate funds to demonstrate a level of altruism which is, in itself, of benefit to society.

**4 ACHIEVEMENTS AND PERFORMANCE**

During the year Katharine House continued to provide specialist palliative care through its home care, day care, in patient, hospital and bereavement support services. The figures below show that there is continuing high demand for the core aspects of the Katharine House palliative care services:

	<b>2010/11</b>	<b>2009/10</b>
In patient days	2,588	2,680
Day Unit attendances	1,255	1,311
Home Care patient visits	1,600	1,540
Lymphoedema clinic attendances	175	369
Medical out-patient/domiciliary attendances	97	130
Hospital Liaison service visits	1,187	1,141
Visits to bereaved individuals	215	236
Physiotherapist clinic attendances	150	123
Home Nursing attendances	14	35

702 patients were referred to the Hospice services during the year and of these 500 were new referrals (the comparative figures for the year ended 31 March 2010 were 679 and 400 respectively). Last year referrals fell significantly but this year have risen again to expected levels. As anticipated, this reflects the more settled medical team which is now in place, and the usual variation in the use of the range of the different services each year reflects the varying needs of the patients referred.

**REPORT OF THE BOARD OF TRUSTEES - continued**

For the Year Ended 31 March 2011

The table above relates to face to face meetings with patients and, in the case of our Clinical Nurse Specialists in Home Care and Hospital Liaison services, face to face meetings with carers. In addition, staff are involved in supporting patients through telephone calls and through meetings with GPs and District Nurses.

Statistics are one measure of what we achieve but the quality of our services is of paramount importance. Our aim is that patients and their carers have all they need to make life as comfortable as possible and to ensure that they feel supported thus alleviating as much of the stress as possible that life threatening illness places on them.

Satisfaction with the quality of our services is assessed, among other ways, by using patient satisfaction surveys. These are carried out by nursing staff and a volunteer who has relevant experience. Additionally, twice a year Trustees have face to face meetings with patients (as noted on page 2 above) and reports on these meetings are lodged with the Care Quality Commission. During the year under review these processes resulted in positive responses from patients and also enabled the organisation to address some minor issues.

Typical comments from patients are as follows:-

- Nothing seems to be too much trouble for the staff here.
- The hospice gives me a great sense of security.
- I feel well cared for.
- My problems have been dealt with in a highly sensitive way and I now feel relaxed in the hospice environment.
- I can find no fault in the way that I am cared for.
- The hospice has been very supportive of both me and my family.

A relative cited the quality of the staff and their attention to detail. Another relative had been impressed by a discussion with a doctor on the morning that we met him, which he felt had been not only informative but also very sensitive.

An important element of the work of the hospice is to disseminate information on good practice in palliative care. To this end four outreach courses were held during the year on communication skills and palliative care in general. These courses range from 2 to 5 days and were attended by professionals and assistants from a range of organisations including the hospitals and nursing homes.

**5 FINANCIAL REVIEW*****Income, Expenditure and Results***

Once again we have ended a financial year in a satisfactory position with a positive net movement of funds for the year of £554,701 (2010: £192,145) and, after grants and donations towards Restricted Funds (predominately the 'Space for Living' project), a net movement of £128,734.

Statutory revenue income fell slightly over the year, because of the fall in the number of bed days. We now have a three year contract with Oxfordshire PCT, which is loaded towards the provision of inpatient care (bed days), so that a fall in numbers triggers a fall in income. The contract provides a smaller grant towards all our other services.

The combined income from donations and fundraising activities, including events, shops and lottery, has held up well in the financial circumstances, and we continued to pursue all gift aid opportunities.

**REPORT OF THE BOARD OF TRUSTEES - continued**

For the Year Ended 31 March 2011

Turnover and costs of our annual Christmas retailing exercise (which is recorded in the books of our subsidiary, Katharine's Cupboard Limited) was reduced slightly on last year leading to a donation of £17,805 (2010: £21,243), being all their profits for the year.

Legacy income is an area which is impossible to predict and this year income from that source was above expectation at £286,636, and this has made a significant impact on the overall income for the year compared with 2010 figures of £49,510.

Staff costs represent at least 72% of our total annual expenditure and this year this area rose by less than 1%. An annual pay rise of 2.25% was in line with the current NHS Agenda for Change pay agreement on top of annual incremental rises embedded in the NHS pay structure which we mirror as part of our staff recruitment and retention policy. Pensions form a significant part of staff costs and Trustees have always believed that the recruitment and retention of good quality staff is enhanced by the provision of attractive pension benefits. The hospice has a dispensation which permits those staff who are eligible to join the NHS defined benefit pension scheme, to which we pay appropriate employers contributions. Other staff are offered a group personal pension scheme administered by Friends Provident, and this has had a good response from staff. The former group scheme administered by the Federated Pension Services, is still in the process of being wound up. We, as employers, along with the 200+ other employers in the scheme, are required to contribute to the schemes stability for retired pensioners. We now know that we will need to pay £12,715.44 annually for between 3 and 10 years. The duration of these payments will in due course be decided by the Courts. The first of these payments was made in April 2011.

The remaining expenditure, not directly related to staff, showed a reduction of 4.4% (or £33,600) on the previous year because our reduced legal expenses which the previous year had been associated with building project and relocation of one of our charity shops.

***Investment Policy and Performance***

Our holdings in UK government and AAA rated loan stocks easily exceeded our benchmark of money market rates. Our smaller holding of equities has recovered all the ground lost over the recent turbulent times and now stands at a value in excess of our initial investment. Our investment and cash holding portfolio has remained largely unaltered during the year. All cash holdings are placed with UK based major banking organisations. Overall our investment income fell by 7.6% reflecting the continuing economic conditions.

***Reserves Policy***

Reserves have increased as a result of this year's surplus. Of the £6,645,480 held in our Unrestricted Reserves at the year end, £2,361,489 is represented by Unrestricted Tangible Fixed Assets (land, buildings and equipment, an increase due to the additional value of the recently completed building work). This leaves £4,283,991 available to fund day to day operations, if necessary. Our Reserves Policy, which was established in June 2007, calls for us to hold approximately 18 months' revenue in reserve. We hold slightly above the 18 months requirement, but because of unknown inflationary pressures, the fact that NHS statutory contribution has been frozen and the uncertainty surrounding charitable income in the financial climate, the Trustees believe that the level of reserves currently held is appropriate.

***6 PLANS FOR FUTURE PERIODS***

With the return to an expected level of referrals, we believe that our relationship with referrers remains successful and that the reputation of the organisation continues to be high. We will therefore continue to concentrate on delivering and refining our services to meet the individual needs and choices of patients and their carers through review of policies, procedures and systems taking due note of patients' responses. A programme of maintaining a rolling review of policies will continue.

**REPORT OF THE BOARD OF TRUSTEES - continued**

For the Year Ended 31 March 2011

Further outreach courses will be organised, as well as a twentieth anniversary conference entitled Contemporary Challenges in Palliative Care. This will be advertised widely and is already attracting interest.

Delay in appointing a dedicated IT Manager means that the hoped for fundraising computer software did not materialise during the year. However, an appointment has now been made and it is expected that the installation of the software will take place this coming year.

Once again tried and tested fundraising streams will be maintained. We will consider new ways of attracting members to our lottery. The Corporate Fundraising Manager has now developed some significant ideas on corporate partnerships. These are described in a booklet which will be discussed with local businesses throughout the year.

We will continue to invest diversely, not taking any significant risks and always following discussion with our investment managers.

***7 STATEMENT OF TRUSTEES' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS***

Company and charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the group's incoming resources and application of resources, including the group's income and expenditure for that year. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures disclosed and explained in the financial statements, and;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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

***8 STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS***

We confirm that we have taken all necessary steps to make us aware, as trustees, of any relevant audit information and to establish that the auditors are aware of that information.

As far as we are aware, there is no relevant audit information of which the charitable company's auditors have not been informed.

***9 AUDITORS***

A resolution to reappoint Ellacotts LLP as auditors to the charity and to authorise the Trustees to fix their remuneration will be proposed at the Annual General Meeting.

**REPORT OF THE BOARD OF TRUSTEES - continued**

For the Year Ended 31 March 2011

ON BEHALF OF THE BOARD

**R S Greaves**  
Deputy Chairman

**6 October 2011**

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
THE KATHARINE HOUSE HOSPICE TRUST****YEAR ENDED 31 MARCH 2011**

We have audited the financial statements of The Katharine House Hospice Trust for the year ended 31 March 2011 which comprise the Consolidated Statement of Financial Activities (including Summary Income and Expenditure Account), the Group and Charity Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

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

**RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS**

As explained more fully in the Trustees' Responsibilities Statement on page 7, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the Group and charity's affairs as at 31 March 2011 and of the Group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
THE KATHARINE HOUSE HOSPICE TRUST (continued)**

**YEAR ENDED 31 MARCH 2011**

**OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

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

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

Peter H Clayton  
(Senior Statutory Auditor)

For and on behalf of ELLACOTT'S LLP  
Chartered Accountants and Statutory Auditors

Countrywide House  
23 West Bar  
Banbury  
Oxfordshire  
OX16 9SA

**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**(and Income & Expenditure Account)**  
**For the Year ended 31 March 2011**

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2011 £	Total 2010 £
<b>INCOME AND EXPENDITURE</b>					
<b>Incoming Resources</b>					
Incoming resources from generated funds					
Voluntary income	2a)	910,081	33,827	943,908	739,758
Activities for generating funds	2b)&2c)	1,093,853	-	1,093,853	1,023,872
Investment income	2d)	130,599	-	130,599	141,297
Incoming resources from charitable activities	3	914,888	495,409	1,410,297	1,035,981
<b>Total Incoming Resources</b>		<b>3,049,421</b>	<b>529,236</b>	<b>3,578,657</b>	<b>2,940,908</b>
<b>Resources Expended</b>					
Costs of generating funds					
Costs of generating voluntary income	4	(82,124)	-	(82,124)	(68,928)
Costs of generating fundraising income	4	(652,342)	-	(652,342)	(641,196)
Costs of generating investment income	4	(4,484)	-	(4,484)	(3,902)
Charitable activities	4&5	(2,121,170)	(103,269)	(2,224,439)	(2,131,199)
Governance costs	4	(35,540)	-	(35,540)	(32,379)
<b>Total Resources Expended</b>	<b>4</b>	<b>(2,895,660)</b>	<b>(103,269)</b>	<b>(2,998,929)</b>	<b>(2,877,604)</b>
<b>Net Incoming Resources for the year before revaluations</b>		<b>153,761</b>	<b>425,967</b>	<b>579,728</b>	<b>63,304</b>
(Loss)/Gain on revaluation of investments assets		(25,027)	-	(25,027)	128,841
<b>Net movement of funds for the year</b>		<b>128,734</b>	<b>425,967</b>	<b>554,701</b>	<b>192,145</b>
<b>Transfers between funds</b>	<b>12</b>	<b>426,320</b>	<b>(426,320)</b>	<b>-</b>	<b>-</b>
<b>Total Funds</b>					
Balances brought forward at 31 March 2010		6,090,426	22,644	6,113,070	5,920,925
<b>Balances carried forward 31 March 2011</b>		<b>6,645,480</b>	<b>22,291</b>	<b>6,667,771</b>	<b>6,113,070</b>

The consolidated incoming and outgoing resources relate to continuing activities.

The charitable group has no recognised gains and losses other than the net movement in funds for the year.

The notes on pages 14 to 29 form part of these financial statements.

**GROUP AND CHARITY BALANCE SHEET**

As at 31 March 2011

		Group		Charity	
	Note	2011	2010	2011	2010
		£	£	£	£
<b>Fixed Assets</b>					
Tangible assets	8	2,361,489	1,924,443	2,361,489	1,924,443
Investments	9	<u>2,973,326</u>	<u>2,152,667</u>	<u>2,973,327</u>	<u>2,152,668</u>
		5,334,815	4,077,110	5,334,816	4,077,111
<b>Current Assets</b>					
Debtors	10	395,922	398,874	396,678	423,878
Cash at bank and in hand		<u>1,318,536</u>	<u>1,786,811</u>	<u>1,317,779</u>	<u>1,760,406</u>
		1,714,458	2,185,685	1,714,457	2,184,284
<b>Creditors: Amounts falling due within one year</b>	11	(381,502)	(149,725)	(381,502)	(148,325)
<b>Net current assets</b>		<u>1,332,956</u>	<u>2,035,960</u>	<u>1,332,955</u>	<u>2,035,959</u>
<b>Net Assets</b>		<u><u>6,667,771</u></u>	<u><u>6,113,070</u></u>	<u><u>6,667,771</u></u>	<u><u>6,113,070</u></u>
<b>Funds</b>					
Restricted funds	12	22,291	22,644	22,291	22,644
Unrestricted funds		6,645,480	6,090,426	6,645,480	6,090,426
<b>Total Funds</b>		<u><u>6,667,771</u></u>	<u><u>6,113,070</u></u>	<u><u>6,667,771</u></u>	<u><u>6,113,070</u></u>

The notes on pages 14 to 29 form part of these financial statements.

The financial statements on pages 11 to 29 were approved by the Board of Trustees on 6 October 2011 and were signed on its behalf by:

**R S Greaves**  
Deputy Chairman

**6 October 2011**

**Company Registration Number: 2133391**

**CONSOLIDATED CASHFLOW STATEMENT**  
**For the Year ended 31 March 2011**

	Note	2011	2010
		£	£
<b>Net cash inflow/(outflow) from operating activities</b>	<b>18</b>	788,317	(101,574)
<b>Net cash inflow for returns on investments and servicing of finance</b>			
Interest received	(2d)	<u>130,599</u>	<u>141,297</u>
		918,916	39,723
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible assets	<b>8</b>	(541,505)	(144,971)
Receipts from disposals of tangible assets		-	-
Payments to acquire investments	<b>9</b>	(2,438,573)	(491,504)
Receipts from disposals of investments	<b>9</b>	1,592,887	666,181
<b>Net cash (outflow)/inflow from capital expenditure and financial investment</b>		<u>(1,387,191)</u>	<u>29,706</u>
<b>(Decrease)/increase in cash in the year</b>	<b>20</b>	<u><u>(468,275)</u></u>	<u><u>69,429</u></u>

The notes on pages 14 to 29 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011

**1. ACCOUNTING POLICIES**

The format and content of the financial statements have been prepared in accordance with the Companies Act 2006, the recommendations in *Accounting and Reporting by Charities: Statement of Recommended Practice* (revised 2005) (abbreviated to 'Charities SORP' hereafter) and applicable accounting standards.

The financial statements have been prepared in accordance with the following accounting policies:

**(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of fixed asset investments at their market value.

**(b) Basis of preparation of group financial statements**

The group financial statements consolidate the financial statements of the charitable company and of its subsidiary undertaking, Katharine's Cupboard Limited, made up to 31 March 2011. The charity has adapted the Companies Act format of the financial statements to reflect the special nature of the charity's activities. No separate Statement of Financial Activities has been presented for the charity alone as permitted by section 408 of the Companies Act 2006 and the Charities SORP 2005.

**(c) Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

- Donations are accounted for as received by the charity.
- Legacies are included in the year in which they are quantifiable and receivable, which is when the charity becomes entitled to the resource.
- Shop income is recognised on a cash receipt basis.
- Lottery income is recognised when allocated to the current week's draw. Lottery funds received and not drawn before the balance sheet date are recorded as deferred income and included within creditors in the balance sheet.
- The income from fund raising ventures is shown gross, with the associated costs included within fund raising costs.
- Investment income is included when receivable. Realised and unrealised gains and losses are dealt with in the Statement of Financial Activities.
- Grant income, including government grants, is recognised when received and conditions for receipt have been complied with. Grants restricted for use in future accounting periods are deferred and recognised in those future accounting periods.

**(d) Resources expended**

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as irrecoverable VAT in the appropriate expense category. The following specific policies are applied to particular categories of expenses:

- Costs of generating funds comprise of costs incurred in inducing people and organisations to contribute financially to the charity's work. This includes the cost of advertising for donations, the running of the lottery including prize money, costs associated with the running of the shops and the staging of special fund raising events.
- Charitable expenditure comprises those costs incurred by the charity in the delivery of specialist palliative care and associated services for patients with a terminal illness.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include audit fees and costs linked to the strategic management of the charity.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**1. ACCOUNTING POLICIES (continued)**

- All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of the resource. Costs relating to a particular activity are allocated directly to that activity, with remaining support costs being allocated to a particular activity on an appropriate basis as set out in notes 4 and 5.

**(e) Fixed Asset Investments**

Fixed asset investments are stated at market value as at the balance sheet date. Realised and unrealised gains and losses on investments during the year are dealt with in the Statement of Financial Activities.

**(f) Tangible Fixed Assets and Depreciation**

Tangible fixed assets are included in the financial statements at historical cost, less accumulated depreciation. Depreciation of tangible fixed assets is provided on a straight line basis, calculated at annual rates estimated to write off each asset over the term of its useful life. The depreciation rates applicable are:

Freehold land	nil
Freehold buildings	2%
Leasehold property	period of the lease
Motor vehicles, medical, office, catering & computer equipment	20%
Assets under construction	nil

**(g) Stock**

Any stocks held are felt by the Trustees to be insignificant and carry no value.

**(h) Taxation**

The company is registered as a charity and is not liable to corporation tax on its charitable activities.

**(i) Value Added Tax**

The charity and its trading subsidiary have group registration for VAT purposes. The group is partially exempt for the purposes of VAT.

**(j) Pension costs**

Retirement benefits are provided to employees by way of various pension schemes as set out in note 16. Contributions payable to these pension schemes are charged in the Statement of Financial Activities in the period to which they relate. Any differences between the contributions payable in the year and those actually paid are included within creditors in the Balance Sheet.

**(k) Operating leases**

Rentals payable under operating leases are charged in the Statement of Financial Activities on a straight line basis over the term of the lease.

**(l) Gifts in kind**

Gifts in kind, including donated services and facilities, are shown as an incoming and expended resource in the Statement of Financial Activities at the value of financial cost to the supplier of the service, where this can be quantified by the charity. The value of services provided by volunteers has not been included in the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**1. ACCOUNTING POLICIES (continued)****(m) Fund Accounting**

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors, funding providers or which have been raised by the charity for a particular purpose. The costs of raising and administering such funds are charged against the specific fund.

**2. INCOMING RESOURCES FROM GENERATED FUNDS****a) Voluntary income**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Donations	657,272	690,248
Legacies	286,636	49,510
	<u>943,908</u>	<u>739,758</u>

**b) Activities for generating funds**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Charity shop income	632,895	603,409
Lottery	220,885	218,613
Other fund raising income	233,009	195,044
Other generated income	7,064	6,806
	<u>1,093,853</u>	<u>1,023,872</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**2. INCOMING RESOURCES FROM GENERATED FUNDS (continued)****c) Net income from trading activities of subsidiary**

The charity has a wholly owned trading subsidiary incorporated in the UK, Katharine's Cupboard Limited. The company took over the running of the Christmas mail order catalogue from the charity and donates all profits generated to the charity. A summary of its trading results is shown below:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Turnover</b>	39,005	46,252
Cost of sales	(14,736)	(18,933)
<b>Gross profit</b>	<hr/> 24,269	<hr/> 27,319
Administrative expenses	(6,531)	(6,109)
<b>Operating profit</b>	<hr/> 17,738	<hr/> 21,210
Interest receivable and similar income	91	34
Interest payable and similar income	(24)	(1)
Gift aided donation to The Katharine House Hospice Trust	(17,805)	(21,243)
<b>Result from ordinary activities before taxation</b>	<hr/> -	<hr/> -
Taxation	-	-
<b>Result for the financial year</b>	<hr/> <hr/> -	<hr/> <hr/> -

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**2. INCOMING RESOURCES FROM GENERATED FUNDS (continued)****d) Investment Income**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Income from fixed asset investments	129,674	125,496
Bank & building society interest	925	15,801
	<u>130,599</u>	<u>141,297</u>

**3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Statutory NHS funding	930,837	958,463
Fees & grants for education courses & other charitable activities	3,164	7,518
Gifts in kind	81,296	50,000
Dept of Health "Space for Living" project funding	395,000	-
Gift of Land	-	20,000
	<u>1,410,297</u>	<u>1,035,981</u>

The hospice has had gifts in kind in the form of donated services for Pharmacy services and Specialist Registrar services. An amount of £81,296 (2010: £50,000) has been shown as incoming and expended resource with a net nil effect on the results of the charity for both years.

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011 (Continued)

## 4. TOTAL RESOURCES EXPENDED

	Basis of allocation	Voluntary income	Charity shops	Charity lottery	Fund raising	Investment income	Charitable activities	Governance	2011	2010
		£	£	£	£	£	£	£	£	£
<b>Costs directly allocated to activities</b>										
Staff costs	Direct	-	173,449	11,640	44,727	-	1,450,366	-	1,680,182	1,576,363
Rent & other shop costs	Direct	-	156,950	-	-	-	-	-	156,950	167,265
Prizes & lottery costs	Direct	-	-	82,794	-	-	-	-	82,794	84,785
Other fundraising costs	Direct	-	-	-	57,485	-	-	-	57,485	58,791
Medical consumables	Direct	-	-	-	-	-	85,667	-	85,667	89,373
Staff training & welfare	Direct	-	-	-	-	-	29,540	-	29,540	35,301
Staff & patient travel	Direct	-	-	-	-	-	33,612	-	33,612	25,730
Printing & copying	Direct	-	-	-	-	-	3,972	-	3,972	4,187
Repairs to clinical equip.	Direct	-	-	-	-	-	8,398	-	8,398	16,761
Audit & accountancy	Direct	-	-	-	1,750	-	-	7,173	8,923	8,600
Clinical waste removal	Direct	-	-	-	-	-	10,855	-	10,855	10,070
Dep'n of shop fittings	Direct	-	1,168	-	-	-	-	-	1,168	690
Irrecoverable VAT	Direct	-	-	-	4,735	-	4,205	-	8,940	15,300
Patient welfare	Direct	-	-	-	-	-	6,844	-	6,844	4,900
Investment management	Direct	-	-	-	-	4,484	-	-	4,484	3,902
<b>Support costs allocated to activities</b>										
Staff costs	Staff time	72,314	42,359	15,946	22,549	-	297,851	25,110	476,129	427,904
Depreciation	Floor area	2,065	1,033	2,066	4,132	-	92,962	1,033	103,291	102,041
Catering costs	Floor	812	406	812	1,624	-	36,547	406	40,607	43,702
Repairs	Floor	1,174	586	1,174	2,347	-	52,809	587	58,677	51,827
Heat, light, rates & water	Floor	755	377	755	1,509	-	33,959	377	37,732	43,264
Postage, stationery, IT etc.	Floor	675	320	639	1,278	-	28,764	320	31,996	25,071
Irrecoverable VAT	Floor	318	159	317	636	-	14,299	159	15,888	11,143
Legal & professional	Floor	336	168	336	671	-	15,102	168	16,781	38,870
Insurance & security	Floor	261	131	261	523	-	11,763	131	13,070	12,748
Telephone	Floor	154	77	154	308	-	6,924	76	7,693	6,892
Sundry fundraising costs	Usage	3,260	-	-	3,261	-	-	-	6,521	3,212
Shops & retail H.O. expense	Usage	-	8,584	-	2,146	-	-	-	10,730	8,662
Land lease payments	Floor	-	-	-	-	-	-	-	-	250
<b>Total resources expended</b>		<b>82,124</b>	<b>385,767</b>	<b>116,894</b>	<b>149,681</b>	<b>4,484</b>	<b>2,224,439</b>	<b>35,540</b>	<b>2,998,929</b>	<b>2,877,604</b>
			<b>652,342</b>							

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011 (Continued)

## 5. CHARITABLE ACTIVITIES

	Basis of allocation	In patients	Day care	Home care	Hospital liaison	Bereavement service	Out patients	Home Nursing	Education Courses run	Total 2011	Total 2010
		£	£	£	£	£	£	£	£	£	£
<b>Costs directly allocated to activities</b>											
Medical consumables	D	85,667	-	-	-	-	-	-	-	85,667	89,373
Staff & patient travel	D	-	14,422	15,745	230	1,613	-	7	-	32,017	23,839
Repairs to clinical equip.	D	8,398	-	-	-	-	-	-	-	8,398	16,761
Clinical waste removal	D	10,855	-	-	-	-	-	-	-	10,855	10,070
Irrecoverable VAT	D	4,205	-	-	-	-	-	-	-	4,205	11,626
<b>Support costs allocated to activities</b>											
Clinical staff costs	W	953,120	129,971	245,501	57,765	14,441	28,882	14,441	6,244	1,450,365	1,357,990
Staff costs	H	111,207	7,414	17,793	2,966	2,966	5,190	741	649	148,926	136,054
Staff costs	F	75,621	56,345	10,379	-	5,931	-	-	649	148,925	136,054
Depreciation	F	47,411	35,326	6,507	-	3,718	-	-	-	92,962	91,837
Staff training & welfare	H	22,155	1,476	3,545	591	591	1,034	148	-	29,540	35,301
Repairs	F	26,933	20,067	3,697	-	2,112	-	-	-	52,809	47,531
Catering costs	F	18,435	13,736	2,530	-	1,446	-	-	401	36,548	39,332
Heat, light, rates & water	F	17,319	12,905	2,377	-	1,358	-	-	-	33,959	38,937
Postage,stationery,IT etc.	F	14,123	10,524	1,939	-	1,108	-	-	1,070	28,764	22,546
Irrecoverable VAT	F	7,293	5,433	1,001	-	572	-	-	-	14,299	10,029
Legal & professional	F	7,702	5,739	1,057	-	605	-	-	-	15,103	34,984
Insurance & security	F	5,999	4,470	823	-	471	-	-	-	11,763	11,474
Telephone	F	3,531	2,631	485	-	277	-	-	-	6,924	6,258
Printing & copying	W	2,622	318	675	158	79	79	40	-	3,971	4,187
Patient welfare	U	1,711	4,449	684	-	-	-	-	-	6,844	4,900
Staff & patient travel	U	598	598	399	-	-	-	-	-	1,595	1,891
Land lease payments	F	-	-	-	-	-	-	-	-	-	225
<b>Total resources expended</b>		<b>1,424,905</b>	<b>325,824</b>	<b>315,137</b>	<b>61,710</b>	<b>37,288</b>	<b>35,185</b>	<b>15,377</b>	<b>9,013</b>	<b>2,224,439</b>	<b>2,131,199</b>

D = Direct

W = Whole Time Equivalent

H = Headcount

F = Floor area

U = Usage

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**6. STAFF COSTS**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Wages & salaries	1,806,625	1,697,444
Social security costs	139,070	131,938
Other pension costs	210,615	174,885
	<u>2,156,310</u>	<u>2,004,267</u>

The average number of persons employed by the charity during the year was:

	<b>2011</b>		<b>2010</b>	
	<b>W.T.E.</b>	<b>Number</b>	<b>W.T.E.</b>	<b>Number</b>
Clinical	30.8	59.2	30.8	56.8
Catering, Domestic & Administration	14.0	24.8	13.4	24.2
Sales & Retail, Fundraising & Lottery	15.8	25.6	15.4	24.8
	<u>60.6</u>	<u>109.6</u>	<u>59.6</u>	<u>105.8</u>

W.T.E. = Whole time equivalent.

Higher paid employees:

	<b>2011</b>	<b>2010</b>
£60,001 - £70,000	5	2

Three of the higher paid employees are members of the NHS defined benefit pension scheme and the other two have individual defined contribution pension scheme to which the hospice contributes (refer to note 16).

The Trustees are also directors of the charitable company and received no remuneration during the year (2010: £nil). One trustee had conference expenses reimbursed amounting to £196 (2010: £58).

**7. AUDITORS' REMUNERATION**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Fees for audit services - charity	7,173	7,000
Fees for audit services - subsidiary undertakings	1,750	1,400
	<u>8,923</u>	<u>8,400</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011 (Continued)

## 8. TANGIBLE FIXED ASSETS – GROUP &amp; CHARITY

	Freehold Property £	Asset under construction £	Leasehold improve- ments £	Hospice equipment furniture & fittings £	Motor vehicles £	Total £
<b>COST</b>						
At 1 April 2010	2,354,619	-	28,601	423,056	19,185	2,825,461
Additions	16,826	438,944	7,382	78,353	-	541,505
Disposals	-	-	(3,534)	(19,486)	-	(23,020)
Transfers	-	-	-	-	-	-
At 31 March 2011	<b>2,371,445</b>	<b>438,944</b>	<b>32,449</b>	<b>481,923</b>	<b>19,185</b>	<b>3,343,946</b>
<b>DEPRECIATION</b>						
At 1 April 2010	560,941	-	28,115	297,889	14,073	901,018
Charge for the year	47,009	-	1,168	53,215	3,067	104,459
Eliminated on disposal	-	-	(3,534)	(19,486)	-	(23,020)
Transfers	-	-	-	-	-	-
At 31 March 2011	<b>607,950</b>	<b>-</b>	<b>25,749</b>	<b>331,618</b>	<b>17,140</b>	<b>982,457</b>
<b>NET BOOK VALUE</b>						
At 31 March 2011	<b>1,763,495</b>	<b>438,944</b>	<b>6,700</b>	<b>150,304</b>	<b>2,045</b>	<b>2,361,489</b>
At 31 March 2010	<b>1,793,678</b>	<b>-</b>	<b>486</b>	<b>125,167</b>	<b>5,112</b>	<b>1,924,443</b>

Asset under Construction :- This relates to the ‘Space for Living’ project and was part funded by a Department of Health grant of £395,000 (see note 3).

## 9. INVESTMENTS

MARKET VALUE	Group Listed £	Charity Listed £	Charity Unlisted £	Charity Total £
At 1 April 2010	2,152,667	2,152,667	1	2,152,668
Additions	2,438,573	2,438,573	-	2,438,573
Disposals	(1,592,887)	(1,592,887)	-	(1,592,887)
Revaluation adjustment	(25,027)	(25,027)	-	(25,027)
At 31 March 2011	<b>2,973,326</b>	<b>2,973,326</b>	<b>1</b>	<b>2,973,327</b>

The historical cost of investments included above at valuation, is £2,914,500 (2010: £2,080,835).

The group and charity’s listed investments at 31 March 2011 are represented by UK listed fixed interest securities of £2,387,726 (2010: £1,622,503), UK listed equities of £482,522 (2010: £454,829) and overseas listed equities of £103,078 (2010: £75,335).

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**9. INVESTMENTS (continued)**

Unlisted investments represent the charity's 100% shareholding, acquired on 29 June 2007, in its subsidiary, Katharine's Cupboard Limited, a company registered in England and Wales. The result for the year to 31 March 2011 was £nil (£17,805 before gift aid donation to The Katharine House Hospice Trust) and net assets at 31 March 2011 were £1.

**10. DEBTORS**

	Group		Charity	
	2011	2010	2011	2010
Due within one year	£	£	£	£
Other debtors	-	-	-	-
Prepayments & accrued income	391,821	396,472	391,821	396,472
VAT recoverable	4,101	2,402	4,101	2,402
Amount owed by group undertaking	-	-	756	25,004
	<u>395,922</u>	<u>398,874</u>	<u>396,678</u>	<u>423,878</u>

**11. CREDITORS****a) AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group		Charity	
	2011	2010	2011	2010
	£	£	£	£
Trade creditors	55,905	42,299	55,905	42,299
Tax & social security costs	43,035	-	43,035	-
Other creditors	1,715	3,113	1,715	3,113
Accruals	217,212	42,767	217,212	41,367
Deferred income - (see note 11b)	63,635	61,546	63,635	61,546
	<u>381,502</u>	<u>149,725</u>	<u>381,502</u>	<u>148,325</u>

**b) DEFERRED INCOME – GROUP & CHARITY**

	2011	2010
	£	£
Opening balance	61,546	50,925
Amount released to incoming resources	(61,546)	(50,925)
Amount deferred in the year	63,635	61,546
Closing balance	<u>63,635</u>	<u>61,546</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March 2011 (continued)

**11b). CREDITORS - DEFERRED INCOME – GROUP & CHARITY (continued)**

Deferred income comprises £53,313 (2010: £52,932) of subscriptions to the lottery not drawn before the year end, £nil (2010: £114) funding received to meet the cost of running the van for the furniture charity shop and £10,322 (2010: £8,500) of advance ticket sales to a fundraising function.

**12. FUNDS****RESTRICTED FUNDS – GROUP & CHARITY**

	Nursing	Patient	Chapel	Equipm't	S for L	Intangible	Education	Grounds &	Total
	£	Welfare	Fund	£	Funding	Funding	£	Garden	£
		£	£		£	£		£	
At 1 April 2010	-	2,260	1,360	-	-	-	-	19,024	22,644
Donations	357	1,500	-	31,720	395,000	98,558	1,850	250	529,235
Expenditure	(357)	(2,503)	-			(98,558)	(1,850)	-	(103,268)
Transfers	-			(31,320)	(395,000)	-	-		(426,320)
At 31 March 2011	-	1,257	1,360	400	-	-	-	19,274	22,291

**Home Nursing Fund** – The fund represents donations received with the specific request that they be used to defray the cost of nursing.

**Patient Welfare Fund** – The opening balance represented a donation from the Souls and Shadows Foundation for the support of patient music therapy. This sum was largely utilised through the year. Additional donations were received during the year to support patient horticultural therapy, games, recreational and media equipment. Not all these sums were fully spent during the year.

**Chapel Fund** – The fund represents a sum of money given to us last year for use by the chaplain in defraying certain expenses incurred in running our chapel.

**Clinical Equipment Fund** – During the year a raffle was held towards the cost of creating and refurbishing new patient bathrooms. This raised £25,239 and was fully spent. In addition, donations were received towards the purchase of new air mattresses, TV's to new patient rooms and a piano for the chapel. The latter left a small balance for the future purchase of musical equipment for the chapel.

**Intangible Funds** - The fund represents the provision of NHS pharmacy services (£52,800), NHS non-pharmacy services (£17,262), and a Specialist Registrar (£28,496) by the Oxford Radcliffe Hospitals Trust. No direct charge is made to the hospice for these services, but this treatment is felt to illustrate more fairly the costs involved in the provision of palliative care services by the hospice.

**Grounds & Gardens Fund** - The fund represents the remaining proceeds of a raffle held last year for the development of our grounds and gardens, which help create an atmosphere of peace and tranquillity at the hospice for all those who come to us.

**Education Fund** - The fund represents monies received from Help the Hospices to help meet the cost of courses and seminars attended by staff for their professional development.

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (continued)

**13. ANALYSIS OF NET ASSETS BETWEEN FUNDS****GROUP**

	<b>Tangible assets £</b>	<b>Investments £</b>	<b>Net current assets £</b>	<b>2011 £</b>
Restricted funds	-	-	22,291	22,291
Unrestricted funds	2,361,489	2,973,326	1,310,665	6,645,480
	<u>2,361,489</u>	<u>2,973,326</u>	<u>1,332,956</u>	<u>6,667,771</u>

**CHARITY**

	<b>Tangible assets £</b>	<b>Investments £</b>	<b>Net current assets £</b>	<b>2011 £</b>
Restricted funds	-	-	22,291	22,291
Unrestricted funds	2,361,489	2,973,326	1,310,665	6,645,480
	<u>2,361,489</u>	<u>2,973,326</u>	<u>1,332,956</u>	<u>6,667,771</u>

**14. CAPITAL COMMITMENTS**

At 31 March 2011, the group had capital commitments amounting to £11,948 (2010: £nil)

**15. CONTINGENT LIABILITIES**

There were no contingent liabilities at 31 March 2011 (2010: £nil)

**16. PENSION COSTS**

The charity operates several pension schemes for the benefit of all employees. The assets of the various pension schemes are held separately from those of the charity in independently administered funds.

**Defined Benefit Schemes****NHS Pension Scheme**

A certain number of the charity's employees are eligible to join the National Health Service pension scheme. The scheme is a defined benefit multi-employer pension scheme administered for the benefit of NHS employers, General Practices and other bodies allowed under the direction of the Secretary of State. The charity is unable to identify its share of the underlying notional assets and liabilities of the scheme with any certainty and accordingly has accounted for the scheme, as permitted by FRS17: 'Retirement Benefits', as if it were a defined contribution scheme.

The employer's contributions to the scheme in the current year were based on a contribution rate of 14% of pensionable pay (2010: 14% of pensionable pay) with employees contributing between 6.5% and 7.5% of pensionable pay in accordance with NHS revised contribution rules (2010: between 6.5% and 7.5% of pensionable pay). The pension cost for the year as included in the Statement of Financial Activities represents contributions payable by the charity to the NHS scheme during the year and amounted to £79,769 (2010: £69,244). There was a balance owing to the scheme at 31 March 2011 of £nil (2010: £nil).

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**16. PENSION COSTS (continued)**

The most recent full actuarial valuation of the NHS pension scheme was as at 31 March 2004, which covered the period from 1 April 1999 to 31 March 2004, which was undertaken by the Government Actuary. The notional deficit of the scheme as per this most recent valuation was £3.3bn.

**FPS Pension Scheme**

A second pension scheme, the FPS scheme, was operated by the charity for the benefit of certain employees who were ineligible to join the NHS scheme. The scheme, comprising some 300 employers (a large proportion being hospices, schools and doctors surgeries) had been performing poorly for a number of years and was wound up on 31<sup>st</sup> January 2010. Federated Flexiplan No 1 ('the Plan') is a defined benefit pension scheme. However, because of the non associated multi-employer nature of the Plan, the Company is unable to identify its share of the underlying assets and liabilities of the Plan on a consistent and reasonable basis and therefore, as permitted by FRS 17 "Retirement Benefits", it accounts for the Plan as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the Company's contributions payable to the Plan in respect of the accounting period.

The latest actuarial valuation of the Plan was at 31 March 2009 and was conducted under the scheme funding regime introduced by the Pensions Act 2004. This requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in deferred pensions and pensions in payment and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date.

There is currently some uncertainty over the interpretation of the Plan rules and the benefits to be provided to some members (and hence liabilities). The valuation has been carried out on two bases reflecting the uncertainty over whether certain benefits should be provided on a 'Pensions Capital' basis or a 'Target Pension' basis. A final decision as to which will apply will be made as a result of an application being made to the High Court and a decision is expected by the end of February 2012.

*'Pensions Capital' Basis*

On a 'Pensions Capital' basis, the technical provisions are calculated assuming a valuation rate of interest post retirement of 4.85% per annum based on an estimate of how insurance companies price. Inflationary increases are assumed to be 3.05% per annum with pension increases relating to inflation but with adjustments to allow for upper and lower limits that apply.

On a 'Pensions Capital' basis contributions paid by and in respect of deferred members are accumulated at 4% p.a. for those paid prior to 30 September 2005 and 2% p.a. for those paid after 29 September 2005, subject to statutory minimum increases.

Standard mortality tables were used as follows:

PMA/PFA92 Medium Cohort Year of birth projections

Non-pensioners 1.5% p.a. underpin

Current pensioners 0.5% p.a. underpin

No allowance for mortality pre retirement

A £2m expense reserve was applied to the liabilities and a further 5% loading was included on the liabilities to allow for any adverse movements in the buyout market.

At the valuation date, the value of the assets of the Plan was £65.188 million and the value of the Plan's technical provisions on a 'Pensions Capital' basis was £75.453 million indicating a deficit of £10.265 million. The assets therefore were sufficient to cover 86% of the benefits that had accrued to members.

*'Target Pension' Basis*

On the 'Target Pension' basis, to calculate the technical provisions it was assumed that the valuation rate of interest post retirement is 4.30% per annum based on an estimate of how insurance companies price. Inflationary increases are assumed to be 3.30% per annum with pension increases relating to inflation but with adjustments to allow for upper and lower limits that apply.

'Target Pension' benefits are subject to statutory revaluation requirements in deferment and are therefore assumed to increase with inflation expectations.

The mortality tables applied are the same as under the 'Pensions Capital' basis.

A £4m expense reserve was applied to the liabilities. A further 10% loading was included on the non-retired 'Target Pension' liabilities, and a 5% loading on the 'Pensions Capital' and current pensioner liabilities to allow for any adverse movements in the buyout market.

At the valuation date, the value of the assets of the Plan was £65.188 million and the value of the Plan's technical provisions on a 'Target Pension' basis was £92.859 million indicating a deficit of £27.671 million. The assets therefore were sufficient to cover 70% of the benefits that had accrued to members.

A recovery plan has been agreed to deal with the deficit on a 'Target Pension' basis. Contributions of £2.696 million p.a. will be payable from April 2011 for a period of 10 years. This period will be reduced (but the annual contributions remain fixed) should the outcome of the court case be that the 'Pensions Capital' basis is applicable.

The Company is to pay a share of these annual contributions, £12,715 per annum based on its share of the liabilities on a Scheme Funding basis.

The next formal triennial actuarial valuation is due as at 31 March 2012. The contribution rate will be reviewed as part of each valuation.

**Defined Contribution Schemes**

The charity also operated a small stakeholder pension scheme administered by Scottish Equitable and this scheme was closed in September 2010 when the last employee in the scheme moved to the scheme managed by Friends Provident.. The employer's contributions to the scheme in the current year were based on a contribution rate of 7% of pensionable pay (2010: 7% of pensionable pay) with employees contributing between a minimum of £10 per month and a maximum of 7% of pensionable pay (2010: between a minimum of £10 per month and a maximum of 7% of pensionable pay). The pension cost for the year represents contributions payable by the charity to the scheme and amounted to £1,225 (2010: £3,425). There was no balance owing to the scheme at 31 March 2011 (2010: £nil).

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**16. PENSION COSTS (continued)**

The main pension scheme operated by the charity for those not eligible to join the NHS scheme is administered by Friends Provident and is a group personal pension scheme with defined contribution rules. The scheme was set up in 2008 with both a higher contribution rate from the employer of up to 13% of pensionable pay and an opportunity to contribute via a salary sacrifice arrangement which the Trustees felt fairly reflected a modern pension scheme for its employees. The pension cost for the year represents contributions payable by the charity to the scheme and amounted to £72,124 (2010: £72,124) including contributions due under salary sacrifice arrangements. There was a balance owing to the scheme at 31 March 2010 was £nil (2010: £306).

The Trustees recognised that the new Friends Provident scheme may not be appropriate for all staff, especially those wishing to maximise their own personal pension arrangements. Consequently, there are two individual defined contribution schemes that the charity contributes towards, at similar rates to the Friends Provident scheme which allow staff to maximise their own contributions using salary sacrifice arrangements. The pension cost for the year for these schemes represents contributions payable by the charity to the scheme and amounted to £41,911 (2010: £28,644). There was a balance owing to the scheme at 31 March 2011 of £1,715 (2010: £2,807) which was paid to the scheme by the due date in April 2011.

**17. FINANCIAL COMMITMENTS**

At 31 March 2011, the charity had the following annual financial commitments under non-cancellable operating leases:

	2011		2010	
	Land & buildings £	Other £	Land & buildings £	Other £
Leases due to expire in:				
Less than one year	-		-	1,136
Between two & five years	77,140	-	77,140	-
Greater than five years	31,000	-	31,000	-

**18. RECONCILIATION OF NET INCOMING RESOURCES BEFORE REVALUATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2011 £	2010 £
Net incoming resources for the year before revaluations	579,728	63,304
Depreciation of tangible assets	104,459	102,731
Interest received	(130,599)	(141,297)
Gift of Land	-	(20,000)
Loss/(profit) on disposal of tangible assets	-	-
Decrease/(increase) in stocks	-	-
Decrease/(increase) in debtors	2,952	(87,666)
Increase/(decrease) in creditors within one year	53,729	(18,675)
Increase/(decrease) in accruals and deferred income	178,048	29
Net cash inflow/(outflow) from operating activities	<u>788,317</u>	<u>(101,574)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

For the Year Ended 31 March 2011 (Continued)

**19. ANALYSIS OF NET FUNDS**

	£
Cash at bank and in hand at 1 April 2010	1,786,811
Cash outflow for the year	(468,275)
Cash at bank and in hand at 31 March 2011	<u>£ 1,318,536</u>

**20. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS**

	2011 £	2010 £
(Decrease)/increase in cash in the year	(468,275)	69,429
<b>Movement in net funds in the year</b>	<u>(468,275)</u>	<u>69,429</u>
Opening net funds (note 19)	1,786,811	1,717,382
<b>Closing net funds</b> (note 19)	<u>£ 1,318,536</u>	<u>£ 1,786,811</u>

**21 RELATED PARTY TRANSACTIONS**

During the year ended 31 March 2011, £17,805 was promised as a gift aid donation to the charity by its wholly owned subsidiary, Katharine's Cupboard Limited. As at 31 March 2011, this amount of £17,805 was owed by Katharine's Cupboard Limited to Katharine House Hospice Trust.