Hospice Care

Report and Consolidated Financial Statements

31 December 2018

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Report of the Board of Governors

The Board of Governors present their annual report and the audited consolidated financial statements for the year ended 31 December 2018.

Principal Activity
The principal activity of the group is that of a number of registered charities established to make provision for the care of persons in the Isle of Man suffering from terminal illness or who are otherwise suitable for Hospice Care.

Results and Dividends

The group has reported a surplus for the year of £1,007,384 (2017: surplus of £555,514) which has been transferred to reserves.

The Board of Governors do not propose the payment of a dividend (2017: £Nil).

Board of Governors

The composition of the Board of Governors who served as directors throughout the year and to date were:-

Chairman	Sir Miles Walker, CBE, LLD (hc) (resigned 1 March 2019)
	Mr C Hall MA MSc FIoD (appointed Chairman 1 March 2019)
Hon Treasurer:	Mr P E Dearden BA (Hons), FCA ATII
Other members:	Mr M Bathgate (resigned 16 March 2018)
	Mr H Craig
	Mr P C Crossley BA (Hons), FCA
	Mr R Fayle BMed Sci (Hons) BM BS FRCOG MO ObstetGynaecol (L'pool)
	Mr C Hall MA MSc FIoD (other member prior to appointment as Chairman)
	Mrs M Linehan RN RM
	Mr A Thomson FIoD
	Mr J McC W Rimmer
	Ms E A Kelly BSc MRICS
	Mr J McChesney
	Mr G Sissons
	Ms H Blackley BSc DipM FCIM(appointed 22 February 2018)
Company Secretary:	Mr PC Halliday FIoD FCIS

Auditors

Ernst & Young LLC have indicated their willingness to continue in office in accordance with Section 12(2) of the Companies Act 1982.

Membership

As at 31 December 2018 there were 534 members of Hospice Care compared with 542 at the end of 31 December 2017. In addition, there were 160 life members at the end of 31 December 2018 compared with 166 at the end of 31 December 2017.

By order of the Board of Governors

C J Hall 30th May 2019

Governor

Statement of Board of Governors' responsibilities in respect of the financial statements

Company law requires the Board of Governors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Charity and of the Group and of the surplus of the Charity and of the Group for the year. The Board of Governors have elected to prepare financial statements in accordance with applicable law and United Kingdom accounting standards, including FRS 102 "The Financial Reporting Standard applicable to the UK and Republic of Ireland". In preparing those financial statements, the Board of Governors is required to:-

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

The Board of Governors is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and of the Group and to enable them to ensure that the financial statements comply with the Companies Acts 1931 to 2004. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOSPICE CARE

Opinion

We have audited the financial statements of Hospice Care for the year ended 31 December 2018 which comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related notes 1 to 16, 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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the Group's and Company's affairs as at 31 December 2018 and of the Group's surplus for the year then ended;

- have been properly prepared in accordance with United Kingdom Accounting Standards and the Charity Registration Act 1989; and

- have been prepared in accordance with the requirements of the Companies Acts 1931-2004.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Isle of Man, 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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 other information comprises the information included in the annual report set out on page 1, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOSPICE CARE (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Acts 1931 to 2004 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Board of Governors' responsibilities statement set out on page 2, the Board 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 Board of Governors' 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 Board of Governors are responsible for assessing the company'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 Board of Governors' either intend to liquidate the 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 https://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 Company's members, as a body, pursuant to Section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report or for the opinions we have formed.

Ernst & Young LLC

Ernst & Young LLC
Chartered Accountants
Isle of Man

Date: 30th May 2019

Consolidated Statement of Financial Activities
For the year ended 31 December 2018

	Notes	2018 £	2017 £
Income:	1(g)		
Donations		**1,038,589**	1,454,808
Legacies		**4,092,738**	1,864,348
Commercial Trading Operations:			
Hospice		**257,113**	319,093
Shops and Property		**881,809**	895,803
Investment return	1(k),1(g)	**(245,755)**	576,877
Government Grant		**592,572**	592,572
Other Income		**13,472**	8,067
Total Income		**6,630,538**	5,711,568
Expenditure:	1(h)		
Costs of raising funds:			
Commercial Trading Operations		**(441,237)**	(467,186)
Fundraising Costs		**(329,312)**	(296,069)
Expenditure on Charitable Activities:			
Operation of Hospice		**(4,850,370)**	(4,392,799)
Other expenditure		**(2,235)**	-
Total Expenditure		**(5,623,154)**	(5,156,054)
Comprehensive income for the year		**1,007,384**	555,514
Other comprehensive income		-	-
Total comprehensive income		**1,007,384**	555,514

The Consolidated Statement of Financial Activities should be read in conjunction with the Consolidated Statement of Changes in Equity. There was no other comprehensive income during the year (2017: £Nil).

All items are considered to arise from continuing transactions.

Company Profit and Loss Account

Under Section 3(5)(b)(ii) of the Companies Act 1982, the company is exempt from the requirements to present its own profit and loss account. Of the consolidated surplus of income over expenditure, a surplus of £900,235 (31 December 2017: surplus of £497,112) has been retained by Hospice Care.

Consolidated Balance Sheet

For the year ended 31 December 2018

	Notes	2018 £	2018 £	2017 £	2017 £
FIXED ASSETS	1(i)				
Tangible Assets	3(a)		**9,072,324**		9,110,452
Investments at fair value through profit or loss	1(k),4(a)		**5,444,082**		6,172,888
Investment property	1(j),6		**252,309**		252,309
Debtors due after more than one year	1(k),7		**88,659**		86,771
CURRENT ASSETS:					
Stock	1(l)	**4,955**		5,240	
Sundry Debtors	1(k)	**119,228**		53,322	
VAT		**47,057**		62,804	
Bank Deposits	1(k), 9	**7,537,514**		6,163,585	
Balances with Brokers	1(k), 9	**463,921**		91,241	
Cash in Hand	1(k), 9	**930**		850	
		8,173,605		6,377,042	
LIABILITIES					
Creditors amounts falling due within one year	1(k)	**(221,805)**		(197,672)	
Net Current Assets			**7,951,800**		6,179,370
Total Assets Less Current Liabilities			**22,809,174**		21,801,790
Creditors due after more than one year					
Loan payable	1(m),10		**(750,000)**		(750,000)
			22,059,174		21,051,790
Funds					
Unrestricted Funds	1(f),12		**21,113,363**		20,218,244
Restricted Funds	1(f),13		**945,811**		833,546
			22,059,174		21,051,790

Approved by the Board of Governors on 30 May 2019

C J Hall

P E Dearden

Company Balance Sheet
For the year ended 31 December 2018

	Notes	2018 £	2018 £	2017 £	2017 £
FIXED ASSETS	1(i)				
Tangible Assets	3(b)		**7,363,512**		7,339,728
Investments at fair value through profit or loss	1(k),4 (a)		**5,444,082**		6,172,888
Investment in Subsidiaries	4 (b)		**288,196**		288,196
Investment property	1(j),6		**252,309**		252,309
Debtors due in greater than one year	1(m),8	**1,170,236**		1,270,236	
Amount due from Subsidiaries					
Loan Receivable	1(k),7	**88,659**	**1,258,895**	86,771	1,357,007
CURRENT ASSETS:					
Sundry Debtors	1 (k)	**106,295**		29,757	
VAT		**43,491**		38,077	
Bank Deposits	1 (k)	**7,128,829**		5,908,270	
Balances with Brokers	1 (k)	**463,921**		91,241	
Cash in Hand	1 (k)	**415**		338	
		7,742,951		6,067,683	
Current Liabilities					
Amount due to Subsidiaries	8	**(237,225)**		(299,087)	
Creditors	1(k)	**(196,503)**		(162,742)	
		(433,728)		(461,829)	
Net Current Assets			**7,309,223**		5,605,854
Total Assets Less Current Liabilities			**21,916,217**		21,015,982
Creditors due after more than one year					
Loan payable	1(m), 10		**(750,000)**		(750,000)
Total Net Assets			**21,166,217**		20,265,982
Funds					
Unrestricted Funds	1(f), 12		**20,220,406**		19,432,436
Restricted Funds	1(f), 13		**945,811**		833,546
Total Funds			**21,166,217**		20,265,982

Approved by the Board of Governors on 30 May 2019

C J Hall P E Dearden

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

	Unrestricted Funds	Unrestricted Funds Restricted Funds	Total Funds
	£	£	£
OPENING VALUE OF FUNDS at 1 January 2017	19,768,652	727,624	**20,496,276**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	449,592	105,922	**555,514**
CLOSING VALUE OF FUNDS at 31 December 2017	20,218,244	833,546	**21,051,790**
OPENING VALUE OF FUNDS at 1 January 2018	20,218,244	833,546	**21,051,790**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	895,119	112,265	**1,007,384**
CLOSING VALUE OF FUNDS at 31 December 2018	**21,113,363**	**945,811**	**22,059,174**

Consolidated Cash Flow Statement
For the year ended 31 December 2018

	Notes	2018 £	2017 £
Net cash inflow from operating activities	9 (a)	**1,457,247**	89,614
Investing activities			
Interest received		**25,641**	19,576
Dividends received		**140,752**	92,940
Payments to acquire tangible fixed assets		**(337,681)**	(364,187)
Payments to acquire investments		**(758,614)**	(1,892,970)
Receipts from the sale of investments		**1,067,033**	1,151,261
Net cash inflow / (outflow) from investing activities		**1,594,378**	(903,766)
Financing activities			
Received for specific capital items		**152,311**	157,158
Net cash flow from financing activities		**152,311**	157,158
Increase / (decrease) in cash and cash equivalents	9 (b)	**1,746,689**	(746,608)
Cash and cash equivalents at 1 January	9 (b)	**6,255,676**	7,002,284
Cash and cash equivalents at 31 December	9 (b)	**8,002,365**	6,255,676

Notes to the Financial Statements
For the year ended 31 December 2018

1 **Accounting Policies**

Statement of compliance
Hospice Care is a company limited by guarantee and is incorporated in the Isle of Man. The registered office is Strang, Douglas, Isle of Man, IM4 4RP.

The group's financial statements have been prepared in compliance with FRS 102 as it applies to the financial statements of the group for the year ended 31 December 2018.

a) Basis of preparation and consolidation

The financial statements have been prepared in accordance with applicable accounting standards. They are prepared in sterling which is the functional and presentational currency of the group.

The group financial statements incorporate the financial statements of Hospice Care and all of its subsidiary undertakings up to 31 December each year. The results of businesses are included from the effective date of acquisition being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The group financial statements consolidate the financial statements of Hospice Care and its subsidiary undertakings (see Note 4(b)), for the year to 31 December 2018, on a line-by-line basis.

b) Legal Status of the Charity

Hospice Care is a company limited by guarantee and has no share capital. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £20 per member of the Charity.

c) Going concern

The Board of Governors consider that there are no material uncertainties about Hospice Care's ability to continue as a going concern.

The most significant areas of uncertainty are the levels of donation income which needs to be raised each year.

d) Public Benefit Group considerations

The group meets the definition of a public benefit group under FRS 102 Section 34. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

e) Judgements and estimation

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported as income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management believes that the estimates utilised in preparing its financial statements are reasonable and prudent. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements.

Revaluation of investment properties
The group carries its investment properties at fair value, with changes in fair value being recognised in the Statement of Financial Activities. The fair value of the investment properties has been determined by the Board of Governors' with reference to publicly available market data and applied to properties similar in nature. An independent valuation specialist has not been engaged.

Notes to the Financial Statements
For the year ended 31 December 2018 (continued)

1 **Accounting Policies (continued)**

f) Fund accounting

Monies received by the charity are credited to reserves according to the circumstances in which the resources were originally received or the way in which they have been subsequently treated. Such reserves are either unrestricted or restricted funds.

Unrestricted funds are available to spend on activities that further any of the purposes of the Charity. Designated funds are unrestricted funds of the Charity which the Board of Governors have decided at their discretion to set aside to use for a specific purpose. Unrestricted funds comprises of General Fund, Olsson Fund, Life Members Fund and the New Hospice Fund.

Restricted funds are those funds which are subject to specific conditions imposed by the donor, concerning income or capital or both, such conditions being binding on the Board of Governors. Restricted funds comprises of Endowment Funds and Capital Funds. Endowment Funds are those restricted funds where the capital sum must be maintained permanently although the constituent assets of the fund may change from time to time. Capital Funds comprises monies received to defray specific items of capital expenditure.

The balance on each separate fund, as represented by the assets less the liabilities comprised in that fund, constitutes monies received after deducting the day to day expenses chargeable against that fund.

The aim and purpose of each material unrestricted and restricted (whether designated or otherwise) is set out in the notes to the Financial Statements (below).

g) Revenue recognition

Revenue 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. Where income has related expenditure (as with fundraising or contract income), the income and related expenditure are reported gross in the Statement of Financial Activities.

Income comprises of donations, income raised from events, gifts, contributions from the Isle of Man Government, membership income, income for specific purposes, legacy income, income from donated goods and services, investment income and rental income. Income is accounted for as stated below.

Donations, income from events and gifts
Donations and gifts are recognised when received. In the event that a donation is subject to fulfilling performance conditions before the Charity is entitled to the funds, the income is deferred and not recognised until it is probable that those conditions will be fulfilled in the reporting period.

Income received in advance for a future fundraising event is deferred until the criteria for income recognition is met. Sponsorship from events, fundraising and event registration fees are recognised in income when the event takes place.

Lottery income is accounted for in respect of those draws that have taken place in the year.

Life Membership Subscriptions
Life membership subscriptions are credited to a separate Life Members' Fund on receipt. Income arising on the Fund is transferred to the Fund from the General Revenue Account. A transfer is made each year to the General Revenue Account in respect of each life member of a sum equivalent to the annual subscription prevailing for that year. The Fund is an unrestricted fund.

Income for Specific Purposes
Monies received to defray specific items of day-to-day expenditure are credited to a capital restricted fund. The relevant expense is then charged against that fund.
Monies received to defray specific items of capital expenditure nominated by the donor are not included in the Statement of Financial Activities, being credited direct to the Capital Fund.
Similarly, endowment monies received are not included in the Statement of Financial Activities. They are credited directly to separate restricted funds.

Notes to the Financial Statements
For the year ended 31 December 2018 (continued)

1 **Accounting Policies (continued)**

g) Revenue recognition (continued)

Isle of Man Government Contribution
Income from the Isle of Man Government Department of Health and other grants, whether 'capital' or 'revenue' grants are recognised when the Charity has entitlement, any performance conditions to the grants have been met or the amount has been received and the amount, or part thereof, is not deferred.

Hospice Care receives an annual cash contribution from the Department of Health. A Service Level Agreement for a five year period was signed on 1 November 2013, beginning on that date. The Agreement provides for the Department to make two payments on 5 May and 5 November during a Fiscal Year. These payments represent the contribution for the year ended 31 December each year. Payments are accounted for on a receivable basis. The cash contribution payable by the Department will, in the absence of exceptional circumstances, be equal to the prior years' payment (based on Department accounts) plus any increases agreed in relation to Hospice as part of the normal budgeting cycle (to include annual inflationary increases). Any further expenditure requiring support from the Department shall be subject to a detailed quantified Business Case to be submitted to the department as part of its budgetary cycle. The existing agreement was initially extended to 31 March 2019 and subsequently for another year to 31 March 2020 while a new arrangement is negotiated.

In addition to the above the Group receives IT support from the Isle of Man Government's IT department and this forms part of the service level agreement referred to above. It is not possible to easily quantify the fair value of the support that the group receives and this support is documented by way of this note only.

The amounts received in cash in the year and included in these accounts is £592,572 (2017 - £592,572).

Legacies
Legacies received are credited to the General Fund, unless otherwise specified. For legacies, entitlement is taken on a case by case basis as the earlier of the date on which: 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 Charity that a distribution will be made, or when a distribution is received from the estate. If the legacy is in the form of an asset other than cash or an asset listed on a recognised stock exchange, recognition is subject to the value of the asset being able to be reliably measured and title to the asset being passed to the Charity. Where legacies have been notified to the Charity or the Charity is aware of the granting of probate, and the criteria for income recognition have been met, then the legacy is treated as an asset and disclosed, if material.

Income from the sale of bought in and donated goods
Trading income is recognised on point of sale for both donated and purchased goods.

Donated assets and services
Donated assets are taken to income at the fair value to the Charity, being amount received, with the other entry being capitalised in fixed assets.

Income from the sale of bought in and donated goods
Trading income is recognised on point of sale for both donated and purchased goods.

Donated assets and services
Donated assets are taken to income at the fair value to the charity, being amount received, with the other entry being capitalised in fixed assets.

Investment income
Interest on deposit funds held is recognised as it accrues using the effective interest rate method.
Dividends are recognised once the Group's right to receive payment has been established.
Unrealised and realised gains and losses on financial investments are recognised based on their appropriate classification which is covered under the accounting policy for financial instruments.

Rental Income
Rental income is accounted for on an accruals basis in line with the underlying contract terms of the rental agreements.

Notes to the Financial Statements
For the year ended 31 December 2018 (continued)

1 **Accounting Policies (continued)**

h) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis. All day-to-day running expenses are included in the Consolidated Statement of Financial Activities and is charged against the General Fund with the exception of expenses met out of income for specific purposes which is charged against the appropriate restricted fund. Expenditure is shown under the following headings:

Costs of raising funds
These expenditures comprise fundraising costs incurred in seeking donations, grants, and legacies; investment management fees; costs of fundraising activities including the costs of goods sold, shop costs, commercial trading and their associated support costs. Fundraising costs do not include the costs of disseminating information of support of the charitable activities.

Expenditure on charitable activities
These expenditures include the costs of providing specialist palliative care and support, community services, research and other educational activities undertaken to further the purposes of the Charity and their associated support services.

Other costs
These expenditures comprise those costs which are incurred directly in support of expenditure on the objects of the Charity and include governance costs, finance and other office costs. Governance costs are those costs incurred in connection with maintaining compliance with the constitutional and statutory requirements of the Charity. Irrecoverable VAT is included as other costs.

Volunteers
The value of the services provided by volunteers is not incorporated into these financial statements as it cannot be reliably measured.

i) Fixed Assets

All assets costing more than £500 are capitalised at their historical cost when purchased.

Fixed assets are depreciated evenly over their expected economic and anticipated useful lives on a straight line basis at the following rates:

- freehold land on which the Hospice exists, is not depreciated;
- freehold buildings depreciated at the rate of 2% per annum of original cost;
- the remaining fixed assets are depreciated at the rate of 20% per annum of original cost

The need for any impairment of a fixed asset write down is considered if there is a concern over the carrying value of an asset and is assessed by comparing that carrying value against the value in use or realisable value of the asset when appropriate.

The depreciation charge for the year is included in the Consolidated Statement of Financial Activities within the operation of Hospice expense category and is charged against the funds in which the relevant fixed assets are comprised.

j) Investment property

Properties are sometimes received as legacies and are then sold by the company at a future date. Whilst waiting to be sold the property is often rented out. When such assets are held for a period of more than one year they are accounted for as investment properties.

Investment properties are initially recorded at the fair value determined at the date of the legacy for the property less the costs of sale and are not depreciated. After initial recognition, investment properties whose fair value can be reliably measured are measured at fair value. The surplus or deficit on revaluation is recognised in the profit and loss account. In the current year the Charity has one investment property which is being rented out on a month by month basis. See note 6 for further details.

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

1 **Accounting Policies (continued)**

k) Financial Instruments

As permitted by FRS 102, the group and company has elected to apply the recognition and measurements provisions of Sections 11 and 12 in full for all of its financial instruments.

The group and company classifies its financial instruments as either equity investments at fair value through profit or loss, loans and receivables, cash and cash equivalents and short- term debtors and creditors. Classification is determined at date of initial recognition.

Investments at fair value through profit or loss

The Charity holds positions in a number of listed and non-listed entities which are held as investments at fair value through profit and loss. These investments are initially recognised at fair value which equates to the transaction price, excluding any transaction costs. Subsequently they are measured at fair value through profit or loss except for those investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

The Charity uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the bid price.
- Level 2: when quoted prices are unavailable the instrument is valued using inputs that are observable either directly or indirectly including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs that are observable such as interest rates and yield curves observable at commonly quoted intervals, implied volatility or credit spreads and market-corroborated inputs.
- Level 3: when observable inputs are not available, unobservable inputs are used to measure fair value by use of valuation techniques. The objective of using the valuation technique is to estimate what the fair value would have been on the measurement date.

See note 4 for details of financial instruments classified by fair value hierarchy.

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

The Charity does not acquire options, derivatives or other complex financial instruments.

The main form of financial risk faced by the Charity is that of volatility in equity investment markets due to the wider economic conditions, the attitude of investors to investment risk and changes in sentiment concerning equities and within particular sectors or sub sectors. Risks are discussed further in note 5.

Loan notes receivable

Loan notes which are basic financial instruments are initially recorded at the present value of future payments discounted at a market rate of interest for a similar loan. Subsequently, they are measured at amortised cost using the effective interest method. Loan notes that are receivable within one year are not discounted.

Cash and cash equivalents

Cash comprises current deposits with banks and balances with brokers. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of the meeting short-term cash commitments rather than for investments or other purposes.

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

1 **Accounting Policies (continued)**

k) Financial Instruments (continued)

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable and payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Financial Activities in other costs.

l) Stock

Stock of bought-in retail goods is included at the lower of cost or net realisable value. Net realisable value is the estimated selling price reduced by all costs of selling and marketing.

Donated goods for resale or distribution on hand, as at the balance sheet date, are not valued for stock purposes and are not to be included in the financial statements as the Board of Governors' consider it impractical to be able to assess the amount of donated stocks as there are no systems in place which record these items until they are sold and undertaking a stock take would incur undue cost for the Charity which far outweigh the benefits.

m) Public benefit entity concessionary loans

Public benefit entity concessionary loans are loans made or received between a public benefit entity or an entity within the public benefit entity group, and another party at below the prevailing market rate of interest that are not repayable on demand and are for the purpose of furthering the objectives of the public benefit entity or public benefit entity parent.

The group and company have elected to account for such loans in accordance with Section 34.90 – 34.97 of FRS 102. Such loans are initially measured at the amount received or paid and are recognised in the Balance Sheet at that amount. Subsequently the carrying value of concessionary loans are adjusted to reflect any accrued interest payable or receivable. To the extent that the loan made is irrecoverable, an impairment loss is recognised within other costs in the Statement of Financial Activities.

n) Foreign currencies

Transactions in foreign currencies are initially recorded in the group and company's functional currency by applying the spot rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate ruling at the balance sheet date. All differences are taken to the Statement of Financial Activities. All entities in the group have the same functional and presentational currency.

o) Pensions

The Charity operates two pension schemes. Qualifying members of the nursing staff are permitted to join the GUS (Government Unified Scheme). The GUS scheme provides for a pension based on earnings and salary but the Charity has no obligation beyond the requirement to pay annual contributions in respect of salary paid in the year. Other members of staff may be eligible to join a group defined contribution personal pension plan. The Charity contribution is restricted to the amounts shown below. All contributions payable in respect of the year to 31 December 2018 have been included in Statement of Financial Activities.

Payments were made to one employee's personal pension schemes for the year ended 31 December 2018. All contributions have been included within the Statement of Financial Activities. The costs of the defined contribution schemes are included with associated staff costs and allocated therefore to costs of raising funds and charitable activities and are charged to the unrestricted funds of the Charity.

The group personal pension scheme is managed by Aviva and the plan is tailored to the individual's requests and invests the contributions made by employee and employer into cash deposits or an investment fund to build up over the term of the plan. The pension fund is then converted into a pension upon the employee's normal retirement age which is defined as when they are eligible for a state pension unless another age from 65 years upwards has been agreed with the individual. The Charity has no liability beyond making its contributions and paying across the deductions for the employee's contributions.

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

1 **Accounting Policies (continued)**

o) Pensions (continued)

The contributions paid in the year were as follows:

	2018	2017
	£	£
Group personal pension plan	55,632	55,790
Isle of Man Government Unified Scheme	142,734	112,614
Payments to employees own private pension schemes	2,380	2,380
	200,746	170,784

£16,397 (2017: £1,677) of the contributions due were unpaid at the year end.

p) Taxation

As the group and company is a registered charity, its income is exempt from Isle of Man Corporate Income Tax by virtue of Section 15 of the Income Tax Act 1970. As such, a provision for Isle of Man Corporate Income Tax has not been made.

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

2 Statement of Financial Activities – Other Disclosures

Income and costs of management of the group are stated as charging / (crediting):

Group	2018	2017
	£	£
Interest received	**(18,454)**	(6,466)
Dividends	**(203,159)**	(156,922)
Rental income	**(9,500)**	(8,400)
Mortgage amortised interest	**(5,927)**	(5,806)
Depreciation	**375,809**	343,641
Audit Fee	**12,660**	12,660

3 Tangible fixed assets

a) Group Fixed Assets

	Freehold Land & Buildings	Furniture & Fittings	Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 31 December 2017	11,232,681	804,263	519,515	111,824	12,668,283
Additions	125,706	34,481	148,386	29,108	337,681
Disposals	-	-	-	(16,995)	(16,995)
At 31 December 2018	**11,358,387**	**838,744**	**667,901**	**123,937**	**12,988,969**
Depreciation					
At 31 December 2017	(2,329,310)	(677,528)	(449,485)	(101,508)	(3,557,831)
Charge for the year	(250,986)	(57,393)	(54,951)	(12,479)	(375,809)
Disposals	-	-	-	16,995	16,995
At 31 December 2018	**(2,580,296)**	**(734,921)**	**(504,436)**	**(96,992)**	**(3,916,645)**
Net Book Value					
At 31 December 2018	**8,778,091**	**103,823**	**163,465**	**26,945**	**9,072,324**
At 31 December 2017	8,903,371	126,735	70,030	10,316	9,110,452

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

3 Tangible fixed assets (continued)

Included in Group Fixed Assets are four properties (2017 – three) which are rented to third parties with a net book value of £750,919 (2017 - £509,197) in respect of which rent of £43,286 (2017 -£37,198) has been received.

b) Company Fixed Assets

	Freehold Land & Buildings	Furniture & Fittings	Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 31 December 2017	9,134,195	682,241	518,156	72,884	10,407,476
Additions	125,706	34,481	148,386		308,573
Disposals	-	-	-	-	-
At 31 December 2018	**9,259,901**	**716,722**	**666,542**	**72,884**	**10,716,049**
Depreciation					
At 31 December 2017	(1,968,789)	(582,489)	(448,124)	(68,346)	(3,067,748)
Charge for the year	(185,195)	(42,374)	(54,952)	(2,268)	(284,789)
Disposals	-	-	-	-	-
At 31 December 2018	**(2,153,984)**	**(624,863)**	**(503,076)**	**(70,614)**	**(3,352,537)**
Net Book Value					
At 31 December 2018	**7,105,917**	**91,859**	**163,466**	**2,270**	**7,363,512**
At 31 December 2017	7,165,406	99,752	70,032	4,538	7,339,728

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

4 Investments

(a) Investments at fair value through profit or loss – Company and Group

	2018	2017
	£	£
Listed investments including listed equities and bonds – Level 1	**5,444,081**	6,172,887
Non listed investments	**1**	1
	5,444,082	6,172,888
Realised and unrealised gains and losses on investments at fair value through profit or loss		
Unrealised (loss) / gain	**(593,500)**	193,201
Realised gain	**110,705**	206,267
Total realised and unrealised (loss) / gain on investments	**(482,795)**	399,468

The financial instruments above are recognised at fair value, based on quoted prices in active markets for identical assets or liabilities (Level 1 as defined Section 11.27 of FRS 102).

(b) Investment in Subsidiary undertakings – Company only

Share the Care Limited
The Charity's wholly-owned subsidiary, Share The Care Limited, operates the Hospice shops and is incorporated in the Isle of Man.

Pelagon Limited
The Charity's wholly owned subsidiary, Pelagon Limited was formed for the sole purpose of building a new Hospice and is incorporated in the Isle of Man. It was dormant during the year and the company was dissolved on 1 April 2019.

Hospice Properties Limited
The Charity's wholly owned subsidiary, Hospice Properties Limited owns and maintains the Douglas, Ramsey and Castletown shops and warehouses operated by Share the Care Limited. It is incorporated in the Isle of Man. During the year the company has reviewed the underlying net assets of this entity and identified an unrealised gain of £Nil (2017: £10,306 reversal) against the cost of this investment. This has been charged through the entity statement of comprehensive income.

Investment in Subsidiaries Comprises:

	2018	2017
	£	£
Share Capital – Share the Care Limited	**2,000**	2,000
Share Capital – Pelagon Limited	**2**	2
Investment in Hospice Properties Ltd	**286,194**	286,194
	288,196	288,196

Notes to the Financial Statements
For the year ended 31 December 2018 (continued)

5 Investments and Risk Management

The company's assets comprise investments which include:

- Investments in listed and non-listed entities. These are held in accordance with the company and group's investment objectives and policies;
- Loans and receivables at amortised cost; and
- Cash.

As a charity, the company and group maintain high levels of cash reserves, which are to be utilised for charitable activities. As such the company and group aims to spread its credit risk by placing cash deposits with a number of financial institutions, and in addition during the year the company and group placed cash in listed investments, through a recognised broker, which provided greater yields than cash deposits.

The investment objective of the company and group is to achieve capital appreciation while maintaining a controlled level of risk and volatility.

The company and group is exposed to market risk (which includes fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk arising from the financial instruments it holds.

The company and group's investment guidelines are set at the discretion of the Board of Governors.

Market Risk

During the year the company and group has placed funds with a broker in investments, taking positions in listed investments, namely equities and bonds, to take advantage of market movements. The broker considers the asset allocation of the portfolio in order to minimise the risks associated with particular market sectors whilst continuing to follow the company and group's investment objectives.

Market risk represents the potential loss that can be caused by a change in the market value of the investments. The company and group's exposure to market risk is determined by a number of factors, including interest rates and market volatility. The investment committee continually monitors the company and group's exposure to market risk.

Management's estimate of the effect on net assets and profits of the company and group due to a decrease in market prices, is as follows:

	2018 **Change in market prices** **%**	**2018** **Effect on profit and net assets** **£**	2017 Change in market prices %	2017 Effect on profit and net assets £
Investments	**+/-5**	**272,204**	**+/-5**	**308,644**

Interest Rate Risk
The company and group is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

Cash and equivalents are exposed to cash flow interest rate risk, as these balances, although mostly held on fixed deposits, interest rates are reset on maturity to take into account any changes in the market rates. The value of interest in the current year was £18,454 (2017:£6,332). A movement in interest rates of 1% would not be expected to have a material impact on the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

5 Investments and Risk Management (continued)

Liquidity Risk

The company and group's policy is to maintain cash balances with a spread of reputable financial institutions, and investments in tradable investments, to maintain a high degree of liquidity. The approach to liquidity is determined by the investment committee which discusses the liquidity of investments on a regular basis.

The Board of Governors have established a policy to ensure that a minimum of 18 months cost is maintained within free reserves at any one time (2017: 18 months). At 31 December, this would have amounted to £8.43m (2017: £8.32m).

Free reserves are that part of a charity's unrestricted funds that are freely available to spend on any of the charity's purposes. This definition excludes restricted income funds and endowment funds. Free reserves will also normally exclude tangible fixed assets held for the charity's use and amounts designated for future spending.

Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet commitments that it has entered into with the company and the group. Financial assets, which potentially expose the company and the group to concentrations of credit risk, consist of holdings in investments, balances with broker and cash balances. It is the company and group's policy to deal with a range of reputable financial institutions believed to be creditworthy, and place investments in listed and highly liquid investments. Therefore, the company and group do not expect to incur material credit losses on financial instruments.

The company and group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as of 31 December 2018 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

The credit ratings of financial institutions with which the Charity and the group hold funds per S&P are
Barclays Bank A, Santander A, Lloyds Bank A , Investec BB and RBS Group BBB-.

Concentrations of credit risk exist when changes in economic, industry or geographic factors affect counterparties whose aggregate credit exposure is significant in relation to the company's total credit exposure. Transactions are entered into with creditworthy counterparties, thereby mitigating any significant concentration of credit risk.

The maximum credit exposure of the company is as follows:

	2018	2017
	£	£
Investments	5,444,082	6,172,888
Due from subsidiaries	1,170,236	1,270,236
Debtors and Loans Receivable	194,954	116,528
Cash	7,128,829	5,908,270
Balances with Brokers	463,921	91,241
	14,402,022	**13,559,163**

Notes to the Financial Statements
For the year ended 31 December 2018 (continued)

5 Investments and Risk Management (continued)

Credit Risk (continued)

The maximum credit exposure of the group is as follows:

	2018	2017
	£	£
Investments	5,444,082	6,172,888
Debtors and Loans Receivable	207,887	140,093
Cash	7,537,514	6,163,585
Balances with Brokers	463,921	91,241
	13,653,404	12,567,807

There are no financial assets that are past due or impaired.

Currency Risk

Exchange rate risk represents the risk that the exchange rate of the British Pound relative to other currencies may change in a manner, which has an adverse effect of the reported value of assets, which are denominated in currencies other than the British Pounds. Currency investments account for £1,308,473 (2017: £1,492,001) of the total investment value. A movement in exchange rates of 5% is not expected to have a material impact on the financial statements.

6 Investment Property

The Hospice occasionally receives residential properties as part of legacies. These properties are occasionally rented out whilst awaiting sale and recorded at fair value.

The company and group currently has one investment property on its balance sheet. During the year the company and group has received £9,500 (2017: £8,400) in rental income from the property. At the yearend there existed contractual obligations for property repairs, maintenance and enhancements.

	2018	2017
	£	£
Brought forward	252,309	252,309
Fair value movement	-	-
Carried forward	252,309	252,309

7 Debtors due after more than one year: Loan receivable

Half of the amount due in respect of a loan secured on residential property was received as a legacy in prior years. Hospice Care acquired the other half of the loan at an estimate of fair value.

Notes to the Financial Statements
For the year ended 31 December 2018 (continued)

8 Amounts due to / from subsidiaries
Amount due from Subsidiaries Comprises:

	2018	2017
	£	£
Public Benefit Concessionary Loan – Hospice Properties Limited	1,170,236	1,270,236
	1,170,236	1,270,236

This public benefit entity concessionary loan is unsecured, interest free and repayable upon demand, although repayment will not be sought within one year.

Amount due to subsidiaries comprises:

	2018	2017
	£	£
Loan – Share the Care Limited	234,821	297,481
Loan – Pelagon Limited	2,404	1,606
	237,225	299,087

9 Notes to the statement of cash flows

(a) Reconciliation of profit to net cash inflow from operating activities

	2018	2017
	£	£
Group surplus for the year	1,007,384	555,514
Adjustments to reconcile surplus for the year to net cash flow from operating activities		
Depreciation of tangible fixed assets	375,809	343,641
Increase in debtors	(59,234)	(62,501)
Decrease / (increase) in stocks	284	(1,291)
Increase / (decrease) in creditors	24,133	(25,869)
Interest received	(18,454)	(6,332)
Dividend income	(203,159)	(156,922)
Funds for specific capital items	(152,311)	(157,158)
Realised and unrealised movement on investments	482,795	(399,468)
Net cash inflow from operating activities	1,457,247	89,614

(b) Reconciliation of cash and cash equivalents

	Opening cash 1 January 2018	**Cash flow**	**Closing cash 31 December 2018**
	£	£	£
Cash and cash equivalents (group)	6,255,676	1,746,689	8,002,365

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

10 Public Benefit Concessionary Loan Payable

The Charity has received a loan of £750,000 from the Henry Bloom Noble Healthcare Trust. The funds were provided in order to assist in the funding of building the new Hospice in 2007. The loan is interest free, repayable in 2156 and is secured on the site of the new Hospice. If the charity ceases to be a charity, ceases to operate the children's hospice or transfers the hospice to the Department of Health then the loan becomes repayable. The Board of Governors has considered the circumstances of the loan and have concluded that it meets the requirements of a Public Benefit Concessionary Loan and have accounted for it in this way.

11 Share capital

Hospice Care is a private company limited by guarantee and not having a share capital.

12 Unrestricted Funds

	2018	2017
	£	£
General Funds	**9,580,069**	10,387,230
Designated amounts for future spending	**2,460,970**	720,562
Tangible Fixed Assets	**9,072,324**	9,110,452
	21,113,363	20,218,244

The Board of Governors resolved to build a purpose building Hospice on a green-field site. The build and fit-out have cost £8.99m to date. A Special Appeal was put in place and it was hoped this appeal would raise most of the cost, the remaining cost would come out of existing funds.

£3,000,000 of existing funds were designated for expenditure on the new Hospice. This amount was not transferred to a restricted fund and remains part of the Unrestricted Funds. A further £3,982,850 was raised as part of the Mighty Oak Appeal. The remainder of the expenditure was met out of general funds. This designated fund is included within unrestricted funds in the balance sheet.

13 Restricted Funds

	2018	2017
	£	£
Capital Fund	**930,811**	818,546
Endowment Fund	**15,000**	15,000
	945,811	833,546

A sum of £15,000 has been received on the basis that the capital of the funds is retained intact but the income is used for the maintenance and operation of the Hospice. This fund is included within restricted funds in the balance sheet.

14 The Diana Princess of Wales Palliative Care at Home Trust

The Diana Princess of Wales Palliative Care at Home Trust was created on 19 June 1998 and has a net asset value of £21,863 (2017 £31,706). The aim of the trust is to provide financial support to Hospice Care to support the provision of its Palliative Care Home Nursing Service £100,000 was received during the year ended 31st December 2018 (2017: £85,000). This has been included within donations and legacies in the Statement of Financial Activities.

Notes to the Financial Statements

For the year ended 31 December 2018 (continued)

15 Related Party Transactions of Hospice Care

The following transactions took place with the Charity's wholly owned subsidiaries, Share the Care Limited, Pelagon Limited and Hospice Properties Limited.

Share the Care Limited	**2018**	2017
	£	£
Balance brought forward – due to Share the Care Limited	**297,481**	281,693
Cash received from subsidiary as payment on account in respect of dividend	**282,000**	361,000
Cash payments in the year	**-**	-
Dividend paid	**(344,660)**	(345,212)
Amount at the end of the year – due to Share the Care Limited	**234,821**	297,481

Pelagon Limited	**2018**	2017
	£	£
Balance brought forward – Due to Pelagon Limited	**1,606**	1,606
Transfer of funds	**798**	-
Amount at the end of the year – due to Pelagon Limited	**2,404**	1,606

Hospice Properties Limited	**2018**	2017
	£	£
Balance brought forward – amount (payable)	**(1,270,236)**	(1,270,236)
Repayment	**100,000**	-
Amount at the end of the year – due from Hospice Properties Limited	**(1,170,236)**	(1,270,236)

Key management personnel

All Governors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. The Governors give their time freely and receive no remuneration for their services. During the year there was an internal restructure which resulted in the formation of an executive management team of 6 key roles. Total remuneration in respect of these individuals is £457,157 (2017 - £352,981).

16 Post Balance Sheet Event

On 1st April 2019 subsidiary company Pelagon Limited was dissolved (see note 4b).

On 15th April 2019 the Board approved a refurbishment project for the Hospice building with project costs estimated to be around £2,500,000. This project will enhance our facilities across all of our services and allow adaptations to enable us to continue to serve the changing needs of our community taking advantage of technological advances to provide the best possible patient experience.