

Hospice Care
Report and Consolidated Financial Statements

31 December 2013

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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 2013.

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 deficit for the year of £1,097,396 (2012: surplus of £770,518) which has been transferred from reserves.

The Board of Governors do not propose the payment of a dividend (2012: £Nil).

Board of Governors

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

Chairman	Sir Miles Walker, CBE, LLD (hc)
Hon Treasurer:	Mr P E Dearden BA (Hons), FCA ATII
Members:	Mr M Bathgate
	Mr H Craig
	Mr P C Crossley BA (Hons), FCA
	Mr R Fayle BMed Sci (Hons) BM BS FRCOG MO ObstetGynaecol (L'pool)
	Mr J LM Quinn (Resigned 1 March 2013)
	Mr TRA Groves (Resigned 31 December 2013)
	Mr C Hall MA Msc Flod MIET
	Dr F W Harding MBChB (Resigned 20 January 2014)
	Mrs M Linehan RN RM
	Mr A Thomson FFA Flod FIRP MCMI Dip Law
	Mr A S Townsend MBE FRCOG
Company Secretary:	Mr F G Quinn

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 2013 there were 887 members of Hospice Care compared with 1,043 at the end of 31 December 2012. In addition, there were 191 life members in both 2013 and 2012.

By order of the Board of Governors

P E Dearden

Governor

Date 24 April 2014

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. 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;
- 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 Auditors' Report

To the members of Hospice Care

We have audited the financial statements of Hospice Care for the year ended 31 December 2013 which comprise the consolidated income and expenditure statement, consolidated statement of total recognised gains and losses, consolidated balance sheet, company balance sheet, consolidated statement of changes in fund balances, consolidated analysis of fund balances statement, consolidated cash flow statement, notes to the consolidated cash flow statement and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

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.

Respective responsibilities of Board of Governors and auditor

As explained more fully in the Statement of Board of Governors' Responsibilities on page 2, the Board of Governors is 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 group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Governors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Consolidated Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Basis for qualified opinion on the group financial statements

The Group's recorded income comprises recurring income to the value of £1,447,371 over which there was no system of control on which we could rely for the purpose of our audit to ensure completeness of income. There were no other satisfactory audit procedures that we could adopt to confirm completeness of income to ensure that recurring income was properly recorded.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion paragraph, the financial statements:

- Give a true and fair view of the state of the Group's and company's affairs as at 31 December 2013 and of the group's deficit for the year then ended;

Independent Auditors' Report To the members of Hospice Care (Continued)

Qualified opinion on the group financial statements (continued)

- Have been properly prepared in accordance with United Kingdom Accounting Standards; and
- Have been prepared in accordance with the requirements of the Companies Acts 1931 – 2004.

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to recurring income, described above:

- We have not obtained all the information and explanations that we considered necessary for the purposes of our audit; and
- We were unable to determine whether adequate accounting records had been kept.

We have nothing to report in respect of the following matters where the Companies Acts 1931-2004 requires us to report to you if, in our opinion;

- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of Board of Governors remuneration specified by law are not made.

Ernst & Young LLC

Ernst & Young LLC

Chartered Accountants
Isle of Man

Date 25 April 2014

Consolidated Income and Expenditure Statement
For the year ended 31 December 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Recurring Income:	1(e)				
Raised through P&R department					
Members' Subscriptions		20,623		20,796	
Covenanted Donations		1,130		1,197	
Family Supporters Subscriptions		443		575	
Friends donations		10,243		10,731	
Regional Appeal Committees		24,365		21,325	
General Donations		268,551		144,682	
In Memoria		113,858		152,525	
SPCT Donations		3,355		24,436	
Coffee Shop		5,486		4,773	
Inside and Outside Events		225,212		224,125	
Sundries		19,885		19,652	
Lottery		18,918		8,220	
Sales	1(e)	735,302		746,959	
			1,447,371		1,379,996
Cost of Sales			(7,394)		(8,254)
Other Income					
Bank & Deposit Interest		57,681		93,393	
Investment Income		111,301		95,766	
Mortgage Interest		4,038		1,010	
Rent received from operating leases		29,784		23,229	
Grants	1(e)(iv) 1(f)	602,572		592,572	
			805,376		805,970
			2,245,353		2,177,712
Recurring Expenditure:	1(h)				
Professional Services		2,878,626		2,753,125	
Administration		634,954		687,715	
Establishment		165,289		131,737	
Depreciation	1(i), 7(a)	286,226		277,437	
Appeal & Publicity		245,177		226,940	
			4,210,272		4,076,954
Recurring Income Less Expenditure			(1,964,919)		(1,899,242)
Non-Recurring Income:					
Life Members' Subscriptions	1(e)(i)	4,290		3,330	
Specific Donations	1(e)(ii)	32,426		224,258	
Specific Donations DPoW	1(e)(ii), 3	40,000		50,000	
Legacies	1(e)(iii)	514,741		2,151,211	
			591,457		2,428,799
Exceptional item – provision	1(k), 4		14,743		18,954
Income Less Expenditure			(1,358,719)		548,511

Consolidated Statement of Total Recognised Gains & Losses

For the year ended 31 December 2013

	Notes	2013 £	2012 £
(Deficit)/Surplus Attributable to Charity		(1,358,719)	548,511
Net (Loss)/Profit on Investment	1(c)	(21,473)	18,598
Movement in unrealised appreciation/(depreciation) in Investments	1(c)	167,855	175,885
Profit on disposal of Fixed Assets		3,600	-
Funds for Specific Capital Items		111,341	27,524
Retained (deficit) / surplus		<u>(1,097,396)</u>	<u>770,518</u>

The Consolidated Income and Expenditure Statement should be read in conjunction with the Consolidated Statement of Changes in Fund Balances.

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 deficit of expenditure over income, a deficit of £1,439,969 (31 December 2012: surplus of £541,017) has been retained by Hospice Care.

Consolidated Balance Sheet

For the year ended 31 December 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Investments	6		3,515,864		2,713,734
Fixed Assets	7(a)		9,637,010		9,646,190
Debtors due after more than one year	1(m), 14		80,000		80,000
CURRENT ASSETS:					
Stock	1(g)	5,790		4,205	
Sundry Debtors		128,894		205,537	
Property held for sale	1(n), 15	252,309		252,309	
Bank Deposits	4, 6	4,368,088		6,575,016	
Balances with Brokers	6	632,183		231,232	
Cash in Hand		214		278	
		<u>5,387,478</u>		<u>7,268,577</u>	
Current Liabilities					
Creditors		(156,622)		(147,375)	
		<u>(156,622)</u>		<u>(147,375)</u>	
Net Current Assets			5,230,856		7,121,202
Assets Less Current Liabilities					
			18,463,730		19,561,126
Creditors due after more than one year					
Loan payable	9		(750,000)		(750,000)
			<u>17,713,730</u>		<u>18,811,126</u>
Funds					
Restricted Funds	1(d), 8, 11		839,481		782,945
Unrestricted Funds	1(d)		16,874,249		18,028,181
			<u>17,713,730</u>		<u>18,811,126</u>

Approved by the Board of Governors on 24 April 2014

P E Dearden

P C Crossley

The Consolidated Balance Sheet should be read in conjunction with the Consolidated Analysis of Fund Balances Statement.

Company Balance Sheet

For the year ended 31 December 2013

	Notes	2013 £	2013 £	2012 £	2012 £
Investments	6		3,515,864		2,713,734
Subsidiaries	12,13		288,196		288,196
Fixed Assets	7(b)		7,903,183		8,028,492
Debtors > 1 Year					
Amount due from Subsidiaries	12,13		1,270,236		1,270,236
Loan Receivable	1(m), 14		80,000		80,000
CURRENT ASSETS:					
Stock	1 (g)	5,034		3,030	
Sundry Debtors		97,257		198,032	
Property	1(n), 15	252,309		252,309	
Bank Deposits	4,6	4,147,988		6,314,803	
Balances with Brokers	6	632,183		231,232	
Cash in Hand		214		278	
			5,134,985		6,999,684
Current Liabilities					
Amount due to Subsidiaries	12,13	(55,782)		(45,584)	
Creditors		(111,412)		(130,842)	
			(167,194)		(176,426)
Net Current Assets			4,967,791		6,823,258
Assets Less Current Liabilities					
			18,025,270		19,203,916
Creditors due after more than one year					
Loan payable	9		(750,000)		(750,000)
			17,275,270		18,453,916
Funds					
Restricted Funds	1(d),8,11		839,481		782,945
Unrestricted Funds	1(d)		16,435,789		17,670,971
			17,275,270		18,453,916
Approved by the Board of Governors on		24 April		2014	
P E Dearden				P C Crossley	

Consolidated Statement of Changes in Fund Balances

For the year ended 31 December 2013

	Unrestricted Funds						Restricted Funds				All Funds	
	General Fund	Capital Reserve – unrealised	Life Members	Olsson	New Hospice Fund	Total	Capital Funds	Lottery Trust	Endowment Funds	Total	2013	2012
	£	£	£	£	£	£	£	£	£	£	£	
			1(e)(i)			8				11		
OPENING VALUE OF FUNDS												
B/f Value of funds	11,599,947	236,706	131,006	100,911	5,959,611	18,028,181	692,945	75,000	15,000	782,945	18,811,126	18,040,608
Net investment gains	(21,473)	-	-	-	-	(21,473)	-	-	-	-	(21,473)	18,598
Profit/(loss) on disposal of Fixed Assets	3,600	-	-	-	-	3,600	-	-	-	-	3,600	-
Movement on unrealised appreciation	-	167,855	-	-	-	167,855	-	-	-	-	167,855	175,885
Funds for specific capital items	-	-	-	-	-	-	111,341	-	-	111,341	111,341	27,524
Funds available	11,582,074	404,561	131,006	100,911	5,959,611	18,178,163	804,286	75,000	15,000	894,286	19,072,449	18,262,615
RECURRING INCOME:												
RAISED THROUGH FUNDRAISING & PR DEPARTMENT	1,439,977	-	-	-	-	1,439,977	-	-	-	-	1,439,977	1,371,742
OTHER INCOME	805,376	-	-	-	-	805,376	-	-	-	-	805,376	805,970
	2,245,353	-	-	-	-	2,245,353	-	-	-	-	2,245,353	2,177,712
EXPENDITURE												
Professional services	(2,878,626)	-	-	-	-	(2,878,626)	-	-	-	-	(2,878,626)	(2,753,125)
Administration	(634,954)	-	-	-	-	(634,954)	-	-	-	-	(634,954)	(667,715)
Establishment	(165,289)	-	-	-	-	(165,289)	-	-	-	-	(165,289)	(151,737)
Depreciation	(51,189)	-	-	-	(180,232)	(231,421)	(54,805)	-	-	(54,805)	(286,226)	(277,437)
Appeal and publicity	(245,177)	-	-	-	-	(245,177)	-	-	-	-	(245,177)	(226,940)
	(3,975,235)	-	-	-	(180,232)	(4,155,467)	(54,805)	-	-	(54,805)	(4,210,272)	(4,076,954)
RECURRING INCOME LESS EXPENDITURE	(1,729,882)	-	-	-	(180,232)	(1,910,114)	(54,805)	-	-	(54,805)	(1,964,919)	(1,899,242)
NON-RECURRING INCOME:												
Life membership subscriptions	-	-	4,290	-	-	4,290	-	-	-	-	4,290	3,330
Specific donations	32,426	-	-	-	-	32,426	-	-	-	-	32,426	224,258
Specific donations – Diana Princess of Wales Trust	40,000	-	-	-	-	40,000	-	-	-	-	40,000	50,000
Legacies	514,741	-	-	-	-	514,741	-	-	-	-	514,741	2,151,211
	587,167	-	4,290	-	-	591,457	-	-	-	-	591,457	2,428,799
Exceptional item - provision	14,743	-	-	-	-	14,743	-	-	-	-	14,743	18,954
INCOME LESS EXPENDITURE	(1,127,972)	-	4,290	-	(180,232)	(1,303,914)	(54,805)	-	-	(54,805)	1,358,719	548,511
Inter-fund transfers:-	-	-	-	-	-	-	-	-	-	-	-	-
Life members fund	-	-	-	-	-	-	-	-	-	-	-	-
CLOSING VALUE OF FUNDS	10,454,102	404,561	135,296	100,911	5,779,379	16,874,249	749,481	75,000	15,000	839,481	17,713,730	18,811,126

Hospice Care

Consolidated Analysis of Fund Balances Statement

For the year ended 31 December 2013

Note	Notes	Unrestricted Funds						Restricted Funds				All Funds	
		General Fund	Capital Reserve	Life Members	Olsson	New Hospice Fund	Total	Capital Funds	Lottery Trust	Endowment Funds	Total	2013	2012
		£	£	£	£	£	£	£	£	£	£	£	£
				1(e)(i)		8				11			
INVESTMENTS	6	3,111,303	404,561	-	-	-	3,515,864	-	-	-	-	3,515,864	2,713,734
FIXED ASSETS	7	3,007,239	-	-	100,911	5,779,379	8,887,529	749,481	-	-	749,481	9,637,010	9,646,190
Long Term Loan		80,000					80,000					80,000	80,000
CURRENT ASSETS:-													
Sundry Debtors		128,894	-	-	-	-	128,894	-	-	-	-	128,894	205,537
Stock		5,790	-	-	-	-	5,790	-	-	-	-	5,790	4,205
Property	15	252,309	-	-	-	-	252,309	-	-	-	-	252,309	252,309
Bank Balances	4,6	4,142,792	-	135,296	-	-	4,278,088	-	75,000	15,000	90,000	4,368,088	6,575,016
Balances with Brokers		632,183	-	-	-	-	632,183	-	-	-	-	632,183	231,232
Cash in Hand		214	-	-	-	-	214	-	-	-	-	214	278
		<u>5,162,182</u>	<u>-</u>	<u>135,296</u>	<u>-</u>	<u>-</u>	<u>5,297,478</u>	<u>-</u>	<u>75,000</u>	<u>15,000</u>	<u>90,000</u>	<u>5,387,478</u>	<u>7,268,577</u>
CURRENT LIABILITIES:-													
Creditors		(156,622)	-	-	-	-	(156,622)	-	-	-	-	(156,622)	(147,375)
		<u>(156,622)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,622)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(156,622)</u>	<u>(147,375)</u>
NET CURRENT ASSETS		5,005,560	-	135,296	-	-	5,140,856	-	75,000	15,000	90,000	5,230,856	7,121,202
LONG TERM LIABILITIES													
Loan Payable	9	(750,000)	-	-	-	-	(750,000)	-	-	-	-	(750,000)	(750,000)
		<u>10,454,102</u>	<u>404,561</u>	<u>135,296</u>	<u>100,911</u>	<u>5,779,379</u>	<u>16,874,249</u>	<u>749,481</u>	<u>75,000</u>	<u>15,000</u>	<u>839,481</u>	<u>17,713,730</u>	<u>18,811,126</u>

Consolidated cash flow statement

For the year ended 31 December 2013

	Notes	2013 £	2012 £
Net cash (outflow) / inflow from operating activities	1	(1,181,808)	354,926
Taxation		-	-
Servicing of finance			
Interest received		85,554	108,470
Dividend Income		59,883	95,766
		<hr/>	<hr/>
		145,437	204,236
		<hr/>	<hr/>
Capital expenditure			
Payments to acquire fixed assets		(277,047)	(56,132)
Payments to acquire investments		(1,051,662)	(554,341)
Proceeds from sale of investments		447,698	519,333
		<hr/>	<hr/>
		(881,011)	(91,140)
		<hr/>	<hr/>
Financing			
Received for specific capital items		111,341	27,524
		<hr/>	<hr/>
		111,341	27,524
		<hr/>	<hr/>
(Decrease) / Increase in cash in the year	2	<u>(1,806,041)</u>	<u>495,546</u>

The notes on page 12 form part of the consolidated cash flow statement.

Notes to the Consolidated Cash Flow Statement
For the year ended 31 December 2013

1. Reconciliation of Operating Profit to Operating Cash Inflow:-

	2013	2012
	£	£
Operating (loss) / profit	(1,358,719)	548,511
Increase in stock	1,585	2,444
Decrease / (increase) in debtors	52,808	(56,597)
(Increase) in property	-	(252,309)
Increase in creditors	9,312	25,609
Depreciation	286,226	277,437
Interest received	(61,719)	(94,403)
Dividend Income	(111,301)	(95,766)
	<hr/>	<hr/>
Net cash (outflow) / inflow from operating activities	(1,181,808)	354,926
	<hr/> <hr/>	<hr/> <hr/>

2. Analysis of Net Debt

	1 January	Cash flow	31 December
	2013		2013
	£	£	£
Cash at bank	6,575,016	(2,206,928)	4,368,088
Cash held with broker	231,232	400,951	632,183
Cash in hand	278	(64)	214
Loan payable	(750,000)	-	(750,000)
Loan receivable	80,000	-	80,000
	<hr/>	<hr/>	<hr/>
	6,136,526	(1,806,041)	4,330,485
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

3. Reconciliation of Net Cash Outflow to Movement in Net Debt

	£
Net debt at 1 January 2013	6,136,526
Decrease in cash	(1,806,041)
	<hr/>
Net debt at 31 December 2013	4,330,485
	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2013

1 Accounting Policies

a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of investments and in accordance with applicable United Kingdom accounting standards.

b) Basis of consolidation

The group financial statements incorporate the financial statements of Hospice Care and its subsidiary undertakings, for the year to 31 December 2013. The results of businesses are included from the effective date of acquisition.

c) Investments

The company holds positions in a number of listed and non-listed entities which are held as investments.

- Initial Measurement

Purchases and sales of investments are accounted for at trade date and include any purchase or sales costs. Realised gains and losses on disposal of financial instruments are calculated using the average cost method and are recognised in the consolidated statement of total recognised gains and losses.

- Subsequent Measurement

After initial measurement the company measures investments at their market values. Market value is the amount for which an asset could be exchanged, between knowledgeable, willing parties in an arm's length transaction. The market value of the listed financial instruments is based on their market prices sourced from a listed stock exchange.

Subsequent changes in the market value of investments are recognised in the consolidated statement of total recognised gains and losses.

d) Accounting for Separate Funds

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

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. 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.

Unrestricted funds are free of donor-imposed restrictions but include funds which are subject to conditions determined by the Board of Governors. These conditions may be varied at any time and the assets comprised in such funds may be applied for any purpose of the Charity at the discretion of the Board of Governors.

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.

e) Income

Income, including sales, arising on all restricted and unrestricted funds is included in the Consolidated Income and Expenditure Statement. Except for bank interest, which is accounted for on an accruals basis, all income is accounted for on a receipts basis. With the exception of income from sources which cannot reasonably be expected to recur, all income is credited to the General Revenue Account. Sales comprise of the sale of bought in and donated goods and are stated exclusive of value added tax. Income from non-recurring sources is credited as follows:

Notes to the Financial Statements

For the year ended 31 December 2013

1 Accounting Policies (continued)

e) Income (continued)

(i) 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.

(ii) Income for Specific Purposes:

Monies received to defray specific items of day-to-day expenditure are credited to a restricted fund, the relevant expense being charged against that fund.

Monies received to defray specific items of capital expenditure nominated by the donor are not included in the Income and Expenditure Statement, being credited direct to the Capital Fund.

Similarly, endowment monies received are not included in the Income and Expenditure Statement being credited direct to separate restricted funds.

(iii) Legacies:

Legacies received are credited to the General Fund. The General Fund is an unrestricted fund.

(iv) Department of Health Contribution:

Cash contributions from the Department of Health are credited to the Income and Expenditure Account as revenue in the accounting period in which those contributions are received.

f) Cash Contribution from Department of Health

Hospice Care receives an annual cash contribution from the Department of Health. A new Service Level Agreement beginning 1 November 2013 for a five year period was signed on 1 November 2013. The Agreement provides for the Department to make two payments on 5 May and 5 November during a Fiscal Year. Payments are accounted for on a received 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 amounts received in the year and included in these accounts is £602,572 (2012: £592,572).

g) Stock

Donated goods on hand, as at the balance sheet date, are not valued for stock purposes. The value of stock of bought-in goods is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price reduced by all costs of selling and marketing.

h) Expenditure

Expenditure is accounted for on an accruals basis and includes value added tax where appropriate.

All day-to-day running expenses are included in the Consolidated Income and Expenditure Statement. Such expenditure is charged against the General Revenue Account with the exception of expenses met out of income for specific purposes which is charged against the appropriate restricted fund.

Notes to the Financial Statements

For the year ended 31 December 2013

1 Accounting Policies (continued)

i) Depreciation

Fixed assets are depreciated over their anticipated useful lives 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 depreciation charge for the year is included in the consolidated income and expenditure Statement and is charged against the funds in which the relevant fixed assets are comprised.

j) Pension Contributions

The Charity operates two pension schemes. Qualifying members of the nursing staff are permitted to join the Hospice Care Superannuation Scheme. Other members of staff may be eligible to join a group personal pension plan. In April 2012, in line with Government policy, the Department of Health scheme amalgamated with other government schemes to become the GUS (Government Unified Scheme). All employees in the Hospice Care Superannuation Scheme opted to transfer in to GUS.

The group personal pension plan is a defined contribution scheme. The Hospice Care superannuation 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. All contributions payable in respect of the year to 31 December 2013 have been included in the consolidated income and expenditure account.

Payments are made to three employee's personal pension schemes. All contributions have been included within the consolidated income and expenditure Statement.

The contributions paid in the year were as follows:

	2013	2012
	£	£
Group personal pension plan	50,095	39,586
Hospice Care superannuation scheme 2007	-	18,013
Isle of Man Government Unified Scheme	61,939	56,781
Payments to employees own private pension schemes	4,583	3,246
	<u>116,617</u>	<u>117,626</u>

£868 (2012: £990) of the contributions due were unpaid at the year end.

k) Accounting for Estimates

The preparation of the accounts in conformity with United Kingdom Accounting Standards requires management to make estimates and assumptions that affect the amounts reported in the accounts and accompanying notes. Management believes that the estimates utilised in preparing its accounts are reasonable and prudent. Actual results could differ from these estimates. In the current year significant estimates have been made in respect of a provision against a cash balance held with Kaupthing Singer and Friedlander (Isle of Man) Limited (note 4).

Notes to the Financial Statements

For the year ended 31 December 2013

1 Accounting Policies (continued)

l) 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.

m) Debtors

Debtors and other receivables are shown at fair value on inception and are subsequently carried at amortised cost.

n) Properties held for resale

Properties are sometimes received as legacies and are then sold by the company. Where held at the year-end these are shown at the lower of carrying amount and fair value less cost of sale and are not depreciated.

o) Rental Income

Rental income is accounted for on an accruals basis.

2 Expenditure – Other Disclosures

Costs of management of the Group include:

	2013	2012
	£	£
Audit Fee	11,113	10,686
	<hr/>	<hr/>

3 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 £6,308 (2012 £37,209). The aim of the trust is to provide financial support to Hospice Care to support the provision of its Palliative Care Home Nursing Service. £40,000 was received during the year ended 31st December 2013 (2012: £50,000).

4 Exceptional Item – Provision against Cash Held At Kaupthing Singer & Friedlander (Isle Of Man) Limited

During 2008 Kaupthing Singer and Friedlander (Isle of Man) Limited ceased trading and a provisional liquidator was appointed. At the cessation of trading the Charity held cash with the bank per the bank statement in the sum of £1,053,074. According to information in the public press, it is more likely than not that the Charity will not recover this sum in full. A liquidators statement published on the Kaupthing Singer and Friedlander (Isle of Man) Limited in Liquidation website on 9 January 2014 stated that their current estimate of final distributions was 98.6 – 99.2%. Accordingly, the original provision of 40% shown in the 2008 Financial statements has been revised to 1.4% (2.8% in 2012) to reflect the more optimistic estimate.

This resulted in a release of provision of £14,743 (£18,594 in 2012) which has been disclosed as an exceptional item in the consolidated income and expenditure account.

Notes to the Financial Statements

For the year ended 31 December 2013 (continued)

5 Taxation

As the entity is a registered Charity it is a non-relevant Company for ARI purposes and is exempt from Isle of Man income tax by virtue of Section 15 Income Tax Act 1970.

6 Investments – Company and Group

	2013	2012
	£	£
Non listed investments	2,288	2,288
Listed investments	3,513,576	2,711,446
	<u>3,515,864</u>	<u>2,713,734</u>

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; 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, taking advantage of a recovering financial market, 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 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:

	2013	2013	2012	2012
	Change in market prices	Effect on profit and net assets	Change in market prices	Effect on profit and net assets
	%	£	%	£
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Investments	5	175,793	5	135,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 December 2013 (continued)

6 Investment (continued)

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 £57,681 (2012: £93,393). A movement in interest rates of 1% would not be expected to have a material impact on the financial statements.

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 has established a policy to ensure that a minimum of three years costs is maintained within net liquid assets at any one time. At 31 December, this would have amounted to £12.63m (2012: £12.29m). It is the Board's intention to replenish liquid resources to achieve this level as soon as practicable.

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 2013 in relation to each class of recognised financial assets, is the carrying amount of those assets as indicated in the balance sheet.

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:

	2013	2012
	£	£
Investments	3,515,864	2,713,734
Due from subsidiaries	1,270,236	1,270,236
Debtors and Loans Receivable	177,257	278,032
Cash	4,147,988	6,314,803
Balances with Brokers	632,183	231,232
	<hr/>	<hr/>
	9,743,528	10,808,037
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 December 2013 (continued)

6 Investment (continued)

Credit Risk (continued)

The maximum credit exposure of the group is as follows:

	2013	2012
	£	£
Investments	3,515,864	2,713,734
Debtors and Loans Receivable	208,894	285,537
Cash	4,368,088	6,575,016
Balances with Brokers	632,183	231,232
	<u>8,725,029</u>	<u>9,805,519</u>

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. Exchange rate exposure is low, because the majority of the company's investments are in GBP denominated investments. Currency investments account for £778,397 (2012 £749,513) of the total investment value. A movement in exchange rates of 5% is not expected to have a material impact on the financial statements.

Notes to the Financial Statements
For the year ended 31 December 2013 (continued)

6 Investment (continued)
Schedule of Investments – Company and Group
Listed Investments

2013 Holding	Description	2013 Book cost £	2012 Book cost £	2013 Market value £	2012 Market value £
3,453	Royal Dutch Shell PLC	64,832	60,457	79,180	71,960
6,788	GlaxoSmithkline PLC	91,696	58,219	109,389	62,772
5,931	Severn Trent PLC	67,446	63,085	101,124	89,340
46,345	Vodafone Group PLC	66,589	62,051	109,838	67,911
11,662	HSBC Holdings PLC	78,451	55,809	77,786	55,199
202	Tesco PLC	721	55,805	719	50,151
3,135	Unilever PLC	59,301	56,530	78,530	72,328
4,100	BHP Billiton PLC	70,000	50,127	76,629	66,014
13,967	BP PLC	76,785	54,593	68,761	40,445
3,821	Standard Chartered PLC	55,236	53,153	51,966	58,156
1,650	Nestle SA	50,071	50,071	72,956	66,093
1,775	AT & T Inc	34,317	20,183	37,693	24,056
700	Siemens AG	50,094	-	58,042	-
810	Total SA	-	30,146	-	25,627
9,179.107	CF Odey Investment Fund	50,804	50,230	71,448	51,807
13,734	Balfour Beatty PLC	41,192	39,299	40,221	36,199
210	Swisscom AG	49,184	49,184	66,960	55,580
1,017	ETFS Physical Gold	-	86,401	-	102,177
2,088.555	Aberdeen Global Fund	75,703	75,703	80,640	89,614
1,125	Southern Co	29,601	20,013	27,933	22,649
635	McDonald's Corporation	33,961	19,858	37,213	22,520
745	Pepsico Inc	34,988	24,754	37,320	23,574
800	Berkshire Hathaway Inc	42,300	42,300	57,286	44,146
4,500	BG Group PLC	49,989	49,989	58,387	45,562
0	AstraZeneca PLC	-	49,677	-	43,642
326.46	Polar Capital Asian Financials Fund	50,294	50,294	54,296	54,296
1,825	Sampo Oyj	30,301	30,301	54,175	36,026
27,367	Aberdeen Asian Income Fund	45,497	43,382	53,366	58,786
	Aberdeen Asian Smaller Companies				
8,000	Investment Trust	50,303	50,303	69,960	73,080
8,608	Scottish & Southern Energy Plc	114,372	107,428	117,930	115,581
170	Syngenta AG	35,260	35,260	40,887	41,885
700	Bayer AG	34,868	34,868	59,395	40,813
	Invesco Fund Management Asia Consumer				
6072.44	Demand Fund	50,313	50,313	49,696	47,555
15,607	Aviva Plc	55,050	55,050	70,185	58,214
90,352	Hicl Infrastructure Co Ltd	108,516	91,091	124,768	97,406
16,650	Centrica Plc	50,108	50,108	57,892	55,544
315	Roche Holdings AG	34,879	34,879	53,142	38,954
640	Johnson & Johnson Com Stk US\$1	26,969	26,969	35,404	27,600
6,008	Rolls-Royce Holdings Plc Ord GBP0.20	49,883	49,883	76,602	51,536
3,221	Diageo Plc	52,415	50,916	64,420	56,219
0	Heinz Co Comm Stock	-	23,073	-	23,774
30,000	Polar Capital Financials Trust	25,202	-	26,756	-
5,800	Dechra Pharmaceuticals	40,595	-	40,745	-
1,265	General Mills	43,120	-	38,133	-
2,375	KKB & Co LP	34,808	-	34,914	-
28,225	Henderson High Income Trust	50,005	-	48,759	-
860	Whitbread	30,006	-	32,259	-
2,050	Persimmon Plc	24,921	-	25,399	-
38,500	Lloyds Banking Group	29,960	-	30,369	-
12,705	Sainsbury	49,886	-	46,373	-
	Total listed investments	2,290,792	1,961,755	2,701,746	2,165,791

Notes to the Financial Statements
For the year ended 31 December 2013 (continued)

6 Investment (continued)

Bonds

2013 Holding	Description	2013 Book cost £	2012 Book cost £	2013 Market value £	2012 Market value £
0	Co-Op Bank PLC 5.125% Bond due 20/09/2017	-	202,706	-	215,330
£100,000	Nationwide Building Society 5.625 Bonds due 09/09/2019	109,099	109,099	112,920	117,625
£200,000	Rabobank Nederland (GBP) 5.25% Bond due 14/09/2027	201,864	201,864	202,840	212,700
£100,000	GE Capita; UK Funding 4.375% Bond due 30/07/19	109,569	-	106,460	-
£100,000	Nestle Finance International Ltd 5.25% Bond due 30/11/2023	95,824	-	90,080	-
£100,000	London Stock Exchange Group 4.75% Bond due 02/11/2021	105,943	-	105,350	-
£100,000	Pepsico Inc 2.5% due 01/11/2022	96,275	-	92,670	-
£100,000	Premier Oil Finance (Jersey) Ltd	100,334	-	101,500	-
	Total Bonds	818,908	513,669	811,830	545,655

Non-listed Investments

2013 Holding	Description	2013 Book cost £	2012 Book cost £	2013 Market value £	2012 Market value £
2,557	Sefton Group Plc	-	-	2,000	2,000
1	Farmers Combine	-	-	1	1
200	IFG Group Shares	-	-	226	226
1002	Manx Financial Group	61	61	61	61
	Total non-listed investments	61	61	2,288	2,288
	Total investments	3,109,761	2,475,485	3,515,864	2,713,734

Notes to the Financial Statements
For the year ended 31 December 2013 (continued)

7 a) Group Fixed Assets	Freehold Land & Buildings	Furniture & Fittings	Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 31 December 2012	10,744,923	515,363	362,779	94,147	11,717,212
Additions	154,181	38,425	30,364	54,077	277,047
Disposals	-	-	-	(39,970)	(39,970)
	<u>10,899,104</u>	<u>553,788</u>	<u>393,143</u>	<u>108,254</u>	<u>11,954,289</u>
Depreciation					
At 31 December 2012	(1,210,293)	(446,509)	(321,273)	(92,948)	(2,071,023)
Charge for the year	(208,243)	(42,533)	(24,035)	(11,415)	(286,226)
Disposals	-	-	-	39,970	39,970
	<u>(1,418,536)</u>	<u>(489,042)</u>	<u>(345,308)</u>	<u>(64,393)</u>	<u>(2,317,279)</u>
Net Book Value					
At 31 December 2013	<u>9,480,568</u>	<u>64,746</u>	<u>47,835</u>	<u>43,861</u>	<u>9,637,010</u>
At 31 December 2012	<u>9,534,631</u>	<u>68,854</u>	<u>41,506</u>	<u>1,199</u>	<u>9,646,190</u>

Included in Group Fixed Assets are two properties which are rented to third parties with a net book value of £224,028 in respect of which rent of £29,784 has been received.

b) Company Fixed Assets	Freehold Land & Buildings	Furniture & Fittings	Equipment	Motor Vehicles	Total
	£	£	£	£	£
Cost					
At 31 December 2012	8,995,354	466,428	361,419	58,430	9,881,631
Additions	16,226	38,425	30,364	37,082	122,097
Disposals	-	-	-	(26,970)	(26,970)
	<u>9,011,580</u>	<u>504,853</u>	<u>391,783</u>	<u>68,542</u>	<u>9,976,758</u>
Depreciation					
At 31 December 2012	1,064,982	409,270	320,457	58,430	1,853,139
Charge for the year	180,231	35,996	23,763	7,416	247,406
Disposals	-	-	-	(26,970)	(26,970)
	<u>1,245,213</u>	<u>445,266</u>	<u>344,220</u>	<u>38,876</u>	<u>2,073,575</u>
Net Book Value					
At 31 December 2013	<u>7,766,367</u>	<u>59,587</u>	<u>47,563</u>	<u>29,666</u>	<u>7,903,183</u>
At 31 December 2012	<u>7,930,372</u>	<u>57,158</u>	<u>40,962</u>	<u>-</u>	<u>8,028,492</u>

Notes to the Financial Statements

For the year ended 31 December 2013 (continued)

8 Designated Fund

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.

9 Loan Payable

The Charity has received a loan of £750,000 from the Henry Bloom Noble Healthcare Trust. The funds raised were to be used in the building of the new Hospice. 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.

10 Share capital

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

11 Endowment Funds

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.

12 Investment in Subsidiary undertakings

Share the Care Limited

The Charity's wholly-owned subsidiary, Share The Care Limited, operates the Share the Care 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 is now dormant.

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.

Notes to the Financial Statements

For the year ended 31 December 2013 (continued)

12 Investment in Subsidiary undertakings (continued)

Investment in Subsidiaries Comprises:

	2013	2012
	£	£
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
	<u>288,196</u>	<u>288,196</u>

Amount due from Subsidiaries Comprises:

	2013	2012
	£	£
Loan – Hospice Properties Limited	1,270,236	1,270,236
	<u>1,270,236</u>	<u>1,270,236</u>

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

Amount due to subsidiaries comprises:

	2013	2012
	£	£
Loan – Share the Care Limited	54,176	42,658
Loan – Pelagon Limited	1,606	2,926
	<u>55,782</u>	<u>45,584</u>

These loans are unsecured, interest free and repayable upon demand.

13 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

	2013	2012
	£	£
Balance brought forward – due to Share the Care Limited	42,658	72,110
Cash received from subsidiary as payment on account in respect of dividend	348,000	324,000
Cash payments in the year	(32,040)	
Dividend receivable	(304,442)	(353,452)
Amount at the end of the year – due to Share the Care Limited	<u>54,176</u>	<u>42,658</u>

Pelagon Limited

	2013	2012
	£	£
Balance brought forward – Due to Pelagon Limited	2,926	4,126
Expenses paid	(1,320)	(1,200)
Amount at the end of the year – due to Pelagon Limited	<u>1,606</u>	<u>2,926</u>

Notes to the Financial Statements

For the year ended 31 December 2013 (continued)

13 Related Party Transactions of Hospice Care (continued)

<i>Hospice Properties Limited</i>	2013	2012
	£	£
Balance brought forward – amount (payable)	(1,270,236)	(1,270,236)
Amount paid to fund capital expenditure	-	-
Amount paid to fund refurbishment costs	-	-
	<hr/>	<hr/>
Amount at the end of the year – due from Hospice Properties Limited	(1,270,236)	(1,270,236)
	<hr/> <hr/>	<hr/> <hr/>

14 Debtors due after more than one year

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

15 Property held for sale

The Hospice occasionally receives residential properties as part of legacies. To date all such properties received as legacies have either been sold or are currently on the market and available for sale, and thus included as an available for sale assets in these financial statements. These properties are occasionally rented out whilst awaiting sale.

16 Subsequent events

During the 31 December 2013 year end, the group was made aware it had been left three properties as part of estates, which are now in the process of being sold by the estates. Once sold, the cash received will be transferred to the group and recorded as a legacy in line with the group accounting policies. Offers have been accepted on these properties since 31 December 2013 to the total value of £842,000.

In addition, the group received one donation to the value of £102,167 on 20 March 2014 and one legacy of £101,890 on 3 April 2014.