

**Hospice Care**  
**Report and Consolidated Financial Statements**

**31 December 2015**

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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 2015.

#### 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 £1,728,286 (2014: surplus of £55,621) which has been transferred to reserves.

The Board of Governors do not propose the payment of a dividend (2014: £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)
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 C Hall MA Msc Flod MIET
	Mrs M Linehan RN RM
	Mr A Thomson FFA Flod FIRP MCMI Dip Law
	Mr A S Townsend MBE FRCOG
	Mr J McC W Rimmer
	Ms E A Kelly Bsc MRICS
	Mr J McChesney (appointed 10 September 2015)
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 2015 there were 632 members of Hospice Care compared with 700 at the end of 31 December 2014. In addition, there were 175 life members at the end of 31 December 2015 compared with 199 at the end of 31 December 2014.

By order of the Board of Governors

\_\_\_\_\_  
P E Dearden  
Governor                      20 June 2016

### 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 Auditors' Report

To the members of Hospice Care

We have audited the financial statements of Hospice Care for the year ended 31 December 2015 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. 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 to the UK and Republic of Ireland".

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 of donations and income from events to the value of £1,267,983 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 donations and income from events were 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 2015 and of the group's surplus 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 donations and income from events, 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 20 June 2016

**Consolidated Statement of Financial Activities  
For the year ended 31 December 2015**

	Notes	2015 £	2015 £	2014 £	2014 £
<b>Income:</b>	1(h)				
Donations and Legacies			4,380,031		2,428,842
<i>Commercial Trading Operations:</i>					
Hospice			410,982		249,796
Shops and Property		815,902		829,914	
Direct Expenses		(8,388)	807,514	(32,736)	797,178
Investment Income	1(l),1(h)		84,999		232,231
Government Grant			602,572		607,572
Other Income			2,052		8,391
<b>Total Income</b>			<b>6,288,150</b>		<b>4,324,010</b>
<b>Expenditure:</b>	1(i), 2				
<i>Costs of raising funds:</i>					
Commercial Trading Operations			(393,656)		(351,443)
Fundraising Costs			(380,210)		(222,861)
<i>Expenditure on Charitable Activities:</i>					
Operation of Hospice			(3,781,369)		(3,699,058)
Other expenditure			(5,046)		1,973
Profit on disposal of asset			417		3,000
<b>Total Expenditure</b>			<b>(4,559,864)</b>		<b>(4,268,389)</b>
<b>Comprehensive income for the year</b>			<b>1,728,286</b>		<b>55,621</b>
<b>Other comprehensive income</b>			<b>-</b>		<b>-</b>
<b>Total comprehensive income</b>			<b>1,728,286</b>		<b>55,621</b>

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

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 £1,607,255 (31 December 2014: deficit of £81,432) has been retained by Hospice Care.

## Consolidated Balance Sheet

For the year ended 31 December 2015

	Notes	2015 £	2015 £	2014 £	2014 £
<b>FIXED ASSETS</b>					
Tangible Assets	1(j) 3(a)		9,349,646		9,473,994
Investments at fair value through profit or loss	1(l),4(a)		4,380,946		4,151,412
Investment property	1(k),6		242,217		247,263
Debtors due after more than one year	1(l),7		83,348		81,798
<b>CURRENT ASSETS:</b>					
Stock	1(m)	4,476		11,110	
Sundry Debtors	1(l)	113,287		67,969	
VAT		12,527		-	
Bank Deposits	1(l),9	5,909,748		4,490,739	
Balances with Brokers	1(l),9	352,635		108,964	
Cash in Hand	1(l),9	435		707	
		<u>6,393,108</u>		<u>4,679,489</u>	
<b>LIABILITIES</b>					
Creditors amounts falling due within one year	1(l)	(201,280)		(114,257)	
<b>Net Current Assets</b>			<u>6,191,828</u>		<u>4,565,232</u>
<b>Total Assets Less Current Liabilities</b>			<u>20,247,985</u>		<u>18,519,699</u>
<b>Creditors due after more than one year</b>					
Loan payable	1(n),10		(750,000)		(750,000)
			<u>19,497,985</u>		<u>17,769,699</u>
<b>Funds</b>					
Restricted Funds	1(g),13		765,739		760,372
Unrestricted Funds	1(g),12		18,732,246		17,009,327
			<u>19,497,985</u>		<u>17,769,699</u>

Approved by the Board of Governors on 20 June 2016

P E Dearden

P C Crossley

**Company Balance Sheet**  
For the year ended 31 December 2015

	Notes	2015 £	2015 £	2014 £	2014 £
<b>FIXED ASSETS</b>					
Tangible Assets	1(j) 3(b)		7,554,329		7,726,174
Investments at fair value through profit or loss	1(l),4 (a)		4,380,946		4,151,412
Investment in Subsidiaries	4 (b)		206,512		288,196
Investment property	1(k),6		242,217		247,263
<b>Debtors due in greater than one year</b>	1(n),8	1,270,236		1,270,236	
Amount due from Subsidiaries					
<b>Loan Receivable</b>	1(l),7	83,348	1,353,584	81,798	1,352,034
<b>CURRENT ASSETS:</b>					
Sundry Debtors	1 (l)	88,802		48,545	
VAT		12,523		-	
Bank Deposits	1 (l)	5,701,271		4,233,178	
Balances with Brokers		352,635		108,964	
Cash in Hand	1 (l)	435		213	
		6,155,666		4,390,900	
<b>Current Liabilities</b>					
Amount due to Subsidiaries	8	(186,114)		(118,259)	
Creditors	1(l)	(151,246)		(89,082)	
		(337,360)		(207,341)	
<b>Net Current Assets</b>			5,818,306		4,183,559
<b>Total Assets Less Current Liabilities</b>			19,555,894		17,948,638
<b>Creditors due after more than one year</b>					
Loan payable	1(n), 10		(750,000)		(750,000)
<b>Total Net Assets</b>			18,805,894		17,198,638
<b>Funds</b>					
Restricted Funds	1(g), 13		765,739		760,377
Unrestricted Funds	1(g), 12		18,040,155		16,438,261
<b>Total Funds</b>			18,805,894		17,198,638

Approved by the Board of Governors on 20 June 2016

P E Dearden

P C Crossley

## Hospice Care

### Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Unrestricted Funds	Unrestricted Funds Restricted Funds	2015 Total Funds	2014
	1(g) £	1(g) £	£	£
<b>OPENING VALUE OF FUNDS</b>				
B/f Value of funds	17,009,322	760,377	17,769,699	17,714,078
<b>COMPREHENSIVE INCOME FOR THE YEAR</b>				
	1,722,924	5,362	1,728,286	55,621
Other comprehensive income	-	-	-	-
Total comprehensive income	1,722,924	5,362	1,728,286	55,621
<b>CLOSING VALUE OF FUNDS</b>	<b>18,732,246</b>	<b>765,739</b>	<b>19,497,985</b>	<b>17,769,699</b>

## Consolidated cash flow statement

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Net cash inflow from operating activities	9 (a)	<b>1,947,023</b>	73,403
<i>Investing activities</i>			
Interest received		<b>23,679</b>	56,481
Dividends received		<b>80,670</b>	80,670
Payments to acquire tangible fixed assets		<b>(175,950)</b>	(119,461)
Receipts from sale of tangible fixed assets		<b>417</b>	3,000
Payments to acquire investments		<b>(1,226,754)</b>	(817,733)
Receipts from the sale of investments		<b>959,935</b>	282,632
Net cash inflow / (outflow) from investing activities		<b>1,609,020</b>	(441,008)
<i>Financing activities</i>			
Received for specific capital items		<b>53,387</b>	40,934
Net cash flow from financing activities		<b>53,387</b>	40,934
Increase / (Decrease) in cash and cash equivalents	9 (b)	<b>1,662,407</b>	(400,074)
Cash and cash equivalents at 1 January	9 (b)	<b>4,600,411</b>	5,000,485
Cash and cash equivalents at 31 December	9 (b)	<b>6,262,818</b>	4,600,411

## Notes to the Financial Statements

For the year ended 31 December 2015

### 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 2015.

The group transitioned from previously extant UK GAAP to FRS102 as at 1 January 2014. An explanation of how the transition to FRS102 has affected the reported financial performance and financial position is given in note 16.

#### **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 2015, on a line-by-line basis.

#### **b) Reconciliation with previous Generally Accepted Accounting Policies**

In preparing these financial statements, the Board of Governors have considered whether applying the accounting policies required by FRS 102 the restatement of comparative items was required. An explanation of how transition to FRS102 has affected the reported financial performance and financial position is given in note 16.

#### **c) 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.

#### **d) 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.

#### **e) 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).

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 1 Accounting Policies (continued)

#### f) 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 accounts 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.

##### *Impairment assessment of investment in subsidiary*

Impairment indicators were present in respect of the carrying value of the cost of investment in Hospice Properties Limited in the company balance sheet. The Board of Governors have carried out an impairment assessment based on a review of the carrying value of Hospice Properties Limited net assets and made a charge to Statement of Financial Activities to take into account the impairment identified.

#### g) 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.

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).

#### h) 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.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 1 Accounting Policies (continued)

#### h) Revenue recognition (continued)

##### ***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.

##### ***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 new 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.

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 £602,572 (2014 - £607,572).

##### ***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

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 1 Accounting Policies (continued)

#### h) Revenue recognition (continued)

##### *Legacies (continued)*

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.

##### **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.

#### i) 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.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 1 Accounting Policies (continued)

#### j) Fixed Assets

All assets costing more than £200 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.

#### k) 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.

#### l) 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 company 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.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 1 Accounting Policies (continued)

#### l) Financial Instruments (continued)

The company 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 put 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 6.

#### 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.

#### 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.

#### m) 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.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 1 Accounting Policies (continued)

#### n) 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 and 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.

#### o) Foreign currencies – group and company

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.

#### p) 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 2015 have been included in Statement of Financial Activities.

Payments were made to two employee's personal pension schemes for the year ended 31 December 2015. 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 60 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.

The contributions paid in the year were as follows:

	2015	2014
	£	£
Group personal pension plan	49,650	51,833
Isle of Man Government Unified Scheme	89,083	84,108
Payments to employees own private pension schemes	2,571	4,646
	<u>141,304</u>	<u>140,587</u>

£913 (2014: £1,019) of the contributions due were unpaid at the year end.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 1 Accounting Policies (continued)

#### q) 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.

### 2 Statement of Financial Activities – Other Disclosures

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

Group	2015 £	2014 £
Interest received	(20,899)	(34,865)
Dividends	(136,494)	(135,210)
Rental income	(10,800)	(10,800)
Mortgage amortised interest	(5,588)	(5,488)
Depreciation	300,296	282,476
Audit Fee	10,040	10,150
	<hr/>	<hr/>

### 3 Tangible fixed assets

#### a) Group Fixed Assets

	Freehold Land & Buildings £	Furniture & Fittings £	Equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At 31 December 2014	10,922,418	606,596	419,477	103,532	12,052,023
Additions	41,142	92,069	24,447	18,292	175,950
Disposals	-	-	-	(10,000)	(10,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	10,963,560	698,665	443,924	111,824	12,217,973
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 31 December 2014	(1,627,240)	(520,797)	(370,903)	(59,091)	(2,578,031)
Charge for the year	(209,529)	(51,099)	(22,197)	(17,471)	(300,296)
Disposals	-	-	-	10,000	10,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	(1,836,769)	(571,896)	(393,100)	(66,562)	(2,868,327)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>					
At 31 December 2015	9,126,791	126,769	50,824	45,262	9,349,646
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	9,295,180	85,799	48,574	44,441	9,473,994
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Included in Group Fixed Assets are three properties which are rented to third parties with a net book value of £500,146 (2014 - £469,734) in respect of which rent of £27,819 (2014 - £29,741) has been received.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

## 3 Tangible fixed assets (continued)

## b) Company Fixed Assets

	Freehold Land & Buildings	Furniture & Fittings	Equipment	Motor Vehicles	Total
	£	£	£	£	£
<b>Cost</b>					
At 31 December 2014	9,011,580	541,949	418,118	68,542	10,040,189
Additions	2,750	35,922	24,447	11,342	74,461
Disposals	-	-	-	(7,000)	(7,000)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	<b>9,014,330</b>	<b>577,871</b>	<b>442,565</b>	<b>72,884</b>	<b>10,107,650</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>					
At 31 December 2014	(1,425,439)	(472,739)	(369,545)	(46,292)	(2,314,015)
Charge for the year	(180,284)	(34,144)	(22,194)	(9,684)	(246,306)
Disposals	-	-	-	7,000	7,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	<b>(1,605,723)</b>	<b>(506,883)</b>	<b>(391,739)</b>	<b>(48,976)</b>	<b>(2,553,321)</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net Book Value</b>					
At 31 December 2015	<b>7,408,607</b>	<b>70,988</b>	<b>50,826</b>	<b>23,908</b>	<b>7,554,329</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2014	7,586,141	69,210	48,573	22,250	7,726,174
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

## 4 Investments

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

	2015 £	2014 £
Listed investments including listed equities and bonds – Level 1	4,378,658	4,149,124
Non listed investments	2,288	2,288
	<hr/>	<hr/>
	<b>4,380,946</b>	<b>4,151,412</b>
	<hr/>	<hr/>
Realised and unrealised gains and losses on investments at fair value through profit or loss		
Unrealised (loss)	(32,892)	(21,299)
Realised (loss) / gain	(55,889)	67,206
	<hr/>	<hr/>
Total realised and unrealised (loss) / gain on investments included within investment income	<b>(88,781)</b>	<b>45,907</b>
	<hr/>	<hr/>

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).

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 4 Investments (continued)

#### (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 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. During the year the company has reviewed the underlying net assets of this entity and identified an impairment charge of £81,684 (2014: £nil) against the cost of this investment. This has been charged through the entity statement of comprehensive income.

#### Investment in Subsidiaries Comprises:

	2015	2014
	£	£
Share Capital – Share the Care Limited	2,000	2,000
Share Capital – Pelagon Limited	2	2
Investment in Hospice Properties Ltd	204,510	286,194
	<hr/>	<hr/>
	<b>206,512</b>	<b>288,196</b>
	<hr/> <hr/>	<hr/> <hr/>

### 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, 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, 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.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 5 Investments and Risk Management (continued)

#### Market Risk (continued)

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:

	2015 Change in market prices %	2015 Effect on profit and net assets £	2014 Change in market prices %	2014 Effect on profit and net assets £
Investments	5	219,047	5	207,571

#### 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 £20,899 (2014: £34,865). 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 £13.68m (2014: £12.88m). 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 2015 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-, Nationwide A, Lloyds Bank A and RBS Group BBB+.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 5 Investments and Risk Management (continued)

#### Credit Risk (continued)

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:

	2015	2014
	£	£
Investments	4,380,946	4,151,412
Due from subsidiaries	1,270,236	1,270,236
Debtors and Loans Receivable	172,150	127,344
Cash	5,701,271	4,233,178
Balances with Brokers	352,635	108,964
	<hr/>	<hr/>
	11,877,238	9,891,134
	<hr/> <hr/>	<hr/> <hr/>

The maximum credit exposure of the group is as follows:

	2015	2014
	£	£
Investments	4,380,946	4,151,412
Debtors and Loans Receivable	196,635	146,767
Cash	5,910,183	4,490,740
Balances with Brokers	352,635	108,964
	<hr/>	<hr/>
	10,840,399	8,897,883
	<hr/> <hr/>	<hr/> <hr/>

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 £1,284,791 (2014 £1,040,635) 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 which was transferred from current assets in 2014. During the year the company and group has received £10,800 (2014: £10,800) in rental income from the property. At the yearend there existed contractual obligations for property repairs, maintenance and enhancements.

**Notes to the Financial Statements**

For the year ended 31 December 2015 (continued)

**6 Investment Property (continued)**

	2015	2014
	£	£
Brought forward	247,263	-
Transfer from current assets – property held for sale	-	252,309
Fair value movement	(5,046)	(5,046)
	<hr/>	<hr/>
Carried forward	242,217	247,263
	<hr/> <hr/>	<hr/> <hr/>

**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.

**8 Amounts due to / from subsidiaries**

**Amount due from Subsidiaries Comprises:**

	2015	2014
	£	£
Public Benefit Concessionary Loan – Hospice Properties Limited	1,270,236	1,270,236
	<hr/>	<hr/>
	1,270,236	1,270,236
	<hr/> <hr/>	<hr/> <hr/>

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:**

	2015	2014
	£	£
Loan – Share the Care Limited	184,508	116,653
Loan – Pelagon Limited	1,606	1,606
	<hr/>	<hr/>
	186,114	118,259
	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 9 Notes to the statement of cash flows

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

	2015	2014
	£	£
Group surplus for the year	1,728,286	55,621
<i>Adjustments to reconcile surplus for the year to net cash flow from operating activities</i>		
Loss on revaluation of investment properties	5,046	5,046
Depreciation of tangible fixed assets	300,296	282,476
Profit on sale of fixed assets	(417)	(3,000)
(Increase) / decrease in debtors	(57,845)	42,463
Decrease / (increase) in stocks	6,633	(5,320)
Increase / (decrease) in creditors	87,023	(42,929)
Interest received	(20,899)	(38,903)
Dividend income	(136,494)	(135,210)
Taxation	-	-
Funds for specific capital items	(53,387)	(40,934)
Realised and unrealised movement on investments	88,781	(45,907)
	<hr/>	<hr/>
Net cash flow from operating activities	1,947,023	73,403

#### (b) Reconciliation of cash and cash equivalents

	Opening cash 1 January 2015	Cash flow	Closing cash 31 December 2015
	£	£	£
Cash and cash equivalents (group)	4,600,411	1,662,407	6,262,818

### 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 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. This designated fund is included within unrestricted funds in the balance sheet.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 13 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. 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 £14,781 (2014 £5,481). The aim of the trust is to provide financial support to Hospice Care to support the provision of its Palliative Care Home Nursing Service. £98,415 was received during the year ended 31st December 2015 (2014: £2,000). This has been included within donations and legacies in the Statement of Financial Activities.

### 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.

<i>Share the Care Limited</i>	2015	2014
	£	£
Balance brought forward – due to Share the Care Limited	116,653	54,176
Cash received from subsidiary as payment on account in respect of dividend	474,400	387,000
Cash payments in the year	(29,565)	-
Dividend receivable	(376,980)	(324,523)
Amount at the end of the year – due to Share the Care Limited	<u>184,508</u>	<u>116,653</u>

<i>Pelagon Limited</i>	2015	2014
	£	£
Balance brought forward – Due to Pelagon Limited	1,606	1,606
Expenses paid	-	-
Amount at the end of the year – due to Pelagon Limited	<u>1,606</u>	<u>1,606</u>

<i>Hospice Properties Limited</i>	2015	2014
	£	£
Balance brought forward – amount (payable)	(1,270,236)	(1,270,236)
Amount paid to fund capital expenditure	-	-
Amount paid to fund refurbishment costs	-	-
Amount at the end of the year – due from Hospice Properties Limited	<u>(1,270,236)</u>	<u>(1,270,236)</u>

### 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. Total remuneration in respect of these individuals is £190,503 (2014 - £185,348). The figure for the year ended 31 December 2015 includes a back dated pay award which, to some extent, related to 2013, 2014 and 2015.

## Notes to the Financial Statements

For the year ended 31 December 2015 (continued)

### 16 Transition to FRS 102

The Charity transitioned to FRS 102 from previously extant UK GAAP as at 1 January 2014. The group's financial statements for the year ended 31 December 2014 were prepared under extant UK GAAP.

The impact from the transition to FRS 102 is as follows:

	Group £	Company £
Reconciliation of funds' at 1 January 2014		
Total funds at 1 January 2014 under previous UK GAAP	17,713,730	17,275,270
 Mortgage receivable - interest	 348	 348
 Reserves under FRS 102	 <u>17,714,078</u>	 <u>17,275,618</u>
	Group £	Company £
Reconciliation of funds' at 31 December 2014		
Total funds at 31 December 2014 under previous UK GAAP	17,765,466	17,193,839
 Mortgage receivable - interest	 1,798	 1,798
Hospice Legacy Accrual	3,000	3,000
Holiday Pay Accrual	(565)	-
 Reserves under FRS 102	 <u>17,769,699</u>	 <u>17,198,637</u>

The following were changes in accounting policies arising from the transition to FRS 102:

#### Loan Receivable

The charity received, by way of a legacy, a mortgage on a property. Previously no amortisation had been applied, this is a requirement under FRS 102. Amortisation has been applied from the date of the receipt of the loan in 2012.

#### Legacies

Under previous GAAP there was no requirement to accrue for legacy income due to the accounting policy adopted of recording income on receipt. Under FRS 102 section 34 (B.6) where it is clear that the executor(s) have agreed prior to the year end that the legacy can be paid, the legacy is to be accrued in the Financial Statements (see note 1(h)).

#### Holiday Pay Accrual

Under previous GAAP, the company did not accrue for holiday pay that was earned but the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102, the company is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the Consolidated Balance Sheet. The impact is to increase accruals by £565 for the group at 31 December 2014.

As a result of the requirement to accrue for holiday that was earned but not take at the date of the Consolidated Balance Sheet, there is a charge of £565 to the Consolidated Statement of Financial Activities for the year ended 31 December 2014, recognising the holiday pay accrual for that year.