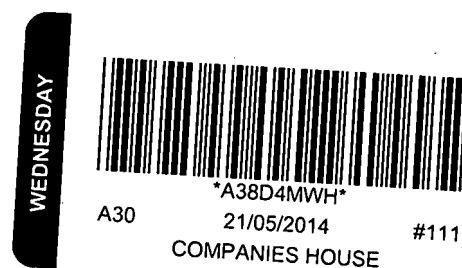


# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## INDEX TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

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# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2013

The Visitors present their report together with financial statements of the charitable company for the year ended 31 October 2013.

### REFERENCE AND ADMINISTRATIVE DETAILS

Company registration number	6906918
Charity registration number	1130351
Registered Office	10 Highbury Place, Camden, Bath BA1 6D
Almshouses	Hugh Sexey's Hospital, Bruton, Somerset, BA10 0AS
Visitors	M Stanley-Smith Esq. Chairman His Grace The Duke of Somerset Mrs C G Carter Mrs V M Davies (retired 21 January 2013)  Mrs E F Winkley J A F Buxton Esq. AS Durward Esq. The Hon. A T P Jolliffe E Hobhouse Esq. Mrs H C Pomeroy P Hadow Esq The Hon. P Douglas-Pennant General Sir Alex Harley (appointed 12 April 2013) Mrs L Sunnocks (appointed 12 April 2013)
The Master	The Reverend Canon Paul Jenkins MA B.Ed
Finance Manager	Andrew Mullett FCA, 10 Highbury Place, Camden, Bath
Land Agents	Fowler Fortescue, The Old Dairy, Fonthill Bishop, Salisbury
Investment Advisers	Ruffer LLP, 80 Victoria Street, London
Bankers	CafCash Ltd, Kings Hill, West Malling, Kent
Auditors	Moore Stephens, 30 Gay St Bath
Solicitors	Burges Salmon, Narrow Quay House, Narrow Quay, Bristol

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### Governing document

The Hospital of Hugh Sexey, Esquire, in Bruton, in the County of Somerset, is an almshouse charity which was established by an Indenture dated December 1638, amended by subsequent schemes of the Charity Commissioners.

It was incorporated as a charitable company limited by guarantee in May 2009.

#### Appointment of Trustees / Visitors

The Trustees of the charity, who are known as the Visitors, are also all directors of the charitable company. Up to fifteen Visitors are appointed in accordance with the provisions of the charitable company's Articles.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2013

### STRUCTURE, GOVERNANCE AND MANAGEMENT

#### Visitor induction and training

As part of the induction process, new Visitors are briefed on the background and history of the Hospital. This briefing takes the form of meetings with the Chairman and other Visitors, and the provision of a file of relevant documents. Thereafter, Visitors are circularised with the publications of the Almshouse Association and encouraged to attend their Seminars.

#### Organisation

The Visitors meet four times a year; there are also four sub-committees covering House, Buildings, Finance and the Investment Properties (Blackford Committee). The Visitors receive reports from the Finance Manager, the Land Agents, the Investment Advisers and the Master, and make all policy decisions. A Master, Matron, assistant Matron and cleaner are employed in the Hospital.

#### Risk management

The Visitors have conducted a detailed risk assessment to identify the major risks to which the Hospital is exposed, review the relative significance of the risks that were identified, and satisfy themselves as to the adequacy of the systems established to mitigate these risks. This assessment is regularly reviewed and updated by the Visitors.

### OBJECTIVES AND ACTIVITIES

The main objects of the charitable company are:

- The provision of housing accommodation in the almshouses known as Hugh Sexey's Hospital, Bruton, for elderly people (the 'residents') who are in need, hardship or distress
- Such charitable purposes for the benefit of the residents as the Visitors decide
- Such other charitable purposes as the Visitors decide

The Visitors fulfil these objectives by administering the Almshouses, which provide subsidised accommodation for around thirty residents in twenty-five separate flats within the Hospital buildings, fostering the schools formerly started by the founder of the Hospital, and making donations mainly for the well-being of the young and of the elderly, including donations to other charities with similar objectives.

The Hospital has a permanent endowment comprising the Blackford Estate (an agricultural estate on the Somerset Levels), properties at Bruton, and listed investments. The income from the endowment is used to subsidise the running costs of the Hospital, provide for its continuing upkeep and fund the other charitable activities.

#### Public Benefit

The Visitors have reviewed the Charity Commission's guidance on the requirement to report on public benefit. They are satisfied that the work of the Hospital, as described below, accords with its stated objects and provides tangible public benefit to an appropriate section of those who reside within the charitable company's area of benefit; they believe that the criteria used to assess those who may benefit are not unreasonably restrictive.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2013

### OBJECTIVES AND ACTIVITIES (continued)

#### Public Benefit

The Visitors have also taken notice of the Charity Commission guidance on the charging of fees. They have undertaken an exercise to assess the levels of residents' contributions, which shows that on average residents pay only two thirds of a comparable open market rental. Residents who face financial difficulties are encouraged to apply for Housing and Council Tax Benefits – if any still faced hardship, the Visitors would consider waiving some or all contributions due.

### ACHIEVEMENTS AND PERFORMANCE

During the year there have been a number of vacancies in the Almshouse accommodation, so the opportunity has been taken to refurbish a number of the flats; a quinquennial repairs review was carried out at the end of the year, indicating that the fabric of the Hospital is generally well-maintained but indicating areas where work is required. A good community spirit amongst the residents of the Hospital has been maintained by the hard work of the Master and Matrons.

### FINANCIAL REVIEW

#### Financial results

The investment properties and listed investment portfolio produced a gross income of £269,094, a reduction of £7,300 from the previous year being attributable to a property being empty for a considerable period, which is now in the process of being sold.

Occupancy within the Hospital amounted to 87.5%, a considerable reduction on previous levels, but contribution rates were increased by 5% during the year so net contributions from residents fell by just under £2,000 (1.5% reduction) to £131,622. Total incoming resources fell by £14,680 to £401,721.

The cost of generating funds, being the costs of managing and maintaining the investment properties and managing the investment portfolio, amounted to £110,597, an increase of £3,729 over the previous year, increased legal and professional fees being offset by reduced investment property repair costs.

Hospital operating costs have increased by £56,216 to £282,047. Day-to-day running costs have increased by £16,946 (10%), due mainly to increased costs of utilities; Hospital repair costs, which by their nature can fluctuate significantly from year to year, have risen by £39,736 to £100,710, as expenditure was incurred on refurbishing flats as they became vacant during the year. Administration costs have fallen slightly, while governance costs, mainly professional fees, have decreased by £4,733 as no general legal fees were incurred. External grants to local schools and charities amounted to £3,432.

After inclusion of all expenditure, there was an overall deficit for the year, before inclusion of gains or losses on investments, of £19,265 (2011-12 £51,014 surplus), the decrease being mostly attributable to the additional expenditure incurred in respect of Hospital repairs.

This year the investment properties were revalued, giving rise to a surplus on revaluation of £1,845,000, and there was a further increase of £343,533 in the valuation of the investment portfolio (2011-12 £78,921 increase) so overall funds rose by £2,169,268 (2011-12 £129,935 increase) and amounted to £14,252,624 at the year-end.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2013

### FINANCIAL REVIEW (continued)

As a result of the investment gains made in the year and the merger of the Capital Recoupment Fund, the Endowment Fund increased by £2,637,029 and the Restricted Funds fell by £494,193, while there was an overall unrestricted surplus of £26,432 arising in the year.

The contributions received from Hospital residents are less than the costs of providing accommodation, as can be seen from the following summary, the subsidy being covered from the investment income:

	2012-13 £	2011-12 £	2010-11 £	2009-10 £	2008-09 £
Contributions from residents	131,622	133,580	131,998	127,363	123,833
Day-to-day operating costs	(178,001)	(161,055)	(148,811)	(151,444)	(147,303)
Shortfall on day-to-day operations	(46,379)	(27,475)	(16,813)	(24,081)	(23,470)
Property repairs and improvements	(100,710)	(60,974)	(47,105)	(38,069)	(76,319)
Overall shortfall on almshouse provision: subsidised from investment income.	(147,089)	(88,449)	(63,918)	(62,150)	(99,789)
Contributions as a % of day-to-day costs	73.9%	82.9%	88.7%	84.1%	84.1%
Contributions as a % of total costs	47.2%	60.2%	67.4%	67.2%	55.4%

### Heritage Assets - Hospital properties

The Hospital's former Agents prepared a desktop valuation of the Hospital in 2004, based on existing use values, which attributed a value of £1,100,000 to the Hospital; there have been no subsequent additions or sales. In view of the historic nature of the buildings and their central place within the overall activities of the Hospital, the Visitors do not believe that the cost of further revaluations can be justified.

In order to ensure that the Hospital properties are kept fully maintained, the Visitors have a policy of undertaking quinquennial reviews of the state of the buildings – a further such review was carried out in October 2013 and a costed programme of works has been planned to cover all matters identified.

### Investments

Hugh Sexey's Hospital is a permanent endowment, with assets held in perpetuity. The investments comprise agricultural and residential properties, which comprise approximately 75% of the value of the investments, and an investment portfolio. The Visitors regularly review the constituent parts of the Hospital's endowment, to monitor the balance between the values of the investment properties and the Stock Exchange investments, but realise that with fluctuations in values the ratio will change over time.

### Investment policy

The Visitors have resolved to adopt a Total Return approach to investing in respect of the quoted investment portfolio, which means that all investment returns, whether income or realised and unrealised gains, are brought into the Permanent Endowment Fund. The Visitors then agree to an annual transfer from the accumulated unapplied total return to the Income Fund, to subsidise the running costs of the Hospital. This approach has not been adopted for the investment properties, as the illiquid nature of the assets means it is impossible to withdraw any unrealised gains without disposing of properties.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2013

### FINANCIAL REVIEW (continued)

#### Quoted Investment Portfolio

The Hospital's portfolio is managed by Ruffers LLP. After discussions with Ruffers, the annual transfer to the Income Fund has been set at a rate of 3% of the opening value of the portfolio, which the Visitors believe gives a fair balance between the interests of the current and the future beneficiaries.

The base date for the implementation of the change to Total Return accounting was agreed as being 11 August 2011, the date when Ruffers took over management of the portfolio, at which date the Permanent Endowment investments were valued at £2,271,405; a further £250,000, previously held as bank balances, has been invested in the year to 31 October 2013. Total investment returns amounted to £361,490 (15% of the invested funds) - £70,000 has been allocated to income in the year (3% of invested funds) and the balance is carried forward as unapplied total returns, which amounted to £421,712.

#### Investment Properties

The Visitors employ agents, Fowler Fortescue, to manage their investment properties, known as the Blackford & Bruton Estate; a long term strategy for the management of the Estate is being implemented. Fowler Fortescue have carried out a desktop valuation of the Estate on an Open Market Value basis at 31 October 2013, which has resulted in an unrealised surplus of £1,845,000 being credited to the Permanent Endowment Fund, which is reflected in these financial statements.

#### Reserves policy

Due to large Hospital repair costs incurred in past years, the unrestricted income funds of the Hospital were historically in deficit; however as a result of increased income and reduced repair costs for the last few years, at 31 October 2013 they were in surplus by £237,547 (2012 £211,115 surplus).

The Visitors considered the amount that should be held in the Hospital's designated Building Fund, in light of the works revealed in the quinquennial survey of the buildings, and decided that a closing balance of £240,000 was appropriate (2011-12 £197,767). This necessitated a transfer of £156,693 from the Income Account, which resulted in a closing Income Account deficit of £2,453 (2011-12 £13,348 surplus).

Since, under the terms of the Hospital's governing documents, they are obliged to maintain the Hospital, which is a Grade I listed building and inalienable, the Visitors believe it prudent to maintain such levels of reserves. The Visitors prepare budgets every year and aim to retain funds to fund future capital and revenue projects, as well as covering unexpected charitable expenditure and donations.

The Visitors are satisfied that the Hospital's assets are adequate to fulfil its obligations.

### PLANS FOR FUTURE YEARS

The Visitors recognise the need to be flexible, and to change with the times, particularly having regard to social and demographic trends. Their overall plans are to keep the Almshouse accommodation fully occupied by eligible pensioners, to maintain a good community spirit within the Hospital by, inter alia, continuing to employ suitable staff, to keep the fabric of the Hospital in good order, and to maintain the value of the Hospital's endowment, with a view to passing the Hospital on to future generations.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2013

### VISITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Visitors (who are also directors of Hugh Sexey's Hospital for the purposes of company law) are responsible for preparing the Report of the Visitors and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Visitors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for the year. In preparing these financial statements, the Visitors are required to:

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

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

In so far as the Visitors are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Visitors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

### AUDITORS

Moore Stephens have indicated their willingness to offer themselves for reappointment.

### SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Section 415a of the Companies Act 2006.

Approved by the Visitors on 11 April 2014 and signed on their behalf by:-



---

Mr M Stanley-Smith      Chairman of Visitors

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## INDEPENDENT AUDITOR'S REPORT TO THE VISITORS OF HUGH SEXEY'S HOSPITAL FOR THE YEAR ENDED 31 OCTOBER 2013

We have audited the financial statements of Hugh Sexey's Hospital for the year ended 31 October 2013 which are set out on pages 10 to 18. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities)

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

### Respective responsibilities of Visitors and auditor

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

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

### Scope of the audit of the financial statements

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

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 October 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006



# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## INDEPENDENT AUDITOR'S REPORT TO THE VISITORS OF HUGH SEXEY'S HOSPITAL FOR THE YEAR ENDED 31 OCTOBER 2013

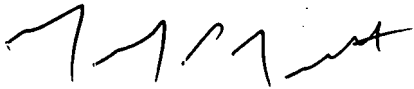
### Opinion on other matter prescribed by the Companies Act 2006

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

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or
- returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit; or
- the Visitors were not entitled to prepare the financial statements in accordance with the small companies regime.



MARK BURNETT

(Senior Statutory Auditor)

For and on behalf of

MOORE STEPHENS

Chartered Accountants and Statutory Auditor

30 Gay Street Bath BA1 2PA

9/15/2014

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 OCTOBER 2013

	Note	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total 2013 £	Total 2012 £
<b>Incoming resources</b>						
<b>From generated funds:</b>						
Investment property income	1	-	-	203,884	203,884	210,192
Dividends and bank interest		57,817	1,560	5,833	65,210	66,209
		57,817	1,560	209,717	269,094	276,401
<b>From charitable activities</b>						
Contributions from Hospital residents		-	-	131,622	131,622	133,580
Donations and sundry income		-	-	1,005	1,005	6,600
<b>Total incoming resources</b>		57,817	1,560	342,344	401,721	416,581
<b>Resources expended</b>						
<b>Costs of generating funds</b>						
Investment property costs	2	-	-	83,308	83,308	81,496
Brokers management charge:	8b	27,203	39	47	27,289	25,372
		27,203	39	83,355	110,597	106,868
<b>Charitable expenditure:</b>						
Hospital operating costs	3a	-	15,111	266,936	282,047	225,831
Administration costs	3b	-	-	18,130	18,130	20,423
External grants	3c	-	-	3,432	3,432	932
		-	15,111	288,498	303,609	247,186
<b>Governance costs</b>	4	-	-	6,780	6,780	11,513
<b>Total resources expended</b>	5	27,203	15,150	378,633	420,986	365,567
<b>Net incoming / (outgoing) resources before transfers</b>		30,614	(13,590)	(36,289)	(19,265)	51,014
<b>Transfers between funds</b>	12 & 13	430,539	(488,764)	58,225	-	-
<b>Net incoming / (outgoing) resources after transfers</b>		461,153	(502,354)	21,936	(19,265)	51,014
<b>Other recognised gains:</b>						
<b>Gains on investment assets:</b>						
Investment properties	8a	1,845,000	-	-	1,845,000	-
Investment portfolio	8b	330,876	8,161	4,496	343,533	78,921
<b>Net increase in funds</b>		2,637,029	(494,193)	26,432	2,169,268	129,935
<b>Fund balances brought forward</b>		11,306,204	566,037	211,115	12,083,356	11,953,421
<b>Fund balances carried forward</b>		13,943,233	71,844	237,547	14,252,624	12,083,356

All incoming and outgoing resources were in respect of continuing activities; there were no other recognised gains or losses in the year. The accompanying accounting policies and notes form an integral part of the financial statements.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)


## BALANCE SHEET AT 31 OCTOBER 2013

	Note	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total 2013 £	Total 2012 £
<b>Fixed assets</b>						
Heritage assets: The Hospital	7	1,100,000	-	-	1,100,000	1,100,000
Investments:						
Freehold properties	8a	9,856,000	-	-	9,856,000	8,011,000
Investment portfolio	8b	2,943,117	74,398	-	3,017,515	2,469,181
		<u>13,899,117</u>	<u>74,398</u>	<u>-</u>	<u>13,973,515</u>	<u>11,580,181</u>
<b>Current assets</b>						
Investment portfolio	8b	-	-	39,914	39,914	35,465
Debtors	10	-	-	22,951	22,951	62,180
Cash at bank and in hand		44,116	(2,554)	241,463	283,025	437,867
		<u>44,116</u>	<u>(2,554)</u>	<u>304,328</u>	<u>345,890</u>	<u>535,512</u>
Creditors: amounts falling due within one year	11	-	-	(66,781)	(66,781)	(32,337)
<b>Net current assets</b>		<u>44,116</u>	<u>(2,554)</u>	<u>237,547</u>	<u>279,109</u>	<u>503,175</u>
<b>Total assets less current liabilities</b>		<u>13,943,233</u>	<u>71,844</u>	<u>237,547</u>	<u>14,252,624</u>	<u>12,083,356</u>
<b>Capital funds</b>						
Permanent Endowment Fund	12	13,943,233	-	-	13,943,233	11,306,204
<b>Income funds</b>						
Restricted	13	-	71,844	-	71,844	566,037
Unrestricted	14	-	-	237,547	237,547	211,115
		<u>13,943,233</u>	<u>71,844</u>	<u>237,547</u>	<u>14,252,624</u>	<u>12,083,356</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Visitors at their meeting on 11 April 2014 and were signed on their behalf by:

  
Mr M Stanley-Smith Chairman of Visitors

  
Mr J A F Buxton Esq - Visitor

The accompanying accounting policies and notes form an integral part of these financial statements.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 OCTOBER 2013

The financial statements have been prepared in accordance with the historical cost convention, as modified by the revaluation of certain fixed assets and investments, generally accepted accounting principles in the United Kingdom, Financial Reporting Standard for Smaller Entities (FRSSE - effective April 2008), the Companies Act 2006, and the Statement of Recommended Practice: "Accounting and Reporting by Charities" (SORP 2005).

The principal accounting policies are set out below.

### Fund accounting

- **Permanent endowment:** The Hospital has a permanent endowment which it is legally prevented from spending and which must remain intact as part of the Hospital's capital. It has invested the endowment to provide income for its charitable activities.
- **Restricted funds:** these are held to be used for specified purposes as laid down by the governing documents or by the donors
- **Unrestricted funds:** these are other incoming resources received or generated for expenditure on the general objectives of the Hospital. The Visitors have designated certain of the unrestricted funds as a Buildings Fund; they have decided that setting aside funds in this way is a useful financial discipline which will help the Hospital to make the best use of its resources, even though there is no legal force to the designations.

**Income and expenditure** All income is recognised in full in the statement of financial activities when receivable. Expenditure is charged on an accruals basis, inclusive of VAT where charged, and is allocated between expenditure incurred on management of the investments, expenditure in fulfilment of the Hospital's objectives (direct charitable expenditure) and expenditure incurred in the governance of the Hospital.

**Heritage Assets - The Hospital** is a listed building of historical importance and as its preservation and conservation is one of the Hospital's objectives, it is regarded as a heritage asset and the Visitors take steps to ensure it is properly maintained. As a result of the age of the Hospital there is no record of any original costs.

No depreciation is charged on the Hospital buildings, which contravenes the FRSSE with regard to depreciation of buildings; the trustees consider that this policy is appropriate given the historic nature of the buildings and the nature of the Hospital's activities which ensure that the buildings are maintained in an excellent state of repair.

**Investments** - Investment properties are included in the balance sheet at their estimated market value. Investment properties are formally revalued at least every five years by relevant professional valuers, and are reviewed annually to ensure that the most recent formal valuation is still reasonable. In accordance with the FRSSE, no depreciation is provided in respect of investment properties as these are held for investment and the Visitors consider that this policy is necessary to give a true and fair view.

Listed investments held for investment purposes are stated at market value at the balance sheet date; gains and losses arising on revaluation are credited or debited to the appropriate fund through the SOFA.

**Retirement benefits** – the Hospital operates a defined contribution pension scheme. The pension costs charged against operating income are the contributions payable to the scheme in respect of the accounting year.

**Cashflow statement** - the company is a small company as defined by the Companies Act and has taken the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard No.1.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total 2013 £	Total 2012 £
<b>1. INVESTMENT PROPERTY INCOME</b>					
Rental income receivable for the year	-	-	203,143	203,143	209,498
Wayleaves and grants	-	-	741	741	694
	-	-	203,884	203,884	210,192
<b>2. INVESTMENT PROPERTY COSTS</b>					
Day-to-day repairs and maintenance	-	-	31,835	31,835	45,373
Managing agents' fees	-	-	19,425	19,425	18,778
Legal and professional fees	-	-	15,892	15,892	5,043
Property insurance	-	-	15,056	15,056	9,688
Other direct costs	-	-	1,100	1,100	2,614
	-	-	83,308	83,308	81,496
<b>3. CHARITABLE EXPENDITURE</b>					
<b>a) Hospital operating costs</b>					
Heating, lighting and running costs	-	-	117,173	117,173	102,994
Employment costs Note 6	-	-	60,828	60,828	58,061
Day-to-day running costs	-	-	178,001	178,001	161,055
Almshouse repairs and improvements	-	11,775	88,935	100,710	60,974
Expenditure from Former Residents' Bequest Fund Note 13	-	3,336	-	3,336	3,802
	-	15,111	266,936	282,047	225,831
<b>b) Administration costs</b>					
Accountancy and management fees	-	-	15,385	15,385	14,632
Other administration expenses	-	-	2,745	2,745	5,791
	-	-	18,130	18,130	20,423
<b>c) External grants</b>					
Unrestricted grants made to institutions	-	-	3,432	3,432	932
<b>4 GOVERNANCE COSTS</b>					
Audit fees	-	-	6,780	6,780	7,500
Legal and professional fees	-	-	-	-	4,013
	-	-	6,780	6,780	11,513
Audit and accountancy fees: (all inclusive of VAT)	Audit services			£6,780	£7,500
	Non-audit services - payroll preparation			£1,020	£523
	Non-audit services - other services			£0	£478

# HUGH SEXEY'S HOSPITAL

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2013

### 5. TOTAL RESOURCES EXPENDED

		Staff costs £	Other £	2013 £	2012 £
Investment property costs	Note 2	-	83,308	83,308	81,496
Hospital operating costs	Note 3a	60,828	221,219	282,047	225,831
Administration costs	Note 3b	-	18,130	18,130	20,423
External grants	Note 3c	-	3,432	3,432	932
Governance costs	Note 4	-	6,780	6,780	11,513
Investment management costs	Note 8b	-	27,289	27,289	25,372
<b>Total resources expended</b>		<b>60,828</b>	<b>360,158</b>	<b>420,986</b>	<b>365,567</b>

### 6. STAFF COSTS

Staff costs during the year were:

	£	£
Wages and salaries	55,400	52,289
Employers National Insurance contributions	3,803	3,829
Pension contributions	1,625	1,943
	<b>60,828</b>	<b>58,061</b>

Average number of employees for the year - 4 (2011-12: 4). None earned in excess of £60,000 (2011-12 none)

### 7. HERITAGE ASSETS

	£	£
At valuation	<b>1,100,000</b>	<b>1,100,000</b>

The Visitors, after receiving professional advice, determined that the Hospital is a heritage asset. As a result of the age of the Hospital there are no records of the original cost and no value is attributed thereto.

The Hospital buildings are included at a desktop valuation provided by qualified valuers at 31 October 2004, based on existing use values. There have been no material changes to the Hospital buildings since the date of the last valuation. As there are no plans to alter the use of the Hospital buildings, the Visitors do not believe that the costs of carrying out any further revaluations of the Hospital buildings can be justified

### 8. INVESTMENTS

#### a) Freehold investment properties

	2013 £	2012 £
At beginning of the year	8,011,000	8,011,000
Movement in year: Unrealised surplus recognised on revaluation	Note 12 1,845,000	-
At end of the year	<b>9,856,000</b>	<b>8,011,000</b>

The Hospitals' Agents, Fowler Fortescue, revalued the investment properties on an Open Market Value basis as at 31 October 2013. This produced an unrealised gain on revaluation of £1,845,000 which was included in the accounts, the gain being credited to the Permanent Endowment Fund.

# HUGH SEXEY'S HOSPITAL

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## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2013

### 8. INVESTMENTS

#### b) Investment portfolio

	Permanent Endowment investments	Restricted Fund investments	Current asset investments	Total 2013	Total 2012
	£	£	£	£	£
Funds invested	250,000	-	-	250,000	-
Funds withdrawn	(1,206)	(1,631)	(950)	(3,787)	(19,171)
Income	57,817	1,559	950	60,326	-
Management fees charged	(27,203)	(39)	(47)	(27,289)	(25,372)
Unapplied total return allocated to income	(70,000)	-	-	(70,000)	-
Capital Recoupment Fund transfer	-	-	-	-	21,751
Realised and unrealised gains	-	-	-	-	-
Permanent Endowment	Note 9	330,876	-	330,876	66,324
Restricted Funds	Note 13	-	8,161	8,161	12,607
Income Funds	Note 14	-	-	4,496	4,496
			4,496		(10)
Net increase in portfolio value	540,284	8,050	4,449	552,783	56,129
Opening valuation	2,402,833	66,348	35,465	2,504,646	2,448,517
<b>Closing valuation</b>	<b>2,943,117</b>	<b>74,398</b>	<b>39,914</b>	<b>3,057,429</b>	<b>2,504,646</b>
Historical cost of listed investments	2,410,248	68,743	36,719	2,515,710	2,225,517
The investments are held as follows:					
	Investment portfolio			3,042,350	2,452,812
	Cash balances held by brokers			15,079	49,834
				<b>3,057,429</b>	<b>2,502,646</b>

At the end of the reporting period the following holdings comprised more than 5% of the value of the portfolio.

CF Ruffer Absolute Return	£357,836	11.7%
Ruffer Illiquid Strategies Fund of Funds 2009	£249,556	8.2%
2.5% UK Treasury Index-linked Stock 16/4/2020	£147,933	4.8%

### 9. MOVEMENT IN UNAPPLIED TOTAL RETURN

Unapplied total return is calculated from a start date of 11 August 2011. The Hospital's policy is to transfer into unrestricted (Income) funds each year an amount equal to 3% of the opening value of the Permanent Endowment investment portfolio, which is available for charitable uses. This transfer is funded from the total investment returns (interest and gains, less management charges) on the Hospital's investments. The Visitors intend to keep the distribution rate under review and adjust as necessary to take account of prevailing rates of investment return. The amount of Permanent Endowment invested under the Total Return basis comprises

			2013	2012
			£	£
Total fixed assets			13,973,515	11,580,181
Exclude:	Heritage assets: The Hospital	Note 7	(1,100,000)	(1,100,000)
	Investment properties	Note 8a	(9,856,000)	(8,011,000)
	Investments held in restricted funds	Note 8b / 13	(74,398)	(66,348)
			<b>2,943,117</b>	<b>2,402,833</b>

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## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2013

### 9. MOVEMENT IN UNAPPLIED TOTAL RETURN (continued)

	Permanent Endowment £	Unapplied total return £	Total 2013 £
Trust for investment at beginning of period	2,271,405	131,428	2,402,833
Investment returns:			
Investment income receivable		57,817	57,817
Realised and unrealised gains		330,876	330,876
Investment management costs		(27,203)	(27,203)
		361,490	361,490
Unapplied total return allocated to income		(70,000)	(70,000)
Unapplied total return unallocated at year-end		291,490	291,490
Additional funds invested / (withdrawn)	250,000	(1,206)	248,794
Net movement in reporting period	250,000	290,284	540,284
Trust for investment at end of period	2,521,405	421,712	2,943,117

### 10. DEBTORS

	2013 £	2012 £
Investment income - rental debtors	10,913	46,912
Investment income - amounts held by brokers	-	4,628
Contributions due from residents	-	1,380
Prepayments and other debtors	12,038	9,260
	22,951	62,180

### 11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£	£
Trade creditors	51,370	19,580
Accruals and other creditors	11,801	12,757
Deposits held from residents	3,610	-
	66,781	32,337

### 12. PERMANENT ENDOWMENT FUND

		£	£
Surplus on revaluation of Investment properties	Note 8a	1,845,000	-
Unapplied total return unallocated at year-end	Note 9	361,490	31,469
Unapplied total return allocated to income	Note 9	(70,000)	-
Capital Recoupment Fund balance transferred	Note 13	500,539	
Net movement in funds during the year		2,637,029	31,469
Fund balances brought forward at start of year		11,306,204	11,274,735
Fund balance carried forward at end of year		13,943,233	11,306,204



# HUGH SEXEY'S HOSPITAL

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## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2013

### 13. RESTRICTED FUNDS

	Capital Recoupment	Extraordinary Repairs Fund	Former Residents Bequest	Total 2013
	£		£	£
Interest and dividends receivable	-	-	1,560	1,560
Expenditure during the year	-	(11,775)	(3,336)	(15,111)
Brokers fees charged on fund investments	-	-	(39)	(39)
Outgoing resources for the year before transfers	-	(11,775)	(1,815)	(13,590)
Annual transfer from income account	-	11,775	-	11,775
Balance transferred to Permanent Endow.	(500,539)	-	-	(500,539)
Outgoing resources for the year after transfers	(500,539)	-	(1,815)	(502,354)
Gains in value of investments	-	-	8,161	8,161
<b>Net movement in funds during the year</b>	(500,539)	-	6,346	(494,193)
Fund balances brought forward at start of year	500,539	-	65,498	566,037
<b>Fund balances carried forward at end of year</b>	-	-	<b>71,844</b>	<b>71,844</b>

#### Capital Recoupment fund

In 1995 and 1996 major improvements were made to the Hospital; the annual income of the Hospital was not sufficient to cover this expenditure, so capital assets were realised in order to fund it. The Charity Commissioners required the Hospital to "recoup" such expenditure by the capitalisation of level amounts of income year by year so they issued Recoupment Orders in 1995-96, specifying an annual transfer amounting to £21,751.

In recent years the Charity Commission has changed its stance on Capital Recoupment, no longer requiring a recovery where funds have been spent on charitable properties. The Visitors have therefore accepted an Order made by the Commission dated 25 February 2013, revoking previous Orders, the effect of which is that the balance of £500,539 held in the Capital Recoupment Fund at 31 October 2012 has been transferred to the Permanent Endowment Fund, and no future transfers from income will be required.

#### Former Residents Bequests Fund

From time to time Residents have left bequests to the Hospital. These are kept in a separate fund, which is managed on a total return basis, the applied total return being made available for items of expenditure which will be to the benefit of all residents, as recommended by the House Committee and endorsed by the Visitors.

#### Extraordinary Repairs Fund

Under the terms of the governing Orders, the Visitors are required to transfer a minimum of £690 into an Extra-Ordinary Repairs Fund, to fund major long-term modernisation and repairs. The Visitors have agreed to provide for these repairs using the Almshouse Association suggested contribution rates of £406 per flat, which produces an annual charge of £11,775. Costs of remodelling flats during the year exceed this figure - an equal cost has therefore been charged against the Fund.

# HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

## NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2013

### 14. UNRESTRICTED FUNDS

	Income Fund £	Buildings Fund £	Total 2012 £	Total 2012 £
Income Fund surplus - before transfers	82,667	1,814	<b>84,481</b>	178,158
Amounts allocated to Building Fund	(156,693)	156,693	-	-
Repair expenditure: Investment properties Note 2	-	(31,835)	<b>(31,835)</b>	(45,373)
Hospital property Note 3a	-	(88,935)	<b>(88,935)</b>	(60,974)
Net incoming resources for the year before transfers	(74,026)	37,737	<b>(36,289)</b>	71,811
Transfers				
To Capital Recoupment	-	-	-	(21,751)
From Permanent Endowment Note 12	70,000	-	<b>70,000</b>	14,418
To Extraordinary Repairs Fund Note 13	(11,775)	-	<b>(11,775)</b>	-
Net incoming resources for the year after transfers	(15,801)	37,737	<b>21,936</b>	64,478
Investment gains in the year Note 8	-	4,496	<b>4,496</b>	(10)
Net increase/(decrease) in funds during the year	(15,801)	42,233	<b>26,432</b>	64,468
Fund balances brought forward at start of year	13,348	197,767	<b>211,115</b>	146,647
Fund balances carried forward at end of year	<b>(2,453)</b>	<b>240,000</b>	<b>237,547</b>	211,115

#### Buildings Fund

Repairs, maintenance and modernisation costs arise erratically over the years; if charged directly to the Income Fund the amount of surplus in any year can vary greatly. The object of the Buildings Fund is to even out the charge against the Income Fund by debiting a regular annual amount against it and crediting the same to the Buildings Fund against which expenditure on repairs, maintenance and modernisation is then charged.

The Visitors consider that setting aside funds in this way is a useful financial discipline which will help the Hospital to make the best use of its resources, even though there is no legal force to the designations.

### 15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities (2011-12 - None).

### 16. TAXATION

The charitable company is exempt from taxation on income and gains falling within s505 of the Taxes Act 1988 or s252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objectives.

### 17. PAYMENTS TO TRUSTEES AND CONNECTED PERSONS

No remuneration or reimbursement of expenses was paid during the year to any of the Visitors.

The charitable company has purchased trustees' liability insurance costing £1,214 (2011-12: £1,163). The Charity Commission has approved this purchase of insurance.

### 18. LIABILITIES OF MEMBERS

Under paragraph 7 of the Memorandum of Association all members undertake to contribute to the assets of the charitable company such an amount as may be required, not exceeding £1, in the event of it being wound up during the year of membership and within one year afterwards.