



HUGH SEXEY'S HOSPITAL

FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 OCTOBER 2014

Company Registration Number 6906918
Charity Registration Number 1130351

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HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

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HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2014

The Visitors present their report together with financial statements of the charitable company for the year ended 31 October 2014.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Office	10 Highbury Place, Camden, Bath BA1 6DU
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 E F Winkley J A F Buxton Esq. AS Durward Esq. (Died September 2014) 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 Mrs L Sunnocks
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	Loxleys, Langford Mill, Wotton-Under-Edge, Glos

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

Hugh Sexey's Hospital is a charitable company limited by guarantee, incorporated on 15 May 2009 and registered as a charity on 25 June 2009. The guarantors are the members to the extent of £1 each.

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.

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, other Visitors, the Master and the Finance Manager, 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.

HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2014

STRUCTURE, GOVERNANCE AND MANAGEMENT

Organisation

The Visitors meet four times a year; there are four sub-committees covering House, Buildings, Finance and the Investment Properties (Blackford Committee). The Visitors receive regular reports from the Master, the Finance Manager, the Land Agents, and the Investment Advisers, 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.

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.

HUGH SEXEY'S HOSPITAL

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REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2014

ACHIEVEMENTS AND PERFORMANCE

During the previous year there were a number of vacancies in the Almshouse so the opportunity was taken to refurbish a number of flats; during the current year these have all been allocated to new residents and a waiting list is now maintained. A quinquennial repairs review was carried out at the start of the year, indicating that the fabric of the Hospital is generally well-maintained but indicating areas where work is required, which is being attended to. 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 £271,123, a small increase on the previous year.

Contribution rates were increased by 2.5% from 1 September 2014. Occupancy within the Hospital amounted to 94.7%, a considerable improvement on the previous year, even though one flat was empty for almost eight months whilst major repairs and refurbishments were carried out - at the end of the year, all flats were either occupied or allocated to new residents. As a result of these two factors, total contributions from residents increased by £13,201 (10%) to £144,823.

After receipt of donations amounting to £12,850, including a legacy of £10,000 which has been added to the Residents Bequest Fund, total incoming resources rose by £27,075 to £428,796.

The cost of generating funds, being the costs of managing and maintaining the investment properties and managing the investment portfolio, amounted to £115,984, an increase of £5,387; increased investment property repairs being offset by reduced legal and professional fees.

Hospital operating costs have fallen by £22,343 to £259,704. Day-to-day running costs have fallen by £4,572 (2.5%), due mainly to reduced costs of utilities following a milder winter, while Hospital repair costs, which by their nature can fluctuate significantly from year to year, have fallen by £19,133 to £81,577, as considerable expenditure was incurred in the previous year on refurbishing flats. Administration and governance costs are little changed, but external grants to local schools and charities have increased to £4,932, as a result of the decision of the Visitors to donate £4,000 to the relief fund set up to help Somerset farmers facing hardship after the severe Winter flooding.

After inclusion of all expenditure, there was an overall surplus for the year, before inclusion of gains or losses on investments, of £21,686 (2012-13 £19,265 deficit), the increase being mostly attributable to the increased contributions and reduced expenditure on Hospital repairs, and the legacy received.

Last year the investment properties were revalued, giving rise to a surplus on revaluation of £1,845,000; this year there has been a surplus of £15,098 on the sale of one of the properties. There was also a further increase of £78,011 in the valuation of the investment portfolio (2012-13 £343,533 increase) so overall funds rose by £114,795 (2012-13 £2,169,268 increase) and amounted to £14,367,419 at the year-end.

The Endowment Fund increased by £27,611 and the Restricted Funds increased by £7,035, while there was an overall unrestricted surplus of £80,149 arising in the year.

HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2014

FINANCIAL REVIEW (continued)

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

	2013-14 £	2012-13 £	2011-12 £	2010-11 £	2009-10 £
Contributions from residents	144,823	131,622	133,580	131,998	127,363
Day-to-day operating costs	(173,429)	(178,001)	(161,055)	(148,811)	(151,444)
Shortfall on day-to-day operations	(28,606)	(46,379)	(27,475)	(16,813)	(24,081)
Property repairs and improvements	(81,577)	(100,710)	(60,974)	(47,105)	(38,069)
Overall shortfall on almshouse provision: subsidised from investment income.	(110,183)	(147,089)	(88,449)	(63,918)	(62,150)
Contributions as a % of day-to-day costs	83.5%	73.9%	82.9%	88.7%	84.1%
Contributions as a % of total costs	56.8%	47.2%	60.2%	67.4%	67.2%

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 review was carried out in October 2013 and a costed programme of works is being implemented to cover 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 adopted a Total Return approach 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 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

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REPORT OF THE VISITORS FOR THE YEAR ENDED 31 OCTOBER 2014

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 change to Total Return accounting was August 2011, when Ruffers took over management of the portfolio. At this date the Permanent Endowment investments were valued at £2,271,405; a further £250,000, previously held as cash, was invested in the year to 31 October 2013 and £315,000, being part of the property sale proceeds, was invested in the current year. Total investment returns in the year amount to £104,113 (3.5% of invested funds) - £91,600 has been allocated to income in the year and the balance is carried forward as unapplied total returns, which cumulatively amounts to £448,325 since the policy was adopted.

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 carried out a desktop valuation of the Estate on an Open Market Value basis at 31 October 2013, which resulted in an unrealised surplus of £1,845,000 being credited to the Permanent Endowment Fund.

Reserves policy

Due to large Hospital repair costs incurred in prior years, the unrestricted income funds of the Hospital have historically been in deficit; however as a result of increased income and reduced repair costs for the last few years, at 31 October 2014 they were in surplus by £317,696 (2013 £237,547 surplus), an increase of £80,149 during the year.

Under the terms of the Hospital's governing documents, the Visitors are obliged to maintain the Hospital, which is a Grade I listed building and inalienable, and they therefore believe it prudent to maintain a level of reserves in a designated Building Fund to allow them to cover anticipated repair costs. The Visitors considered the amount that should be held at 31 October 2013, in light of the works revealed in the quinquennial survey of the buildings, and decided that a balance of £240,000 was appropriate. This year a transfer of £118,225 has been made into the Fund, which has exceeded the amount spent on repairs by £10,398 so the closing Fund balance amounts to £250,398.

At their meeting in January 2015 the Visitors agreed to set up a Giving Committee, to agree the Hospital's policy for external donations and then distribute funds accordingly. They also agreed to allocate £40,000 from the surplus arising in the year to 31 October 2014 to a designated Giving Fund, which will be distributed during the current year.

The Visitors prepare budgets every year and are satisfied that the Hospital's remaining reserves 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 2014

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
- they 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 10 April 2015 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 2014

We have audited the financial statements of Hugh Sexey's Hospital for the year ended 31 October 2014 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 company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report 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.

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 2014 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 2014

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

15 July 2015

HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 OCTOBER 2014

	Note	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total 2014 £	Total 2013 £
Incoming resources						
From generated funds:						
Investment property income	1	-	-	209,537	209,537	203,884
Dividends and bank interest		54,690	3,979	2,917	61,586	65,210
		54,690	3,979	212,454	271,123	269,094
From charitable activities						
Contributions from residents		-	-	144,823	144,823	131,622
Donations and sundry income		-	10,000	2,850	12,850	1,005
Total incoming resources		54,690	13,979	360,127	428,796	401,721
Resources expended						
Costs of generating funds						
Investment property costs	2	-	-	85,419	85,419	83,308
Brokers management fees	8b	30,541	11	13	30,565	27,289
		30,541	11	85,432	115,984	110,597
Charitable expenditure:						
Hospital operating costs	3a	-	16,473	243,231	259,704	282,047
Administration costs	3b	-	-	18,075	18,075	18,130
External grants	3c	-	-	4,932	4,932	3,432
		-	16,473	266,238	282,711	303,609
Governance costs	4	-	-	8,415	8,415	6,780
Total resources expended	5	30,541	16,484	360,085	407,110	420,986
Net incoming / (outgoing) resources before transfers		24,149	(2,505)	42	21,686	(19,265)
Transfers between funds	12 & 13	(91,600)	11,775	79,825	-	-
Net incoming / (outgoing) resources after transfers		(67,451)	9,270	79,867	21,686	(19,265)
Other recognised gains:						
Gains on investment assets:						
Investment properties	8a	15,098	-	-	15,098	1,845,000
Investment portfolio	8b	79,964	(2,235)	282	78,011	343,533
Net increase in funds		27,611	7,035	80,149	114,795	2,169,268
Fund balances brought forward		13,943,233	71,844	237,547	14,252,624	12,083,356
Fund balances carried forward		13,970,844	78,879	317,696	14,367,419	14,252,624

The above results relate wholly to continuing activities; there were no recognised gains or losses other than those included above. The Statement of Financial Activities also complies with the requirement to prepare an income and expenditure account contained in the Companies Act 2006.

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

HUGH SEXEY'S HOSPITAL

(A charitable company limited by guarantee)

BALANCE SHEET AT 31 OCTOBER 2014

	Note	Endowment Funds £	Restricted Funds £	Unrestricted Funds £	Total 2014 £	Total 2013 £
Fixed assets						
Heritage assets: The Hospital	7	1,100,000	-	-	1,100,000	1,100,000
Investments:						
Freehold properties	8a	9,564,227	-	-	9,564,227	9,856,000
Investment portfolio	8b	3,284,730	72,150	-	3,356,880	3,017,515
		<u>13,948,957</u>	<u>72,150</u>	<u>-</u>	<u>14,021,107</u>	<u>13,973,515</u>
Current assets						
Investment portfolio	8b	-	-	40,184	40,184	39,914
Debtors	10	-	-	35,138	35,138	22,951
Cash at bank and in hand		21,887	6,729	287,082	315,698	283,025
		<u>21,887</u>	<u>6,729</u>	<u>362,404</u>	<u>391,020</u>	<u>345,890</u>
Creditors: amounts falling due within one year	11	-	-	(44,708)	(44,708)	(66,781)
Net current assets		<u>21,887</u>	<u>6,729</u>	<u>317,696</u>	<u>346,312</u>	<u>279,109</u>
Total assets less current liabilities		<u>13,970,844</u>	<u>78,879</u>	<u>317,696</u>	<u>14,367,419</u>	<u>14,252,624</u>
Capital funds						
Permanent Endowment Fund	12	13,970,844	-	-	13,970,844	13,943,233
Income funds						
Restricted	13	-	78,879	-	78,879	71,844
Unrestricted	14	-	-	317,696	317,696	237,547
		<u>13,970,844</u>	<u>78,879</u>	<u>317,696</u>	<u>14,367,419</u>	<u>14,252,624</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 10 April 2015 and were signed on their behalf by:


Mr M Stanley-Smith - Chairman of Visitors


Mrs H Feilding - Visitor

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

HUGH SEXEY'S HOSPITAL

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PRINCIPAL ACCOUNTING POLICIES FOR THE YEAR ENDED 31 OCTOBER 2014

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 and a Giving 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 2014

		Restricted Funds £	Unrestricted Funds £	Total 2014 £	Total 2013 £
1. INVESTMENT PROPERTY INCOME					
Rental income receivable for the year		-	208,787	208,787	203,143
Wayleaves and grants		-	750	750	741
		-	209,537	209,537	203,884
2. INVESTMENT PROPERTY COSTS					
Day-to-day repairs and maintenance		-	40,739	40,739	31,835
Managing agents' fees		-	23,415	23,415	19,425
Property insurance		-	12,824	12,824	15,056
Legal and professional fees re properties		-	2,060	2,060	15,892
Other direct costs		-	6,381	6,381	1,100
		-	85,419	85,419	83,308
3. CHARITABLE EXPENDITURE					
a) Hospital operating costs					
Employment costs	Note 6	-	64,204	64,204	60,828
Heating and lighting		-	33,932	33,932	36,723
Other running costs		-	75,293	75,293	80,450
Day-to-day running costs		-	173,429	173,429	178,001
Almshouse repairs and improvements		11,775	69,802	81,577	100,710
Expenditure from Former Residents' Bequest Fund	Note 13	4,698	-	4,698	3,336
		16,473	243,231	259,704	282,047
b) Administration costs					
Management fees		-	15,547	15,547	15,385
Other administration expenses		-	2,528	2,528	2,745
		-	18,075	18,075	18,130
c) External grants					
Unrestricted grants made to institutions		-	4,932	4,932	3,432
4 GOVERNANCE COSTS					
Audit fees		-	7,140	7,140	6,780
Legal and professional fees		-	1,275	1,275	-
		-	8,415	8,415	6,780
Audit and accountancy fees:	Audit services		£7,140	£7,140	£6,780
(all inclusive of VAT)	Non-audit services - payroll preparation		£557	£557	£559
	Non-audit services - other services		£0	£0	£0

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2014

5. TOTAL RESOURCES EXPENDED

		Staff costs £	Other £	2014 £	2013 £
Investment property costs	Note 2	-	85,419	85,419	83,308
Hospital operating costs	Note 3a	64,204	195,500	259,704	282,047
Administration costs	Note 3b	-	18,075	18,075	18,130
External grants	Note 3c	-	4,932	4,932	3,432
Governance costs	Note 4	-	8,415	8,415	6,780
Investment management costs	Note 8b	-	30,565	30,565	27,289
Total resources expended		64,204	342,906	407,110	420,986

6. STAFF COSTS

Staff costs during the year were:	£	£
Wages and salaries	58,471	55,400
Employers National Insurance contributions	4,101	3,803
Pension contributions	1,632	1,625
	64,204	60,828

Average number of employees for the year - 4 (2012-13: 4). None earned in excess of £60,000 (2012-13 none)

7. HERITAGE ASSETS

	£	£
At valuation	1,100,000	1,100,000

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

	2014 £	2013 £
At beginning of the year	9,856,000	8,011,000
Movement in year: Additions - Manor Farm Cottage refurbishment	58,227	-
Disposals - Sunnysdene (at opening valuation)	(350,000)	-
Unrealised surplus recognised on revaluation	-	1,845,000
At end of the year	9,564,227	9,856,000

The Hospital's Agents, Fowler Fortescue, revalued the investment properties on an Open Market Value basis at 31 October 2013. This produced an unrealised gain on revaluation of £1,845,000 which was included in the financial statements, the gain being credited to the Permanent Endowment Fund. In the opinion of the Visitors, any movement in the valuation of freehold properties in the current year is likely to be insignificant.

The Visitors sold a property in the year for net proceeds of £365,098, after deduction of fees. This property was valued at £350,000 at 31 October 2013 so a gain of £15,098 arose on the sale.

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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2014

8. INVESTMENTS

b) Investment portfolio

	Permanent Endowment investments	Restricted Fund investments	Current asset investments	Total 2014	Total 2013
	£	£	£	£	£
Funds invested: from property sale	315,000	-	-	315,000	250,000
Funds invested / (withdrawn): others	14,100	(3,979)	(726)	9,395	(3,787)
Investment income received	54,690	3,978	726	59,394	60,326
Management fees charged	(30,541)	(11)	(13)	(30,565)	(27,289)
Unapplied total return allocated to income	(91,600)	-	-	(91,600)	(70,000)
Realised and unrealised gains/(losses):				-	-
Permanent Endowment Note 9	79,964	-	-	79,964	330,876
Restricted Funds Note 13	-	(2,235)	-	(2,235)	8,161
Income Funds Note 14	-	-	282	282	4,496
Net increase in portfolio value	341,613	(2,247)	269	339,635	552,783
Opening valuation	2,943,117	74,397	39,915	3,057,429	2,504,646
Closing valuation	3,284,730	72,150	40,184	3,397,064	3,057,429
Historical cost of listed investments				-	2,515,710
The investments are held as follows:					
	Investment portfolio			3,100,983	3,042,350
	Cash balances held by brokers			296,081	15,079
				3,397,064	3,057,429

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

CF Ruffer Absolute Return Accumulation	£249,146	7%
Ruffer Illiquid Strategies Fund of Funds 2009	£180,411	5%
0.375% UK Treasury Index-linked Stock 22/3/2062	£167,615	5%

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

			2014	2013
			£	£
Total fixed assets			14,021,107	13,973,515
Exclude:	Heritage assets: The Hospital	Note 7	(1,100,000)	(1,100,000)
	Investment properties	Note 8a	(9,564,227)	(9,856,000)
	Investments held in restricted funds	Note 8b / 13	(72,150)	(74,398)
			3,284,730	2,943,117

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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2014

9. MOVEMENT IN UNAPPLIED TOTAL RETURN (continued)

	Permanent Endowment £	Unapplied total return £	Total 2014 £	Total 2013 £
Trust for investment at beginning of period	2,521,405	421,712	2,943,117	2,402,833
Investment returns:				
Investment income receivable		54,690	54,690	57,817
Realised and unrealised gains		79,964	79,964	330,876
Investment management costs		(30,541)	(30,541)	(27,203)
		104,113	104,113	361,490
Unapplied total return allocated to income		(91,600)	(91,600)	(70,000)
Unapplied total return unallocated at year-end		12,513	12,513	291,490
Additional funds invested / (withdrawn)	315,000	14,100	329,100	248,794
Net movement in reporting period	315,000	26,613	341,613	540,284
Trust for investment at end of period	2,836,405	448,325	3,284,730	2,943,117

10. DEBTORS

	2014 £	2013 £
Investment income - rental income held by Agents	24,153	7,677
Investment income - amounts due from tenants	1,207	3,236
Prepayments and other debtors	9,778	12,038
	35,138	22,951

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	£	£
Trade creditors	30,276	51,370
Accruals and other creditors	10,356	11,801
Deposits received from residents	4,076	3,610
	44,708	66,781

12. PERMANENT ENDOWMENT FUND

		£	£
Gain on sale of investment properties	Note 8a	15,098	-
Surplus on revaluation of Investment properties	Note 8a	-	1,845,000
Unapplied total return unallocated at year-end	Note 9	104,113	361,490
Unapplied total return allocated to income	Note 9	(91,600)	(70,000)
Capital Recoupment Fund balance transferred		-	500,539
Net movement in funds during the year		27,611	2,637,029
Fund balances brought forward at start of year		13,943,233	11,306,204
Fund balance carried forward at end of year		13,970,844	13,943,233

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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2014

13. RESTRICTED FUNDS

		Extraordinary Repairs Fund	Former Residents Bequest £	Total 2014 £	Total 2013 £
Donation received		-	10,000	10,000	-
Interest and dividends receivable		-	3,979	3,979	1,560
Expenditure during the year	Note 3a	(11,775)	(4,698)	(16,473)	(15,111)
Brokers fees charged on investments	Note 8	-	(11)	(11)	(39)
Outgoing resources for the year before transfers		(11,775)	9,270	(2,505)	(13,590)
Annual transfer from income account	Note 14	11,775	-	11,775	11,775
Incoming resources for the year after transfers		-	9,270	9,270	(1,815)
Movement in value of investments	Note 8b	-	(2,235)	(2,235)	8,161
Net increase in funds during the year		-	7,035	7,035	6,346
Fund balances brought forward at start of year		-	71,844	71,844	65,498
Fund balances carried forward at end of year		-	78,879	78,879	71,844

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. A further donation of £10,000 was received during the year.

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.

14. UNRESTRICTED FUNDS

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.

Giving Fund

At their meeting in January 2015 the Visitors agreed to set up a Giving Committee, to agree the Hospital's policy for external donations and then distribute funds accordingly. They also agreed to allocate £40,000 from the surplus arising in the year to 31 October 2014 to a Giving Fund, which will be distributed during the current year.

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NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 OCTOBER 2014

14. UNRESTRICTED FUNDS (continued)

	Income Fund	Buildings Fund	Giving Fund	Total 2014	Total 2013
	£	£	£	£	£
Income Fund surplus - before transfers	108,151	2,432		110,583	84,481
Amounts allocated to Building Fund	(118,225)	118,225		-	-
Amounts allocated to Giving Fund	(40,000)	-	40,000	-	-
Repair expenditure:				-	-
Investment properties	Note 2	(40,739)	-	(40,739)	(31,835)
Hospital property	Note 3a	(69,802)	-	(69,802)	(88,935)
Net incoming resources before transfers	(50,074)	10,116	40,000	42	(36,289)
Transfers					
Permanent Endowment	Note 12	91,600	-	91,600	70,000
Extraordinary Repairs Fund	Note 13	(11,775)	-	(11,775)	(11,775)
Net incoming resources after transfers	29,751	10,116	40,000	79,867	21,936
Investment gains in the year	Note 8	-	282	282	4,496
Net increase in funds during the year	29,751	10,398	40,000	80,149	26,432
Fund balances at start of year	(2,453)	240,000	-	237,547	211,115
Fund balances at end of year	27,298	250,398	40,000	317,696	237,547

15. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities (2012-13 - 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 (2012-13: £1,214). The Charity Commission has confirmed that the Visitors have the power to take out such an insurance policy.

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.