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**THE MACFARLANE TRUST**  
**ANNUAL REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDING 31 MARCH 2007**

**THE MACFARLANE TRUST**

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## THE MACFARLANE TRUST

### Chairman's statement for 2007 Annual Report

These Annual Report and Accounts record the work of the Trustees during the year ended 31 March 2007.

I must first of all pay tribute to Peter Stevens who stood down as Chairman of the Trust at the end of January. Over his period as Chairman for the past seven years, and before that as a Trustee, Peter has made an immense contribution to the work of the Trust. He has worked tirelessly to expand its ability to fulfil its function to relieve the very special needs of those persons with haemophilia who were infected with the HIV virus by transfusions of contaminated NHS blood products.

This sustained effort culminated in the delivery in November 2005 of a written submission to the Department of Health detailing for the first time the Trust's case for substantially increased funding. The submission, which was entitled "Funding Long Term Survival", set out to establish the need for an increase in funding of roughly 100% to £7.25m annually. It was born out of the 2003 Long Term Review entitled "A Full Life – Not Just Existence"; that had gathered extensive evidence of actual need from the Trust's community of care at first hand and had been paid for by the Department of Health itself. In July 2006, a delegation led by Peter and the Chief Executive met the Minister for Public Health, Caroline Flint MP, to develop the submission. Andrew Evans, **GRO-A** and **GRO-A** were part of the delegation and made highly effective contributions. I must pay tribute to them too as well as to all those registrants and other beneficiaries of the Trust who made their own representations to their MPs in support of the case for substantially increased funding. Despite the unstinting efforts of all concerned, the submission was effectively rejected. For 2006/07 the Department, in funding for disbursement and management costs together, set and increase of little more than 10% and said that it would seek to maintain this new level of some £3.75m for the following year, 2007/08. The annual funding settlement now has to accommodate management and administration charges; this is referred to in greater detail within the main body of the Trustee's Report.

I am nonetheless determined to keep the lines open to the Department, through both officials and politicians, and to pursue every avenue of approach to press the case that will secure the level of funding that the Trustees judge to be necessary to enable them to discharge their duty to relieve the needs of the Trust's beneficiaries. That will require the Government to recognise the fundamental change in those needs brought about by the new reality that the Trust is required to meet the life changes that confront the surviving victims and their families now and are likely to continue for many years to come. As a first step, the Independent "Archer Inquiry" announced in February 2007 provides a valuable opportunity to restate publicly what is needed.

**GRO-A** stood down from the Board of Trustees in October 2006 through ill health. We thank him for his valuable service to the Trust and wish him well in his recovery. On the other hand we are delighted to see our Hon. Treasurer, Gordon Clarke, back in harness after a period of incapacity. He has taken up the reins of the Trust's finances again with his usual vigour.

We welcomed Roger Evans as a Trust appointment to the Board of Trustees in January 2007. The knowledge and experience he brings from within both the NHS and the Department of Health will certainly make a significant contribution to the Trust's affairs.

The work of the Trust has continued unabated throughout the year. During the year, the total number of beneficiaries receiving financial assistance was 584, comprising 371 registrants, 43 infected intimates and 170 non-infected widows and dependants.

The amount disbursed during the year was £3,402,743, an increase of 9.4%. The Treasurer's report goes into greater detail in respect of the regular and single grant payments. The delivery of support services has been greatly enhanced by the deployment of the Terrence Higgins Trust (THT) to provide front line support with suitably qualified case workers to address the needs of beneficiaries either on a face to face basis or by way of the Trust's dedicated THT help-line. This increased capacity to deal with the needs of beneficiaries by making a choice of service access available was a key requirement of the Long Term Review. The THT service agreement means that every beneficiary who needs support has a dedicated case worker skilled to meet his or her individual needs. During the year the THT dealt with over 100 cases of varying complexity and covering a wide range of issues; this is in addition to the day to day range of services and assistance provided by our in-house support services team.

I should also make reference to the Honeycombe Legacy. This bequest was received by the Trust under the will of the widow of one of our original registrants and the Board of Trustees decided that it should be used for the social, economic or educational enhancement of those widows without dependants who have given their lives to caring for their partners and now feel it is the right time to seek some form of independence through further education,

## THE MACFARLANE TRUST

### Chairman's statement for 2007 Annual Report (continued)

employment or social development. I hope that the Legacy will continue to attract applications for this very worthwhile support.

Another vital element of the support the Trust sets out to provide is the organisation of events for both original registrants and other beneficiaries. They are well attended, and with grateful thanks to GRO-A very well organised. I very much hope that more will attend and enjoy their benefits.

The final tribute I must make is to the Partnership Group. They provide a vitally important route through which issues of concern among the beneficiary community can be expressed to the Trustees. Partnership Group business is an item on every Board Agenda and its Chairman, GRO-A is welcome to speak freely about any concerns raised. In addition I am encouraging the Trustees to ensure that at least one of our number is in attendance at every Group meeting.

In my short time in the Chair I have seen at first hand the determination of the Chief Executive and his staff to ensure that the day to day operations of the Trust and its dealings with registrants and other beneficiaries are conducted in a fair, even-handed and transparent manner. Equally, I have seen that the National Support Services Committee, of which I am very pleased Elizabeth Boyd has agreed to continue as Chairman, strives to be rigorous in its consistent implementation of policy and precedent. Inevitably some applicants will be disappointed but I hope their disappointment will be tempered by my assurance, and my determination, that this even-handedness and consistency does and must continue.

I am also determined on two further issues. The first is that we will review regular payments. It does appear that there are some anomalies that should be addressed. Work is in hand and I am hopeful that there will shortly be a recommendation from the NSSC for the Board to consider. The second is that there will also be a review by the Board of the Trust's reserves and, in particular, of the extent to which the income and gains from the investments representing the reserve fund might now properly be used in support of the Trust's objectives.

The Trust is fortunate to have such a dedicated and committed group of individuals serving as its Trustees. I am honoured to have been appointed as their Chairman and I am determined that, while there is much to do, together we will make every effort to see that it is done.

**C.F. FitzGerald**  
Chairman

# **THE MACFARLANE TRUST**

## **TRUSTEES**

### **Appointed by the Haemophilia Society**

Christopher Hodgson – Hampshire

Stuart Gregg – Worcestershire

Philip Dolan – Glasgow

**GRO-A** – Worcestershire

### **Appointed by the Department of Health**

Dr. Mark Winter - Kent

Elizabeth Boyd – London

Patrick Spellman – North Yorkshire

Dr Simon Chapman – London

### **Appointed by the Board of Trustees**

Peter Stevens – London (Chairman) (Retired 22/01/07)

Gordon Clarke – Co. Antrim (Hon. Treasurer & Acting Chairman)

**GRO-A** – Kent (Retired 21/08/06)

Russell Mishcon – London

Roger Evans – London (Appointed 22/01/07)

Christopher FitzGerald – London (Appointed 16/10/06)

## **Trust Staff**

Martin Harvey – Chief Executive

Roz Riley – Support Services Manager

Linda Haigh – Finance Manager

Shane Baker – Administrative Assistant

Keisha Baker Benjamin – Support Services Officer

Claudette Allen – Regional Support Worker

## **Bankers**

Lloyds TSB Bank

Butler Place Branch, P O Box 132

Caxton Street

Westminster SW1H 0PR

## **Investment Managers**

Principal Investment Management Limited

16 South Park

Sevenoaks TN13 1AN

## **Solicitors**

Berwin, Leighton, Paisner & Co.

Adelaide House

London Bridge

London EC4R 9HA

David Downton & Co

Harefield Chambers

Furtho House

20 Towcester Road

Milton Keynes MK19 6AQ

Millikin & Co

18 High Street

Swindon SN1 3EP

## **Auditors**

Pinkney Keith Gibbs

35 Belmont Road

Uxbridge, UB8 1RH

**Registered Charity Number 298863**

**Registered Address**

Alliance House

12 Caxton Street

London SW1H 0QS

## THE MACFARLANE TRUST

### TRUSTEES' REPORT

#### THE WORK OF THE TRUST

##### Objectives

The Macfarlane Trust was established in 1988 to administer a £10 million fund provided by Her Majesty's Government to assist people with haemophilia who had contracted HIV infection through NHS treatment of their haemophilia with contaminated blood products. The Trust's objectives, as set out in the Trust Deed, are "to relieve those persons who are in need of assistance or the needy spouses, parents, children or other dependents of such persons and the needy spouses, parents, children or other dependants of such persons who have died."

Since then, additional funding has been received from time to time from the Department of Health ("the Department") in order to enable the work of the Trust to be continued. The total amount of funding received by the Trust from the Department over the years is £42,628,600. This continuing support from the Department, together with the benefit of the returns from the Trustees' investment operations, has enabled the Trust to disburse grants to beneficiaries totalling, by 31 March 2007, £41,985,660.

##### Our registrants and their dependants

At the end of the year under review the Trust's beneficiaries included 366 survivors of those who were originally registered with the Trust (373 in the previous year), together with 42 partners of living and deceased registrants who have themselves become HIV positive. (There are a further 4 original registrants and 2 infected partners who do not receive financial support from the Trust at their own request, and with whom the Trust in consequence has no contact). The Trust has also during the year provided regular financial assistance to 170 widows and dependent children, some of whom have lost one or both of their parents. As in earlier years the Trust continues to give assistance other than regular payments to other widows and dependent children.

With the improvement over the years in the treatment of HIV infection, life expectancy for the surviving registrants is much better than it used to be, although co-infection with hepatitis C, which affects nearly all our registrants, remains a serious complication, and the drug regimes used to combat it can have profoundly distressing side-effects. While this greater longevity poses new problems that the Trustees must address, they are glad to have that opportunity. As mentioned in the Chairman's Statement, longevity and the consequent additional needs represent the core of the Trustees' continuing representations to the Department for increased funding.

The Trustees are still concerned that there are widows to whom it is no longer providing any financial help. The Trustees have been conscious for a long time of the inadequacy of its services to some widows, a consequence of the priority naturally given to those who are ill together with the insufficiency of funds. The need to provide more effective help to registrants' partners who are bereaved and to families and carers continues to be a key part of the funding bid.

##### Services to our registrants

The principal means by which the Trustees discharge their responsibilities to the Trust's registrants and their dependants remains financial disbursements to alleviate, as far as the Trust's resources permit, the additional costs of living with haemophilia and HIV. Most of this financial assistance is given by way of regular monthly payments, which during the year were made to 584 beneficiaries (comprising 371 original registrants, 43 infected partners and 170 bereaved relatives), totalling £1,975,193 (compared with £2,024,132 in the previous year).

Single grants are available to assist individual beneficiaries with specific needs; priority is given to requests for grants that are required to prevent further deterioration of health. During the year 944 single grants were made, totalling £536,900; in the previous year 1032 grants were made totalling £553,345.

The Trustees have maintained the practice of an additional payment to all registrants in winter, to help meet the additional costs of keeping healthy during that period; expenditure on which in the year totalled £214,200 (£218,400 in the previous year).

For the second year, a summer payment of £750 was made to all registrants for use at their discretion but with particular relevance to the cost of holidays. In addition, a supplementary "one off" payment of £650 was made in January to all actively supported beneficiary households to help with the abnormal increases in utility costs. It is pleasing to note that there has now been a reduction in some of these utility charges.

The Trust continues to respond to requests from beneficiaries for help other than by making financial disbursements. In this regard the Trust's contract with the Terence Higgins Trust ("THT") continues to work well and provides

## THE MACFARLANE TRUST

### TRUSTEES' REPORT (continued)

advice and other support direct to the Trust's beneficiaries across the country. The Trust's community of care benefits greatly from the fact that THT has experienced staff nation-wide who understand and can meet their non-financial needs.

In parallel with this arrangement the Trust has been establishing closer relationships with social workers in comprehensive haemophilia care centres, which are an alternative source of help for registrants.

The Trust continues from time to time to arrange seminars and other events at which registrants and others can review means of dealing with various common issues. The Trustees particularly welcome the help given in the organisation and running of such events by certain registrants and, on occasion, by the Haemophilia Society.

### **Governance and Administration**

The Trust is governed by the Trust Deed and is under the control of twelve Trustees. Four are appointed by the Haemophilia Society and four by the Secretary of State for Health. The Board of Trustees appoint a further four. The Trust's policy for the recruitment of Trustees follows the practices laid down by OCPA, the Office of the Commissioner of Public Appointments.

The Trust has employed up to five full-time employees during the year. Where temporary support has been necessary, confidentiality agreements have been signed.

### **Risk Assessment**

The Trustees have identified the major risks to which the Trust might be exposed and have satisfied themselves, through regular and periodic reviews of these risks, that both the risk assessment and risk management procedures remain up to date and effective.

### **Reserves Policy**

In common with other charities, the Macfarlane Trust is required by the Charity Commission and by SORP 2005 to publish its policy on holding a financial reserve.

Unlike most other charities, the Trust does not have fund-raising operations, being wholly financed by Her Majesty's Government through the Department of Health. This might be thought a sufficient reason for being exempt from the requirement for a reserves policy.

The Trust has, however, for some years had a policy of maintaining a minimum target level of reserves of £4 million. This policy was first set, and agreed with the Department, at a time when top-up funding by the Department was unpredictable and irregular both in timing and in amount. The Trustees had established the Trust's prime means of meeting the needs of those registered with it, and of their families and dependants, through regular monthly income supplements designed to assist with the additional costs of living with haemophilia and infection with HIV.

Appreciating the reliance by its beneficiaries on the security of these payments from the Trust, the Trustees determined that, at the then rate of depletion of the Trust Fund of about £2 million annually, a fall in the level of the Trust Fund to £4 million, in the absence of further funding from the Department, should trigger the giving of notice to the Trust's beneficiaries of the imminent need to reduce monthly payments to a level at which the value of the Trust Fund could be preserved by investment activities. This notice period would itself be six months in duration, resulting in a further depletion of the Trust Fund to £3 million (at the current rate of disbursement to £2.3m). At the end of this period of notice, the Trust would reduce its outgoings to concentrate solely on the most acute needs, immediately before and after the death of registrants, relying on investment proceeds to fund these operations.

The funding allocation set by the Department of Health in 2006/07 represented a modest headline increase. However, instead of making a separate grant to cover the Trust's management and operating costs as in previous years, the allocation included provision for these costs. Furthermore the allocation was not paid in a single "one off" payment at the start of the financial year, again as in previous years; instead it was made by instalments thus reducing the Trust's capability to generate bank interest earnings that could be added to the disbursement fund.

The Department having indicated that the rate of funding set for 2006/07 would remain effectively the same for 2007/08 and should be expected to be the same for 2008/09 but having made no commitment beyond that, the Trustees have concluded that the risks to the Trust's ability to perform its functions through financial disbursements, both in terms of Government policy and of investment risk, remain such that their policy should continue to be to maintain a reserves balance represented by its managed investment fund of around £4million. This is on the

## THE MACFARLANE TRUST

### TRUSTEES' REPORT (continued)

basis that £4million now represents roughly one year's expenditure at the current rate of disbursement plus a provision for management costs. In coming to this conclusion the Trustees have regard, inter alia, to reference in the Charity Commission's guidance on reserves to "the need to secure the Trust's liability beyond the immediate future and to provide reliable services over the longer term".

At the end of the year under review, the value of the Trust's reserves represented by its managed investment fund was £4.5m (£4.1m at the end of the previous year). As mentioned in the Chairman's statement, the Trustees are conducting a review, in particular of the extent to which the income and gains from this reserve fund might now properly be used in support of the Trust's objectives.

### **Other Organisations**

The Macfarlane Trust continues to provide administrative support to four other organisations:

#### **The Eileen Trust**

This Trust was set up in 1993 to help people other than those with haemophilia who were infected with HIV from contaminated blood or tissue transfer. The Eileen Trust, the majority of whose five Trustees are also Trustees of the Macfarlane Trust, is funded by the Department of Health independently of the Macfarlane Trust, and pays the Macfarlane Trust for the administrative services that it provides. Work done on behalf of the Eileen Trust was accommodated by the staff of the Macfarlane Trust without compromising the services to the registrants of either Trust, and the sharing of facilities continued to work satisfactorily.

#### **The Macfarlane Trust (Special Payments) Trust**

This non-discretionary trust was formed to handle the *ex gratia* payments made in 1990 by the Government to people with haemophilia and HIV (or to bereaved families of those who had died). A number of Trustees of the Macfarlane Trust are also Trustees of this Trust. This Trust has not been active this year.

#### **The Macfarlane (Special Payments) (No. 2) Trust**

This non-discretionary Trust was formed to deal with the settlement payments made in 1991 by the Government to people with haemophilia and HIV (or to bereaved families of those who had died) as settlement of litigation being brought against the Department of Health. A number of Trustees of the Macfarlane Trust are also Trustees of this Trust. One payment has been made this year to an infected partner.

#### **Skipton Fund Limited**

Skipton Fund Limited ("Skipton"), a company limited by guarantee, was set up in 2004 to administer an *ex gratia* payment scheme to people who were infected with hepatitis C through medical treatment by the NHS that used contaminated blood, blood products or tissue.

The Trustees of the Macfarlane Trust, three of whom with the Chief Executive are interim directors of Skipton, determined in late-2003 that it would be in the interests of the Trust to apply the resources and experience of the Trust to assist the Department by administering the scheme. Skipton shares premises and equipment with the Trust and uses the services of the Trust's Finance Manager, the costs of these shared resources being borne *pro rata* by the Trust and Skipton. During the year Skipton also employed a full-time administrator. Mr Peter Stevens, who stood down as a Trustee of the Macfarlane Trust towards the end of the year, but continues as Chairman and a Director of the Skipton Fund.

### **Statement of the Trustees' Responsibilities**

Law applicable to charities in England and Wales and the rules of the Trust require the Trustees to prepare financial statements for each financial year, which give a true and fair view of the charity's financial activities during the year and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

Select suitable accounting policies and then apply them consistently;

Make judgements and estimates that are reasonable and prudent;

State whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements:



**THE MACFARLANE TRUST****TRUSTEES' REPORT (continued)**

Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the Charity and which enable them to ascertain the financial position of the Charity and which enable them to ensure that the financial statements comply with applicable law, regulations and trust deed. 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.

Approved by the Trustees and signed on their behalf by

C. F. FitzGerald  
Chairman

**THE MACFARLANE TRUST****FINANCIAL REVIEW****The Trust Fund**

	£
The opening balance of the Trust Fund was	5,167,322
During the year, receipts of income and net investment gains were	4,179,121
Payments to beneficiaries were	(3,426,243)
Projects, registrants' meetings and seminars cost	(66,403)
Management costs were	(285,067)
	<hr/>
Therefore, the closing balance of the Trust Fund stood at	5,568,730
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**Registrant services**

The Trust concentrates a large percentage of funds on regular payments to registrants and it is pleasing to note that the Board of Trustees, in January 2007, were able to make a supplementary "one off" payment to each beneficiary household of £650 to help meet the abnormal increases in utility costs and some of the general cost of living increases that it has not been possible to meet through the regular pay mechanism. Of the remainder, the overriding principle is that priority is given to grants that meet health-related needs, although grants are also given because the delay in securing funds from other potential providers would, in itself, be detrimental to the health of the applicant. During the year, the value of grants paid amounted to £536,900 as against £553,345 in the previous year. This reflects both the changing needs of beneficiaries and the resources available for distribution.

During the year, a review of the Trust loans policy was undertaken. The way the Trust had hitherto made loans available was not always clear and the Trust needs to make sure that loans are affordable and understood by those who take them out. The new policy, which does not have to comply with any regulatory framework, means that beneficiaries can, subject to certain criteria, borrow money on terms that are much better than might be achieved through the normal lending processes from the private sector.

The funding level for 2006/07 was set by the Department of Health at £3,754,000 and this included a provision for management and operating costs.

**Management**

In the previous year the Section 64 grant to fund the Trust's management and operating costs was £294,000.00 and was separate from the block grant for financial disbursements. In the year under review funding for these costs was included in the single grant for support. The actual total of £285,067 was well below the 10% Charity Commission guidelines and below the previous year's Section 64 grant. The deficit which was recorded at 31 March 2005 has again been carried forward.

**Investment Activity**

The Trust has maintained the strategic management of its funds. As in the previous year, Principal Investment Management Limited has had sole charge of the fixed interest and equities portfolio. The fixed interest portfolio comprises units in investment managed by the Charities Official Investment Fund and the UK equity element of the portfolio comprises direct investments managed by Principal Investment Management Limited.

The guideline allocation of the total investment fund remains at approximately 65% in equities and 35% in fixed interest securities. This slight re-orientation was effected in 2004/5 and the aim of achieving higher asset growth was accomplished. The average return on the Trust's investments for the year to 31 March 2007 was 8.5% compared with 12.6% for the previous year; this was disappointing in relation to the fund managers' own benchmarks. The Trustees will initiate discussions with the investment managers on this, noting that it follows a number of years where better returns have been achieved.

In line with standard charity management practice, the Trust will be reviewing the provision of services from external providers during 2007/08 to ensure cost outflows remain keenly priced for services provided.

**THE MACFARLANE TRUST****FINANCIAL REVIEW (continued)****Honeycombe Legacy Fund**

This restricted legacy fund is available to non-infected widows who have no dependants and are seeking to empower their economic, educational or vocational independence.

During the year, £9,500 in grants were made to 6 widows for a variety of qualifying purposes.

**Approved by the Trustees and signed on their behalf by**

**G. Clarke  
Treasurer**

## REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF

### THE MACFARLANE TRUST

We have audited the financial statements of The Macfarlane Trust for the year ended 31 March 2007 on pages 11 to 21. These financial statements have been prepared under the accounting policies set out herein.

This report is made solely to the Charity's Trustees, as a body, in accordance with Section 43 of the Charities Act 1993 and regulations made under section 44 of the Act. Our audit work will be undertaken so that we might state to the Charity's Trustees 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 Charity and the Charity's Trustees as a body, for our audit work, for the audit report, or for the opinions we form.

#### **Respective responsibilities of trustees and auditors**

The Trustees' responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the Charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Trustees' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

#### **Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the Charity's affairs as at 31 March 2007 and of its incoming resources and application of resources in the year then ended; and
- have been properly prepared in accordance with the Charities Act 1993.

GRO-C

**PINKNEY KEITH GIBBS**  
Registered Auditors  
Chartered Accountants

35 Belmont Road  
Uxbridge  
Middlesex, UB8 1RH.

15 August 2007

## STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2007

UNRESTRICTED FUNDS					UNRESTRICTED FUNDS		
	Note	General £	Management £	2007 Total £	General £	Management £	2006 Total £
<b>Incoming resources</b>							
Incoming resources from generated funds	2						
Voluntary income		3,786,055	27,197	3,813,252	3,047,000	341,877	3,388,877
Activities for generating funds		-	30,122	30,122	-	22,845	22,845
Investment income		191,798	-	191,798	185,884	-	185,884
Total incoming resources		3,977,853	57,319	4,035,172	3,232,884	364,722	3,597,606
<b>Resources expended</b>							
Charitable activities	3	3,492,646	291,174	3,783,820	3,193,204	315,916	3,509,120
Governance costs	4	-	51,212	51,212	-	83,418	83,418
Total resources expended		3,492,646	342,386	3,835,032	3,193,204	399,334	3,592,538
Net incoming resources/ (resources expended) before transfers		485,207	(285,067)	200,140	39,680	(34,612)	5,068
Transfers between funds		(285,067)	285,067	-	-	-	-
Net incoming resources/ (resources expended) before other gains and losses		200,140	-	200,140	39,680	(34,612)	5,068
<b>Other gains and losses</b>							
Unrealised gain on investments	5b	113,063	-	113,063	331,656	-	331,656
Realised gain on sale of investments	5b	59,385	-	59,385	78,364	-	78,364
Realised (loss) on property investment	5c	(22,726)	-	(22,726)	-	-	-
Unrealised gain/(loss) on property investment	5c	51,546	-	51,546	(38,136)	-	(38,136)
Total gains		201,268	-	201,268	371,884	-	371,884
Net movement in funds		401,408	-	401,408	411,564	(34,612)	376,952
<b>Reconciliation of Funds</b>							
Total funds brought forward at 1 April 2006		5,167,322	(83,745)	5,083,577	4,755,758	(49,133)	4,706,625
Total funds carried forward at 31 March 2007		5,568,730	(83,745)	5,484,985	5,167,322	(83,745)	5,083,577

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSESFOR THE YEAR ENDED 31 MARCH 2007

	UNRESTRICTED FUNDS			UNRESTRICTED FUNDS		
	General £	Management £	2007 Total £	General £	Management £	2006 Total £
Net movement of funds	<u>401,408</u>	<u>-</u>	<u>401,408</u>	<u>411,564</u>	<u>(34,612)</u>	<u>376,952</u>
Total recognised gains & losses relating to the year	<u>401,408</u>	<u>-</u>	<u>401,408</u>	<u>411,564</u>	<u>(34,612)</u>	<u>376,952</u>
Prior year adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,492</u>	<u>-</u>	<u>120,492</u>
Total gains & losses recognised since last annual report	<u><u>401,408</u></u>	<u><u>-</u></u>	<u><u>401,408</u></u>	<u><u>532,056</u></u>	<u><u>(34,612)</u></u>	<u><u>497,444</u></u>

**BALANCE SHEET****FOR THE YEAR ENDED 31 MARCH 2007****UNRESTRICTED FUNDS**

	Note	General £	Management £	2007 Total £
<b>Fixed assets</b>				
Tangible fixed assets	(5(a))	-	3,402	3,402
Investments	(5(b))	4,534,516	-	4,534,516
Property	(5(c))	270,970	-	270,970
		<u>4,805,486</u>	<u>3,402</u>	<u>4,808,888</u>
<b>Current assets</b>				
Debtors	(6)	37,800	21,602	59,402
Cash at bank and in hand		401,882	300	402,182
		<u>439,682</u>	<u>21,902</u>	<u>461,584</u>
Creditors: Amounts falling due within one year	(7)	(8,565)	(35,316)	(43,881)
<b>Total assets less current liabilities</b>		<u>5,236,603</u>	<u>(10,012)</u>	<u>5,226,591</u>
Debtors due after more than one year	(6)	261,796	-	261,796
Monies owing between funds		<u>70,331</u>	<u>(70,331)</u>	<u>-</u>
<b>Net assets/(liabilities)</b>		<u>5,568,730</u>	<u>(80,343)</u>	<u>5,488,387</u>
<b>Represented by:</b>				
Funds	(8)	5,568,730	(83,745)	5,484,985
Valuation of fixed assets	(5(a))	-	3,402	3,402
		<u>5,568,730</u>	<u>(80,343)</u>	<u>5,488,387</u>

**UNRESTRICTED FUNDS**  
(As restated)

General £	Management £	2006 Total £
-	3,342	3,342
4,181,962	-	4,181,962
260,777	-	260,777
<u>4,442,739</u>	<u>3,342</u>	<u>4,446,081</u>
106,693	29,978	136,671
343,085	300	343,385
<u>449,778</u>	<u>30,278</u>	<u>480,056</u>
(81,902)	(12,480)	(94,382)
<u>4,810,615</u>	<u>21,140</u>	<u>4,831,755</u>
255,164	-	255,164
<u>101,543</u>	<u>(101,543)</u>	<u>-</u>
<u>5,167,322</u>	<u>(80,403)</u>	<u>5,086,919</u>
5,167,322	(83,745)	5,083,577
-	3,342	3,342
<u>5,167,322</u>	<u>(80,403)</u>	<u>5,086,919</u>

Approved by the Trustees on 23 July and signed on their behalf by

C. F. FitzGerald  
Chairman

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

## 1. Accounting policies

- (a) The accounts have been prepared under the historical cost convention as modified by the inclusion of investments at market value, the Charities Act and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP) published in 2005 and applicable accounting standards.
- (b) The accounts have been prepared on an accruals basis except that dividends on investments are applied on the date that they are received.
- (c) Where the redemption of a threatened mortgage is the only means of maintaining adequate housing for a beneficiary the Trustees from time to time did make an interest-free advance in return for a percentage share in the equity of the property. These were not revenue earning investments. The Trust's equity share of the property was capitalised and adjusted to include a valuation based on market value at the balance sheet date. The Trust's loans policy was changed towards the end of the year under review and the equity share arrangement is now no longer made available.

Some property loans are restricted to the original cost of the investment and are shown in current assets. Previously property loans which were restricted to cost were included in fixed assets. This is a change of accounting policy and as a result the comparative has been restated for one property loan, which has been moved to current assets.

- (d) Listed investments are valued using the mid-market price at the year end date.
- (e) The two types of fund held by the Trust are 'General' and 'Management' funds. The general fund incorporates all registrant income and expenditure. The management fund incorporates all income and expenditure which relate to the daily operation of the Trust. No restricted funds are maintained.
- (f) Income from grants is included in the Statement of Financial Activities when these are receivable. Deferred income represents amounts received for future periods and is released to incoming resources in the period when receivable.
- (g) All investment income, net of management charges, and all donations and voluntary income are applied directly to the current account of the General Fund.
- (h) The Trust supplies administration and other services to the Skipton Fund Limited and the Eileen Trust. The expenditure incurred for both the Skipton Fund Limited and the Eileen Trust is shown separately under "voluntary income".
- (i) Expenditure by the Trust on tangible fixed assets is part of the annual expenditure included within the management fund. As such it is written off as it arises. Commencing from the year ended 31 March 1999, they are valued in the balance sheet at cost less depreciation in note 5a.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life as follows:

Computer equipment	33 1/3 % on cost
Furniture and other office equipment	20% on cost

- (j) Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease.
- (k) The Trust operates a defined contribution pension scheme. Contributions payable to this scheme are charged to the Statement of Financial Activities in the period to which they relate.



## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2007

## 2. Incoming Resources from Generated Funds

	Note	General £	Management £	2007 Total £	General £	Management £	2006 Total £
<b>Voluntary income</b>							
Central core funding (previously Section 64 Grant)		-	-	-	-	294,000	294,000
MSPT2 Capital Grant	2.3	23,500	-	23,500	47,000	-	47,000
Eileen Trust receipts	15	-	20,312	20,312	-	34,249	34,249
Skipton Fund receipts	15	-	6,885	6,885	-	13,628	13,628
Donations		8,555	-	8,555	-	-	-
Government Capital Grant		3,754,000	-	3,754,000	3,000,000	-	3,000,000
		<u>3,786,055</u>	<u>27,197</u>	<u>3,813,252</u>	<u>3,047,000</u>	<u>341,877</u>	<u>3,388,877</u>
<b>Activities for generating funds</b>							
Other income		-	30,122	30,122	-	22,845	22,845
<b>Investment income</b>							
Bank Deposit interest		30,120	-	30,120	50,395	-	50,395
PRINCIPAL Portfolio dividend		149,274	-	149,274	124,028	-	124,028
PRINCIPAL Deposit interest		12,404	-	12,404	11,461	-	11,461
		<u>191,798</u>	<u>-</u>	<u>191,798</u>	<u>185,884</u>	<u>-</u>	<u>185,884</u>
<b>TOTAL</b>		<u><b>3,977,853</b></u>	<u><b>57,319</b></u>	<u><b>4,035,172</b></u>	<u><b>3,232,884</b></u>	<u><b>364,722</b></u>	<u><b>3,597,606</b></u>

**Central core funding** (previously Section 64 Grant)

2.1 From 1 April 2006, Central core funding (previously Section 64) for management costs was withdrawn and the global funding allocation for the period included an amount for management costs to be decided by the Board of Trustees.

2.2 **Management fund deficit**

For the year in question, £285,067 has been transferred from the global allocation to meet the Trust's management costs. This is slightly below the budget estimate. The deficit of £83,745 will be carried forward.

2.3 **The Macfarlane (Special Payments) (No. 2) Trust (MSPT2)**

This Trust was formed to deal with the settlement payments made in 1991 by the Government to people with Haemophilia and HIV (or to bereaved families of those who had died) as settlement of litigation being brought against the Department of Health. During the year the Government made one £23,500 payment, which was passed on to a registrant.

## NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31 MARCH 2007

## 3. Charitable Activities

	Note	General	Management	2007 Total	General	Management	2006 Total
		£	£	£	£	£	£
<b>Grants payable</b>							
Grants – current year	3a	536,900	-	536,900	553,345	-	553,345
Special summer payments	3d	310,500	-	310,500	314,250	-	314,250
Special winter payments	3b	214,200	-	214,200	218,400	-	218,400
Additional winter payment	3c	365,950	-	365,950	-	-	-
Regular payments	3e	1,975,193	-	1,975,193	2,024,132	-	2,024,132
MSPT2 Capital Grant	2.3	23,500	-	23,500	47,000	-	47,000
		<u>3,426,243</u>	<u>-</u>	<u>3,426,243</u>	<u>3,157,127</u>	<u>-</u>	<u>3,157,127</u>
<b>Costs of activities</b>							
Bereavement project		19,952	-	19,952	4,162	-	4,162
Registrants meetings & seminars		<u>46,451</u>	<u>-</u>	<u>46,451</u>	<u>31,915</u>	<u>-</u>	<u>31,915</u>
		<u>66,403</u>	<u>-</u>	<u>66,403</u>	<u>36,077</u>	<u>-</u>	<u>36,077</u>
<b>Support costs</b>							
Staff costs	10	-	175,500	175,500	-	203,853	203,853
Travel & subsistence	11	-	12,872	12,872	-	13,222	13,222
Rent & rates		-	58,990	58,990	-	51,149	51,149
Premises maintenance		-	5,067	5,067	-	4,462	4,462
Postage & telephone		-	7,939	7,939	-	7,219	7,219
Equipment leasing & servicing		-	985	985	-	7,535	7,535
Computer support		-	1,556	1,556	-	6,625	6,625
Stationery, printing & publications		-	6,494	6,494	-	4,596	4,596
Bank charges		-	3,081	3,081	-	2,952	2,952
Insurances		-	5,242	5,242	-	8,237	8,237
Meetings & conferences		-	2,789	2,789	-	4,762	4,762
Subscriptions		-	1,705	1,705	-	828	828
Skipton Fund charges		-	4,991	4,991	-	-	-
<b>Equipment &amp; software renewal</b>							
Furniture & equipment		-	1,853	1,853	-	476	476
Computer equipment		-	2,110	2,110	-	-	-
		<u>-</u>	<u>291,174</u>	<u>291,174</u>	<u>-</u>	<u>315,916</u>	<u>315,916</u>
<b>TOTAL</b>		<u>3,492,646</u>	<u>291,174</u>	<u>3,783,820</u>	<u>3,193,204</u>	<u>315,916</u>	<u>3,509,120</u>

- (a) 944 single grants were made of varying amounts.
- (b) 408 winter payments were made at a standard rate of £525.
- (c) 563 additional winter payments were made at a standard rate of £650.
- (d) 414 summer payments were made at a standard rate of £750.
- (e) 584 people have received regular payments at rates varying from £80 to £466 a month according to circumstances. To this a supplement of £61 per month may be added for health reasons. At the end of the year 571 people were still receiving payment.

## NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31 MARCH 2007

## 4. Governance costs

	General £	Management £	2007 Total £	General £	Management £	2006 Total £
Legal & professional fees	-	37,654	37,654	-	64,310	64,310
Audit fees	-	3,267	3,267	-	3,100	3,100
Accountancy	-	3,143	3,143	-	2,423	2,423
Trustees' recruitment fees	-	7,148	7,148	-	13,585	13,585
	-	51,212	51,212	-	83,418	83,418

## 5. Fixed assets

## a. Tangible fixed assets

	Computer equipment £	Fixtures, fittings and office equipment £	Total £
At 1 April 2006	37,533	5,683	43,216
Additions	2,110	1,853	3,963
Disposals	(30,148)	(3,323)	(33,471)
At 31 March 2007	9,495	4,213	13,708
<b>Accumulated depreciation</b>			
At 1 April 2006	35,743	4,131	39,874
Charge for year	2,493	784	3,277
On disposals	(30,148)	(2,697)	(32,845)
At 31 March 2007	8,088	2,218	10,306
<b>Net book values</b>			
At 31 March 2007	1,407	1,995	3,402
At 31 March 2006	1,790	1,552	3,342

## b. Managed Funds

	Principal(i)	2006 Total
Market value at 1 April 2006	4,181,962	3,566,371
Increase in cash	183,939	152,156
Additions	-	53,415
Disposals	(3,833)	-
	4,362,068	3,771,942
Realised gain	59,385	78,364
Unrealised gain	113,063	331,656
Market value as at 31 March 2007	4,534,516	4,181,962
Historical cost at 31 March 2007	4,051,699	3,756,071

## NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31 MARCH 2007

## Notes

- i. Principal Investment Management Limited controls a portfolio with discretion within guidelines stipulated by the Trustees in the management agreement. The increase in cash represents net dividend and interest income not withdrawn.

- ii. Investments in the above which are over 5% in value of the portfolio:

COIF Charities Fixed Interest Fund Acc CR – market value £482,059;  
 Treasury 5% 07/09/2014- market value £255,728;  
 Royal Dutch Shell Plc Ord B Eur0.07- market value £238,904

		2007
		£
c.	Property (see note 1c)	
	Market value of trust share at 1 April 2006 (as restated)	260,777
	Additions	573
	Disposals	(19,200)
		242,150
	Unrealised gain on investment	51,546
	Realised (loss) on investment	(22,726)
		270,970
	Market value of trust share at 31 March 2007	270,970
	Cost of trust share at 31 March 2007	159,794

- i. The Trustees waived the right to their equity share on the properties sold during the year, thus leading to a realised loss on investment.
- ii. These investments do not justify the cost of an annual professional valuation, however an Internet search has been carried out to find comparable houses and their values, to give a market value figure.

## 6. Debtors falling due within one year

	General	Management	2007 Total	2006
	£	£	£	£
Staff season ticket loans	-	2,777	2,777	1,921
Registrants advances (i)	14,049	-	14,049	10,793
Loans to registrants	23,751	-	23,751	48,900
Eileen Trust	-	-	-	8,192
Prepayments and accrued income	-	18,825	18,825	66,865
	<u>37,800</u>	<u>21,602</u>	<u>59,402</u>	<u>136,671</u>

## Debtors falling due after more than one year

	General	Management	2007 Total	2006 (As restated)
	£	£	£	£
Registrants advances (i)	23,834	-	23,834	27,056
Secured loans (ii)	223,652	-	223,652	209,023
Unsecured loans (iii)	14,310	-	14,310	19,085
	<u>261,796</u>	<u>-</u>	<u>261,796</u>	<u>255,164</u>

## NOTES TO THE ACCOUNTS

## FOR THE YEAR ENDED 31 MARCH 2007

- i. Registrants advances are loans made to registrants and recovered, free of interest, by deduction from subsequent regular monthly payments.
- ii. Secured loans are loans made to registrants and secured by way of a legal charge (over the property of the registrants). See note 1 c.
- iii. Unsecured loans are loans made to registrants with no charge over the property of the registrant.

## 7. Creditors: Amounts falling due within one year

	General £	Management £	2007 Total £	2006 £
Bank overdraft	8,565	-	8,565	81,902
Social security and other taxes	-	5,256	5,256	6,149
Other creditors	-	7,500	7,500	146
Accruals	-	22,560	22,560	6,185
	<u>8,565</u>	<u>35,316</u>	<u>43,881</u>	<u>94,382</u>

## 8. Funds

	General £	Management £	Total £
At 1 April 2006	5,167,322	(83,745)	5,083,577
Increase in Government grant	3,754,000	-	3,754,000
(Decrease) in Trust resources	(3,356,102)	-	(3,356,102)
Increase in Honeycombe Memorial Fund	3,510	-	3,510
At 31 March 2007	<u>5,568,730</u>	<u>(83,745)</u>	<u>5,484,985</u>
Main Trust funds	5,501,915	(83,745)	5,418,170
Honeycombe Memorial Fund	9 66,815	-	66,815
	<u>5,568,730</u>	<u>(83,745)</u>	<u>5,484,985</u>

## 9. Honeycombe Memorial Fund

	2007 Total £	2006 £
Fund value at 1 April 2006	63,305	-
Legacy received	-	65,000
Investment income	2,184	1,246
	<u>65,489</u>	<u>66,246</u>
Grants made	(3,833)	(11,585)
	<u>61,656</u>	<u>54,661</u>
Realised & unrealised gains	5,159	8,644
Fund value as at 31 March 2007	<u>66,815</u>	<u>63,305</u>

In 2005 the Trust received a legacy of £65,000 from the widow of a deceased registrant. The Trustees decided to use this legacy to provide assistance to other widows with the provision of finance to assist them to regain economic independence.

NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31 MARCH 2007**10. Employees and salaries**

The average number of employees was:

2007 No.	2006 No.
<u>5</u>	<u>5</u>

Included in staff costs are remuneration expenses of £170,922 (2006: £181,522). This amount includes employer's national insurance contributions of £15,493 (2006: £16,519) and pension contributions of £9,220 (2006: £9,663).

No employee earned £60,000 or more.

**11. Trustees expenses and remuneration**

The travel and subsistence costs shown in note 3 includes the sum of £8,717 (2006: £9,747) reimbursed to Trustees for travel and other out of pocket expenses. This amount is the total sum paid to Trustees during the year.

The Trust is covered by Charity Trustee Indemnity Insurance. The amount paid for this was £1,003 (2006: £1,003).

Nil remuneration was paid to Trustees in the year (2006: Nil remuneration).

In line with the Trust's normal grant making policies, regular payments and grants were disbursed to a trustee, and two user trustees, all of who are registrants of the trust; In aggregate, these payments were £26,735 (2006: £25,326).

The rules in respect of the participation by user trustees were meticulously observed in these respects.

**12. Auditors' and other financial services fees**

Included in Governance costs in the Statement of Financial Activities, is £3,267 (2006: £3,100) for audit services and £3,143 (2006: £2,423) for accounting services which were payable to the auditor.

**13. Pension costs**

The Trust operates a defined contribution pension scheme and makes contributions of 6% of gross salary each month. The Chief Executive receives an employer contribution of 8%. The assets of the scheme are held separately from those of the Trust in independently administered funds. The pension cost for the year of £9,220 (2006: £9,663) represents contributions paid by the Trust to the funds. At the year-end there were outstanding contributions due totalling £Nil (2006: £146).

NOTES TO THE ACCOUNTSFOR THE YEAR ENDED 31 MARCH 2007**14. Financial commitments**

At 31 March 2007 the Trust had annual commitments under non-cancellable operating leases as follows:

	<b>2007</b>	<b>2006</b>
	<b>Land and</b>	<b>Land and</b>
	<b>Buildings</b>	<b>Buildings</b>
	<b>£</b>	<b>£</b>
Operating leases which expire in the 2 <sup>nd</sup> to 5 <sup>th</sup> years inclusive	<b>27,075</b>	<b>27,075</b>

The above commitment is for the premises, which the Trust previously occupied. The offices are now let by the Trust to a third party.

The commitment for the lease of the office which the Trust shares with the Skipton Fund Limited is shown within the accounts of the Skipton Fund Limited as they are liable for the rent charged.

**15. Related party transactions**

The Trust provides full administration services for the Eileen Trust (Registered Charity No. 1028027), which is run from the same address. Costs of common functions are shared under the terms of a formal agreement signed between the two Trusts. On this basis the Eileen Trust paid a share of expenditure amounting to £20,312 (2006: £34,249), which is shown separately under "Voluntary income". At the year-end the Trust was owed £Nil (2006: £8,192) by the Eileen Trust.

During the year the Trust has supplied administration and other services to Skipton Fund Limited. These amounted to £6,885 (2006: £13,628). In addition, Skipton Fund Limited has also supplied the Trust with administration and other services totalling £4,991 (2006: £3,419 for staff costs only). These amounts have been reimbursed. At the year-end the Trust was owed £Nil (2006: Nil) by Skipton Fund Limited.

The Macfarlane Trust is the leaseholder for the first floor office. The costs of occupation are shared equally between the Macfarlane Trust and the Skipton Fund. The Trust's commitment is £18,632.50.

Two of the directors of the Skipton Fund are trustees of the Macfarlane Trust. The Chief Executive of the Macfarlane Trust is a Director of Skipton. Peter Stevens who stood down as a Trustee of the Macfarlane Trust towards the end of the year but continues as Chairman and Director of Skipton Fund.

**16. Controlling party**

The Charity is controlled by the Trustees.

