

THE MACFARLANE TRUST
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDING 31 MARCH 2011

THE MACFARLANE TRUST

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THE MACFARLANE TRUST

CHAIRMAN'S STATEMENT

2010/11 has proved to be a second consecutive year of great change for the Macfarlane Trust and its beneficiaries, although not as great in financial terms as many will have hoped. 2009/10 had seen the publication of the then Government's Response to Lord Archer's Inquiry report. That had resulted in a new system of non-discretionary payments to all infected beneficiaries at the minimum level of £12,800 per annum, complemented by the Trust's new policy of discretionary "top-up" payments to those who nonetheless remain in need. At the level of greatest need that system had seen total payments, non-discretionary and discretionary, which ensured net household incomes of not less than £17,000 per annum.

At the time of writing my Chairman's Statement with last year's Annual Financial Report the new Coalition Government had conducted its own preliminary review and had promised a further more detailed one which, among other things, might bring benefit for those of the Trust's beneficiaries who also suffer from hepatitis-C. The keenly awaited results of that review were eventually announced in January 2011. The outcome included a commitment to a further non-discretionary payment to the minority of the Trust's beneficiaries who are co-infected with what the announcement referred to as "the most serious form of hepatitis-C related disease" which was to be in line with the payment to which they are already entitled as infected beneficiaries of the Trust. However the announcement also included the key commitment for the benefit of all the Trust's infected beneficiaries, including those who are co-infected but have not yet progressed to "the most serious form" of hepatitis-C, that all non-discretionary payments will be increased annually in line with the Consumer Price Index.

While these commitments still fall short of what many believe is required to implement fully the recommendations of the Archer Report, they do now provide a degree of financial security for the Trust's infected beneficiaries where none existed at all at the time Lord Archer conducted his Inquiry. At that time they were entirely dependent on the support from the Trust's charitable activities for which continued funding was by no means guaranteed. While their entitlement under the new system of non-discretionary index-linked payments now provides that minimum degree of security for all, most still need to be supported, to a greater degree or less, in order to enable them to have more of the things in life which most others take for granted.

I referred in my Chairman's Statement last year to the opportunity provided by the substantially increased funding committed by the Response to the Archer Report to address the historical inadequacy, due to lack of funds, of the Trust's support to the needy members of its non-infected community of beneficiaries, particularly the bereaved. I said that work had been progressing to identify, and to investigate the circumstances of, those among the non-infected community who are in need and to develop new policies to provide much increased support to those beneficiaries. It took time for that work to come to fruition but, as will be seen from the Trustees' Report, the first steps towards the introduction and implementation of such policies were taken during the year under review and those policies have been enhanced since the year end with the aim of ensuring that every bereaved spouse or partner of an infected beneficiary has a net household income of at least £18,000 per annum.

The backdating of those policies to 20 May 2009 as well as the implementation of its policy of discretionary "top-up" payments to most infected beneficiaries means that the Trust has made full use of its allocation of the increased funding provided since the Response was implemented. Going forward, the Trust has policies in place which should mean that full use of all funding received for its charitable activities is made on a current and continuing basis. Meanwhile, work continues with a view to identifying the particular needs of all beneficiaries, both infected and non-infected, and the most efficient and effective ways of relieving them.

The Trustees' Report for the year, including their Financial Review, provides much more detail of these developments which have brought about such major changes in the Trust's activities in support of its beneficiaries, demonstrating in particular the way in which support for infected beneficiaries has moved significantly away from the discretionary and charitable basis provided by the Trust towards the non-discretionary, non-means tested basis recommended for all beneficiaries by Lord Archer's Inquiry Report.

The Government's announcement on January 2011, the main focus of which was on those infected by NHS blood or products with hepatitis-C, has led to a further important change in the Trust's activities. While not in any way limiting the support provided to its beneficiaries, whether in terms of the development of policies or the use of its funds, this change does affect the administration of the Trust's activities and its operations.

The new measures announced included the making of discretionary payments to those infected with hepatitis-C who are most in need (other than those who can already be supported as beneficiaries of the Trust) and for that purpose a new charitable trust was required. The Government's intention was that, although this new charity (to be called the Caxton Foundation) would have its own Board of Trustees, different objectives and quite separate funding, the Trust should administer it in the same way as it was then providing resources and services for the administration of the Eileen Trust and the related but non-charitable organisations based at its Alliance House offices, Skipton Fund Limited and MFET Limited. This proved not to be a viable option when legal advice was received that the Trust did not have the power under the objects clause in its Trust Deed (which could not be changed) to provide such services, even to related bodies, beyond the *de minimis* basis that had until then been involved.

Given the Government's strong desire that all three charities and the related organisations should be housed and administered together, and given the lack of any acceptable alternative, the Trustees concluded that it was in the interests of the Trust and its beneficiaries to reverse the original intention and for the Trust to enter into an arrangement under which, instead of the Trust providing services and resources to the Caxton Foundation (and the other Alliance House bodies), Caxton, whose Trust Deed could be amended to give the necessary wider powers, would take over the staff and other resources required and provide the administration of all the Alliance House charities and related bodies. The Trustees were satisfied that, although this would mean their giving up direct control of the means by which the Trust's welfare and disbursement policies would in future be delivered, they would retain and maintain complete control of the setting of those policies and of the disbursement of the Trust's funds for the benefit of its beneficiaries.

At the same time it was clear to the Trustees that, before transferring control of the Trust's staff and other resources to Caxton, they must have sufficient and satisfactory assurances in place that Caxton would have, and continue to maintain, the operational capabilities needed to provide the services required for the prompt and effective delivery of their policies. To that end the Trust has entered into a Service Level Agreement with Caxton, effective from 1 September 2011, which sets out the framework for the provision by Caxton of all the services needed by the Trust to implement the policies set by its Trustees to deliver its charitable objectives. A fundamental feature of the Agreement is the establishment of a Liaison Committee, having equal representation from their respective Boards of Trustees, which will provide the forum to which all issues either the Trust or Caxton may wish to raise regarding the management and delivery of the services described in the Agreement and in which all material decisions regarding the implementation of the Agreement will be discussed and actioned. Both Boards are confident that, with goodwill on all sides, this new arrangement can be made to work for the benefit of both charities.

While, in consequence of these new arrangements, their employment has now been transferred to Caxton, the Trust's former staff continue to work on the Trust's matters as they did before and among their duties will remain the vitally important task of ensuring the continuation of the non-financial support, such as benefits advice and social events, which the Trust has provided to both its infected and its non-infected beneficiaries. As I said again in my Chairman's Statement last year, the relationship between the Trust and its various communities of beneficiaries has developed over the years into something much more than one of, until recently, all too inadequate financial support. It is therefore very much to be hoped that this something extra will not only be preserved but can also be developed.

Reference to assistance of a non-financial nature leads me once again to the first of the tributes that are very rightly due not only to my colleagues on the Board of Trustees but also to those who have continued to support them so wholeheartedly throughout the year. Valuable advice and guidance continued to be provided to some by the Trust's special benefits adviser, Neil Bateman, and to many more by the Trust's own staff; their dedication and commitment remain fundamental to the efficiency of

all the Trust's activities, as does the energy and drive always shown by our Chief Executive, Martin Harvey (now also Chief Executive of Caxton). It was sad indeed that for much of the year Martin was very seriously ill but happily he has made what seems to be a full recovery and he was back in harness by the end of the year. Events for both infected and other beneficiaries continued to be well attended during the year and, thanks to the continuing efforts both of the Trust's own staff and of volunteers from among its beneficiaries, very well organised.

All the Trustees give their time and energies to Committee and other work of one kind or another outside Board meetings and I can only repeat once again my firm belief that the Trust is fortunate indeed to have such a dedicated and committed group of individuals serving as its Trustees.

In conclusion, I am pleased to be able to reflect on another year in which significant progress has been made to improve the circumstances of so many of the beneficiaries, both infected and non-infected, whose needs the Trust is charged to relieve. However I feel I must also once again record the urgings made by the Trust first in relation to the implementation of the then Government's Response to Lord Archer's Inquiry Report and repeated to the Minister and officials concerned in relation to the Coalition Government's review: these were to the effect that "such implementation will only be effective if the result is to provide for all those affected, not only infected individuals and their families but also the widows and dependants of those who have died, the means for them to plan their futures with a degree of security and certainty which will enable them to get on with their lives, without looking back and without having to rely on charity".

The challenges presented by that statement remain considerable and the outcome of the latest review leaves much, many would say too much, of the burden on the Trust and its charitable activities. Never the less I have no doubt that the Trustees will continue to use all their efforts and commitment to rise to those challenges as best and as fairly as they can.

Christopher FitzGerald
Chairman

THE MACFARLANE TRUST

TRUSTEES

Appointed by the Haemophilia Society

Alan Burgess •
Philip Dolan MBE •
Stuart Fuller (Chair – Employment Affairs Committee) •
GRO-A •

Appointed by the Department of Health

Elizabeth Boyd (Chair - National Support Services Committee) •
Dr Simon Chapman (retired July 2010) •
Dr. Vanessa Martlew (Medical Trustee)
Patrick Spellman •

Appointed by the Board of Trustees

Roger Evans •
Christopher FitzGerald (Chairman) •
Russell Mishcon •

Trust Staff

Martin Harvey – Chief Executive
Roz Riley – Support Services Manager
Linda Haigh – Finance Manager
Nicholas Fish – Assistant to the Chief Executive
Shane Baker – Administrative Officer
Keisha Baker Benjamin – Support Services Officer

Bankers

Lloyds TSB Bank
Butler Place Branch, PO Box 132
Caxton Street
Westminster SW1H 0PR

Investment Managers

Principal Investment Management Limited
16 South Park
Sevenoaks TN13 1AN

Solicitors

Wilsons Solicitors LLP
Steynings House,
Summerlock Approach, Salisbury
Wiltshire, SP2 7RJ

David Downton & Co
Harefield Chambers, 2 Brook Farm
Northampton Road, Cosgrove
Milton Keynes MK19 7BB

Auditors

Ward Williams
Park House, 25-27 Monument Hill
Weybridge, Surrey, KT13 8RT

Registered Charity Number 298863

Registered Address

Alliance House
12 Caxton Street
London SW1H 0QS

THE MACFARLANE TRUST

TRUSTEES' REPORT

The Trust's 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 been infected with HIV through NHS treatment of their haemophilia with contaminated blood products. The Trust's objectives, as set out in its Trust Deed, are "to relieve those persons who are in need of assistance or the needy spouses, parents, children or other dependants of such persons and the needy spouses, parents, children or other dependants of such persons who have died."

Further 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 23 years since its inception is £57,064,561. 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 2011, £55,110,975.

How our activities deliver public benefit

The Trustees have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing their objectives and in planning their future activities. In particular, they consider how planned activities will contribute to the objectives that have been set.

The Trust's main activities and those whom it seeks to help are described below. All the charitable activities of the Trust focus on its main objectives as noted above and are undertaken to further its charitable purposes for the benefit of others.

The Trust's Beneficiaries

At the end of the year under review the Trust's community of care included 368 infected beneficiaries, comprising 327 survivors of those who were originally registered with the Trust (339 in the previous year) and 41 partners of living and deceased beneficiaries who have themselves become HIV positive. There were 5 further infected beneficiaries who have lost touch with the Trust.

In its Response to Lord Archer's Inquiry Report, the then Government committed increased funding from the Department which would ensure that every infected beneficiary received financial support at a minimum rate of £12,800 per annum with effect from 20 May 2009.

After its election in May 2010 the Coalition Government conducted a review of the financial and other support available to those persons who contracted hepatitis C from NHS blood and blood products. In January 2011 the Government announced a new package of financial support to those infected with hepatitis C which included the undertaking that the annual non-discretionary payments to infected beneficiaries of the Trust would be increased in line with the Consumer Price Index. This undertaking has brought a degree of further security to the infected beneficiaries of the Trust.

Those of the Trust's beneficiaries who are co-infected with the most serious hepatitis-C related disease also have the benefit of the commitment in the January 2011 announcement to a further annual non-discretionary payment in line with that which they already receive as infected beneficiaries of the Trust.

However, beyond the valuable undertaking to link all non-discretionary support for the Trust's beneficiaries to the Consumer Price Index (and providing the cost of an annual prescription pre-payment certificate to cover the cost of prescriptions for those who are not otherwise exempt from charging), the announcement provided no additional support for the majority of the Trust's beneficiaries who, though co-infected, do not yet suffer from the most serious hepatitis C-related disease or who are infected with HIV alone.

Co-infection with hepatitis C, which affects nearly all of the Trust's infected beneficiaries, remains a serious complication and the drug regimes used to combat both infections can have profoundly distressing side effects even at a relatively early stage of development of hepatitis C. The substantial increase in the overall funding provided by the Department since 20 May 2009 has gone some way toward addressing these problems as well as the problems brought by the increased life expectancy resulting from the improvements over the years in the treatment of HIV infection coupled with a deteriorating quality of life. Nevertheless the challenge remains for the Trustees to deploy the charitable funds remaining available to them most effectively to assist those in need, particularly where the need is exacerbated by medical circumstances, whether of infection or co-infection.

Those charitable funds are also deployed to provide assistance to non-infected beneficiaries including widows and dependent children, some of whom have lost one or both parents.

Support to Infected Beneficiaries

In the year under review the non-discretionary payments to all the Trust's infected beneficiaries, made at the rate of £12,800 per annum, totalled £4,909,780. These payments were made by the Department through MFET Limited ("MFET"), as to which see below under "Other Organisations". (In the previous year the payments totalled £2,838,877 and were made through The Macfarlane (Special Payments) (No.2) Trust, as to which see also below under "Other Organisations".)

Since these non-discretionary payments have come to form much the greater part of the Government's commitment to the support of the Trust's beneficiaries, the result for the Trust has been a reduction in the funds available for its charitable activities. This has led the Trustees to focus their discretionary support for infected beneficiaries on providing greater help for those with lower levels of income, while still having particular regard to the additional cost of living with haemophilia and HIV.

Accordingly in the year under review the Trustees continued to implement the new disbursement arrangements adopted in the previous year (and backdated to 20 May 2009) which supplement the Department's non-discretionary minimum for most beneficiaries and are calibrated so as to provide the most help to those most in need. These supplementary payments totalled £844,531 in the year (£834,482 in the previous year) and have replaced the previous system of making special seasonal payments in winter and summer for all infected beneficiaries and, other than in exceptional circumstances, providing single grants for those with specific needs. That system (disbursements under which had totalled £1,182,727 in the previous year) therefore ceased with effect from 1 April 2010. Single grants were made in exceptional circumstances to 73 infected beneficiaries during the year and totalled £41,218.

Support to non-infected beneficiaries

The substantial increase in the overall funding provided by the Department since 20 May 2009 for the support of the Trust's beneficiaries has also made it possible for the Trustees to provide much more effective help for widows and dependants.

In the year under review the Trustees first determined that payments should in any event continue to be made to his widow or other family carer which would have the effect of ensuring that the value to a deceased beneficiary's household of the non-discretionary payments received before his death would be maintained for twelve months thereafter. In addition the Trustees adopted a policy, which was backdated to take effect from 20 May 2009, of providing financial assistance for all those widows whose household incomes were less than £15,000. Regular financial assistance under this policy was provided during the year to 48 widows, totalling £653,940, of which £226,474 related back to the previous year. Since the year end, a clearer understanding having been obtained of the numbers involved, the target level of minimum net income has been increased to £18,000 per annum and again the uplift has been backdated to 20 May 2009.

For dependants the Trustees continued their policy of making regular monthly payments for the benefit of children who have lost one or both of their parents at the rate of £3,000 per annum for the first child and £1,200 per annum for each subsequent child. In addition, since the year end the Trustees have introduced a new policy for the benefit of children of living infected beneficiaries (most of whom are

receiving regular discretionary payments for themselves) of regular monthly payments at the rate of £1,200 per annum.

The total amount disbursed by the Trust in support of a total of 134 widows and dependants in the year under review, including single grants for those with specific needs, was £806,295. In the previous year £229,854 was disbursed by the way of regular payments and single grants among a total of 121 widows and dependants.

Non-financial support for beneficiaries

The Trust continues to respond to the needs of beneficiaries by means other than financial assistance. In this respect the Trust's outsourced arrangement with The Terrence Higgins Trust ("THT") continues to work well. THT has experienced staff nationwide who understand and can address the non-financial needs of the Trust's community of care, either on a face to face basis or through the Trust's dedicated THT helpline. The agreement with THT means that every beneficiary who seeks support has a dedicated case worker skilled to meet his or her individual needs. During the year THT and Benefit Adviser helped with some 38 cases (including self-referrals) of varying complexity and covering a wide range of issues. In parallel with this arrangement the Trust has continued to establish closer relationships with social workers and clinical specialists in comprehensive haemophilia care centres, which provide an alternative source of help for primary beneficiaries. All this is an addition to the day to day assistance provided by the Trust's own Support Services team.

The Trust also continues from time to time to arrange seminars and other events at which beneficiaries 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 beneficiaries and, on occasion, by the Haemophilia Society.

Governance and Administration

The Trust is governed by its Trust Deed and is under the control of a Board comprising up to 12 Trustees, four of whom are appointed by the Haemophilia Society and four by the Secretary of State for Health. The Board itself may 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.

During the year the Trust had five full-time employees and, in addition, reimbursed roughly half the costs of an employee of Skipton Fund Ltd (as to which see below under "Other Organisations"). 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

The Trust is required by the Charity Commission and by the Charities SORP to publish its policy on holding a financial reserve. Unlike most charities, however, the Trust does not have the challenge of fund raising, its operations being wholly financed by the Department. The Trust has, nevertheless, had a policy of maintaining a minimum level of reserves. This was agreed with the Department at a time when continued funding was unpredictable and irregular.

The imbalance between the reliance by its beneficiaries on the security of payments from the Trust and, on the other hand, the insecurity of the Trust's future funding led the Trustees over time to build a portfolio of financial reserves roughly equal to one year's expenditure on financial disbursements plus a provision for management costs.

The Department had in fact provided annual funding for many years and in 2008/09 had given sufficient assurances regarding the security of the Trust's future funding to make it proper for the Trustees to adopt a new policy for the maintenance of financial reserves which would enable the Trust to move over time towards a level of reserves roughly equal to six (rather than twelve) months' cover of its total expenditure.

With much the greater part of the Government's commitment to the support of the Trust's beneficiaries now taking the form of non-discretionary disbursement and accordingly the funds available to the Trust for discretionary support and to cover its management and operating costs having been substantially reduced (from £3,754,000 in 2008/09 to some £2,348,543 in the year under review), the sum currently required to provide six months' forward cover has been reduced to around £1,000,000.

The Trustees have recognised that the substantial balance remaining provides the opportunity to address, among other things, the historical inadequacy of the Trust's support to those widows and other non-infected beneficiaries whose needs it has not previously been possible to address to any material extent in consequence of the priority given, in the context of the prior insufficiency of funds, to those who are ill. With the introduction of their new policies for widows and dependants as well as further enhancements to their policies for the support of infected beneficiaries, the Trustees have taken the first significant steps which will over time bring about the reduction in the level of the Trust's financial reserves to the level required by their current policy.

Other Organisations

In the year under review the Trust continued to provide administrative support to three other organisations as follows:

The Eileen Trust

The Eileen 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. This Trust, the majority of whose five Trustees are also Trustees of the Macfarlane Trust, is funded by the Department independently of the Macfarlane Trust and pays the Macfarlane Trust for the administrative services that it provides. Work for the Eileen Trust has been accommodated by the staff of the Macfarlane Trust without compromising services to the beneficiaries of either Trust and the sharing of facilities continued to work satisfactorily during the year under review.

The Macfarlane (Special Payments) (No. 2) Trust and MFET Limited

MSPT2 was formed as a non-discretionary Trust to deal with the settlement in 1991 of litigation brought against the Department by people with haemophilia who had been infected with HIV. Payments were made both to those who had been infected and to bereaved families of those who had died. A number of Trustees of the Macfarlane Trust are also Trustees of this Trust. During the previous year MSPT2 was used as the vehicle for making the non-discretionary payments required to fulfil the HMG's commitment to ensure that with effect from 20 May 2009 every infected beneficiary would receive financial support at a minimum rate of £12,800 per annum. With effect from 1 April 2010 such non-discretionary payments have been made through the medium of MFET Limited, a company limited by guarantee and sponsored by the Department, of which the Chairman of the Macfarlane Trust and the Chairman of the Eileen Trust are *ex officio* the sole directors.

Skipton Fund Limited

Skipton Fund Limited ("Skipton"), a company limited by guarantee and also sponsored by the Department, 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 having determined that it would be in the interests of the Trust and its beneficiaries to apply the resources and experience of the Trust to assist the Department by administering the scheme. Two of the Trust's Trustees and its Chief Executive are directors of Skipton which employs an Administrator/Company Secretary, who also acted as the Assistant to the Trust's

Chief Executive and roughly half of whose costs were reimbursed by the Trust. Skipton shared premises and equipment with the Trust and used the services of the Trust's Finance Manager, the costs of these shared resources being borne *pro rata* by the Trust and Skipton.

Statement of the Trustees' Responsibilities

The Trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England & Wales requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees 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 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 charity will continue in operation.

The Trustees are responsible for keeping accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 1993, the Charity (Accounts Reports) Regulations 2008 and their 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 on 24 October 2011 and signed on their behalf by

GRO-C

Christopher FitzGerald
Chairman

THE MACFARLANE TRUST

FINANCIAL REVIEW

The Trust Fund

The total allocation set by the Department for the support of the Trust's beneficiaries for the financial year 2010/11 was £7,258,322. After deducting from that amount both the total amount disbursed by MFET in the form of non-discretionary payments to infected beneficiaries and the cost of MFET's own administration, the funds which remained for the Trust for the year to support its charitable activities and to provide for management and operating costs amounted to £2,348,543.

	£
The opening balance of the Trust Fund was	4,879,776
During the year, receipts of income were	2,619,927
Net investment gains (losses) were	9,319
Payments to beneficiaries totalled	(1,740,182)
Projects and beneficiary events cost	(53,856)
Support and governance costs totalled	(362,878)

Therefore, the closing balance of the Trust Fund stood at	<u>5,352,106</u>
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Representing:

Investment portfolio valued at	4,082,911
Other net assets valued at	<u>1,269,195</u>

Beneficiary Support

As indicated above in the Trustees' Report, the Trust concentrates much the greatest proportion of its funds on regular payments to beneficiaries, both infected and non-infected. In the year under review these included monthly payments supplementing the Department's non-discretionary minimum to every infected beneficiary with a net household income of up to £35,000 per annum. They also included monthly payments to widows required to bring their net household income up to £15,000 per annum and monthly payments for the benefit of children of infected beneficiaries that have lost one or both parents.

During the year the aggregate value of all monthly payments and of single grants to meet specific and, in the case of infected beneficiaries, exceptional needs amounted to £1,740,182. Since the year end an additional £676,371 has been disbursed under the Trust's enhanced policy for the benefit of widows which related back to the year under review and to the previous year, substantially eliminating the accumulated cash position shown in the Trust's balance sheet at the end of the year.

Management

The funding from the Department for the Trust's charitable activities in the year under review continued to be inclusive of the funds required to cover the Trust's management and operating costs. In 2010/11 these amounted to £257,878 (net of reimbursements from the other organisations administered by the Trust), representing 10.2 % of the Trust's incoming resources for the year (net of reimbursements). This significant reduction compared with the Trust's net costs for the previous year (£348,128) was consistent with the introduction of the new scheme of non-discretionary payments and the consequent reduction in the amount remaining for the Trust to support its charitable activities from the Department's total allocation for the year.

The outsourcing of professional welfare delivery services, in particular to The Terrence Higgins Trust, enables the Trust to provide a comprehensive service of nationwide support. In terms of service delivery and resourcing, the financial benefits of the arrangement remain clear.

In line with good charity management practice, the Trust continues to keep under review the provision of services by external providers to ensure both quality and value for money.

Investment Activity

The Trust has maintained the strategic management of its financial reserves in line with previous years, with the equities portfolio being managed by Principal Investment Management Limited ("Principal") and the fixed interest portfolio split between Principal and Charities Official Investment Fund. The current 50:50 asset allocation between equities and fixed interest provides a balance between the aim of a degree of portfolio solidity and some capital appreciation over time.

Following its dramatic decline in the market conditions of 2008/09 and the substantial recovery in 2009/10, the Trust's reserve portfolio at 31 March 2011 saw a further positive return over the year of some 4.5 % and the total value of the portfolio, at £4.1m, restored to its level at 31 March 2008.

Honeycombe Memorial Fund

This dedicated legacy fund is available to all non-infected widows who are seeking to empower their economic, educational or vocational independence.

Approved by the Trustees on 24 October 2011 and signed on their behalf by

GRO-C

Christopher FitzGerald
Chairman

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 2011, as set out on pages 15 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

As explained more fully in the Trustees' Responsibilities Statement set out on page 11, the trustees are responsible for the preparation of financial statements which give a true and fair view.

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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB) 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 charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 31 March 2011 and of its incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; 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.

GRO-C

WARD WILLIAMS
Statutory Auditors

8 November 2011

Park House
25-27 Monument Hill
Weybridge
Surrey KT13 8RT

Ward Williams is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

THE MACFARLANE TRUST

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 MARCH 2011

	Note	Unrestricted General £	Restricted Funds £	2011 Total £	Unrestricted General £	Restricted Funds £	2010 Total £
Incoming resources							
Incoming resources from generated funds	2						
Voluntary income		2,453,974	10,000	2,463,974	4,626,439	16,750	4,643,189
Investment income		155,953	-	155,953	156,378	-	156,378
Total incoming resources		2,609,927	10,000	2,619,927	4,782,817	16,750	4,799,567
Resources expended							
Charitable activities	3	2,117,420	11,669	2,129,089	4,623,444	5,081	4,628,525
Governance costs	4	27,827	-	27,827	35,185	-	35,185
Total resources expended		2,145,247	11,669	2,156,916	4,658,629	5,081	4,663,710
Net incoming resources/ (resources expended) before other gains and losses		464,680	(1,669)	463,011	124,188	11,669	135,857
Other gains and losses							
Unrealised (loss)/gain on investments	5b	(38,022)	-	(38,022)	497,213	-	497,213
Realised gains on sale of investments	5b	56,921	-	56,921	272,844	-	272,844
Unrealised (loss)/gain on property investment	5c	(9,580)	-	(9,580)	5,428	-	5,428
Total (losses)/gains		9,319	-	9,319	775,485	-	775,485
Net movement in funds		473,999	(1,669)	472,330	899,673	11,669	911,342
Reconciliation of Funds							
Total funds brought forward at 1 April 2010		4,868,107	11,669	4,879,776	3,968,434	-	3,968,434
Total funds carried forward at 31 March 2011		5,342,106	10,000	5,352,106	4,868,107	11,669	4,879,776

THE MACFARLANE TRUST

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2011

	Note	£	2011 £	2010 £
Fixed assets				
Tangible fixed assets	5a		3,358	6,954
Investments	5b		4,082,911	3,907,064
Property	5c		117,689	144,269
			<u>4,203,958</u>	<u>4,058,287</u>
Current assets				
Debtors	6	106,965		49,471
Cash at bank and in hand		710,503		429,217
			<u>817,468</u>	<u>478,688</u>
Creditors: Amounts falling due within one year	7	(23,300)		(44,653)
Current assets less current liabilities			<u>794,168</u>	<u>434,035</u>
Total assets less current liabilities			<u>4,998,126</u>	<u>4,492,322</u>
Debtors due after more than one year	6		357,338	394,408
Net assets			<u>5,355,464</u>	<u>4,886,730</u>
Funds				
- Unrestricted	8a	5,352,106		4,868,107
- Restricted	9	-		11,669
			<u>5,352,106</u>	<u>4,879,776</u>
Valuation of fixed assets	5a		3,358	6,954
			<u>5,355,464</u>	<u>4,886,730</u>

Approved by the Trustees on 24 October 2011 and signed on their behalf by

GRO-C

Christopher FitzGerald
Chairman

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

1. Accounting policies

- (a) The financial statements 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 investment income is applied on the date that it is received.
- (c) Where the redemption of a threatened mortgage was the only means of maintaining adequate housing for a beneficiary the Trustees from time to time made an interest-free advance in return for a percentage share in the equity of the beneficiary's property. These are not revenue earning investments. The Trust's equity share of the property is capitalised and adjusted to include a valuation based on market value at the balance sheet date.
- (d) Listed investments are valued using the mid-market price at the year end date.
- (e) Two types of funds were held by the Trust during the year, 'General' and 'Restricted' funds.

The general fund is an unrestricted fund that incorporates not only all income and expenditure in respect of beneficiaries but also of all income and expenditure that relate to the daily operation of the Trust. The general fund also includes funds set aside for the Honeycombe Memorial Fund. In 2005 the Trust received a legacy from the widow of a deceased primary beneficiary. The Trustees have decided to use this legacy to provide financial assistance to other widows to assist them to regain economic independence.

The Restricted Fund in the year consists of two different funds, the World Federation (WF) fund and the Wilsons empowerment fund.

The WF fund was a restricted fund covering the income and expenditure in respect of sending a delegation to the World Federation of Haemophilia Congress and was expended during the year under review.

The Wilsons empowerment fund is a restricted fund to be used towards the empowerment of the beneficiary community by way of supporting studying and improvement.

- (f) Income from grants is included in the Statement of Financial Activities when these are receivable.
- (g) All investment income, net of investment management charges, and all donations and voluntary income are included in the Statement of Financial Activities.
- (h) During the year the Trust supplied administration and others services to Skipton Fund Limited, MFET Limited and the Eileen Trust. The management charges relating to these are shown separately under "voluntary income".
- (i) Expenditure by the Trust on tangible fixed assets is part of the annual expenditure included within the Statement of Financial Activities and it is written off as it arises.

Commencing from the year ended 31 March 1999, tangible fixed assets are nevertheless valued in the balance sheet at cost less depreciation as shown in note 5a. For this purpose 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

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

1. Accounting policies (Continued)

- (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.

2. Incoming resources from generated funds

	Note	£	2010 £
Voluntary income			
Eileen Trust receipts	14	17,500	15,000
Skipton Fund receipts	14	40,000	31,963
MFET Limited receipts	14	47,500	-
Donations		431	58
Project Grants		10,000	16,750
Government Capital Grant		2,348,543	4,579,418
		<u>2,463,974</u>	<u>4,643,189</u>
Investment income			
Bank Deposit interest		1,258	1,555
Reserves Portfolio dividends		135,735	150,929
Reserves Portfolio interest		1,439	1,544
Interest on loans		17,521	2,350
		<u>155,953</u>	<u>156,378</u>
Total		<u><u>2,619,927</u></u>	<u><u>4,799,567</u></u>

Government Capital Grant noted above comprises £nil (2010: £3,754,000) received from the Department of Health directly, £2,348,543 (2010: £nil) received via MFET Limited and £nil (2009: £825,418) received via The Macfarlane (Special Payments) (No.2) Trust.

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

3. Charitable activities

	Note	£	2010 £
Grants payable			
Grants – current year	3a	197,311	577,063
Summer payments	3b	-	421,250
Winter payments	3c	-	239,375
Regular payments	3d	697,140	2,122,169
Discretionary payments	3e	845,731	834,482
		<u>1,740,182</u>	<u>4,194,339</u>
Costs of activities			
Bereavement project		1,241	18,369
Beneficiary events		37,413	35,483
Activate project costs		2,974	13,747
International conferences		11,928	5,081
Other contributions to projects		300	1,600
		<u>53,856</u>	<u>74,280</u>
Support costs			
Staff costs		224,574	225,455
Travel & subsistence		18,942	20,765
Rent & rates		22,936	48,309
Premises maintenance		7,253	6,657
Postage & telephone		8,520	8,986
Equipment leasing & servicing		280	168
Computer support and website costs		5,830	573
Stationery, printing & publications		7,060	5,983
Bank charges		913	862
Insurances		8,543	8,318
Consultancy & adverts		2,847	-
Meetings & conferences		400	1,299
Subscriptions		1,236	1,342
Skipton Fund charges		25,116	23,787
Equipment & software renewal			
Furniture & equipment	5a	-	460
Computer equipment	5a	601	6,942
		<u>335,051</u>	<u>359,906</u>
Total		<u><u>2,129,089</u></u>	<u><u>4,628,525</u></u>

- (a) 377 single grants were made of varying amounts.
- (b) Summer payments are no longer made by the trust (See trustees report).
- (c) Winter payments are no longer made by the trust (See trustees report)
- (d) Regular payments are no longer made to primary beneficiaries by the trust. Non-discretionary regular payments are now made to primary beneficiaries by MFET Limited in accordance with the Government's announcement of increased support to primary beneficiaries following the Archer Inquiry report. Regular payments continue to be made to widows and dependants.
- (e) 378 primary beneficiaries were eligible to receive discretionary top up payments this year at rates varying according to their income level.

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

4. Governance costs

	£	2010 £
Legal & professional fees	15,296	12,926
Audit fees	4,500	3,965
Accountancy	6,278	4,772
Consultancy	1,753	13,522
	<u>27,827</u>	<u>35,185</u>

The audit and accountancy fees included in governance costs were payable to the auditor for services rendered.

5. Fixed assets

a. Tangible fixed assets

	Note	Computer equipment £	Fixtures, fittings and office equipment £	Total £
Cost				
At 1 April 2010		18,916	6,490	25,406
Additions	3	601	-	601
Disposals		-	-	-
At 31 March 2011		<u>19,517</u>	<u>6,490</u>	<u>26,007</u>
Accumulated depreciation				
At 1 April 2010		13,426	5,026	18,452
Charge for year		3,373	824	4,197
On disposals		-	-	-
At 31 March 2011		<u>16,799</u>	<u>5,850</u>	<u>22,649</u>
Net book values				
At 31 March 2011		<u>2,718</u>	<u>640</u>	<u>3,358</u>
At 31 March 2010		<u>5,490</u>	<u>1,464</u>	<u>6,954</u>

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

b. Managed funds

	£	2010 £
Market value at 1 April 2010	3,907,064	3,218,077
Increase in cash	160,218	173,396
Disposals	(3,270)	(254,466)
	<u>4,064,012</u>	<u>3,137,007</u>
Realised gain	56,921	272,844
Unrealised (loss)/gain	(38,022)	497,213
	<u>4,082,911</u>	<u>3,907,064</u>
Market value as at 31 March 2011	4,082,911	3,907,064
Historical cost at 31 March 2011	3,891,070	3,692,827

Notes

- i. Principal Investment Management Limited manages a portfolio of listed investments and cash with discretion within guidelines stipulated by the Trustees in the management agreement.
- ii. Included in the market value of the portfolio at the year end is cash held to the value of £143,680 (2010: £104,628).

c. Property (see note 1c)

	£
Market value of trust share at 1 April 2010	144,269
Disposals	(17,000)
Unrealised loss on investment	(9,580)
	<u>117,689</u>
Market value of trust share at 31 March 2011	117,689
Cost of trust share at 31 March 2011	113,662

- i. These investments do not justify the cost of an annual professional valuation; however an internet search has been carried out to give a market value figure.

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

6. Debtors falling due within one year

	£	2010 £
Staff season ticket loans	2,753	3,853
Other staff loans	1,250	2,750
Secured advances (i)	30,000	-
Secured loans attracting interest (ii)	4,200	600
Advances to beneficiaries (iii)	7,476	13,714
Other unsecured loans to beneficiaries	7,180	7,921
Other debtors	47,231	9,385
Prepayments and accrued income	6,875	11,248
	<u>106,965</u>	<u>49,471</u>

Debtors falling due after more than one year

	£	2010 £
Secured advances (i)	151,588	165,588
Secured loans attracting interest (ii)	187,332	193,268
Advances to beneficiaries (iii)	5,408	11,124
Other unsecured loans to beneficiaries	13,010	24,428
	<u>357,338</u>	<u>394,408</u>

- i. Secured advances are interest free loans secured by legal charge on the property of the beneficiary.
- ii. Secured loans attracting interest are secured by legal charge on the property of the beneficiary.
- iii. Advances to beneficiaries are interest free loans recovered from the beneficiary by deduction from regular monthly payments.

7. Creditors: Amounts falling due within one year

	£	2010 £
Social security and other taxes	7,277	5,495
Accruals and deferred income	16,023	39,158
	<u>23,300</u>	<u>44,653</u>

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

8a. Unrestricted funds

	£
At 1 April 2010	4,868,107
Government funding for year	2,348,543
(Decrease) in Trust resources	(1,864,547)
Increase in Honeycombe Memorial Fund	3
	<hr/>
At 31 March 2011	5,352,106
	<hr/>
General trust funds	5,310,586
Honeycombe Memorial Fund	41,520
	<hr/>
	5,352,106
	<hr/>

8b. Honeycombe Memorial Fund

	£
At 1 April 2010	41,517
Investment income	1,719
	<hr/>
	43,236
Grants made and other movements	(3,250)
	<hr/>
	39,986
Realised & unrealised gain	1,534
	<hr/>
At 31 March 2011	41,520
	<hr/>

In 2005 the Trust received a legacy from the widow of a deceased primary beneficiary. The Trustees decided to use this legacy to provide financial assistance to other widows to assist them to regain economic independence.

9. Restricted funds

	£
At 1 April 2010	11,669
Grant from Wilsons	10,000
International Conference costs	(11,928)
Remaining WF costs met by general fund	259
	<hr/>
At 31 March 2011	10,000
	<hr/>

The Restricted Fund consists of two different funds, the World Federation (WF) fund and the Wilsons empowerment fund.

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

9. Restricted funds (Continued)

The World Federation fund was established in 2010 as a restricted fund covering the income and expenditure in respect of sending a delegation to the 2010 World Federation of Haemophilia Congress and was expended in the year under review.

The Wilsons empowerment fund was established in 2011 as a restricted fund to be used towards the empowerment of the beneficiary community by way of supporting studying and improvement. The grant received of £10,000 was being carried forward at the year-end for future use.

10. Employees and salaries

The average number of employees was:

Staff costs includes:

Wages and salaries

Social security costs

Pension costs

Other costs

No.
5

£
179,404
19,863
12,075
15,594
226,936

2010
No.
5

£
189,214
21,174
12,106
5,316
227,810

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

£60,001 - £70,000

No.
1

2010
No.
1

11. Trustees expenses and remuneration

The travel and subsistence costs shown in note 3 includes the sum of £8,927 (2010: £10,075) reimbursed to Trustees for travel and other out of pocket expenses, principally in connection with Board and Committee meetings. This amount is the total sum paid to Trustees during the year.

No remuneration was paid to Trustees in this or in the previous year.

In line with the Trust's normal disbursement policies, discretionary top up payments (regular payments) and grants were disbursed to three Trustees who are beneficiaries of the Trust. In aggregate, these payments were £7,633 (2010: £22,180).

One of the Trustees, as a beneficiary of the Trust, has a secured loan attracting interest, the principal amount outstanding at the end of the year totalling £19,367 (2010: £19,232).

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

THE MACFARLANE TRUST

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2011

12. 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 9%. The assets of the scheme are held separately from those of the Trust in independently administered funds. The pension cost for the year of £12,075 (2010: £12,106) represents contributions paid by the Trust to the funds. At the year-end there were no outstanding contributions payable (2010: £nil).

13. Financial commitments

At 31 March 2011 the Trust had annual commitments under non-cancellable operating leases as follows:

	2011 £	2010 £
Operating leases which expire in the 2 nd to 5 th years inclusive	40,500	40,500
	<u>40,500</u>	<u>40,500</u>

The Trust is the leaseholder of its offices. The lease costs of the office were divided equally between the Trust, Skipton Fund Limited and MFET Limited.

14. Related party transactions

During the year the Trust provided full administration services for the Eileen Trust (Registered Charity No. 1028027), which has been run from the same address. Costs of common functions were 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 £17,500 (2010: £15,000), which is shown separately under "Voluntary income".

During the year the Trust supplied administration and other services to Skipton Fund Limited, for which a management charge was raised of £40,000 (2010: recharges of £31,963). In addition, Skipton Fund Limited also supplied the Trust with administration and other services totalling £25,116 (2010: £23,787), including staff costs of £20,017 (2010: £19,702). These amounts have been reimbursed. One trustee of the Trust and its Chief Executive are directors of Skipton Fund Limited.

The Trust also supplied administration and other services to MFET Limited, for which a management charge was raised of £47,500 (2010: £nil). At the year-end MFET Limited owed the Trust £47,231 (2010: £nil). Under the terms of agreement with the Secretary of State for Health, payments of £2,348,543 (2010: £nil) were paid to the Trust by MFET Limited. One trustee of the Trust is also a director of MFET Limited.

15. Controlling party

The Charity is controlled by the Trustees.