

## **Commentary on the model Trustees' Annual Report and accounts: B E Factor Trust**

This example is an unincorporated grant-making trust constituted by a trust deed and the Trust has unrestricted and expendable endowment funds. This example, with input from PriceWaterhouseCoopers, has been developed in consultation with the Association of Charitable Foundations.

Although the total incoming resources were £352,146 in the year, the charity is not subject to audit because neither the gross income nor the total expenditure exceed the statutory audit threshold, currently £250,000; when calculating the gross income for audit threshold purposes, the additional donation of expendable endowment is disregarded (for further information refer to CC63 Independent Examination of Charity Accounts, Appendix 3). The charity is therefore below the audit threshold and can take advantage of the reduced reporting allowed under SORP 2005 (refer to Appendix 5) but on occasion the trustees have chosen to provide additional information or make additional accounting disclosures (SORP paragraph 10 and Appendix 5 paragraph 5.3.2).

This example also includes a statement by the independent examiner in accordance with the General Directions given by the Charity Commissioners (under section 43(7)(b) of the 1993 Act) and as set out in the booklet CC63 Independent Examination of Charity Accounts. Auditors acting as independent examiners will also wish to refer to Appendix 7 of Audit Practice Note 11: The Audit of Charities in the United Kingdom issued by the Auditing Practices Board. Although acting for an audit firm, the independent examiner has signed under their own name, as required by the Regulations. (Note that the name of the partnership or company may be added.)

### **The Trustees' Annual Report**

The annual report follows the order set out in the SORP with reference and administrative information which additionally includes the names of professional advisers (SORP paragraph 43) but the content and headings have been amended to take account of the charity's size (SORP paragraph 36). Although not required by the SORP (paragraph 46), the policies for trustee induction and training are disclosed. The *risk management* statement is not a requirement for charities not subject to statutory audit (SORP paragraph 46) and additional information on the risks assessed has been voluntarily disclosed.

The section on *procedures and policy for grant making* goes beyond the requirements of the SORP (paragraph 52) and provides information on the nature of the grants made, the criteria applied and provides additional information about the process by which the grants are approved. Within this section the trustees also have gone beyond the requirements of the SORP applicable to smaller charities (SORP paragraph 54) and have advised their approach to monitoring the effectiveness of the grants made.

The section on *achievements and performance* reviews each activity in turn and discusses the use of programme related investment loans to advance the charity's objects.

Note that the review of investment performance is included in the *investments section* within the *financial review section*. The review of investments is not a requirement for charities not subject to statutory audit (SORP paragraphs 54 and 56) but has been disclosed by the trustees voluntarily (SORP Appendix 5 paragraph 5.3.2) and the disclosure goes beyond the requirements of the SORP to advise that an ethical investments policy has not been followed (such a disclosure is not required by either the 2005 Charities (Accounts and Reports) Regulations or the SORP).

The section on *future plans* is not a requirement of smaller charities (SORP paragraph 58) but has been disclosed as a matter of good practice.

The report concludes with a statement of trustees' responsibilities in relation to the financial statements which has been included in accordance with APB Audit Standards, although this

statement is neither a requirement of the SORP nor of the Regulations applicable to an independent examination.

### **Limitation to grant disclosure (SORP paragraph 209)**

A very small number of charities undertake grant making where grant disclosure could seriously prejudice the furtherance of the purposes of the charity or beneficiaries. The opportunity has been taken to demonstrate how such matters should be disclosed (including disclosure to the Charity Commission). It is highly unlikely that this issue will feature in the accounts of most grant makers.

### **The accounts**

The Statement of Financial Activities has been re-ordered by the trustees to take advantage of the flexibility provided by the SORP (paragraph 91) to report first on the main charitable activities undertaken separately from the governance costs of the charity. Investment management costs are charged against endowment and unrestricted funds (SORP 2005 paragraph 187).

The accounting policies include disclosure of the approach to impairment reviews for programme related investments (SORP paragraph 361).

The notes to the accounts analyse the grants made to institutions and individuals in note 8 (SORP paragraph 203) by area of activity (SORP paragraph 204). A representative sample of institutional grants are disclosed in note 9 (SORP paragraph 206) and reconciles to note 8 by area of activity (SORP paragraph 203). Details of particular institutional grants are withheld (SORP paragraph 200(d)) and the Appendix to the example provides a sample disclosure letter (SORP paragraph 209) to the Charity Commission.

Governance costs (SORP paragraph 212) and support costs (SORP paragraph 166) are disclosed in note 11 and support costs are allocated across activities (SORP paragraph 195) in note 8.

The charity has voluntarily provided, note 13, a statement analysing the net movement in funds (SORP paragraph 243).

Since the charity has not adopted the columnar format for the balance sheet format, the disclosure of assets and liabilities by category of fund is shown in note 19 to the accounts (SORP paragraphs 75(a) and 248).

## **BE Factor Trust**

### **Charity Name and Number**

BE Factor Trust: registered charity number 215xxx

### **Correspondence Address**

The Solicitors, 1 The Marshes, Little Town, QR14 4FR

### **Trustees**

Mr B E Factor OBE JP, Chair of trustees

Mrs A B Factor MA

Ms J J Clark BSc

### **Professional Advisors**

#### Legal Advisors:

The Solicitors, 1 The Marshes, Little Town, QR14 4FR

#### Bankers:

Special Bank, 15, Cheapside, The Capital, CP14 2FT

#### Investment Advisors:

Specialists, 44, The Marshes, The Capital, CP12 4NW

#### Independent Examiner:

Audit Professionals LLP, The Manse, Little Town, QR1 4HM

## **Trustees Annual Report for the year ended 30<sup>th</sup> November 2006**

### **History, objectives and activities of the Trust**

Ben Factor established a business, Factor Ltd, selling building and plumbing materials in 1950. As the business has grown it has diversified and is now has a chain of wholesale and retail stores selling building, plumbing and gardening supplies throughout middle England.

The charitable Trust was established on 1 December 1953 as a way of directing some of the profits of the business to a variety of good works. Both the initial donation and additional amounts donated since have been under terms which allow the trustees to either retain the amounts as capital or to spend them.

The Trust deed gives the trustees the power to apply the funds in such a manner as they think fit to or for the benefit of any charitable object or purpose. The trustees currently have a policy of supporting three types of activity: religious organisations; organisations providing craftsmanship training and the relief of poverty.

The trustees identify projects and organisations they wish to support and so the Trust does not make grants to people or organisations who apply speculatively. The Trust also has a policy of not responding to any correspondence unless it relates to grants it has agreed to make or to the general management of the Trust.

### **Management and governance arrangements**

The trust deed provides for a minimum of 3 and a maximum of 8 trustees. Were there a requirement for new trustees, these would be identified and appointed by the remaining trustees. The chair of trustees is responsible for the induction of any new trustee which involves awareness of a trustee's responsibilities, the governing document, administrative procedures, the history and philosophical approach of the charity. A new trustee would receive copies of the previous year's annual report and accounts and a copy of the Charity Commission leaflet 'The Essential Trustee: What You Need to Know'. The existing trustees have held office for over 10 years.

The trustees annually review the risks that the charity faces. To date these have mainly related to investment management and these have been ameliorated by diversified portfolio management. There are also minor areas of risk relating to employing staff which have been covered by proper procedures and insurance. In looking to the future trustees have also recently become aware of risks associated with making grants (for example fraud and charities seeking two grants for the same project) as more money becomes available. They will be looking at what procedures may be instituted to reduce risk in this area during the coming year.

### **Procedures and policy for grant making**

The trustees normally meet quarterly to consider what grants they will make and to review any feedback they have received. Nominations for grants are elicited by formal and informal means. The formal means involve limited targeted advertising in the trade press concerning craftsmanship training and contact with local Social Services Departments regarding grants for the relief of poverty. The trustees travel widely in the UK and abroad and use knowledge gained to support the work of the charity and to inform grant making.

Though the trustees make some grants with no formal application, they normally ask invited organisations to submit a formal application saying how the funds would be used and what would be achieved. The trustees have a policy, which is communicated to all beneficiaries, that they make only one off grants with no guarantees of future funding.

The trustees always seek feedback on the actual use of the grants given and the achievements made, including those given to individuals. The explanations and feedback received are sufficient for monitoring the quality of the grants made.

The Trust has two part-time employees who handle the correspondence relating to grants. The financial affairs of the charity are handled by Factor Ltd. on a pro-bono basis.

### **Achievements and performance of the Trust**

During the year the Trust has been able to continue its support of three retreat houses (£20,000 each). These provide educational and retreat facilities for several hundred people each year and the Trust's support amounts to about 8% of the overall income of the retreat houses. The Trust also supports a local worship centre and religious work overseas in which the trustees have a particular interest.

In the area of craftsmanship training, the trust has continued to support training schemes in ten inner city areas. Each of these schemes intends to help people back into the job market. The grants have been targeted at developing 'craftsman' skills rather than computer, marketing and business skills. The trust has also decided in principle to begin providing loans rather than grants to a number of small community projects, to encourage these to develop into community training businesses. So far three loans have been given and 10 further loan applications are being evaluated. This approach will foster self reliance and recirculate funds over more than one project. The trustees are taking a slightly pessimistic view of how much will be repaid and have made provision for non-repayment accordingly.

There have been only a few areas where relief has been provided to poor individuals. This year grants, mainly to purchase household equipment, have been made to 15 individuals (2005 14). The trustees have however been deeply saddened by the plight of those suffering from recent natural disasters and have, unusually, provided three large donations to organisations giving famine relief in the Indian sub-continent and in Saharan Africa.

### **Financial review, investment policy and reserves**

The trustees have set a policy that the expendable endowment should be invested so as to maximise the total return (capital growth plus income) with a medium level of risk. The income from investments for the year was £247,146. In addition £105,000 was given to increase the endowment.

Total return from the expendable endowment is split between funds retained as capital and funds used as income. Although the trustees have the power to spend the expendable endowment, the investment of capital is the only source of ongoing income and so the fund is invested with the objective of ensuring that the expendable endowment retains approximately its real value in the medium term. This approach means the money available to spend as income can fluctuate and, to ensure the amount available for grants remains relatively stable from year to year, the trustees plan to hold between 3 to 6 months grant expenditure as free reserves. The recovery of the stock market means that the amount available to spend has been gradually increasing and consequently reserves are being reduced.

The Trust employs *Specialists* as investment advisors and managers. They charge a flat fee (of £5,000 pa) and under their management the portfolio has produced a total return of 11.5% during the year. The Trust has chosen not to adopt formal ethical investment policies.

The net incoming resources, after grants and operational expenses of £248,923 (2005 £249,354) for the year was £3,223 (2005 an excess of expenditure of (£32,382)). The awarding of a number of loans instead of grants means that the actual free resources position (net current assets) at the year end was some £20,847 less than the year before. At the end of the financial year reserves

were £90,825, around 4.6 months of grant expenditure. The adequacy of the reserves policy is reviewed annually.

### **Future plans**

The trustees intend to continue providing grants in a similar way to the recent past continuing the emphasis on three areas of giving but retaining flexibility as to the timing, and scale of grant making. The experiment with loans, a form of programme related investment, will run for a further three years and then be reviewed to see if is an appropriate way for the Trust to proceed in the long run.

The trustees consider that they are now reaching retirement age and are reviewing the operation of the Trust and how it will be managed in future.

### **Statement of trustees' responsibilities**

Charity law requires the trustees to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the charity and its financial activities for that period. In preparing those financial statements, the trustees are required to:

- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operational existence.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Independent Examiner**

The trustees intend to ask the existing auditors to undertake the independent examination of the Trust in the following year.

Signed on behalf of the trustees

Mr Ben E Factor  
4<sup>th</sup> February 2007

## **Independent examiner's Report to the Trustees of B E Factor Trust**

I report on the accounts of the Trust for the year ended 30 November 2006, which are set out on pages 8 to 15.

### **Respective responsibilities of trustees and examiner**

The charity's trustees consider that an audit is not required for this year (under section 43(2) of the Charities Act 1993 (the Act) and that an independent examination is needed.

It is my responsibility to:

- examine the accounts (under section 43 of the Act);
- to follow the procedures laid down in the General Directions given by the Charity Commission (under section 43(7)(b) of the Act); and
- to state whether particular matters have come to my attention.

### **Basis of the independent examiner's report**

My examination was carried out in accordance with the General Directions given by the Charity Commissioners. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit, and consequently I do not express an audit opinion on the view given by the accounts.

### **Independent examiner's statement**

In the course of my examination, no matter has come to my attention:

(1) which gives me reasonable cause to believe that in, any material respect, the trustees have not met the requirements to ensure that:

- proper accounting records are kept (in accordance with section 41 of the 1993 Act); and
- accounts are prepared which agree with the accounting records and comply with the accounting requirements of the Act; or

(2) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

I M Honest CCAB  
Audit Professionals LLP  
The Manse  
Little Town  
QR1 4HM

## B E Factor Statement of financial activities for the year ended 30th November 2006

|  | Notes | Unrestricted<br>fund<br>£ | Endowment<br>funds<br>£ | Total<br>funds<br>2006<br>£ | Total<br>funds<br>2005<br>£ |
|--|-------|---------------------------|-------------------------|-----------------------------|-----------------------------|
| <b><u>Incoming resources</u></b>               |       |                           |                         |                             |                             |
| <b>Incoming resources from generated funds</b> |       |                           |                         |                             |                             |
| • Voluntary income: donations                  | 3     | -                         | 105,000                 | 105,000                     | 56,000                      |
| • Investment income                            | 4     | 247,146                   |                         | 247,146                     | 216,972                     |
| <i>Total incoming resources</i>                |       | <b>247,146</b>            | <b>105,000</b>          | <b>352,146</b>              | <b>272,972</b>              |
| <b><u>Resources expended</u></b>               |       |                           |                         |                             |                             |
| <i>Charitable activities</i>                   | 8 -10 |                           |                         |                             |                             |
| • Religious organisations                      |       | 85,780                    |                         | 85,780                      | 101,750                     |
| • Craftsmanship training                       |       | 108,560                   |                         | 108,560                     | 110,752                     |
| • Relief of poverty                            |       | 42,060                    |                         | 42,060                      | 24,998                      |
| <i>Sub-total</i>                               |       | <b>236,400</b>            | -                       | <b>236,400</b>              | <b>237,500</b>              |
| <i>Costs of generating funds</i>               |       |                           |                         |                             | -                           |
| • Investment management costs                  |       | -                         | 5,000                   | 5,000                       | 5,000                       |
| <i>Governance costs</i>                        | 11    | 7,523                     | -                       | 7,523                       | 6,854                       |
| <i>Total resources expended</i>                |       | <b>243,923</b>            | <b>5,000</b>            | <b>248,923</b>              | <b>249,354</b>              |
|  |       |                           |                         | -                           |                             |
| <i>Net incoming resources</i>                  |       | 3,223                     | 100,000                 | 103,223                     | 23,618                      |
| <b>Other recognised gains/losses</b>           |       |                           |                         |                             |                             |
| Gain on revaluation of investments             | 16    | -                         | 42,984                  | 42,984                      | 202                         |
| <i>Net movement in funds</i>                   |       | <b>3,223</b>              | <b>142,984</b>          | <b>146,207</b>              | <b>23,820</b>               |
| <b>Reconciliation of Funds</b>                 |       |                           |                         |                             |                             |
| Total funds brought forward                    |       | 127,817                   | 2,492,621               | 2,620,438                   | 2,596,618                   |
| <i>Total funds carried forward</i>             |       | <b>131,040</b>            | <b>2,635,605</b>        | <b>2,766,645</b>            | <b>2,620,438</b>            |

## B E Factor Balance Sheet as at 30th November 2006

|   |       | 2006          |                  | 2005           |                  |
|---|-------|---------------|------------------|----------------|------------------|
|   | Notes | £             | £                | £              | £                |
| <b><u>Fixed Assets</u></b>                            |       |               |                  |                |                  |
| Tangible assets                                       | 14    |               | 15,215           |                | 16,145           |
| Programme related investments                         | 15    |               | 25,000           |                | -                |
| Investments   | 16    |               | 2,635,605        |                | 2,492,621        |
|   |       |               | <b>2,675,820</b> |                | <b>2,508,766</b> |
| <b><u>Current Assets</u></b>                          |       |               |                  |                |                  |
| Debtors   | 17    | 11,523        |                  | 15,628         |                  |
| Cash at bank and in hand                              |       | 81,577        |                  | 97,780         |                  |
|   |       | <b>93,100</b> |                  | <b>113,408</b> |                  |
| <b>Creditors: amounts falling due within one year</b> | 18    | 2,275         |                  | 1,736          |                  |
| <i>Net Current Assets</i>                             |       |               | <b>90,825</b>    |                | <b>111,672</b>   |
| <i>Net Assets</i>                                     |       |               | <b>2,766,645</b> |                | <b>2,620,438</b> |
| <b><u>Represented by:</u></b>                         |       |               |                  |                |                  |
| Unrestricted Fund                                     | 19    |               | 131,040          |                | 127,817          |
| Endowment Funds                                       |       |               | 2,635,605        |                | 2,492,621        |
| <i>Total Funds</i>                                    |       |               | <b>2,766,645</b> |                | <b>2,620,438</b> |

The financial statements on pages 10 to 15 were approved by the trustees on 4<sup>th</sup> February 2007 and signed on their behalf by:

Mr Ben E Factor  
4 February 2007

## Notes to the accounts

### 1 Accounting policies

In preparing the accounts the following accounting policies have been complied with:

- a) The accounts have been prepared on the historic cost convention with the exception that investments are valued at market value. The accounts are in accordance with applicable accounting standards, the Charities SORP 2005 (Accounting and Reporting by Charities) and comply with the Charities (Accounts and Reports) Regulations 2005 issued under the Charities Act 1993
- b) Investment income is recorded when receivable.
- c) Gift aid reclaimable on donations to the charity is included with the amount received.
- d) Expenditure on grants is recorded once the Trust has made an unconditional commitment to pay the grant and this is communicated to the beneficiary or the grant has been paid, whichever is the earlier. The Trust has not made any grant commitments of more than one year.
- e) Other expenditure is included in the accounts on an accruals basis. Irrecoverable VAT is charged to the SOFA as incurred.
- f) The cost of managing investments is charged against investment capital, reflecting the total return approach to investment management. Any costs associated with the sale or purchase of investments are accounted for as part of the sale or purchase price of the investments.
- g) Quoted investments have been valued at market value at the balance sheet date.
- h) Unrealised and realised investment gains and losses are shown net in the statement of financial activities
- i) Programme related investments are reviewed at least annually for impairment and reviewed where the trustees are aware of circumstances which either reduce the value of the investment, or imply that loans made may not be repaid in part or in full.
- j) The endowment of the charity is expendable endowment which is regularly increased by donations from the trustees. The trust deed allows this fund to be spent as income or retained as capital at the trustees' discretion. The income arising from the expendable endowment is unrestricted.
- k) All assets costing more than £500 are capitalised. Depreciation on office equipment is charged on a straight line basis over 3-5 years.

### 2 Taxation

The Trust is a registered charity and accordingly is exempt from taxation on its income and gains where they are applied for charitable purposes.

### 3 Endowment

The voluntary income in the current and the previous year represent a donation from the trustees to the capital of the expendable endowment only.

### 4 Investment income has arisen as follows:

| Source of<br>Investment Income | 2006 Total<br>£ | 2005 Total<br>£ |
|--------------------------------|-----------------|-----------------|
| Listed investments             | 244,101         | 214,426         |
| Cash                           | 3,045           | 2,546           |
| <i>Total</i>                   | <u>247,146</u>  | <u>216,972</u>  |

## 5 Analysis of employee costs:

|                       | <b>2006</b>   | <b>2005</b>   |
|-----------------------|---------------|---------------|
|                       | <b>£</b>      | <b>£</b>      |
| Salaries              | 16,082        | 14,500        |
| Social Security Costs | 1,762         | 1,595         |
| Total                 | <b>17,844</b> | <b>16,095</b> |

No employee received emoluments of over £60,000 during the year (2005 nil).

The average number of full time equivalent employees for the year was 0.9 (2005 0.9fte) and both part time staff (2005 two part time staff) were employed almost entirely on dealing with grant applications.

## 6 Related party transactions

None of the trustees were paid any remuneration or expenses by the charity during the year (2005 none).

## 7 Donated services

The trustees together hold a controlling personal interest in Factor Ltd. The charity receives free accounting services which are not valued in the accounts on the grounds that these are not considered material to the charity.

## 8 Analysis of charitable expenditure

The charity did not undertake any activity directly but met its charitable purposes by making grants and loans. Although the loans are repayable, where information available suggests that a loan is impaired (refer to note 15), the impairment is charged against charitable activities undertaken in the year. Grants and loans made by the Trust fall into three activity groups. The total amount of charitable activities, programme related investment loan impairment, grants paid (analysed between institutional grants and grants to individuals), and support costs analysed in relation to each activity group was as follows:

| <b>Programme</b>        | <b>Loan</b>       | <b>Grant Funding</b> |                    | <b>Support</b> | <b>Total</b>   |
|-------------------------|-------------------|----------------------|--------------------|----------------|----------------|
|                         | <b>Impairment</b> | <b>Institutions</b>  | <b>Individuals</b> | <b>costs</b>   |                |
|                         | <b>£</b>          | <b>£</b>             | <b>£</b>           | <b>£</b>       | <b>£</b>       |
| Religious organisations | -                 | 81,500               | -                  | 4,280          | 85,780         |
| Craftsman training      | 5,000             | 95,000               | -                  | 8,560          | 108,560        |
| Relief of poverty       | -                 | 29,000               | 4,500              | 8,560          | 42,060         |
| Total                   | <b>5,000</b>      | <b>205,500</b>       | <b>4,500</b>       | <b>21,400</b>  | <b>236,400</b> |

## 9 Analysis of grants made to institutions

Grants made to institutions were a material part of the total resources expended by the charity. The major grants made were as follows.

| Institution                    | Total Amount paid |                |
|--------------------------------|-------------------|----------------|
|                                | £                 | £              |
| <b>Religious Organisations</b> |                   |                |
| Retreat Houses Ltd             | 60,000            |                |
| Greenhays worship centre       | 5,000             |                |
| Others                         | 16,500            | 81,500         |
| <hr/>                          |                   |                |
| <b>Craftsman Training</b>      |                   |                |
| Capital training (England)     | 70,000            |                |
| Small town trainers            | 17,500            |                |
| Others                         | 7,500             | 95,000         |
| <hr/>                          |                   |                |
| <b>Relief of poverty</b>       |                   |                |
| British Red Cross              | 13,000            |                |
| Medecins Sans Frontiers        | 13,500            |                |
| Others                         | 2,500             | 29,000         |
| <hr/>                          |                   |                |
| Total                          |                   | <b>205,500</b> |

## 10 Non disclosure of grants to named institutions

The trustees have not disclosed details of grants made to two organisations, one religious and one for craftsmanship training, totalling £21,000, because they believe that doing so would seriously prejudice the purposes of either the Trust or the recipients of the grants. The Charity Commission have been advised of the details of the grants concerned and the reasons for withholding disclosure.

## 11 Support costs

Support costs, consisting of the office costs of the trust, including staff salaries, are split between grantmaking and governance on the estimated time spent on each activity as shown in the table below. Support costs apportioned to the different aims of the charity are shown in note 8 above.

| Support Costs                   | Basis of apportionment | Charitable Activity | Governance   | 2006 Total    | 2005 Total    |
|---------------------------------|------------------------|---------------------|--------------|---------------|---------------|
|                                 |                        |                     |              | £             | £             |
| Office Costs                    | Work done              | £ 21,400            | £ 5,500      | £ 26,900      | £ 23,865      |
| Legal & Professional            | Actual                 | -                   | 523          | 523           | 1,650         |
| Independent examiner's fees     | Actual                 | -                   | 1,500        | 1,500         | 1,250         |
| <i>Total resources expended</i> |                        | <b>21,400</b>       | <b>7,523</b> | <b>28,923</b> | <b>26,765</b> |

12 **The resources expended by the charity include:**

|                             | 2006  | 2005  |
|-----------------------------|-------|-------|
|                             | £     | £     |
| Independent examiner's fee  | 1,500 | 1,250 |
| Legal and professional fees | 523   | 1,650 |
| Depreciation                | 4,570 | 3,900 |

13 **Analysis of the net movement in funds**

This statement shows how the net movement in funds relates to the change in net resources available to finance future charitable expenditure, after taking account of resources released or (committed) to: fixed assets, programme related investments furthering the charity's objects, and endowment funds received, which are not available to spend as income.

|  | Unrestricted<br>funds<br>£ | Endowment<br>funds<br>£ | Total<br>£      |
|--|----------------------------|-------------------------|-----------------|
| <b>Net Movement in funds</b>                   | 3,223                      | 142,984                 | 146,207         |
| Less increase in endowment capital             | -                          | (142,984)               | (142,984)       |
| Net cash released from fixed assets            | 930                        | -                       | 930             |
| Programme related loans                        | (25,000)                   | -                       | (25,000)        |
| <b>Changes in resources available to spend</b> | <u>(20,847)</u>            | <u>-</u>                | <u>(20,847)</u> |

14 **Tangible fixed assets**

Movement on the charity's tangible fixed assets were:

| <b>Tangible Fixed Assets</b> | <b>Office Equipment</b><br>£ |
|------------------------------|------------------------------|
| <b>Cost</b>                  |                              |
| At 1st December 2005         | 23,430                       |
| Additions                    | 3,640                        |
| Disposals                    | (1,495)                      |
| At 30th November 2006        | <u>25,575</u>                |
| <b>Depreciation</b>          |                              |
| At 1st December 2005         | 7,285                        |
| Depreciation charge for year | 4,570                        |
| Disposals                    | (1,495)                      |
| At 30th November 2006        | <u>10,360</u>                |
| <b>Net Book Value</b>        |                              |
| At 1st December 2005         | <u>16,145</u>                |
| At 30th November 2006        | <u>15,215</u>                |

## 15 Programme related investments

The Trust has made three investments in social enterprises rather than give outright grants. These investments are loans for the purchase of equipment for three training centres. The loans are repayable by instalments over 5 years commencing one year after being made. No interest is chargeable for the first year but thereafter will be at 1% below Bank of England base rate. The trustees' review the loans advanced, at least annually at the balance sheet date, and impair those loans where information available implies a likelihood of non repayment.

The trustees have received a request prior to the year end from a loan recipient to suspend the first and future loan repayments due to business difficulties and so a charge has been made for loan impairment, the non-payment of part of the loans outstanding, as a matter of prudence for the full value of the loan, of £5,000. The balance of loans advanced is £25,000 as at 30 November. A further 8 loans (mostly for smaller amounts) are expected to be granted early in 2007.

## 16 Investment asset investments

All investments (excluding programme related investments) were all held in the UK and were as follows:

| <b>Investments Held</b>   | <b>Endowment Funds</b> | <b>2006 Total</b> | <b>2005 Total</b> |
|---------------------------|------------------------|-------------------|-------------------|
|                           | £                      | £                 | £                 |
| <b>Listed investments</b> |                        |                   |                   |
| Stocks and Shares         | 1,686,333              | 1,686,333         | 1,436,535         |
| CIFs                      | 280,000                | 280,000           | 290,000           |
| Bonds                     | 648,772                | 648,772           | 748,041           |
|                           | <b>2,615,105</b>       | <b>2,615,105</b>  | <b>2,474,576</b>  |
| Cash                      | 20,500                 | 20,500            | 18,045            |
| <i>Total</i>              | <b>2,635,605</b>       | <b>2,635,605</b>  | <b>2,492,621</b>  |

Movements in fixed asset investments were:

|   |                  |
|---|------------------|
|   | 2006             |
|   | £                |
| Carrying value (market value) at beginning of year  | 2,492,621        |
| <b>Add:</b> Additions to investments at cost        | 222,653          |
| <b>Less:</b> Disposals at carrying value            | (122,653)        |
| <b>Add/deduct</b> Net gain/(loss) on revaluation    | 42,984           |
| <i>Carrying value (market value) at end of year</i> | <b>2,635,605</b> |

## 17 Analysis of debtors

The debtors figure is investment income due (2005 investment income due).

## 18 Analysis of creditors

|                            |              |              |
|----------------------------|--------------|--------------|
|                            | 2006         | 2005         |
|                            | £            | £            |
| Independent examiner's fee | 1,500        | 1,250        |
| Trade creditors            | 775          | 486          |
|                            | <b>2,275</b> | <b>1,736</b> |

## 19 Analysis of fund assets and liabilities

|                               | Unrestricted<br>funds | Endowment<br>funds | Total            |
|-------------------------------|-----------------------|--------------------|------------------|
|                               | £                     | £                  | £                |
| Tangible fixed assets         | 15,215                | -                  | 15,215           |
| Programme Related Investments | 25,000                | -                  |                  |
| Fixed Asset Investments       | -                     | 2,635,605          |                  |
| Sub total investments:        |                       |                    | 2,660,605        |
| Current assets                | 93,100                | -                  | 93,100           |
| Current liabilities           | (2,275)               | -                  | (2,275)          |
| <b>Total</b>                  | <b>131,040</b>        | <b>2,635,605</b>   | <b>2,766,645</b> |

The unrestricted funds of the charity may be applied for any charitable purpose at the discretion of the trustees

The expendable endowment and additions thereto are to be invested and the income used for any charitable purpose at the discretion of the trustees. The expendable endowment may also be spent at the absolute discretion of the trustees.

**Appendix: Non disclosure of details of institutional grants where to do so would be prejudicial to the recipient institution or the donor charity (SORP paragraph 209)**

Normally it would not be possible to see the declaration in the notes to the accounts, for example under note 10. However the following is the sort of declaration that should be made to the Charity Commission:

Dear Sirs,

**B E Factor Trust, Registered Charity 215xxx  
Confidential disclosure of grant details withheld in the 2006 Trustees' Annual Report and accounts**

The trust has made two grants to institutions during the year which it has not disclosed in the Trust's annual accounts because it believes that to do so would be seriously prejudicial to both the charity and the recipient.

One grant was for £15,000 to a religious retreat house in the Middle East. If it were to become public knowledge that this house was being supported by a UK charity those managing the house (all of whom are nationals of the country concerned) may be subject to physical attack.

The second grant was for £6,000 to support training of laboratory staff who work in a (charitable) research establishment which is involved to some extent in the use of animals for drug testing. If this were become public knowledge it may result in both the trustees, the training establishment and the stores of Factor Ltd being targeted and subject to violent harassment and intimidation.

Please retain this document on your non-public files.

Yours sincerely

BE Factor on behalf of BE Factor Trust