

**CHARITY COMMISSION
COPY**

**The
February
Foundation**

**Annual Report and Financial
Statements**

29 February 2016

Company Limited by Guarantee

Registration Number

05718135 (England and Wales)

Charity Registration Number

1113064

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Reference and administrative information

| | |
|--|---|
| Trustees | James Carleton Mark Clarke Michael Moody |
| Chief Executive and Company Secretary | Richard Pierce-Saunderson |
| Registered office | 66 Lincoln's Inn Fields London WC2A 3LH |
| Company registration number | 05718135 (England and Wales) |
| Charity registration number | 1113064 |
| Auditors | Buzzacott LLP 130 Wood Street London EC2V 6DL |
| Bankers and investment managers | C Hoare & Co 37 Fleet Street London EC4P 4DQ UBS Wealth Management 1 Finsbury Avenue London EC2M 2AN Investec Wealth & Investment Limited 2 Gresham Street London EC2V 7QN |
| Solicitors | Farrer & Co LLP 66 Lincoln's Inn Fields London WC2A 3LH |
| Website | www.thefebruaryfoundation.org |

Trustees' report Year to 29 February 2016

The trustees present their statutory report together with the financial statements of The February Foundation for the year to 29 February 2016.

This report has been prepared in accordance with Part 8 of the Charities Act 2011.

The financial statements have been prepared in accordance with the accounting policies set out on pages 18 to 21 of the attached financial statements and comply with the Memorandum and Articles of Association of The February Foundation, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), effective from accounting periods commencing 1 January 2015 or later.

GOVERNANCE, STRUCTURE AND MANAGEMENT

Constitution

The February Foundation was incorporated on 22 February 2006 as a company limited by guarantee under company registration number 05718135. On 23 February 2006, the Foundation registered on the Central Register of Charities under registration number 1113064.

Trustees

The names of the trustees as at the date of this report are set out as part of the reference and administrative information on page 1 of these Annual Report and Financial Statements.

Recruitment and appointment

The appointment of trustees is governed by the Memorandum and Articles of Association of the Foundation. All trustees must be aged at least 18, and there must at all times be a minimum of two and a maximum of five trustees. Upon appointment every trustee must sign a declaration of willingness to act as a trustee of the charity before he or she may vote at any meeting of the trustee. Trustees shall hold office for three years, but may be reappointed.

Michael Moody was appointed as a trustee on 10 May 2016 and The February Foundation (Cayman) resigned on the same day.

Induction and training

The Foundation recognises that new and current trustees should be aware of the Foundation's charitable purposes, mode of operation, plans, policies and costs. All trustees are provided with a copy of the Memorandum and Articles of Association, the grant giving policy, and a copy of other relevant policies as well as minutes of recent trustees' meetings.

The trustees are provided with appropriate updates relating to matters impacting upon charity law and the running and administration of the Foundation from their professional advisers. They also attend external training events where appropriate.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees' responsibilities statement

The trustees (who are also directors of The February Foundation for the purposes of company law) are responsible for preparing the trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law 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 income and application of resources, including the income and expenditure, 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 Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland (FRS 102);
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material 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 operation.

The trustees are responsible for keeping proper 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 Companies Act 2006. 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.

Each of the trustees confirms that:

- ◆ so far as the trustee is aware, there is no relevant audit information of which the charity's auditors are unaware; and
- ◆ the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

GOVERNANCE, STRUCTURE AND MANAGEMENT (continued)

Trustees' responsibilities statement (continued)

The trustees are responsible for the maintenance and integrity of financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Key management personnel

The trustees consider that the board of trustees and Chief Executive comprise the key management personnel in charge of directing and controlling, running and operating the charity on a day to day basis.

The trustees give their time freely and no trustee received remuneration in the year.

The pay of the Chief Executive is reviewed annually.

Organisation

The trustees are ultimately responsible for the policies, activities and assets of the charity. They meet formally at least twice a year. The trustees must approve any grants made by the Foundation before such grants are made.

The main functions of the Chief Executive comprise the following:

- ◆ research and investigation of charitable causes;
- ◆ maintaining and updating the Foundation's website;
- ◆ providing administrative and secretarial support to the trustees;
- ◆ undertaking day-to-day administrative duties;
- ◆ liaising with grant applicants, developing grant policies and monitoring grants;
- ◆ maintaining the Foundation's databases and information systems;
- ◆ acting as a point of contact for the Foundation; and
- ◆ managing the financial affairs of the Foundation.

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES

Charitable objectives and activities

The Foundation's charitable objectives as expressed in its Memorandum of Association are as follows:

'The general purposes of such charitable bodies or for such other purposes as shall be exclusively charitable as the trustees may from time to time decide.'

The Foundation makes grants to a range of charities and charitable activities in accordance with the Foundation's grant making policy, as set out below.

The trustees reviewed the Foundation's giving policy at the end of the year under review, and decided to continue with the policy of exclusions. These are detailed in the grant making policy section of this report.

Public benefit

The trustees confirm that they have referred to the Charity Commission's general guidance on public benefit when reviewing the Foundation's aims and objectives and setting its grant-making policy.

The February Foundation's aims and objectives fall within the various descriptions of charitable purposes in the Charities Act 2011, and, in particular, the relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage, the advancement of education, the advancement of the arts, culture, and heritage.

Grant applications for any charitable purpose are considered by the trustees. To date, all grants have been awarded to registered charities, and the beneficiaries are those of the recipient charities. The charities supported by the Foundation during this financial year are active in end-of-life care, healthcare and patient support and education.

Grant making policy

In the year under review, the following grant making policy applied:

The trustees will normally award grants to registered charities.

The trustees will consider grants for:

- ◆ charities which are for the benefit of persons who are making an effort to improve their lives;
- ◆ charities which are for the benefit of persons no longer physically or mentally able to help themselves;
- ◆ charities which have a long-term beneficial impact on the future of individuals, groups of individuals, or organisations;

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES (continued)

Grant making policy (continued)

- ◆ charities which protect the environment;
- ◆ small or minority charities where small grants will have a significant impact; and
- ◆ companies where the acquisition of equity would be in line with the Foundation's charitable objectives (this is elaborated in the Foundation's investment policy which is periodically reviewed).

The trustees will not consider grants for:

- ◆ charities which are party-politically driven;
- ◆ charities with a commercial bias for a particular product or company;
- ◆ charities with an aggressive religious bias.

In addition, the Foundation will not normally consider applications from or for the following:

- ◆ Child care;
- ◆ Citizens' Advice Bureaux;
- ◆ Community centres;
- ◆ Higher education;
- ◆ Housing associations;
- ◆ Individuals;
- ◆ Medical research;
- ◆ Minibuses;
- ◆ NHS trusts;
- ◆ Non-departmental government bodies;
- ◆ Overseas projects;
- ◆ Primary education;
- ◆ Scouts, Guides, Brownies, Cubs and similar organisations;
- ◆ Secondary education;
- ◆ Single-faith organisations;
- ◆ Sports clubs, unless for the mentally and physically disabled;

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES (continued)

Grant making policy (continued)

- ◆ Village halls;

- ◆ Youth centres.

Exceptions to this exclusions policy will be reviewed on a case-by-case basis in the light of the status of the applicant, its organisational structure (for example was it established for philanthropic and benevolent purposes), and the purpose of the grant.

There is no minimum grant. The maximum grant is usually £5,000 per award, but is reviewed on a case-by-case basis. Terms and conditions for grants will be discussed and drafted by the trustees on a case-by-case basis. The trustees may decide to award grants without any accompanying conditions.

Investment policy

The charity has a portfolio of investments with C Hoare & Co, Investec and UBS which had a market value of £49,534,686 at 29 February 2016 (2015 - £55,506,649).

The investment policy of the Foundation is to seek a balanced return from capital growth over the medium term.

The investment portfolio policy is:

- ◆ to grow income over the medium term and depending on the strategy agreed with the Foundation;

- ◆ to maintain in real terms the total value of the capital base from which the Foundation's income is derived;

- ◆ to recognise that growth in income and capital requires some risks to be taken, but to require that these should be managed by maintaining a spread of investments which give a low to medium risk portfolio.

The trustees seek the investment managers to be custodians of the investment portfolio. It is the trustees' duty to produce a balanced investment strategy.

Periodic meetings are held with the investment managers who will provide the trustees with reports for the preceding half-year.

ACTIVITIES, SPECIFIC OBJECTIVES AND RELEVANT POLICIES (continued)

Investment policy (continued)

The trustees seek to minimise risk by:

- ◆ monitoring and periodically reviewing the performance of the investment managers;
- ◆ investing in bonds which are mainly rated A to AAA;
- ◆ investing a moderate percentage in equities whilst evaluating gifts of shares on a case-by-case basis in the context of the Foundation's overall portfolio;
- ◆ allowing a change in the investment portfolio only after discussions between the investment managers, the trustees and other professional advisers.

STRATEGIC REPORT

Achievements and performance

Review of activities

General

The Foundation has continued to structure its giving in an informed manner. In the year under review, 490 charities were evaluated (compared to 396 in the previous year), which either had applied to the Foundation, or which were selected by the Foundation as potential candidates for funding.

The increase in applications and evaluations confirms that the funding landscape in the UK remains difficult. It also suggests that, after 10 years of operation, the Foundation is becoming increasingly visible to charities which are having to look long and hard for potential funders as the number of charities competing for what to all intents and purposes is a stagnant pool of available funds increases. This is confirmed by the fact that over 95% of applications to the Foundation were eligible for consideration, and suggests that the Foundation's signposting of its giving strategy and its exclusions from eligibility remain effective (see above). It also indicates that charities continue to modify their strategies when looking for grants, and are becoming more sophisticated and determined in their choice of which grantmakers to apply to.

In the year under review, the Foundation's grants expenditure was below budget. There are two main reasons for this:

- Matched funding targets not reached by some grant recipients;
- Unsuccessful negotiations on grant contracts which had been budgeted for.

Following their decision at the end of the 2013/14 financial year that the Foundation would finance its grants and operational costs from its endowment income alone, the trustees have confirmed this strategy for the foreseeable future.

STRATEGIC REPORT (continued)

Achievements and performance (continued)

Grants made

The Foundation's grant payments in the year under review totalled £1,284,070. Grants payable represent 128 grants to 125 charitable organisations. Of this, £117,718 of grants were existing matched funding commitments where conditions had been met.

Education

The Foundation paid two grants totalling £207,340 to two organisations under commitments made in previous years, where conditions were met.

The Foundation's objective in its education grant strategy is to enable universal access. However, it is focused on managing its remaining grant commitments in this area rather than accepting applications for new grants.

End-of-life care

The Foundation awarded and paid 54 grants to 54 organisations totalling £273,197.

The Foundation remains committed to supporting end-of-life care at the grassroots level, mainly in a hospice or hospice-at-home context. In the year under review, the Foundation also made some grants to national strategic end-of-life care organisations.

Heritage and Culture

The Foundation awarded and paid two grants to two organisations totalling £41,000.

Healthcare and patient support

The Foundation makes grants to charities which support the physically and mentally disabled and empower them to improve the quality of their lives and to seek to live as independently as possible. The Foundation made 60 grants totalling £273,533 to 57 charities in this area.

Other

The Foundation made 10 grants totalling £489,000 to 10 organisations not included in the areas above.

Financial review

Results for the year

A summary of the year's results can be found on page 15 of this report and financial statements.

The Foundation's total income for the year ended 29 February 2016 amounted to £9,380,964 (2015 - £12,530,052). The majority of the Foundation's income arose from a gift of shares amounting to £6,131,506 (2015 - £9,960,000) and income on the Foundation's investment portfolio and its cash and short term deposit holdings of £2,970,382 (2015 - £2,474,704).

STRATEGIC REPORT (continued)

Financial review (continued)

Results for the year (continued)

Grants payable to charitable organisations totalled £1,284,070 (2015 - £656,105). Grant and charity administration costs, including governance costs totalled £117,719 (2015 - £109,238). Investment management costs for the year amounted to £44,629 (2015 - £33,425).

Losses arising from the disposal of investments totalled £34,902 (2015 - £3,410), and losses arising from the revaluation of investments totalled £12,329,620 (2015 - £1,666,960). This resulted in a total decrease in funds for the year of £4,429,976 (2015 - increase of £10,060,914) and the total funds of the charity at 29 February 2016 amounted to £51,685,946 (2015 - £56,115,922).

Reserves policy

The trustees have examined the Foundation's requirements for reserves in light of the main risks to the Foundation. The trustees have established a reserves policy to protect the Foundation and its long-term charitable giving programme by providing time to adjust to changing financial circumstances.

The trustees have agreed that it would be in the best interests of the Foundation to build up a capital endowment to support its future grant making activity. Large donations to the Foundation are therefore treated as an expendable endowment by the trustees.

Cashflow projections for income and expenditure are regularly reviewed by the Foundation to ensure that the level of disposable net assets is adequate and that the Foundation is in a position to meet all of its commitments. In the event that the trustees find themselves unable to meet the Foundation's commitments from unrestricted funds, they will draw on the expendable endowment to meet those commitments as they see fit.

The reserves policy will be reviewed annually to reassess the risks and reflect changes to the Foundation's income, capital, financial obligations and long-term plans for charitable expenditure.

Future plans

The trustees regularly review the breadth of the Foundation's objects. They feel that it is important for the Foundation to be open to applications across a range of charitable activities rather than focusing on one area to the exclusion of all others. They believe that the exclusions to applications listed in the grant-making policy below and on the Foundation's web site gives clear guidance to potential applicants.

The Foundation will continue with this approach for the year ending 28 February 2017, with a focus on maintaining its current maximum 12-week application processing time. The trustees are cognisant of the fact that this approach translates to a low success rate for applicants.

The Foundation's strategy is to be a proactive grant maker which seeks to anticipate need and changes in the charitable sector. In addition, the Foundation wishes to continue its

STRATEGIC REPORT (continued)

Future plans (continued)

support of the community-based palliative care sector.

Looking ahead, the Foundation plans to maintain its strategy of funding grants and operations through income generated from the endowment alone. With this in mind, the trustees have again reviewed the Foundation's grant-making policy, and have determined that, for the financial year ending 28 February 2017, they will continue with the grant-making policy outlined on pages 5 to 7 of this report.

Looking further ahead, the Foundation will continue to research existing charities in addition to continuing to consider unsolicited applications within the policy.

The trustees discuss the Foundation's grant-making policy on an ongoing basis, and believe that their wide discretion allows the Foundation to be both innovative and supportive of a large variety of charitable projects and bodies.

Risk management

The trustees believe that by monitoring reserve levels and ensuring that controls exist over key financial systems, and by examining from time to time the operational risks faced by the Foundation and its grant giving activities, that they have established effective systems to mitigate the major risks to which the Foundation is exposed.

The principal risks faced by the Foundation are as follows:

- ◆ Financial sustainability;
- ◆ Ineffective grant making;
- ◆ Investment management.

Financial sustainability

The key elements in managing financial sustainability are a regular review of available funds with which to meet current and future grant commitments, regular liaison with investment managers and bank, and monthly reporting of performance against budget for income and expenditure. In addition, financial risk is mitigated by processes which ensure that all financial instructions are approved by at least two trustees.

Ineffective grant making

The key elements in managing effective grant making are rigorous evaluation of all grant applications, setting grant applicants' expectations on when to expect decisions on applications, and robust reporting requirements which need to be fulfilled by grant recipients. Risks are mitigated by a monthly review by the trustees of grant making, recipient reporting, and grant applications.

Trustees' report Year to 29 February 2016

STRATEGIC REPORT (continued)

Risk management (continued)

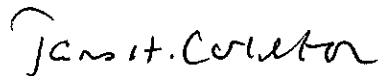
Investment management

The key elements in effective investment management are a trustee body with a skill set appropriate to evaluating investment performance, the engagement of professional investment managers with a significant and successful track record, monthly reviews of investment performance, and regular meetings with investment managers and bank.

In order to ensure best practice and continuous improvement, the trustees review the Foundation's risk assessment at least once a year.

The trustees approve the trustees' report, including the strategic report.

Signed on behalf of the trustees:



James Carleton

Trustee

Approved by the trustees on: 19 July 2016

Independent auditor's report Year to 29 February 2016

Independent auditor's report to the members of The February Foundation

We have audited the financial statements of The February Foundation for the year ended 29 February 2016, which comprise the statement of financial activities, the balance sheet, the statement of cash flows, the principal accounting policies and the related notes. 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), including FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

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

Respective responsibilities of trustees and auditors

The trustees are also the directors of the charitable company for the purposes of company law. As explained more fully in the trustees' responsibilities statement set out in the trustees' report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Scope of the audit of the financial statements

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

Independent auditor's report Year to 29 February 2016

Opinion on financial statements

In our opinion the financial statements:

- ◆ give a true and fair view of the state of the charitable company's affairs as at 29 February 2016 and of its income and expenditure 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 Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- ◆ adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- ◆ the financial statements are not in agreement with the accounting records and returns; or
- ◆ certain disclosures of trustees' remuneration specified by law are not made; or
- ◆ we have not received all the information and explanations we require for our audit.



Katharine Patel, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

8 November 2016

Statement of financial activities as at 29 February 2016

| | Notes | Unrestricted funds £ | Expendable endowment £ | Total 2016 £ | Total 2015 £ |
|--|-------|-------------------------|---------------------------|--------------------|--------------------|
| Income and endowments from: | | | | | |
| Donations | | — | 279,076 | 279,076 | 95,348 |
| Gift of shares | 7 | — | 6,131,506 | 6,131,506 | 9,960,000 |
| Investments | 1 | 2,970,382 | — | 2,970,382 | 2,474,704 |
| Total income | | 2,970,382 | 6,410,582 | 9,380,964 | 12,530,052 |
| Expenditure on: | | | | | |
| Investment management costs | | — | 44,629 | 44,629 | 33,425 |
| Charitable activities | 2 | 1,401,789 | — | 1,401,789 | 765,343 |
| Total expenditure | | 1,401,789 | 44,629 | 1,446,418 | 798,768 |
| Net income before losses on investments | | 1,568,593 | 6,365,953 | 7,934,546 | 11,731,284 |
| Net losses on investments | 7 | | | | |
| Realised on sale | | — | (34,902) | (34,902) | (3,410) |
| Unrealised on movements in market value | | — | (12,329,620) | (12,329,620) | (1,666,960) |
| | | — | (12,364,522) | (12,364,522) | (1,670,370) |
| Net income (expenditure) and net movement in funds for the year | | 1,568,593 | (5,998,569) | (4,429,976) | 10,060,914 |
| Fund balances brought forward at 1 March 2015 | | 2,590,676 | 53,525,246 | 56,115,922 | 46,055,008 |
| Fund balances carried forward at 29 February 2016 | | 4,159,269 | 47,526,677 | 51,685,946 | 56,115,922 |


All income and expenditure derive from continuing activities.

The statement of financial activities includes all gains and losses recognised in the year.

Balance sheet as at 29 February 2016

| | Notes | 2016 £ | 2016 £ | 2015 £ | 2015 £ |
|--|-------|------------------|-------------------|----------------|-------------------|
| Fixed assets | | | | | |
| Investments | 7 | | 49,534,686 | | 55,506,649 |
| Current assets | | | | | |
| Debtors | 8 | 32,724 | | 31,013 | |
| Cash at bank and in hand | | 2,517,080 | | 703,453 | |
| | | <u>2,549,804</u> | | <u>734,466</u> | |
| Liabilities | | | | | |
| Creditors: amounts falling due within one year | 9 | (248,544) | | (103,193) | |
| Net current assets | | | <u>2,301,260</u> | | <u>631,273</u> |
| Total assets less current liabilities | | | <u>51,835,946</u> | | <u>56,137,922</u> |
| Creditors: amounts falling due after one year | 9 | | (150,000) | | (22,000) |
| Total net assets | 10 | | <u>51,685,946</u> | | <u>56,115,922</u> |
| The funds of the charity | | | | | |
| Funds and reserves | | | | | |
| <i>Capital funds</i> | | | | | |
| Expendable endowment | | | 47,526,677 | | 53,525,246 |
| <i>Income funds</i> | | | | | |
| Unrestricted funds | | | <u>4,159,269</u> | | <u>2,590,676</u> |
| | | | <u>51,685,946</u> | | <u>56,115,922</u> |

Approved by the trustees
and signed on their behalf by:



James Carleton
Trustee

Approved on: 19 July 2016

The February Foundation

Company Registration Number: 05718135 (England and Wales)

Statement of cash flows 29 February 2016

| | Notes | 2016 £ | 2015 £ |
|--|----------|------------------|--------------------|
| Cash outflow from operating activities: | | | |
| Net cash used in operating activities | A | (879,924) | (684,084) |
| Cash inflow/(outflow) from investing activities: | | | |
| Dividends and interest from investments | | 2,954,604 | 2,458,281 |
| Proceeds from the disposal of investments | | 2,635,535 | 1,320,354 |
| Purchase of investments | | (2,712,998) | (5,112,823) |
| Net cash provided by (used in) investing activities | | 2,877,141 | (1,334,188) |
| Change in cash and cash equivalents in the year | | 1,997,217 | (2,018,272) |
| Cash and cash equivalents at 1 March 2015 | B | 1,089,674 | 3,107,946 |
| Cash and cash equivalents at 29 February 2016 | B | 3,086,891 | 1,089,674 |

Notes to the statement of cash flows

A Reconciliation of net movement in funds to net cash provided by (used in) operating activities

| | 2016 £ | 2015 £ |
|--|--------------------|-------------------|
| Net (expenditure) income (as per the statement of financial activities) | (4,429,976) | 10,060,914 |
| Adjustments for: | | |
| Losses on investments | 12,364,522 | 1,670,370 |
| Dividends and interest from investments | (2,970,382) | (2,474,704) |
| Gift of shares | (6,131,506) | (9,960,000) |
| Decrease/(increase) in debtors | 14,067 | (4) |
| Increase in creditors | 273,351 | 19,340 |
| Net cash used in operating activities | (879,924) | (684,084) |

B Analysis of cash and cash equivalents

| | 2016 £ | 2015 £ |
|--|------------------|------------------|
| Cash at bank and in hand | 2,517,080 | 703,453 |
| Cash held by investment managers | 569,811 | 386,221 |
| Total cash and cash equivalents | 3,086,891 | 1,089,674 |

Principal accounting policies 29 February 2016

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are laid out below.

Basis of preparation

These financial statements have been prepared for the year to 29 February 2016.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, Update Bulletin 1 issued on 2 February 2016, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities Act 2011. The financial statements have been prepared under the historical cost convention except for the modification to a fair value basis as specified in the accounting policies below.

The charity constitutes a public benefit entity as defined by FRS 102.

All financial information is presented in British Pounds Sterling (£), the charity's functional currency, and has been rounded to the nearest pound (£).

Reconciliation with previous Generally Accepted Accounting Practice

In preparing the financial statements, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was needed. The charity transitioned to FRS102 from previously extant UK GAAP as at 1 March 2015. The transition date for accounting purposes is the 1 March 2014. The following restatements have been made:

- a) Under FRS102 the charity is required to include "governance costs" previously shown as a separate line item on the face of the statement of financial activities, as part of the charity's expenditure on charitable activities. The comparatives in the statement of financial activities have been restated but have had no effect on the net expenditure and net movement in funds as previously reported.
- b) Under previous UK GAAP, any gains or losses on changes in the market value of the investment portfolio were recognised as a component of "other recognised gains and losses". Under FRS102, the gains or losses on the movement in market value and gains are recognised as part of the charity's net income for the year.

The impact of the transition to FRS102 on the comparatives disclosed in the financial statements is as follows:

| | 2015 £ |
|---|-------------------|
| Reconciliation of reported income: | |
| Net income for 2015, as previously stated | 11,731,284 |
| Adjustment for changes in the market value of investments, now treated as a component of net income | (1,670,370) |
| Net income for 2015, as restated under FRS102 | <u>10,060,914</u> |

Critical accounting estimates and areas of judgement

The preparation of financial statements requires the use of certain critical accounting estimates and judgements. It also requires the trustees' to exercise judgement in the process of applying accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including an expectation of future events that are believed to be reasonable under the circumstances. Although these estimates are based on the trustees' best knowledge of the amount, event or actions, actual results may differ from those estimates.

Areas requiring the use of estimates and critical judgements that may impact on the charity's financial activities and financial position include multi-year grant commitment, where judgements are made for recognising grants payable where the payment is not due until future periods. In accordance with the charity's accounting policy for expenditure recognition, multi-year grant commitments are only recognised when approved and all conditions have been satisfied.

Assessment of going concern

The trustees of the charity have not identified any material uncertainties relating to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern.

The trustees consider that the returns on the investment portfolio are sufficient to meet the anticipated grant commitments for the ensuing year.

Income

Income from donations is recognised in the period in which the charity becomes entitled to the donation and where receipt is probable and its amount can be measured reliably.

Investment income comprises dividends and interest on the charity's portfolio of listed investments. Dividends are recognised once the dividend has been declared and the charity has received notification that the dividend is due.

Interest on the charity's investment portfolio and funds held on deposit is recognised when receipt is probable and the amount can be measured reliably using the effective interest method.

The gift of shares to the charity is recognised at market valuation on the date of receipt.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. It includes VAT which cannot be recovered.

Expenditure on charitable activities comprises grants payable and related support and governance costs.

Grants payable

Grants payable are recognised when approved and when the intended recipient has either received the funds or been informed of the decision to make the donation and has satisfied all related conditions.

Grants are not accrued, but are noted as financial commitments in the notes to the financial statements, under the following circumstances:

- Where the beneficiary has not been informed; or
- Where the beneficiary has to meet certain explicit conditions before the grant is released; or
- Where the amount and timing of matched funding payments is uncertain.

Support and governance costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include administration, personnel and governance costs. Governance costs include audit costs and legal costs relating to the charity's compliance with regulation and good practice.

Investment management fees

Investment management fees incurred in managing the investments of the endowment are charged against the endowment fund.

Fixed asset investments

The charity's investment in quoted shares and similar investments are initially measured at cost and subsequently at market value. Investment gains and losses, whether realised or unrealised, are recognised in the statement of financial activities in the period in which they arise.

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the balance sheet when the charity becomes party to the contractual provisions of the instrument.

Debtors

Other debtors and loans receivable are initially recognised at their settlement amount and subsequently at amortised cost or their recoverable amount. Impairment provisions are recognised when there is objective evidence, such as significant financial difficulties on the part of the counterparty or default or a significant delay in payment, that the charity will be unable to collect all of the amounts due.

Prepayments are valued at the amount prepaid.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be measured or estimated reliably.

Creditors and provisions are initially recognised at fair value, being the amount the charity anticipates it will pay to settle the debt, and subsequently at amortised cost.

Non-current creditors are measured at their present value at the balance sheet date where the time value of money is material. The unwinding of the discount is charged against income as an interest expense.

Pension costs

Employer's contributions in respect of defined contribution pension schemes are charged to the statement of financial activities in the year in which they are payable to the scheme.

Fund accounting

The expendable endowment funds represent the capital funds of the Foundation which can be drawn upon if required.

The unrestricted funds represent funds available for the general charitable purposes of the charity at the discretion of the trustees.

Notes to the financial statements 29 February 2016

1 Investment income

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Dividends and interest on listed investments | 2,969,606 | 2,474,314 |
| Interest on cash held by investment managers and in bank accounts | 776 | 390 |
| | <u>2,970,382</u> | <u>2,474,704</u> |

2 Expenditure on charitable activities

| | 2016 £ | 2015 £ |
|---|------------------|----------------|
| Grants payable to institutions by category: | | |
| . Education | 208,340 | 50,000 |
| . Heritage | 41,000 | — |
| . Healthcare and patient support | 273,533 | 294,333 |
| . End-of-life care | 273,197 | 295,772 |
| . Other | 488,000 | 16,000 |
| | <u>1,284,070</u> | <u>656,105</u> |
| Grant and charity administration including governance costs | 117,719 | 109,238 |
| | <u>1,401,789</u> | <u>765,343</u> |

The trustees awarded grants to 125 institutions in the year ended 29 February 2016 (2015 – 112). The trustees consider that the disclosure of specific material grants to institutions could seriously prejudice the furtherance of the purposes of the charity.

3 Governance costs

| | 2016 £ | 2015 £ |
|---|-----------|-----------|
| Statutory audit, accountancy and payroll fees | 10,500 | 12,677 |

4 Net income for the year

This is stated after charging:

| | Total 2016 £ | Total 2015 £ |
|-----------------------------------|--------------------|--------------------|
| Staff costs (note 5) | 90,764 | 82,277 |
| Auditor's remuneration: audit fee | 10,500 | 10,200 |
| other services | — | 2,477 |

5 Staff costs including key management personnel and trustees' remuneration

| | 2016 £ | 2015 £ |
|------------------------------|---------------|---------------|
| <i>Staff costs comprise:</i> | | |
| Wages and salaries | 77,000 | 70,000 |
| Social security costs | 7,989 | 7,027 |
| Pension costs | 5,775 | 5,250 |
| | 90,764 | 82,277 |

The average monthly number of persons (including key management personnel) employed by the charitable company during the year, described as full time equivalents was one (2015 – one).

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the charity and are represented by the trustees and the Chief Executive. The remuneration paid to the Chief Executive is as set out above.

The trustees received no remuneration (2015 – None) and were not reimbursed for any expenses. (2015 –None)

6 Taxation

The February Foundation is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

Notes to the financial statements 29 February 2016

7 Fixed asset investments

At the year end, fixed asset investments comprised the following investments and cash for investment:

| | Total 2016 £ | Total 2015 £ |
|--|--------------------|--------------------|
| Market value of investments at 1 March 2015 | 55,506,649 | 43,038,329 |
| Gift of shares | 6,131,506 | 9,960,000 |
| Additions | 2,712,998 | 5,112,823 |
| Disposals (proceeds £2,635,535; realised losses £34,902) | (2,670,437) | (1,323,764) |
| Unrealised losses in the year | (12,329,620) | (1,666,960) |
| Market value of investments at 29 February 2016 | 48,964,875 | 55,120,428 |
| Cash held for reinvestment | 569,811 | 386,221 |
| | <u>49,534,686</u> | <u>55,506,649</u> |
| Historic cost of investments at 29 February 2016 | <u>9,150,458</u> | <u>8,998,464</u> |
| The market value of investments at 29 February 2016 comprises: | | |
| UK listed | 41,055,219 | 48,082,431 |
| UK fixed interest stock | 5,975,711 | 5,489,172 |
| Overseas listed | — | 1,405,353 |
| Overseas fixed interest | 1,065,822 | 143,472 |
| Alternatives | 277,939 | — |
| Property | 390,184 | — |
| Cash held for reinvestment | 569,811 | 386,221 |
| | <u>49,534,686</u> | <u>55,506,649</u> |

The only individual material holdings as at 29 February 2016 were gifted shares at a market value of £39,083,620 or 79% of the portfolio (2015 - £45,149,750 or 81%).

8 Debtors

| | 2016 £ | 2015 £ |
|----------------------------|---------------|---------------|
| Due within one year | | |
| Accrued investment income | 32,201 | 30,490 |
| Prepayments | 523 | 523 |
| | <u>32,724</u> | <u>31,013</u> |

9 Creditors

| | 2016 £ | 2015 £ |
|-------------------------------------|----------------|----------------|
| Due within one year | | |
| Accrued expenses | 17,314 | 15,464 |
| Grants payable | 231,230 | 87,729 |
| | <u>248,544</u> | <u>103,193</u> |
| Due after more than one year | | |
| Grants payable | 150,000 | 22,000 |

At 29 February 2016, grants of £381,230 (2015 - £109,729) had been approved and all conditions had been satisfied. In accordance with the charity's accounting policy, these amounts have been recognised as a liability in the balance sheet.

10 Analysis of net assets between funds

| | Expendable endowment £ | Unrestricted funds £ | Total 2016 £ | Total 2015 £ |
|---|------------------------------|----------------------------|--------------------|--------------------|
| Fund balances at 29 February 2016 are represented by: | | | | |
| Investments | 47,526,677 | 2,008,009 | 49,534,686 | 55,506,649 |
| Current assets | — | 2,549,804 | 2,549,804 | 734,466 |
| Creditors: amounts falling due within one year | — | (248,544) | (248,544) | (103,193) |
| Creditors: amounts falling due after one year | — | (150,000) | (150,000) | (22,000) |
| Total net assets | <u>47,526,677</u> | <u>4,159,269</u> | <u>51,685,946</u> | <u>56,115,922</u> |
| Cumulative unrealised gains (losses) included above on investments | | | 15,051,123 | 21,766,418 |

11 Matched funding commitments

At 29 February 2016, the trustees had approved the following maximum grants which will not be paid to the recipient unless and until matched funding is obtained by the recipient before the agreement expires.

These amounts have not been recognised as a liability in the balance sheet.

| | Education £ | Healthcare and patient support £ | End- of- Life Care £ | Total £ |
|---|----------------|---|-------------------------------|------------|
| Maximum commitment at 1 March 2015 | 1,126,500 | 128,218 | 20,000 | 1,274,718 |
| Paid in year | (120,500) | (57,218) | — | (177,718) |
| New commitments | — | 186,000 | — | 186,000 |
| Maximum commitment at 29 February 2016 | 1,006,000 | 257,000 | 20,000 | 1,283,000 |

This funding is available under agreements expiring between 2015 and 2022.

12 Related parties

One of the trustees, James Carleton, is also a partner of Farrer & Co LLP. The charity took legal assistance from Farrer & Co LLP during the year costing £4,800 (2015 - £3,088). All services were provided at an arm's length basis. No amounts were owing to Farrer and Co LLP at 29 February 2016 (2015 - £nil).