

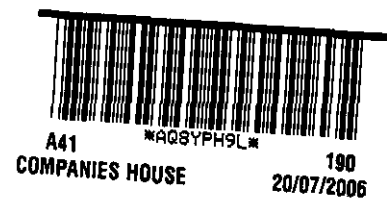
Company Registration No. 05084964 (England and Wales)

**SKIPTON FUND LIMITED**

(A company limited by guarantee and not having a share capital)

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2006**



# SKIPTON FUND LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	E Boyd W Clarke P Stevens M Harvey
<b>Secretary</b>	N Fish
<b>Company number</b>	05084964
<b>Registered office</b>	35 Belmont Road Uxbridge Middlesex UB8 1RH
<b>Auditors</b>	Pinkney Keith Gibbs 35 Belmont Road Uxbridge Middlesex UB8 1RH
<b>Business address</b>	Alliance House 12 Caxton Street London SW1 0QS
<b>Bankers</b>	Lloyds TSB Butler Place Branch PO Box 132 1 Butler Place London SW1H 0PR
<b>Solicitors</b>	Berwin, Leighton, Paisner & Co Adelaide House London Bridge London EC4R 9HA

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# SKIPTON FUND LIMITED

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# **SKIPTON FUND LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006**

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The directors present their report and financial statements for the year ended 31 March 2006.

Skipton Fund Limited is a company limited by guarantee and does not have a share capital.

### **Principal activities**

The principal activity of the company is to implement and manage the UK-wide ex gratia payments scheme for people infected with Hepatitis C from NHS treatment with blood, blood products or tissue. The company acts as agent for the Department of Health, which in turn acts for the health departments of the devolved administrations.

### **Review of the business**

The company began to operate the scheme on 5 July 2004. Operations principally consist of receiving claims for ex gratia payments and, for those claimants who are eligible under the terms of the scheme, making payments. Payments comprise:-

- Stage 1 payments of £20,000 for each eligible claimant who has been infected;
- Stage 2 payments of £25,000 for each claimant whose infection has resulted in serious disease as defined in the scheme rules.

By 31 March 2006 the company had made 3,467 Stage 1 payments and 482 Stage 2 payments. At that stage 314 claims for Stage 1 payments had been rejected as not falling within the terms of the scheme, and 152 were held pending resolution of queries. 107 Stage 2 claims had not been paid because they did not yet meet the scheme's criteria.

A further 376 application forms for Stage 1 payments had been sent to potential claimants that had not been returned to the company. It is not possible to assess how many of these outstanding application forms will result in claims nor when such claims might arrive at the company.

### **Principal risks and uncertainties**

The company has assessed the principal risks that affect its business. The company receives funds from the Department of Health and makes stage payments to claimants. The main risk to the company is that payments could be made to inappropriate claimants.

During the year the company discovered that an employee of the company was making fraudulent payments to registrants that did not exist. The amount of fraudulent payments totalled £400,000 over a period of 18 months. Steps are being taken to recover this amount. The employee in question has been suspended pending further enquiries and these activities have ceased.

Since the discovery of the fraud the company has put in place additional procedures to reduce the risk of this reoccurring.

### **Position at the year end**

The position of the company at the year end is set out on page 6.

### **Results**

The results for the year are set out on page 5.

# SKIPTON FUND LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

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### Future developments

The company has continued to receive and process claims, but at a steadily diminishing rate. It is expected that applications will continue to be received over a period of some years. No reliable estimate of the maximum possible number of claimants is available. It is likely that, over time, a large proportion of claimants who have received Stage 1 payments will be eligible for Stage 2 payments, but no reliable estimate can be made of the period over which this development will take place.

### Directors

The following directors have held office since 1 April 2005:

E Boyd  
W Clarke  
P Stevens  
R Tyrrell  
M Harvey

(Resigned 31 May 2005)

### Auditors

Pinkney Keith Gibbs were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

### Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



E Boyd  
Director  
20 June 2006

# **SKIPTON FUND LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SKIPTON FUND LIMITED**

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We have audited the financial statements of Skipton Fund Limited for the year ended 31 March 2006 set out on pages 5 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and auditors**

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

### **Basis of audit opinion**

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

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

# SKIPTON FUND LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF SKIPTON FUND LIMITED

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### Opinion

In our opinion the financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its surplus for the year then ended ;
- the information given in the directors' report is consistent with the financial statements; and
- have been properly prepared in accordance with the Companies Act 1985.

*Pinkney Keith Gibbs*

Pinkney Keith Gibbs

29 June 2006

Chartered Accountants

Registered Auditor

35 Belmont Road  
Uxbridge  
Middlesex  
UB8 1RH

# SKIPTON FUND LIMITED

## INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Notes	Year ended 31 March 2006 £	Period ended 31 March 2005 £
Direct income		13,964,442	70,099,424
Direct costs		(13,360,000)	(68,030,000)
		604,442	2,069,424
Administrative expenses		(390,287)	(362,507)
Operating surplus	2	214,155	1,706,917
Other interest receivable and similar income		79,493	462,661
Surplus on ordinary activities before taxation		293,648	2,169,578
Tax on surplus on ordinary activities	3	(12,966)	(121,000)
Surplus on ordinary activities after taxation	8	280,682	2,048,578

The income and expenditure account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the income and expenditure account.



# SKIPTON FUND LIMITED

## BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2006 £	£	2005 £	£
<b>Fixed assets</b>					
Tangible assets	4		36,554		36,104
<b>Current assets</b>					
Debtors	5	184,938		3,965	
Cash at bank and in hand		2,194,717		2,999,787	
		<u>2,379,655</u>		<u>3,003,752</u>	
<b>Creditors: amounts falling due within one year</b>	6	<u>(86,949)</u>		<u>(991,278)</u>	
<b>Net current assets</b>			2,292,706		2,012,474
<b>Total assets less current liabilities</b>			<u>2,329,260</u>		<u>2,048,578</u>
<b>Reserves</b>					
Revenue reserves	8		2,329,260		2,048,578
<b>Members funds</b>	9		<u>2,329,260</u>		<u>2,048,578</u>

The financial statements were approved by the Board on 20 June 2006

*Elizabeth A Boyd*

E Boyd  
Director

*P Stevens*  
P Stevens  
Director

# SKIPTON FUND LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

	Year ended 31 March 2006 £	Period ended 31 March 2005 £
Net cash (outflow)/inflow from operating activities	(750,180)	2,586,222
Returns on investments and servicing of finance		
Interest received	76,938	458,696
Net cash inflow for returns on investments and servicing of finance	76,938	458,696
Taxation	(118,861)	-
Capital expenditure		
Payments to acquire tangible assets	(12,967)	(45,131)
Net cash outflow for capital expenditure	(12,967)	(45,131)
Net cash (outflow)/inflow before management of liquid resources and financing	(805,070)	2,999,787
(Decrease)/increase in cash in the year	(805,070)	2,999,787

# SKIPTON FUND LIMITED

## NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2006

1	Reconciliation of operating surplus to net cash (outflow)/inflow from operating activities	2006	2005
		£	£
	Operating surplus	214,155	1,706,917
	Depreciation of tangible assets	12,517	9,027
	(Increase) in debtors	(178,418)	-
	(Decrease)/Increase in creditors within one year	(798,434)	870,278
	<b>Net cash (outflow)/inflow from operating activities</b>	<b>(750,180)</b>	<b>2,586,222</b>

2	Analysis of net funds	1 April 2005	Cash flow	Other non- 31 March 2006 cash changes
		£	£	£
	Net cash:			
	Cash at bank and in hand	2,999,787	(805,070)	-
	Bank deposits	-	-	-
	<b>Net funds</b>	<b>2,999,787</b>	<b>(805,070)</b>	<b>-</b>

3	Reconciliation of net cash flow to movement in net funds	2006	2005
		£	£
	(Decrease)/increase in cash in the year	(805,070)	2,999,787
	<b>Movement in net funds in the year</b>	<b>(805,070)</b>	<b>2,999,787</b>
	Opening net funds	2,999,787	-
	<b>Closing net funds</b>	<b>2,194,717</b>	<b>2,999,787</b>

# SKIPTON FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards.

#### 1.2 Direct income

Direct income represents amounts receivable from H.M. Government to fund the company's principal activity, net of VAT payable on recharged administration expenses.

#### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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	20% on cost
Fixtures, fittings & equipment	20% on cost

#### 1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.5 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

### 2 Operating surplus

	2006 £	2005 £
Operating surplus is stated after charging:		
Depreciation of tangible assets	12,517	9,027
Exceptional item	175,202	-
Operating lease rentals	27,949	28,588
Auditors' remuneration	2,050	2,000

#### Exceptional item

During the year the company discovered that fraudulent payments were being made by an employee of the company to registrants that did not exist. The employee in question has been suspended pending further enquiries and these activities have ceased.

The amount of fraudulent payments totalled £400,000 over a period of 18 months. Of this £50,000 has been recovered during the year from a charity which received monies incorrectly from the employee and a further £174,798 is recoverable from them at the balance sheet date. The net effect is £175,202 shown above as an exceptional item.

At the date of approval of the accounts the company is taking legal action against the employee involved and his wife together with their bankers.

# SKIPTON FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

3	Taxation	2006 £	2005 £
	<b>Domestic current year tax</b>		
	U.K. corporation tax	15,105	121,000
	Adjustment for prior years	(2,139)	-
	<b>Current tax charge</b>	<u>12,966</u>	<u>121,000</u>
	<b>Factors affecting the tax charge for the year</b>		
	Surplus on ordinary activities before taxation	<u>293,648</u>	<u>2,169,578</u>
	Surplus on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2005: 30.00%)	55,793	650,873
	Effects of:		
	Other tax adjustments	<u>(42,827)</u>	<u>(529,873)</u>
	<b>Current tax charge</b>	<u>12,966</u>	<u>121,000</u>

The company is a non-trading company which administers a Hepatitis C ex gratia payment scheme on behalf of the Department of Health. Corporation tax is payable only on the interest receivable from the investment of surplus funds. Included in other tax adjustments in the previous year is corporation tax marginal relief.

4	Tangible fixed assets	Computer equipment £	Fixtures, fittings & equipment £	Total £
	<b>Cost</b>			
	At 1 April 2005	36,571	8,560	45,131
	Additions	<u>4,097</u>	<u>8,870</u>	<u>12,967</u>
	At 31 March 2006	<u>40,668</u>	<u>17,430</u>	<u>58,098</u>
	<b>Depreciation</b>			
	At 1 April 2005	7,315	1,712	9,027
	Charge for the year	<u>8,756</u>	<u>3,761</u>	<u>12,517</u>
	At 31 March 2006	<u>16,071</u>	<u>5,473</u>	<u>21,544</u>
	<b>Net book value</b>			
	At 31 March 2006	<u>24,597</u>	<u>11,957</u>	<u>36,554</u>
	At 31 March 2005	<u>29,256</u>	<u>6,848</u>	<u>36,104</u>

# SKIPTON FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

5 Debtors	2006 £	2005 £
Other debtors	174,798	-
Prepayments and accrued income	10,140	3,965
	<u>184,938</u>	<u>3,965</u>

6 Creditors: amounts falling due within one year	2006 £	2005 £
Corporation tax	15,105	121,000
Other taxes and social security costs	8,856	34,827
Other creditors	43	4,667
Accruals and deferred income	62,945	830,784
	<u>86,949</u>	<u>991,278</u>

### 7 Pension costs

#### Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

	2006 £	2005 £
Contributions payable by the company for the year	<u>2,126</u>	<u>1,825</u>

### 8 Statement of movements on revenue reserves

	Revenue reserves £
Balance at 1 April 2005	2,048,578
Retained surplus for the period	<u>280,682</u>
Balance at 31 March 2006	<u>2,329,260</u>

# SKIPTON FUND LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006

9	Reconciliation of movements in members' funds	2006 £	2005 £
	Surplus for the financial year	280,682	2,048,578
	Opening members' funds	2,048,578	-
	Closing members' funds	2,329,260	2,048,578

### 10 Financial commitments

At 31 March 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2007:

	Land and buildings 2006 £	2005 £
Operating leases which expire: Between two and five years	37,265	37,265

11	Directors' emoluments	2006 £	2005 £
	Emoluments for qualifying services	1,150	10,075

### 12 Employees

#### Number of employees

The average monthly number of employees (excluding directors) during the year was:

	2006 Number	2005 Number
	3	3

#### Employment costs

	£	£
Wages and salaries	56,968	117,365
Social security costs	6,237	5,246
Other pension costs	2,126	1,825
	65,331	124,436

# **SKIPTON FUND LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2006**

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### **13 Control**

There is no one controlling party as the company is limited by guarantee and does not have share capital. The directors have effective control and the day to day administration of the fund is carried out by the Scheme Administrator.

### **14 Related party transactions**

The directors of Skipton Fund Ltd are also trustees of the Macfarlane Trust.

During the year the Macfarlane Trust supplied administration and other services to Skipton Fund Limited. These amounted to £21,410 (2005:£45,022). These amounts have been reimbursed. At the year-end the Macfarlane Trust was owed £Nil (2005:£4,667) by the Skipton Fund Limited.

The Macfarlane Trust and Skipton Fund Ltd share the same offices. Skipton Fund Limited has agreed to take on the lease for the first floor offices which is in the name of the Macfarlane Trust and the annual commitment totals £37,265 (2005:£37,265) plus service charges.