

The James Reckitt Library Endowment Fund

Report and Financial Statements for the

Year ended 31st March 2007

Charity no: 225497

The James Reckitt Library Endowment Fund

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The James Reckitt Library Endowment Fund

Legal and administrative information

Trustees

The fund was established by the Deed of Trust dated 26th May 1890, which was later amended by an Indenture date 2nd October 1893. The Trust is a Registered Charity, registration Number 225497. The Trusteeship of the Fund and the general management of the Library were vested in the corporate body "Kingston upon Hull City Council" by the Indenture of 1893. The Chief Financial Officer and the Chief Executive of the Council serve as Treasurer and Secretary respectively.

Principal Office

Kingston upon Hull City Council, Guildhall,
Alfred Gelder Street, Hull, HU1 2AA

Auditors

Sadofskys Chartered Accountants, Registered Auditors.
Princes House, Wright Street, Hull, HU2 8HX

Bankers

National Westminster Bank Plc, 19 Silver Street,
Hull

The James Reckitt Library Endowment Fund

Report of the trustees for the year ended 31st March 2007

The trustees present their report along with the financial statements of the charity for the year ended 31st March 2007. The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's trust deed, the Charities Act 1993 and the Statement of Recommended Practice; Accounting and Reporting by Charities 2005.

Objects and policies

In 1890 Sir James Reckitt founded the James Reckitt Library in East Hull and in 1892 the Library was given to the Council to be held on Trust. The Trust Deed provided for the establishment of "...a Public Library, known as 'The James Reckitt Free Library', for the use of the inhabitants residing in that portion of the Borough of Kingston Upon Hull which is situated on the east side of the River Hull.". When opened, the library was fully furnished and stocked. The Trustees were vested with "...other personal estate and effects" to provide future funding for the continued refurbishment and stocking of the library. These "estate and effects" form the Endowment Fund referred to in the accompanying Accounts.

Over the years the income arising from the Fund's investments has exceeded the running costs of the James Reckitt Library, and therefore the surplus has been used to provide funds for the upkeep of the general libraries' budget, including maintenance of the book stocks and buildings of all the Council's libraries.

Financial results and future activities

In 2004 the terms of the Trust were reviewed and the Counsel's opinion was sought. The Council are in the process of applying to the Charity Commission for a Scheme to vary the objects of the Trust, to enable the income to be properly expended. It is hoped that the Fund can be used to support a wide range of services across all the Council's libraries, although it is likely that the Fund will be restricted to providing additional services over and above those funded from the existing library budget.

As a result of the ongoing review during the year of the legality of using the Fund to support library expenditure, and the fact that the review and final legal outcome has not yet been completed, Fund income generated during the year has not been applied to Libraries expenditure. Net income generated during the year amounted to £291,197 and this balance has been added to reserves.

The purpose of the Fund is to provide annual funds for the upkeep of the library and therefore the reserves may be applied in the following year, 2007-08, subject to agreement by the Charity Commission to a new Scheme of eligible library expenditure.

The James Reckitt Library Endowment Fund

Investment policy

During 2004-05 the Trustees, to ensure compliance with Sections 4 and 5 of the Trustees Act 2000, appointed external fund managers to set up and manage a diversified investment portfolio to be funded from the proceeds of sale of 80% of the Trusts existing holding of stock in a single company. The aim of this is to reduce the financial risk whilst seeking to obtain above average annual income from dividend and interest payments.

Reserves policy

Due to a change in dividend tax regulations, effective from 6th April 1999, the amount of dividend tax reclaimable is reducing annually to zero by 2005, and this reduces the Fund's annual income. For this reason the Council implemented a Reserve Policy whereby the annual distribution of funds is less than income, with the aim of withholding funds for future years when it is anticipated that the income earned will reduce, when compared to previous years. The cumulative reserve balance will be used in future years to even out the annual distribution of funds to an amount of approximately £150,000 per year, although this will depend on stock market conditions and dividends receivable by the Trust, and the implementation of the new Scheme on eligible expenditure.

The reserves will be reviewed each year in light of the dividends received with consideration given to the budgetary requirements of the benefactor. In 2006-07 the reserves includes all Fund income for the year, and the reserve policy has not been applied.

Risk management

The charity has identified the risks to which it may be exposed and has implemented a risk management strategy which comprises:

- an annual review of the risks which the charity may face:
- the establishment of systems and procedures to mitigate those risks: and
- the implementation of procedures designed to minimise any potential impact on the charity should any of those risks materialise.

Trustees

The Trusteeship of the Fund and the general management of the Library were vested in the corporate body "Kingston upon Hull City Council" by the Indenture of 1893. The Chief Financial Officer and the Chief Executive of the Council serve as Treasurer and Secretary respectively.

The James Reckitt Library Endowment Fund

Statement of trustees' responsibilities

Charity 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 at the year end and its incoming resources and resources expended during the year. 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 business.

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

Treasurer:

Date:

The James Reckitt Library Endowment Fund

Independent Auditor's Report

To the trustees of The James Reckitt Library Endowment Fund

We have audited the financial statements of The James Reckitt Library Endowment Fund for the year ended 31st March 2007 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Sections 43 and 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the information given in the Trustees' Report is not consistent with the financial statements.

In addition we report to you if, in our opinion, the charity has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

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

Basis of opinion

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

We planned and performed our audit so as to obtain all 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.

The James Reckitt Library Endowment Fund

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 charity's affairs as at 31st March 2007 and of its incoming resources and application of resources in the year then ended; and
- The Financial Statements have been properly prepared in accordance with the Charities Act 1993.

Sadofskys
Registered Auditors and
Chartered Accountants
Princes House
Wright Street
Hull
HU2 8HX

Date:

The James Reckitt Library Endowment Fund

Statement of Financial Activities for the year ended 31st March 2007

	Notes	Endowment fund £	Restricted fund £	2007 Total £	2006 Total £
Incoming resources					
Investment income and interest	2	8,449	338,053	346,502	261,492
Total incoming resources		<u>8,449</u>	<u>338,053</u>	<u>346,502</u>	<u>261,492</u>
Charitable expenditure					
Managing and administering the charity	3	43,192	12,113	55,305	32,611
Total resources expended		<u>43,192</u>	<u>12,113</u>	<u>55,305</u>	<u>32,611</u>
Net incoming resources		(34,743)	325,940	291,197	228,881
Other recognised gains and losses					
Net unrealised gains/(losses) on investment assets	4	980,501	-	980,501	1,618,210
Net movement in funds		945,758	325,940	1,271,698	1,847,091
Total funds brought forward		<u>10,014,496</u>	<u>831,166</u>	<u>10,845,662</u>	<u>8,998,571</u>
Total funds carried forward		<u>10,960,254</u>	<u>1,157,106</u>	<u>12,117,360</u>	<u>10,845,662</u>

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

All incoming resources and resources expended derive from continuing activities.

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Balance Sheet as at 31st March 2007

	Notes	2007 £	2006 £
Fixed assets			
Investments	4	10,968,614	10,011,288
Current assets:			
Debtors	5	1,160,964	843,356
Creditors: amounts falling due within one year			
Accruals	6	<u>(12,218)</u>	<u>(8,982)</u>
Net current assets		<u>1,148,746</u>	<u>834,374</u>
Total assets less current liabilities		<u>12,117,360</u>	<u>10,845,662</u>
Funds:			
Permanent endowment fund	7	10,960,254	10,014,496
Restricted funds	7	<u>1,157,106</u>	<u>831,166</u>
		<u>12,117,360</u>	<u>10,845,662</u>

Approved by the Board of Trustees on

Treasurer:

Secretary:

The James Reckitt Library Endowment Fund

Notes forming part of the financial statements

for the year ended 31st March 2007

1. Principal accounting policies

(a) **Accounting convention**

The financial statements are prepared under the historical cost convention as modified by the inclusion of investments at market value and in accordance with applicable accounting standards. In preparing the financial statements the charity follows best practice as set out in the Statement of Recommended Practice - Accounting and Reporting by Charities (SORP 2005) issued in March 2005 and applicable UK Accounting Standards and the Charities Act 1993.

(b) **Incoming resources**

Income is recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty.

(c) **Resources expended and basis of allocation of costs**

Expenditure is accounted for on an accruals basis.

(d) **Fixed asset investments**

Fixed asset investments, are included at market value at the balance sheet date. Any gain or loss on revaluation is taken to the statement of financial activities.

(e) **Stocks and shares**

Stocks and shares, are included at market value at the balance sheet date.

(f) **Funds accounting**

Restricted funds – these are funds that can only be used for particular restricted purposes within the objects of the charity.

Endowment funds – these funds represent assets which must be held permanently by the charity, principally investments. Income arising from the endowment can be used in accordance with the objects of the charity and is included as restricted income.

Further explanation of the nature and purpose of the restricted fund is included in the notes to the accounts.

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2. Investment income and interest

	Endowment	Restricted	Total 2007	Total 2006
Investment dividend and tax credits	-	294,413	294,413	228,896
Interest from balances held by Kingston upon Hull City Council	-	43,640	43,640	32,596
Interest on balances held by Stockbroker	8,449	-	8,449	-
	<u>8,449</u>	<u>338,053</u>	<u>346,502</u>	<u>261,492</u>

3. Costs of managing and administering the charity

	Endowment	Restricted	2007	2006
Legal fees	-	2,025	2,025	-
Audit fee	-	650	650	600
Fund management charges	43,192	9,438	52,630	32,011
	<u>43,192</u>	<u>12,113</u>	<u>55,305</u>	<u>32,611</u>

4. Fixed asset investments

	Quoted 2007	Quoted 2006
Market value:		
At 1 st April 2006	10,011,288	8,393,078
Interest received	8,449	-
Fund management charges paid	(31,624)	-
Net gains/(losses) on valuation	980,501	1,618,210
	<u>10,968,614</u>	<u>10,011,288</u>
At 31 st March 2007		

All the fixed asset investments are held in the UK. Quoted investments comprise of shares and convertible capital bonds. The Trustees consider that there were no material individual investment holdings in the year that require disclosure.

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5. Debtors

	2007	2006
Kingston upon Hull City Council	<u>1,160,964</u>	<u>843,356</u>

The Kingston upon Hull City Council debtor includes £3,209 (2006: £3,209) in respect of permanent endowment funds held as cash.

6. Creditors: amounts falling due within one year

	2007	2006
Audit Accrual	650	600
Fund Management Charges	11,568	8,382
	<u>12,218</u>	<u>8,982</u>

7. Funds

	Balance At 01/04/06	Incoming Resources	Outgoing Resources	Balance At 31/03/07
Permanent endowment fund	10,014,496	988,950	43,192	10,960,254
Restricted funds	831,166	338,053	12,113	1,157,106
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The restricted fund balances are held and administered by the Kingston upon Hull City Council. The restricted fund is used for the maintenance of book stocks and support of the libraries service.