

**FARA FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)**

CONSOLIDATED ANNUAL REPORT & AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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England
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Registered Charity No: 1139349
Registered Company No: 07432706

FARA FOUNDATION (LIMITED BY GUARANTEE)

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for the Year Ended 31 December 2021**

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FARA FOUNDATION (LIMITED BY GUARANTEE)
TRUSTEES' ANNUAL REPORT
Incorporating the Strategic Report, Directors' Report
And Chairman's Report
for the Year Ended 31 December 2021

INCORPORATION

The charitable company was incorporated on 8 November 2010.

REFERENCE AND ADMINISTRATIVE DETAILS

Registered Company number

07432706 (England and Wales)

Registered Charity number

1139349

Registered office

Riverside Centre

63 High Street

Teddington

TW11 8HA

Key Management Personnel

Trustees (Directors)

Ms S G Cross - Chair

Mrs J Nicholson

Mrs L J Dawson

Ms M J Hill (resigned 8.3.21)

Mr R H C Chalk

Mr P W Groves

Ms O P E Rimbart

Ms E H A Middleton (appointed 8.3.21)

Mrs P J Gitlin (resigned 23.06.22)

Mr R Davidson (appointed 9.12.21)

Mrs N Nowak (appointed 9.12.21)

Company Secretary

Mr R Phelan

CEO

Ms L Gordon

Administrator

Mrs A Reid

Patrons

H R H King Charles III

Eugene Sârbu

Senior Managers of FARA Enterprises Limited

Directors

Mr R Phelan – Managing Director and Company Secretary

Ms S Drake – Operations Director (resigned 31.03.2022)

Ms E L Ashby – Development & Marketing Director

Mrs L J Dawson

Ms F Balasel

Mr P W Groves

Ms E H A Middleton

Senior Managers of FARA Properties Limited

Directors

Mrs J Nicholson (resigned 31.12.2021)

Mr R Phelan (Director and Company Secretary)

Mrs P J Gitlin (appointed 01.01.2022 & resigned 23.06.22)

Banks

Barclays Bank PLC, Kingston 9 Branch, Leicester LE87 2BB

Santander UK PLC, Bridle Road, Bootle, Merseyside, L30 4GB

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Auditors

Rothmans Audit LLP
Statutory Auditors
Chartered Accountants
Chilworth Point
1 Chilworth Road
Southampton
SO16 7JQ

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of FARA Foundation (Limited by Guarantee) for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 charitable company and the group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing those financial statements, the Trustees are required to:-

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charity SORP;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK 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 charitable company 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 charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006 and the Charities Act 2011. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

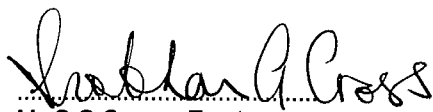
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the Trustees are aware, there is no relevant information (as defined by Section 418 of the Companies Act 2006) of which the charitable company's auditors are unaware, and each trustee has taken all the steps that they ought to have taken as a trustee in order to make them aware of any audit information and to establish that the charitable company's auditors are aware of that information.

PUBLIC BENEFIT

The Board of Trustees has given regard to the legislative and regulatory requirements for disclosing how its charitable objectives have provided benefit to the public. The Trustees confirm that they have complied with their duty under the Charities Act 2011 to have due regard to the public benefit guidance published by the Charity Commission in determining the activities undertaken by the charity. This report outlines how our achievements during 2020-21 have benefited the public, either directly or indirectly

ON BEHALF OF THE BOARD:


.....
Ms S G Cross - Trustee

Date: 26 September 2022

TRUSTEES' ANNUAL REPORT
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CHAIRMAN'S REPORT
for the Year Ended 31 December 2021

WHO WE ARE

The FARA Foundation (FARA) is a registered charity in the UK and was founded in 1991. It is the partner NGO of Fundatia FARA Romania a non-profit, non-governmental organisation supporting the poorest and most vulnerable families, children, and young people in Romania. FARA and Fundatia FARA collaborate with each other and work to common values, strategies, and standards. The work of Fundatia FARA is closely monitored and evaluated, with appropriate policies in place and reported on.

The FARA Partnership comprises Fundatia FARA Romania and the FARA Foundation UK. A new form of Partnership Agreement was agreed upon in late 2021 and put in place in January 2022. These two organisations work to fulfil a shared Vision, Mission, and set of Values and are governed by two separate boards with defined remits and responsibilities. It is the responsibility of these two boards to follow and implement the shared vision, mission, values, and strategic objectives developed in collaboration with the Executive Directors in UK and Romania.

The Romanian word FARA means without and many of Romania's children are still living "without": without care, nurture, a voice, or security. Despite being part of the EU many vulnerable social groups continue to face extreme poverty. Children are growing up and vulnerable young people living without the most basic needs for their healthy emotional, psychological, and physical development and needs.

Fundatia FARA cares for the most vulnerable social groups who are facing extreme poverty by addressing social inclusion and poverty reduction. Operating in three regions of Romania, fulfilling lives, building futures, and spreading hope. The work is life-changing for many families living in extreme poverty and for children and adults with disability and youth at risk.

The **Vision** is of a world in which everyone can live with freedom and dignity in a loving, protective environment, experiencing fulfilled lives whatever their ability.

The **Mission** is to transform the lives of the most vulnerable and disadvantaged children, youth and families living in Romania's poorest communities.

Values

The **Values** underpin all the work and are shared by all those involved in carrying out our mission both in the UK and Romania. FARA strives to build a just society serving the common good, based on Christian values of love, justice, dignity and respect, welcoming people of all faiths and none.

- We act with kindness and compassion.
- We respect the human dignity of every person.
- We believe in practical hands-on care.
- We strive to build a just society.
- We responsibly collaborate across all sections of society.
- We strive to be a best-practice organisation.

STRUCTURE, LEADERSHIP AND POLICIES

FARA UK is governed by a Board of Trustees, who are legally responsible for directing the affairs of the Charity. The Trustees have full legal responsibility for the actions of the FARA Foundation. The Board of Trustees meets up to four times each year to review and direct strategy, budget and performance. In 2021 the FARA UK created three new board subcommittees, on which Trustees sit reporting to the FARA Board which meets up to 4 times a year, with each subcommittee having a separate remit.

- Services Subcommittee - responsible for HR matters for FARA and for oversight of services delivered in Romania.
- Trading Subcommittee – responsible for FEL and Charity Retail matters.
- Finance & Risk Subcommittee – responsible for all finance and risk matters.

The purpose of these subcommittees is to ensure that FARA and all its subsidiary entities in the UK are properly governed and the funds remitted to Fundatia FARA are spent appropriately. These committees report back on their proceedings to the full Board.

FARA was incorporated as a company limited by guarantee, as defined by the Companies Act 2006 on the 8th of November 2010 and is governed by its Articles of Association. The charity has the following two wholly owned subsidiaries:

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- **FARA Enterprises Limited** (FEL) which operates the Charity retail business for the purposes of donating all the profits to FARA. This comprises 40 high street stores made up of 22 general stores, 14 children's stores, 2 bookstores, a homeware store, and a vintage store. In addition, it has an Online store selling items suitable for sale online. Three members of the Board of Trustees sit on the board of FARA Enterprises Ltd.
- **FARA Properties Limited** (FPL) which is a property holding company. At present this property is rented out to FEL from which it operates the vintage store.

Appointment of Trustees

The appointment of Trustees is outlined in the Articles of Association and follows the advice of the charity commission. In 2021 two of the longest-standing Trustees Siobhan Cross and Lucinda Dawson resigned as Trustees and stood for re-election. They were re-elected unopposed, and Siobhan was appointed vice Chair. Jane Nicholson resigned as Chair effective 31 December 2021 and, most recently, Siobhan was appointed to be the new Chair from 23 June 2022.

Two new Trustees Robert Davidson and Natalia Nowak with the appropriate financial and governance skills were appointed to the board in late 2021. An induction programme was arranged to give the individuals the information and tools they needed to fulfil their legal obligations as well as to play an effective role on the Board, including face-face meetings with UK staff, visits to shops and provision of reading material.

Public Benefit

The FARA Foundation trustees confirm that they meet the Charities Act 2011 public benefit requirement. FARA fulfils this through providing funding to Fundatia FARA for the relief of poverty, the improvement of the lives of people with disabilities and the provision of a home to children without one. The programmes and work are further outlined below.

Executive Leadership

In 2021, following the decision of the founder Jane Nicolson to step away from an operational role within the charity a review was carried out by an external consultant looking at both governance and leadership. As a result of this the above-mentioned sub-committees were set up and the charity's first CEO, Libby Gordon was appointed, taking up the role in September 2021. Working together with the FARA Charity Shops Managing Director they have delegated the authority for the running of the charity and trading arm, working within a board-approved scheme of delegations. The Managing Director of FEL which oversees the Charity retail business also filled the role of Company Secretary of the FARA.

Equal Opportunities Policy

FARA does not discriminate on the basis of age, disability, gender reassignment, marital or civil partner status, pregnancy or maternity, race, colour, nationality, ethnicity or national origin, religion or belief, sex or sexual orientation.

Remuneration Policy

Our approach to remuneration is designed to ensure that we attract and retain staff and affordability. Pay banding has been developed for the organisation to ensure consistency and roles have been benchmarked to the sector.

ACHIEVEMENTS AND PERFORMANCE

The OEDC Economic Survey of Romania 2022 and Eurostat 2021 reported that:

- The at-risk-of-poverty rate was 23.40% in December 2020
- Children at risk of poverty or social exclusion was 36.30% in December 2020
- 41.5% of children are living in a household at risk of poverty or social exclusion. The EU average was 24.2%.
- Romania still lags behind most OEDC countries and has limited or problematic access to higher education, healthcare, housing, transport infrastructure and a clean environment.

The drive to close the institutions has been a focus across Europe and Romania but the issues that put children into the care system have not been addressed and so many children and young people are still suffering. Today there are approximately 12,000 children living in residential services.

In Romania today, despite steps towards changing the system, many vulnerable social groups continue to face extreme poverty, social exclusion, and discrimination. Families living in poverty lack support leaving children susceptible to school drop-out or being placed into social service provision and the poverty cycle continues; young adults are leaving state institutions without crucial life skills, at risk of social exclusion and homelessness; children with disabilities are unable to access vital life-changing therapies and education, and adults with learning disabilities remain in institutional care.

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"60,000 children are separated from their families, mostly as a consequence of poverty, violence or abandonment." UNICEF Romania 2020

"Approximately 5000 children leave institutional care each year, being vulnerable and risking poverty and/or social exclusion." UNICEF and Romanian Ministry of Youth and Sports 2015-2020

Today FARA is one of the largest and most experienced care providers in Romania, giving support to vulnerable children and adults, youth at risk, those with learning disabilities, as well as their families and their communities.

Over the last 30 years, FARA has supported over 10,000 beneficiaries and employed over 300 members of staff in Romania.

Fundatia FARA Services in Romania

Fundatia FARA has developed successful models of care delivering support and care in Romania. From the first family home opened in Suceava to the latest therapy centre opened in Bucharest in 2018 Fundatia FARA funds and provides services for Children with disabilities, Vulnerable Children, Adults with learning disabilities, Families in poverty and Youth at risk.

Services for Children with Disabilities:

In Romania, there are approximately 81,000 children with disabilities registered in the state records. Many are unable to access mainstream education. Fundatia FARA offers a lifeline to families who would otherwise be isolated and unable to access support for their children and themselves.

Three therapy centres provide, free of charge, therapy, and special needs education to children with complex needs from marginalised and deprived families. The three centres (Rafael Centre- Bucharest capacity of 70 children, Emmanuel Centre- Suceava capacity of 90 children, St Theresa's- Falticeni, Suceava County, with a capacity of 80 children) provide physio, speech, and sensory therapies for children with a range of disabilities. Following the pandemic, all centres have the capacity to offer the services to beneficiaries through an online environment which has positive implications for child recover.

The Emmanuel Centre celebrated its 10th anniversary in 2021 and overall, the centres cared for over 270 children in 2021
Overall impact:

- 630 children and their families have accessed therapy services in Fundatia FARA's centres in the last decade.
- 67% of the children enrolled in mainstream kindergartens and schools following attending Fundatia FARA's therapy centres.

Child Services:

Fundatia FARA provides a loving and supportive family life for vulnerable and neglected children over the age of 3. The children are supported to grow up in a safe and nurturing environment with a trauma-informed approach. Our children's home is recognised as a model of caregiving "a family for those without" and is recognised as an alternative to state care.

We have a family-style home for children and adjoining accommodation in the form of a Student Hostel for young people in the care of Fundatia FARA who are in further education. In 2021 St Nicholas, Suceava provided a home and stable family to 14 children aged 7-18 years.

Overall Impact:

- 73 children have been helped by the Fundatia FARA Family Homes to grow and embark on new lives.
- 10% of Fundatia FARA's young Family Home residents have gone on to complete a University Education.

Services for Adults with Learning Disabilities:

Support and care for adults with learning disabilities to live a fulfilled life in a home run as a family.

Residential care for adults with learning disabilities who had a childhood living in state institutions, offers a loving, supportive life giving the adults a chance to flourish and to develop their social, spiritual, emotional, and physical well-being. During 2021 our two Homes for Life Casa Elisabetta- Cacica, Suceava County and St Marys- Suceava County provided 20 young adults with disabilities with a home in a supportive family environment.

Overall impact:

- 36 adults with learning disabilities have been given a Home for Life with Fundatia FARA.
- 30% of beneficiaries have gone on to live independent lives after receiving support and care in a Fundatia FARA Home for Life.

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Youth Services:

Residential service for young adults at risk of homelessness or from state care offering counselling, training for employment and independent life skills for up to two years and non-residential support, counselling and training for employment and life skills offered to other young adults.

In 2021, 117 young adults (including 42 residents and 75 young people from the community) benefitted from Fundatia FARA's services and the development of outreach programmes to give wider access to training, employment, housing, and personal support.

Overall Impact:

- 331 young people have benefited from the program's services and acquired the ability to be autonomous in terms of independent living skills
- 100 young people completed school courses (gymnasium, vocational, evening, high school, college)

Tackling Poverty Through Education:

Community based education and social support programme across 6 villages providing 340 children with free daily hot food, after school programmes and resources to support them in completing their kindergarten and primary education and support to their families.

The Fundatia FARA programme helps children start and stay in school. We employ teachers, catering staff and social workers to provide a holistic package of support. We work with the whole family to change attitudes and build futures.

In 2021 a total of 970 families received food packages and 425 families received packages of clothing, 35 families received construction materials for the renovation of houses and 2 families were supported to gain access to water. 1240 direct or indirect beneficiaries were supported through this work

Overall Impact:

- 81 students have graduated from high school or vocational schools

Fundatia FARA organisation transformation

Since December 2020, Fundatia FARA embarked on an organizational transformational journey toward sustainability. This process has enabled Fundatia FARA to build on its strengths and 30 years of experience to continue delivering quality and diversified activities and services for vulnerable children and youth, people with disabilities and their families and communities. Over the past year, through a collective effort that brought together programs teams, management teams and Board members, Fundatia FARA has developed resilience and continues the work started by Jane Nicholson. A solid and sustainable transformation happens with people and through people. A strong and healthy approach to leadership, where everyone is part of a bigger mechanism and plays a pivotal role in the well-being of our beneficiaries is a key ingredient for successful organizational development and a positive impact on the lives of those we serve.

This transformation programme continues to work through the recommendations identified to improve organisational functioning, programme performance and service delivery, and overall sustainability.

FINANCES AND RESERVES

During 2021 FARA received £43,763 (2020 £56,572) from sponsors, donations, Charitable Trusts, and Gift Aid. Investment income was £111,234 (2020: £197,634) while the unrealised gains on fund investments amounted to £261,763 (2020: losses £815,080).

The donation from FEL (the shops) has increased to £1,218,005 during the year (2020: £308,296). The reserves position of the Charity has deteriorated from £10.56m in 2020 to £10.48m in 2021.

FARA Properties Ltd continues to rent out the property in Pimlico. The property consists of a shop space rented out to FARA Enterprises Ltd and three flats on long leases.

The accounting policies adopted by the Charity are set out in Note 1 to the accounts.

Funding

FARA under the Partnership Agreement between FARA and Fundatia FARA is expected to provide £2.0m funds to Fundatia FARA existing programmes for the next three years 2022-2024 inclusive (subject to compliance with the terms of the Partnership Agreement and continuing need in Romania for those programmes) as well as funding for new developments of up to £1.0m. Fundatia FARA itself will be expected to make all reasonable efforts to contribute more funds in 2022 and beyond and will continue to apply for eligible funding within Romania and in Europe.

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The Trustees will continue to offer their skills and experience to ensure the programmes are appropriately managed.

FARA UK Fundraising

From January to April 12, 2021, the main fundraising arm of FARA (FEL) was impacted significantly with the FARA Charity shops being shut for 15 weeks. Despite this and thanks in no small part to payments received from the UK Furlough scheme of £755,058 and the UK retail & hospitality grant scheme of £605,887, FARA's Charity Shops generated a surplus which it was able to covenant to FARA during the year. This ensured that FARA UK was able to continue to grant fund Fundatia FARA programmes in 2021 with little impact on FARA reserves.

During 2021 income received from listed investments and bank deposit accounts amounted to £111,234 (2020: £197,634) reflecting the medium-term impact of the pandemic on dividend yields. At the same time, the unrealised gains made on investments amounted to £261,763 (losses 2020: £815,080) reflecting the bounce back in share values on the UK and overseas markets. This bounce back was anticipated given that many of the stocks and shares were undervalued during the height of the pandemic in 2020 and it is expected subject to unseen events that dividend yields will follow suit in 2022.

Following a revaluation in 2021 the value of the property owned by FARA Properties Ltd the wholly owned subsidiary of FARA amounted to £270,000 (2020: £340,000). This property is rented to FARA Enterprises Ltd. from which FARA Charity shops operate the Retromania store.

FARA UK approved a net budget of Lei 9.78m in December 2020 to fund Fundatia FARA Romania programmes for 2021 and these funds were remitted under the grant funding arrangement throughout 2021 (£1.734m). Not all the funds remitted were utilised leaving a surplus of Lei 1.46m. This arose due to reduced activities related to the COVID-19 pandemic. It is anticipated that these funds will be fully utilised in 2022.

FINANCIAL REVIEW AND RISKS

A risk register has been developed which outlines all the potential risks faced by FARA including the financial risks. Key among those risks are:

- Over-reliance on FARA Charity shops to continue to generate sufficient funds annually to fund Fundatia FARA programmes.
- Over-reliance on key staff in FARA and Fundatia FARA.
- Investment in non-profit-making activities or ineffective programmes.
- Lack of proper controls leading to fraud, theft, hacking and loss of money.
- Inappropriate Investment Strategy.
- Inappropriate Reserves policy.
- Ineffective and weak Fundatia FARA Board

The risk register is reviewed and updated regularly and is a standing item at all subcommittees and board meetings.

FARA is seeking to diversify the risk associated with High Street retail by building up its Online Operations while also over the medium term investing in a CRM system to help it broaden its fundraising capabilities in the UK. Fundatia FARA will seek to access funds within the country and from the EU to fund new programmes and some existing programmes.

In 2022 with the purpose of bringing FARA and FEL closer together the structure and current ways of working will be reviewed. This will include the addition of more resources in the form of new personnel where required.

Proper budgetary processes will continue and will be subject to review from time to time to ensure that all reasonable steps are taken to ensure that FARA only invests in properly researched projects both in the UK and Romania. Fundatia FARA will apply to the FARA development fund for any new proposed projects and similar to any new applicants will have to undergo rigorous checks to obtain that funding.

The grant funding letters and Partnership Agreement between FARA and Fundatia FARA sets out the financial controls to ensure funds provided by FARA are spent effectively and appropriately.

The **Investment Committee** has increased its numbers and will elect a Chair with the Committee meeting more regularly and ahead of the Finance & Risk Sub-Committee meeting. This action is designed to ensure that the Investment Strategy is regularly discussed and reviewed.

The reserves policy is reviewed by the **Finance & Risk Subcommittee** at each quarterly meeting to ensure it is appropriate.

Trustees actively consider the major risks that the Charity faces at each subcommittee meeting before reporting to the full board and believe that maintaining free reserves at the level discussed below, combined with an annual review of the controls over key financial systems, will provide sufficient resources in the advent of adverse conditions.

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The Trustees will continue to invest where appropriate in investment funds with the objective of achieving returns above inflation in the long term and lessening the dependence on existing sources of income while also adhering to FARA's ESG requirements. The Investment Policy is reviewed annually to ensure sufficient cash reserves remain available so that the investments will not need to be encashed in the short term. The investments themselves are also reviewed regularly by the Trustees.

Reserves Policy

The position on cash reserves is reviewed at each Finance & Risk Subcommittee meeting before reporting to the full FARA UK board while the reserves policy is examined annually when the financial statements are being finalised. The crucial measure of the Charity's ability to continue its care provision in Romania is its level of liquidity cover. Accordingly, in reviewing and establishing the reserves policy, the Trustees have considered the requirement to both set-aside funds for the next three years to fund the general programmes established in Romania, and a further 7 years for the long-term support for those who are in long-term care, the need to establish a fund for future developments, together with the short-term requirements for the next 12 months for readily realisable assets should the UK economy not behave as forecast. It is acknowledged that the income from the Charity shops, which provide significant sums annually, carries risks and can be affected by a sudden downturn in economic conditions as seen with the Coronavirus pandemic in 2020 and 2021.

FARA recognises two types of reserves: Restricted Funds and Unrestricted Funds.

- **Restricted Funds** - these are funds received for specific purposes and subject to donor-specified restrictions. No such funds were held or received during the financial year 2021.
- **Unrestricted Funds** - these are funds that are not subject to donor-specific restrictions and are available for the general purposes of FARA UK. Unrestricted funds are classified as designated Funds or General Reserves in line with the General Reserves Policy as approved by the Trustees.

General Reserves Policy

General Reserves are the portion of the unrestricted funds remaining once the Trustees have set aside any amounts as designated funds (see below).

The board of FARA agreed to the General Reserves Policy on September 1, 2022. This policy requires FARA to hold general reserves of approximately 12 months of net grant funding for the programmes in Romania at any time within the year. In 2021 this amounted to approximately £1.69m of General Reserves. The Trustees judged this level of reserves was appropriate to:

- be resilient to financial shocks and ensure retail operations can continue in the short term if income is significantly restricted for a short period of time; and
- ensure charitable income is spent in a timely manner whilst balancing the need for resilience.

General Reserves

General reserves are not restricted to, set aside, or designated for a particular purpose. On 31 December 2021, General Reserves were £1,699,296, within the target range of 12 months of net grant funding required by Fundatia FARA to fund the current programmes for one year.

Designated Funds

Designated funds are those unrestricted funds that have been allocated at the Trustees' discretion for particular purposes. With the transition to FARA UK becoming a grant funding entity to Fundatia FARA, the Trustees and Fundatia FARA agreed that FARA should hold 3 years of grant funding based on the Fundatia FARA 2022 annual budget as a designated fund to provide assurance over FARA's commitment to continuity of funding to Fundatia FARA on a rolling three-year basis. On 9th December 2021, the general budget of £1,850,703 was approved by the board of FARA allowing the board to allocate 3 years of that net spend to designated reserves of £5,570,109. The Trustees have also designated funding of £2,215,135 to be set aside to fund the Homes for Life for 7 years beyond the current 3-year funding cycle.

A development fund £1.0m which is available for capital projects to establish new, or enhance existing, services in Romania has also been set up.

Investment Policy

In 2021, the Investment Committee organised a questionnaire for all Trustees to establish the ethical basis for our active investments, including ESG criteria. It then selected, after a careful interview, two fund managers, Rathbones, and Investec, to manage two tranches of funds for investment - within these criteria - across a diversified range of shares and funds aimed at achieving high growth, with associated high-risk, over a 5-to-10-year time horizon. This was underpinned by the judgement made that the charity would be unlikely to need these funds in the short term and that we, therefore, needed some investments directed to higher growth and with higher risk for the longer-term needs of the charity. FARA continues to have holdings in funds set up specifically to meet the requirements of Charities. These funds track the UK stock and bond market and are in a lower-risk category.

The value of FARA investments and the freehold property it owns through its subsidiary (FPL) stood at a little over £5.53m as of 31 December 2021 (2020: £4.71m).

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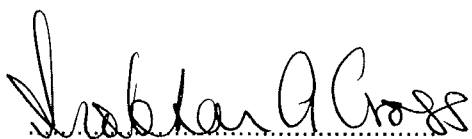
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CHAIRMAN'S CONCLUSION

FARA Foundation is led by a Board of Trustees who are professional people either retired or working, bringing a range of skills and experience to the charity. The Trustees were unable to make regular visits to Romania during 2021 to oversee FARA's programmes although the founder trustee was able to visit. Otherwise, the programmes were monitored through regular communications with the Operations team in Romania. I wish to extend my deep gratitude to all the Trustees for their contribution and dedication to the Charity during this very turbulent year.

In addition, on behalf of the Trustees, I would like to express my sincere gratitude to all of Fundatia FARA's dedicated staff in Romania for their hard work and commitment to maintaining FARA's values to alleviate poverty and suffering in Romania during such difficult times and for the innovation and dedication they showed during the pandemic in ensuring everything possible was done to continue to provide their services to the beneficiaries. I would also like to thank the many supporters of the Charity in the UK including the regular donors, the fundraisers, and the many other donors both directly to the Charity and to the Shops.

Finally, I want to thank all the staff for their hard work and commitment to building a business that provides vital support to the programmes in Romania and continues to operate during another very challenging year. Thanks to their endeavours FARA will continue to provide financial support to the programmes in Romania for many years into the future.



Ms S G Cross – Chair of Trustees

Dated:

26 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARA FOUNDATION (LIMITED BY GUARANTEE)

Opinion

We have audited the financial statements of FARA Foundation (Limited by Guarantee) (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 31 December 2021 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and the parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Trustees' Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report (incorporating the Directors' Report and Chairman's Report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Report (incorporating the Directors' Report and Chairman's Report) has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report (incorporating the Directors' Report and Chairman's Report).

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARA FOUNDATION (LIMITED BY GUARANTEE)

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 2, the trustees (who are also the directors of the charitable company for the purposes of Company Law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Enquiring of management concerning the company's policies and procedures relating to:

- identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
- detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.

Due to the large number of locations and people involved a review and testing of the internal controls was deemed appropriate as this is thought to be an area susceptible to fraud. These controls are designed to prevent fraud by shop staff and the public.

Discussing among the engagement team how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

Obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on operations.

The key laws and regulations we considered in this context included the UK Companies Act 2006 and the accounting standard. The engagement team is familiar with these and has resources available to support the review. Other relevant laws and regulations are those concerned with the retail activity of the company, for which the management's assumptions and decisions were reviewed.

Due to the differences in the activities between the various components of the group, these were reviewed individually for each component.

In order to address the risk of fraud through management override of controls, we:

- Performed analytical procedures to identify any unusual or unexpected variances.
- Tested journal entries to identify unusual transactions.
- Assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.
- Investigated the rationale behind significant or unusual transactions.
- Reviewed if any Serious Incident Reports had been submitted to the Charity Commission and performed an assessment of any Whistleblowing matters

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FARA FOUNDATION (LIMITED BY GUARANTEE)

The procedures carried out which relate to detecting errors in the application of the laws and regulations are thought to be capable of detecting, and advising the correction of, any irregularities.

As explained above the shops are identified as a high risk area for fraud. For this reason both substantive procedures and tests of control were carried out to gain reasonable assurance. However, the audit team understands that there are inherent limitations to the ability to detect all actual or suspected instances of fraud and the further removed non-compliance with laws and regulations is from the events and transactions reported within the financial statements, the greater the risk that we will not become aware of it.

Misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion. However, audit procedures were designed to account for the management override of controls being considered a high risk.

A further description of our responsibilities is available on the Financial Reporting Council's website at:
<http://www.frc.org.uk/auditorsresponsibilities> .

This description forms part of our auditor's report.

Use of our report

This report is made solely to the company'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 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.



Lisa Wilson FCA (Senior Statutory Auditor)
For and on behalf of Rothmans Audit LLP
Statutory Auditors
Chartered Accountants
Chilworth Point
1 Chilworth Road
Southampton
SO16 7JQ

Date:29....September....2022

Rothmans Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Rothmans Audit LLP is a limited liability partnership registered in England and Wales (registered number OC426200)

FARA FOUNDATION (LIMITED BY GUARANTEE)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
For the Year Ended 31 December 2021

	Note	2021 (Total) Unrestricted Funds £	2020 Total funds £
INCOME			
Donations and legacies:			
Donations and other voluntary income (including Gift Aid)		43,763	56,572
Income from other trading activities:			
Retail income	3	8,094,074	5,302,785
Property management charges		3,300	2,898
Coronavirus job retention scheme		755,058	1,265,020
Retail and hospitality grant		605,887	770,000
Investment income:	4	111,234	197,634
TOTAL INCOME		<u>9,613,316</u>	<u>7,594,909</u>
EXPENDITURE			
Costs of raising funds:			
Retail costs	3	7,868,127	6,833,487
Portfolio management		8,266	-
Expenditure on charitable activities:			
Provision of Funding for Child, Youth, Adult Care & Educational Services	6	2,005,565	677,753
TOTAL EXPENDITURE		<u>9,881,958</u>	<u>7,511,240</u>
Net income / (expenditure) for the year		(268,642)	83,669
Net gains / (losses) on revaluation of fixed assets		(70,000)	-
Net gains / (losses) on investments		261,763	(815,080)
NET MOVEMENT OF FUNDS FOR THE YEAR		<u>(76,879)</u>	<u>(731,411)</u>
Reconciliation of funds:			
TOTAL FUNDS BROUGHT FORWARD		10,561,419	11,292,830
NET MOVEMENT OF FUNDS FOR THE YEAR		<u>(76,879)</u>	<u>(731,411)</u>
TOTAL FUNDS CARRIED FORWARD		<u>10,484,540</u>	<u>10,561,419</u>
Represented by:			
Designated funds		8,785,244	5,632,263
General funds		1,699,296	4,929,156
		<u>10,484,540</u>	<u>10,561,419</u>

FARA FOUNDATION (LIMITED BY GUARANTEE)

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

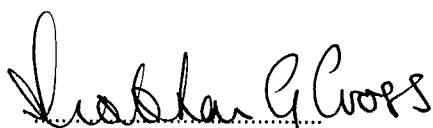
For the Year Ended 31 December 2021

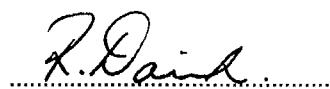
The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derives from continuing activities. Total income of the parent Charity is £4,084,142 (2020: £2,894,545). Total resources expended by the parent Charity amounted to £4,402,783 (2020: £2,810,877). An amount of £261,763 (2020: £815,080 loss) was recognised in respect of gains on fixed asset investments. The Charity's statement of financial activities is not disclosed as a separate statement, as permitted by Section 408 of the Companies Act 2006.

FARA FOUNDATION (LIMITED BY GUARANTEE)
CONSOLIDATED BALANCE SHEET
As at 31 December 2021

	Note	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
FIXED ASSETS					
Tangible assets	10	519,845	46,312	592,578	14,527
Investments	11	5,264,010	5,312,584	4,368,711	4,417,285
Debtors:- Amounts falling due after one year	12	-	250,000	18,000	300,000
CURRENT ASSETS					
Debtors	12	751,188	503,585	800,674	761,089
Cash at bank and in hand		3,887,790	3,789,920	4,222,229	4,173,448
Investments	13	923,552	923,552	923,552	923,552
		5,562,530	5,217,057	5,946,455	5,858,089
Less: CURRENT LIABILITIES					
Creditors:- Amounts falling due within one year	14	383,360	249,031	364,325	13,296
NET CURRENT ASSETS		5,179,170	4,968,026	5,582,130	5,844,793
TOTAL ASSETS LESS CURRENT LIABILITIES		10,963,025	10,576,922	10,561,419	10,576,605
Less: PROVISIONS FOR LIABILITIES	15	478,485	57,195	-	-
NET ASSETS		10,484,540	10,519,727	10,561,419	10,576,605
FUNDS					
Unrestricted income funds					
Designated funds		8,785,244	8,785,244	5,632,263	5,340,837
General funds		1,699,296	1,734,483	4,929,156	5,235,768
TOTAL UNRESTRICTED INCOME FUNDS	16	10,484,540	10,519,727	10,561,419	10,576,605

Approved by the Board of Trustees on 22/12/2022 and signed on their behalf by:-


 Ms S G Cross
 Chairman


 Mr R Davidson
 Trustee

FARA FOUNDATION (LIMITED BY GUARANTEE)

GROUP CASH FLOW STATEMENT
For the Year Ended 31 December 2021

	2021	2020
	£	£
Net incoming / (outgoing) resources	(268,642)	83,668
Adjustments to exclude investment income and non-cash items (see Note A below)	538,579	(323,796)
Net cash inflow / (outflow) from operating activities	269,937	(240,128)
Return on investment and servicing of finance		
Investment income (not reinvested)	19,680	20,901
Capital expenditure and financial investment:		
Purchase of tangible fixed assets	(82,074)	(25,279)
Proceeds of sale of tangible fixed assets	-	600
Purchase of investments	(2,108,079)	(700,000)
Sale of investments	1,566,098	1,883,856
Net cash inflow / (outflow) from investing activities	(604,376)	1,180,078
Increase / (Decrease) in cash (see Note B below)	(334,439)	939,950
Note A		
Adjustments to exclude investment income and non-cash items:-		
Investment income	(111,234)	(197,634)
Depreciation	84,807	63,057
(Increase) / decrease in debtors	67,486	(193,377)
Increase / (decrease) in creditors	19,035	4,758
Increase / (decrease) in provisions	478,485	-
Profit on sale of tangible fixed assets	-	(600)
Total adjustments	538,579	(323,796)
Note B		
Increase in cash at bank and in hand		
Cash at 1 January 2021	4,222,229	3,282,279
Increase / (Decrease) in cash (above)	(334,439)	939,950
Cash at 31 December 2021	3,887,790	4,222,229

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

1. ACCOUNTING POLICIES

The following are the main accounting policies adopted by the Charity:-

Basis of preparation

The financial statements of the Charity, which is a public benefit entity under FRS 102, have been prepared in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and the Companies Act 2006.

The charity meets the definition of a public benefit entity under FRS102. The charity has prepared the financial statements in compliance with the Charity's governing documents and in accordance with the following accounting policies. All monetary values are calculated under the historic cost convention, as modified by the revaluation of investments.

Going concern

The Trustees have not identified any material uncertainties and are not aware of any specific or general event that would place significant doubt on the charity's ability to continue as a going concern. The Trustees' forecasts and ongoing assessment of operations, activities and reserves forms the basis of their assessment of going concern, which covers a period of at least twelve months from the date of approval of these financial statements.

Group financial statements

The financial statements consolidate the results of the charity and its wholly owned subsidiaries, FARA Enterprises Limited and FARA Properties Limited, on a line by line basis. A separate Statement of Financial Activities for the charity has not been presented because the charity has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

Significant Estimates and Judgements

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for directors to make judgements, estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statement and the reporting amounts of revenues and expenses during the year. Actual outcomes could differ from those estimates and assumptions used. The accounting judgements and estimates that could have significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the notes to the financial statements:

Critical Judgements

- Management determine whether financial instruments are basic or advanced and when to deal with recognising, derecognising, measuring and disclosing financial instruments. These decisions depend on an assessment made of the accounting standards.
- Management determine whether certain entities are controlled or not. These decisions are based on several factors including, but not limited to; the percentage of share capital owned and the number of directors the company is able to appoint to the board of any subsidiaries or associated entities.
- Management determine whether the fair value of equity investments can be measured reliably. Unless the shares are publically traded, or have been valued for other purposes, the directors do not believe they can be reliably measured.
- Income is recognised when the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.
- Management determine whether leases entered into by the charity either as a lessor or a lessee are an operating lease or financial lease. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Management determine whether a dilapidation cost is likely to be incurred on leaving the rental properties.

Significant Estimates

- To determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Significant Estimates (continued)

- Where there are indications of impairment to trade debtors, management perform an impairment test. The amount of the loss is determined by looking at the carrying value of the trade debtor and comparing it with the present value of the estimated cash flows discounted at the effective interest rate.
- To determine whether there are indicators of impairment of the charity's investment assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- The investment property is valued by either the director or external valuers and as such there will inevitably be a degree of estimation involved as the value can only ultimately be confirmed on sale.
- As week 52 of the financial year ended on the 25/12/2021 management have determined that sales after this point to the year-end be included in the next financial year, and have been deferred on that basis.
- To determine the provision for dilapidations management review the actual costs incurred on leaving properties vacated in the last two years to calculate an average cost per square metre.

Income and expenditure

All incoming resources are included in the Statement of Financial Activities when the Group is legally entitled to the income, the receipt of such income is probable and the amount can be measured with sufficient accuracy.

Donations and other voluntary income represents donations and associated Gift Aid receipts and is recognised when the charity is entitled to receive the donation.

Shops income generated by the charity's trading subsidiary is included under Retail Income and accounted for on an accruals basis. Gifts donated for resale in the charity shops are reported as income once the goods are sold and associated Gift Aid income is estimated and accrued based upon the point of sale.

No amounts are included in the financial statements for services donated by volunteers.

Grants from governments and other agencies have been included within 'Income from other trading activities', and are recognised on receipt where there are no obligations to be fulfilled. The group utilised the support of the Retail, Hospitality and Leisure Grant Fund for the charity's retail operations in accordance with guidance provided by The Department of Business, Energy and Industrial Strategy (BEIS). The group also utilised the Coronavirus Job Retention Scheme (CJRS). Employee costs have been recognised in full in the financial statements and the CJRS has been included within income from trading activities as the employees' costs supported by these grants are engaged in retail activities.

Investment income represents interest from cash held and income from listed investments. Interest receivable and dividend and other investment income is recognised on an accruals basis.

Expenditure is recognised on an accruals basis. Costs are allocated to the cost of raising funds and expenditure on charitable activities on the basis of direct allocation together with an allocation of support costs. Support costs are of a more general nature and include those functions that assist the work of the charity but do not directly undertake charitable activities, including charity back office costs, financial costs and governance costs incurred in governing the Charity's assets, primarily associated with constitutional and statutory requirements of operating the Charity. Support costs are analysed more fully in note 7.

Costs of raising funds comprise costs incurred in attracting voluntary income together with undertaking trading activities in the subsidiary company to raise funds and costs incurred in managing the charity's investment portfolio to generate a return on investment. Retail costs do not include any valuation of donated goods sold, as permitted by the SORP FRS 102.

As of 1 January 2021 grants payable are payments made to Fundatia FARA in the furtherance of the charitable objects of the charity. Single or multi-year grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and any condition attaching to the grant is outside of the control of the charity.

Up to 31 December 2020 funds advanced to Romania and expenses incurred in connection with directly supporting the Romanian charitable programmes were included within the Statement of Financial Activities as costs of charitable activities.

FARA FOUNDATION (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Funds

Unrestricted (General) Funds represent general reserves of accumulated unrestricted surpluses and deficits. If such funds have been specifically earmarked for a particular project or use by the Trustees, the funds are denoted as Designated Funds. Restricted funds are set aside and used in accordance with the conditions stipulated by the donor. At the reporting date, the charity held no restricted funds.

Taxation

The company is a charity within the meaning of Part 1 of Schedule 6 to the Finance Act 2010. Accordingly the charity is potentially exempt from taxation in respect of income or capital gains within categories covered by Chapter 3 of Part 11 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge arose in the periods. The subsidiaries' corporation tax charges on profit on ordinary activities for the year amounted to £nil (2020: £nil).

Irrecoverable VAT is charged to the Statement of Financial Activities when incurred and is included within the expenditure category to which it relates.

Tax recovered from voluntary income received under Gift Aid is recognised when the related income is considered receivable and is allocated to the income category to which it relates. Both of the subsidiary companies, FARA Enterprises Limited and FARA Properties Limited, have agreements in place with the parent Charity to covenant their profits to the Charity under Gift Aid.

Tangible assets

Tangible fixed assets are stated at historical cost less accumulated depreciation, with the exception of freehold land and buildings which is detailed below. Tangible fixed assets are reviewed annually for indicators of any impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation on assets held at cost less depreciation is charged as to allocate the cost of assets less their residual value over their estimated useful lives. Depreciation rates range as follows:-

Leasehold land and buildings	-	Over the term of the lease
Fixtures and fittings	-	33% on reducing balance
Motor vehicles	-	25% on reducing balance
Office equipment	-	33% on reducing balance
Website	-	straight line over 3 years

The assets' residual values, useful lives and depreciation methods are reviewed and if appropriate are adjusted if there is an indication of a significant change the last reporting date.

The freehold property is recognised under the revaluation model. The property is carried at fair value determined at regular intervals by external experts and the Trustees and is derived from the current rents and yields from comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Changes in fair value are recognised in the Statement of Financial Activities. The Trustees have given consideration to the residual value (its scrap or residual value at the end of its economic life) as this value, having been deducted against the carrying value of the freehold property in the accounts, would determine the depreciation charge to be applied to the property for each year of its remaining useful economic life. The Trustees are of the opinion that the residual value of the property, being the estimated amount the charity would currently obtain on disposing of the property less costs of disposal, if the property were already of the age and condition expected at the end of its useful economic life, is not significantly different to the fair value currently reported in the balance sheet. Accordingly, no depreciation has been charged on the freehold property.

Investments

Investments are shown at market value where there is readily identifiable market value. Unlisted shares, where there is no readily identifiable market value, are recorded at cost or a nominal amount.

FARA FOUNDATION (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS For the Year Ended 31 December 2021

1. ACCOUNTING POLICIES (continued)

Investments (continued)

Investments are revalued at the Balance Sheet date so that when investments are sold, gains or losses which arose before the previous year end have already been recognised. Movements in value arising from investment changes or revaluation, together with profits on disposal of investments, have been recognised in the Statement of Financial Activities.

Current asset investments comprises of savings with an original maturity of more than three months but less than one year.

Foreign currency transactions

The functional currency of the charity is Sterling. Transactions involving foreign currencies are translated into sterling equivalents using rates of exchange prevailing at the transaction date. Assets and liabilities held in foreign currency at the balance sheet date are valued at the rate prevailing at that date. Differences on exchange are taken to the Statement of Financial Activities.

Pension costs

Contributions paid by the group to defined contribution pension schemes for eligible employees are charged to the Statement of Financial Activities in the year they are payable to the scheme.

Operating leases

Rentals payable under operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the Statement of Financial Activities on a straight-line basis over the term of the lease. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Provisions for dilapidation

Provisions represent the best estimate of the liability at the balance sheet date of probable future costs of restoring rented properties to their required condition at the end ultimate expiry of the lease. Expectations are revised at each period end until the actual liability arises, with any difference accounted for in the period in which the revision is made.

Debtors

Debtors receivable within one year or upon demand are recorded at transaction price whether or not a rate of interest is charged on the balance. Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Creditors

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions within one year or upon demand are normally recognised at their settlement amount after allowing for any trade discounts due.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2. LEGAL STATUS OF THE CHARITY

The Charity is a company limited by guarantee and has no share capital. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member of the charity.

FARA FOUNDATION (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

3. RETAIL ACTIVITIES IN GENERATING FUNDS

2021	FARA Foundation £	FARA Enterprises £	Total 2021 £
Retail income (shops' sales)	2,201,254	5,892,820	8,094,074
Retail expenditure (shops' costs)	(1,855,123)	(5,999,667)	(7,854,790)
Support costs	(3,627)	(9,710)	(13,337)
Net funds generated from retail activities	342,504	(116,557)	225,947
2020	FARA Foundation £	FARA Enterprises £	Total 2020 £
Retail income (shops' sales)	1,914,798	3,387,987	5,302,785
Retail expenditure (shops' costs)	(1,705,152)	(5,128,335)	(6,833,487)
Net funds generated from retail activities	209,646	(1,740,348)	(1,530,702)

Retail income includes donations from supporters and the Gift Aid which has been claimed from the proceeds arising on the sale of the donor's goods through the shops of FARA Enterprises Limited.

4. INVESTMENT INCOME

	Total 2021 £	Total 2020 £
Income from listed investments (reinvested)	104,995	164,881
Interest from cash held	6,239	32,753
Total investment income	111,234	197,634

5. GRANTS PAYABLE

At the beginning of the year under review, the charity moved to a grant-making organisation, a change in the way FARA delivers its charitable benefits, as more fully outlined in the Trustees' Report. Grants payable to Fundatia FARA in accordance with the charity's grant-making policy were as follows during the year:

	2021 £	2020 £
Child, youth and adult care	1,734,234	-
	1,734,234	-

FARA FOUNDATION (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

6. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Direct programme running costs 2021 £	Grant funding programme 2021 £	Support costs 2021 £	Total 2021 £	Total 2020 £
Expenses incurred in Romania					
Head office operations & fundraising	-	-	-	-	167,550
Therapy and rehabilitation	-	-	-	-	190,095
Family for those without disabilities	-	-	-	-	62,124
Adults with learning disabilities	-	-	-	-	86,083
Youth Services	-	-	-	-	101,438
Tackling Poverty Through Education	-	-	-	-	70,463
Grants payable					
Child, youth and social care	-	1,734,234	271,331	2,005,565	-
Total Expenditure on Charitable Activities		1,734,234	271,331	2,005,565	677,753

7. ANALYSIS OF SUPPORT COSTS

2021	Total support costs £	Charity admin and office £	Charity staff and consult- ancy £	Finance charges & govern- ance £	Miscell- aneous £
Grants payable					
Child, youth and social care	271,331	57,907	177,823	15,867	19,734
Raising Funds: Shops' costs	13,337	-	-	13,337	-
	284,668	57,907	177,823	29,204	19,734
2020					
	Total Support costs £	Charity admin and office £	Charity staff and consult- ancy £	Finance charges and govern- ance £	Miscell- aneous £
Expenses incurred in Romania					
Head office operations & fundraising	35,626	5,554	13,285	16,072	715
Therapy and rehabilitation	40,398	6,303	15,075	18,209	811
Family for those without disabilities	13,096	2,022	4,937	5,871	266
Adults with learning disabilities	18,435	2,841	6,986	8,241	367
Youth Services	21,569	3,363	8,043	9,730	433
Tackling Poverty Through Education	14,989	2,385	5,414	6,890	300
	144,113	22,468	53,740	65,013	2,892

FARA FOUNDATION (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

8. EXPENDITURE

Total resources expended for the year is stated after charging:-

	Total 2021	Total 2020
	£	£
Operating lease rentals (land and buildings)	1,497,684	1,385,012
Depreciation charges for the year	84,808	63,057
Auditor's remuneration	11,277	7,003
Non-audit compliance services	4,221	3,496
	<hr/>	<hr/>
	1,597,990	1,458,569
	<hr/>	<hr/>

No non-cash benefits were received by the auditors during either reporting period.

9. STAFF AND TRUSTEE INFORMATION

2021

	FARA Foundation £	FARA Enterprises Limited £	Total 2021 £
Staff costs			
Salaries	67,128	3,863,657	3,930,785
Social security	-	330,118	330,118
Pensions	1,270	78,825	80,095
	<hr/>	<hr/>	<hr/>
Total	68,398	4,272,600	4,340,998
	<hr/>	<hr/>	<hr/>

2020

	FARA Foundation £	FARA Enterprises Limited £	Total 2020 £
Staff costs			
Salaries	52,532	4,126,148	4,178,680
Social security	-	302,047	302,047
Pensions	1,208	19,838	21,046
	<hr/>	<hr/>	<hr/>
Total	53,740	4,448,033	4,501,773
	<hr/>	<hr/>	<hr/>

The average number of staff employed during the period on a full time equivalent basis for FARA Enterprises Limited was 305 (2020: 297), and of these employees 1 (2020: 1) received emoluments in excess of £60,000. The number of staff employed for FARA Foundation (Limited by Guarantee) was 1 (2020: 1).

During the period expenses totalling £343 were reimbursed to one Trustee (2020: £1,330 to three trustees) in relation to travel costs to Romania. No remuneration was paid to the Trustees in the period. The key management personnel of the parent charity comprise the Trustees. The total employee benefits of the key management personnel were £nil (2020: £nil). The key management personnel of the group comprise those of the parent charity and the key management personnel of its wholly owned subsidiary, FARA Enterprises Limited. The key management personnel of FARA Enterprises Limited are the executive and non-executive Directors whose employee benefits total £298,355 (2020: £276,742). The employee benefits of key management personnel for the group were therefore £298,355 (2020: £276,742).

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

10. TANGIBLE FIXED ASSETS

GROUP	Freehold land and buildings £	Leasehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Website £	Total £
Cost or valuation						
Balance at 1 January 2021	340,000	128,697	1,022,492	77,522	-	1,568,711
Additions	-	1,807	13,801	-	66,466	82,074
Disposals	-	(15,889)	-	-	-	(15,889)
Revaluation	(70,000)	-	-	-	-	(70,000)
Balance at 31 December 2021	270,000	114,615	1,036,293	77,522	66,466	1,564,896
Depreciation						
Balance at 1 January 2021	-	74,964	835,605	65,564	-	976,133
Charge for the year	-	15,182	44,480	2,990	22,156	84,808
Eliminated on disposal	-	(15,990)	-	-	-	(15,990)
Balance at 31 December 2021	-	74,257	880,085	68,554	22,156	1,045,052
Net book values						
At 31 December 2021	270,000	40,358	156,208	8,968	44,310	519,845
At 31 December 2020	340,000	53,733	186,887	11,958	-	592,578

The £40,358 (2020: £53,733) included within leasehold land and buildings relates entirely to short leasehold properties.

Fixtures and fittings held by the parent charity have a net book value of £2,878 (2020: £1,788). These were acquired at a cost of £5,729 and depreciation of £719 has been charged during the year. Short leasehold assets held by the parent charity have a net book value of £10,295 (2020: £12,739). These were acquired at a cost of £20,073 and depreciation of £2,444 has been charged during the year. Website assets owned by the parent charity were acquired at a cost of £49,709 during the year, against which depreciation of £16,570 was charged, leaving a carrying value of £33,140 in the books of the parent charity at the year end.

11. FIXED ASSET INVESTMENTS

GROUP	Listed Investments £	Total 2021 £	2020 £
MARKET VALUE			
As at 1 January 2021	4,368,711	4,368,711	6,202,765
Purchase of investments at cost	2,108,079	2,108,079	700,000
Dividends reinvested	91,640	91,640	164,882
Disposal of investments	(1,534,665)	(1,534,665)	(1,883,856)
Net investment gains/(losses)	230,245	230,245	(815,080)
As at 31 December 2021	5,264,010	5,264,010	4,368,711

Listed investments include overseas investments of £1,722,070 (2020: £579,043). No shareholdings of over 5% were held by FARA Foundation in any one company.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

11. FIXED ASSET INVESTMENTS (continued)

The cash reserves of the Charity continue to be considered an integral part of the charity's overall investment portfolio and the Trustees keep the investment policy under regular review to ensure the equity investments will not need to be encashed in the short term.

CHARITY

Held by the
Charity
£

Cost

As at 1 January 2021 £48,574

As at 31 December 2021 £48,574

The company's investments at the balance sheet date in the share capital of companies include the following:

The Charity owns 100% of the 5,000 (2020: 5,000) issued ordinary shares of FARA Enterprises Limited, a company incorporated on 16 March 1992 (number 02697467). The principal activity of this company is the sale of donated goods through a chain of Charity shops for the purpose of making charitable donations to FARA Foundation (Limited by Guarantee). The company's net assets as at 31 December 2021 amount to £14,511 (2020: £14,511).

In addition to the trading subsidiary FARA Enterprises Limited, the Charity owns 100% of the 2 issued ordinary shares of FARA Properties Limited (number 03542825). The company was incorporated on 2 April 1998. The principal activity of this company is that of property letting. The company's net liabilities as at 31 December 2020 amount to £230,322 (2020: £160,322).

12. DEBTORS

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Amounts falling due within one year:-				
Trade debtors	24,610	-	13,194	-
Other debtors and prepayments	726,578	503,585	787,480	761,089
	<hr/>	<hr/>	<hr/>	<hr/>
	751,188	503,585	800,674	761,089
	<hr/>	<hr/>	<hr/>	<hr/>
	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Amounts falling due after one year:-				
Other debtors	-	250,000	18,000	300,000
	<hr/>	<hr/>	<hr/>	<hr/>
	-	753,855	18,000	1,061,089
	<hr/>	<hr/>	<hr/>	<hr/>

At the previous year end date, FARA Enterprises Limited owed the Charity £332,979, the balance being included within debtors falling due within one year. At the current reporting date, FARA Enterprises Limited was a creditor to the charity in the sum of £242,706, with this liability reported within creditors falling due within one year, as recorded in note 14.

At the balance sheet date FARA Properties Limited owed the Charity £302,182 (2020: £320,133). The initial loan of £479,198 is repayable after more than one year and interest is charged at a rate of 5%. This loan has been impaired by the parent charity in its own books to reflect the diminution in value of the investment property held by FARA Properties Limited connected to the loan. Of the balance outstanding, a sum of £250,000 (2020: £300,000) is retained within debtors falling due after one year.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

13. CURRENT ASSET INVESTMENTS

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Deposit accounts	923,552	923,552	923,552	923,552
	<u>923,552</u>	<u>923,552</u>	<u>923,552</u>	<u>923,552</u>

14. CREDITORS

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
Amounts falling due within one year:-				
Trade creditors	138,768	-	166,350	-
Taxation and social security	-	-	6,338	-
Other creditors and accruals	224,012	249,031	191,637	13,296
Deferred income	20,580	-	-	-
	<u>383,360</u>	<u>249,031</u>	<u>364,325</u>	<u>13,296</u>

15. PROVISIONS

	Group 2021 £	Charity 2021 £	Group 2020 £	Charity 2020 £
As at 1 January 2021				
Arising in the year	-	-	-	-
Utilised in the year	478,485	57,195	-	-
	<u>478,485</u>	<u>57,195</u>	<u>-</u>	<u>-</u>

Provisions are for dilapidations arising where property leases oblige the group to cover the cost of restoring retail and office properties to their original condition when ending its occupation as those leases terminate.

16. ANALYSIS OF GROUP CHARITABLE FUNDS

	At 1 January 2021 £	Incoming resources £	Outgoing resources £	Gains and losses £	Transfers between funds £	At 31 December 2021 £
Unrestricted funds						
Designated funds	5,632,263	-	-	-	3,152,981	8,785,244
General funds	<u>4,929,156</u>	<u>9,613,316</u>	<u>(9,881,958)</u>	<u>191,763</u>	<u>(3,152,981)</u>	<u>1,699,296</u>
	10,561,419	9,613,316	(9,881,958)	191,763	-	10,484,540

All of the charity funds are for the long-term commitment to children and young adults who are likely to remain within the charity's care for the duration of their lifetime.

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

17. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2021	2020
	£	£
Within one year	788,250	935,293
Between one and five years	631,698	1,243,545
After more than five years	-	14,467
	<hr/>	<hr/>
	1,419,948	2,193,305
	<hr/>	<hr/>

18. TRADING SUBSIDIARIES

The Charity owns 100% of the 5,000 issued ordinary shares of FARA Enterprises Limited, a company incorporated on 16 March 1992. The principal activity of this company is the sale of donated goods through a chain of Charity shops for the purpose of donating its profits to FARA Foundation.

The Charity also owns 100% of the 2 issued ordinary shares of FARA Properties Limited, a company incorporated on 2 April 1998. The principal activity of this company is the rental of property for the purpose of donating its profits to FARA Foundation.

The assets, liabilities and trading results of FARA Enterprises Limited and FARA Properties Limited are provided below:-

Subsidiary assets and liabilities	FARA Properties Limited £	FARA Enterprises Limited £	Total 2021 £	Total 2020 £
Tangible fixed assets	270,000	203,533	473,533	578,051
Stock	-	-	-	-
Debtors	-	558,298	558,298	412,442
Cash at bank and in hand	66,452	31,418	97,870	48,781
Creditors:-				
Amounts falling due within one year	(87,576)	(357,448)	(445,024)	(705,887)
Amounts falling due after one year	(479,198)	-	(479,198)	(479,198)
Provisions for liabilities	-	(421,290)	(421,290)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	(230,322)	14,511	(215,811)	(145,811)
	<hr/>	<hr/>	<hr/>	<hr/>
Capital and reserves				
Called up share capital	2	5,000	5,002	5,002
Other reserves	(229,680)	-	(229,680)	(159,680)
Retained earnings	(644)	9,511	8,867	8,867
	<hr/>	<hr/>	<hr/>	<hr/>
Net assets	(230,322)	14,511	(215,811)	(145,811)
	<hr/>	<hr/>	<hr/>	<hr/>

FARA FOUNDATION (LIMITED BY GUARANTEE)

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 December 2021

18. TRADING SUBSIDIARY (continued)

Subsidiary trading results	FARA Properties Limited £	FARA Enterprises Limited £	Total 2021 £	Total 2020 £
Turnover	32,500	7,297,568	7,330,068	4,779,688
Other income	1,500	1,774,339	1,775,839	2,436,681
	<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources	34,000	9,071,907	9,105,907	7,216,369
Costs of sales	-	(5,618,897)	(5,618,897)	(5,260,055)
Administration and overheads	(26,917)	(2,235,005)	(2,261,922)	(1,647,749)
Unrealised revaluation of investment property	(70,000)	-	(70,000)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net incoming resources	(62,917)	1,218,005	1,155,088	308,565
Donation to FARA Foundation	(7,083)	(1,218,005)	(1,225,088)	(308,565)
	<hr/>	<hr/>	<hr/>	<hr/>
Net movement in shareholders' funds	(70,000)	-	(70,000)	-

19. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

At 31 December 2021 and 31 December 2020 there were no contingent liabilities or capital commitments arising for the group.

20. RELATED PARTY TRANSACTIONS

During the year, FARA Enterprises Limited and FARA Properties Limited made transfers under Gift Aid of their trading profits amounting to £1,218,005 (2020: £308,296) and £7,083 (2020: £269) respectively. Costs recharged by FARA Enterprises Limited for the use of the charity shops in connection with the Retail Gift Aid Scheme amounted to £1,786,461 (2020: £1,705,152)

At the reporting date, the charity was owed amounts from its subsidiary undertakings, the details of which are reported more fully in note 12.

All transactions that occurred during the year between the charity and its subsidiary undertakings were at arm's length.

During the year Mrs J Nicholson, the Chairman of Trustees of FARA Foundation (Limited by Guarantee) received rent totalling £4,800 (2020: £4,800). The rent charged is below market rate.

During the year Ms M J Hill, a trustee who resigned in the year, received £nil (2020: £4,988) in relation to training which the board of trustees considered would benefit the charity.