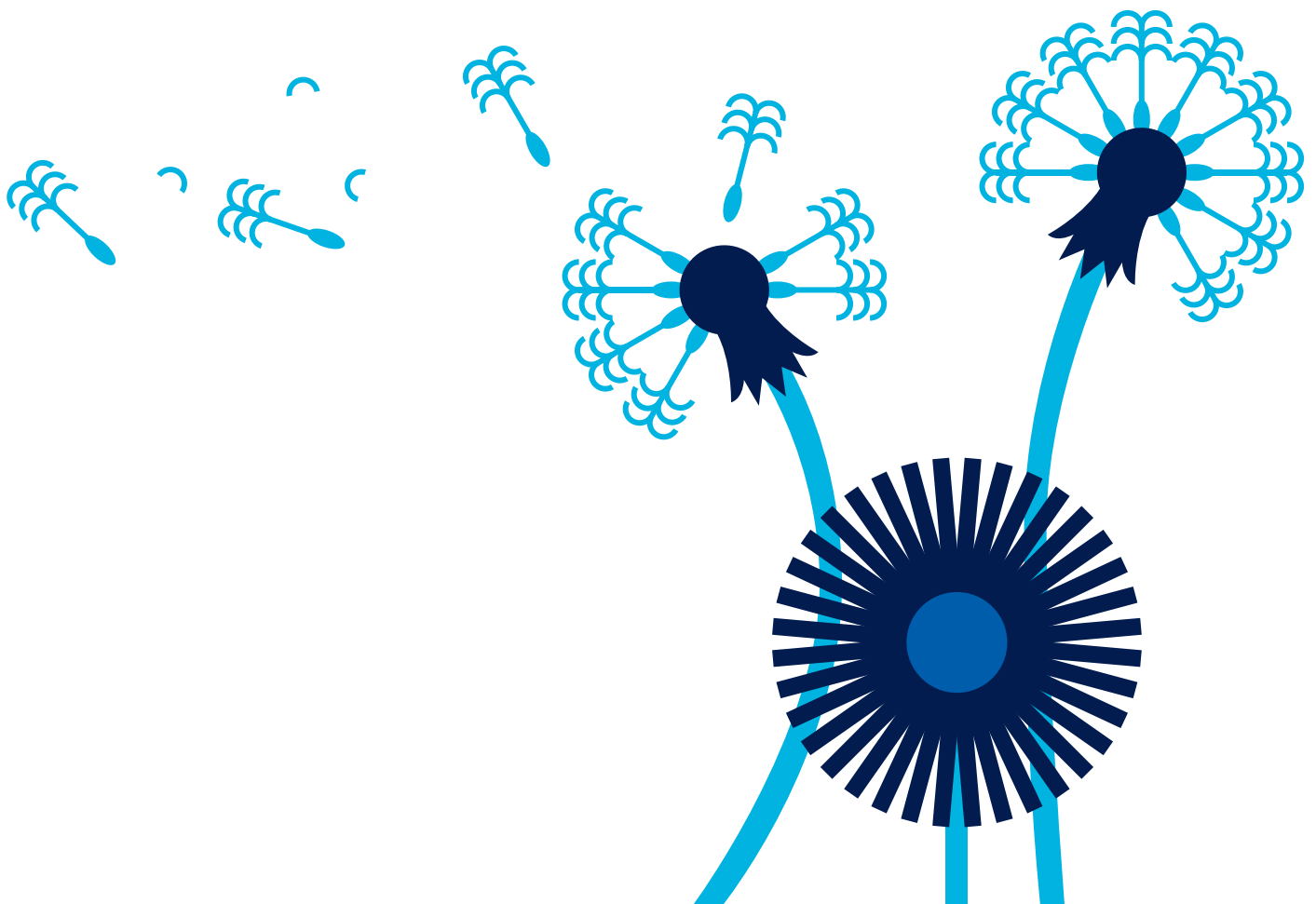


## Family Charities Ethical Trust

Manager's Interim Report and Accounts.

For the period 1st April 2011  
to 30th September 2011.

Distribution number 59 (Interim, Unaudited).  
Distribution due 30th November 2011.



# Manager's Report

## Management and Professional Services

### Manager and Registrar

*Family Investment Management Limited*  
16 West Street  
Brighton BN1 2RE  
Tel: 01273 724570  
Fax: 01273 736958

*Registered in England No. 1915516*

The Manager is authorised and regulated by the Financial Services Authority.

The Manager is a member of the IMA (Investment Management Association).

*This report is issued and approved by the Manager.*

### Investment Advisor

Santander Asset Management UK Limited  
Abbey National House  
287 St Vincent Street  
Glasgow G2 5BR  
Authorised and regulated by the Financial Services Authority

### Trustee

State Street Trustees Limited  
20 Churchill Place  
London E14 5HJ  
Authorised and regulated by the Financial Services Authority

### Auditors

Mazars LLP  
Tower Bridge House  
St Katharine's Way  
London E1W 1DD

Family Investments is a trading name for Family Investment Management Limited, which is a wholly owned subsidiary of Family Assurance Friendly Society Limited, a Friendly Society incorporated in England and Wales under the Friendly Societies Act 1992, registration no: 939F.

# Manager's Report - continued

## Investment Objective and Policy

The investment objective of the Family Charities Ethical Trust is to achieve long term capital growth by tracking the total return of the FTSE4Good UK 50 share index or such other similar index as the Manager shall consider appropriate ("The Index"). In order to accurately track this Index, the Trust's investments will closely replicate the holdings in that Index.

Where appropriate, the Trust may use Transferable Securities, Approved Money Market Instruments, units in Collective Investment Schemes, deposits and cash or near cash. Derivatives and Forward Transactions may be used for Efficient Portfolio Management purposes (including hedging).

The Trust may not consist of the exact composition and weighting of the Index in circumstances where the Manager determined that this is expedient for reasons of poor liquidity or excessive cost to the Trust.

## Trust Performance

This report covers the period 1st April 2011 to 30th September 2011. During this time, the Family Charities Ethical Trust (Inc) returned -13.2% while, over the same period the Family Charities Ethical Trust (Acc) returned -12.5% and the FTSE4Good Index returned -12.1%.

	6 Months
	01/04/2011 – 30/09/2011
Family Charities Ethical Trust Inc*	-13.2%
Family Charities Ethical Trust Acc*	-12.5%
FTSE 4 Good	-12.1%

\* Trust performance is based on price movement calculated using a nominal price at close, which will include all charges & distributions payable. The benchmark is not affected by any charges, this primarily explains why there is a difference between the performance figures and the benchmark.

Source: (Family Charities Ethical Trust, Family Charities Ethical Trust Acc) Lipper, basis bid to bid net of tax on dividend (FTSE 4 Good) Bloomberg.

## Market Background

The period started with no large movements in markets although prices for equities and bonds rose overall. Equity markets continued to weigh up resilient economic data and sustained stimulative monetary policy in the US against pressures from rising oil prices caused by conflict in the Middle East and debt issues in the Eurozone. Bond markets performed well with the UK bond market particularly strong as disappointing growth and below expectation Consumer Price Index data showed a moderation in inflation, driving yields lower.

The period continued with divergent results for bond and equity markets. Bonds delivered positive returns, outperforming equities that were negative. Meanwhile, market focus shifted from worries over inflation and interest rates to concerns about global growth. Optimism brought about by the fall in oil prices was outweighed by mixed economic data. Increasingly fragile US data and fears over the crisis in Greece sparked concerns about global growth, slowing market momentum and prompting a sell-off in equities.

The summer was challenging with UK and US growth and confidence indicators weakening, raising the question if the decline was a short term soft patch or a more concerning issue. Default risk in peripheral Europe worsened and increased risk aversion was the main theme. Although larger than expected, the aid package awarded to Greece in June was not sufficient to support markets and default worries re-surfaced. Signs of contagion spreading to other European economies and the political debate over raising the US debt ceiling kept sovereign risk in focus. Equities underperformed bonds with developed markets down in absolute terms. Defensive bonds gained, with UK and US ten year government bond yields falling below 3%.

Investors moved to safe haven assets, which saw good performance while developed government bonds, such as UK gilts and US bonds, benefited from a fall in yields.

## Manager's Report - continued

### Activity

Below is the market capitalisation split of the Trust.

Index	Family Charities Ethical Trust September 2011 %	FTSE4Good September 2011 %
FTSE4Good	100%	100%

The Trust's objective is to track the total return of the FTSE4Good UK 50 Index. Trades were carried out during the period to maintain the Trust's exposure to the benchmark index.

Over the period in question, there were several changes to the composition of the FTSE4Good UK 50 Index. In June 2011, there were some changes in the number of shares in issue (small adjustments), but no Index additions or deletions. In September 2011, Autonomy Corporation and Burberry Group replaced Admiral Group and Smiths Group within the index. In all cases, the changes were put in place at the relevant date.

### Outlook

Looking ahead, economic momentum appears to have stabilised and forecast company earnings growth for the UK stock market now stands at an impressive level. Rising company profits are usually a good lead indicator of higher levels of capital expenditure and higher levels of private sector employment. With dividend growth expected to be strong in 2011, this should provide considerable support to the market in an environment of low interest rates.

John Bearman  
Chief Investment Officer  
Santander Asset Management UK Limited

18th November 2011

## Manager's Report - continued

### Ongoing Charges Figure (OCF)

<i>At period ended</i>	<i>OCF %</i>
September 2011*	1.53

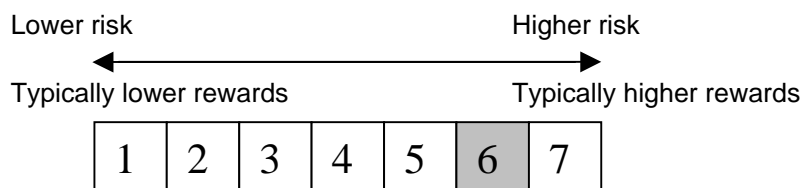
\*Annualised

OCF is a measure of the Trust's ongoing charges. Apart from the initial charge, all other expenses are included in the OCF. The OCF is an accepted standard for the comparison of cost for authorised funds, recognised throughout Europe.

### Authorised Status

The Family Charities Ethical Trust is an Authorised Unit Trust Scheme under section 243 of the Financial Services & Markets Act 2000 and is categorised as a UCITS scheme under the Collective Investment Schemes Sourcebook (COLL).

### Risk and Reward Profile



The Risk and Reward Profile is designed to give you a guide to the Trust's level of risk and potential for growth. The higher the number, the greater the potential for growth but the greater the risk.

The Trust has a category of six this is due to the fact that the Risk and Reward Profile is based on volatility of price movement over a five-year period. Therefore the more the price moves during that period the higher the Risk and Reward Profile will be.

### Comparative Table

#### Trust size

<i>At period ended</i>	<i>Net Asset Value (£)</i>
March 2009	21,795,510.92
March 2010	43,048,306.59
March 2011	57,110,519.12
September 2011	55,324,736.74

<i>At period ended</i>	<i>Valuation</i>		<i>No. of Units in issue</i>		<i>Net Asset Value</i>	
	<i>Basis</i>	<i>Income</i>	<i>Accumulation</i>	<i>Per Unit (pence)</i>	<i>Income</i>	<i>Accumulation</i>
March 2009	Mid	1,369,409.8702	4,839,915.0379	301.97	364.89	
March 2010	Mid	1,329,516.3577	7,129,876.7028	426.51	524.24	
March 2011	Mid	1,219,751.8142	9,475,427.1780	437.55	546.39	
September 2011	Mid	1,200,798.0229	10,625,745.1789	378.44	477.90	

### Unit price range and income history

Year	<i>Income Unit Prices</i>		<i>Accumulation Unit Prices</i>		<i>Annual Income (net)</i>	
	<i>Highest</i>	<i>Lowest</i>	<i>Highest</i>	<i>Lowest</i>	<i>Income</i>	<i>Accumulation</i>
	<i>Buying</i>	<i>Selling</i>	<i>Buying</i>	<i>Selling</i>	<i>Per Unit</i>	<i>Per Unit</i>
	<i>(pence)</i>	<i>(pence)</i>	<i>(pence)</i>	<i>(pence)</i>	<i>(pence)</i>	<i>(pence)</i>
2006	593.30	488.20	685.60	556.80	10.2635	11.6843
2007	634.90	535.40	736.40	628.50	9.3396	10.8229
2008	558.20	285.40	655.30	342.20	13.9067	9.8669
2009	411.80	275.40	502.70	330.10	6.4341	7.7524
2010	443.90	365.60	550.00	449.40	6.1961	7.5920
2011*	453.00	367.00	561.90	458.20	7.7550	9.6092

\* to 30th September only

Past performance should not be seen as an indication of future performance.

Investors are reminded that the price of units, and the income from them is not guaranteed and may go down as well as up.

# Manager's Report - continued

## Portfolio Statement

As at 30th September 2011

	<i> Holding</i>	<i> Market Value £'000</i>	<i> % of total net assets</i>
<b>Investments</b>			
<b>UK - Equities (81.84%; 89.51%)</b>			
<b>Basic Materials</b>			
<b>Mining (9.86%; 13.84%)</b>			
Anglo American	65,937	1,470	2.66
BHP Billiton	105,300	1,830	3.31
Rio Tinto	74,667	<u>2,156</u>	<u>3.89</u>
		<b>5,456</b>	<b>9.86</b>
<b>Communications</b>			
<b>Advertising (0.66%; 0.81%)</b>			
WPP	60,968	<b>366</b>	<b>0.66</b>
<b>Media (2.13%; 2.12%)</b>			
British Sky Broadcasting Group	61,873	411	0.74
Pearson	40,367	459	0.83
Reed Elsevier	62,610	<u>310</u>	<u>0.56</u>
		<b>1,180</b>	<b>2.13</b>
<b>Telecommunications (8.77%; 8.96%)</b>			
BT Group	384,524	667	1.21
Vodafone Group	2,517,000	<u>4,183</u>	<u>7.56</u>
		<b>4,850</b>	<b>8.77</b>
<b>Cyclical Consumer Goods</b>			
<b>Apparel (0.45%; nil)</b>			
Burberry Group	21,300	<b>250</b>	<b>0.45</b>
<b>Distribution / Wholesale (0.40%; 0.50%)</b>			
Wolseley	13,596	<b>219</b>	<b>0.40</b>
<b>Food Services (0.87%; 0.86%)</b>			
Compass Group	92,803	<b>483</b>	<b>0.87</b>
<b>Leisure Time (0.37%; 0.43%)</b>			
Carnival	10,035	<b>202</b>	<b>0.37</b>
<b>Retail (0.93%; 0.90%)</b>			
Kingfisher	110,337	274	0.50
Marks & Spencer Group	76,183	<u>239</u>	<u>0.43</u>
		<b>513</b>	<b>0.93</b>
<b>Energy</b>			
<b>Oil &amp; Gas (7.65%; 8.49%)</b>			
BG Group	165,300	2,051	3.71
Royal Dutch Shell 'B'	108,400	<u>2,180</u>	<u>3.94</u>
		<b>4,231</b>	<b>7.65</b>
<b>Financial</b>			
<b>Banks (13.92%; 18.11%)</b>			
Barclays	600,451	968	1.75
HSBC Holdings	879,507	4,370	7.90
Lloyds Banking Group	1,942,700	677	1.22
Royal Bank of Scotland Group	797,600	188	0.34
Standard Chartered	116,700	<u>1,501</u>	<u>2.71</u>
		<b>7,704</b>	<b>13.92</b>
<b>Diversified Financial Services (0.76%; 0.38%)</b>			
Man Group	91,443	154	0.28
Old Mutual	254,354	<u>267</u>	<u>0.48</u>
		<b>421</b>	<b>0.76</b>

## Manager's Report - continued

### Portfolio Statement - continued

As at 30th September 2011

	<i> Holding</i>	<i> Market Value £'000</i>	<i> % of total net assets</i>
<b>Investments</b>			
<b>Insurance (3.23%; 4.63%)</b>			
Aviva	136,629	417	0.75
Legal & General	279,604	270	0.49
Prudential	124,867	695	1.26
RSA Insurance Group	166,105	185	0.33
Standard Life	109,849	<u>220</u>	<u>0.40</u>
		<b>1,787</b>	<b>3.23</b>
<b>REITS (0.78%; 0.86%)</b>			
British Land	42,056	200	0.36
Land Securities Group	36,046	<u>231</u>	<u>0.42</u>
		<b>431</b>	<b>0.78</b>
<b>Non Cyclical Consumer Goods</b>			
<b>Beverages (4.97%; 4.71%)</b>			
Diageo	123,517	1,521	2.75
SABMiller	58,300	<u>1,226</u>	<u>2.22</u>
		<b>2,747</b>	<b>4.97</b>
<b>Commercial Services (1.00%; 1.01%)</b>			
Capita Group	29,320	207	0.37
Experian	47,825	<u>347</u>	<u>0.63</u>
		<b>554</b>	<b>1.00</b>
<b>Food (5.55%; 5.16%)</b>			
Sainsbury	88,488	242	0.44
Tesco	399,690	1,511	2.73
Unilever	65,285	<u>1,318</u>	<u>2.38</u>
		<b>3,071</b>	<b>5.55</b>
<b>Healthcare Products (0.43%; 0.50%)</b>			
Smith & Nephew	41,328	<b>240</b>	<b>0.43</b>
<b>Household Products and Wares (2.14%; 1.92%)</b>			
Reckitt Benckiser Group	36,147	<b>1,182</b>	<b>2.14</b>
<b>Pharmaceuticals (10.55%; 9.52%)</b>			
AstraZeneca	68,500	1,964	3.55
GlaxoSmithKline	250,000	3,331	6.02
Shire	27,000	<u>543</u>	<u>0.98</u>
		<b>5,838</b>	<b>10.55</b>
<b>Technology</b>			
<b>Semiconductors (0.66%; 0.61%)</b>			
ARM Holdings	64,900	<b>366</b>	<b>0.66</b>
<b>Software (0.55%; nil)</b>			
Autonomy Corporation	11,900	<b>303</b>	<b>0.55</b>
<b>Utilities</b>			
<b>Electricity (1.48%; 1.36%)</b>			
International Power	71,896	221	0.40
Scottish & Southern Energy	46,410	<u>600</u>	<u>1.08</u>
		<b>821</b>	<b>1.48</b>
<b>Gas (3.38%; 3.11%)</b>			
Centrica	251,000	747	1.35
National Grid	176,002	<u>1,123</u>	<u>2.03</u>
		<b>1,870</b>	<b>3.38</b>
<b>Water (0.35%; 0.32%)</b>			
United Utilities Group	31,000	<b>193</b>	<b>0.35</b>
<b>Total UK Equities</b>		<u><b>45,278</b></u>	<u><b>81.84</b></u>

## Manager's Report - continued

### Portfolio Statement - continued

As at 30th September 2011

	<i> Holding</i>	<i> Market Value  £'000</i>	<i> % of total  net assets</i>
<b>Investments</b>			
<b>Overseas Equities (5.32%; 5.58%)</b>			
Royal Dutch Shell 'A'	147,308	<b>2,946</b>	<b>5.32</b>
<b>Total Overseas Equities</b>		<b>2,946</b>	<b>5.32</b>
<b>Investment Assets</b>		<b>48,224</b>	<b>87.16</b>
<b>Futures (-0.12%; 0.15%)</b>			
Liffe - FTSE 100 (GBP)	112	<b>(67)</b>	<b>(0.12)</b>
<b>Investment Liabilities</b>		<b>(67)</b>	<b>(0.12)</b>
<b>Portfolio of Investments</b>		<b><u>48,157</u></b>	<b><u>87.04</u></b>
<b>Net Other Assets</b>		<b><u>7,168</u></b>	<b><u>12.96</u></b>
<b>Total Net Assets at 30th September 2011</b>		<b><u>55,325</u></b>	<b><u>100.00</u></b>

The sector percentage figures give current percentage first followed by the percentage at the previous Annual Accounting date.

# Statement of Manager's Responsibilities

## In relation to the Report and Accounts of the Trust

The Financial Services Authority's Collective Investment Schemes Sourcebook (COLL) as amended requires the Manager to prepare financial statements for each accounting period, which give a true and fair view of the financial position of the Trust and of its net income and the net losses for the period.

In preparing the financial statements the Manager is required to:

- (a) Select suitable accounting policies and then apply them consistently.
- (b) Comply with the disclosure requirements of the Statement of Recommended Practice for Authorised Funds issued by IMA in October 2010.
- (c) Follow generally accepted accounting principles and applicable accounting standards.
- (d) Keep proper accounting records, which enable it to demonstrate that the financial statements as prepared, comply with the above requirements.
- (e) Make judgements and estimates that are reasonable and prudent.
- (f) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that this Trust will continue in operation.

The Manager confirms that all requirements have been met in preparing the financial statements.

The Manager is responsible for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, Full Prospectus and COLL.

In pursuing its investment objective set out on page 3 the Trust holds a number of financial instruments. These comprise:

Equity and non-equity shares, debt securities and futures. These are held in accordance with the Trust's investment objective and policies;

Cash, liquid resources and short term debtors and creditors that arise directly from its operations;

Unitholders' funds which represent investors' monies which are invested on their behalf;

Borrowings used to finance investment activity.

It is, and has been throughout the period under review, the Trust's policy that no trading in financial instruments, other than on the Trust's account, shall be undertaken (March 2011: same).

## Director's Statement

This Report is signed in accordance with the requirements of the Collective Investment Schemes Sourcebook.

John Reeve  
Chairman

Keith Meeres  
Director

18th November 2011

## Statement of Total Return

For the period 1st April 2011 to 30th September 2011

		September 2011		September 2010	
	Note	£'000	£'000	£'000	£'000
Income					
Net capital losses	3		(8,345)		(1,104)
Revenue	4	1,062		711	
Expenses	5	(445)		(322)	
Net revenue before taxation		<u>617</u>		<u>389</u>	
Taxation	6	<u>—</u>		<u>(8)</u>	
Net revenue after taxation for the period			<u>617</u>		<u>381</u>
<b>Total return before distribution</b>			<u>(7,728)</u>		<u>(723)</u>
Finance costs: Distributions	7		<u>(617)</u>		<u>(381)</u>
<b>Change in unitholders' funds from investment activities</b>			<u><u>(8,345)</u></u>		<u><u>(1,104)</u></u>

## Statement of Change in Unitholders' Funds

For the period 1st April 2011 to 30th September 2011

		September 2011		September 2010	
		£'000	£'000	£'000	£'000
<b>Opening Net Assets</b>			57,110		43,048
Movement due to sales and repurchases of units:					
Amounts received on creation of units		6,252		6,138	
Less: Amounts paid on cancellation of units		<u>(254)</u>		<u>(363)</u>	
			5,998		5,775
Stamp duty reserve tax			(4)		(4)
Change in unitholders' funds from investment activities (see above)			(8,345)		(1,104)
Retained distribution on accumulation units			<u>566</u>		<u>338</u>
<b>Closing Net Assets</b>			<u><u>55,325</u></u>		<u><u>48,053</u></u>

# Balance Sheet

As at 30th September 2011

		September 2011		March 2011		September 2010	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>							
<b>Investment Assets</b>			48,224		54,391		44,952
Debtors	8	219		342		202	
Cash and bank balances	9	<u>7,071</u>		<u>2,495</u>		<u>3,453</u>	
<b>Total Other Assets</b>			<u>7,290</u>		<u>2,837</u>		<u>3,655</u>
<b>Total Assets</b>			<u>55,514</u>		<u>57,228</u>		<u>48,607</u>
<b>Liabilities</b>							
<b>Investment Liabilities</b>			67		—		4
Creditors	10	71		76		507	
Distributions payable on Income units		<u>51</u>		<u>42</u>		<u>43</u>	
<b>Total Other Liabilities</b>			<u>122</u>		<u>118</u>		<u>550</u>
<b>Total Liabilities</b>			<u>189</u>		<u>118</u>		<u>554</u>
<b>Net Assets</b>			<u>55,325</u>		<u>57,110</u>		<u>48,053</u>
<b>Unitholders' Funds</b>			<u>55,325</u>		<u>57,110</u>		<u>48,053</u>

# Notes to the Financial Statements

## 1. Accounting Policies

### *(a) Basis of Accounting*

Financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments, and in accordance with the Statement of Recommended Practice for Authorised Funds issued by IMA in October 2010 (IMA SORP 2010). As a result of the application of IMA SORP 2010 the units of the Trust have been classified as equity instruments. The unitholders' funds are now shown in the balance sheet, with consequent other changes in the presentation only. No changes have been made to accounting policies or to the accounting estimates used in applying these policies.

The property of the Trust is stated as at close of business on the 30th September 2011, being the last business day of the financial period. The difference between the valuation at the close of business and that at the pricing point is disclosed in Note 12. The difference between these valuations is not considered to be significant.

### *(b) Income*

Dividends on equities are recognised when the security is quoted ex-dividend, and are shown net of any attributable tax credits. Interest on cash balances and other income are accounted for on an accruals basis. Underwriting commission is recognised when the issue takes place.

### *(c) Valuation*

All investments are valued at their fair value as at close of business on the 30th September 2011, being the last business day of the financial period.

Listed investments have been valued at bid value as at close of business on the Balance Sheet date, and are shown net of any accrued interest which is included in the Balance Sheet as a debtor.

Any unlisted, delisted, suspended or unapproved securities have been valued at the Manager's best estimate.

### *(d) Deferred Taxation*

Deferred tax is provided for on all timing differences that have originated but not reversed by the Balance Sheet date. Any liability to deferred tax is provided at the average rate of tax expected to apply. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

### *(e) Foreign Currencies*

Assets and liabilities have been translated into sterling at the exchange rate prevailing at the valuation point. Non-Sterling receipts and payments are translated at the rates applicable on the date of settlement. Any gains or losses arising from holding assets or liabilities denominated in currencies other than sterling are recognised as capital or income depending on the nature of the underlying item.

### *(f) Dividend Policy*

The net income of the Trust is regarded as the amount available for distribution; no adjustment is made in respect of either management expenses or stock dividends. Management expenses, to the extent that it is permitted, are charged against income.

### *(g) Special Dividends*

These were recognised as either income or capital depending upon the nature and circumstances of the dividend receivable.

### *(h) Treatment of Stock Dividends*

The Trust may elect to take up stock paid in lieu of a cash dividend. These stocks are recorded in the accounts at a value equal to the dividend cash equivalent. These dividends have been recognised as income and form part of the distribution.

In the case of enhanced stock dividends, the amount by which such dividends exceed the cash dividends is treated as capital and does not form part of the distribution.

### *(i) Treatment of stocklending*

Stocklending income is recognised on an accruals basis net of associated costs.

### *(j) Treatment of expenses*

All expenses, except for those relating to the purchases and sales of investments and Stamp Duty Reserve Tax are charged initially against income.

## Notes to the Financial Statements - continued

### 2. Distribution Policy

All revenue received by the Trust less accrued income, revenue expenses and taxation is distributed.

September 2011 £'000	September 2010 £'000
----------------------------	----------------------------

### 3. Net Capital Losses on Investments

The net losses on investments during the period comprise:

Losses on investments	(7,901)	(962)
Losses on futures	<u>(444)</u>	<u>(142)</u>
Net losses on investments	<u><u>(8,345)</u></u>	<u><u>(1,104)</u></u>

### 4. Revenue

UK dividends	968	640
UK property income distribution	8	4
Overseas dividends	74	56
Bank interest	8	11
Foreign currency gains	<u>4</u>	<u>—</u>
	<u><u>1,062</u></u>	<u><u>711</u></u>

### 5. Expenses

**Payable to the Manager, associates of the Manager and agents of either of them:**

Manager's periodic charge	<u>445</u>	<u>322</u>
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<b>Total Expenses</b>	<u><u>445</u></u>	<u><u>322</u></u>
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The Manager bears all of the expenses of the Trust out of its own fee, including the auditors remuneration of £3,420 (September 2010: £2,941).

## Notes to the Financial Statements - continued

	September 2011 £'000	September 2010 £'000
<b>6. Taxation</b>		
a.) Analysis of charge in the period		
Overseas tax	—	8
Total Current Tax	<u>—</u>	<u>8</u>
Deferred tax (note c)	—	—
Total Taxation	<u>—</u>	<u>8</u>

Corporation tax has been provided at a rate of 20% (March 2011: 20%)

b.) Factors affecting current tax charge for the period

The tax assessed for the period is different from the standard rate of corporation tax in the UK for an authorised Unit Trust (20%). The differences are explained below.

Net income before tax	<u>617</u>	<u>385</u>
Tax at standard rate of 20%	123	77
Non taxable income*	(208)	(128)
Overseas tax	—	8
Expense not relieviable	—	1
Creation of tax losses	<u>85</u>	<u>50</u>
	<u>—</u>	<u>8</u>
c.) Provision for deferred tax		
Provision at start of period	—	—
Deferred tax charge in P & L for period (note a)	<u>—</u>	<u>—</u>
Provision at end of period	<u>—</u>	<u>—</u>

\* As an Authorised Unit Trust these items are not subject to Corporation Tax.

The Trust is exempt from Capital Gains Tax.

The Trust has not recognised a deferred tax asset of £776k (March 2011: £691k), which has arisen as a result of having unutilised management expenses. These expenses will only be utilised if the tax treatment of capital gains or the Trust's investment profile changes.

## 7. Finance costs

### Distributions

The distributions take account of all revenue received by the Trust less accrued income, revenue expenses and taxation, and comprise:

Interim	<u>617</u>	<u>381</u>
	617	381
Net distribution for the period	<u>617</u>	<u>381</u>

Details of the distribution per unit are set out in the table on page 19.

## Notes to the Financial Statements - continued

	September 2011 £'000	March 2011 £'000	September 2010 £'000
<b>8. Debtors</b>			
Amount due for creation of units	7	16	9
Accrued income - UK dividends	207	319	164
Overseas dividends	—	—	25
UK property income distribution	3	5	2
Accrued bank interest	2	1	1
Overseas tax recoverable	—	1	1
	<u>219</u>	<u>342</u>	<u>202</u>
<b>9. Cash and Bank Balances</b>			
Cash held for futures	378	7	125
Cash and bank balances*	<u>6,693</u>	<u>2,488</u>	<u>3,328</u>
Total cash and bank balances	<u>7,071</u>	<u>2,495</u>	<u>3,453</u>
* Large cash balances are being held to cover the futures contracts.			
<b>10. Creditors</b>			
Purchases awaiting settlement	—	—	453
Amounts due on the cancellation of units	1	3	—
Accrued expenses	70	72	54
Other expenses	—	1	—
	<u>71</u>	<u>76</u>	<u>507</u>
<b>11. Related Party Transactions</b>			

The Manager of Family Charities Ethical Trust, Family Investment Management Limited, is a wholly owned subsidiary of Family Assurance Friendly Society Limited ("the Society"), being the ultimate controlling party. The Society and Family Charities Ethical Trust are deemed to be related parties. In addition, State Street Trustees Limited, as Trustee, is also regarded as a related party.

All unit creations and cancellations, and all balances due as at 30th September 2011 in respect of creations and cancellations, as disclosed in the Balance Sheet, are executed with the Manager (March 2011: Same).

Total Management charges incurred during the period are disclosed in note 5. Family Investment Management Limited have paid £11,422 on behalf of the Trust in Trustee Fees during the period (September 2010: £8,303).

All bank balances are with the Trustee as at 30th September 2011 and are disclosed in the Balance Sheet.

Family Equity Plan Limited, being a subsidiary of Family Assurance Friendly Society Limited, is deemed to be a related party of Family Charities Ethical Trust. As at 30th September 2011, Family Equity Plan holds (in a nominee account on behalf of Family PEP and Family ISA holders) £41.66 million (0.182 million income units and 8.574 million accumulation units) in Family Charities Ethical Trust. Family Equity Plan Limited has purchased 1.255 million accumulation units during the period. Family Equity Plan redeemed 0.080 million accumulation units during the period.

The Family Charities Ethical Exempt Fund is deemed to be a related party of Family Charities Ethical Trust. As at 30th September 2011 The Family Charities Ethical Exempt Fund holds £7.12 million (1.490 million accumulation units), The Family Charities Ethical Exempt Fund redeemed 0.029 million units during the period.

## Notes to the Financial Statements - continued

### 12. Risk Management

Financial Instruments are valued at fair value in accordance with Financial Reporting Standard 26 as disclosed in note 1(c).

#### Management of risk

The principal risks arising from the Trust's financial instruments are market price and credit risks. The Manager reviews (and agrees with the Trustee) policies for managing each of these risks. These policies have remained unchanged since the beginning of the period to which these financial statements relate, and the preceding period.

#### Fair values of financial instruments

All of the financial assets of the Trust are held at fair value.

#### *Financial liabilities and equity instruments*

The units of the Trust are puttable equity instruments and the main liability of the Trust is that due to the unitholders. Puttable means that the unitholder can sell at their discretion the units they hold back to the Fund for cash for the price quoted that day.

- At the Balance Sheet date the liability to redeem units to the unitholders was £55,324,737 (March 2011; £57,110,519)

The fair value of the Trust is derived from the cancellation price of the units as at 30th September 2011, which is the lowest redeemable value of the Trust.

Set out below is a comparison by category of book values and fair values of the Trust's financial liabilities and equity instruments as at 30th September 2011.

		<b>Book Value</b> (fair value at close) £	<b>Fair Value</b> (at pricing point) £
<b>Primary financial liabilities and equity instruments held or issued to finance the Trust's operations:</b>			
Liability to redeem units	September 2011	55,324,737	55,593,128
	March 2011	57,110,519	57,670,501

#### Market price risk

Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Trust might suffer through holding market positions in the face of price movements.

The Investment Advisor meets monthly (or more often if appropriate) to consider the asset allocation of the portfolio in order to minimise the risk associated with particular countries or industry sectors whilst continuing to follow the investment objective. An individual fund manager has responsibility for monitoring the existing portfolio selected in accordance with the overall asset allocation parameter described above and seeks to ensure that the individual stocks also meet the risk reward profile that is acceptable.

#### Derivative risk

The Manager may employ derivatives solely for the purposes of Efficient Portfolio Management with the aim of reducing the risk profile of the Trust. Using a derivative that is the closest match to the FTSE4Good.

#### Interest rate risk

The Trust may invest in debt securities. Any change to the interest rates relevant for particular securities may result in either income increasing or decreasing, or the Investment Advisor being unable to secure similar returns on the expiry of contracts or the sale of securities. In addition changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held.

In general if interest rates rise the income potential of the Trust also rises but the value of the debt securities will decline (along with certain expenses calculated by reference to the assets of the Trust). A decline in interest rates will in general have the opposite effect.

## Notes to the Financial Statements - continued

### Currency rate risk

The Trust invests in foreign equities, which are priced in local currency. The local value is converted to sterling at the prevailing exchange rate for valuation purposes. The Trust is exposed to the possibility of sharp currency movements, which can affect the value of the portfolio on a daily basis.

The Trust may be subject to short term exposure to exchange rate movement, for instance where there is a difference between the date when the investment purchase or sale is entered into and the date when settlement of the proceeds occurs. When the Trust enters into such a transaction which will involve the buying and selling of foreign currency in order to complete, a forward contract is entered into at the same time as the initial transaction in order to eliminate exchange rate risk.

The Trust receives income in currencies other than sterling and movements in exchange rates can affect the sterling values of this income. The Trust converts all receipts of income into sterling on or near the date of receipt. However it does not hedge or otherwise seek to avoid rate movement risk on income accrued but not received.

### Liquidity risk

The Trust's assets comprise mainly of readily realisable securities, which can be readily sold. The main liability of the Trust is the redemption of any units that investors wish to sell.

### Credit risk

Certain security transactions that the Trust enters into expose it to the risk that the counter-party will not deliver the investment (purchase) or cash (sale) after the Trust has fulfilled its responsibilities.

The Trust only buys and sells investments through brokers, which have been approved by the Investment Advisor as an acceptable counter-party. The Manager undertakes periodic visits to the Investment Advisor to confirm that delegated functions are being performed in accordance with Financial Services Authority's rules.

Cash balances are held only with institutions that have the highest credit ratings.

### 13. Portfolio Transaction Costs

	September 2011 £'000	September 2010 £'000
Analysis of total purchase costs		
Purchases in period before transaction costs	2,408	14,502
Commissions	3	28
Taxes	<u>7</u>	<u>68</u>
Total purchase costs	10	96
Gross purchase total	<u>2,418</u>	<u>14,598</u>
Analysis of total sale costs		
Gross sales in period before transaction costs	755	4,089
Commissions	(2)	(8)
Taxes	<u>—</u>	<u>—</u>
Total sales costs	(2)	(8)
Total sales net of transaction costs	<u>753</u>	<u>4,081</u>

## Notes to the Financial Statements - continued

### 14. Contingent Liabilities

As at 30th September 2011 there were no contingent liabilities (31st March 2011; none).

### 15. Non-Eligible Markets

As at 30th September 2011 there were no securities held that trade on non-eligible markets (31st March 2011; none).

### 16. Stamp Duty Reserve Tax

The Stamp Duty Reserve Tax (SDRT) regime generally imposes a 0.5% charge on the value of redemptions of units to the Manager, which is potentially reduced by two ratios:

1. If more units are redeemed than issued during the two week period, which consists of the week the redemption occurs and the following week, then the liability is reduced by multiplying it by the ratio  $I/R$  (where I and R are the number of units issued and redeemed in the two week period).
2. If a trust has investments in exempt assets, the liability is (further) reduced by multiplying it by the ratio  $N/(N+E)$  (where N and E are the average market values of the non-exempt and exempt assets of the fund over the two week period).

SDRT is calculated on a two week rolling basis (the charging period is one week: the level of SDRT ultimately payable will depend on the number of issues and redemptions of units dealt during the charging week and the following week) and charged to the property of the Trust via a weekly accrual. Although legally the Trustee is liable for the tax, it is the Manager who collects and administers it.

### 17. Unit Classes

The Trust issues two classes of units, income and accumulation. The annual management charge for both classes is 1.5% of the Trust's Net Asset Value, calculated monthly.

## Distribution Table

The distribution table forms part of the notes to the financial statement.

### For the period ended 30th September 2011

#### Income Units

*Distribution in pence per unit*

	Current Year	Prior Year
30th September 2011 Group 1	4.2620	3.3031

#### Accumulation Units

*Distribution in pence per unit*

	Current Year	Prior Year
30th September 2011 Group 1	5.3222	4.0600

## Corporate Unitholders Information

A unitholder within the charge to UK corporation tax receives the allocation excluding any equalisation as unfranked income to the extent that the income from which the allocation is made is not franked investment income.

Where the income from which the allocation is made is not wholly franked investment income, part of the allocation is received as an annual payment from which income tax at the lower rate has been deducted.

	Franked % (1)	Unfranked % (2)
30th September 2011	98.19	1.81

- (1) The percentage of the total allocation that is received as franked investment income.
- (2) The percentage of the allocation that is received as an annual payment after deduction of income tax at the lower rate and is chargeable to corporation tax. It is not franked investment income.

## General Information

### Launch:

The Trust was launched on 31st March 1982 at an initial offer price of 50p.

### Distributions:

The annual accounting year ends on 31st March with an interim accounting date on 30th September.

Income is distributed on, or before 31st May and 30th November.

Income is paid net of Income Tax, and distribution certificates are distributed, along with the half yearly report two months in arrears of the accounting date.

### Reports:

Manager's reports for the Family Charities Ethical Trust are published every six months on 31st May and 30th November.

### Prices:

The Trust is priced on a single pricing basis. This single price is the price at which you can sell your units back to the Manager, and also the price at which you can buy units from the Manager.

Prices are calculated as at 10.00am on each business day.

Prices and the estimated yield generated by the Trust are published on the IMA and Financial Express website [www.fundlistings.com](http://www.fundlistings.com). Prices are also available on [www.family.co.uk](http://www.family.co.uk), or by contacting our Customer Services Team on 0808 100 7654 (telephone calls may be recorded or monitored).

### Units:

During the period The Family Charities Ethical Trust issued Accumulation units and Income units.

### Buying and selling units:

The Manager can receive written requests to buy or sell units during normal business hours. The units will be bought and sold following the next price calculation.

### Cancellation rights:

Investors entering into a contract to purchase units will have the right to cancel said purchase within 14 days of receipt of the cancellation notice. Please note that, for lump sum investments, clients who exercise their right to cancel may be charged for any market loss (shortfall) incurred.

### Full Prospectus:

The Full Prospectus for the Family Charities Ethical Trust is available on request from the Manager.

### Yield:

The historical yield of the Trust is quoted on the IMA and Financial Express website [www.fundlistings.com](http://www.fundlistings.com). The yield shown reflects the distributions paid or declared by the Trust over the past twelve months, as a percentage of the unit price of the Trust. It does not include any initial sum paid in order to invest in the Trust and investors may be subject to tax on distributions.

### Other Trusts managed by Family Investment Management Limited:

The Full Prospectuses and latest Report and Accounts for any of the Authorised Funds managed by Family Investment Management Limited are available upon request.

If you would like to invest in the Family Charities Ethical Trust please ring our Customer Services Team on **0808 100 7654**.  
Telephone calls may be recorded or monitored for training purposes.

**Managed by**

Family Investment Management Limited

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Member of the IMA

Authorised and regulated by the Financial Services Authority

Family Investments is the trading name of Family Assurance Friendly Society (incorporated under the Friendly Societies Act 1992, Reg No. 939F), Family PEP Managers Limited (Co. No. 2934967), Family Investment Management Limited (Co. No. 1915516) and Family Equity Plan Limited (Co. No. 2208249), which are all authorised and regulated by the Financial Services Authority (25 The North Colonnade, Canary Wharf, London E14 5HS). Registered in England at: 16-17 West Street, Brighton, East Sussex BN1 2RL.