Kingston Smith LLP
Chartered Accountants

The Booker Prize Foundation

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

Company Number: 4213467
Registered Charity Number: 1090049

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2006

The Booker Prize Foundation
Trustees' Report
For the year ended 31st December 2006

The trustees present their report and the accounts for the year ended 31st December 2006 These have been prepared in accordance with the Statement of Recommended Practice (2005)"Accounting and Reporting by Charities", current legislation and the Memorandum and Articles of Association The trustees have taken advantage of the simplified disclosures available to smaller companies through Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2005)

Legal and administrative information

Trustees	The trustees (who are the directors of the company for the purposes of company law) throughout the year and up to the date of signing this report were Jonathan Taylor CBE (Chairman) The Rt Hon the Lord Baker of Dorking CH Dr Martyn Goff CBE FRSA FRSL (appointed April 2006) Ronald Harwood CBE FRSL Baroness Kennedy QC Baroness Neuberger DBE Baroness Nicholson of Winterbourne MEP Christopher Pearce FCA (Treasurer)
Company secretary	Evelyn Smith
Registered office	28 St James's Walk London EC1R 0AP
Auditors	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD
Bankers	HSBC 89 Buckingham Palace Road London SW1W 0QL
Solicitors	Bates, Wells & Braithwaite 2-6 Cannon Street London EC4M 6YH

Structure Governance and Management

Booker Prize Foundation ("the Foundation") is a private company incorporated under the Companies Act 1985 and is limited by guarantee It was registered as a company on 10 May 2001 and as a charity on 11 January 2002 The conduct of the company is governed by its memorandum and articles of association Since 2002 the Foundation has been responsible for awarding the annual Man Booker Prize, which previously had been established for over 30 years as the Booker Prize In 2005 the Foundation inaugurated the Man Booker International Prize to be awarded biennially More on the charitable objectives and activity of the Foundation appears later in this report

Trustees

The board of trustees is responsible for overall policy, strategic guidance and the selection of a sponsor and also for the appointment of the people and organisations who implement, administer and organise the affairs of the Foundation and its trading subsidiary, Booker Prize Trading Limited

The Booker Prize Foundation
Trustees' Report (continued)
For the year ended 31st December 2006

Trustees (continued)
Trustees serve for a period of 3 years but may be re-elected for two further terms of office While trustees should not be directly involved in the authorship or publication of contemporary literary fiction, the composition of the board reflects a combination of governance expertise with an understanding of the book trade

In 2006, Martyn Goff, the previous administrator of the prize, was appointed as a trustee so that the Foundation could continue to receive the benefit of his unique knowledge and experience gained from his gifted and inspired stewardship of the annual prize for over 35 years No other new trustees were appointed during the year

In the past, when making new appointments the trustees have consulted individuals and organisations involved with the book trade While it is not anticipated that the membership of the board will change or be increased in the coming financial year, the recruitment and induction process is subject to review whenever vacancies arise to ensure that the mix of skills and expertise best serves the governance needs of the Foundation The training needs of trustees will be reviewed in 2007

Advisory Committee
In accordance with its articles of association, the Foundation established an advisory committee which reflects the various components of the book trade The committee advises the trustees on aspects of the operation of the annual and international prizes, including any changes to rules and, in particular, the selection each year of the new panel of judges In 2006 the committee members were

Richard Cable
Mark Chilton
Victoria Glendinning
Martyn Goff (Chairman until end March 2006)
James Heneage
Grace Kempster
Harvey McGrath
Fiammetta Rocco (from April 2006)
Deborah Rogers
Ion Trewin (Chairman from April 2006)
Erica Wagner

Administration
Until his retirement on 31 March 2006 the administration of the annual prize was the responsibility of Martyn Goff and, on his retirement, Ion Trewin took over as administrator Ion Trewin had a notable career as a publisher He had also been involved in the annual prize as a judge in 1974, as a sometime member of the (then) management committee of the annual prize (now the advisory committee of the Foundation), and as deputy administrator of the annual prize, assisting Martyn Goff He was also administrator of the inaugural international prize Ion Trewin also succeeded Martyn Goff as the chairman of the advisory committee with effect from April 2006

Fiammetta Rocco, also previously a judge of the annual prize (in 2004) and currently the Literary Editor of the Economist, was appointed as administrator of the international prize with effect from April 2006

The Foundation has one wholly owned subsidiary, Booker Prize Trading Limited (company registration number 4394720, a private company limited by shares), which undertakes the commercial activities connected with the prizes under licence from the Foundation These commercial activities comprise, in particular, the promotion of the awards of the prizes and the awards ceremonies

The day to day activities of the Foundation and Booker Prize Trading Limited, including in particular the organisation of the awards ceremonies and promotion of the prizes, are undertaken with the assistance of Colman Getty Evelyn Smith continues as Company Secretary for an annual fee, with responsibilities for maintaining the administration, books and records of both the Foundation and Booker Prize Trading Limited (of which she is also Company Secretary)

The trustees are not remunerated (but are entitled to receive reimbursement for travelling and out of pocket expenses)

The Booker Prize Foundation
Trustees' Report (continued)
For the year ended 31st December 2006

Administration (continued)
Until 31 March 2006, Martyn Goff was a director of Booker Prize Trading Limited In 2006, he received fees as administrator of the annual prize from the Foundation of £10,000 and £738 re-imbursement of expenses

On 1 April 2006, Ion Trewin was also appointed a director of Booker Prize Trading Limited Prior to 31 March 2006 he received £8333 34 as deputy administrator of the annual prize and administrator of the international prize From 1 April 2006 he received £17,500 as administrator plus £788 reimbursement of expenses

Dotti Irving, is a director of Booker Prize Trading Limited and is also a director of Colman Getty Colman Getty received a fee of £115,000 plus reimbursement of expenses in 2006 for its marketing, event management, organisational and administration services

The other directors of Booker Prize Trading Limited are not remunerated (but are entitled to be reimbursed expenses)

Sponsorship
2006 was the final year of an initial period of 5 years' sponsorship by Man Group plc The sponsorship of both prizes in 2006 totalled £800,000 This sponsorship is paid to Booker Prize Trading Limited which passes any surplus to the Foundation by Gift Aid During 2006, Man Group entered into a new sponsorship agreement for the period 2007 to 2011 inclusive which will provide annual sponsorship of both prizes totalling £1,000,000

Risk Analysis
The trustees have reviewed the risks to which the Foundation and its trading subsidiary are exposed, assessed their likely impact and where appropriate have established systems, procedures or insurance to mitigate these risks

<u>Objectives and activities</u>

The Foundation is established under its memorandum to promote the art of literature for the public benefit In particular it fosters and promotes contemporary literary fiction of literary merit in English by awarding the annual prize to the author of the best full-length novel in English published in the UK in the year and written by a UK, Irish, or Commonwealth citizen The Foundation's international prize is awarded to a living author who has published fiction in English or whose work is generally available in English translation The second international prize will be awarded in 2007

The Foundation's main activities comprise the solely charitable activities of organising, judging and awarding the prizes

In any year, the main objective of the Foundation is to ensure that the prizes are awarded after an independent, professional, robust and impartial judging process so as to promote high quality contemporary fiction to the widest audience These processes are year round, with preparation for and judging of the international prize taking place over a two year cycle

During 2006, increasing consideration has been given to a co-ordinated strategic approach to innovative ways in which to enhance the outreach of the annual prize For instance, the libraries project, first established in 2004, has been reviewed annually and developed to try to ensure that public libraries are best placed to promote the longlist and shortlist to their users 2006 saw a link via public libraries to reading groups to 'shadow' the annual prize

At the same time, the Foundation is looking to build strategically on the successful inauguration of the international prize in 2005 It is intended that the 2007 prize will further establish its reputation as a prestigious international recognition of the work of the winning author The Foundation also intends that this prize will bring worldwide public attention to a diverse, stimulating and eminent group of authors whose work is available in English The international prize will also continue to promote and recognise the role of high quality translation in disseminating excellence in contemporary literary fiction

The Booker Prize Foundation
Trustees' Report (continued)
For the year ended 31st December 2006

Achievements and performance

The trustees are conscious of the need to assess the success of the Charity in meeting its objectives They ensure that, with the invaluable guidance of the administrator and the advisory committee, considerable care and judgment goes into the choice of judges for both prizes The trustees also assess, both quantitatively and qualitatively, the media, critical and academic coverage of the books and authors selected, the coverage of the awards, and the public response in terms of the sales of the selected books

The winner of the 2006 annual prize awarded at a ceremony held on Tuesday 10 October 2006 in the Guildhall, City of London, was Kiran Desai for 'The Inheritance of Loss'

The announcement of the award was broadcast live on national television on BBC 1's 10 O'Clock news programme, reaching an audience of over 4 million people This was immediately followed by an interview with the winning author broadcast on BBC 2's 'Newsnight' programme reaching an audience of 970,000 In the days immediately preceding the awards ceremony, excerpts from all the shortlisted novels were broadcast on BBC Radio 4's 'Today' programme

Analysis of cuttings and of website activity demonstrates the ongoing UK and international based interest in the annual prize, and its place as an international benchmark for other literary prizes

Mention has already been made of this year's extended libraries and reading groups project, and the judges commented on how stimulating they had found opportunities to talk with representatives of reading groups

For several years, the Foundation has paid to have the shortlist made available to the visually impaired by the National Library for the Blind, and this year a substantial increase in investment in this process was made by the Foundation funding a wider range of formats for use by the visually impaired

A charitable donation was made to the costs of promoting an exhibition at the British Library in London curated by Designer Bookbinders, the charitable professional association of craftsmen who bind books by hand Among the exhibits were the unique bound copies of each 2006 shortlist work which are presented to the individual authors Although the custom of presenting shortlisted authors with a handbound copy of their book has existed for many years, this exhibition focused wider public attention on both bookbinding and the annual prize

2006 saw the announcement of the panel of judges for the 2007 international prize – Professor Elaine Showalter, Nadine Gordimer and Colm Toibin The appointment as judges of such eminent figures in world literature further establishes the reputation, prestige and outreach of the prize

Plans for Future Periods

The Trustees will continue to direct the activities of the charity

(1) to ensure that the prizes (annual and international) are awarded after an independent, robust and impartial judging process so as to promote to the widest audience, high quality contemporary literary fiction, by
(2) maintaining the reputation and prestige of the annual prize as a benchmark of literary prizes, (recognised to be so internationally), and where possible further extending its outreach and appeal, and
(3) further establishing the reputation of the international prize as a prestigious international recognition of the work of the winning author and bringing worldwide public attention to a diverse, stimulating and eminent range of contemporary literary fiction available in English

Financial review

Financial results for 2006

Total consolidated income in the year was £835,856, including £800,000 sponsorship, credits towards costs of £18,000 from the publishers of short-listed authors and £7,000 from the BBC, and interest of £10,856 The income was increased from 2005's £814,625 reflecting the increased sponsorship income partially offset because 2005 included £104,046 sponsorship brought forward from 2004 to reflect the higher expenses of the biennial prize in 2005 when it was awarded

The Booker Prize Foundation
Trustees' Report (continued)
For the year ended 31st December 2006

Financial results for 2006 (continued)

There was no international prize in 2006 and the £65,000 prize awarded was for the main annual prize (2005 £140,000 for both prizes) and judges' fees and expenses were £31,045 (2005 - £88,000 again for both prizes) We also donated £10,290 to the National Library for the Blind, £1,000 to Designer Bookbinders, committed to donate £10,000 to the Caine Prize for African fiction and spent £27,186 on a programme with national libraries Other organisational and administrative expenses, including the award ceremonies were £500,549 (2005 £517,553) (reflecting the lower international prize costs), to leave a surplus for the year of £190,786 up from 2005's £37,192, mainly because of the increased sponsorship and reduced costs with no international prize in the year This surplus increases the reserves carried forward to £381,181, (of which £5,000 is retained in the trading company) The consolidated cash position of £397,080 at the end of the year reflects the accumulated surplus and some working capital items These funds are invested in cash deposits for the time being

Reserves and Investment Policy

The policy of the Trustees is to accumulate any surpluses for the time being so as to provide for any discontinuity in sponsorship of both prizes, taking into account the two year cycle of the international prize The current sponsorship by Man Group plc is contracted to continue until the end of the 2011 prize year so, the trustees are seeking to put in place a reserve of approximately one year's sponsorship by then, group reserves currently stand at £376,181 The build up of the reserves and investment income provides a prudent fund against unexpected problems in future years and some separate income, additional to the sponsorship, for other charitable activities

Annual Accounts

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 company and of the surplus or deficit of the company for that period In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently, make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 company and to enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The trustees confirm that the financial statements comply with current statutory requirements, the requirements of the Memorandum and Articles of Association and the 2005 Statement of Recommended Practice

Audit Information

So far as each of the directors at the time the trustees' report is aware

a) there is no relevant information of which the auditors are unaware ,and
b) they have taken all relevant steps 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

Auditors

The company's auditors, Kingston Smith LLP, have indicated their willingness to continue in office and offer themselves for re-appointment at the next Annual General Meeting

On behalf of the Board

Jonathan Taylor CBE Chairman

26th April 2007

Independent Auditors' Report to the Members of The Booker Prize Foundation

We have audited the group and parent company financial statements (the "financial statements") of The Booker Prize Foundation for the year ended 31st December 2006 which comprise the Group Statement of Financial Activities, the Group and Charitable Company Balance Sheets and the related notes These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005)

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's members those matters which we are required to include in an auditor's report addressed to them To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective Responsibilities of Trustees and Auditors

The responsibilities of the trustees (who are also the directors of The Booker Prize Foundation for the purposes of company law) for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities

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

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

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

Basis of Audit Opinion

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

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

Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the group's and charitable company's affairs as at 31st December 2006 and of the group's incoming resources and application of resources, including the income and expenditure
- have been properly prepared in accordance with the Companies Act 1985, and
- the information provided in the Trustees' Annual Report is consistent with the financial statements

Kingston Smith LLP

Kingston Smith LLP
Chartered Accountants
and Registered Auditors

Devonshire House
60 Goswell Road
London EC1M 7AD

Date 30th April 2007

The Booker Prize Foundation
Consolidated Statement of Financial Affairs
(Incorporating an Income and Expenditure Account)
For the year ended 31st December 2006

	Note	Total 2006 £	Total 2005 £
Incoming resources			
Incoming resources from generated funds			
Activities for generating funds			
Trading activity		825,000	802,046
Interest received		10,856	12,579
	4		
Total incoming resources	4	835,856	814,625
Resources expended			
Costs of generating funds			
Costs of trading activities		436,732	473,349
Charitable expenditure			
Cost of activities in furtherance of the charity's objects	4		
Booker Prize			
Prizes		65,000	65,000
Judges' fees and expenses		31,045	28,375
Administrator's fees and expenses		40,687	32,632
International Prize			
Prizes		-	75,000
Judges' fees and expenses		19,339	59,625
Administrator's fees and expenses		14,673	10,000
Book handling fees		-	5,875
Donations	5	21,290	4,891
Governance	2	16,304	22,686
Total resources expended		645,070	777,433
Net income for the year		190,786	37,192
Fund balance brought forward at 1st January 2006		190,395	153,203
Fund balance carried forward at 31st December 2006		381,181	190,395

The notes on pages 8 to 10 form part of these financial statements

The Booker Prize Foundation
Balance Sheets at 31st December 2006

	Note	Group 2006 £	Group 2005 £	Charity 2006 £	Charity 2005 £
Fixed assets					
Investments	7	-	-	1	1
Current Assets					
Debtors	8	24,053	22,710	396,324	193,080
Cash at bank and in hand		397,080	196,132	2,627	2,819
		421,133	218,842	398,951	195,899
Creditors amounts falling due within one year	9	(39,952)	(28,447)	(22,771)	(10,505)
Net Current Assets		381,181	190,395	376,180	185,394
Total Net Assets		381,181	190,395	376,181	185,395
Funds					
Unrestricted funds		376,181	185,395	376,181	185,395
Non Charitable - trading funds		5,000	5,000	-	-
		381,181	190,395	376,181	185,395

These accounts have been prepared in accordance with the provisions of the Companies Act 1985, Part VII, relating to small companies and the Financial Reporting Standard for Smaller Entities (effective January 2005)

The financial statements were approved by the trustees on 29th March 2007
and signed on their behalf on 26/4/07 by

Jonathan Taylor CBE
Trustee

The notes on pages 8 to 10 form part of these financial statements

The Booker Prize Foundation
Notes to the Financial Statements
For the year ended 31st December 2006

1 Accounting Policies

Basis of preparation
The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice (2005) (SORP) "Accounting and Reporting by Charities", the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective January 2005)

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the charity and its subsidiary undertaking The results of the subsidiary are consolidated on a line by line basis

The charity has taken advantage of the provisions of Paragraph 3(3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the charity's activities No separate SOFA has been presented for the charity alone as permitted by section 230 of the Companies Act 1985 and paragraph 304 of the SORP

Company status
The charity is a company limited by guarantee In the event of the charity being wound up, the liability in respect of the guarantee is limited to £10 per member

Fund accounting
All funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the objects of the charity

Incoming resources
All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy

Resources expended
All expenditure is accounted for on an accruals basis Costs of generating funds are those costs directly related to the activities for the generation of funds Governance costs are those costs incurred in compliance with constitutional and statutory obligations

Fixed asset investments
The only investment held by the charity is that in its trading subsidiary and is included at cost This is a deviation from the treatment prescribed by the SORP but is considered appropriate because market value is unlikely to be materially different

2 Governance

	2006	2005
	£	£
Legal expenses	326	10,587
Audit fees* - current year	3,250	3,231
- prior year under provision	529	-
Company secretarial fees	10,227	8,730
Bank charges	1,972	138
	16,304	22,686

* Audit fees of a further £2,700 (2005 audit fees of £2,200) relating to the subsidiary, are included in costs of generating funds

3 Trustees

No remuneration was paid to any trustee for services as a trustee and no expenses were reimbursed, this year or last

The Booker Prize Foundation
Notes to the Financial Statements
For the year ended 31st December 2006

4 Trading subsidiary

The charity owns the entire issued share capital of Booker Prize Trading Limited, a company registered in England The subsidiary carries out commercial activities which support the main function of the Foundation including the promotion of the Man Booker Prizes and the organisation of the award ceremonies The subsidiary has undertaken to gift aid substantially all of its taxable profits to the charitable foundation A summary of the results of the subsidiary is shown below

	2006	2005
	£	£
Turnover	825,000	802,046
Direct costs	(409,830)	(450,508)
Gross profit	415,170	351,538
Administration costs	(60,902)	(54,923)
Interest received	10,476	12,209
Gift aid payment to Booker Prize Foundation	(364,744)	(303,824)
Profit on ordinary activities for the year	-	5,000
Retained profit brought forward	5,000	-
Retained profit carried forward	5,000	5,000

The assets, liabilities and funds of the subsidiary were

	2006	2005
Assets	418,506	216,023
Liabilities	(413,505)	(211,022)
Capital and reserves	5,001	5,001

5 Donations

	2006	2005
	£	£
National Library for the Blind	10,290	4,891
Designer Bookbinders	1,000	-
Caine Prize for African Writing	10,000	-
	21,290	4,891

6 Taxation

All of the activities undertaken by the charity fall within the exemptions granted to charities by legislation

7 Investments

The investments represent a £1 investment in the subsidiary company (note 4) which was acquired in 2002 and is shown at cost

The Booker Prize Foundation
Notes to the Financial Statements
For the year ended 31st December 2006

8 Debtors

	Group		Charity	
	2005	2005	2006	2005
	£	£	£	£
Trade debtors	18,082	18,618	-	-
Amount due from subsidiary undertaking	-	-	396,324	193,080
Recoverable VAT	5,971	4,092	-	-
	24,053	22,710	396,324	193,080

9 Creditors amounts falling due within one year

	Group		Charity	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	-	1,588	-	1,588
Other creditors and accruals	39,952	26,859	22,771	8,917
	39,952	28,447	22,771	10,505