

THE ELIZABETH FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

Report and Group Accounts

31 March 2006

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COMPANIES HOUSE

The Elizabeth Foundation (a company limited by guarantee)

Company registered number 1960980

Registered Charity Number 293835

REFERENCE AND ADMINISTRATIVE DETAILS

Directors (members of the council of management, and board of trustees of the charity)

Ms H J Ormsby - Chair
Mr D K Metherell - Treasurer
Dr P Ardern
Mr R I M Wootton
Mr K Exell
Mrs H Seaman
Mr G Pritchard

Secretary

Mr R I M Wootton

Chief Executive

Mrs Shirley Metherell

Auditors

Tenon Audit Limited, Highfield Court, Tollgate, Chandlers Ford, Eastleigh, Hampshire, SO53 3TY

Bankers

HSBC Bank plc, 19 Midsummer Place, Central Milton Keynes, Bedfordshire, MK9 3GB

Solicitors

Large & Gibson, Kent House, 49 Kent Road, Southsea, Hampshire, PO5 3EJ

Investment Advisors

Lloyds TSB Private Banking Limited, 25 Gresham Street, London EC2V 7HN.

Registered Office and operational address

Southwick Hill Road, Cosham, Portsmouth, Hampshire, PO6 3LL

DIRECTORS' REPORT

The Directors (Members of the Council of Management, and Board of Trustees of the charity) present their Report and Group Accounts for the year ended 31 March 2006. These have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities 2005, applicable accounting standards, the Companies Act 1985 and the Charities Act 1993, the requirements of the Foundation's own constitutional document and applicable regulations of the Charities (Accounts and Reports) Regulations 2005.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

The Elizabeth Foundation was established under the terms of a Trust Deed (May 1982), and then subsequently in November 1985 incorporated as a charitable company limited by guarantee. Its governing documents are accordingly the Trust Deed and the Memorandum and Articles of Association (revised 1997 and 1998), which provide for a governing Board of Trustees/Directors originally known as the Council of Management. The Foundation is registered with the Charity Commission under the Charities Act 1960, and has a subsidiary trading company which is dormant.

The Board of Trustees, and Organisational Structure

The Council of Management consists of a Treasurer and up to 10 elected members. Based on seniority of service, one third of the Council retires each year and is eligible for re-election based on one vote per member. In addition, casual vacancies during the year may be filled by co-option approved by the Board.

The Council of Management (referred to as the Board of Trustees) has established a Management Committee that meets monthly or as required, with one of its meetings specifically scheduled two weeks' prior to each meeting of the Board of Trustees in order to inform its Agenda. The Management Committee comprises the Chief Executive and other senior members of staff, and individual Trustees or other members of staff are invited as necessary in order to ensure that all the required functions can be discussed and reported upon. From time to time, the Trustees review the composition of the Board in order to ensure that an appropriate mix of skills and competencies is represented, and to identify any specific induction or training needs that Trustees might have. The Elizabeth Foundation makes use of publications available from the Charity Commission to assist Trustees to understand their duties, and also expects to make use of resources (including publications and events) that are starting to be produced by the Governance Hub as part of the Home Office's "Change Up" programme for the charitable and voluntary sector. Every one to two years, The Elizabeth Foundation holds a "Trustee Observation Day" that gives Trustees the opportunity to meet staff, view service programmes in action, and discuss hot topics in greater detail than would be possible during a regular Board meeting.

The Elizabeth Foundation also has Patrons, who from time to time allow their names to be used by it and who support its charitable aims and objectives in various ways according to their special expertise or position in society. In 2003, The Elizabeth Foundation's Trustees were delighted to invite Ann Rachlin to become President of The Elizabeth Foundation. This is an honorary role and celebrates the 2003 transfer to The Elizabeth Foundation of the name and net assets of The Beethoven Fund for Deaf Children.

The full Board meets at least four times each year. The Chief Executive and other senior members of staff may attend meetings of the Board but are not entitled to vote.

Management of risk

All businesses and organisations are subject to the risks of not achieving their planned objectives, or of the occurrence of events which may affect them adversely. Organisations operating in the charitable and voluntary sector are no exception. Risks might include the withdrawal of traditional sources of income, the impact of new legislation, natural disaster or collapse of information or other systems vital to the

DIRECTORS' REPORT

ability to carry on providing services safely (and this is not an exhaustive list). The Trustees review and monitor risk as part of their overall responsibility for the strategic management of The Elizabeth Foundation, and establish internal controls and procedures (including the development, implementation and review of operational policies and procedures) which are designed to help manage and minimise risk. The Management Committee carries out ongoing activities of identifying, responding to and managing risk, and makes reports to the Board of Trustees as a standing item on the agenda. The Board of Trustees has therefore given consideration to the major risks to which The Elizabeth Foundation is exposed, and also to the systems designed to mitigate those risks. The effectiveness of both risk management activities and the Board's ability to review these, is kept under assessment as part of The Elizabeth Foundation's work to maintain a quality assurance standard; the Board has approved the use of the PQASSO methodology which was developed by the Charities Evaluation Service.

OBJECTIVES AND ACTIVITIES

The principal activities of The Elizabeth Foundation consist of providing comprehensive educational, audiological and support services for babies and pre-school children who are deaf or hard of hearing, and their parents and families. Specifically, The Elizabeth Foundation's governing documents provide that it was established to give help and assistance to deaf children, and to promote the early detection of deafness and hearing loss in babies and young children. Our activities help us to meet these objects.

The Elizabeth Foundation would like children who are deaf to be able to understand and achieve their unique, individual potentials, and to have a wide range of true choices that they can make in their lives. We would like their families to feel they have been able to give their deaf child a great start in life, and that they were able to understand and influence the choices and pathways affecting their child right from the earliest days of diagnosis and babyhood. In order to achieve this, we deliver a range of services and carry out a number of activities under the broad headings of:

Nursery Programmes

Family Support

Outreach and Other Activities

More information about specific services, programmes and activities is given later in this Report under the heading "Achievements and Performance" below, and in Note 2.

ACHIEVEMENTS AND PERFORMANCE

Last year, The Elizabeth Foundation explained in its Directors' Report that its plans for this year included:

- Planning for and designing the next phase of development of our home learning programmes
- Making sure that our strategies and plans continue to respond to the needs of families with young deaf children
- Ensuring that our growth and development is financially sustainable
- The start of our twenty-fifth anniversary celebrations

The Trustees are pleased to report significant progress in all these areas, together with identification of next steps and new projects for the future.

The Home Learning and Parent Support Programme pilot is a key part of The Elizabeth Foundation's *Family Support* activities, bringing our support and expertise to families who are not able to regularly attend one of our Centres. We have recruited new staff to begin the first phase of development work,

DIRECTORS' REPORT

concentrating first on extending the services and support we provide to families already enrolled on the programme, and then planning and implementing a campaign to increase the number of enrolled families. To support this work, we are also investing in upgrades to the Programme materials, and the systems we use to manage and monitor activity.

We have undertaken a number of activities during the year towards affirming that we continue to respond to the needs of families. We carried out major reviews of our *Nursery Programmes* curricula, showing how our specialist work also aligns to "Birth to Three Matters" and the "Curriculum Guidance for the Foundation Stage". During the year, we met with families individually and also held a Parents' Meeting evening, to help inform our programme development (both *Nursery Programmes* and *Family Support*) and to bring families up to date with our plans. It was wonderful that many families responded by arranging fundraising events, large and small, many of which we have featured in our Newsletters during the year. We heard about how much families value our one-to-one sessions, so we have continued to extend these; we also delivered a busy Summer Holiday programme of Play Days and Coffee Mornings, building on the success of the pilot sessions we ran for the first time last year.

We decided to end our Hertfordshire pilot project, as we have not been able to find stable sources of funding in the area. This meant that continuing our activities there was draining resources we needed for our existing programmes. We consulted with families and staff at the Centre, and then carried out a planned closure. Our thanks and admiration go to everyone who has been involved with the project, and our very best good wishes to the children and their families who have had such happy times there.

Many of our regular events and activities are extra special at the moment, as we start to celebrate our 25th Anniversary. We have also added some entirely new events especially to mark the year, including a wonderful Summer Ball and a 25th Anniversary Dinner. The Trustees are also pleased to report that our new 25th Anniversary Review booklet will be available soon; this follows the publication we released to celebrate our 20th Anniversary five years ago, and brings our story up to date. Please contact The Elizabeth Foundation or check our website for details of how to receive your copy.

Other highlights from the past year include:

- Welcoming our first "teacher in training", who combines working at The Elizabeth Foundation (in our team of Teachers of the Deaf and Nursery Nurses) with working towards her specialist Teacher of the Deaf post-graduate qualification
- Staff at Portsmouth City Council organised a sponsored walk to raise funds for The Elizabeth Foundation during Deaf Awareness Week, and this was greatly enjoyed by families, friends and staff (past and present)
- With the help of grant funding, we were able to replace some of our old, worn-out outdoor play equipment this year
- We started a project with friends from local businesses, that will see a team of volunteers create a special Woodland Walk area in our grounds
- The Elizabeth Foundation was highly commended in the Glaxosmithkline Impact Awards, in recognition of the value and positive impact our core work makes in the lives of young deaf children and their families

FINANCIAL REVIEW

The group deficit for the year amounted to £4,594 (2005: deficit £101,020). The deficit has been deducted from reserves. Note 15 sets out how accumulated reserves are represented in terms of net assets of The Elizabeth Foundation, and demonstrates the investment that has been made in fixed assets which are necessary for the delivery of its charitable services at our Family Centres. At 31 March 2006, The

DIRECTORS' REPORT

Elizabeth Foundation's unrestricted Income & Expenditure Account balance in current assets (cash less contracted commitments) amounted to £68,170.

Total income increased this year by 19%, due largely to award of grants for specific projects including the development of the Home Learning and Parent Support Programme and towards our early intervention services for the very youngest deaf children and babies and their families. Other fundraising activities (including in-house events, donor programmes, and sponsored events by our supporters) have also generated greater levels of income, and this has been achieved at least in part by our efforts to promote the period of our 25th Anniversary. 50% of our income comes from voluntary sources (2005: 42%), and 33% (2005: 40%) from contracts and similar arrangements arising from our charitable activities.

We have continued our efforts to contain expenditure as far as possible while maintaining the high quality of our services. We have done this in order to move towards the target levels for free reserves that are set out in our reserves policy. Total expenditure has increased by 2.7% compared to 2005; this increase is attributable to our charitable activities only.

Investments

The Foundation's investment powers are set out in its governing document and Memorandum & Articles of Association. Day to day cashflow management is delegated to the CEO and senior staff, who act in accordance with policies agreed by the Trustees and by the Treasurer. The Trustees use an investment manager to invest longer term funds when these are available, in a mixture of equities, UK government stocks and cash. The top level investment strategy during the year continued to be the preservation of capital values in the longer term (in order to safeguard The Elizabeth Foundation's ability to meet its operating commitments), while ensuring that funds for normal working capital requirements can be made available without significant impact on investment yields or costs. The Trustees are pleased to note a modest increase in investment valuations during the year, which help to offset the declines suffered 2-3 years' ago following the general fall in the stock market at that time.

Reserves

The Elizabeth Foundation's reserves comprise those that are unrestricted, those that are unrestricted but which have been set aside by the Trustees for a particular purpose, and those that are the subject of restrictions in law or by donors (and which therefore cannot be used for anything else). The Elizabeth Foundation has no endowed funds. Note 13 to the Accounts gives more information about reserves, including policies and restrictions applying to individual funds.

At 31 March 2006, The Elizabeth Foundation had unrestricted (but not wholly "free") reserves of £508,064 in its Consolidated Income & Expenditure Account. These reserves are not "free" as defined by the Statement of Recommended Practice (SORP), because they could only be realised by disposing of fixed assets held for charity use. This is demonstrated in Note 15 to the Accounts, which shows that these accumulated surpluses have already been invested in prior years in Fixed Assets in furtherance of The Foundation's charitable objectives. Similarly, designated reserves represent The Foundation's investment in the Portsmouth-based founding Family Centre and Early Detection Centre. Accordingly, these reserves are not available as cash to meet the day to day running costs (sometimes called "revenue costs" or "core costs") of providing services. In future years, The Elizabeth Foundation believes it is desirable to hold higher levels (see also below) of unrestricted, liquid funds (that is, resources that are represented by cash or readily-realizable current investments and which are not subject to restrictions) and to this end is actively pursuing a policy to obtain funding arrangements that allow for full cost recovery in accordance with the Government's stated guidelines set out in the National Compact between the public and voluntary sectors. The Elizabeth Foundation believes that the principles of full cost recovery should be applied even where funding arrangements are discretionary, as is the case for a very large proportion of The Elizabeth Foundation's current sources of funding. Achievement of this objective allows unrestricted charitable sources of income to become available for charitable services and activities that do not attract funding from public bodies, and allows appropriate investment in the development of new practices and extensions of service. The Elizabeth Foundation believes that the ability to do this is critical to preserving its ability

DIRECTORS' REPORT

to innovate and remain a leading provider and expert in its field of early intervention services for young children who are deaf, and their parents. More widely, acceptance of these principles is also critical to the health and vitality of the voluntary sector as a whole.

The reserves policy of The Elizabeth Foundation is to maintain a level of free reserves that will allow service continuity and sufficient time to adjust in a planned and robust manner to any significant change in resources. Having reviewed some practical applications of similar policies within the charitable and voluntary sector, which range from indicative free reserve levels of 3 months' operating expenditure to 3 years' total costs requirement, the Trustees have confirmed the need to build free reserves to a level that will make further reductions to operating risk. At 31 March 2006, The Elizabeth Foundation's free reserves of £68,170 in the charitable company together with core service reserve of £121,807 represented 30% of total costs for the year. For future years, the Trustees aim that between 50% and 75% of totals budgeted costs for the ensuing year are held in accessible free reserves. From time to time, the Trustees will review the adequacy and efficacy of this policy based on prevailing and expected circumstances.

On the basis of the annual and ongoing review of reserve levels and anticipated future cash flow, it is the opinion of the Trustees that the balance on each fund shown in the balance sheet as at 31 March 2006 (together with its anticipated income and expenditure) is adequate to fulfil that fund's obligations and the overall obligations of The Elizabeth Foundation for the next financial year, and for a period of at least 12 months from the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Charity and company law requires the Directors (who are the Trustees of The Elizabeth Foundation) to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its group and of the surplus or deficit of the group for that period. In preparing those accounts, the Directors/Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the policies adopted are in accordance with the appropriate SORP on Accounting by Charities and the Accounting Regulations and with applicable accounting standards, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and group, to enable them to ensure that the accounts comply with the Companies Act 1985 and other applicable law and generally accepted accounting practice. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS' REPORT

DIRECTORS

The Directors (Council members/Trustees) during the year were as follows:

Ms H J Ormsby
Mr D K Metherell
Dr P Ardern
Mr R I M Wootton
Mr K Exell
Mrs H Seaman
Mr G Pritchard
Mr C Satchwell (resigned 12 July 2005)

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Tenon Audit Limited be reappointed as auditors to the company will be put to the Annual General Meeting.

OUR PLANS FOR FUTURE PERIODS

Our plans for the coming year include:

- Formulating and starting to deliver the new-style Home Learning and Parent Support Programme
- Planning for and piloting new ways of delivering information and support to parents, carers and grandparents of deaf children at our Family Centres
- Developing the next phase of our strategy for the Yorkshire area
- Carrying out a review of resources and service delivery at our headquarters Family Centre in Hampshire

As we approach our 25th Anniversary, we have more cause than ever to thank all the many people who have helped to shape The Elizabeth Foundation since its founding by Shirley and David Metherell. We look forward to the publication of our 25th Anniversary Review booklet (also mentioned earlier in this report), which will celebrate this and set the scene for the years to come. It is also time to look back in wonder at the hundreds of children and families who have played such an enormous part in our story, and to keep following the dream of those we are yet to meet.

By order of the Board

Approved by the directors on 12 October 2006



R I M Wootton

Secretary

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ELIZABETH FOUNDATION

We have audited the financial statements of The Elizabeth Foundation on pages 10 to 24 for the year ended 31 March 2006. These financial statements have been prepared under the historical cost convention, and the accounting policies set out on page 13.

This report is made solely to the company's Members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described on page 6 the company's directors (who also act as trustees for the charitable activities of The Elizabeth Foundation) are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' report is not consistent with the financial statements, if the 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 directors' remuneration and transactions with the company is not disclosed.

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

AUDITORS' REPORT

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company and the group at 31 March 2006 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Tenon Audit Limited

Tenon Audit Limited
Registered Auditor
Highfield Court
Tollgate
Chandlers Ford
Eastleigh
SO53 3TY

18 October 2006

The Elizabeth Foundation (a company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2006

		<i>Group & Company</i>			<i>Charity Company</i>	
		<i>Income and Expenditure Account</i>	<i>Designated Funds</i>	<i>Restricted Funds</i>	<i>Total 2006</i>	<i>Total 2005</i>
	<i>Note</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
INCOMING RESOURCES						
<i>Voluntary Income</i>						
Donations and gifts	2	122,611	-	-	122,611	106,644
Legacies		22,732	-	-	22,732	15,212
Grants		-	-	158,911	158,911	91,850
<i>Activities for Generating Funds</i>						
Fundraising events		94,372	-	-	94,372	81,810
Net income/(expenditure) re: trading subsidiary	5	-	-	-	-	(1,497)
Investment income and bank interest		8,627	-	-	8,627	9,668
<i>Incoming Resources from Charitable Activities</i>						
Contracts, fees and other agreements		120,368	-	82,428	202,796	206,979
Total incoming resources		368,710	-	241,339	610,049	510,666
RESOURCES EXPENDED						
<i>Costs of generating funds</i>						
Costs of generating voluntary income	3	65,274	-	-	65,274	65,515
Investment management costs		2,750	-	-	2,750	2,700
Charitable Activities	3	321,232	-	226,734	547,966	525,914
Governance Costs	3	25,914	-	-	25,914	30,796
Total resources expended		415,170	-	226,734	641,904	624,925

The Elizabeth Foundation (a company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2006

	<i>Group & Company</i>				<i>Charity Company</i>	
	<i>Income and expenditure account</i>	<i>Designated funds</i>	<i>Restricted funds</i>	<i>Total 2006</i>	<i>Total 2005</i>	<i>Total 2005</i>
	£	£	£	£	£	£
NET (OUTGOING)/						
INCOMING RESOURCES	(46,460)	-	14,605	(31,855)	(114,259)	(104,428)
BEFORE TRANSFERS						
Transfers between reserves	38,738	(34,127)	(4,611)	-	-	-
NET INCOMING/ (OUTGOING) RESOURCES FOR THE YEAR	(7,722)	(34,127)	9,994	(31,855)	(114,259)	(104,428)
OTHER RECOGNISED GAINS AND LOSSES						
Gains/(losses) on investments						
Realised	(2,801)	-	-	(2,801)	(1,086)	(1,086)
Unrealised	30,062	-	-	30,062	14,325	14,325
NET MOVEMENT IN FUNDS FOR THE YEAR	19,539	(34,127)	9,994	(4,594)	(101,020)	(91,189)
Balance at start of year	488,525	697,059	211,063	1,396,647	1,497,667	1,487,836
Balance at 31 March 2006	508,064	662,932	221,057	1,392,053	1,396,647	1,396,647

There are no other recognised gains and losses other than those shown above. The ACEVO model for cost analysis, adapted to ensure compliance with the Statement of Recommended Practice: Accounting and Reporting by Charities 2005 (SORP) has been applied.

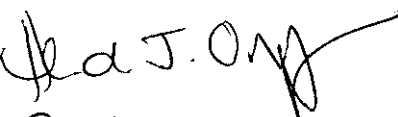
The Elizabeth Foundation (a company limited by guarantee)

BALANCE SHEET
at 31 March 2006

		<i>Consolidated</i>	<i>Group</i>	<i>Charity</i>
		<i>Group</i>	<i>Group</i>	<i>Company</i>
		<i>2006</i>	<i>2005</i>	<i>2005</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
FIXED ASSETS				
Tangible assets	6	1,310,511	1,352,788	1,352,788
Investments	16	-	-	-
		<u>1,310,511</u>	<u>1,352,788</u>	<u>1,352,788</u>
CURRENT ASSETS				
Stocks	7	4,511	4,643	4,643
Debtors	8	10,934	28,773	28,773
Investments	16	207,554	203,643	203,645
Cash at bank and in hand	9	53,008	72,192	72,192
		<u>276,007</u>	<u>309,251</u>	<u>309,253</u>
CREDITORS:				
amounts falling due within one year	10	57,375	99,637	99,639
		<u>218,632</u>	<u>209,614</u>	<u>209,614</u>
NET CURRENT ASSETS				
		<u>1,529,143</u>	<u>1,562,402</u>	<u>1,562,402</u>
CREDITORS:				
amounts falling due after more than one year	11	137,090	165,755	165,755
		<u>1,392,053</u>	<u>1,396,647</u>	<u>1,396,647</u>
NET ASSETS				
		<u>1,392,053</u>	<u>1,396,647</u>	<u>1,396,647</u>
RESERVES				
Restricted funds:				
National Lottery Charities Board reserve	13	186,798	191,409	191,409
Grants and fees reserve	13	28,655	14,050	14,050
Capital reserve	13	5,604	5,604	5,604
Unrestricted Funds:				
Designated fund: Portsmouth				
Resource Centres	13	371,951	382,517	382,517
Designated fund: Core Services Reserve	13	121,807	116,651	116,651
Loan Reserve	13	169,174	197,891	197,891
Income and expenditure account	13	508,064	488,525	488,525
		<u>1,392,053</u>	<u>1,396,647</u>	<u>1,396,647</u>

The financial statements were approved by the directors on 12 October 2006 and are signed on its behalf by:

Ms H J Ormsby



- Chair

D K Metherell



- Treasurer

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2006

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of investments, and in accordance with applicable accounting standards and the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities 2005. The charitable company has taken advantage of Paragraph 3 (3) Sch 4 of the Companies Act 1985 and adapted Companies Act formats of account to reflect the charitable nature of the company's activities.

Basis of consolidation

The group accounts consolidate the accounts of The Elizabeth Foundation and its subsidiary E.F. Enterprise (Portsmouth) Ltd. The subsidiary company ceased all its activities during 2004/5 and has been dormant since 1 April 2005. The net income from trading activities of E.F. Enterprise (Portsmouth) Ltd in 2005, which were not material to the group, is shown in note 5 and included in the Group Statement of Financial Activities for that year.

Cash flow statement

The group qualifies for the exemptions provided under FRS 1 as a small company and group and need not present a cash flow statement.

Fixed Assets and Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold property	-	100 years	Office equipment	-	4 to 5 years
Long leasehold buildings	-	50 years	Computer equipment-		4 to 5 years
School equipment	-	5 years	Medical equipment	-	3 to 5 years
Motor vehicles	-	25% of written down value			

Where depreciation is charged against assets representing restricted and designated funds, this depreciation is charged against that fund as it arises.

Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals during the year. Investment income is included when receivable.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Pensions

The company makes payments to individual employees' private pension schemes up to a maximum of 5% of pensionable salary.

Reserves

The Elizabeth Foundation recognises that accounting reserves are not always represented by available liquid assets. Note 15 set out how The Elizabeth Foundation reserves ("funds") are represented at the balance sheet date. Note 13 provides information about reserves policies, including that for the Income and Expenditure Account.

NOTES TO THE ACCOUNTS
at 31 March 2006

2. INCOMING RESOURCES, AND RESOURCES EXPENDED

INCOME GENERATED FROM VOLUNTARY SOURCES AND FUNDRAISING

Incoming resources include voluntary sources of income such as charitable donations, grants, gifts (with related tax recovery where appropriate), legacies and payroll-giving programmes, as well as organised fundraising events (some of which are run directly by The Elizabeth Foundation – classed as Fundraising Events; and some which are run by volunteers and supporters with help as necessary by The Elizabeth Foundation – classed as Donations and Gifts), appeals and collections. The cost of running these programmes during the year was £65,274 (2005 £65,515) and this is included within the heading “costs of generating funds” shown under Resources Expended, and in Note 3. The following specific policies are applied to particular categories of voluntary income and fundraising:

- Unrestricted voluntary donations and gifts are accounted for when they are received, as this is the point at which the necessary detail becomes available to allow them to be entered into the accounting records; it is also the point at which they become sufficiently certain to be recognised.
- Restricted income is accounted for within Restricted Funds when it is receivable (if this has been notified to The Elizabeth Foundation). Grants, where entitlement is not conditional on the delivery of a specific performance by the charity, are recognised when the charity becomes unconditionally entitled to the grant. Expenditure related to Restricted Funds is matched to Income in accordance with the terms of the award or grant.
- Donated services, facilities, and other gifts and donations in kind are accounted for in the Statement of Financial Activities when they are received and at an appropriate value to the charity where this can be quantified and where material. Corresponding additions to Fixed Assets, Stock or operating costs are made according to the nature of the item. The value of services provided by volunteers has not been included in these accounts.

INCOME GENERATED FROM CHARITABLE ACTIVITIES

Activities which further the charitable objectives of The Elizabeth Foundation include:

- *Nursery Programmes:* baby, toddler and pre-school education programmes for children who are deaf and their parents (who have chosen to develop their child’s listening and spoken language skills in a natural, fun and child-centred way);
- *Family Support:* practical and emotional support and counselling for such parents and families delivered either at one of The Elizabeth Foundation Family Centres or by our correspondence course Home Learning Programme;
- *Outreach and other services:* regular liaison with related health professionals and mainstream schools; making The Elizabeth Foundation’s day to day operations open to visiting professionals and researchers to further their professional development and project work, and to disseminate our expertise as early intervention practitioners; providing leading-edge hearing testing and diagnosis facilities and equipment; and providing the counselling and support to families required to complement testing and diagnosis activities.

In some cases, and in some parts of the UK, these activities give rise to sources of operating income from contracts, service level agreements and discretionary grants from public bodies. Most such sources are subject to annual renegotiation, local spending priorities, and availability of funds from central government, and are not directly related to the full cost to The Elizabeth Foundation of carrying out the activity. Similarly, some discretionary grants (often with restrictions as to the use of the funds) are awarded to The Elizabeth Foundation by charitable or philanthropic trusts and foundations; each grant maker will have its own stringent application and monitoring procedures, and awards are usually subject to annual renegotiation or finite periods. The costs of sourcing, negotiating, managing and reporting upon such funding arrangements are accounted for as a cost of providing the related services. Fees are charged to beneficiaries for some services, and these are often set at nominal amounts only to ensure that there is no financial constraint to prevent people who need our services

NOTES TO THE ACCOUNTS
at 31 March 2006

from being able to access them. The following specific policies are applied to particular categories of income from our charitable activities:

- Incoming resources from contracts and other forms of agreement (including some described as “grants”), where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance
- Fees are accounted for when receivable

RESOURCES EXPENDED

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes VAT, and annual partial exemption recoveries of VAT are accounted for as income when the repayment is due to be made some time after the end of the financial and VAT-accounting year ends. Expenditure is allocated to the following cost centres using methods generally accepted in the sector (the ACEVO model for cost analysis, adapted to ensure compliance with SORP: Accounting and Reporting by Charities 2005):

- Costs of Generating Voluntary Income; including both direct and indirect allocations of payroll cost and administrative overhead, and direct costs associated with attracting voluntary income and carrying out fundraising activities
- Investment Management fees; charged by external professional advisors
- Governance Costs; include direct and indirect costs of complying with all necessary constitutional and statutory requirements of the charitable company and its strategic management and risk assessment/management procedures
- Charitable Activities costs; comprising those costs incurred by the charity in the delivery of its activities and services. It includes both directly attributed costs, and allocations of indirect costs and overheads that are necessary to support them and without which it would not be possible to continue them

All costs are allocated between these cost centres (expenditure categories) on a fair and consistent basis intended to reflect the use of the resource. Many types of cost include items that can be directly attributed, as well as a pool of costs that are dealt with by apportionment using an appropriate basis such as staff time allocation, estimated floor area usage, or another reasonable judgement consumption. The information set out in Note 3 summarises the outcome of detailed cost allocations based on the ACEVO model as explained above (this model is used to assist the charity’s understanding of its cost of delivering services, and to provide a basis for full cost recovery discussions with potential funders when appropriate).

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS
at 31 March 2006

3. ANALYSIS OF RESOURCES EXPENDED

	2006	2005
	£	£
Staff costs:		
Wages and salaries	370,766	342,644
Social security costs	33,169	30,721
Pension contributions	6,109	4,847
	<u>410,044</u>	<u>378,212</u>

The average weekly number of employees during the year was 26 (2005: 24)

No employee earned £60,000 per annum or more. The average number of employees analysed by function was:

	2006	2005
	No.	No.
Generating funds	1	1
Charitable activities	24	22
Governance	1	1
	<u>26</u>	<u>24</u>

RELATED PARTIES

Included within staff costs is salary totalling £47,933 (2005 £46,769) paid to Mrs S Metherell, wife of a Director.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2006

3. ANALYSIS OF RESOURCES EXPENDED (CONTINUED)

Group & Company

	Nursery Programmes £	Family Support £	Outreach and other Services £	Total Charitable Activities £	Costs of Generating Voluntary Income £	Investment Management Fees £	Governance £	2006 Total £	2005 Total £
Recruitment, ID checks, travel and subsistence	9,010	2,508	939	12,457	-	-	-	12,457	17,326
Depreciation	31,721	9,396	2,000	43,117	1,932	-	(376)	44,673	52,623
Premises and utilities	18,409	5,986	3,572	27,967	1,201	-	514	29,682	29,358
Service consumables	15,593	4,355	1,405	21,353	-	-	-	21,353	14,354
Other costs	4,424	2,292	929	7,645	-	-	-	7,645	13,463
Communications and IT	15,258	3,976	4,280	23,514	1,629	-	9,089	34,232	18,748
Printing and promotion	1,543	492	121	2,156	5,811	-	-	7,967	17,947
Insurances	6,131	1,978	1,276	9,385	128	-	314	9,827	10,568
Legal and professional Fees	4,048	-	-	4,048	-	-	1,801	5,849	11,603
Audit, annual report, compliance	-	-	-	-	-	-	4,964	4,964	4,230
Investment Management fees	-	-	-	-	-	2,750	-	2,750	2,700
Interest on operating property loan	11,692	-	-	11,692	-	-	-	11,692	10,144
Hire charges and event costs	-	-	-	-	38,285	-	-	38,285	43,192
Bank charges	-	-	-	-	-	-	484	484	457
Staff costs	253,503	76,336	54,793	384,632	16,288	-	9,124	410,044	378,212
	371,332	107,319	69,315	547,966	65,274	2,750	25,914	641,904	624,925

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2006

4. NET MOVEMENT IN FUNDS

This is stated after charging:

	2006 £	2005 £
Audit fee	4,800	4,230
Directors'/Trustees' remuneration	-	-
Depreciation of owned fixed assets	44,673	52,916

No Directors/Trustees incurred expenses that were reimbursed (2005 £nil).

5. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARIES

The charity has one trading subsidiary which is incorporated in the UK. E.F. Enterprise (Portsmouth) Limited operated charity shops and sales, and carried out mailing administration. A summary of its trading results is shown below, and audited accounts are filed with the Registrar of Companies. All activities have ceased and the company became dormant with effect from 1 April 2005.

	<i>E.F. Enterprise (Portsmouth) Limited</i>	
	2006 £	2005 £
Turnover	0	3,775
Cost of sales	0	1,327
Gross Profit	0	2,448
Administration	0	3,945
(Loss)/Profit on ordinary activities before taxation	0	(1,497)
Interest receivable	0	0
Taxation on profit on ordinary activities	0	0
(Loss)/Profit after taxation	0	(1,497)
Equity dividend paid to The Elizabeth Foundation	0	(8,334)
Retained (loss)/profit for the year	0	(9,831)

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2006

6. TANGIBLE FIXED ASSETS

	<i>Freehold Property £</i>	<i>Leasehold Property Portsmouth Resource Centres £</i>	<i>Motor vehicles £</i>	<i>School and Medical equipment £</i>	<i>Fixtures, fittings and office equipment £</i>	<i>Group & Company Total £</i>
Cost:						
At 1 April 2005	687,439	859,369	17,000	142,769	144,598	1,851,175
Additions	-	-	-	2,396	-	2,396
Disposals	-	-	-	-	-	-
At 31 March 2005	687,439	859,369	17,000	145,165	144,598	1,853,571
Depreciation:						
At 1 April 2005	40,839	205,246	17,000	118,005	117,297	498,387
Provided during the year	11,183	17,466	-	7,541	8,483	44,673
Relating to disposals	-	-	-	-	-	-
At 31 March 2006	52,022	222,712	17,000	125,546	125,780	543,060
Net book value:						
At 31 March 2006	635,417	636,657	-	19,619	18,818	1,310,511
At 1 April 2005	646,600	654,123	-	24,764	27,301	1,352,788

The value of long leasehold buildings (Portsmouth Resource Centres), has been estimated for insurance purposes by the Directors at £1,000,000 (2005: £1,000,000). This figure, in the opinion of the Directors, closely reflects the commercial value.

7. STOCKS

	<i>Group 2006 £</i>	<i>Group 2005 £</i>	<i>Company 2005 £</i>
Goods for resale	2,011	2,143	2,143
Stationery and office consumables	2,500	2,500	2,500
	4,511	4,643	4,643

8. DEBTORS

	<i>Group 2006 £</i>	<i>Group 2005 £</i>	<i>Company 2005 £</i>
Trade debtors	-	13,599	13,599
Prepayments and accrued income	10,934	15,174	15,174
Other debtors	-	-	-
	10,934	28,773	28,773

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2006

9. CASH AT BANK

	<i>Group</i> <i>2006</i> £	<i>Group</i> <i>2005</i> £	<i>Company</i> <i>2005</i> £
Interest bearing accounts	44,993	66,540	66,540
Cash in hand and in transit	500	500	500
Accounts with investment managers	6,137	8,204	8,204
Current accounts	1,378	(3,052)	(3,052)
	<u>53,008</u>	<u>72,192</u>	<u>72,192</u>

10. CREDITORS: amounts falling due within one year

	<i>Group</i> <i>2006</i> £	<i>Group</i> <i>2005</i> £	<i>Company</i> <i>2005</i> £
Bank loan	32,084	32,136	32,136
Trade and other creditors	11	(293)	(293)
Due to subsidiary undertaking	-	-	2
Accruals and deferred income	15,929	52,281	52,281
Taxation and social security	9,351	15,513	15,513
	<u>57,375</u>	<u>99,637</u>	<u>99,639</u>

11. CREDITORS: amounts falling due after more than one year

	<i>Group & Company</i> <i>2006</i> £	<i>2005</i> £
Bank loan	137,090	165,755
The bank loan falls due for repayment as follows:		
Within one year	32,084	32,136
Between one and two years	34,620	33,249
Between two and five years	102,470	109,749
After five years	-	22,757
	<u>169,174</u>	<u>197,891</u>

The bank loan is repayable in instalments on or before June 2011, carries interest at 1% over HSBC base rate and is secured under the terms of a mortgage on the Hertfordshire property.

12. LIMITATION OF LIABILITY BY GUARANTEE OF CHARITABLE COMPANY

The Elizabeth Foundation is a company limited by guarantee and has no share capital. Every member of the company guarantees to contribute a maximum of £1 on winding up.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2006

13. RECONCILIATION OF MOVEMENT ON RESERVES

Group & Company	Restricted Funds		Unrestricted Funds						Income and expenditure account	Total
	National Lottery Charities Board Reserve	£	Legacy reserve	Grants/fees reserve	Capital reserve	Portsmouth Resource Centres reserve	Core Services Reserve	Loan Reserve		
At 1 April 2004	196,020	442,500	26,367	5,604	393,083	89,364	-	344,729	1,497,667	
Movement in resources:										
Incoming	-	-	169,797	-	-	27,287	197,891	590,368	985,343	
Outgoing	(4,611)	(442,500)	(182,114)	-	(10,566)	-	-	(459,811)	(1,099,602)	
Investment gain	-	-	-	-	-	-	-	13,239	13,239	
At 1 April 2005	191,409	-	14,050	5,604	382,517	116,651	197,891	488,525	1,396,647	
Movement in Resources:										
Incoming	-	-	241,339	-	-	5,156	-	412,604	659,099	
Outgoing	(4,611)	-	(226,734)	-	(10,566)	-	(28,717)	(420,326)	(690,954)	
Investment gain	-	-	-	-	-	-	-	27,261	27,261	
At 1 April 2006	186,798	-	28,655	5,604	371,951	121,807	169,174	508,064	1,392,053	

NOTES TO THE ACCOUNTS
at 31 March 2006

13. RECONCILIATION OF MOVEMENT ON RESERVES (CONTINUED)

NATIONAL LOTTERY CHARITIES BOARD RESERVE

The charitable company applied for and was awarded a project grant from the National Lottery Charities Board. The grant received is subject to restrictions, and accordingly is treated as a Restricted Fund. The related assets are subject to ongoing restrictions for a period of 80 years, and the Foundation may not dispose of these assets without the prior written permission of the National Lottery Charities Board (grantor). £230,300 of the grant was spent on depreciable fixed asset additions in the year ended 31 March 1998; depreciation charged on these assets is set against the fund each year. The remaining part of the grant was for revenue purposes to fund an additional teacher, together with project management costs and by 31 March 2001 this had been fully expended. (Note – The operating name of the Lottery Charities Board is the Community Fund).

LEGACY RESERVE

The charitable company was bequeathed a legacy following a death on 21 August 1991. As a result, the Elizabeth Foundation received £442,500. Along with other registered charities that also benefited from the legacy, the Foundation was required to provide the Executors with an indemnity (limited to the amount distributed under the Will) against any future claims against the Estate. A limitation period of at least 13 years from date of death applied. Upon confirmation of the expiration of the limitation period of the indemnity, this Reserve has reverted to a designated sinking fund called the "Loan Reserve" (see below) in respect of the term loan commitments set out in Note 11, and a remaining balance released to the Income and Expenditure Account. While the indemnity applied, the Foundation was restricted in its ability to use the legacy receipts, and accordingly the sum received was treated as a Restricted Fund.

GRANTS AND FEES RESERVE

The Elizabeth Foundation receives restricted grants and fees for specific charitable purposes from different grant making bodies and other agencies. These funds are spent on both depreciable fixed assets and revenue expenditure. In the year to 31 March 2006 the reserve was mainly utilised on teacher of the deaf and nursery team employment costs, depreciation of tangible fixed assets (including diagnostic equipment, facilities and teaching aids), development of the Home Learning Programme, and other costs associated with early intervention and family support activities.

CAPITAL RESERVE

The capital reserve arose on the transfer of net assets from the Trustees of the former unincorporated Elizabeth Foundation, upon its incorporation as a charitable company limited by guarantee.

PORTSMOUTH RESOURCE CENTRES RESERVE

This reserve shows the receipts of a past appeal to raise money for the construction of The Elizabeth Foundation's educational facilities. The money has now been fully spent, and the building is included within fixed assets. Depreciation charged on these assets is set against the fund each year.

This reserve also includes the receipts less administration costs of a past appeal to finance construction of the Early Detection Centre. The money has now been fully spent and the building is included in fixed assets. Depreciation charged on these assets is set against the fund each year.

LOAN RESERVE

As described above under "Legacy Reserve", the Trustees have decided to create a designated reserve that equals the outstanding amount due under the term loan (Note 11). The amount held in this reserve will therefore decrease as loan repayments are made. The Reserve is intended to demonstrate the necessity of achieving unrestricted accounting surpluses over time, in order to allow the loan to be repaid; however, the Reserve is not currently wholly represented by liquid assets (see Note 15) because final loan repayments are not due until 2011.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2006

13. RECONCILIATION OF MOVEMENT ON RESERVES (CONTINUED)

CORE SERVICES RESERVE

The core charitable activities of The Elizabeth Foundation are those associated with provision of Nursery Sessions (using a multi sensory oral method), Family Support and the Home Learning Programme. The costs of running each of these each year (to the extent that they are not funded by committed restricted sources of income) are charged to this reserve. Furthermore, an amount estimated as the unfunded costs of the three months following the balance sheet date is also set aside to recognise the level of operating risk that The Elizabeth Foundation has taken by subsidising these activities from its Income and Expenditure Account. From time to time, the Trustees review whether three months is an adequate period on which to base this estimate and they may make adjustments. Reasons for adjustment might include changes in the likely level of annual funding awards from restricted sources, the timing of major cashflows, or changes in The Elizabeth Foundation's service delivery models.

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account represents the total of accumulated unrestricted surpluses that The Elizabeth Foundation has generated during its history. As shown in Note 15, at 31 March 2006 most of these funds have been used over the years to build or buy the fixed assets (premises and equipment) that The Elizabeth Foundation uses to deliver its charitable services. At 31 March 2006, the Income and Expenditure Account included £68,170 represented by current assets including investments (cash less contracted commitments). The Trustees consider that this represents an absolute minimum level of liquid assets for The Elizabeth Foundation to hold given its size and cash flow projections for the coming months, and note that it is below the desired level of free reserves indicated in the Directors' Report.

14. TAXATION

The Foundation (charitable company) is a registered charity and, as such, is not liable to taxation in respect of its charitable activities.

15. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<i>Tangible</i>		<i>Term</i>	<i>Other Net</i>	<i>2006</i>	<i>2005</i>
	<i>fixed assets</i>	<i>Investments</i>	<i>Loans</i>	<i>assets</i>	<i>Total</i>	<i>Total</i>
	£	£	£	£	£	£
<i>Restricted:</i>						
National Lottery Charities						
Board reserve	186,798	-	-	-	186,798	191,409
Grants and fees reserve	-	28,655	-	-	28,655	14,050
Capital reserve	5,604	-	-	-	5,604	5,604
<i>Unrestricted:</i>						
Portsmouth Resource Centres	371,951	-	-	-	371,951	382,517
Core Services Reserve	-	121,807	-	-	121,807	116,651
Loan Reserve	137,090	32,084	-	-	169,174	197,891
Income and Expenditure account	609,068	25,008	(169,174)	43,162	508,064	488,525
	1,310,511	207,554	(169,174)	43,162	1,392,053	1,396,647
	(Note 6)	(Note 16)	(Note 11)			

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2006

16. INVESTMENTS

Company

Subsidiary – E. F. Enterprise (Portsmouth) Limited

The company owns a 100% holding (nominal value £2) in E.F. Enterprise (Portsmouth) Limited, a company registered in England. It is shown at cost in the balance sheet, as follows:

	£
Cost at 1 April 2005 and 31 March 2006	2
Held by The Elizabeth Foundation	50%
Held by director D K Metherell as nominee for The Elizabeth Foundation	50%
	100%

The company operated charity shops and carried out database activities to raise money for the Foundation, and profits were paid to the Foundation under the terms of a variable covenant. For the year ended 31 March 2006, all activities had ceased as the company had become dormant with effect from 1 April 2005.

Group and Company

Other investments

	£
Total investments, including other investments:	
Other:	
Opening valuation	203,643
Additions at cost	15,784
Disposals at opening value	(41,935)
Net unrealised gains on revaluation	30,062
Total market value at 31 March 2006 (group)	207,554
Cost at 1 April 2005 and 31 March 2006 (subsidiary)	2
Total cost or market value at 31 March 2006 (company)	207,556
Listed Investments	130,004
British Government stocks	54,425
UK Unit Trusts	23,125
	207,554
Investment in unquoted subsidiary company	2
	207,556