

## **Tommy's, the baby charity**

Financial statements 31 March 2006  
together with trustees' and auditors' reports

Registered Charity number: 1060508

Registered Company number: 3266897



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## Trustees and advisors

### Constitution

Registered Charity No. 1060508

Registered Company No. 3266897 – Company limited by guarantee

### Patron

Sarah, the Duchess of York

### President

Lord Foster

### Trustees

Ron Dennis CBE	Co Chairman
Sally Tennant	Co Chairman
Cornelius Kelleher	
Anthony Kenney FRCS FRCOG	
Richard Lapthorne CBE	
Dominic Proctor	
Stephen Russell	Honorary Treasurer
Tom Shields QC	
Anita Charlesworth	Appointed 23 March 2006
Jeffrey Braithwaite	Appointed 23 March 2006
Judith Bollinger	Appointed 23 March 2006

### Chief Executive

Jane Brewin

### Principal Address

Nicholas House  
3 Laurence Pountney Hill  
London  
EC4R 0BB

### Auditors

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London EC1M 3AP

### Solicitors

Harbottle & Lewis LLP  
Hanover House  
14 Hanover Square  
London W1S 1HP

### Bankers

National Westminster Bank plc  
91 Westminster Bridge Road  
London SE1 7ZB

## Trustees' Report

### Objectives and Activities

Our goal remains to reduce the incidence of miscarriage, premature birth and stillbirth which cause so much suffering to more than a quarter of all parents across the UK.

We believe that providing information can help parents to minimise the risks inherent in pregnancy whilst funding medical research which will increase our understanding of the fundamental causes and hence lead to identifying those most at risk and treating them.

Our main objectives for the year were:

- To grow our income on a sustainable basis year by year to fund our activities
- To continue to fund medical research at St Thomas' Hospital, London and St Mary's Hospital, Manchester.
- To plan to open a third research centre within three years
- To continue to expand our information programme to mothers-to-be

We have made significant progress on all these items and this is detailed in the **Activities and Performance** section of this report.

In the current year grants were awarded to maternal and fetal research groups based at St Thomas' Hospital, to Kings College London and St Mary's Hospital, to Manchester University. Reports on their activities and proposed budgets were presented to the Trustees by Professors Poston and Baker, who lead the research centres, and were discussed and formally agreed. An external review of both centres was also conducted this year with outstanding results. A grant was also awarded to the National Perinatal Epidemiology Unit (NPEU) at Oxford University.

### Structure, Governance and Management

The charity operates in the UK with its headquarters based in central London. The charity and trading subsidiary are governed by memorandum and articles of association.

New Trustees are nominated by existing Trustees and selected by majority vote. All new Trustees are inducted; the programme covers:

- A meeting with the Co-Chairman
- The role of a Trustee including a copy of the memorandum and articles of association
- A meeting with the Chief Executive, staff and a visit to Tommy's offices
- Tommy's goals, strategy and main activities
- How Tommy's assess and manage risk
- Financial reporting and current performance of the charity including reserves policy
- Main areas of fundraising
- Our pregnancy information programme
- Our approach to communicating with our supporters and beneficiaries
- Our medical research programmes including a visit to one of our maternal and fetal research units
- Completion of Companies House documentation

Every year one third of the Trustees resign and can be nominated for re-election. Trustees meet four times a year and five Trustees sit on the Business Advisory Group which also meets four times a year and concentrates on how we raise funds. The groups' role has been agreed by the full Board of Trustees.

The Trustees have delegated the management of Tommy's to the Chief Executive who together with the Finance Director report on the performance against the budget and strategic plan which are approved annually by the Trustees. Management accounts and the balance sheet are reviewed four times a year at the Trustees meetings and by the Business Advisory Group. Each month the Chief Executive reports to Sally Tennant, Co-Chairman on performance and key items.

The majority of staff are engaged in fundraising activity which is detailed in the fundraising section of this report. Eight staff are employed in our pregnancy information department and PR department. The remaining five are employed in finance, IT support and office management duties.

The charity continues to occupy space owned by a company controlled by a Trustee, Ron Dennis CBE, which he has kindly allowed the charity to lease at a greatly discounted rate to the market place.

#### **Trustees**

Three new Trustees were elected to join the board in March 2006; Jeffrey Braithwaite who is an Obstetrician practising in central London, Anita Charlesworth who is a Director of Public Services at HM Treasury and Judy Bollinger who has 25 years experience in financial services.

#### **Internal Financial Control and Risk Assessment**

The Trustees report that the charity's internal financial controls conform to guidelines issued by the Charity Commission.

The systems of financial control are designed to provide all reasonable assurance against material misstatement or loss. They include:

- A fundraising plan and annual budget approved by the Trustees
- Regular consideration by the Trustees of actual results compared with budgets and forecasts
- Authority to spend within defined limits
- Segregation of duties
- Consideration of risks by Trustees and line managers

Risks are formally reviewed by the Chief Executive, Finance Director and key staff each month and actions documented for follow up.

## **Activities and Performance**

#### **Research**

Tommy's, the baby charity is committed to funding high quality medical research to find the causes and treatments for problems women experience during pregnancy such as miscarriage, pre-eclampsia and pre-term labour. Tommy's has invested £925,811 this year in medical research including:

- Maternal and Fetal Research Unit at St Thomas' Hospital, London - £440,827
- Maternal and Fetal Research Unit at St Mary's Hospital, Manchester - £362,624
- In addition this year the Trustees have agreed to fund a project assessing the economic and social cost of being born prematurely - £48,007

The funds Tommy's invests often generate preliminary results. These results help the groups to attract funding for larger studies, effectively multiplying our contribution to up to ten times over the initial investment.

Maternal and Fetal Research Unit at St Thomas' Hospital, London headed by Professor Lucilla Poston and Professor Andrew Shennan

- The results of the VIP trial found that Vitamin C and E supplements do not lower the risk of pre-eclampsia in pregnant women with a high chance of developing the condition. The results were published in the high profile journal The Lancet. The study also found that vitamin C and E supplements might increase the rate of low birth weight babies. This will help to inform the treatment of women who show early risk factors for developing pre-eclampsia. On a positive note, the study indicated that multi-vitamin supplements were beneficial to pregnancy outcome.
- The study of cervical sutures to prevent the early onset of labour is progressing well – we aim to show whether this is an effective treatment for women at risk of delivering early due to their cervix starting to open prematurely.
- We continue to investigate the mechanisms which control entry of calcium into the uterine muscle cells which in turn control contractions. We have made significant progress in understanding the complex mechanisms involved.
- The group have begun planning a new study into predicting those women most likely to suffer a problem during pregnancy.
- Work has continued to help the NHS select the most accurate blood pressure monitoring devices which is so critical in detecting those women who are beginning the early stages of pre-eclampsia.

- We are continuing to focus on fetal programming which links the environment the baby is subjected to during pregnancy with long term health of the baby/child/adult. We have concentrated on the impact of diet, especially fat intake, and are now turning our attention to the impact of stress.

#### Maternal and Fetal Research Unit at St Mary's Hospital, Manchester headed by Professor Philip Baker

- Our ability to be able to prevent babies being born too soon is being hindered by our lack of knowledge about the complex chemical pathways which cause the uterus to contract. Two of the current projects are looking at understanding which molecules and pathways are involved in controlling uterine contractions.
- We are examining the link between maternal stress and pregnancy outcome using a large database from Denmark. Early indications link stress to pre-term birth.
- The PULSE study which is assessing the optimum administration of Oxytocin to augment labour, is continuing to recruit women onto the study both in London and Manchester.
- We continue to study the blood vessels in the placenta which regulate the supply of nutrients and waste products between mother and baby. The control of the maternal blood supply to the placenta is vital and important to the development of the baby. Two major complications caused by abnormal blood vessel development include pre-eclampsia and intrauterine growth restriction. We are studying blood vessels in normal and abnormal pregnancies to elucidate the mechanisms which control blood flow to and from the placenta.
- We are studying implantation of the embryo and how this is controlled and the early development of the placenta in the hope it will help us to better understand the reasons for early miscarriage.
- We continue to focus on excessive cell death in the placenta which is an indication that pregnancy problems will arise.
- We are continuing to recruit young women onto our teenage pregnancy project in both London and Manchester – we are investigating the association of diet and growth status on pregnancy outcome. The project is progressing well and we are already starting to see some interesting results which we hope will help us to recommend the best possible care for this vulnerable group.

In December 2005 a review of the London and Manchester research centres was conducted by three very eminent international experts; Professor James Roberts (Magee Women's Research Institute at the University of Pittsburgh) Professor John Challis (University of Toronto) and Professor Lorna Moore (University of Colorado at Denver). The reviews were outstanding, both centres being congratulated on their excellent work outputs. Professors Poston, Shennan and Baker were all commended for their excellent leadership.

#### Decision analytic model of the long term costs of Prematurity – NPEU at Oxford University

The high rates of morbidity and mortality arising from preterm birth impose a considerable burden on finite health care resources. Preterm babies are at an increased risk of a range of adverse outcomes in both the short and long term. Although the health outcomes of these babies are well documented, relatively little is known about the economic consequences. We aim to assess the impact up to the age of 18, both in terms of economic costs and the wider impact on the families concerned. We will present the results for each gestational age category. A steering group will guide the project to ensure the outcomes are useful for a range of audiences and our expectation is that this will focus more attention on the need to increase funding for research to prevent premature birth.

#### **Education and Information**

We have followed last year with a year of consolidation; we provide pregnancy information, free to the end user, to health professionals and direct to the general public. By improving availability of pregnancy information we aim to help reduce the risks inherent in pregnancy.

Pregnancy information is distributed in the following ways: website [www.tommys.org](http://www.tommys.org), pregnancy information line and publications. Developments this year include:

- Tommy's has invested in a new website framework this year which allows information to be updated more rapidly and for greater functionality for Tommy's supporters.
- All our publications are available free of charge on our website
- Our information line, staffed by midwives is taking 72% more calls than last year – providing immediate help and support to women who are pregnant, preparing for pregnancy or who have suffered a pregnancy loss.
- We have continued to distribute printed information covering a range of pregnancy conditions as well as our highly successful guides to being pregnant and pre-pregnancy care.

- We have been awarded membership of the Telephone Helpline Association which helps to ensure high standards are maintained by organisations providing a telephone service.
- We have partnered with Johnson & Johnson to distribute guides to being pregnant to the general public through Boots stores and directly to Midwives and GP's

Overall demand for our services has increased to about 700 requests per month which represents a 38% increase on last year.

### **Fundraising**

We continue to fund our activities entirely from voluntary income from companies, trusts and foundations, events and individuals.

We have been fortunate to receive the help and support of many amazing people this year without whom we wouldn't be able to do the work we do and our thanks go to them all.

We have been very pleased to receive another grant from the Freemasons for a project at Oxford University which is helping to understand the changes in the placenta from women suffering from pre-eclampsia. We have also received grants and donations from Fidelity to help pay for our new finance system and from the Henry Smith Charity, Sandra Charitable Trust and the Peter Moores Foundation. The Big Lottery is continuing their funding of the teenage pregnancy project.

We have enjoyed working with a number of great companies this year on a variety of projects; they include Asda, Boots, Seraphine, New Look, Bella Pasta, Champney's and Environmental Business Products.

It's been another busy year for events:

- We have run our Splashathon swimming event for young children across the UK.
- We held a fashion event at Kew Gardens, our thanks go to Adela King and Tamara Beckwith.
- We held a sports dinner and our thanks go to Georgie Pinkus, Stephen Hall and Guy Horner.
- We held a very successful Tommy's Dinner and our thanks go to our Trustees, especially Tom Shields QC and Ron Dennis CBE, who kindly supported the event.
- We held our twelfth Parent Friendly Awards in central London.
- More than 100 supporters ran the London Marathon including three members of staff.
- Charlie Woodward-Fisher and Phil Harris rowed the Atlantic in the Atlantic Rowing Race raising £200,000.
- Simon Daglish, Roger Weatherby, Ed Farquhar and James Daly trekked to the South Pole replicating Scott's original journey.
- Our supporters around the country held events to raise money for Tommy's.

We have continued to invest in growing our income from individual donations and regular gifts and this remains a continued priority for the coming years.

### **Lobbying Government**

We recognise the increasing priority that the Government is giving to improving the health of children including the realisation that wellbeing during childhood and adulthood starts with a healthy pregnancy and birth. We hope to convince government to make more funds available for research into pregnancy by focussing on highlighting the cost of being born prematurely. The research project we have commissioned will provide useful information about the economic and social impact of babies born before full term.

### **Communication**

We have continued to advertise Tommy's, the baby charity, to the general public to raise awareness about who we are and what we do. We have again received very generous help from JWT and MindShare who have donated their services once more. With their help we have been able to reach more people who have helped us to raise more money to support our information and medical research projects.

This year Johnson & Johnson funded an advertising campaign for our pregnancy information service and the response was spectacular increasing demand for our information three-fold.

We have again received the help of some very prominent and committed celebrity supporters who have helped us to publicise our cause. Our thanks go to Gaby Roslin, Anna Friel, Jamelia, Tara Palmer-Tomkinson, Donna Air, Tamara

Beckwith, Samantha Bond and Floella Benjamin for all their help and their valuable time which they give freely to support our cause.

We have had another impressive year of PR coverage in newspapers, magazines and on radio and television all of which has helped us to raise our awareness and generate funds.

## **Financial Review**

Income this year stands at £3,494,900 which is £151,709 more than our target for the year and 16% up on last year. £3,379,244 is from fundraising activities.

Compared to other charities, a significant part of the charitable activities that Tommy's funds is outsourced to university based research centres, rather than being performed in-house. The charity acts as a fundraising vehicle in order to create the funding for these grants. A consequence of this structure is that a higher proportion of support costs are attributed to fundraising rather than charitable activities, inflating the cost/income ratio compared to other charities.

Tommy's fundraising structure is unusual because we raise a relatively high proportion of our income from events which have a higher cost/income ratio and virtually no income from statutory funding or legacies which have a low cost/income ratio. This means that our cost/income ratio seems higher than some other, often much larger and more established organisations, who have a very different structure of fundraising.

We have taken the decision this year to invest in making our processes more efficient including investing in a new finance system and streamlining our processes in readiness for purchasing a new database. We have also invested in a better understanding of our supporters' needs so that we can meet them more effectively.

Our cost/income ratio is 36.7% which is below target. Tommy's continues to invest in attracting and retaining regular donations which will provide the charity with a much needed source of regular income.

Of our charitable spend of £2,010,273; £925,811 was invested in research grants and £891,536 was invested in our information programme.

Tommy's trading subsidiary made profits of £469,828 which were transferred to the charity.

### **Reserves policy**

The reserves policy is that seven months anticipated unrestricted fund expenditure should be maintained to cover charitable expenditure, staff salaries, overheads and a proportion of fundraising costs. At the year end funds stood at £1,455,927 in line with this policy. The reserves policy is reviewed each year and reserves are being accumulated in order to fund the set up costs of establishing a third research centre.



## Key Performance Indicators

KPI	Target	Result
Income	£3,343k	Exceeded budget
Expenditure: Cost of generating funds Charitable	£1,185k £2,159k	Slightly over budget Under budget as reserves increased
Cost/income ratio	39%	36.7%
Research performance	<ul style="list-style-type: none"> <li>➤ Satisfactory annual reports completed for MFRU's and current project grants.</li> <li>➤ Successful audit of MFRU's completed</li> </ul>	Completed Completed
Information performance	<ul style="list-style-type: none"> <li>➤ Publications distributed on target</li> <li>➤ Phone enquires answered on target</li> </ul>	Completed Completed
Communication	<ul style="list-style-type: none"> <li>➤ Coverage maximised in all available media</li> </ul>	Completed
Planning & Administration	<ul style="list-style-type: none"> <li>➤ Satisfactory audit report.</li> <li>➤ Annual budget and plan completed.</li> <li>➤ Risk assessments completed.</li> </ul>	Completed Completed Completed

## Plans for future periods

The charity's future plans are a continuation of the current strategy:

- To grow our income on a sustainable basis year by year to fund our activities
- To continue to fund medical research at St Thomas' Hospital, London and St Mary's Hospital, Manchester
- To implement a plan to raise enough funds to open our third research centre within two years
- To continue to reach more mothers-to-be with our pregnancy information service.

## Trustees' Responsibilities

Company and charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the charity and of the results of the group for that period. In preparing those statements the Trustees have:

- Selected suitable accounting policies and applied them consistently
- Made judgements and estimates which are reasonable and prudent
- Stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepared the financial statements on the going concern basis

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Each of the trustees has confirmed that so far as he is aware, there is no relevant audit information of which the company's auditors are unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

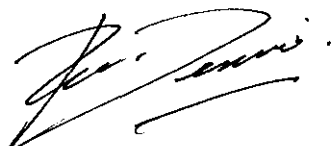
## Auditors

A resolution for the reappointment of PKF (UK) LLP as auditors will be proposed at the annual meeting for the ensuing year.

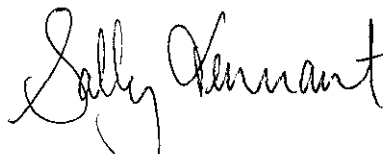
## Chairmen's Statement

"We are delighted with the progress we have made this year; delivering outstanding research programmes which move us closer to our goal of a healthy pregnancy for all and we are proud to have helped many parents through our pregnancy information service. Our heartfelt thanks go to all our supporters - with their help we are making a real difference - and to our staff for their hard work and commitment to managing the charity's resources effectively."

Signed on behalf of the Trustees of Tommy's, the baby charity



Ron Dennis CBE  
Co-Chairman  
20<sup>th</sup> June 2006



Sally Tennant  
Co-Chairman

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TOMMY'S, THE BABY CHARITY**

We have audited the financial statements of Tommy's, the baby charity for the year ended 31 March 2006 which comprise the consolidated statement of financial activities, the consolidated balance sheet, and the related notes. The financial statements have been prepared under the accounting policies set out therein.

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 trustees and auditors**

The responsibilities of the trustees (who are also the directors of the company for the purposes of company law) for preparing the 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 have been 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 other transactions 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.

### **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 judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

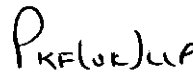
We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 the company's affairs as at 31 March 2006 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

London, UK  
20 June 2006

  
PKF (UK) LLP  
Registered Auditors

# Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2006

	Notes	Unrestricted funds £	Restricted funds £	Total 2006 £	Total 2005 £
<b>Incoming resources</b>					
<b>Donations &amp; Legacies</b>	2	1,375,824	303,540	1,679,364	1,518,656
<b>Activities in furtherance of the charity's objects:</b>					
-Big Lottery Grant – Impact of diet on teenage pregnancy outcome		-	96,266	96,266	89,683
<b>Activities for generating funds:</b>					
-Corporate sponsorship, promotions and events	3	1,296,377	-	1,296,377	1,013,827
-Regional fundraising		307,237	-	307,237	271,115
-Investment income and interest	4	108,924	6,732	115,656	120,037
<b>Other incoming resources</b>		-	-	-	318
<b>Total incoming resources</b>		<u>3,088,362</u>	<u>406,538</u>	<u>3,494,900</u>	<u>3,013,636</u>
<b>Resources expended</b>					
<b>Cost of generating funds:</b>					
Fund-raising and publicity costs					
- donations and legacies		632,492	2,967	635,459	605,399
- corporate sponsorship, promotions and events		589,308	401	589,709	488,146
- regional fundraising		56,648	2,121	58,769	62,449
		<u>1,278,448</u>	<u>5,489</u>	<u>1,283,937</u>	<u>1,155,994</u>
<b>Charitable expenditure:</b>					
Medical research costs	5	591,754	334,057	925,811	985,171
Education and information projects	6	770,532	121,004	891,536	825,269
Governance	7	191,878	1,048	192,926	98,239
		<u>1,554,164</u>	<u>456,109</u>	<u>2,010,273</u>	<u>1,908,679</u>
<b>Total resources expended</b>	7,8,9	<u>2,832,612</u>	<u>461,598</u>	<u>3,294,210</u>	<u>3,064,673</u>
<b>Net (outgoing)/incoming resources</b>		<u>255,750</u>	<u>(55,060)</u>	<u>200,690</u>	<u>(51,037)</u>
Net investment gain/(losses)		<u>4,395</u>	<u>-</u>	<u>4,395</u>	<u>-</u>
<b>Net movement in funds</b>		<u>260,145</u>	<u>(55,060)</u>	<u>205,085</u>	<u>(51,037)</u>
Fund balances brought forward		<u>1,195,782</u>	<u>273,150</u>	<u>1,468,932</u>	<u>1,519,969</u>
<b>Fund balances carried forward</b>	18	<u>1,455,927</u>	<u>218,090</u>	<u>1,674,017</u>	<u>1,468,932</u>

All results have been derived from continuing activities. The group has no other recognised gains or losses other than those stated above.


The accompanying notes form an integral part of this consolidated statement of financial activities.


# Consolidated balance sheet

31 March 2006

	Notes	Unrestricted funds £	Restricted funds £	Total 2006 £	Total 2005 £
<b>Fixed assets</b>					
Tangible assets	12	20,200	5,959	26,159	10,302
<b>Current assets</b>					
Stocks		-	-	-	1,774
Current Asset Investments	14	841	-	841	-
Debtors	15	693,901	-	693,901	578,147
Short term deposits		2,468,009	212,131	2,680,140	2,776,021
Cash at bank and in hand		373,362	-	373,362	7,659
		3,536,113	212,131	3,748,244	3,363,601
<b>Creditors: amounts falling due within one year</b>	17	(2,065,021)	-	(2,065,021)	(1,740,839)
<b>Net current assets</b>		1,471,092	212,131	1,683,223	1,622,762
<b>Total assets less current liabilities</b>		1,491,292	218,090	1,709,382	1,633,064
<b>Creditors: amounts falling due after one year</b>	17	(35,365)	-	(35,365)	(164,132)
<b>Total Net Assets</b>		1,455,927	218,090	1,674,017	1,468,932
<b>Represented by</b>					
Funds	18	1,455,927	218,090	1,674,017	1,468,932

The financial statements on pages 10 to 25 were approved and authorised for issue by the Trustees on 20 June 2006

  
Ron Dennis CBE  
Trustee

  
Sally Tennant  
Trustee

The accompanying notes form an integral part of this consolidated balance sheet. The charities own balance sheet is set out in Note 22.

## Notes to the financial statements

For the year ended 31 March 2006

### 1 Accounting policies

#### *a) Basis of accounting*

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared in accordance with applicable accounting standards and "Accounting and Reporting by Charities" (SORP 2005).

#### *b) Basis of consolidation*

The group financial statements include the results for the year ended 31 March 2006 of Tommy's the baby charity and its subsidiary company The Baby Fund Trading Limited. The results of the subsidiary are included on a line by line basis and its own profit and loss account and balance sheet are shown in note 19.

#### *c) Funds accounting*

Unrestricted General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity. Restricted funds are funds subject to restrictions imposed by donors or the nature of the appeal. The purpose and use of the restricted funds is set out in note 18.

#### *d) Incoming resources*

All incoming resources becoming available to the group during the year are included when there is certainty of receipt. The incoming resources are shown gross except for small events organised by volunteers, where expenses are netted off against income. For legacies, entitlement is the earlier of the charity being notified of an impending distribution and of the legacy being received.

#### *e) Medical research grants*

Medical research grants payable within three years are accounted for as expenditure when authorised by the trustees, as advised by the Medical Advisory Group, notwithstanding that the amounts may not be paid in the year.

## Notes to the financial statements (continued)

### 1 Accounting policies (continued)

#### *g) Allocation of expenditure*

Expenditure is classified under the principal headings of direct charitable and cost of generating funds rather than the type of expense in order to provide more useful information to the users of these accounts. Where costs cannot be directly attributed they have been allocated to activities on an utilisation basis, assessed by staff time on each activity.

Governance costs comprise of cost relating to governance infrastructure of the charity such as audit fees and apportioned costs of senior management time. In accordance with SORP 2005, support costs which include the central functions such as PR, Information Technology and Office operating costs have been allocated to activities on an utilisation basis, assessed by staff time on each activity

#### *h) Operating Leases*

Operating lease rental are charged to the Statement of Financial Activities on a straight line basis over the lease term.

#### *i) Capitalisation and Depreciation of tangible fixed assets*

Assets costing more than £100 are capitalised and depreciated. Furniture and equipment is depreciated over two years, whilst new systems expenditure is depreciated over three years to reflect their estimated useful economic lives to the charity.

#### *j) Stocks*

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

#### *k) Current Asset Investments*

Tommy's does, from time to time, receive donated shares which are listed on the AIM market and which are subject to certain time restrictions. Until these restrictions are met the shares cannot be actively traded on the market. Tommy's policy, due to the volatility of these shares is to dispose of them as soon as the time restriction has passed and the shares can be actively traded and sold.

Where such shares are donated and can be valued they are included in the financial statements as current asset investments until such time as they can be sold. Shares held by Tommy's which cannot be valued owing to the absence of an active market in which to sell them are disclosed in note 14 to the financial statements.

#### *l) Taxation*

To the extent that it does not exceed the accounting profit for the period, any taxable profit of the subsidiary, The Baby Fund Trading Limited, is eliminated by gift aid payment in favour of the charity. The activities of the charity fall within the exemptions granted under section 505 of the Income and Corporation Taxes Act 1988.

## Notes to the financial statements (continued)

### *m) Pension Policy*

Tommy's the baby charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charity in an independently administered scheme. The pension cost charge represents the amounts payable by Tommy's the baby charity amounting to £13,188 (2005: £8,675).

### **2 Donations & Legacies**

	2006 £	2005 £
Public donations	1,364,583	1,138,086
Legacies	6,986	7,766
Corporate	126,506	189,122
Trusts	181,289	183,682
	<u>1,679,364</u>	<u>1,518,656</u>

### **3 Corporate sponsorship, promotions and events**

	2006 £	2005 £
Corporate sponsorship and promotions	793,530	351,309
Events	502,847	662,518
	<u>1,296,377</u>	<u>1,013,827</u>

### **4 Investment income and interest**

	2006 £	2005 £
Dividends	-	-
Interest	115,656	120,037
	<u>115,656</u>	<u>120,037</u>



## Notes to the financial statements (continued)

### 5 Grants for medical research

	2006 £	2005 £
The charge for the year for research consists of the following		
Grants awarded during the year		
- Maternal and Fetal Health Team, St Thomas' Hospital, London	440,827	420,522
- Maternal and Fetal Health Team, St Mary's Hospital, Manchester	362,624	383,111
- The impact of diet on teenage pregnancy outcome – provision	-	343,037
- Long term cost of prematurity project - Oxford NPEU	48,007	-
- Previous years grants not fully taken up	(84,123)	(26,928)
	<u>767,335</u>	<u>1,119,742</u>
Other research costs	62,160	56,156
The impact of diet on teenage pregnancy outcome – future reimbursements	96,316	(190,727)
	<u>925,811</u>	<u>985,171</u>
Total research costs		
	<u>925,811</u>	<u>985,171</u>
Outstanding grants at 1 <sup>st</sup> April 2005	1,685,804	1,593,025
Grants awarded during the year	767,335	1,119,742
Paid during the year	(711,088)	(1,026,963)
	<u>1,742,051</u>	<u>1,685,804</u>
Outstanding grants at 31 March 2006		
	<u>1,742,051</u>	<u>1,685,804</u>
Grants falling due within one year	1,706,686	1,521,672
Grants falling due after more than one year	35,365	164,132
	<u>1,742,051</u>	<u>1,685,804</u>

Details of grants awarded in the previous year are available on written request to the principle address detailed on page 1.

## Notes to the financial statements (continued)

### 6 Education and information projects

	2006 £	2005 £
Parent Friendly Awards	113,481	191,252
National Pregnancy Week	106,286	73,542
Pregnancy Accreditation	47,471	82,126
Website	16,838	3,401
Information Leaflets	596,359	433,912
Preconception Book	8,122	27,446
Smalltalk	17	2,413
Annual review	0	1,242
Newsletter	2,962	9,935
	<u>891,536</u>	<u>825,269</u>

Annual review, newsletter and smalltalk costs are the proportion of the costs which deal with education and information.

## Notes to the financial statements (continued)

### 7 Analysis of resources expended

	Staff costs £	Direct costs £	Allocated support costs £	Total 2006 £	Total 2005 £
<b>Cost of generating funds</b>					
Donations and Legacies	121,539	452,660	61,260	635,459	605,399
Corporate sponsorship, promotions and events	176,478	327,537	85,694	589,709	488,146
Regional Fundraising	29,026	18,176	11,567	58,769	62,449
	<u>327,043</u>	<u>798,373</u>	<u>158,521</u>	<u>1,283,937</u>	<u>1,155,994</u>
<b>Charitable expenditure</b>					
Maternal and Fetal Health Team, London	-	440,827	-	440,827	420,522
Maternal and Fetal Health Team, Manchester	-	362,624	-	362,624	383,111
Impact of diet on teenage pregnancy - provision	-	-	-	-	343,037
Long term cost of prematurity project - Oxford NPEU	-	48,007	-	48,007	-
Impact of diet on teenage pregnancy – future reimbursements	-	96,316	-	96,316	(190,727)
Previous years grants not fully taken up	-	(84,123)	-	(84,123)	(26,928)
Other research costs	38,271	9,071	14,818	62,160	56,156
Parent Friendly Awards	38,889	52,418	22,174	113,481	191,252
National Pregnancy Week	47,077	27,477	31,732	106,286	73,542
Pregnancy Accreditation	26,610	8,471	12,390	47,471	82,126
Other publications and website	217,355	253,896	153,047	624,298	478,349
Governance	150,325	12,320	30,281	192,926	98,239
	<u>518,527</u>	<u>1,227,304</u>	<u>264,442</u>	<u>2,010,273</u>	<u>1,908,679</u>
<b>Total</b>	<u>845,570</u>	<u>2,025,677</u>	<u>422,963</u>	<u>3,294,210</u>	<u>3,064,673</u>

Details of allocated support costs are set out in note 8.

Governance costs include fees paid to our auditors in respect to the audit for the group of £9,000 (2005: £8,000) and £nil for other services (2005: £Nil) and a significant apportionment of the senior management time related to audit, trustees meetings and strategic planning. These costs have increased due to senior management spending more time focusing on the Corporate and HR strategy than in the previous year.

## Notes to the financial statements (continued)

### 8 Analysis of allocated support costs

	PR & Information Technology £	Office Operating Costs £	Total 2006 £	Total 2005 £
<b>Cost of generating funds</b>				
Donations and Legacies	10,723	50,537	61,260	104,041
Corporate sponsorship, promotions and events	14,999	70,695	85,694	75,915
Regional Fundraising	2,025	9,542	11,567	17,429
	<u>27,747</u>	<u>130,774</u>	<u>158,521</u>	<u>197,385</u>
<b>Charitable expenditure</b>				
Research	2,594	12,224	14,818	7,503
Parent Friendly Awards	4,724	17,450	22,174	55,088
National Pregnancy Week	7,332	24,400	31,732	20,341
Pregnancy Accreditation	2,551	9,839	12,390	18,789
Other publications and website	33,789	119,258	153,047	140,139
Governance	5,300	24,981	30,281	19,086
	<u>56,290</u>	<u>208,152</u>	<u>264,442</u>	<u>260,946</u>
<b>Total</b>	<u>84,037</u>	<u>338,926</u>	<u>422,963</u>	<u>458,331</u>

Included in the office operating costs are the office rent, service charges, rates and associated equipment running costs. The costs are allocated based on time allocated by the staff to the associated activities.

## Notes to the financial statements (continued)

### 9 Staff costs

	2006 £	2005 £
Salaries and wages	758,113	678,806
Social security costs	74,269	58,441
Pension costs	13,188	8,675
	<u>845,570</u>	<u>745,922</u>

The emoluments for the year of 1 member of staff including benefits in kind are within the range of £90,000 to £99,999 (2005 – 1 member within the range of £90,000 - £99,999). Contributions amounting to £4,200 (2005 - £4,200) were also made to the personal pension scheme of the employee in the above band.

The average weekly number of persons employed during the year by department was:

	2006 Number	2005 Number
Charitable activities	8	6
Cost of generating funds	12	9
Management and administration of the charity	5	4
	<u>25</u>	<u>19</u>

### 10 Trustees

The Trustees received no remuneration or reimbursed expenses during the year (2005 - £Nil).

### 11 Other Commitments

At 31 March 2006 the Charity had annual commitments under operating leases for land and buildings as follows:

Expiring within:	2006 £	2005 £
One year	-	-
Two and five years	41,200	41,200

## Notes to the financial statements (continued)

### 12 Tangible fixed assets

	Group £	Charity £
<b>Office equipment</b>		
<b>Cost</b>		
1 April 2005	271,059	271,059
Additions	39,855	39,855
Disposals	-	-
<b>31 March 2006</b>	<b>310,914</b>	<b>310,914</b>
<b>Depreciation</b>		
1 April 2005	260,757	260,757
Charge for the year	23,998	23,998
Disposals	-	-
<b>31 March 2006</b>	<b>284,755</b>	<b>284,755</b>
<b>Net book value</b>		
1 April 2005	10,302	10,302
<b>31 March 2006</b>	<b>26,159</b>	<b>26,159</b>

### 13 Fixed asset investments

The charity owns the whole of the issued share capital of £2 in The Baby Fund Trading Limited, a company incorporated in the UK. This company was formed to carry on the trading activities of the charity and profits are covenanted to the charity. The results of the trading subsidiary are shown in note 19.

## Notes to the financial statements (continued)

### 14 Current asset investments

	2006	2005
	£	£
Valuation at 1 April 2005	-	-
Additions to investments at cost	249,674	-
Disposals at carrying value	(253,228)	-
Net gain/(loss) on revaluation	4,395	-
<b>Valuation at 31 March 2006</b>	<b>841</b>	<b>-</b>

Tommy's held the following donated shares at 31 March 2006

- 100 Ordinary shares Grupo Santander included in the valuation above

Donated Shares held but not valued due to the absence of an active market include

- 75,000 Ordinary shares Vista Group plc (AIM Listed)
- 50,000 Ordinary shares Soccercity plc (AIM Listed)

### 15 Debtors

	Group		Charity	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	267,291	312,384	44,806	102,347
Taxation recoverable	13,578	6,739	13,578	6,739
Amounts owed by subsidiary company	-	-	706,637	615,373
Prepayments and accrued income	318,621	68,297	313,993	64,917
Accrued Income from the Big Lottery	94,411	190,727	94,411	190,727
	<b>693,901</b>	<b>578,147</b>	<b>1,173,425</b>	<b>980,103</b>

### 16 Contingent Asset

Following the decision of the High Court in the case of The Church of England Children's Society v HMRC, a claim was submitted for VAT previously not recovered on certain fundraising costs. The claim amounted to £117,168.26. As well as the claim for previously unrecovered VAT, the decision also allowed for certain income to be removed from the denominator of the charity's Business/Non Business apportionment thus increasing the overall recovery rate. HMRC are currently challenging this second element. A final figure cannot be stated and included in the accounts until discussions with HMRC have been concluded.

## Notes to the financial statements (continued)

### 17 Creditors: amounts falling due within one year

	Group		Charity	
	2006	2005	2006	2005
	£	£	£	£
Trade creditors	-	10,315	-	7,765
VAT payable	4,497	13,324	-	-
Medical grants outstanding	1,706,686	1,521,672	1,706,686	1,521,672
Bank overdraft	-	64,176	-	77,451
Amounts owed to subsidiary company	-	-	179,737	-
Accruals, deferred income and other creditors	353,838	131,352	151,131	85,912
	<u>2,065,021</u>	<u>1,740,839</u>	<u>2,037,554</u>	<u>1,692,800</u>

### Amounts falling due after one year

Medical grants outstanding	<u>35,365</u>	<u>164,132</u>	<u>35,365</u>	<u>164,132</u>
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# Notes to the financial statements (continued)

## 18 Statement of funds

	Balance 1 April 2005 £	Income £	Expenditure £	Investment Gain £	Balance 31 March 2006 £
<b>Unrestricted funds</b>					
General funds	1,195,782	3,088,362	(2,832,612)	4,395	1,455,927
<b>Restricted funds</b>					
Pregnancy Books	34,014	1,083	-	-	35,097
Toxoplasmosis Information Programme	1,767	1,000	(2,767)	-	-
Impact of diet on teenage pregnancy outcome project	45,734	96,859	(123,394)	-	19,199
Vitamin administration study, University of Cambridge	39,414	-	(39,414)	-	-
Anti-oxidant therapy study, University of Oxford	72,600	70,982	(95,586)	-	47,996
Placental Function study, University of Nottingham	2,590	2,624	(1,189)	-	4,025
Effect of Stimulants in Pre-term Labour, Imperial College London	-	35,800	(35,800)	-	-
Johnson & Johnson information provision	-	151,240	(111,062)	-	40,178
Maternal and Fetal Health Team, Manchester	519	780	-	-	1,299
Maternal and Fetal Health Team, London	-	16,500	(16,500)	-	-
Maternal and Fetal Health Team, Manchester & London	5	-	(5)	-	-
Glasgow University Equipment	-	7,739	-	-	7,739
PULSE Trials	76,507	1,747	(21,656)	-	56,598
Accounting System	-	20,184	(14,225)	-	5,959
Total restricted funds	273,150	406,538	(461,598)	-	218,090
<b>Total funds</b>	<b>1,468,932</b>	<b>3,494,900</b>	<b>(3,294,210)</b>	<b>4,395</b>	<b>1,674,017</b>

### Restricted Funds

These are donations for specific projects as requested by the donors. The restrictions are as detailed above.

## Notes to the financial statements (continued)

### 19 Subsidiary company

The statement of financial activities and the consolidated balance sheet include the results, assets and liabilities of the charity's subsidiary, The Baby Fund Trading Limited, which undertakes fundraising activities on behalf of Tommy's the baby charity. The results of the subsidiary, which are consolidated on a line by line basis, are:

#### Profit and loss account

	Corporate 2006 £	Events 2006 £	Total 2006 £	Total 2005 £
Turnover	594,756	476,727	1,071,483	867,505
Cost of Sales	(187,682)	(299,564)	(487,246)	(400,637)
Gross Profit	407,074	177,163	584,237	466,868
Interest Receivable			14,937	14,311
Administration costs			(129,346)	(128,838)
Net profit			469,828	352,341

#### Balance sheet

Fixed assets		
Current assets	913,843	676,690
Current liabilities	(913,841)	(676,688)
Net Assets	2	2

### 20 Related party transactions

In the year Tommy's incurred £41,200 in rent for land and buildings payable to a company wholly owned by Mr Ron Dennis, a Trustee. Tommy's has entered into a lease commitment, expiring on 30 November 2007, with that company which amounts to £41,200 annually.

### 21 Commitments


There are no financial commitments other than those shown in the accounts and accompanying notes.

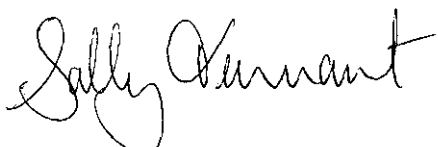
# Notes to the financial statements (continued)

## 22 Charity balance sheet

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2006 £	Total 2005 £
<b>Fixed assets</b>					
Tangible assets	12	20,200	5,959	26,159	10,302
Investments	13	2	-	2	2
		<u>20,202</u>	<u>5,959</u>	<u>26,161</u>	<u>10,304</u>
<b>Current assets</b>					
Stock		-	-	-	1,774
Current Asset Investments	14	841	-	841	
Debtors	15	1,173,425	-	1,173,425	980,103
Short term deposits		1,998,010	212,131	2,210,141	2,326,021
Cash		336,368	-	336,368	7,662
		<u>3,508,644</u>	<u>212,131</u>	<u>3,720,775</u>	<u>3,315,560</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(2,037,554)</u>	<u>-</u>	<u>(2,037,554)</u>	<u>(1,692,800)</u>
<b>Net current assets</b>		<u>1,471,090</u>	<u>212,131</u>	<u>1,683,221</u>	<u>1,622,760</u>
<b>Total assets less current liabilities</b>		<u>1,491,292</u>	<u>218,090</u>	<u>1,709,382</u>	<u>1,633,064</u>
<b>Creditors: amounts falling due after more than one year</b>					
	17	<u>(35,365)</u>	<u>-</u>	<u>(35,365)</u>	<u>(164,132)</u>
<b>Net Assets</b>		<u>1,455,927</u>	<u>218,090</u>	<u>1,674,017</u>	<u>1,468,932</u>
<b>Represented by</b>					
Funds	18	<u>1,455,927</u>	<u>218,090</u>	<u>1,674,017</u>	<u>1,468,932</u>

The financial statements were approved by the Trustees on 20 June 2006

  
Ron Dennis CBE  
Trustee

  
Sally Tennant  
Trustee