

CHILDNET

Company Registration No 3958416

Charity Registration No 1080173

---

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST MARCH 2006



BALDWIN SCOFIELD & CO  
CHARTERED ACCOUNTANTS

CHILDNET

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 2006

CONTENTS

Page

1	Company and Charity Information
2	Directors' & Trustees' Report
3	Auditors' Report
4	Statement of Financial Activities and Income and Expenditure Account
5	Balance Sheet
6	Notes to Accounts

CHILDNETCOMPANY AND CHARITY INFORMATION**INCORPORATION**

The company was incorporated on the 28th March 2000 as a company limited by guarantee. The company registration number is 3958416

**CHARITY REGISTRATION**

The company is registered with the Charity Commission under number 1080173

**REGISTERED OFFICE**

Studio 14  
Brockley Cross Business Centre  
Endwell Road  
London SE4 2PD

**DIRECTORS & TRUSTEES**

Vaughn Armstrong  
Thomas Bick  
Michael Conway (resigned 15.9.05)  
Alice Swann (Chair)  
Barry Taylor  
Sara Tindall  
Graham Wallace (appointed 21.4.06)

**SECRETARY**

John Ryan

**CHIEF EXECUTIVE OFFICER**

Stephen Carrick-Davies

**BANKERS**

Barclays Bank Plc  
Longfield Branch  
PO Box 449  
Dartford  
Kent  
DA1 1FE

**AUDITORS**

Baldwin Scofield & Co  
Chartered Accountants  
Registered Auditors  
Unit 3 Newhouse Business Centre  
Old Crawley Road  
Horsham, West Sussex  
RH12 4RU

**CHILDNET****DIRECTORS' AND TRUSTEES' ANNUAL REPORT**

---

The Directors and Trustees submit their report and audited accounts for the period ended 31<sup>st</sup> March 2006.

**1) STRUCTURE, GOVERNANCE AND MANAGEMENT****1.1 Legal and Administrative Overview**

The charity is incorporated as a company limited by guarantee and is registered with the Charity Commission. The charitable trust Childnet International was originally founded in 1995. On the 1<sup>st</sup> April 2000 the net assets and ongoing activities of this trust were transferred to the company which is also non-profit making and has the same objects and trustees. The affairs of the company are governed by its memorandum and articles of association.

**1.2 Governing Document**

Childnet is governed by its March 2000 Memorandum and Articles of Association. These documents outline the objectives of the charity including:

- (i) To advance the education of the public in any part of the world in all aspects of computer communications and Internet technology including the most effective software for the education and training of children;
- (ii) To advance the education and training of children in any part of the world in and by the use of computer communications and Internet technology;
- (iii) To protect the moral welfare of children in any part of the world by the promotion of measures directed to prevent their exposure to racist pornographic obscene or other harmful electronic computer and televisual material.

**1.3 Organisational Structure and Management**

The Board of Childnet is made up of the six people listed on the previous page who have a range of relevant experience in education, international development, marketing, child protection and the computing and telecommunications industries.

The Board delegates responsibility for the day to day management of the charity to the Chief Executive who is involved in all issues of strategic direction, management of staff and resources, policy and - with support from the Childnet Business Manager, - the financial management of the organisation.

**1.4 Trustees**

Over this period 7 Trustees served the organisation with one joining and one retiring (after 10 years of service). Trustees are selected against a clear job description and criteria which have been updated by the CEO and Trustees over the last few years. Trustees are recruited following an annual Trustee audit in which

areas of expertise are reviewed and new candidates identified. Each Trustee is given a full induction which includes:

Going through the Job description (there are separate detailed job descriptions for Chair and Honorary Treasurer).

- ⇒ Advice from the Charity Commission on their duties.
- ⇒ Full set of Company papers including policies on Equal Opportunities, Child Protection, Staff Computer use, Ethos and Values and Staff Contracts.
- ⇒ Offered training on their role and duties as well as provided with support in their work from the staff – including updating on legislation and best practice within the voluntary sector.

### **1.5 Organisational Structure**

Childnet is run on a day to day basis by the Chief Executive Officer who reports to the Board of Trustees through the Chair of Trustees regularly. Trustees meet with the CEO and Business Manager (also the Company Secretary) formally 5 times a year. However communication takes place between the chair and CEO on a weekly basis. Reports are submitted from the CEO and Business Manager to each Trustee meeting outlining progress against targets and actions agreed. Full minutes of these meetings are taken and signed as an accurate record of each meeting at the beginning of the next meeting.

The CEO and Business Manager have authority to carry out the duties of the organisation, as agreed in the business plan and budget at the start of each financial year (1<sup>st</sup> April – 31<sup>st</sup> March). This includes the employing of staff, expenditure to carry out agreed project work as well as communication within and outside of the organisation. Spending limits are set and all expenditure over £3,000 is only made after approval from the Chair of Trustees.

The honorary Treasurer meets with the CEO and Business Manager before each Trustees' meeting to review progress on expenditure and income. His written report is submitted to the trustees as a further check and balance.

### **1.6 Related Charities or Partnerships with Other Organisation**

Childnet seeks to co-operate with many agencies around the world who share the objective of promoting safe and fun internet use for children. None of these activities justify the reporting of a related party relationship or transaction.

Over this period of time Childnet did not operate any independent bodies or companies or trading subsidiaries. As an organisation Childnet has a number of formal and informal partnerships with other charities, funders and organisations. All formal partnerships and contractual relationships are reviewed by Childnet's Solicitor and approved by Trustees before signature.

### **1.7 Reserves Policy**

For the year ending 31 March 2006, the Directors and Trustees had previously set a reserves policy objective of having at least £25,000 in unrestricted funds available

at any one time. Following the financial challenge that Childnet had in November 2005-March 2006 the Trustees will continue to review the adequacy of this reserve.

### **1.8 Risk Management Policy**

The Directors and Trustees acknowledge their responsibility for the management of risk, and building on the previous full RISK audit that the Trustees completed in 2003 they have continued to work with senior staff in identifying and managing risks which Childnet might face as well as the responses to these risks. Elements of this were reviewed in November 2005 when the organisation had a very real funding crisis and risked closure. Childnet staff carried out a full Risk assessment in terms of the consequence of the loss of income and completed actions accordingly.

To manage elements of potential risk, Childnet maintained our retainer with our solicitor for continuous expert legal advice and ensured that we continued to keep abreast of potential risks and to include periodic monitoring and assessment of these risks in reports to Trustees. In addition the Childnet staff have worked to strengthen a number of policies and processes to do with financial management and risk analysis including:

- Appointing an Honorary Treasurer to review accounts, financial reporting and business management
- Further updating and maintenance of Staff contracts.
- Ensuring that all new Childnet staff were checked by the Criminal Records Bureau where appropriate. ( new agency appointed during this year)
- Updating the Childnet Child Protection Policy in light of Childnet's own advice to others about moderation and online child protection.
- Retaining the services of an Independent Financial Advisor in respect of pension and life assurance arrangements.
- Ensuring that all contracts signed by Childnet with sponsors or partners were reviewed by the Business Manager and Childnet's solicitor to ensure that there are proper safeguards in place for Childnet.

In addition all The Directors and Trustees intend to revisit the risk assessment issues on a regular basis at Board meetings and continue to implement strategies to minimise the risks and ensure best practice.

### **1.9 Investment Policy**

Childnet does not currently have sufficient funds to justify a long-term investment policy. However, professional advice is sought on short-term commitment of funds to high interest bearing accounts for appropriate periods which bring the best return for the charity while maintaining liquidity.

Childnet also uses the services of an Independent Financial Advisor in making and implementing pension scheme decisions for its staff.

### **1.10 Grant Making Policy**

Childnet does not have programmes which involve making grants on a regular basis. The Childnet Awards provided funds for prizes from that restricted income.

Very rarely one off small grants may be made from unrestricted or restricted income in strict pursuance of the charity's objectives although none were made during the 2005-06 year.

## 2) OBJECTIVES AND ACTIVITIES

The principal activity of the charity is the promotion of children's interests in international communications by means of education, training and research.

The charity continues to express its core purpose as *"helping to make the internet a great and safe place for children"* with four key function areas:

- ❑ **Access** – Helping children and young people to use the net constructively, access positive online resources and help them create quality content.
- ❑ **Awareness** – Helping children and young people acquire new "net Literacy" skills, giving advice to organisations, parents, teachers and carers about internet safety.
- ❑ **Protection** – Helping to protect children and young people and prevent them from being exploited in the online environment provided by new technologies.
- ❑ **Policy** – Helping all sectors develop effective policy responses in line with the rapidly changing communications technology.

### 2.1 Review of Activities During This Period

The following gives a month by month breakdown of the activities carried out by Childnet during April 2005 – 31<sup>st</sup> March 2006

#### March/April 2005

Childnet runs its international Cable & Wireless Childnet Academy programme in Jamaica with awards ceremony and conference attracting over 350 delegates. Twelve winning projects are awarded funding from the academy development fund totalling £30K as well as support from industry professionals.

#### May/June 2005

Childnet launches international music advice campaign for parents supported by Pro-Music. Media interviews with live broadcasters including BBC and CNN, plus extensive newspaper coverage help promote the advice on illegal downloading and P2P file sharing. To date the leaflet has been distributed in 21 countries.

Childnet extends its reach to parents by distributing free Internet safety leaflets to primary schools with funding from the Department for Education and Skills. Entitled "Keeping Up With Children on the Internet", the leaflets include advice on the latest in Internet and mobile technologies. To date, over two million leaflets have been distributed in schools by Childnet.

Will Gardner travels to Bangkok to speak at a UN meeting hosted by ECPAT International. The meeting brings together experts from across the world to discuss the issue of violence

against children on the Internet, and Will presents on the subject of grooming, stalking and bullying online.

### **July/August 2005**

Maltese Government translates and distributes Childnet's "Kismart" leaflets to every home and school in the country. Distribution linked to a national internet safety awareness programme supported by Microsoft and Childnet.

### **September/October 2005**

Childnet addresses international conferences in Milan and Geneva, speaking on issues including mobile phones safety for children and digital inclusion programmes.

### **November 2005**

Childnet launches its "Know IT all" school pack with Maria Eagle, Parliamentary Under Secretary of State for Children and Families in London. In partnership with Microsoft and the Virtual Global Task Force, the pack is sent to every secondary school in the UK. Volunteers from Microsoft and the Police are trained by Childnet staff to present a "Getting to Know IT all" presentation in 100 schools reaching over 50,000 pupils.

### **December 2005**

Childnet supports the development of the Child Exploitation Online Protection Centre by seconding one of its Project Managers to the new Centre. CEOP agrees to developing the "Getting to Know IT All" programme.

### **January 2006**

Childnet's Know IT All interactive CD-ROM for secondary schools, is nominated for the UK Internet industry awards (The ISPAs) in the category 'Developments in Online Safety'. Bill Gates praises Childnet's Know IT all campaign in national newspaper article

### **February 2006**

Childnet works with Cisco Systems to launch primary school volunteer programme. Twenty volunteers from across the company are trained to present Childnet's "Kismart" presentation in 9 primary schools in East London supporting over 1,000 pupils with up to date and relevant internet safety advice.

### **March 2006**

Childnet launches "Sorted" online guide – a major new resource produced entirely by one of Childnet's previous Academy winners for other young people on the issues of information security. The site seeks to put the user back in control of online threats including viruses, phishing attacks and identity theft.

Nigel Williams, Childnet's founder and CEO from 1995-2003, dies after a battle with cancer. After leaving Childnet in 2003, Nigel became the first Northern Ireland Commissioner for Children and Young People, a post he held until one month before his death.

A three-month long study funded by OFCOM into Childnet's "Getting to Know IT all" volunteer programme concludes with extremely positive findings, including 98% of teachers interviewed said they would recommend the presentation to colleagues. See page 14

Childnet's guide for parents on P2P file sharing and music downloading is translated into 21 languages and the Chinese language version is launched in Hong Kong with the help of the IFPI and Government's Intellectual Property Department.

In addition to this detailed activity Childnet staff have sought to continue to develop its 3 overriding strategic objectives agreed at the start of the year of:



### **1) CHILDNET'S POSITIONING AND BRANDING**

*During the following year Childnet should continue to review how it is being perceived by a cross sector of stakeholders and recognize the power and quality of its brand and seek to consolidate the increasing range of project sub-brands.*

### **2) CHILDNET'S CHILD CENTRICITY**

*Over the year Childnet should continue to review how it maintains and develop its child-centricity and ensure that the charity differentiates itself from other organisations in this area. It is important that the organisations strengthens its work in this area and expand its direct consultation, participation and review by and for young people.*

### **3) DEVELOPING AN EFFECTIVE SCALEABLE BUSINESS MODEL**

*Over the year it is crucial that as Childnet grows that it tests different business models and takes risks in moving forward and expanding without necessarily growing exponentially. This will include developing better "stand alone resources" and training programmes so that others can use the organisations resources and expertise and "cascade" these out to wider audiences and markets both in the UK and elsewhere.*

## **2.2 Achieving These Objectives.**

Despite the funding challenges for this year, under Stephen Carrick-Davies, Childnet's CEO, the organisation's impact and profile has continued to grow during this financial year and Childnet has been able to continue to make a significant and vital contribution to children's safe and positive use of the Internet around the world. Staff have been recruited, trained and developed to ensure that the aims set out in the business plan are met.

## **2.3 Quality Improvements**

Childnet is committed to the highest quality of operations (internal procedures, governance, staff training and development etc). During the next 12 months the organisation is putting in place procedures which include:

- ⇒ Continuing to review the make up of the Trustee body and recruit additional trustees (to take the total level up to 8)
- ⇒ Continuing to strengthen our internal monitoring and evaluation processes
- ⇒ Ensuring that the organisation has stronger reference and participation from children and young people
- ⇒ Strengthening the fundraising and promotion of the organisation with appointment or appropriate outsourcing of fundraising personnel
- ⇒ Continuing to regularly review the strategic direction of the organisation
- ⇒ Developing staff through regular training and supervision
- ⇒ Formally review Childnet's international strategy.

### 3) FINANCIAL ACTIVITIES AND POSITION AT THE YEAR END

The total incoming resources of the charity amounted to £441,501 and total resources expended were £458,817 resulting in a deficit for the period of £17,316. The reserves at the year end stood at £65,943, of which £27,513 was restricted and £38,430 unrestricted.

The Directors and Trustees reviewed the position of historic balances on restricted funds during the period in line with the original purposes of the funding, and concluded that a number of net transfers could be made. The net movement of £28,775 was made from restricted funds to unrestricted funds.

Going forward the Directors and Trustees have acknowledged with the Auditors that there is a significant challenge in being able to continue to fundraise for Childnet's work as a non-crisis intervention charity. At the date of this report there is sufficient funding for the current operations to be maintained until the end of March 2007 and all the Directors, Trustees and staff are actively reviewing all areas of the charity's activities and future operations and options.

### 4) TRUSTEES' RESPONSIBILITIES

Charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the Charity's financial activities during the year and its financial position at the end of the year. In preparing these statements the Trustees are required to:

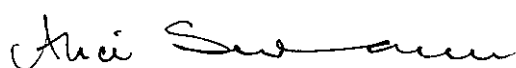
- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities Act 1993 and its governing instrument. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 5) AUDITORS

A resolution for the reappointment of Baldwin Scofield and Co as auditors of the charity for the 2006-07 financial year will be discussed at the forthcoming annual general meeting of the Charity.

Approved by the Directors and Trustees on 7 September 2006  
and signed on their behalf by

  
Alice Swann  
Chair of the Directors and Trustees.

**Independent Auditors' Report**  
**to the Directors and Trustees of Childnet**  
**for the year ended 31st March 2006**

We have audited the financial statements on pages 4 to 6 which have been prepared under the accounting policies set out on page 6a.

**Respective responsibilities of directors and trustees and auditors**

As described in the Statement of Directors' and Trustees' Responsibilities the directors (who are also trustees for the purposes of charity law) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 and Charities Act 1993. We also report to you if, in our opinion, the Directors' and Trustees' Report is not consistent with the financial statements, if the charity 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 charity are not disclosed.

We read the other information contained in the Directors' and Trustees' Report and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity'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.

**Independent Auditors' Report (continued)**

**to the Trustees of Childnet  
For the Year Ended 31st March 2006**

**Opinion**

In our opinion the financial statements give a true and fair view of the charity's state of affairs as at 31st March 2006 and of the incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 and Charities Act 1993.

Without qualifying our opinion, we draw attention to Note 19 of the Financial Statements which indicates that the Trustees are able to confirm that good progress has been made under the recovery programme. It is their expectation that there will be adequate reserves at the end of the next financial year in March 2007. They are, however, unable to confirm, at this stage, that they have adequate funding beyond this date.

Signed..... *Baldwin Scofield & Co.*

Date ..... *2. 10. 06* .....

Baldwin Scofield & Co  
Chartered Accountants  
Registered Auditors  
3 Newhouse Business Centre  
Old Crawley Road  
Horsham  
West Sussex  
RH12 4RU

CHILDNET

**STATEMENT OF FINANCIAL ACTIVITIES**  
**INCLUDING INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 2006**

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2006 £	Total Funds 2005 £
<b><u>Income and Expenditure</u></b>					
<b><u>Incoming Resources</u></b>					
Incoming resources from generated funds:					
Voluntary income	3	150,113	-	150,113	97,073
Investment income	4	1,405	-	1,405	3,423
		<u>151,518</u>	<u>-</u>	<u>151,518</u>	<u>100,496</u>
Incoming resources from charitable activities					
	5	47,659	242,074	289,733	474,411
Other income	6	250	-	250	-
		<u>47,909</u>	<u>242,074</u>	<u>290,183</u>	<u>474,411</u>
<b>Total incoming resources</b>		<u>199,427</u>	<u>242,074</u>	<u>441,501</u>	<u>574,907</u>
<b><u>Resources Expended</u></b>					
Cost of generating funds					
Costs of generating					
voluntary income	7	32,296	-	32,296	26,419
Charitable activities	8	97,887	301,681	399,568	557,583
Governance costs	10	26,953	-	26,953	27,701
		<u>157,136</u>	<u>301,681</u>	<u>458,817</u>	<u>611,703</u>
<b>Total resources expended</b>		<u>157,136</u>	<u>301,681</u>	<u>458,817</u>	<u>611,703</u>
<b><u>Net Incoming/(Outgoing)</u></b>					
<b>Resources before Transfers</b>		42,291	( 59,607)	( 17,316)	( 36,796)
Transfers between Funds		( 28,775)	28,775	-	-
		<u>13,516</u>	<u>( 30,832)</u>	<u>( 17,316)</u>	<u>( 36,796)</u>
<b>Net Movement in Funds</b>		<u>13,516</u>	<u>( 30,832)</u>	<u>( 17,316)</u>	<u>( 36,796)</u>
Total funds brought forward		<u>24,914</u>	<u>58,345</u>	<u>83,259</u>	<u>120,055</u>
<b>Total funds carried forward</b>		<u>38,430</u>	<u>27,513</u>	<u>65,943</u>	<u>83,259</u>

Total Recognised Gains and Losses

The company has no recognised gains or losses other than the surplus/(deficit) shown for the above two periods.

The notes on pages 6a to 6g form an integral part of these accounts

CHILDNETBALANCE SHEET  
AS AT 31ST MARCH 2006

	Note	£	<u>2006</u> £	<u>2005</u> £
<b><u>FIXED ASSETS</u></b>	12		1,991	4,955
<b><u>CURRENT ASSETS</u></b>				
Stock		6,216	-	
Debtors	13	23,113	48,097	
Cash at bank and in hand		192,143	117,833	
		<u>221,472</u>	<u>165,930</u>	
<b><u>CREDITORS</u></b>				
Amounts due in less than one year	14	<u>157,520</u>	<u>87,626</u>	
<b><u>NET CURRENT ASSETS</u></b>			<u>63,952</u>	<u>78,304</u>
			<u>65,943</u>	<u>83,259</u>
<b><u>FUNDS</u></b>				
Unrestricted Funds	15		38,430	24,914
Restricted Funds	15		27,513	58,345
			<u>65,943</u>	<u>83,259</u>

Approved by the directors/trustees on 7 September 2006 and signed on their behalf by:



Dr Alice Swann  
Director/Trustee

The notes on pages 6a to 6g form an integral part of these accounts.

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 2006**

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The statements of accounts have been prepared in accordance with the provisions of the Companies Act 1985, Statement of Recommended Practice Accounting Reporting by Charities and applicable accounting standards. Where necessary the headings laid down in the Companies Act have been adapted to meet the special activities of the charity. The company qualifies as a small company under the Companies Act 1985 and the trustees have elected to take advantage of the exemption under FRS1 not to prepare a cash flow statement.

**Income**

Donations are accounted for when received by the company. Other income is accounted for on an accruals basis as far as it is prudent to do so.

**Grants receivable**

Revenue grants are credited to the income and expenditure account when received, unless they are in respect of a specific period, when they are placed in a restricted fund until used.

**Support costs**

These are allocated to or apportioned between activity cost categories on a basis consistent with the use of the resources.

**Taxation**

As a registered charity, the company benefits from Rates relief and is generally exempt from Income Tax and Capital Gains Tax, but not VAT. VAT which is not recoverable is included in the cost of those items to which it relates.

**Depreciation**

Depreciation is provided on the tangible fixed assets using the following rates in order to write off each asset over its estimated useful life:

Computer Equipment	- 33.33% per annum straight line
Other Equipment	- 25.00% per annum straight line

**Stock**

This is valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items.

**Leased assets**

Fixed assets acquire under finance leases are included in the balance sheet at cost, appropriate provision being made for depreciation. The present value of the future rentals is shown as a liability. Interest payable in each period is charged to the income and expenditure account in proportion to the amount outstanding under the lease. Operating lease rentals are charged to the income and expenditure account as incurred.

**Pensions**

The company has a defined contribution pension scheme. The cost of the contributions made by the company to the scheme are charged to the income and expenditure account as incurred.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH 2006

1. ACCOUNTING POLICIES (continued)

**Comparative figures**

In order to satisfy the requirements of the SORP 2005 some of the comparative figures for 2005 have been restated.

2. Transactions with trustees and other connected persons

No remuneration was paid to the directors and trustees, or to any person or persons known to be connected with them.

Travel and incidental costs of £1,163 to attend trustees' meetings were paid to Dr Alice Swann.

3. Voluntary income

	Unrestricted Funds	Restricted Funds	Total Funds	2005
	£	£	£	£
Donations	89,425	-	89,425	32,073
Grants (Core funding)	60,500	-	60,500	65,000
Tax recovered	188	-	188	-
	<u>150,113</u>	<u>-</u>	<u>150,113</u>	<u>97,073</u>

4. Investment income

	Unrestricted Funds	Restricted Funds	Total Funds	2005
	£	£	£	£
Interest	1,405	-	1,405	3,423
	<u>1,405</u>	<u>-</u>	<u>1,405</u>	<u>3,423</u>

5. Incoming resources from charitable activities

	Unrestricted Funds	Restricted Funds	Total Funds	2005
	£	£	£	£
Project grants	4,987	216,538	221,525	440,607
Consultancy	27,792	16,730	44,522	22,790
DVD and leaflet sales	13,432	8,806	22,238	7,958
Expenses recovered	1,448	-	1,448	3,056
	<u>47,659</u>	<u>242,074</u>	<u>289,733</u>	<u>474,411</u>

6. Other income

	Unrestricted Funds	Restricted Funds	Total Funds	2005
	£	£	£	£
IR rebate	250	-	250	-
	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>



**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 2006**

**7. Costs of generating voluntary income**

	Unrestricted Funds	Restricted Funds	Total Funds	2005
	£	£	£	£
Professional services	3,993	-	3,993	6,240
Support costs	28,303	-	28,303	20,179
	<u>32,296</u>	<u>-</u>	<u>32,296</u>	<u>26,419</u>

**8. Charitable activities**

	Unrestricted Funds	Restricted Funds	Total Funds	2005
	£	£	£	£
Staff costs	49,957	146,500	196,457	249,982
Consultancy	1,255	13,890	15,145	26,266
Events & prizes	-	-	-	42,300
Design & print (net)	6,040	95,339	101,379	5,586
Website	10,301	594	10,895	34,665
Motor and travel	7,674	84	7,758	95,854
Depreciation	2,268	696	2,964	3,393
Support costs	17,605	44,578	62,183	98,620
Other	2,787	-	2,787	917
	<u>97,887</u>	<u>301,681</u>	<u>399,568</u>	<u>557,583</u>

**9. Support costs**

	Generating Voluntary Inc	Charitable Activities	Total Funds	2005
	£	£	£	£
Staff costs	14,946	28,845	43,791	35,997
Publicity	568	1,417	1,985	24,739
Postage, printing & stationery	1,143	2,854	3,997	6,905
Telephone & commun's	1,957	4,885	6,842	10,329
Rent & rates	4,370	10,908	15,278	14,497
Heating & lighting	372	930	1,302	1,354
Repairs & renewals	1,449	3,618	5,067	6,801
Insurance	1,017	2,537	3,554	3,056
Legal	858	2,142	3,000	1,500
Courier services	225	562	787	3,190
Meeting expenses	-	-	-	3,080
Leasing charges	428	1,067	1,495	1,560
Bank charges	136	340	476	1,505
Accountancy	128	319	447	1,207
Other	706	1,759	2,465	3,079
	<u>28,303</u>	<u>62,183</u>	<u>90,486</u>	<u>118,799</u>

CHILDNET

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH 2006**

**10. Governance costs**

	Unrestricted Funds	Restricted Funds	Total Funds	2005
	£	£	£	£
Staff costs	22,342	-	22,342	23,094
Audit	1,500	-	1,500	1,100
Trustees' meetings	1,861	-	1,861	2,207
Legal	1,000	-	1,000	1,000
Postage, printing & stationery	250	-	250	300
	<u>26,953</u>	<u>-</u>	<u>26,953</u>	<u>27,701</u>

**11. Staff costs**

	2006	2005
	£	£
Salaries	194,697	253,073
Employers' national insurance	21,231	26,890
Pension contributions	16,710	21,165
DIS & LTD insurance	2,951	3,555
	<u>235,589</u>	<u>304,683</u>

The average weekly number of full time equivalent employees was 6.  
No employee received remuneration exceeding £60,000.

**12. TANGIBLE ASSETS**

	Computer Equipment	Other Equipment	Total
	£	£	£
<b>Cost</b>			
As at 1.4.05	35,639	14,601	50,240
Additions	-	-	-
Disposals	-	-	-
	<u>35,639</u>	<u>14,601</u>	<u>50,240</u>
<b>Depreciation</b>			
As at 1.4.05	30,880	14,405	45,285
Charge for the period	2,862	102	2,964
On disposals	-	-	-
	<u>33,742</u>	<u>14,507</u>	<u>48,249</u>
<b>Net Book Value</b>			
As at 31.3.06	<u>1,897</u>	<u>94</u>	<u>1,991</u>
as at 31.3.05	<u>4,759</u>	<u>196</u>	<u>4,995</u>

**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31ST MARCH 2006**

**13. DEBTORS**

	2006	2005
	£	£
Sundry debtors and prepayments	23,032	26,184
Accrued Income	81	21,913
	<u>23,113</u>	<u>48,097</u>

**14. CREDITORS**

	2006	2005
	£	£
<b>Amounts falling due within 1 year:</b>		
Sundry Creditors	28,941	24,238
Accruals	107,087	35,515
Income Prepaid	-	26,867
Taxes & Social Security	21,492	1,006
	<u>157,520</u>	<u>87,626</u>

**15. FUNDS**

	Incoming Resources	Resources Expended	Transfers	Balance b fwd	Balance c fwd
	£	£	£	£	£
Restricted:					
Academy	-	(14,599)	2,126	12,473	-
Kidsmart	31,668	(49,912)	-	45,872	27,628
Know IT All	15,535	(33,129)	17,594	-	-
Sorted Website	20,000	( 8,559)	(11,441)	-	-
GTKIA	61,500	(76,552)	15,052	-	-
HO CEOP	12,766	(18,668)	5,902	-	-
DFES Leaflets	45,000	(45,144)	-	-	( 144)
DFES Translation	54,255	(54,227)	-	-	28
Other	1,350	( 891)	( 458)	-	1
	<u>242,074</u>	<u>(301,681)</u>	<u>28,775</u>	<u>58,345</u>	<u>27,513</u>
Unrestricted:					
General	199,427	(157,136)	(28,775)	24,914	38,480
	<u>441,501</u>	<u>(458,817)</u>	<u>-</u>	<u>83,259</u>	<u>65,943</u>

The Academy programme was to reward children and those who work with them, for developing outstanding, innovative internet projects which benefit other children world-wide. The programme has discontinued due to the loss of funding for this project.

Kidsmart is an internet safety awareness programme for teachers, parents and primary school aged children.

Know IT All is an interactive CD, created between Childnet and Microsoft, which was distributed free to all secondary schools.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH 2006

15 FUNDS (continued)

Getting to Know IT All is a programme developed around the Know IT All CD for a voluntary programme and was supported by Microsoft, MSM, Virtual Global Taskforce and 'Get Safe On-line'.

SORTED is a Website, created with funding from BT, giving information on computer security issues in a practical and simple way.

Home Office/CEOP comprises funding from the Home Office to assist in the launch of the Childrens Exploitation On-line Protection Centre.

The DFES funding is in two parts. The first, to provide parents leaflets free of charge aimed primarily at parents of primary school children, and the second, to produce, promote and distribute a revised version of Know IT All to make it suitable for minority ethnic audiences.

16 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Fixed Assets £	Current Assets £	Transfers etc £	Total £
<b>Restricted Funds</b>				
Academy	-	-	-	-
Kidsmart	225	12	27,391	27,628
Know IT All	-	-	-	-
Sorted Website	-	( 313)	313	-
Microsoft GTKIA	-	(11,496)	11,496	-
HO CEOP	-	(15,000)	15,000	-
DFES Leaflets	-	(34,424)	34,280	( 144)
DFES Translation	-	(45,000)	45,028	28
Victim Identification	-	(12,241)	12,241	-
Other	-	-	1	1
	225	(118,462)	145,750	27,513
<b>Unrestricted:</b>				
General	1,766	182,414	(145,750)	38,430
	1,991	63,952	-	65,943

17 COMMITMENTS AND CONTINGENT LIABILITIES

**Pension Scheme**

The assets of the pension scheme are held separately from those of the charity in an independently administered fund. The pension cost represents contributions payable by the charity to the fund and amounted to £16,710 (2005 £21,166). Contributions totalling £5,969 (2005 £9,425) were payable at the year-end and are included in creditors.

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31ST MARCH 2006

18 SUBSEQUENT EVENTS

**EC Audit**

An independent audit of EC funded projects took place in November 2005 and the detailed audit report was received in July 2006. Although a careful consideration of the auditors' findings has yet to be carried out, the trustees/directors consider that any resulting liability to the EC is already provided for in these accounts.

**VAT Inspection**

Following a VAT inspection in May 2006 a report was received indicating Revenue and Customs' belief that the VAT accounting in respect of some receipts and payments was incorrect. This was partly due to the complexity of the law relating to non-business and partial exemption. The items concerned are in the process of being checked and, taking into account the VAT which Childnet expects to recover from third parties, the directors/trustees consider the charity's maximum liability will be £6,000.

19 GOING CONCERN

In 2005 the charity experienced a loss of income from one of its principal fund providers. As this funding was not replaced in the short term, strenuous efforts were made to reduce costs and to find alternative sources of income in order to sustain the charity's ongoing activities. The directors/trustees are pleased to be able to report a measure of achievement under the recovery programme. However, recognising that the projected future reserves are below the desired level, the recovery programme continues to be a major priority for the trustees. On the evidence of this progress a going concern basis has been adopted.