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THE ELIZABETH FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

Report and Group Accounts

31 March 2005



The Elizabeth Foundation (a company limited by guarantee)

Company registered number 1960980

Registered Charity Number 293835

DIRECTORS (MEMBERS OF THE COUNCIL OF MANAGEMENT, AND BOARD OF TRUSTEES OF THE CHARITY)

Mrs H J Ormsby
Mr D K Metherell
Dr P Arden
Mr R I M Wootton
Mr K Exell
Mrs H Seaman
Mr G Pritchard

SECRETARY

Mr R I M Wootton

AUDITORS

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

ACCOUNTANTS

Tenon Ltd, 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

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 2005. These have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (Revised 2000), 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 2000.

PRINCIPAL ACTIVITIES AND OBJECTS

The principal activities of the Group 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. This follows our philosophy and belief that it is the right of every child to be given the opportunity to learn to talk.

THE ELIZABETH FOUNDATION AND ITS GOVERNANCE AND STRUCTURE

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 as detailed in Note 5 to the accounts.

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, 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 the Senior Management Team, 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 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 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 members of the Senior Management Team attend meetings of the Board but are not entitled to vote.

DIRECTORS' 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.

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 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 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.

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 Senior Management Team, 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. While 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), the Trustees expect to review some aspects of the strategy in order to take advantage of any greater flexibility enabled by latest Trustee Act legislation. 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.

DIRECTORS' REPORT

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 2005, The Elizabeth Foundation had unrestricted (but not "free") reserves of £488,525 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 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 2005, The Elizabeth Foundation's free reserves of £78,913 in the charitable company together with core service reserve of £116,651 represented 31% 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 2005 (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.

REVIEW OF THE BUSINESS AND RESULTS, AND FUTURE DEVELOPMENTS

The group deficit for the year amounted to £101,020 (2004: surplus £132,707). 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 the three regional Family Centres. At 31 March

DIRECTORS' REPORT

2005, The Elizabeth Foundation's unrestricted Income & Expenditure Account balance in current assets (cash less contracted commitments) amounted to £78,913.

Like many charitable organisations, The Elizabeth Foundation relies at least in part on voluntary donations from the general public and support for our fundraising events. There have been, and continue to be, many urgent and desperate appeals for aid following a series of natural disasters around the world, and this has meant that many UK charities have experienced a drop in donated income and this includes The Elizabeth Foundation. We are however, fortunate that our income streams are sufficiently diverse to be able to mitigate this reduction in total income for short periods. Another important factor is our reserves policy, which includes provision of set-aside funds to cover cash shortages that occur from time to time. It is vital that we continue to hold (and replenish) reserves for this purpose, in order to operate responsibly and in accordance with good governance.

The Elizabeth Foundation provides a range of services and support which are still, after nearly 25 years, unique in the UK. As diagnosis of deafness in babies and young children continues to occur earlier and earlier as Newborn Hearing Screening is adopted throughout the country, the need for robust and timely early intervention and family support grows too. This means our core services have even greater relevance, and is also the reason that we continue to examine new ways to expand our services, both by offering our core services to more families and by creating additional services to meet additional needs. During the period of this report, we have piloted new events and playdays for the longer school holidays, and during the coming year we plan to significantly increase development activity based around our home learning programmes.

Other highlights from the past year include:

- We have increased the number of one-to-one sessions for the youngest babies and newly-diagnosed families
- The start of our planning for our twenty-fifth anniversary
- Welcoming new staff to all three of our family centres
- Our centre manager in West Yorkshire, Margaret Southern, won an award for "Woman of Achievement, in Education"
- A small group of honorary friends are supporting The Elizabeth Foundation by making available their expertise, and their contacts for information and grant-making. We are very grateful to these individuals for their time and commitment
- Our fundraising Sailing Weekend was a great success this year, and we would like to thank our friends in the Audio Industry who worked so hard to achieve this
- Our longest-serving volunteers at our Hampshire headquarters had their commitment recognised by certificates and thanks awarded by their local Mayor

The Elizabeth Foundation welcomes the continuing infrastructure development activity and investment in the "voluntary sector" that is currently promoted by Government, under the banner of initiatives like the ChangeUp programme. We hope that the work of the new national Hubs of expertise (for instance, the ICT Hub, the Workforce Development Hub and others) will start to have a positive impact on the resources and expertise available to smaller and medium-sized charities and voluntary organisations. It is these smaller organisations that design and deliver some of the best and most-needed services, and which contribute a great deal to the quality of life and citizenship in the UK. We also welcome the steps being taken nationally to make more information about charities available to the public; the introduction of new Charity Commission online services, and the Guidestar information website are examples of this. We note however, the reliance on information technology that tends to arise, which can make some governance and compliance tasks difficult for smaller groups to undertake. In all of this, the role of Trustees is critical, and we pay tribute again to our own Board of Trustees for all that they do.

Some of the key challenges of the year ahead include:

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DIRECTORS' REPORT

- 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

Earlier in this Report, we have already thanked a number of individuals and organisations for their contributions to our work. As ever, we would like to record further thanks to our hardworking staff; our volunteers, including a special welcome to our newest regular volunteers and to our newest Trustee; our funders, including both those operating within public sector agencies and those that are themselves part of the voluntary sector; and of course to the children, babies and their families who are at the heart of The Elizabeth Foundation.

DIRECTORS

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

Mr H Ormsby	
Mr C Satchwell	(resigned 12 July 2005)
Mr D K Metherell	
Dr P Ardern	
Mr R I M Wootton	
Mr K Exell	
Mrs H Seaman	
Mr Greg Pritchard	(appointed 1 December 2004)

AUDITORS

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Tenon Audit Limited (which changed its name from Blueprint Audit Limited on 28 February 2005) be reappointed as auditors to the company will be put to the Annual General Meeting.

By order of the Board



Approved by the directors on 24 January 2006

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ELIZABETH FOUNDATION

We have audited the group's financial statements for the year ended 31 March 2005 which comprise the Consolidated and Company Statements of Financial Activities, Consolidated and Company Balance Sheets and the related notes 1 to 16. These financial statements have been prepared on the basis of 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 the report, or the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with 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. We also report to you if, in our opinion, the Directors' 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 group is not disclosed.

We read the Directors' Report and 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 audit opinion

We conducted our audit in accordance with United Kingdom 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

AUDITORS' REPORT

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and of the group as at 31 March 2005 and of its incoming resources and application of resources 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

25 January 2006

The Elizabeth Foundation (a company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2005

Group -Consolidated										Charity Company			
Income and Expenditure Account		Designated Restricted Funds				Total		Income and Expenditure Account		Designated Restricted Funds		Total	
Note	£	£	£	£	£	£	£	£	£	£	£	£	£
INCOMING RESOURCES													
Donations and gifts	2	106,644	-	-	106,644	134,965		106,644	-	-	106,644	134,965	
Legacies		15,212	-	-	15,212	103,954		15,212	-	-	15,212	103,954	
Income from operating activities:													
• Fundraising events		81,810	-	-	81,810	83,856		81,810	-	-	81,810	83,856	
• Charitable activities		129,032	-	169,797	298,829	285,733		129,032	-	169,797	298,829	285,733	
Investment income and bank interest		9,668	-	-	9,668	7,819		9,668	-	-	9,668	7,819	
Net income/(expenditure) re: trading subsidiary	5	(1,497)	-	-	(1,497)	2,558		8,334	-	-	8,334	-	
Total incoming resources		340,869	-	169,797	510,666	618,885		350,700	-	169,797	520,497	616,327	
RESOURCES EXPENDED													
Costs of generating funds	3	65,515	-	-	65,515	51,105		65,515	-	-	65,515	51,105	
NET INCOMING RESOURCES AVAILABLE													
FOR CHARITABLE APPLICATION		275,354	-	169,797	445,151	567,780		285,185	-	169,797	454,982	565,222	
Charitable Expenditure													
Direct costs of charitable activities	3	315,628	-	132,171	447,799	364,987		315,628	-	132,171	447,799	364,987	
Support costs of charitable activities	3	47,909	-	20,062	67,971	52,448		47,909	-	20,062	67,971	52,448	
Management and administration	3	30,759	-	12,881	43,640	37,098		30,759	-	12,881	43,640	37,098	
		394,296	-	165,114	559,410	454,533		394,296	-	165,114	559,410	454,533	
Total resources expended		459,811	-	165,114	624,925	505,638		459,811	-	165,114	624,925	505,638	

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STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2005

	Group - Consolidated					Charity Company						
	Income and expenditure account		Designated funds		Total 2005	Total 2004	Income and expenditure account		Designated funds		Total 2005	Total 2004
	£	£	£	£	£	£	£	£	£	£	£	£
NET (OUTGOING)/												
INCOMING RESOURCES	(118,942)	-	4,683	(114,259)	113,247	(109,111)	-	4,683	(104,428)	110,689		
BEFORE TRANSFERS												
Transfers between reserves	249,499	214,612	(464,111)	-	-	249,499	214,612	(464,111)	-	-	-	-
NET INCOMING/												
(OUTGOING) RESOURCES												
FOR THE YEAR	130,557	214,612	(459,428)	(114,259)	113,247	140,388	214,612	(459,428)	(104,428)	110,689		
OTHER RECOGNISED												
GAINS AND LOSSES												
Gains/(losses) on investments												
Realised	(1,086)	-	-	(1,086)	2,922	(1,086)	-	-	(1,086)	2,922		
Unrealised	14,325	-	-	14,325	16,538	14,325	-	-	14,325	16,538		
NET MOVEMENT IN												
FUNDS FOR THE YEAR	143,796	214,612	(459,428)	(101,020)	132,707	153,627	214,612	(459,428)	(91,189)	130,149		
Balance at start of year	344,729	482,447	670,491	1,497,667	1,364,960	334,898	482,447	670,491	1,487,836	1,357,687		
Balance at 31 March 2005	488,525	697,059	211,063	1,396,647	1,497,667	488,525	697,059	211,063	1,396,647	1,487,836		

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 2000 (SORP) has been applied.

The Elizabeth Foundation (a company limited by guarantee)

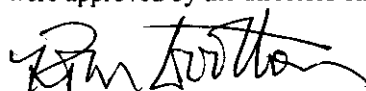
BALANCE SHEET

at 31 March 2005

		<i>Consolidated Group 2005</i>	<i>Group 2004</i>	<i>Charity Company 2005</i>	<i>Company 2004</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
FIXED ASSETS					
Tangible assets	6	1,352,788	1,364,984	1,352,788	1,364,690
Investments	16	-	188,141	-	188,143
		<u>1,352,788</u>	<u>1,553,125</u>	<u>1,352,788</u>	<u>1,552,833</u>
CURRENT ASSETS					
Stocks	7	4,643	2,593	4,643	2,500
Debtors	8	28,773	48,915	28,773	45,920
Investments	16	203,643	-	203,645	-
Cash at bank and in hand	9	72,192	149,164	72,192	148,147
		<u>309,251</u>	<u>200,672</u>	<u>309,253</u>	<u>196,567</u>
CREDITORS:					
amounts falling due within one year	10	99,637	58,216	99,639	63,650
NET CURRENT ASSETS		<u>209,614</u>	<u>142,456</u>	<u>209,614</u>	<u>132,917</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,562,402</u>	<u>1,695,581</u>	<u>1,562,402</u>	<u>1,685,750</u>
CREDITORS:					
amounts falling due after more than one year	11	165,755	197,914	165,755	197,914
NET ASSETS		<u>1,396,647</u>	<u>1,497,667</u>	<u>1,396,647</u>	<u>1,487,836</u>
RESERVES					
Restricted funds:					
National Lottery Charities Board reserve	13	191,409	196,020	191,409	196,020
Legacy reserve	13	-	442,500	-	442,500
Grants and fees reserve	13	14,050	26,367	14,050	26,367
Capital reserve	13	5,604	5,604	5,604	5,604
Unrestricted Funds:					
Designated fund: Portsmouth Resource Centres	13	382,517	393,083	382,517	393,083
Designated fund: Core Services Reserve	13	116,651	89,364	116,651	89,364
Loan Reserve	13	197,891	-	197,891	-
Income and expenditure account	13	488,525	344,729	488,525	334,898
		<u>1,396,647</u>	<u>1,497,667</u>	<u>1,396,647</u>	<u>1,487,836</u>

The financial statements were approved by the directors on 24 January 2006 and are signed on its behalf by:

Mr R I M Wootton



- Secretary

D K Metherell



- Treasurer

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2005

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: Accounting and Reporting by Charities (SORP) which was revised in October 2000. 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 net income from trading activities of E.F. Enterprise (Portsmouth) Ltd, which are not material to the group, is shown in note 5 and included in the Group Statement of Financial Activities.

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
Short leasehold shop	-	term of the lease	Motor vehicles	-	25% of wdv
School equipment	-	5 years	Medical equipment	-	3 to 5 years

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.

Grants and donations

The charitable company derives a proportion of its income from fund raising activities and voluntary donations, which are fully controlled only when entered into the accounting records. Unrestricted income is accounted for when it is received. Restricted income is accounted for when it is receivable (if this has been notified to The Elizabeth Foundation), and is treated within Restricted Funds, and matched to the related expenditure in accordance with the terms of the award or donation. Gifts and donations in kind are accounted for in the Statement of Financial Activities when they are received, and at an appropriate valuation according to the nature of the asset, with a corresponding addition made to Fixed Assets.

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.

NOTES TO THE ACCOUNTS
at 31 March 2005

1. ACCOUNTING POLICIES (CONTINUED)

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.

Apportionment of expenses

The Elizabeth Foundation incurs employment costs (including salaries and national insurance contributions), costs of maintaining and operating the premises from which all The Elizabeth Foundation's activities are carried out, costs of providing and maintaining equipment and consumables for the day to day operations and charitable service activities (including depreciation), and other organisational overheads. These are apportioned between costs in furtherance of the charity's objectives (whether directly, in support of, or by way of generating necessary funds for) and the costs of running the organisation in accordance with good governance practice and in accordance with applicable legislation. The apportionment is shown within Resources Expended in the Statement of Financial Activities, and is made based upon fair estimates of time spent by employees in each area of operation, and in relation to square footage of premises utilised by each activity.

2. INCOMING RESOURCES
And Costs of Generating Funds

INCOME GENERATED FROM VOLUNTARY SOURCES

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 £65,515 (2004 £51,105) and this is included within the heading "costs of generating funds" shown under Resources Expended, and in Note 3.

INCOME GENERATED FROM CHARITABLE ACTIVITIES

Activities which further the charitable objectives of The Elizabeth Foundation include: baby 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); 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; 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.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2005

3. ANALYSIS OF RESOURCES EXPENDED

	<i>Staff costs</i>	<i>Depreciation</i>	<i>Other</i>	<i>2005 Total</i>	<i>2004 Total</i>
	£	£	£	£	£
Cost of generating funds	9,617	814	55,084	65,515	51,105
Direct charitable expenditure	320,430	47,477	79,892	447,799	364,987
Support costs of charitable activities	39,227	2,322	26,422	67,971	52,448
Management and administration	8,938	2,010	32,692	43,640	37,098
	<u>378,212</u>	<u>52,623</u>	<u>194,090</u>	<u>624,925</u>	<u>505,638</u>

	<i>2005</i>	<i>2004</i>
	£	£
Staff costs:		
Wages and salaries	342,644	283,136
Social security costs	30,721	25,226
Pension contributions	4,847	4,479
	<u>378,212</u>	<u>312,841</u>

The average weekly number of employees during the year was 24 (2004: 19)

No employee earned £50,000 per annum or more. The average number of employees analysed by function was:

	<i>2005 No.</i>	<i>2004 No.</i>
Generating funds	1	1
Direct charitable activities	19	14
Supporting charitable activities	3	3
Management and administration of the organisation	1	1
	<u>24</u>	<u>19</u>

<i>Management and administration of the organisation:</i>	£	£
Staff costs	8,938	6,767
Legal and professional fees, and costs of legislative compliance	8,237	5,448
Finance charges (including mortgage £10,144 (2004 £11,690))	13,301	14,631
Other costs	13,164	10,252
	<u>43,640</u>	<u>37,098</u>

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2005

3. ANALYSIS OF RESOURCES EXPENDED (CONTINUED)

RELATED PARTIES

Included within staff costs above are salaries totalling £46,769 (2004 £42,081) paid to Mrs S Metherell, wife of a Director. In addition, an amount of £450 (2004: £60) was paid to Sunsail Limited where Mr C Satchwell is a Director.

4. NET MOVEMENT IN FUNDS

This is stated after charging:

	2005 £	2004 £
Audit fee	4,230	4,230
Directors'/Trustees' remuneration	-	-
Depreciation of owned fixed assets	52,916	46,876

No Directors/Trustees incurred expenses that were reimbursed (2004 £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 ceased during the year and the company became dormant with effect from 1 April 2005.

	<i>E.F. Enterprise (Portsmouth) Limited</i>	
	2005 £	2004 £
Turnover	3,775	11,520
Cost of sales	1,327	4,439
Gross Profit	2,448	7,081
Administration	3,945	4,525
(Loss)/Profit on ordinary activities before taxation	(1,497)	2,556
Interest receivable	0	2
Taxation on profit on ordinary activities	0	0
(Loss)/Profit after taxation	(1,497)	2,558
Equity dividend paid to The Elizabeth Foundation	(8,334)	0
Retained (loss)/profit for the year	(9,831)	2,558

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2005

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>Company Total £</i>	<i>Shop and fittings £</i>	<i>Group Total £</i>
Cost:								
At 1 April 2004	678,376	859,369	17,000	124,285	131,424	1,810,454	4,454	1,814,908
Additions	9,063	-	-	18,484	13,174	40,721	-	40,721
Disposals	-	-	-	-	-	-	-	-
At 31 March 2005	687,439	859,369	17,000	142,769	144,598	1,851,175	4,454	1,855,629
Depreciation:								
At 1 April 2004	29,098	187,778	17,000	111,754	100,135	445,765	4,160	449,925
Provided during the year	11,741	17,468	-	6,251	17,162	52,622	294	52,916
Relating to disposals	-	-	-	-	-	-	-	-
At 31 March 2005	40,839	205,246	17,000	118,005	117,297	498,387	4,454	502,841
Net book value:								
At 31 March 2005	646,600	654,123	-	24,764	27,301	1,352,788	-	1,352,788
At 1 April 2004	649,278	671,591	-	12,531	31,290	1,364,690	294	1,364,984

The value of long leasehold buildings (Portsmouth Resource Centres), has been estimated for insurance purposes by the Directors at £1,000,000 (2004: £1,000,000). This figure, in the opinion of the Directors, closely reflects the commercial value.

7. STOCKS

	<i>Group 2005 £</i>	<i>Group 2004 £</i>	<i>Company 2005 £</i>	<i>Company 2004 £</i>
Goods for resale	2,143	93	2,143	-
Stationery and office consumables	2,500	2,500	2,500	2,500
	4,643	2,593	4,643	2,500

8. DEBTORS

	<i>Group 2005 £</i>	<i>Group 2004 £</i>	<i>Company 2005 £</i>	<i>Company 2004 £</i>
Trade debtors	13,599	36,929	13,599	34,657
Prepayments and accrued income	15,174	11,986	15,174	11,263
Other debtors	-	-	-	-
	28,773	48,915	28,773	45,920

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2005

9. CASH AT BANK

	<i>Group</i> 2005 £	<i>Group</i> 2004 £	<i>Company</i> 2005 £	<i>Company</i> 2004 £
Interest bearing accounts	66,540	127,182	66,540	127,182
Cash in hand and in transit	500	400	500	400
Accounts with investment managers	8,204	5,505	8,204	5,505
Current accounts	(3,052)	16,077	(3,052)	15,060
	<u>72,192</u>	<u>149,164</u>	<u>72,192</u>	<u>148,147</u>

10. CREDITORS: amounts falling due within one year

	<i>Group</i> 2005 £	<i>Group</i> 2004 £	<i>Company</i> 2005 £	<i>Company</i> 2004 £
Bank loan	32,136	30,242	32,136	30,242
Trade and other creditors	(293)	2,772	(293)	2,772
Due to subsidiary undertaking	-	-	2	6,608
Accruals and deferred income	52,281	12,971	52,281	11,797
Taxation and social security	15,513	12,231	15,513	12,231
	<u>99,637</u>	<u>58,216</u>	<u>99,639</u>	<u>63,650</u>

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

	<i>Group & Company</i>	
	2005 £	2004 £
Bank loan	165,755	197,914
The bank loan falls due for repayment as follows:		
Within one year	32,136	30,242
Between one and two years	33,249	31,709
Between two and five years	109,749	104,668
After five years	22,757	61,537
	<u>197,891</u>	<u>228,156</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 2005

13. RECONCILIATION OF MOVEMENT ON RESERVES

Group	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 2003	200,631		442,500	45,721	5,604	403,649	-	-	1,364,960
Movement in resources:									
Incoming	-		-	143,482	-	-	398,770	-	634,062
Outgoing	(4,611)		-	(162,836)	-	(10,566)	(309,406)	-	(520,815)
Investment gain	-		-	-	-	-	-	-	19,460
At 1 April 2004	196,020		442,500	26,367	5,604	393,083	89,364	-	1,497,667
Movement in Resources:									
Incoming	-		-	169,797	-	-	27,287	197,891	985,343
Outgoing	(4,611)		(442,500)	(182,114)	-	(10,566)	-	-	(1,099,602)
Investment loss	-		-	-	-	-	-	-	13,239
At 1 April 2005	191,409		-	14,050	5,604	382,517	116,651	197,891	1,396,647

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2005

13. RECONCILIATION OF MOVEMENT ON RESERVES (CONTINUED)

Company	Restricted Funds		Unrestricted Funds					Income and expenditure account	Loan Reserve	Core Services Reserve	Portsmouth Resource Centres reserve	Capital reserve	Grants/fees reserve	Legacy reserve	£	£	£	£	£	Total £
	National Lottery Charities Board Reserve	£	£	£	£	£	£													
At 1 April 2003	200,631		442,500	45,721	5,604	403,649	-	259,582	-	-	-	-	-	-	-	-	-	-	-	1,357,687
Movement in resources:																				
Incoming	-		-	143,482	-	-	398,770	89,252	-	-	-	-	-	-	-	-	-	-	-	631,504
Outgoing	(4,611)		-	(162,836)	-	(10,566)	(309,406)	(33,396)	-	-	-	-	-	-	-	-	-	-	-	(520,815)
Investment gain/(loss)	-		-	-	-	-	-	19,460	-	-	-	-	-	-	-	-	-	-	-	19,460
At 1 April 2004	196,020		442,500	26,367	5,604	393,083	89,364	334,898	-	-	-	-	-	-	-	-	-	-	-	1,487,836
Movement in Resources:																				
Incoming	-		-	169,797	-	-	27,287	600,199	197,891	-	-	-	-	-	-	-	-	-	-	995,174
Outgoing	(4,611)		(442,500)	(182,114)	-	(10,566)	-	(459,811)	-	-	-	-	-	-	-	-	-	-	-	(1,099,602)
Investment loss	-		-	-	-	-	-	13,239	-	-	-	-	-	-	-	-	-	-	-	13,239
At 1 April 2005	191,409		-	14,050	5,604	382,517	116,651	488,525	197,891	-	-	-	-	-	-	-	-	-	-	1,396,647

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2005

13. RECONCILIATION OF MOVEMENT ON RESERVES (CONTINUED)

NATIONAL LOTTERY CHARITIES BOARD RESERVE

The charity 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 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 2005 the reserve was mainly utilised on teacher of the deaf salary costs and depreciation of tangible fixed assets (including diagnostic equipment, facilities and teaching aids).

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 Foundation's school 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 2005

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 Correspondence Course. 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 2005 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 2005, the Income and Expenditure Account included £78,913 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>2005</i>	<i>2004</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	191,409	-	-	-	191,409	196,020
Legacy reserve	-	-	-	-	-	442,500
Grants and fees reserve	-	14,050	-	-	14,050	26,367
Capital reserve	5,604	-	-	-	5,604	5,604
<i>Unrestricted:</i>						
Portsmouth Resource Centres	382,517	-	-	-	382,517	393,083
Core Services Reserve	-	116,651	-	-	116,651	89,364
Loan Reserve	165,755	32,136	-	-	197,891	-
Income and Expenditure account	607,503	40,806	(197,891)	38,107	488,525	344,729
	1,352,788	203,643	(197,891)	38,107	1,396,647	1,497,667
	(Note 6)	(Note 16)	(Note 11)			

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2005

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 2004 and 31 March 2005	2
	<hr/>
Held by The Elizabeth Foundation	50%
Held by director D K Metherell as nominee for The Elizabeth Foundation	50%
	<hr/>
	100%
	<hr/>

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 2005 the company made a loss of £1,497 before a dividend of £8,334 and its aggregate capital and reserves at that date amounted to £2. All activities ceased during the year and the company became dormant with effect from 1 April 2005.

Group and Company

Other investments

	£
Total investments, including other investments:	
Other:	
Opening valuation	188,141
Additions at cost	9,034
Disposals at opening value (proceeds £6,771, loss £1,086)	(7,857)
Net unrealised gains on revaluation	14,325
	<hr/>
Total market value at 31 March 2005 (group)	203,643
	<hr/>
Cost at 1 April 2004 and 31 March 2005 (subsidiary)	2
	<hr/>
Total cost or market value at 31 March 2005 (company)	203,645
	<hr/>
Listed Investments	121,130
British Government stocks	65,052
UK Unit Trusts	17,461
	<hr/>
	203,643
	<hr/>
Investment in unquoted subsidiary company	2
	<hr/>
	203,645
	<hr/>