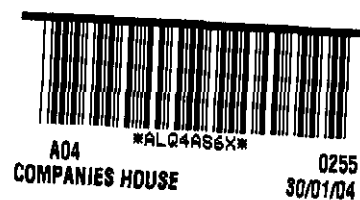


THE ELIZABETH FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

Report and Group Accounts

31 March 2003

Company Statement



The Elizabeth Foundation (a company limited by guarantee)

Company Registered No. 1960980

Charity Registered No. 293835

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

Mr C Satchwell	(Chairman)
Mr D K Metherell	
Dr P Arden	
Mr R I M Wootton	
Mrs H J Ormsby	(Appointed 22 April 2003)
Mr K Exell	(Appointed 1 July 2003)
Mrs H Seaman	(Appointed 20 October 2003)

SECRETARY

Mr R I M Wootton

AUDITORS

Blueprint Audit Ltd, 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

The Elizabeth Foundation (a company limited by guarantee)

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 2003. These have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (Revised 2000).

PRINCIPAL ACTIVITIES

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. 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 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 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 also established sub committees known as Committees, to deal with specific specialist areas of The Foundation's activities. These Committees make recommendations for approval by the full Board. During the year, Committees were established to deal with Finance, Administration and Fundraising, Service Delivery, and Buildings and Maintenance. 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 Foundation also has Patrons, who from time to time allow their names to be used by The Foundation and who support its charitable aims and objectives in various ways according to their special expertise or position in society. In April 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, which took place in July 2003. This combination has no material impact on the financial position of The Elizabeth Foundation.

The full Board meets at least four times each year. The Chief Executive (formerly known as the Director) and other members of the Senior Management Team attend meetings of the Board but are not entitled to vote.

The Elizabeth Foundation (a company limited by guarantee)

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The Elizabeth Foundation (a company limited by guarantee)

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. In September 2003, the Trustees established a Strategy Committee (a sub committee of the Board of Trustees) to review The Elizabeth Foundation's strategic aims and objectives, and to produce a revised strategic plan. Once approved by the Board, the progress and continuing applicability of the plan will be monitored by the Strategy Committee and reported regularly to the Board. In confirming that the plan remains applicable to the needs of The Elizabeth Foundation, the Strategy Committee will reassess the risks to which The Foundation is exposed and seek to ensure that the internal control systems and procedures in place are capable of responding to these.

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 is to preserve capital values in the longer term, in common with many investors The Foundation has experienced fluctuations in portfolio valuations and a general fall in values, related to the general fall of the stock market. This decline is reflected in the

The Elizabeth Foundation (a company limited by guarantee)

DIRECTORS REPORT

Statement of Financial Activities as required by the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (Revised 2000), and therefore has a direct effect on the available reserves of The Foundation each year.

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 14 to the Accounts gives more information about reserves.

At 31 March 2003, The Elizabeth Foundation had unrestricted reserves of £266,855 in its Income & Expenditure Account. However, as shown in Note 15 to the Accounts, these reserves have already been invested 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 Foundation believes it is desirable to hold higher levels 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 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 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. It is also critical to the health and vitality of the voluntary sector as a whole.

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 2003 (together with its anticipated income and expenditure) is adequate to fulfill 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 £6,025 and has been deducted from reserves: this includes £106,644 deducted from restricted reserves (ie, the funds used in accordance with donor instruction), £10,566 set against designated reserves, and a surplus on unrestricted Income and Expenditure Account of £111,185. Note 15 to the accounts demonstrates that Unrestricted Reserves have been invested in fixed assets.

The Elizabeth Foundation has a long history of generating income from a variety of sources. Note 2 to the accounts explains more about The Foundation's sources of the income and the costs of generating these. The Trustees are indebted to the Foundation's hardworking staff, volunteers and friends who help to keep all costs low. In common with many charities, The Foundation has seen that the administrative burden that goes with finding, negotiating, applying for and then reporting upon larger grants and donations is ever increasing. Our thanks go to those funders who recognise this problem and do their best to minimise it. Similarly, the Trustees are grateful to those funders, in both the public and charitable sectors, who have embraced the concepts of full cost recovery for charities like The Elizabeth Foundation and who have put this into practice. The Trustees hope that more and more funders will adopt this approach in future.

The Elizabeth Foundation (a company limited by guarantee)

DIRECTORS REPORT

To ensure that The Elizabeth Foundation continues to avoid dependency on a small group of large funding sources, The Foundation expects to invest more time and effort in the coming year to the development and support of local fundraising teams in its Hertfordshire and West Yorkshire centres of operation. The Trustees recognise the immense value and contribution that The Foundation's long-term supporters (individual givers, small trusts and foundations, corporate friends and local community groups) have given over the years, and will seek to maintain and grow this contribution in order to keep pace with the needs of The Foundation's flourishing family centres and support programmes.

The Trustees also intend to ensure that The Elizabeth Foundation plays its part in the overall development of the voluntary and charitable sector in the UK. As an expert service provider, working in a cross-cutting way with many different agencies in different parts of the country, The Foundation has a lot to contribute to the development of improved commissioning processes and implementation of the Compact at local and regional levels. In particular, the Trustees are keen to participate in the identification and development of appropriate public body consortium structures for service development and commissioning on a regional basis.

The Hampshire base at Cosham, Portsmouth remains the flagship of The Foundation, providing a full range of services developed over more than 20 years. Now also a busy headquarters office that manages operations throughout the UK, this year has furthermore seen the introduction of universal neo-natal hearing screening, complementing the already full program of daily audiological testing carried out in the Early Detection Centre. In partnership with the Portsmouth NHS Trust, a 2-year pilot scheme has been set up to test all babies, leading to earlier diagnoses of deafness. The Elizabeth Foundation has for more than 20 years believed that Early Identification should be followed by appropriate Early Intervention, and weekly baby nursery sessions are offered to families with newly diagnosed hearing-impaired infants, as well as counselling and practical support for all parents. The Trustees are delighted that a seamless service is now available for children and families from the point of diagnosis, through the baby nursery sessions and pre school, and on to starting school.

The West Yorkshire Centre is thriving, with 2 sessions being run each day to serve the increasing numbers of families wishing to attend. To help meet demand and to ensure continuity, sessions were also arranged throughout the Summer holidays. The extra support this enabled has been vital to many families whose first spoken language is not English, and the Trustees warmly congratulate the teaching team for its hard work and dedication.

The Foundation's third regional centre, in Hertfordshire, benefited from a full-time Teacher of the Deaf starting in January 2003. Daily education and support sessions have been introduced and the number of families attending is rapidly increasing.

Interest by professionals and researchers continues to be high, as The Elizabeth Foundation is recognised as almost unique in the UK for the regular, practical, front-line services it provides to children and families who have chosen to develop listening skills and spoken language. On a weekly basis at our Centres, The Foundation receives requests from professionals who would like to visit and observe for themselves the way The Foundation works, and hear from families about the benefits they recognise. Wherever possible, The Foundation accommodates these requests and always appreciates contributions to funds in recognition of the time and effort put in to supporting visitors and guests.

The Trustees are delighted that over 100 children attend The Elizabeth Foundation's Family Centres each week, their parents having chosen oral deaf education as the best means of maximising their child's future potential and chance for true inclusion in mainstream schooling and life. The Foundation also continues to offer its Correspondence Course (a distance learning programme designed for families who are unable to reach a Family Centre, or who simply wish to have even more support in developing their child's listening skills and spoken language). The Course is kept constantly refreshed and updated using the daily experience of The Foundation's teaching team, and ensuring that families have access to the best and most informed support possible. A major review and restyling of the Baby Programme course was completed

The Elizabeth Foundation (a company limited by guarantee)

DIRECTORS REPORT

in June 2003 and the Trustees' thanks go to all the staff and Committee members who worked so hard on this project.

DIRECTORS

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

Mr C Satchwell
Mr J Walter (Resigned 1 December 2002)
Mr D K Metherell
Mr B Mitchell (Resigned 16 July 2002)
Dr P Ardern
Mr R I M Wootton

AUDITORS

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

By order of the Board



C Satchwell
Director

26 January 2004

The Elizabeth Foundation (a company limited by guarantee)

AUDITORS REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ELIZABETH FOUNDATION (A COMPANY LIMITED BY GUARANTEE)

We have audited the group's financial statements for the year ended 31 March 2003 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 within it.

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.

The Elizabeth Foundation (a company limited by guarantee)

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 2003 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.

Blueprint Audit Limited

Blueprint Audit Limited
Registered Auditor
SOUTHAMPTON

26 January 2004

The Elizabeth Foundation (a company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2003

Group - Consolidated						Charity Company							
	Note	Income and Expenditure Account Funds		Designated Restricted Funds		Restated Total		Income and Expenditure Account Funds		Designated Restricted Funds		Restated Total	
		£	£	£	£	Total 2003	Total 2002	£	£	Total 2003	Total 2002	£	£
INCOMING RESOURCES													
Donations and gifts	2	97,416	-	-	-	97,416	106,641	97,416	-	-	-	97,416	106,641
Legacies		18,781	-	-	-	18,781	20,802	18,781	-	-	-	18,781	20,802
Income from operating activities:													
• Fund raising events		91,651	-	-	-	91,651	62,601	91,651	-	-	-	91,651	62,601
• Charitable activities		122,425	-	163,215	-	285,640	259,026	122,425	-	163,215	-	285,640	259,026
Investment income and bank interest		8,537	-	-	-	8,537	15,826	8,537	-	-	-	8,537	15,826
Net income/(expenditure) of trading subsidiary	5	1,477	-	-	-	1,477	3,387	-	-	-	-	-	-
Total incoming resources		340,287	-	163,215	-	503,502	468,283	338,810	-	163,215	-	502,025	464,896
RESOURCES EXPENDED													
Costs of generating funds	3	40,728	-	-	-	40,728	47,479	40,728	-	-	-	40,728	47,479
Net Incoming Resources available for charitable application		299,559	-	163,215	-	462,774	420,804	298,082	-	163,215	-	461,297	417,417
Charitable expenditure													
Direct costs of charitable activities	3	58,022	10,566	269,859	-	338,447	345,085	58,022	10,566	269,859	-	338,447	345,085
Support costs of charitable activities	3	55,095	-	-	-	55,095	56,177	55,095	-	-	-	55,095	56,177
Management and administration	3	37,996	-	-	-	37,996	43,215	37,996	-	-	-	37,996	43,215
		151,113	10,566	269,859	-	431,538	444,477	151,113	10,566	269,859	-	431,538	444,477
Total resources expended		191,841	10,566	269,859	-	472,266	491,956	191,841	10,566	269,859	-	472,266	491,956

The Elizabeth Foundation (a company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2003

	Group - Consolidated				Charity Company			
	Income and		Restated		Income and		Restated	
	Expenditure	Designated	Restricted	Total	Expenditure	Designated	Restricted	Total
	Account Funds	Funds	Funds	2003	Account Funds	Funds	Funds	2003
	£	£	£	£	£	£	£	£
NET INCOMING /								
(OUTGOING) RESOURCES								
FOR THE YEAR (BEING	148,446	(10,566)	(106,644)	31,236	146,969	(10,566)	(106,644)	29,759
NET INCOME/(EXPENDITURE)				(23,673)				(27,060)
FOR THE YEAR)								
OTHER RECOGNISED								
GAINS AND LOSSES								
Losses on investments:								
Realised	(2,775)	-	-	(2,775)	(2,775)	-	-	(2,775)
Unrealised	(34,486)	-	-	(34,486)	(34,486)	-	-	(34,486)
NET MOVEMENT IN								
FUNDS FOR THE YEAR	111,185	(10,566)	(106,644)	(6,025)	109,708	(10,566)	(106,644)	(7,502)
Balance at start of year	155,670	414,215	801,100	1,370,985	149,874	414,215	801,100	1,365,189
Balance at 31 March 2003	266,855	403,649	694,456	1,364,960	259,582	403,649	694,456	1,357,687

There are no other registered gains and losses other than those shown above, which arise from continuing operations.

Resources Expended in the year ended 31 March 2002 have been restated for consistency with a more detailed approach to analysing costs as they relate to activities of the The Elizabeth Foundation. 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. There is no change to the result reported for the year to 31 March 2002.

The Elizabeth Foundation (a company limited by guarantee)

BALANCE SHEETS

at 31 March 2003

		Consolidated Group 2003 £	Consolidated Group 2002 £	Charity Company 2003 £	Charity Company 2002 £
	Notes				
FIXED ASSETS					
Tangible assets	6	1,403,543	1,374,652	1,402,954	1,373,768
Investments	16	168,214	218,857	168,216	218,859
		<u>1,571,757</u>	<u>1,593,509</u>	<u>1,571,170</u>	<u>1,592,627</u>
CURRENT ASSETS					
Stocks	7	3,181	3,141	2,500	2,500
Debtors	8	10,016	40,392	8,222	38,592
Cash at bank and in hand	9	68,217	46,429	68,045	45,449
		<u>81,414</u>	<u>89,962</u>	<u>78,767</u>	<u>86,541</u>
CREDITORS: amounts falling due within one year	10	60,327	53,236	64,366	54,729
NET CURRENT ASSETS		<u>21,087</u>	<u>36,726</u>	<u>14,401</u>	<u>31,812</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,592,844</u>	<u>1,630,235</u>	<u>1,585,571</u>	<u>1,624,439</u>
CREDITORS: amounts falling due after more than one year	11	227,884	259,250	227,884	259,250
NET ASSETS		<u>1,364,960</u>	<u>1,370,985</u>	<u>1,357,687</u>	<u>1,365,189</u>
RESERVES					
Restricted funds:					
National Lottery Charities Board reserve	14	200,631	205,242	200,631	205,242
Legacy reserve	14	442,500	442,500	442,500	442,500
Grants reserve	14	45,721	147,754	45,721	147,754
Capital reserve	14	5,604	5,604	5,604	5,604
Unrestricted Funds:					
Designated fund: Portsmouth					
Resource Centres	14	403,649	414,215	403,649	414,215
Income and expenditure account	14	266,855	155,670	259,582	149,874
		<u>1,364,960</u>	<u>1,370,985</u>	<u>1,357,687</u>	<u>1,365,189</u>

C Satchwell



- Chairman

26 January 2004

D K Metherell



- Treasurer

26 January 2004

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2003

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 4 of the accounts 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	Shop fittings	-	5 years
School equipment	-	5 years	Medical equipment	-	3 to 5 years
Motor vehicles	-	25% of written down value			

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

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.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2003

1. ACCOUNTING POLICIES (continued)

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 the Directors with reference to 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, appeals and collections. The cost of running these programmes during the year was £40,728 (2002 £47,479) 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 distance learning program; 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 2003

3. ANALYSIS OF RESOURCES EXPENDED

	Staff costs	Depreciation	Other	2003 Total	2002 Total
	£	£	£	£	£
Costs of generating funds (Note 2)	10,350	305	30,073	40,728	47,479
Direct costs of charitable activities	231,284	43,674	63,489	338,447	345,085
Support costs of charitable activities	47,349	275	7,471	55,095	56,177
Management and administration	7,430	177	30,389	37,996	43,215
	<u>296,413</u>	<u>44,431</u>	<u>131,422</u>	<u>472,266</u>	<u>491,956</u>
				2003	2002
				£	£
Staff costs:					
Wages and salaries				270,818	234,725
Social security costs				21,266	18,644
Pension contributions				4,329	1,912
				<u>296,413</u>	<u>255,281</u>

The average weekly number of employees during the year was 19 (2002: 18)

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

	2003 No.	2002 No.
Generating funds	1	1
Direct charitable activities	14	13
Supporting charitable activities	3	3
Management and administration of the organisation	1	1
	<u>19</u>	<u>18</u>

Management and administration of the organisation:

	2003 £	2002 £
Staff costs	7,430	8,451
Legal and professional fees, and costs of legislative compliance	10,879	17,254
Finance charges - including mortgage £13,436 (2002 £10,791)	16,527	13,916
Other costs	3,160	3,594
	<u>37,996</u>	<u>43,215</u>

RELATED PARTIES

Included within total staff costs above are salaries totalling £40,246 (2002: £45,847) paid to Mrs S Metherell and Mrs A Walter who are both wives of Directors (the latter included until Mr J Walter's date of resignation in October 2002). In addition an amount of £100 (2002: £Nil) was paid to Sunsail Limited where Mr C Satchwell is a Director.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2003

4. NET MOVEMENT IN FUNDS

This is stated after charging:

	2003 £	2002 £
Audit fee	4,230	4,400
Directors'/Trustees' remuneration	-	-
Depreciation of owned fixed assets	44,726	50,439

5. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY

The charity has one trading subsidiary which is incorporated in the UK. E.F. Enterprise (Portsmouth) Limited operates charity shops and sales, and carries out mailing administration. A summary of its trading results is shown below, and audited accounts are filed with the Registrar of companies.

	<i>E.F. Enterprise (Portsmouth) Limited</i>	
	2003 £	2002 £
Turnover	10,589	13,304
Cost of sales	5,239	5,948
Gross Profit	5,350	7,356
Administration	3,829	3,664
Profit on ordinary activities before taxation	1,521	3,692
Interest receivable	2	4
Taxation on profit on ordinary activities	(46)	(309)
Retained in subsidiary	1,477	3,387

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2003

6. TANGIBLE FIXED ASSETS

	Freehold Property £	Leasehold Property Portsmouth Resource Centres £	Motor vehicles £	School and Medical equipment £	Fixtures, fittings and office equipment £	Company Total £	Shop and fittings £	Group Total £
Cost:								
At 1 April 2002	652,147	855,167	17,000	110,339	93,868	1,728,521	4,454	1,732,975
Additions	26,230	4,202	-	7,743	35,442	73,617	-	73,617
At 31 March 2003	678,377	859,369	17,000	118,082	129,310	1,802,138	4,454	1,806,592
Depreciation:								
At 1 April 2002	10,366	153,158	16,915	102,024	72,290	354,753	3,570	358,323
Provided during the year	8,973	17,151	85	5,003	13,219	44,431	295	44,726
At 31 March 2003	19,339	170,309	17,000	107,027	85,509	399,184	3,865	403,049
Net book value:								
At 31 March 2003	659,038	689,060	-	11,055	43,801	1,402,954	589	1,403,543
At 1 April 2002	641,781	702,009	85	8,315	21,578	1,373,768	884	1,374,652

The value of long leasehold buildings (Portsmouth Resource Centres), has been estimated for insurance purposes by the Directors at £1,000,000 (2002: £1,000,000). This figure, in the opinion of the Directors, closely reflects the commercial value.

7. STOCKS

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Goods for resale	681	641	-	-
Stationery and office consumables	2,500	2,500	2,500	2,500
	3,181	3,141	2,500	2,500

8. DEBTORS

	Group 2003 £	Group 2002 £	Company 2003 £	Company 2002 £
Trade debtors	2,017	22,883	844	21,649
Prepayments and accrued income	7,999	10,912	7,378	10,346
Other debtors	-	6,597	-	6,597
	10,016	40,392	8,222	38,592

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2003

9. CASH AT BANK

	<i>Group</i> <i>2003</i> £	<i>Group</i> <i>2002</i> £	<i>Company</i> <i>2003</i> £	<i>Company</i> <i>2002</i> £
Interest bearing accounts	58,540	56,490	58,540	56,490
Cash in hand and in transit	1,600	400	1,600	400
Accounts with investment managers	1,475	8,148	1,475	8,148
Current accounts	6,602	(18,609)	6,430	(19,589)
	<u>68,217</u>	<u>46,429</u>	<u>68,045</u>	<u>45,449</u>

10. CREDITORS: amounts falling due within one year

	<i>Group</i> <i>2003</i> £	<i>Group</i> <i>2002</i> £	<i>Company</i> <i>2003</i> £	<i>Company</i> <i>2002</i> £
Bank loan	28,993	24,601	28,993	24,601
Trade and other creditors	1,283	10,926	1,283	10,926
Due to subsidiary undertaking	-	-	5,214	4,193
Accruals and deferred income	23,708	11,866	22,533	9,516
Taxation and social security	6,343	5,843	6,343	5,493
	<u>60,327</u>	<u>53,236</u>	<u>64,366</u>	<u>54,729</u>

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

	<i>Group & Company</i>	
	<i>2003</i>	<i>2002</i>
	£	£
Bank loan	227,884	259,250
The bank loan falls due for repayment as follows:		
Within one year	28,993	24,601
Between one and two years	30,381	24,955
Between two and five years	100,149	84,916
After five years	97,354	149,379
	<u>256,877</u>	<u>283,851</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 2003

13. TAXATION

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

14. RECONCILIATION OF MOVEMENT ON RESERVES

Group	Restricted Funds			Unrestricted Funds			
	National Lottery Charities Board Reserve	Legacy reserve	Grants reserve	Capital reserve	Portsmouth Resource Centres reserve	Income and expenditure account	Total
	£	£	£	£	£	£	£
At 1 April 2001	209,853	442,500	145,901	5,604	424,781	189,788	1,418,427
Movement in resources							
Incoming	-	-	128,625	-	-	339,658	468,283
Outgoing	(4,611)	-	(126,772)	-	(10,566)	(350,007)	(491,956)
Investment loss	-	-	-	-	-	(23,769)	(23,769)
At 1 April 2002	205,242	442,500	147,754	5,604	414,215	155,670	1,370,985
Movement in resources							
Incoming	-	-	163,215	-	-	340,287	503,502
Outgoing	(4,611)	-	(265,248)	-	(10,566)	(191,841)	(472,266)
Investment loss	-	-	-	-	-	(37,261)	(37,261)
At 31 March 2003	200,631	442,500	45,721	5,604	403,649	266,855	1,364,960

Company	Restricted Funds			Unrestricted Funds			
	National Lottery Charities Board Reserve	Legacy reserve	Grants reserve	Capital reserve	Portsmouth Resource Centres reserve	Income and expenditure account	Total
	£	£	£	£	£	£	£
At 1 April 2001	209,853	442,500	145,901	5,604	424,781	187,379	1,416,018
Movement in resources							
Incoming	-	-	128,625	-	-	336,271	464,896
Outgoing	(4,611)	-	(126,772)	-	(10,566)	(350,007)	(491,956)
Investment loss	-	-	-	-	-	(23,769)	(23,769)
At 1 April 2002	205,242	442,500	147,754	5,604	414,215	149,874	1,365,189
Movement in resources:							
Incoming	-	-	163,215	-	-	338,810	502,025
Outgoing	(4,611)	-	(265,248)	-	(10,566)	(191,841)	(472,266)
Investment loss	-	-	-	-	-	(37,261)	(37,261)
At 31 March 2003	200,631	442,500	45,721	5,604	403,649	259,582	1,357,687

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2003

14. RECONCILIATION OF MOVEMENTS 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, 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. 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 National 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 which benefited from the legacy, the Foundation has been 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 applies. Because of this indemnity, the Foundation is restricted in its ability to use the legacy receipts, and accordingly the sum received is treated as a Restricted Fund. However, investment income and gains arising on the invested capital amount of the legacy are not subject to this restriction, and are taken to the income and expenditure account.

GRANTS RESERVE

The Foundation receives grants for specific purposes from many different grant-making bodies. The Grants Reserve comprises unexpended balances of restricted grants and donations at the balance sheet date, and these funds can only be used for the specific purposes for which they were originally awarded or donated.

CAPITAL RESERVE

The capital reserve arose on the transfer of net assets from the Trustees of the former Elizabeth Foundation.

PORTSMOUTH RESOURCE CENTRES RESERVE

This reserve (which has been set aside by the Trustees to demonstrate The Elizabeth Foundation's investment in certain specific assets) 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 designated fund each year.

This reserve also includes the receipts less administration costs of a past appeal to finance constructions 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.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2003

15. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<i>Tangible fixed assets</i>	<i>Investments</i>	<i>Other Net assets</i>	<i>2003 Total</i>	<i>2002 Total</i>
	£	£	£	£	£
<i>Restricted:</i>					
National Lottery Charities					
Board reserve	200,631	-	-	200,631	205,242
Legacy reserve	274,286	168,214	-	442,500	442,500
Grants reserve	-	-	45,721	45,721	147,754
Capital reserve	-	-	5,604	5,604	5,604
<i>Unrestricted:</i>					
Portsmouth Resource Centres	403,649	-	-	403,649	414,215
Income and Expenditure account	524,977	-	(258,122)	266,855	155,670
	<u>1,403,543</u>	<u>168,214</u>	<u>(206,797)</u>	<u>1,364,960</u>	<u>1,370,985</u>
	(Note 6)	(Note 16)			

16. FIXED ASSET INVESTMENT

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 2002 and 31 March 2003	2
Held by The Elizabeth Foundation	50%
Held by director D K Metherell as nominee for The Elizabeth Foundation	50%
	<u>100%</u>

The company operates charity shops and carries out database activities to raise money for The Elizabeth Foundation, and profits may be paid to The Foundation under the terms of the gift aid provisions. For the year ended 31 March 2003 the company made a profit of £1,477 and its aggregate capital and reserves at that date amounted to £7,275.

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2003

16. FIXED ASSET INVESTMENT (continued)

Group and Company

Other investments

£

Total investments, including other investments:

Other:

Opening valuation

218,857

Additions at cost

16,652

Disposals at opening value (proceeds £30,034 loss £2,775)

(32,809)

Net unrealised losses on revaluation

(34,486)

Total market value at 31 March 2003 (group)

168,214

Cost at 1 April 2002 and 31 March 2003 of investment in subsidiary company

2

Total cost or market value at 31 March 2003 (company)

168,216

Listed Investments

95,648

British Government stocks

67,338

UK Unit Trusts

5,228

Investment in unquoted subsidiary company

168,214

2

168,216

Historical cost at 31 March 2003

190,767