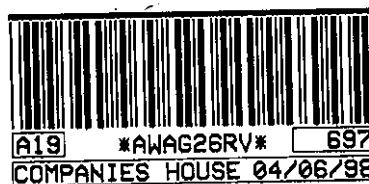


The Foundation for Conductive Education

Annual report for the year ended 31 July 1997

	Pages
Directors' report	2 - 4
Trustees' report	5 - 9
Report of the auditors	10
Statement of financial activities	11
Balance sheet	12
Reconciliation of funds	13
Cash flow statement	14
Notes to the financial statements	15 - 22



The Foundation for Conductive Education

Directors' Report

The Foundation for Conductive Education ("the Foundation") is a company limited by guarantee.

Charity registration number 295873

Registered address: Cannon Hill House
Russell Road
Moseley
Birmingham
B13 8RD

Charitable Objects

The objects for which the Foundation is established, all of which shall be exclusively charitable, are for the development and advancement of the science and skill in the United Kingdom of Conductive Education as has been developed at the Peto Institute in Hungary.

Review of the year and future prospects

A full review of the performance for the year and the future prospects is set out in the Trustees' Report on page 5.

Trustees

The trustees are the directors of the company. The trustees who served during the year are set out below and overleaf.

The Foundation maintains indemnity insurance for trustees and officers.

Elected

The following have been appointed to the Board of Trustees by election in accordance with the Foundation's Articles of Association:

Dr Kate Whelan	
Peter Lacy	resigned 18 December 1996
Charles Holden	resigned December 1997
Paul Kelly	
David Wood	appointed 16 January 1997
Geoff Moss	
Alan Robertson	

The Foundation for Conductive Education

Directors' Report (continued)

Trustees (continued)

Appointed

The following have been appointed to the Board of Trustees by their respective Appointing Bodies in accordance with the Foundation's Articles of Association:

	Appointing body	
Peter Varcoe	Barnardo's	
Paul Young	Barnardo's	appointed 17 February 1997
Professor Tim Brighthouse	City of Birmingham	resigned 18 November 1996
Councillor Andy Howell	City of Birmingham	resigned 18 November 1996
Brian Fraser (Chairman)	University of Birmingham	
Ronni Nanton	Parkinson's Disease Society	
Peter Birse	Peter Birse Charitable Trust	resigned December 1997

(The Peter Birse Charitable Trust has yet to nominate a successor to Peter Birse).

Secretary Catherine Baker

Professional Advisors

Bankers

Lloyds Bank Plc
University of Birmingham Branch
142 Edgbaston Park Road
Birmingham
B15 2TY

Auditors

Coopers & Lybrand
Temple Court
35 Bull Street
Birmingham
B4 6JT

Solicitors

Martineau Johnson
St Phillips House
St Phillips Place
Birmingham
B3 2PP

The Foundation for Conductive Education

Directors' Report (continued)

Trustees' responsibilities


The trustees are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Foundation at the end of the year and of the profit or loss of the Foundation for that period.

The trustees confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 July 1997. The trustees also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The trustees are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Foundation and to prevent and detect fraud and other irregularities.

Auditors

A resolution will be put to the forthcoming Annual General Meeting to reappoint Coopers & Lybrand as the company's auditors.

A handwritten signature in cursive script, reading "Cathlene Baker".

Secretary
23 April 1998

The Foundation for Conductive Education

Trustees' Report

The trustees are pleased to present their report and financial statements for the year ended 31 July 1997.

Introduction

This annual report covers the period from August 1996 to July 1997.

Results and future prospects

Resources arising for the year were £986,781 and the excess of resources used for the year over resources arising amounted to £136,482. Of this £138,599 relates to a decrease in the permanent endowment fund and £2,117 has been transferred to general reserve.

Financial position

It was apparent to the Trustees and Management of the Foundation that the financial position for August 1996 to July 1997 would be highly dependent upon the Foundation's successful application for major grants, from, in particular, the Lottery Board (£190,000) and the Millennium Commission (£2 million), both due for decision in the autumn of 1996.

Although the Foundation believed that it had put forward strong proposals these applications were not successful. Other grant income was not sufficient to maintain the Foundation's activities.

In early January 1997 the Trustees appointed an interim Executive Director with wide ranging business experience, Ray Cuckow, to work with the management team and the Professional Director, Andrew Sutton, to restructure and streamline the work of the Foundation.

By the end of 1997 a revised management structure and systems were in place, under the direction of Andrew Sutton, and the Trustee Board is currently being expanded and restructured.

Based upon performance to the end of March 1998, with the budget on target, it is now possible to foresee a cash-positive outcome to the financial year 1997-8.

A modest increase in staffing for fund-raising has led to increased voluntary income, and it is hoped that there will be a further such increase in 1998-9.

A financial plan for the year 1998-9 has been completed, forecasting a small surplus.

The Foundation for Conductive Education

Trustees' Report (continued)

Restructuring

During the first quarter of 1997 the Executive Director led a complete review of the Foundation's situation, commencing with the Vision and Mission, as a result of which the Vision and Mission were reaffirmed by the Trustees:

Vision

To transform society's understanding of and commitment to the development of human potential through the practice of Conductive Education.

Mission

Demonstrate and disseminate excellence in Conductive Education for all who might benefit, through the development of theory, practice and training.

A full review was made of plans, of expectations for fund-raising, and of areas where cost savings could be made. Particular emphasis was given to putting the Foundation's immediate finances on a sound and sustainable basis.

With the structural changes essentially implemented, the Management Team is now developing strategies to set the Foundation on a strong future path.

Cost Savings

The Foundation's operations were restructured around three departments, Operations, Fund-raising and Marketing, and Corporate Services.

In summary the following main changes were implemented:

All Conductive Services, School, Nursery, Adults and Training now come under the new position of Head of Operations. This reduces the management team by three to four (excluding the Executive Director).

A pay freeze and pay cut were introduced. The pay cut varied between nil for those on lower salaries to 10% for those on higher salaries. This was balanced by an end-1997 performance related bonus scheme, linked to six key financial parameters. A bonus of 10% of December 1997 salaries was paid to all staff who qualified in January 1998. A full review of pay and terms and conditions was completed before the end of 1997 and new contracts of employment were signed by all staff. The Foundation was able to reinstate salaries in January 1998 to pre-pay cut levels.

The Foundation for Conductive Education

Trustees' Report (continued)

Staff numbers were reduced over the period November 1996 to April 1997, through normal staff wastage, redundancy, secondment of staff to other Conductive Education organisations and voluntary reduction from full-time to part-time hours. The head-count (including part-time staff) reduced from 47 in November 1996 to 38 in April 1997. This number has been maintained. The total number of staff employed during the period August 1996 to July 1997 was 51, ie 43 full-time equivalents.

Financial restructuring

Barnardo's offered a grant of £110,000 subject inter alia to major cost savings being implemented. These conditions were met and this support activated. The previous support from Barnardo's, in the form of loans totalling £253,714, was restructured as long-term debt. These changes are explained in note 6 to the financial statements, on page 19.

Formal agreement was obtained from two donating trusts that the residual of capital donations may be used for revenue purposes if required.

The internal management accounts are now on a monthly cash-flow basis and represent one component of much more rigorous setting of assumptions and reviewing performance. The financial statements for the year ended 31 July 1997 show categories which no longer reflect the main cost centres. These categories will be restated as necessary in next year's financial statements.

A projection was made for the 12-month period April 1997 to March 1998, based on carefully defined and tested business assumptions. This plan was formally agreed by the Trustees as an acceptable and credible plan, based on conservative assumptions. This plan indicates that the Foundation will manage affairs such that it should not need to dip into remaining capital reserves. The situation has been carefully monitored and further corrective action was taken as required.

Local Education Authority budgets for those with Special Educational Needs continue under pressure. The Foundation expects to have an ongoing need for donations to support the work of the Foundation. New fund-raising initiatives were put in place.

Formal agreement was received from Birmingham City Council for a two-year extension to the Development Agreement for Cannon Hill House. Total refurbishment of this listed building will allow the Foundation to extend its range of services and to secure the freehold of the site. This is a priority fund-raising objective. A pledge of £100,000 has already been received from a prestigious donor, subject to the matching of funds.

Internal efficiencies

Several measures were taken to improve internal efficiencies.

Conductive Assistants were introduced this year to support the Conductors.

The Foundation for Conductive Education

Trustees' Report (continued)

Key management processes were reviewed and updated. These procedures related to the practice of Conductive Education and to good managerial practice.

A new system of staff development and appraisal was introduced. This whole process was seen as crucial in focusing the talents and efforts of the total organisation towards its aims and objectives.

Conductive Education Developments

A more client-orientated approach has been developed and is bringing dividends in additional sessional services for adults. This approach has been extended to children's services. Taken together, these have enabled the Foundation to reach an increasing number of those in need.

Increasing proportions of children attending nursery and school groups are now "statemented" (ie funded by their local education authorities). A new kindergarten service is being introduced and a system for adults' "short courses", in line with the new requirements of disabled people in the UK, is now well established.

Changes in the internal structure of conductive services will now result in a modest increase in adults and children attending.

Work was initiated by the Professional Director to strengthen the essential academic and professional underpinning of the Foundation's work.

A range of training courses was developed to bring the techniques of Conductive Education to those in the caring and education professions who come into contact with children and adults with motor disorders. The Foundation's courses were accredited at levels 2 and 3, Open College Network (NVQ equivalent). The Foundation sees training as an area for substantial future development.

In the Spring of 1997 the Foundation received validation for its Degree Course in Conductive Education, a joint initiative with the University of Wolverhampton. This is an exciting new initiative and is the only degree course in the UK leading to qualified conductor status. The first course started in October 1997.

The undergraduate course is now recruiting for its second year's entry and there is no shortage of academically well qualified candidates with a strong vocational mission. Discussions are now in hand about possible postgraduate schemes.

Skills training is expanding into new areas of work and the procedures for course construction and assessment are being streamlined on the basis of experience, in collaboration with the Open College Network

The Foundation for Conductive Education

Trustees' Report (continued)

In summary, following a difficult start to 1996-7, the Foundation is now looking forward with confidence to building on the achievements made in the last year.

For and on behalf of the Trustees

Alan. Robb

David Wood

23 April 1998

Paul A. Ly

The Foundation for Conductive Education

Report of the auditors to the members of The Foundation for Conductive Education

We have audited the financial statements on pages 11 to 22.

Respective responsibilities of trustees and auditors

As described on page 4, the Foundation's trustees are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

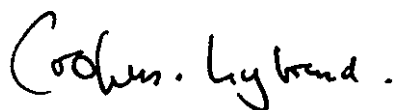
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Foundation's affairs at 31 July 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
Birmingham
23 April 1998

The Foundation for Conductive Education

Statement of financial activities for the year ended 31 July 1997

	Notes	Unrestricted Fund £	Permanent Endowment Fund £	Totals 1997 £	1996 £
Resources arising:					
Donations		343,706	-	343,706	585,536
Subscriptions		420	-	420	835
Publications		4,125	-	4,125	1,992
Fee Income		434,550	-	434,550	355,914
Interest Income		3,057	10,391	13,448	25,548
Other grants		110,000	-	110,000	40,000
Birmingham City Council Development Grant		80,532	-	80,532	60,668
Gross resources arising in the year		976,390	10,391	986,781	1,070,493
Resources used					
Direct charitable expenditure:					
Conductive services	2	818,619	-	818,619	809,982
Promotion and publicity	2	51,905	-	51,905	62,433
		870,524	-	870,524	872,415
Other expenditure:					
Fund raising	2	100,409	-	100,409	94,585
Administration	2	119,777	-	119,777	132,577
		220,186	-	220,186	227,162
Resources used in the year	10	1,090,710	-	1,090,710	1,099,577
Change in resources before fixed asset movements		(114,320)	10,391	(103,929)	(29,084)
Transfer between funds		130,000	(130,000)	-	-
Net increase in fixed assets:					
Direct charitable purposes		(13,563)	(18,990)	(32,553)	(473,442)
Resources utilised out of balances brought forward		2,117	(138,599)	(136,482)	(502,526)

The Foundation has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

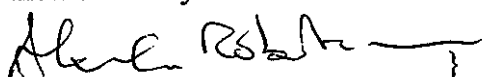
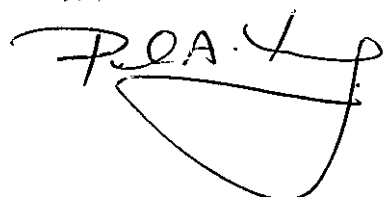
There is no difference between the net resources utilised as stated above, and their historical cost equivalents.

The Foundation for Conductive Education

Balance sheet at 31 July 1997

	Notes	1997 £	1996 £
Fixed assets			
Computers, fixtures and fittings	4	46,581	53,007
Leasehold Premises	4	1,365,955	1,375,365
		<u>1,412,536</u>	<u>1,428,372</u>
Current assets			
Debtors	5	10,288	10,439
Capital funds deposit account	9	109,491	287,453
Cash and bank	9	101,863	89,261
		<u>221,642</u>	<u>387,153</u>
Current liabilities			
Creditors: amounts falling due within one year	6	(123,611)	(347,550)
Deferred income	7	(80,396)	(60,732)
		<u>(204,007)</u>	<u>(408,282)</u>
Net current assets/(liabilities)		<u>17,635</u>	<u>(21,129)</u>
Total assets less current liabilities		<u>1,430,171</u>	<u>1,407,243</u>
Creditors: amounts falling due after more than one year	6	(253,714)	(126,857)
Net assets		<u><u>1,176,457</u></u>	<u><u>1,280,386</u></u>
Funds			
Permanent Endowment Fund	8	<u>1,502,257</u>	<u>1,621,866</u>
Unrestricted Fund at start of year		(341,480)	(290,691)
Net movement of resources in the year		(114,320)	(50,789)
Transfer from Permanent Endowment Fund		130,000	-
Unrestricted Fund at end of year		<u>(325,800)</u>	<u>(341,480)</u>
		<u><u>1,176,457</u></u>	<u><u>1,280,386</u></u>

The financial statements were approved by the trustees on 23 April 1998 and signed on their behalf by:


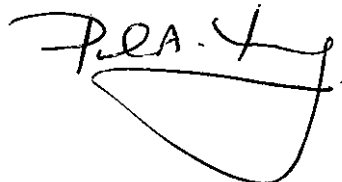
Trustees

The Foundation for Conductive Education

Reconciliation of funds for the year ended 31 July 1997

	Unrestricted Fund	Permanent Endowment Fund	Total 1997	1996
	£	£	£	£
Balance at start of year	(341,480)	1,621,866	1,280,386	1,309,470
Movements in year				
Net additions to fixed assets	13,563	18,990	32,553	473,442
Resources utilised out of balances brought forward	2,117	(138,599)	(136,482)	(502,526)
Net movement of resources in year	15,680	(119,609)	(103,929)	(29,084)
Balance at end of year	<u>(325,800)</u>	<u>1,502,257</u>	<u>1,176,457</u>	<u>1,280,386</u>
Represented by:				
Fixed assets	46,581	1,365,955	1,412,536	1,428,372
Current assets	112,151	109,491	221,642	387,153
Current liabilities	(230,818)	26,811	(204,007)	(408,282)
Creditors: amounts falling due after more than one year	(253,714)	-	(253,714)	(126,857)
	<u>(325,800)</u>	<u>1,502,257</u>	<u>1,176,457</u>	<u>1,280,386</u>

The financial statements were approved by the trustees on 23 April 1998 and signed on their behalf by:

Trustees

The Foundation for Conductive Education

Cash Flow Statement

For the year ended 31 July 1997

	1997	1996
	£	£
Reconciliation of changes in resources to net cash flow from operating activities:		
Net movement in resources in the year	(103,929)	(29,084)
Depreciation	48,389	39,609
(Decrease)/increase in creditors	(97,082)	7,699
Decrease/(increase) in debtors	151	(5,118)
Net cash (outflow)/inflow from operating activities	(152,471)	13,106
Investment activities:		
Purchase of fixed assets	(32,553)	(513,051)
Decrease/(increase) in deferred income:		
Donations received	1,068	19,332
Fees paid in advance	18,596	(1,761)
Net cash (outflow) from investment activities	(12,889)	(495,480)
(Decrease) in cash during year (Note 9)	(165,360)	(482,374)
Cash at start of year	376,714	859,088
Cash at end of year (Note 9)	211,354	376,714

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997

1 Accounting Policies

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The Foundation has adopted the provisions of the Statement of Recommended Practice, "Accounting by Charities", issued by the Charity Commissioners for England and Wales.

The principal accounting policies are as follows:

- 1.1 Building work on the National Institute commenced on 28 November 1994. Income received specifically for the purpose of developing and building the premises is treated as a permanent endowment fund, as detailed in note 8, and income is recognised in the Statement of Financial Activities.
- 1.2 Incoming funds and the expenditure of funds are matched with one another so far as their relationship can be established, and are dealt with in the Statement of Financial Activities of the period to which they relate.
- 1.3 Depreciation is charged on fixed assets on a straight line basis at the following rates:

Leasehold building	2% per annum
Fixtures and fittings	20% per annum
Computer equipment	25% per annum
Equipment at National Institute	50% per annum
- 1.4 Fund raising costs are charged in the Statement of Financial Activities when incurred.

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997 (continued)

2 Analysis of Resources Used

	Staff Costs (Note 3)	Other Expenses	Depreciation	Total
	£	£	£	£
Year ended 31 July 1997				
Direct charitable expenditure:				
Conductive services	682,746	116,517	19,356	818,619
Promotion and Publicity	51,542	363	-	51,905
	<u>734,288</u>	<u>116,880</u>	<u>19,356</u>	<u>870,524</u>
Other expenditure				
Fund raising	60,116	30,616	9,677	100,409
Administration	76,824	23,597	19,356	119,777
	<u>136,940</u>	<u>54,213</u>	<u>29,033</u>	<u>220,186</u>
Resources used in the year	<u><u>871,228</u></u>	<u><u>171,093</u></u>	<u><u>48,389</u></u>	<u><u>1,090,710</u></u>
Year ended 31 July 1996				
Direct charitable expenditure:				
Conductive services	697,924	96,876	15,182	809,982
Promotion and Publicity	62,433	-	-	62,433
	<u>760,357</u>	<u>96,876</u>	<u>15,182</u>	<u>872,415</u>
Other expenditure:				
Fund raising	47,426	38,683	8,476	94,585
Administration	62,736	53,890	15,951	132,577
	<u>110,162</u>	<u>92,573</u>	<u>24,427</u>	<u>227,162</u>
Resources used in the year	<u><u>870,519</u></u>	<u><u>189,449</u></u>	<u><u>39,609</u></u>	<u><u>1,099,577</u></u>

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997 (continued)

3 Staff Costs

	1997	1996
	£	£
Foundation Employees:		
Salaries and wages	770,329	765,843
Social security costs	67,985	68,707
Pension costs	32,914	35,969
	<u>871,228</u>	<u>870,519</u>

Average weekly number of staff on a full-time equivalent basis:

	Number	Number
Conductors (teaching staff)	23	19
Other staff	20	21
	<u>43</u>	<u>40</u>

	Number	Number
The number of employees whose remuneration fell within the following bands is:		
£40,000 to £50,000	<u>0</u>	<u>1</u>

Trustees received no remuneration during the current and previous year, either in respect of their services as directors of the company or in their capacity as trustees.

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997 (continued)

4 Fixed assets

	Building	Computer, Fixtures & Fittings	Total
	£	£	£
Cost			
At start of year	1,401,051	135,972	1,537,023
Additions	18,990	13,563	32,553
At end of year	1,420,041	149,535	1,569,576
Accumulated depreciation			
At start of year	25,686	82,965	108,651
Charge for the year	28,400	19,989	48,389
At end of year	54,086	102,954	157,040
Net book value			
At 31 July 1997	<u>1,365,955</u>	<u>46,581</u>	<u>1,412,536</u>
At 31 July 1996	<u>1,375,365</u>	<u>53,007</u>	<u>1,428,372</u>

The Foundation's building is situated on land owned by Birmingham City Council. Under the terms of a Development Agreement, the Foundation will be granted a lease for 125 years, with the option to purchase the freehold for £10,000, provided that it undertakes the refurbishment of a listed building on the land within 2 years of the start of the Agreement on 27 January 1995. If the refurbishment is not completed within the prescribed time, the land and buildings on it will revert to the City Council. No work has yet been undertaken, and in January 1997 Birmingham City Council granted a two year extension to the Agreement.

The Trustees have yet to determine the cost of the refurbishment work.

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997 (continued)

5 Debtors

	1997	1996
	£	£
Amounts falling due within one year		
Trade debtors	9,138	2,954
Other debtors	1,150	7,485
	<u>10,288</u>	<u>10,439</u>

6 Creditors

	1997	1996
	£	£
Amounts falling due within one year		
Loan - Barnardo's	-	126,857
Trade creditors	31,603	118,299
Accruals	92,008	102,394
	<u>123,611</u>	<u>347,550</u>
Amounts falling due after more than 1 year		
Loan - Barnardo's	<u>253,714</u>	<u>126,857</u>

The loan from Barnardo's is interest free and unsecured. It was repayable in instalments by 31 July 1998, but Barnardo's have agreed that the Foundation will not be required to make any repayment before 31 July 1998.

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997 (continued)

7 Deferred income

	1997	1996
	£	£
At start of year	60,732	43,161
Fees paid in advance	25,996	7,400
Birmingham City Council Development Grant	54,400	53,332
Release of deferred income during the year	(60,732)	(43,161)
At end of year	<u>80,396</u>	<u>60,732</u>

8 Permanent Endowment Fund

	1997	1996
	£	£
At start of year	1,621,866	1,600,161
Interest income	10,391	21,705
Transfer to Unrestricted Fund	(130,000)	-
Fund designated for building of the Institute	<u>1,502,257</u>	<u>1,621,866</u>

As explained in note 1, the permanent endowment fund was established to finance the new building and at 31 July 1997 £1,420,041 has been expended on the building, as shown in note 4.

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997 (continued)

9 Analysis of changes in cash in the year

	31 July 1997 £	31 July 1996 £	Change in year £
Year ended 31 July 1997			
Current accounts	101,863	89,261	12,602
Capital funds deposit account	109,491	287,453	(177,962)
	<u>211,354</u>	<u>376,714</u>	<u>(165,360)</u>
Year ended 31 July 1996			
Current accounts	89,261	62,906	26,355
Capital funds deposit account	287,453	796,182	(508,729)
	<u>376,714</u>	<u>859,088</u>	<u>(482,374)</u>

The capital funds deposit account represents donations specifically for the development of the National Institute.

The Foundation for Conductive Education

Notes to the financial statements for the year ended 31 July 1997 (continued)

10 Analysis of total expenditure

	1997	1996
	£	£
Salaries and wages (Note 3)	871,228	870,519
Travel and accommodation	3,633	21,117
Professional fees	82,596	30,386
Maintenance and materials	22,362	30,285
Other sundries	52,862	89,210
Auditors' remuneration	2,640	2,550
Printing, stationery and publications	7,000	15,901
Depreciation	48,389	39,609
	<u>1,090,710</u>	<u>1,099,577</u>

Professional fees include £2,860 (1996: £11,077) paid to the auditors for other services.

11 Key Donations Received

	1997	1996
	£	£
Donations includes the following:		
BBC Children in Need Appeal	75,000	100,000
Iceland Frozen Foods plc	-	111,168
	<u></u>	<u></u>