

The Foundation for Conductive Education

(Company number 2083754)

(Charity number 295873)

Annual report

Year ended 31 July 2006



THE FOUNDATION FOR CONDUCTIVE EDUCATION
ANNUAL REPORT
YEAR ENDED 31 JULY 2006

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TRUSTEE REPORT

YEAR ENDED 31 JULY 2006

1) Reference and Administrative Details:

Introduction

This annual report covers the year from 1 August 2005 to 31 July 2006.

The Foundation for Conductive Education ("the Foundation") is a company limited by guarantee. Its governing document is the Memorandum of Articles and Association. The charity registration number is 295873. The company registration number is 2083754.

The registered office is:
National Institute of Conductive Education
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 of Conductive Education and especially the teaching thereof.

Trustees

All trustees are the directors of the company. During the year 2005/06 the Foundation has maintained indemnity insurance for trustees and officers.

Elected trustees

The following have been appointed to the Board of Trustees by election in accordance with the Foundation's Articles of Association and except where stated have served throughout the period since 1 August 2004:

Anthony Coombs
Stephen Lewis
Jayne Titchener
Dr Kate Whelan
Nilesh Popat (resigned September 2005)
Adrian Hurst
Gayle Westcott (appointed October 2005)

Appointed trustees

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

Christopher Robertson
Vacant
Vacant
Dr Jo Allen

Appointing Body

The University of Birmingham
The Parkinson's Disease Society
Birmingham City Council
University of Wolverhampton

Company Secretary

Katherine Bryant Company Secretary

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

Senior Staff Members

David Wood	Chief Executive
Wendy Baker	Director of Children's Services
Dr Melanie Brown	Director of Rehabilitation Services
Lesley Peat	Director of Fundraising and Communication

Professional advisors

Bankers:	Auditors:
Lloyds TSB Bank plc	PKF (UK) LLP
University of Birmingham branch	New Guild House
142 Edgbaston Park Road	45 Great Charles Street
Birmingham	Queensway
B15 2TY	Birmingham B3 2LX

Solicitors:
Martineau Johnson
No 1 Colmore Square
Birmingham
B4 6AA

Volunteers

Volunteers assist with Fundraising and support work. No volunteers take part in the delivery of services. The Foundation is very fortunate to have a dedicated set of volunteers who provide an invaluable resource - our thanks go to all of them.

2) Objectives and Activities

What is Conductive Education?

The term Conductive Education is not widely understood. Conductive Education teaches children with motor disabilities such as cerebral palsy to learn skills that come automatically to normally developing children such as sitting, standing, walking, communicating, dressing, feeding and interacting with others. The conductor teaches that missing link in their development.

The effects of providing this missing link are far reaching. In the process of teaching, the conductor develops a relationship with the children and through this sets expectations that enable the children themselves to create new potentials that would otherwise never develop. In time this gives the children a level of confidence and independence; a quality of life that they would not otherwise achieve.

Conductive Education also teaches adults with motor disabilities - conditions such as Parkinson's, multiple sclerosis, stroke and head injury. In these cases Conductive Education offers adult participants a system whereby they can retain or relearn movements that would otherwise be lost to them as a result of their condition.

As with children, the conductor develops a close relationship with each participant that enables them both to set expectations and create potential for a better quality of life than would otherwise be traditionally expected with such conditions.

Our aims and objectives:

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

Our mission is to demonstrate and disseminate excellence in Conductive Education through our services across every age range, through training and professional development.

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

The National Institute of Conductive Education:

The Foundation is the overarching charity. Within the Foundation is the National Institute of Conductive Education (NICE), which provides the practice and academic bases – the centre of excellence – through which we can both demonstrate and develop Conductive Education. NICE is an educational and training institution – a learning community with an international reputation – our centre of excellence.

NICE offers three main types of service, spanning every age - from infancy to old age:

Children's Services:

Offers Parent and Child Services and a registered school embracing Early Intervention Group and a Primary aged School Group which teach the Foundation Stage and National Curriculum within a Conductive Education framework.

Rehabilitation Services:

Services are offered for those with cerebral palsy, multiple sclerosis, strokes, Parkinson's disease and dyspraxia.

Training Services:

The services at NICE (and offsite) provide the practice base for the only degree-level training in the world outside Hungary for the emerging profession of "conductor". The Foundation offers this training in collaboration with the University of Wolverhampton. In addition a host of other training events and consultancy add to knowledge and understanding of CE amongst related professionals. Post graduate modules will expand this further.

All services at NICE meet the full requirements of appropriate Government inspection criteria including Ofsted.

In addition we maintain a national and world role through the organisation of, and participation in, conferences, running the only internet site on and for Conductive Education and producing print publications (journals, books and journal articles). In 2005/6 we devoted £100,425 of resource in the direct support of our services by providing a detailed prospectus for each service category, newsletters, leaflets and advertising as well as the maintaining of our new website.

3) Achievements and Performance

During 2005-6 108 children, 31 young adults, 275 adults and 97 carers participated in services at the National Institute and our outreach provisions (including Parent & Child in Gloucester, Young Adults' Services at Hereward College in Coventry and Adult sessions in Cheltenham. This represents an increase of 12 people over 2004-5. In addition training services have worked with 32 students and 200 professionals.

Children's Services:

Recruitment to children's services continues to be a major issue. The Government's agenda on inclusion has been widely understood as meaning not providing full-time externally/independently provided specialist help for children with disabilities – rather attempting to fulfil those children's needs within mainstream schools. Combined with the extreme financial pressure on local authorities, this has meant that it is increasingly difficult for families to secure public support for their child's full-time placement at NICE. Many families cannot face or afford the cost of the struggle to get their child 'statemented' (officially supported) to attend NICE, cutting back the number of children who could benefit from services at NICE and limiting the practical base for conductor-training.

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

Two years ago we undertook a major review of our fee structure as we were showing considerable losses against our fee income even after the major restructure to save costs undertaken in 2003/4. The new fee structure recognised the differing levels of children's needs and the required intensity of direct educational input and care that they need while at school.

The new fee structure was applied over two years; in September 2005 and September 2006. It is intended to at least cover the direct costs of Conductors in the Early Intervention and School groups. Note 4 in the accounts highlights the fact that we were able to cover the direct costs for children's services in 2005/6 by our fee income but not the necessary support costs to deliver the services.

Despite the very necessary increase in cost of fees, we are pleased to report that the numbers of part-time and full-time children increased from 17 to 22 starting in September 2005. This represents 17 FTE places.

The increased numbers and the increased fees taken together enabled us to show +7.7% improvement on budget and contribute to the overall fees increase over the previous year of 23.8%.

Wider Service Provision:

While remaining committed to provision of full-time schooling as an option within the system, the children's services at NICE have turned attention to how Conductive Education might be adapted to fit in with the Government's current inclusion policy for disabled schoolchildren. The first concrete product of this was the announcement in 2004 by the Secretary of State for Education and Skills for a two-year grant of £33,000 to fund joint working with a primary school in a neighbouring county as part of the Independent/State School Partnerships Scheme (Building Bridges) on a Science and Inclusion project. We also ran dyspraxia services at this mainstream school (started September 2005).

During the year we started a pilot project at Great Barr Primary School in Birmingham. In this project we have seconded a very experienced conductor for a two year period to work within a mainstream primary school with physically disabled children. The object is to demonstrate how we can enable them to develop their motivation and desire to succeed which will actively lead to an improvement in all areas of their development and learning but more specifically their motor skills. This takes place in small groups in a specially designed room and the skills are then applied in their classroom environment. This project started in February 2006 and is funded entirely through voluntary support including St James' Place Foundation, The Equitable Charitable Trust, HSA Charitable Trust, Edward and Dorothy Cadbury Trust and the Henry James Sayer Charity.

We also ran a pilot project for Parent and Child in the Gloucester area. This was to ascertain whether we could recruit and service children on a sessional basis in an area away from our main centre at the National Institute in Birmingham and may be regarded as a successful pilot. This was funded by Zurich Cares.

Rehabilitation Services:

Recruitment has risen over the past two years but there is no established tradition in this country of long-term rehabilitation services available on demand for people with chronic disabling conditions and for their families.

Whilst the Foundation is able to subsidise its provision for adults, these services attract little charitable support and disabled people often have limited financial resources. As a result, recruitment of clients, the humane benefits that we can bring and our own need for a practice base for professional training are all detrimentally affected.

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

During 2005-6, however, NICE received a grant of £41,088 from Birmingham Health & Social Care to provide services for carers and their disabled family members within Birmingham. This grant will continue until 2008.

In addition, we were able to utilise the first year funding from the grant for three years under NHS Section 64 for carers and their families outside the Birmingham area to augment the above provision.

In July 2006 we started a project working with people who have had a stroke and are of working age. We aim to improve their confidence and mobility, helping them onto the next stage of rehabilitation. This was funded by ESF and Birmingham City Council.

In addition, within rehabilitation service provision we provide a wider service provision:

- In Cheltenham we offer a service for adults with Parkinson's and MS for local people in their local town.
- Hereward College – a national further education college for students with sensory and physical disabilities in Coventry – working with students and staff. While we have been working with students on a group basis at Hereward since 1993, this year we have introduced the Learning to Live your Life tracking project – with a student on a one-to-one basis to help them in their daily activities – dressing, eating, writing etc. As with Great Barr, this tracking project has been funded through voluntary sources (Hilton in the Community). It is hoped to continue this project through 2007.

The degree of unmet need in our society is indicated by the following figures:

Stroke:	100,000 p.a. for the first time Over 300,000 recovering from a stroke at any one time.
Parkinson's:	120,000 people have Parkinson's – 1 in 500 of the general population increasing to 1 in 100 over 65 years affected.
Multiple sclerosis:	80,000 in the UK p.a. Common diagnosis in late 20s/30s. Affecting more women than men 3:2.
Head injury:	1 million attend hospital every year. 10% left with serious physical or psychological disability.
Cerebral palsy:	1 in 400 births – about 1800 children in UK diagnosed each year

(These figures have been obtained from literature produced by the societies for each motor disorder.)

Training

During 2005-6 34 students studied for their BA (Hons) in Conductive Education at NICE. We had a first year intake of students of 20 which is the largest number who have ever started the programme.

In October 2005 the ninth iteration of our degree course began. Our partner, the University of Wolverhampton, granted that this year the proportion of the degree taught directly at the Foundation's National Institute of Conductive Education, by the Foundation's own staff, is 75% of the whole course, leaving only elective models to be studied at the University itself. This is a testimony to the quality and effectiveness of our provision which was mentioned within the QAA Subject review report for University of Wolverhampton.

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

During the year 2004/5 the Foundation had successfully finalised arrangements to admit students on a regular rolling programme from Ontario March of Dimes in Canada and Norsk Forum for Konduktiv Pedagogikk (NFKP) in Norway, as part of collaborative programmes created through formal memoranda of agreement to develop indigenous conductive systems in these countries.

We now have four students from these countries for the first year of the degree course.

2005/6 saw a record entry of 20 first year students on the degree course bringing the total number of participants to 34 students.

Other key initiatives:

- In July 2005, we were able to replace our inefficient and outdated server network with the current computer system and equipment including a whiteboard for school to improve our ability to integrate ITC into the curriculum.
- We have completed work on a custom-designed new playground and wildlife garden for the children funded by the generosity of Severn Trent Water, alongside other Trusts.
- Last year we completely rewrote and designed our marketing material (including the first Prospectuses for Rehabilitation Services and Training Services) so it reflects the professionalism of our services.
- This has been followed up with the launch of our new internally designed web site in September 2005 which provides much easier access to information not only about Conductive Education as a whole but also our own activities at the National Institute – www.conductive-education.org.uk
- This year we have started to develop closer relationships with other CE centres by supporting the development of the Conductive Education Professional Education Group (CEPEG). While this is the first step towards forming a national body, a major part of its purpose is to develop and coordinate Continual Professional Development for conductors as professionals. NICE through our training resources is well positioned to help facilitate appropriate training packages for this.
- We started to evaluate the impact of CE on quality of life for people with Parkinson's MS and Strokes. This will act as a start for more formal future research.

4) Financial Review

Our income for the year was £1,109,894 - slightly lower than last year at £1,146,338. However it should be remembered that last year we had the one off benefit of £50,000 profit from the land sale as well as considerable capital income for the construction of the new Library – most particularly the Heart FM payment of £53,517. In addition we had received a considerable anonymous donation both for the library and to bridge overall running costs. Therefore a comparison of true operating income would show £1,109,894 this year against £1,042,821 last year.

However the shape of our income profile changed considerably:

- Fees for services increased by £115,449 (+23.7%) through extra participants in all departments and the first phase of school fees increase taking effect.
- Grants also increased considerably by £32,170 (+73.8%)
- *For the reasons explained above, voluntary income achievement was 24.2% below last year. However within that our income from trusts, events and private donations from individuals all met their targets.*

The key effect of the change in profile is that fees and grants as a percentage of our income rose from 47% the previous year to 61.9%. Although we are still very dependent upon income from voluntary sources which is essential to our ongoing progress, it is very important to work to increase fees and grants to provide us with a more stable and certain income.

Our costs were £1,234,820 this year compared to £1,130,754 last year. The major increase was in salary costs largely due to the fact that we increased our conductor staff by 3 full time positions. In addition we increased our overheads spend mostly due to ICT expenditure on the new computer system and publishing a prospectus for each of our service areas.

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

This has produced an overall deficit in the year of £124,926 – or excluding depreciation (see note 7) a deficit of £58,425. Last year we had showed a small surplus of £15,584 – but once adjusted for the non operating income items from profit on the sale of land and gift in kind towards the library the true comparison last year would have been an overall deficit of £87,333 or, excluding depreciation, a deficit of £23,809.

In summary we have maintained the substantial improvement over 2003/4 when the deficit was £167k even after substantial property profits from the sale of land of £170k.

We anticipate moving into an operating surplus in 2006/7 – most particularly as in August 2006 we received a substantial anonymous donation of £150,000 to support the continuation of the Great Barr project and other service provision.

Lloyds TSB continue to support our progress through the provision of an overdraft facility – currently at £500,000.

5) Plans for the FutureOur Strategy:

Our key objective is to help more people with motor disabilities by expanding and developing the practice of Conductive Education.

We deliver this through four main pillars to our strategy:

- Safeguard the integrity of the system of Conductive Education by maintaining the Centre of Excellence at The National Institute of Conductive Education
- Start to develop a wider role by providing services in a broader range of settings.
- Develop training further as the route to spreading conductive education, not only through providing more Conductors, but also by engaging and educating professionals in education, health and other settings.
- Work with other CE organisations developing continuing professional development (CPD) in the Conductive Education world ensuring the maintenance of high quality standards, the ongoing development of Conductive Education and the movement towards professional recognition

We judge the achievement of our objectives through the following measures:

- Increasing the numbers of participants, students and professionals accessing services at NICE and continuing to access services going forward.
 - In 2006/7 we will develop new plans for the recruitment of children into NICE.
 - In 2006/7 we will continue to maximise the number of participants funded by statutory grants.
 - We intend to continue and extend the Learning to Live Your Life tracking project at Hereward College.
 - We hope to publish the results of our evaluation project of the improvements in quality of life for our adult participants in rehabilitation services.
- Continuation of positive inspections of the School by Ofsted.

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

- Increasing opportunities to deliver Conductive Education outside the National Institute for Conductive Education in Birmingham.
 - We look forward to a positive outcome for the Great Barr project in its first year of operation, so that we can continue into a second year. In addition we hope to identify a further primary school in the West Midlands in which to extend the operation.
- Delivery of an increased range of training courses and consultancies.
- By developing closer relationships with other CE centres and supporting the development of the Conductive Education Professional Education Group (CEPEG) as a first step towards a national body.
- Through the reduction in the percentage of income from voluntary sources and increasing the percentage of fee and grant income, thereby increasing financial stability. We intend that the ratio of fees/ grants to voluntary income should be maintained above 60%/40% going forward
- Quarterly reports to the Trustee body; including monthly management accounts and weekly cash flow forecasts.

6) Structures, Governance and ManagementReserves Policy

Reserves will be spent at the Trustees' discretion in furtherance of any of the charity's objects. The Foundation's policy on reserves includes detailed procedures and covers the following:

- the reasons why the Foundation needs reserves;
- the level of reserves which the Trustees believe the Foundation needs;
- the steps which the Foundation takes to establish/maintain its reserves at the agreed level;
- procedures to monitor and review the policy.

Unrestricted funds are required by the Foundation to:

- cover administration, fundraising & marketing and support costs without which the Foundation could not function
- provide funds which can be designated to specific projects to enable these to be undertaken at short notice

The trustees have reviewed the charity's needs for reserves in line with the guidance issued by the Charity Commission and believe that the unrestricted reserve should be £1,251k, made up as follows:

- | | |
|---|---------|
| - to cover a collapse of voluntary income over a six month period | - £200k |
| - to cover a delay in fee payment of half a term (6 weeks) | - £60k |
| - to fund the element of property that is unrestricted | - £991k |

The Trustees believe that reserves should be at least at this level to ensure the charity can run efficiently and meet the needs of its beneficiaries.

Unrestricted reserves are currently below this at £991k.

The level of reserves will be monitored and reviewed by the Trustees annually.

TRUSTEE REPORT (continued)

YEAR ENDED 31 JULY 2006

Governance

Ultimate responsibility for the Foundation resides with the membership, which exercises its power through a Board of Trustees. The Board comprises both elected members and the nominees of certain institutions with elected members always in the majority. The Board meets routinely four times a year and is joined in its discussion by co-optees from users and staff and by the Foundation's directorate. A vital function of the Board is to review at every meeting the progress of the Foundation's development plan.

The new Senior Management structure introduced during 2004 continues to perform effectively. Members are David Wood CEO; Dr Melanie Brown Senior Conductor and Director of Training and Rehabilitation Services; Wendy Baker Senior Conductor and Director of Children's Services and Lesley Peat Director of Fundraising & Communications.

Statement on Risk

During the year the Trustees identified the major risks facing the Foundation. The two key risks that we have identified are firstly, the ongoing uncertainty of being able to maintain the level of voluntary income required to sustain the organisation and secondly, the risk of government policy continuing to limit the opportunity for voluntary organisations such as ourselves to provide funded services to disabled people who would benefit from our services. These and other risks have been assessed in terms of their likelihood of occurrence and potential impact. Corrective actions to mitigate these risks have been set out and responsibility for their monitoring and implementation put in place against the Risk Register. This is reviewed regularly at the quarterly Trustees' meetings.

Recruitment, Induction and training of Trustees:

A policy is currently being developed for the recruitment of Trustees, and their induction and ongoing training.

Basis of preparation

The Trustees' report is prepared in accordance with the special provisions of part VII of the Companies Act 1985 relating to small companies and the Statement of Recommended Practice, "Accounting and Reporting by Charities" issued in November 2005.

Staff

Our thanks must go to all the staff for their loyalty and commitment during another year of change and very heavy workload.

We now hope for a period of stability and growth in the organisation as we move through 2006/7 and that the Foundation can build on its reputation for excellence, continue to help people with motor disorders and support the development and advancement of Conductive Education.

Statement regarding information given to auditors

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

On behalf of the board of Trustees

Anthony Coombs
Chair of Trustees




TRUSTEES' RESPONSIBILITIES

YEAR ENDED 31 JULY 2006

The trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of its net income or expenditure for the year. In preparing these financial statements the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping accounting records that disclose with reasonable accuracy the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT OF FINANCIAL ACTIVITIES (incorporating the Income and Expenditure Account)

YEAR ENDED 31 JULY 2006

		<u>2006</u>		<u>2005</u>
	<u>Note</u>	<u>Un- restricted</u> £	<u>Restricted</u> £	<u>Total</u> £
Incoming resources from generated funds				
Voluntary income		204,376	135,525	339,901
Activities for generating funds		82,021	-	82,021
Investment income		431	-	431
		<u>286,828</u>	<u>135,525</u>	<u>422,353</u>
Incoming resources from charitable activities	4			
Fees		600,808	-	600,808
Grants		75,756	-	75,756
Other income		10,977	-	10,977
		<u>687,541</u>	<u>-</u>	<u>538,980</u>
Profit on disposal of land		-	-	-
Total incoming resources		<u>974,369</u>	<u>135,525</u>	<u>1,109,894</u>
Resources expended				
Costs of generating voluntary income		157,255	-	157,255
Charitable activities	4	957,756	97,929	1,055,685
Governance costs		21,880	-	21,880
Total resources expended		<u>1,136,891</u>	<u>97,929</u>	<u>1,234,820</u>
Net incoming/(outgoing) resources		(162,522)	37,596	(124,926)
Transfers between funds	14	43,668	(43,668)	-
Net movements in funds		<u>(118,854)</u>	<u>(6,072)</u>	<u>(124,926)</u>
Balances at beginning of year		1,110,080	636,290	1,746,370
Balances at end of year		<u>991,226</u>	<u>630,218</u>	<u>1,621,444</u>

All income and expenditure relates to continuing activities.

The Foundation has no recognised gains or losses other than the result for the year.


BALANCE SHEET

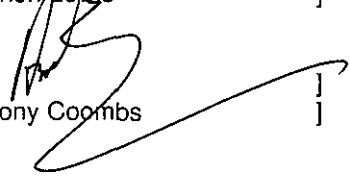
31 JULY 2006

	<u>Note</u>	<u>2006</u>	<u>2005</u>
		£	£
Fixed assets			
Tangible assets	7	2,214,956	2,229,001
Investments	8	<u>1</u>	<u>1</u>
		2,214,957	2,229,002
Current assets			
Debtors	9	17,034	16,286
Cash at bank and in hand		<u>2,533</u>	<u>30,162</u>
		19,567	46,448
Current liabilities			
Creditors - amounts falling due within one year	10	533,475	476,005
Deferred income	11	<u>79,605</u>	<u>53,075</u>
		613,080	529,080
Net current liabilities		(593,513)	(482,632)
Net assets	12	<u>1,621,444</u>	<u>1,746,370</u>
Funds:			
Restricted funds	14	630,218	636,290
General fund		991,226	1,110,080
		<u>1,621,444</u>	<u>1,746,370</u>

These financial statements have been prepared in accordance with the provisions of Part VII of the Companies Act 1985 applicable to small companies.

Approved by the board of trustees and authorised for issue on 31 October 2006


Stephen Lewis


Anthony Coombs

Trustees

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

1. Accounting policies

The principal accounting policies of the Foundation are as follows:

(a) Basis of accounting

The financial statements 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 and Reporting by Charities", issued in November 2005.

The trustees consider the subsidiary undertaking as immaterial and so the Foundation has taken advantage of exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements present information about the Foundation as an individual undertaking and not about its group.

(b) Income

Fees and grants for services are recognised as the services are being performed.

Voluntary income is accounted for on the earlier of when it is received or at the time the Foundation receives a legally binding promise of a donation.

Other income includes membership fees, conferences and sales of merchandise which are accounted for when received.

(c) Leases

Leasing charges in respect of operating leases are recognised in the income and expenditure account over the lives of the lease agreements using the straight line method.

(d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of fixed assets to their estimated residual value on a straight line basis at the following rates:

Freehold buildings	2 – 6.67	%
Fixtures and fittings	20	%
Computer equipment	25	%
Motor vehicles	20	%

Freehold land is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

1. Accounting policies (continued)

(e) Freehold property

Depreciation of the buildings is charged to unrestricted and restricted funds in proportion to the element of costs funded by restricted and unrestricted income.

(f) Investments

Investments are stated at cost less provision for permanent diminution in value.

(g) Restricted funds

Where income is received for purposes specified by the donor or by the terms of appeal under which it was raised, that income is shown as restricted in the Statement of Financial Activities. Expenditure for the specified purposes is shown as restricted fund expenditure. Any unexpended balances at the balance sheet date are carried forward as restricted funds.

(h) Explanation of the categories of expenditure

Allocation of costs

Costs directly attributable to the activities below are allocated to the activity to which they relate. Where employees work for more than one activity, their salary cost is apportioned on the basis of time spent on each activity.

Cost of generating funds

This includes direct expenditure incurred on fund-raising applications and activities and a proportion of management overheads.

Conductive services

This comprises all direct costs which have been incurred by the charity in providing Conductive Education services and meeting its charitable objects.

Promotion and publicity

This includes expenditure incurred in promoting the work of the charity and generally raising awareness of Conductive Education.

Support costs

Support costs represent the costs of supporting, monitoring and controlling the specialist services provided by the charity along with the central and core administrative activities of the Foundation. Support costs are analysed to the activities in proportion to the direct salary costs of each activity.

Governance costs

Governance costs represent the costs incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

1. Accounting policies (continued)

(i) Pension costs

The charity makes contributions into two pension schemes, a defined benefit scheme and a defined contribution scheme, the assets of both are held separately from those of the company in independently administered funds. The defined benefit scheme is a multi-employer scheme but the charity is unable to identify its share of the underlying assets and liabilities and so accounts for the contributions to the scheme as if it was a defined contribution scheme. The total pensions contributions for the year are given in note 3.

(j) Gifts in kind

Where the Foundation receives goods or services by way of gifts in kind the market value of the gift is accounted for in the Statement of Financial Activities as an incoming and outgoing resource.

2. Trustees' emoluments

The trustees did not receive any remuneration during the year (2005: nil). The trustees received no reimbursement for expenses (2005: nil).

3. Staff costs

(a)	<u>2006</u>	<u>2005</u>
	£	£
Wages and salaries	808,248	748,996
Social security costs	71,351	65,535
Other pension costs	46,788	42,574
	<u>926,387</u>	<u>857,105</u>

(b)	<u>2006</u>	<u>2005</u>
Average number of employees		
Conductors	22	18
Other staff	22	20
	<u>44</u>	<u>38</u>

(c)

No employee earned more than £50,000 during the year (2005: nil).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

4. Analysis of incoming and outgoing resources from charitable activities

	-----Conductive services -----					
	Children £	Rehabilita- tion £	Training £	Promotion and publicity £	Total 2006 £	Total 2005 £
<u>Income</u>						
Fees	380,207	99,461	121,140	-	600,808	485,359
Grants	2,280	73,476			75,756	43,586
Investment income	-	-	-	-	-	-
Other (note 4a)	3,659	3,659	3,659	-	10,977	10,035
Total incoming resources	<u>386,146</u>	<u>176,596</u>	<u>124,799</u>	<u>-</u>	<u>687,541</u>	<u>538,980</u>
<u>Expenditure</u>						
Direct costs	382,257	207,821	159,262	82,629	831,969	725,305
Support costs (note 5)	106,775	58,469	40,676	17,796	223,716	208,332
Outgoing resources	<u>489,032</u>	<u>266,290</u>	<u>199,938</u>	<u>100,425</u>	<u>1,055,685</u>	<u>933,637</u>

Analysis of the income and expenditure relating to fundraising is contained in note 6.

4 (a) Analysis of other income

	<u>2006</u> £	<u>2005</u> £
Subscriptions	695	795
Other sales	10,282	9,240
	<u>10,977</u>	<u>10,035</u>

THE FOUNDATION FOR CONDUCTIVE EDUCATION

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

-----Conductive services-----									
5. Support costs									
	Children	Rehabilita- tion	Training	Promotion and publicity	Total relating to activities	Fund- raising	Governance	Total 2006	Total 2005
IT costs	765	419	292	128	1,604	200	18	1,822	1,057
Overdraft interest	12,832	7,027	4,888	2,139	26,886	3,361	306	30,553	21,384
Training and HR costs	1,007	552	384	168	2,111	264	24	2,399	7,795
Salary costs	29,314	16,053	11,167	4,886	61,420	7,678	698	69,796	70,272
Office costs	62,857	34,418	23,945	10,475	131,695	16,461	1,496	149,652	136,232
Total	106,775	58,469	40,676	17,796	223,716	27,964	2,542	254,222	236,740

The explanation of the categories of expenditure and the basis of allocation is given in note 1(h).

Auditors' remuneration was £5,950 (2005 – £5,090).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

6. Analysis of income and expenditure from generating funds

	<u>2006</u> £	<u>2005</u> £
Income		
Gifts and donations	339,901	513,368
Fundraising events	82,021	43,275
Travel and accommodation	431	715
	<u>422,353</u>	<u>557,358</u>
Expenditure		
Direct expenditure of generating voluntary income	87,918	112,729
Direct costs of organising fundraising events	41,373	45,029
Support costs	27,964	26,041
	<u>157,255</u>	<u>183,799</u>

7. Fixed assets for the charity's use

	<u>Land & buildings</u> £	<u>Motor vehicles, computers fixtures & fittings</u> £	<u>Total</u> £
Cost			
Beginning of year	2,588,272	139,686	2,727,958
Additions	40,002	12,454	52,456
End of year	<u>2,628,274</u>	<u>152,140</u>	<u>2,780,414</u>
Accumulated depreciation			
Beginning of year	375,798	123,159	498,957
Charge for year	55,276	11,225	66,501
End of year	<u>431,074</u>	<u>134,384</u>	<u>565,458</u>
Net book amount			
End of year	<u>2,197,200</u>	<u>17,756</u>	<u>2,214,956</u>
Beginning of year	<u>2,212,474</u>	<u>16,527</u>	<u>2,229,001</u>

Land and buildings comprised:

	<u>2006</u> £	<u>2005</u> £
Freehold land	8,600	8,600
Freehold buildings	2,188,600	2,203,874
	<u>2,197,200</u>	<u>2,212,474</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

8. Investments

Shares in subsidiary undertaking

Unlisted
£**Cost**

Beginning and end of year

1

The investment comprises of a 50% holding of the ordinary shares of Pető (UK) Limited, a dormant company registered in England and Wales.

9. Debtors

Debtors comprised amounts falling due within one year as follows:

	<u>2006</u> £	<u>2005</u> £
Fees and grants due	3,066	1,578
Prepayments and accrued income	13,968	14,708
	<u>17,034</u>	<u>16,286</u>

10. Creditors – amounts falling due within one year

	<u>2006</u> £	<u>2005</u> £
Bank overdraft	489,344	418,816
Amounts owed to suppliers	34,183	46,676
Amounts owed to subsidiary undertaking	1	1
Accruals	9,947	10,512
	<u>533,475</u>	<u>476,005</u>

The bank overdraft is secured by a first legal charge over part of the freehold property with a book value of £1,090,317.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

11. Deferred income

	<u>2006</u>	<u>2005</u>
	£	£
Beginning of year	53,075	32,323
Received during year	83,007	62,044
Released during year	(56,477)	(41,292)
End of year	79,605	53,075

12. Analysis of assets and liabilities between funds

	Unrestricted funds	Restricted fund	Total
	£	£	£
Fixed assets	1,641,318	573,639	2,214,957
Net current (liabilities)/assets	(650,092)	56,579	(593,513)
	991,226	630,218	1,621,444

13. Member's guarantee

The Foundation is a company limited by guarantee and as such does not have share capital. The Foundation has 80 members (2005: 111) which have given an undertaking to contribute up to £1 each if called upon to do so.

14. Restricted reserves

	Beginning of year	Received during year	Expended during year	Transfers	End of year
	£	£	£	£	£
Children's services	11,755	77,506	(50,690)	-	38,571
Rehabilitation	-	37,008	(33,458)	-	3,550
Research	-	250	(250)	-	-
Equipment	5,032	18,061	-	(19,312)	3,781
Freehold property	587,170	-	(13,531)	-	573,639
Garden project	27,233	2,700	-	(24,356)	5,577
Training	5,100	-	-	-	5,100
	636,290	135,525	(97,929)	(43,668)	630,218

The transfers from restricted funds relate to capital equipment which has been purchased from restricted donations. The trustees have assessed that all the remaining restrictions on the use of the donations have been lifted as a result of purchasing the assets and consequently the carrying value represented by the restricted fund has been transferred to the general fund.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

15. Key donations and grants received

Voluntary income consists of the following grants and donations:

	<u>2006</u>	<u>2005</u>
	£	£
Anonymous	10,000	130,000
Abbeydale Trust	-	10,000
Allan & Nesta Ferguson Charitable Trust	-	13,460
Severn Trent	-	5,000
Grantham Yorke Trust	12,000	12,000
Equitable Charity Trust	20,000	-
HSA Charitable Trust	10,000	-
SIFA Educational Trust	-	6,000
Louis Nicholas Trust	-	5,000
Eveson Charitable Trust	12,000	12,000
Hilton in the Community	26,708	-
Douglas Turner Trust	-	5,000
Estate of Mr John K Bladon	-	5,000
Garfield Weston Foundation	25,000	10,000
Zurich Financial Services	25,000	53,508
Ironmongers company	5,524	-
St James Place Foundation	25,000	-
Saintbury Trust	5,000	-
npower	-	7,000
PAR Charitable Trust	-	10,000
Other, less than £5,000	163,669	229,400
	<u>339,901</u>	<u>513,368</u>

Grants for services consists of the following:

Birmingham City Council – training and support for carers	41,088	30,314
Department of Health section 64 integrated approach to support	29,560	12,458
Other, less than £5,000	5,108	814
	<u>75,756</u>	<u>43,586</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 JULY 2006

16. Contingent liabilities

During the year ended 31 July 2001 the Foundation was awarded a grant of £344,077 from the National Lottery Charities Board towards the refurbishment cost of Cannon Hill House subject to certain terms and conditions. Any failure to meet these will result in the grant becoming repayable.

17. Operating lease commitments

The following annual amounts are payable under non-cancellable operating leases:

	<u>2006</u>	<u>Other</u>	<u>2005</u>
	£		£
Due within one to five years	<u>21,756</u>		<u>18,040</u>

AUDITORS' REPORT TO THE MEMBERS**YEAR ENDED 31 JULY 2006**

We have audited the financial statements of The Foundation for Conductive Education for the year ended 31 July 2006 which comprise the statement of financial activities (incorporating the income and expenditure account), the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors for the purposes of company law) of The Foundation for Conductive Education for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the charitable 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 trustees' remuneration and other transactions with the charitable company is not disclosed.

We read the trustees' report and consider the implications for our report if we become aware of any apparent misstatements within it.

We report to you whether in our opinion the information given in the trustees' report is consistent with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 July 2006 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the trustees' report is consistent with the financial statements.

PKF(UK) LLP

PKF (UK) LLP
Registered Auditors

BIRMINGHAM

6 November 2006