

1980980

THE ELIZABETH FOUNDATION
(A COMPANY LIMITED BY GUARANTEE)

Report and Group Accounts

31 March 2004



The Elizabeth Foundation (a company limited by guarantee)

Company registered number 1960980
Registered Charity Number 293835

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

Mr C Satchwell	(Resigned as Chairman 28 January 2004)
Mr D K Methereil	
Dr P Arden	
Mr R I M Wootton	
Mrs H J Ormsby	(Appointed 22 April 2003; appointed as Chairman 28 January 2004)
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

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 2004. These have been prepared in accordance with the Statement of Recommended Practice (SORP) Accounting and Reporting by Charities (Revised 2000), applicable accounting standards, the Companies Act 1985 and the Charities Act 1993, the requirements of the Foundation's own constitutional document and applicable regulations of the Charities (Accounts and Reports) Regulations 2000.

PRINCIPAL ACTIVITIES AND OBJECTS

The principal activities of the Group consist of providing comprehensive educational, audiological and support services for babies and pre-school children who are deaf or hard of hearing, and their parents and families. This follows our philosophy and belief that it is the right of every child to be given the opportunity to learn to talk.

THE ELIZABETH FOUNDATION AND ITS GOVERNANCE AND STRUCTURE

The Elizabeth Foundation was established under the terms of a Trust Deed (May 1982), and then subsequently in November 1985 incorporated as a charitable company limited by guarantee. Its governing documents are accordingly the Trust Deed and the Memorandum and Articles of Association (revised 1997 and 1998), which provide for a governing Board of Trustees/Directors 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) established sub committees known as Committees, to deal with specific specialist areas of The Foundation's activities. These Committees made recommendations for approval by the full Board in respect of Finance and Administration, Fundraising, Service Delivery, and Buildings and Maintenance. At its meeting in September 2004, the Board reviewed the efficiency of using separate Committees in this way, and decided to amalgamate them into a single Management Committee that would meet monthly, with one of its meetings specifically scheduled two weeks' prior to each meeting of the Board of Trustees in order to inform its Agenda. The Management Committee comprises the Chief Executive and the Senior Management Team, and individual Trustees or other members of staff are invited as necessary in order to ensure that all the functions formerly dealt with by the Committees can be discussed and reported upon. From time to time, the Trustees review the composition of the Board in order to ensure that an appropriate mix of skills and competencies is represented, and to identify any specific induction or training needs that Trustees might have.

The Elizabeth Foundation also has Patrons, who from time to time allow their names to be used by it and who support its charitable aims and objectives in various ways according to their special expertise or position in society. In 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 had no material impact on the financial position of The Elizabeth Foundation, and the transfer was approved by the Charity Commission because The Elizabeth Foundation's charitable aims included objects that are very similar to those of The Beethoven Fund, including a range of musical activities that form part of The Elizabeth Foundation's

DIRECTORS' REPORT

comprehensive early intervention services for young deaf children and their families. The Trustees of The Beethoven Fund were very pleased that The Elizabeth Foundation would be able to keep alive the name of The Beethoven Fund for Deaf Children. In September 2004, The Beethoven Fund for Deaf Children ceased to exist as a separately registered charity, in line with its Trustees' wishes and the approved transfer arrangements.

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

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. From September 2004, the ongoing activities of identifying, responding to and managing risk were transferred from the Strategy Committee to the Management Committee, with reports being made to the Board of Trustees as a standing item on the agenda. The Board of Trustees has therefore given consideration to the major risks to which The Elizabeth Foundation is exposed, and also to the systems designed to mitigate those risks. The effectiveness of both risk management activities and the Board's ability to review these, will be further examined as part of The Elizabeth Foundation's work towards a quality assurance standard; the Board has approved the use of the PQASSO methodology which was developed by the Charities Evaluation Service.

DIRECTORS' REPORT

INVESTMENTS

The Foundation's investment powers are set out in its governing document and Memorandum & Articles of Association. Day to day cashflow management is delegated to the Senior Management Team, who act in accordance with policies agreed by the Trustees and by the Treasurer. The Trustees use an investment manager to invest longer term funds when these are available, in a mixture of equities, UK government stocks and cash. While the top level investment strategy during the year continued to be the preservation of capital values in the longer term (in order to safeguard The Elizabeth Foundation's ability to meet the indemnity requirements relating to certain restricted reserves), in common with many investors The Foundation has experienced fluctuations in portfolio valuations again this year; a net increase in valuation during the year has partly (but not wholly) offset the decline in valuation recorded during the previous financial year and which followed the general fall in the stock market at that time.

RESERVES

The Elizabeth Foundation's reserves comprise those that are unrestricted, those that are unrestricted but which have been set aside by the Trustees for a particular purpose, and those that are the subject of restrictions in law or by donors (and which therefore cannot be used for anything else). The Elizabeth Foundation has no endowed funds. Note 13 to the Accounts gives more information about reserves, including policies and restrictions applying to individual funds.

At 31 March 2004, The Elizabeth Foundation had unrestricted (but not "free") reserves of £344,729 in its Income & Expenditure Account. These reserves are not "free" as defined by the Statement of Recommended Practice (SORP), because they could only be realised by disposing of fixed assets held for charity use. This is demonstrated in Note 15 to the Accounts, which shows that these accumulated surpluses have already been invested in prior years in Fixed Assets in furtherance of The Foundation's charitable objectives. Similarly, designated reserves represent The Foundation's investment in the Portsmouth-based founding Family Centre and Early Detection Centre. Accordingly, these reserves are not available as cash to meet the day to day running costs (sometimes called "revenue costs" or "core costs") of providing services. In future years, The Elizabeth Foundation believes it is desirable to hold higher levels (see also below) of unrestricted, liquid funds (that is, resources that are represented by cash or readily-realizable current investments and which are not subject to restrictions) and to this end is actively pursuing a policy to obtain funding arrangements that allow for full cost recovery in accordance with the Government's stated guidelines set out in the National Compact between the public and voluntary sectors. The Elizabeth Foundation believes that the principles of full cost recovery should be applied even where funding arrangements are discretionary, as is the case for a very large proportion of The Elizabeth Foundation's current sources of funding. Achievement of this objective allows unrestricted charitable sources of income to become available for charitable services and activities that do not attract funding from public bodies, and allows appropriate investment in the development of new practices and extensions of service. The Elizabeth Foundation believes that the ability to do this is critical to preserving its ability to innovate and remain a leading provider and expert in its field of early intervention services for young children who are deaf, and their parents. More widely, acceptance of these principles is also critical to the health and vitality of the voluntary sector as a whole.

The reserves policy of The Elizabeth Foundation is to maintain a level of free reserves that will allow service continuity and sufficient time to adjust in a planned and robust manner to any significant change in resources. Having reviewed some practical applications of similar policies within the charitable and voluntary sector, which range from indicative free reserve levels of 3 months' operating expenditure to 3 years' total costs requirement, the Trustees have confirmed the need to build free reserves to a level that will make further reductions to operating risk. At 31 March 2004, The Elizabeth Foundation's free reserves of £56,967 together with core service reserve of £89,364 represented 29% of total costs for the year. For future years, the Trustees aim that between 50% and 75% of totals budgeted costs for the ensuing year are held in accessible free reserves. This correlates to the observations and intentions set out in the preceding paragraph. From time to time, the Trustees will review the adequacy and efficacy of this policy based on prevailing and expected circumstances.

DIRECTORS' REPORT

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 2004 (together with its anticipated income and expenditure) is adequate to fulfil that fund's obligations and the overall obligations of The Elizabeth Foundation for the next financial year, and for a period of at least 12 months from the date of this report.

REVIEW OF THE BUSINESS AND RESULTS, AND FUTURE DEVELOPMENTS

The group surplus for the year amounted to £132,707, of which £19,460 is attributable to increases in the valuation of investments. This follows a period of declining investment values and partially reverses valuation losses recorded last year. The surplus has been added to reserves but is not represented in full by cash or other liquid resources at the end of the year; some has been applied towards scheduled loan repayments. Note 15 sets out how accumulated reserves are represented in terms of net assets of The Elizabeth Foundation, and demonstrates the investment that has been made in fixed assets which are necessary for the delivery of its charitable services at the three regional Family Centres. At 31 March 2004, The Elizabeth Foundation's unrestricted Income & Expenditure Account balance in current assets (cash less contracted commitments) amounted to £56,967.

During the year and up to the date of this report, The Elizabeth Foundation has started a programme of investment in raising awareness about its work and services. This is intended to fulfil two primary purposes; firstly, to increase the likelihood that any family with a young baby or child who is deaf, has heard about our services and knows how to get in touch. Secondly, to lay a foundation of awareness amongst the professional community and potential funders that will increase the range of opportunities we can make for ourselves in respect of service development, commissioning, project and long-term funding, and partnering. Over the coming year, we expect to continue with this work and to identify some key partnerships and sustainable relationships for service delivery.

The Elizabeth Foundation is part of an international network of providers of specialist education and support services for young children and babies who are deaf, and whose families would like them to make the most of their individual potential for developing strong listening skills and spoken language. This network sees many of its US-based members contracting with state authorities to provide all or part of district hearing-impaired services; this trend has grown as recognition has increased about the lifetime benefits of strong early intervention programmes to follow up early diagnosis of hearing impairment. This pattern has yet to emerge in the UK, where national screening and diagnosis is much newer than in the United States; however, The Elizabeth Foundation is already delivering a range of services to respond to the needs of early diagnosis. We are fortunate to be working alongside some forward-thinking education authorities and other agencies who want to challenge, redesign and implement services to provide children and families with the language opportunities they want. It is in these situations that children and families get the best deal, and we look forward to growth in this area.

Some highlights from a crowded and busy year include:

- The Elizabeth Foundation was invited to join a major new initiative sponsored by the Department for Education and Skills, to consider the UK's need for a National Centre of Excellence for Early Intervention (pan-disability)
- Demand for our Hampshire Centre services for Babies and Toddlers has grown to such a degree that we now run afternoon as well as morning sessions
- We arranged and hosted special family focus group meetings to assist the strategic planning of a major local authority's parent support services for the children with special educational needs
- Investment in new staff has allowed us to increase the number and type of "one-to-one" education and support sessions for children and families, while still maintaining our core group sessions

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DIRECTORS' REPORT

- Our service and funding relationships with two key local authorities has been strengthened and reconfirmed
- Our West Yorkshire Centre received an independent award for local endeavour

The Elizabeth Foundation takes its responsibilities for development of the charitable and voluntary sector seriously. We have taken advantage of voluntary sector growth initiatives put forward by Government, and participate in Compact forums, consultations and events of the National Council of Voluntary Organisations (NCVO) and others, and use key tools like the full-costing model of the Association of Chief Executives of Voluntary Organisations (ACEVO), and the quality assurance methodology (PQASSO) developed by the Charities Evaluation Service. The Elizabeth Foundation looks forward to the time when our public sector partners (both current and potential) are in a position to know about and respond to the voluntary sector's need for long-term service planning and funding commitments; the success of critical Government offerings like the "futurebuilders" fund will depend upon this.

The year ahead will be just as busy, with some key trends and challenges including:

- We recognise the growing numbers of very tiny, very premature babies who now survive thanks to modern techniques of care
- The opportunities that new advances in technology open up for young babies and children who are deaf, increase all the time. Digital hearing aids and cochlear implants are becoming more widely used where appropriate, with improved implementation strategies.
- The Elizabeth Foundation will be reviewing it's accommodation and Family Centre design needs over the coming months
- We have forged new partnerships with other voluntary sector specialists in our field, to develop a programme of ongoing training and development that will keep our education teams at the forefront of natural oral teaching in today's world

It is entirely appropriate to record the thanks of The Elizabeth Foundation to those who have contributed to its continuing success. These include our hardworking staff, with special mention to those at our West Yorkshire and Hertfordshire Centres welcoming new children and families as word spreads about our services; our volunteers, including some of longstanding service and whom we cannot imagine being without; our former Chairman Mr Chris Satchwell who, as planned, stepped down from that role during the year but who continues to be an active and highly valued trustee; our funders, including new partners whom we are delighted to be working with, as well as those of longstanding who recognise that our work does not end; and all those who advocate for us in their personal or professional lives.

DIRECTORS

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

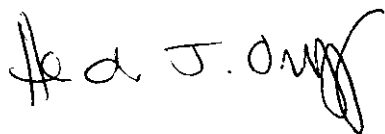
Mr H Ormsby	(appointed 22 April 2003)
Mr C Satchwell	
Mr D K Metherell	
Dr P Ardern	
Mr R I M Wootton	
Mr K Exell	(appointed 1 July 2003)
Mrs H Seaman	(appointed 20 October 2003)

DIRECTORS' REPORT

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

A handwritten signature in black ink, appearing to read 'H. Ormsby', with a stylized flourish at the end.

Ms H Ormsby
Chairman

26 January 2005

AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ELIZABETH FOUNDATION

We have audited the group's financial statements for the year ended 31 March 2004 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.

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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 2004 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

27 January 2005

Blueprint Audit Ltd
Registered Auditor
Southampton

The Elizabeth Foundation (a company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2004

Group -Consolidated										Charity Company							
		Income and Expenditure Account		Designated Restricted Funds		Total 2004		Total 2003		Income and Expenditure Account		Designated Restricted Funds		Total 2004		Total 2003	
Note		£		£		£		£		£		£		£		£	
INCOMING RESOURCES																	
	Donations and gifts	2	134,965	-	-	134,965	97,416	134,965	97,416	-	-	-	-	134,965	97,416		
	Legacies		103,954	-	-	103,954	18,781	103,954	18,781	-	-	-	-	103,954	18,781		
	Income from operating activities:																
	• Fundraising events		83,856	-	-	83,856	91,651	83,856	91,651	-	-	-	-	83,856	91,651		
	• Charitable activities		142,251	-	-	143,482	285,733	142,251	285,640	-	-	-	-	143,482	285,733		
	Investment income and bank interest		7,819	-	-	7,819	8,537	7,819	8,537	-	-	-	-	7,819	8,537		
	Net income/(expenditure) of trading subsidiary	5	2,558	-	-	2,558	1,477	-	-	-	-	-	-	-	-		
	Total incoming resources		475,403	-	-	618,885	503,502	472,845		-	-	-	-	616,327	502,025		
RESOURCES EXPENDED																	
	Costs of generating funds	3	5,609	45,496	-	51,105	40,728	5,609		45,496	-	-	-	51,105	40,728		
NET INCOMING RESOURCES AVAILABLE																	
	FOR CHARITABLE APPLICATION		469,794	(45,496)	143,482	567,780	462,774	467,236		(45,496)	143,482			565,222	461,297		
Charitable Expenditure																	
	Direct costs of charitable activities	3	22,313	211,918	130,756	364,987	338,447	22,313		211,918	130,756			364,987	338,447		
	Support costs of charitable activities	3	3,206	30,452	18,790	52,448	55,095	3,206		30,452	18,790			52,448	55,095		
	Management and administration	3	2,268	21,540	13,290	37,098	37,996	2,268		21,540	13,290			37,098	37,996		
			27,787	263,910	162,836	454,533	431,538	27,787		263,910	162,836			454,533	431,538		
	Total resources expended		33,396	309,406	162,836	505,638	472,266	33,396		309,406	162,836			505,638	472,266		

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STATEMENT OF FINANCIAL ACTIVITIES

And Income & Expenditure Account for the year ended 31 March 2004

	Group - Consolidated				Charity Company			
	Income and expenditure account		Designated funds		Restricted funds		Total	
	£	£	£	£	£	£	2004	2003
NET INCOMING/ (OUTGOING) RESOURCES	442,007	(309,406)	(19,354)	113,247	(19,354)	(309,406)	110,689	29,759
BEFORE TRANSFERS								
Transfers between reserves	(383,593)	388,204	(4,611)	-	(4,611)		-	-
NET INCOMING/ (OUTGOING) RESOURCES FOR THE YEAR	58,414	78,798	(23,965)	113,247	(23,965)	78,798	110,689	29,759
OTHER RECOGNISED GAINS AND LOSSES								
Gains/(losses) on investments	2,922	-	-	2,922	-	-	2,922	(2,775)
Realised	16,538	-	-	16,538	-	-	16,538	(34,486)
Unrealised								
NET MOVEMENT IN FUNDS FOR THE YEAR	77,874	78,798	(23,965)	132,707	(23,965)	78,798	130,149	(7,502)
Balance at start of year	266,855	403,649	694,456	1,364,960	694,456	403,649	1,357,687	1,365,189
Balance at 31 March 2004	344,729	482,447	670,491	1,497,667	670,491	482,447	1,487,836	1,357,687

There are no other recognised gains and losses other than those shown above.

The ACEVO model for cost analysis, adapted to ensure compliance with the Statement of Recommended Practice: Accounting and Reporting by Charities 2000 (SORP) has been applied.

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BALANCE SHEETS

at 31 March 2004

		<i>Consolidated Group 2004</i>	<i>Group 2003</i>	<i>Charity Company 2004</i>	<i>Company 2003</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>	<i>£</i>
FIXED ASSETS					
Tangible assets	6	1,364,984	1,403,543	1,364,690	1,402,954
Investments	16	188,141	168,214	188,143	168,216
		<u>1,553,125</u>	<u>1,571,757</u>	<u>1,552,833</u>	<u>1,571,170</u>
CURRENT ASSETS					
Stocks	7	2,593	3,181	2,500	2,500
Debtors	8	48,915	10,016	45,920	8,222
Cash at bank and in hand	9	149,164	68,217	148,147	68,045
		<u>200,672</u>	<u>81,414</u>	<u>196,567</u>	<u>78,767</u>
CREDITORS: amounts falling due within one year	10	58,216	60,327	63,650	64,366
NET CURRENT ASSETS		<u>142,456</u>	<u>21,087</u>	<u>132,917</u>	<u>14,401</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,695,581</u>	<u>1,592,844</u>	<u>1,685,750</u>	<u>1,585,571</u>
CREDITORS: amounts falling due after more than one year	11	197,914	227,884	197,914	227,884
NET ASSETS		<u>1,497,667</u>	<u>1,364,960</u>	<u>1,487,836</u>	<u>1,357,687</u>
RESERVES					
Restricted funds:					
National Lottery Charities Board reserve	13	196,020	200,631	196,020	200,631
Legacy reserve	13	442,500	442,500	442,500	442,500
Grants and fees reserve	13	26,367	45,721	26,367	45,721
Capital reserve	13	5,604	5,604	5,604	5,604
Unrestricted Funds:					
Designated fund: Portsmouth Resource Centres	13	393,083	403,649	393,083	403,649
Designated fund: Core Services Reserve	13	89,364	-	89,364	-
Income and expenditure account	13	344,729	266,855	334,898	259,582
		<u>1,497,667</u>	<u>1,364,960</u>	<u>1,487,836</u>	<u>1,357,687</u>

Ms H Ormsby

H. J. Ormsby

- Chairman

26 January 2005

D K Metherell

D K Metherell

- Treasurer

26 January 2005

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NOTES TO THE ACCOUNTS

at 31 March 2004

1. ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention modified to include the revaluation of investments, and in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP) which was revised in October 2000. The charitable company has taken advantage of Paragraph 3 (3) Sch 4 of the Companies Act 1985 and adapted Companies Act formats of account to reflect the charitable nature of the company's activities.

Basis of consolidation

The group accounts consolidate the accounts of The Elizabeth Foundation and its subsidiary E.F. Enterprise (Portsmouth) Ltd. The net income from trading activities of E.F. Enterprise (Portsmouth) Ltd, which are not material to the group, is shown in note 5 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.

Reserves

The Elizabeth Foundation recognises that accounting reserves are not always represented by available liquid assets. Note 15 set out how The Elizabeth Foundation reserves ("funds") are represented at the balance sheet date. Note 13 provides information about reserves policies, including that for the Income and Expenditure Account.

NOTES TO THE ACCOUNTS

at 31 March 2004

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 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 £51,105 (2003 £40,728) 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 2004

3. ANALYSIS OF RESOURCES EXPENDED

	<i>Staff costs</i>	<i>Depreciation</i>	<i>Other</i>	<i>2004</i> <i>Total</i>	<i>2003</i> <i>Total</i>
	£	£	£	£	£
Cost of generating funds	7,950	742	42,413	51,105	40,728
Direct charitable expenditure	266,979	41,156	56,852	364,987	338,447
Support costs of charitable activities	31,145	2,842	18,461	52,448	55,095
Management and administration	6,767	1,841	28,490	37,098	37,996
	<u>312,841</u>	<u>46,581</u>	<u>146,216</u>	<u>505,638</u>	<u>472,266</u>

	<i>2004</i> <i>£</i>	<i>2003</i> <i>£</i>
Staff costs:		
Wages and salaries	283,136	270,818
Social security costs	25,226	21,266
Pension contributions	4,479	4,329
	<u>312,841</u>	<u>296,413</u>

The average weekly number of employees during the year was 19 (2003: 19)

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

	<i>2004</i> <i>No.</i>	<i>2003</i> <i>No.</i>
Generating funds	1	1
Direct charitable activities	14	14

Supporting charitable activities	3	3
Management and administration of the organisation	1	1
	<u>19</u>	<u>19</u>

<i>Management and administration of the organisation:</i>	<i>£</i>	<i>£</i>
Staff costs	6,767	7,430
Legal and professional fees, and costs of legislative compliance	5,448	10,879
Finance charges (including mortgage £ 11,690 (2003 £13,436))	14,631	16,527
Other costs	10,252	3,160
	<u>37,098</u>	<u>37,996</u>

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2004

3. ANALYSIS OF RESOURCES EXPENDED (CONTINUED)

RELATED PARTIES

Included within staff costs above are salaries totalling £42,081 (2003 £40,246) paid to Mrs S Metherell, wife of a Director. In addition, an amount of £60 (2003: £100) was paid to Sunsail Limited where Mr C Satchwell is a Director.

4. NET MOVEMENT IN FUNDS

This is stated after charging:

	2004	2003
	£	£
Audit fee	4,230	4,230
Directors'/Trustees' remuneration	-	-
Depreciation of owned fixed assets	46,876	44,726

5. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARIES

The charity has one trading subsidiary which is incorporated in the UK. E.F. Enterprise (Portsmouth) Limited 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>	
	2004	2003
	£	£
Turnover	11,520	10,589
Cost of sales	4,439	5,239
Gross Profit	7,081	5,350
Administration	4,525	3,829
Profit on ordinary activities before taxation	2,556	1,521
Interest receivable	2	2
Taxation on profit on ordinary activities	0	(46)
Retained in subsidiary	2,558	1,477

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS at 31 March 2004

6. TANGIBLE FIXED ASSETS

	<i>Freehold Property £</i>	<i>Leasehold Property Portsmouth Resource Centres £</i>	<i>Motor vehicles £</i>	<i>School and Medical equipment £</i>	<i>Fixtures, fittings and office equipment £</i>	<i>Company Total £</i>	<i>Shop and fittings £</i>	<i>Group Total £</i>
Cost:								
At 1 April 2003	678,376	859,369	17,000	118,082	129,310	1,802,137	4,454	1,806,591
Additions	-	-	-	6,203	2,114	8,317	-	8,317
Disposals	-	-	-	-	-	-	-	-
At 31 March 2004	678,376	859,369	17,000	124,285	131,424	1,810,454	4,454	1,814,908
Depreciation:								
At 1 April 2002	19,338	170,310	17,000	107,026	85,509	399,183	3,865	403,048
Provided during the year	9,760	17,468	-	4,728	14,625	46,581	295	46,876
Relating to disposals	-	-	-	-	-	-	-	-
At 31 March 2004	29,098	187,778	17,000	111,754	100,135	445,765	4,160	449,925
Net book value:								
At 31 March 2004	649,278	671,591	-	12,531	31,290	1,364,690	294	1,364,984
At 1 April 2003	659,038	689,060	-	11,055	43,801	1,402,954	589	1,403,543

The value of long leasehold buildings (Portsmouth Resource Centres), has been estimated for insurance purposes by the Directors at £1,000,000 (2003: £1,000,000). This figure, in the opinion of the Directors, closely reflects the commercial value.

7. STOCKS

	<i>Group 2004 £</i>	<i>Group 2003 £</i>	<i>Company 2004 £</i>	<i>Company 2003 £</i>
Goods for resale	93	681	-	-
Stationery and office consumables	2,500	2,500	2,500	2,500
	2,593	3,181	2,500	2,500

8. DEBTORS

	<i>Group 2004 £</i>	<i>Group 2003 £</i>	<i>Company 2004 £</i>	<i>Company 2003 £</i>
Trade debtors	36,929	2,017	34,657	844
Prepayments and accrued income	11,986	7,999	11,263	7,378
Other debtors	-	-	-	-
	48,915	10,016	45,920	8,222

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2004

9. CASH AT BANK

	<i>Group</i> <i>2004</i> £	<i>Group</i> <i>2003</i> £	<i>Company</i> <i>2004</i> £	<i>Company</i> <i>2003</i> £
Interest bearing accounts	127,182	58,540	127,182	58,540
Cash in hand and in transit	400	1,600	400	1,600
Accounts with investment managers	5,505	1,475	5,505	1,475
Current accounts	16,077	6,602	15,060	6,430
	<u>149,164</u>	<u>68,217</u>	<u>148,147</u>	<u>68,045</u>

10. CREDITORS: amounts falling due within one year

	<i>Group</i> <i>2004</i> £	<i>Group</i> <i>2003</i> £	<i>Company</i> <i>2004</i> £	<i>Company</i> <i>2003</i> £
Bank loan	30,242	28,993	30,242	28,993
Trade and other creditors	2,772	1,283	2,772	1,283
Due to subsidiary undertaking	-	-	6,608	5,214
Accruals and deferred income	12,971	23,708	11,797	22,533
Taxation and social security	12,231	6,343	12,231	6,343
	<u>58,216</u>	<u>60,327</u>	<u>63,650</u>	<u>64,366</u>

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

	<i>Group & Company</i> <i>2004</i> £	<i>2003</i> £
Bank loan	197,914	227,884
The bank loan falls due for repayment as follows:		
Within one year	30,242	28,993
Between one and two years	31,709	30,381
Between two and five years	104,668	100,149
After five years	61,537	97,354
	<u>228,156</u>	<u>256,877</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.

Group

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The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS
at 31 March 2004

13. RECONCILIATION OF MOVEMENT ON RESERVES (CONTINUED)

<i>Company</i>	<i>Restricted Funds</i>		<i>Unrestricted Funds</i>				<i>Total</i>
	<i>National Lottery Charities Board Reserve</i>	<i>Capital reserve</i>	<i>Portsmouth Resource Centres reserve</i>	<i>Core Services Reserve</i>	<i>Income and expenditure account</i>	<i>Total</i>	
	£	£	£	£	£	£	
At 1 April 2002	205,242	442,500	414,215	-	149,874	1,365,189	
Movement in							
Resources							
Incoming	-	-	-	-	338,810	502,025	
Outgoing	(4,611)	-	(10,566)	-	(191,841)	(472,266)	
Investment loss	-	-	-	-	(37,261)	(37,261)	
At 1 April 2003	200,631	442,500	403,649	-	259,582	1,357,687	
Movement in							
resources:							
Incoming	-	-	-	398,770	89,252	631,504	
Outgoing	(4,611)	-	(10,566)	(309,406)	(33,396)	(520,815)	
Investment gain/(loss)	-	-	-	-	19,460	19,460	
At 31 March 2004	196,020	442,500	393,083	89,364	334,898	1,487,836	

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2004

13. RECONCILIATION OF MOVEMENT ON RESERVES (CONTINUED)

NATIONAL LOTTERY CHARITIES BOARD RESERVE

The charity company applied for and was awarded a project grant from the National Lottery Charities Board. The grant received is subject to restrictions, and accordingly is treated as a Restricted Fund. The related assets are subject to ongoing restrictions for a period of 80 years, 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 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. Upon confirmation of the expiration of the limitation period of the indemnity, this Reserve will revert to a designated sinking fund in respect of the term loan commitments set out in Note 11. While the indemnity applies, 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 are not subject to this restriction and are taken to the income and expenditure account.

GRANTS AND FEES RESERVE

The Foundation receives restricted grants and fees for specific charitable purposes from different grant making bodies and other agencies. These funds are spent on both depreciable fixed assets and revenue expenditure. In the year to 31 March 2004 the reserve was mainly utilised on teacher of the deaf salary costs and depreciation of tangible fixed assets (including diagnostic equipment, facilities and teaching aids).

CAPITAL RESERVE

The capital reserve arose on the transfer of net assets from the Trustees of the former unincorporated Elizabeth Foundation, upon its incorporation as a charitable company limited by guarantee.

PORTSMOUTH RESOURCE CENTRES RESERVE

This reserve shows the receipts of a past appeal to raise money for the construction of the Foundation's school facilities. The money has now been fully spent, and the building is included within fixed assets. Depreciation charged on these assets is set against the fund each year.

This reserve also includes the receipts less administration costs of a past appeal to finance 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 2004

13. RECONCILIATION OF MOVEMENT ON RESERVES (CONTINUED)

CORE SERVICES RESERVE

The core charitable activities of The Elizabeth Foundation are those associated with provision of Nursery Sessions (using a multi sensory oral method), Family Support and the Correspondence Course. The costs of running each of these each year (to the extent that they are not funded by committed restricted sources of income) are charged to this reserve. Furthermore, an amount estimated as the unfunded costs of the three months following the balance sheet date is also set aside to recognise the level of operating risk that The Elizabeth Foundation has taken by subsidising these activities from its Income and Expenditure Account. From time to time, the Trustees review whether three months is an adequate period on which to base this estimate and they may make adjustments. Reasons for adjustment might include changes in the likely level of annual funding awards from restricted sources, the timing of major cashflows, or changes in The Elizabeth Foundation's service delivery models.

INCOME AND EXPENDITURE ACCOUNT

The Income and Expenditure Account represents the total of accumulated unrestricted surpluses that The Elizabeth Foundation has generated during its history. As shown in Note 15, at 31 March 2004 most of these funds have been used over the years to build or buy the fixed assets (premises and equipment) that The Elizabeth Foundation uses to deliver its charitable services. At 31 March 2004, the Income and Expenditure Account included £56,967 represented by current assets (cash less contracted commitments). Of this sum, the Trustees had authorised but not contracted approximately £17,000 in respect of classroom and facility improvements at the Hertfordshire Centre. The Trustees consider that the remainder represents an absolute minimum level of liquid assets for The Elizabeth Foundation to hold given its size and cash flow projections for the coming months, and note that it is below the desired level of free reserves indicated in the Directors' Report.

14. TAXATION

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

15. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	<i>Tangible fixed assets</i>	<i>Fixed Investments</i>	<i>Term Loans</i>	<i>Other Net assets</i>	<i>2004 Total</i>	<i>2003 Total</i>
	£	£	£	£	£	£
<i>Restricted:</i>						
National Lottery Charities						
Board reserve	196,020	-	-	-	196,020	200,631
Legacy reserve	254,359	188,141	-	-	442,500	442,500
Grants and fees reserve	-	-	-	26,367	26,367	45,721
Capital reserve	5,604	-	-	-	5,604	5,604
<i>Unrestricted:</i>						
Portsmouth Resource Centres	393,083	-	-	-	393,083	403,649
Core Services Reserve	-	-	-	89,364	89,364	-
Income and Expenditure account	515,918	-	(228,156)	56,967	344,729	266,855
	1,364,984	188,141	(228,156)	172,698	1,497,667	1,364,960
	(Note 6)	(Note 16)	(Note 11)			

The Elizabeth Foundation (a company limited by guarantee)

NOTES TO THE ACCOUNTS

at 31 March 2004

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 2003 and 31 March 2004	2
Held by The Elizabeth Foundation	50%
Held by director D K Metherell as nominee for The Elizabeth Foundation	50%
	100%

The company operates charity shops and carries out database activities to raise money for the Foundation and profit may be paid to the Foundation under the terms of a variable covenant. For the year ended 31 March 2004 the company made a profit of £2,558 and its aggregate capital and reserves at that date amounted to £9,833.

Group and Company

Other investments

Total investments, including other investments:

Other:

Opening valuation	168,214
Additions at cost	19,143
Disposals at opening value (proceeds £18,676, gain £2,922)	(15,754)
Net unrealised gains on revaluation	16,538

Total market value at 31 March 2004 (group)	188,141
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Cost at 1 April 2003 and 31 March 2004 (subsidiary)	2
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Total cost or market value at 31 March 2004 (company)	188,143
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Listed Investments	108,212
British Government stocks	64,355
UK Unit Trusts	15,574

188,141

Investment in unquoted subsidiary company	2
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188,143

Historical cost at 31 March 2004	184,636
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