

REGISTRAR OF COMPANIES



**Mental
Health
Foundation**

Annual Report and Accounts

31 March 2003



Company Limited by Guarantee
Registration Number
2350846 (England and Wales)

Charity Registration Number
801130

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Legal and administrative information



Patron	HRH Princess Alexandra The Hon Lady Ogilvy GCVO
Trustees	Jane Carter Michael O'Connor CBE Abel Hadden Professor Rachel Jenkins Christopher S Martin (Chair) Dr Zenobia Nadirshaw Professor Stephen Platt Giles Ridley (Vice-Chair) Dr Philippa Russell CBE David Sachon (Honorary Treasurer) Daphne Statham CBE Andrew Wetherell Lady Weston
President	Sir William Utting CB
Secretary	Dr Andrew McCulloch
Vice Presidents	Tessa Baring CBE Robert Loader CBE Sir Neville Macready Mike Wilson Christopher Carter Lord Dholakia OBE JP
Registered and principal office	83 Victoria Street London SW1H 0HW
Company registration number	2350846 (England and Wales)
Charity registration number	801130
Auditors	Buzzacott 12 New Fetter Lane London EC4A 1AG

Legal and administrative information



Bankers Coutts & Co
440 Strand
London
WC2R 0QS

Solicitors Bates, Wells & Braithwaite
Cheapside House
138 Cheapside
London
EC2V 6BB

Investment managers Newton Investment Management Limited
71 Queen Victoria Street
London
EC4V 4DR

The trustees present their statutory report together with the accounts of the Mental Health Foundation (the Foundation) for the year ended 31 March 2003.

The report has been prepared in accordance with Part VI of the Charities Act 1993.

The accounts have been prepared in accordance with the accounting policies set out on pages 18 to 20 of the attached accounts and comply with the charitable company's memorandum and articles of association, applicable laws and the requirements of Statement of Recommended Practice on "Accounting and Reporting by Charities" issued in October 2000.

Constitution

The Mental Health Foundation is constituted as a company limited by guarantee, Company Registration No. 2350846, and is a registered charity, Charity Registration No. 801130.

Members' liability

In the event of the charitable company being wound up during the period of membership or within the year following, company members are required to contribute an amount not exceeding £10.

Principal aims

The Mental Health Foundation is one of the UK's leading charities working to promote mental wellbeing and improve the lives of people affected by mental health problems or learning disabilities. The charity's principal aims can be summarised as follows:

- ◆ To carry out research, including the generation of new and integrated models of practice, in order to identify how best to meet the needs of people with mental health problems or those with learning disabilities.
- ◆ To influence policy and improve public awareness and understanding of mental health and learning disability issues.
- ◆ To challenge discrimination and increase acceptance of people with learning disabilities and those with mental health problems.
- ◆ To create cross sector working in order to generate innovative solutions in practice.

Main activities and organisation

The main activities carried out by the charity in pursuit of its aims are:

- ◆ Research that identifies and explores key issues within the mental health and learning disabilities fields.
- ◆ Developing new models of practice in the mental health and learning disabilities fields.

Main activities and organisation (continued)

- ◆ Dissemination of research and practice, in order to influence UK governments and service providers (to develop appropriate policy and effective practice) on the basis of the evidence.
- ◆ Providing information on mental health and learning disabilities to professionals and the general public.

The Mental Health Foundation is governed by a Board of Trustees. Its policy and practice is to foreground the voice of service-users and other people with experience of services (eg carers) on its committees as well as on the Board of Trustees.

Projects are delivered through a combination of in-house and external research, practice development, publications and other dissemination activities. Projects are supported by advisory committees of experts. The Foundation has well developed links with central government, the Scottish Executive, health, housing and social services agencies across the country, as well as professional bodies, academic research centres and voluntary sector organisations. It is committed to partnership work wherever this will maximise effectiveness and impact.

Grant making policy

The Foundation has an internal process for identifying areas of work where it can make a useful contribution. For some projects this will involve the funding of other organisations through a grants programme.

The Foundation identifies such organisations through a tendering process. Organisations awarded a grant work to an agreed contract, which specifies the conditions. The monitoring of satisfactory delivery of the contract is in the first instance the responsibility of the project/programme manager.

Connected charities and related parties

The Foundation has working relationships with a multiplicity of organisations, as described in 'main activities'. These are selected in order to add value to the nature and content of the project as effectively as possible.

The Foundation has a commercial partnership with Pavilion Publishing through which the training and conference administration is carried out.

Work during the year and future plans

The Foundation continued to deliver a broad range of work spanning both mental health and learning disabilities as well as planning new projects for the future.

Some of the key activities across the UK are outlined below.

◆ Children and young people

The team worked across a range of issues for children and young people. It piloted its pack promoting mental health in schools, working with 11 schools to design "whole school" approaches to mental health. It also completed a Vulnerable Young People Inquiry, holding a national conference to disseminate the findings. The 'Developing Crisis Services for Young People' project will report in 2003/2004. Planning is now underway for the second phase of the project which aims to create a National Learning Network for improving youth crisis services.

A project on promoting engagement between parents and family support initiatives has been progressing well this year. The Foundation has also placed more emphasis on youth participation in its programme.

◆ Adults of working age

The second phase of the user-led research programme progressed projects investigating different ways people coped with mental distress, which are due to complete by summer 2003, with a launch event and online conference planned for the autumn. A new project called Guiding Lights started in the autumn of 2002, to identify good practice in user-centred initiatives in adult mental health. In the coming year a new project, Finding Positives in Difficult Places, will look at good practice in supporting people with the label of personality disorder.

Several reports were completed: *Taken Seriously*, the report of the Somerset Spirituality Project, *Black Spaces*, looking into voluntary sector mental health organisations working with black and minority ethnic groups, *The Crisis Project Workbook*, for service user groups wishing to develop innovative crisis services, and a user-led research training module.

◆ People in Later Life

The dementia advice and support project is now entering its final phase. The findings are being disseminated in a number of reports and conferences. Two new areas of work – 'capacity and consent' and 'ethnicity and mental health in later life', are being developed. A report reviewing the mental health challenges of mid life women (45-60) has been completed and work focusing on depression in later life is beginning.

A large project exploring the potential role of pharmacists to help older people with mental ill health achieve concordance with their medications is being taken forward. Age Concern and The Mental Health Foundation are also developing a jointly led wide-ranging Inquiry into older people's mental health in the UK.

Work during the year and future plans (continued)

◆ Foundation for People with Learning Disabilities

The Growing Older with Learning Disabilities (GOLD) Programme was completed in 2002, with a report, *Today and Tomorrow*, and a major conference. The Foundation, with partner organisations, launched the Older Family Carers Initiative, to support Learning Disability Partnership Boards to meet the needs of older family carers.

Count Us In, the report of the one-year Inquiry into Meeting the Mental Health Needs of Young People with Learning Disabilities was published in December 2002 and its findings have been disseminated through articles, updates, conferences and further identified research continues.

The two-year spirituality programme, *A Space to Listen* (2002-4) comprises two projects. Interim findings have been disseminated in a seminar, conference, newsletter and articles.

Work has begun on *Valuing Families*, a six-month project that will produce a training pack and video to enable family carers to train staff about the needs of families.

◆ Education and training

The Mental Health Foundation has launched the Level 2 Certificate in Mental Health Work. This new qualification complements the Level 3 Certificate in Community Mental Health Care, which has just seen the 1000th person awarded. *Your Pathway to Achievement*, learning disability award framework qualification materials have been produced by the Foundation for People with Learning Disabilities in partnership with The Tizard Centre and Pavilion publishing. They provide a recognised route to qualification and career progression for care workers in learning disability services. *Supporting Women with Learning Disabilities Through the Menopause* is a training resource to support care staff and empower women with learning disabilities to discuss how they manage the menopause.

◆ Public affairs and information

The Foundation ran a number of successful public awareness campaigns during the year. Topics included work-life balance, Post Traumatic Stress Disorder and Seasonal Affective Disorder. Foundation campaigns received cross-party support in parliament and achieved widespread national and local media coverage, reaching many millions of readers and listeners across the UK. The Foundation continues to be a core member of two high profile national campaign groups - the Mental Health Alliance and the Making Decisions Alliance. Online activity also continued to flourish, including a redesign of the MHF and FPLD websites to make them more user-friendly. The Foundation also launched the Connects Conference Centre, the charity sector's first online conference facility; its first conference attracted over 500 delegates and considerable media interest.

Financial review of the year

During the year there was an increase in reserves of £565,121, primarily due to legacy income of £1,050,948, which showed an increase on 2001/2 of 31%. As legacy income is subject to short term fluctuations, the Foundation continues to develop strategies to ensure that on-going work is less reliant on this category of income. Legacy income, therefore, is applied to specific projects. As a result of this policy, £350,000 has been designated for specific areas of work.

Total income at £3,947,180 is marginally below that recorded for 2001/2. However income from activities in furtherance of the charities objectives, which represents 19% of total income, has increased by 4.5%. There has been a reduction in donations and gifts received due to a combination of factors, including the timing of the receipt of monies received from Trusts and Corporations for specific projects and a drop in individual donations, largely the result of a lull in some fundraising activities compared to previous years.

Investment income and interest receivable has increased by 48%, reflecting the high cash balances that have been held during the year.

Fundraising expenditure at £643,302 has increased by 27%. The increased investment in "Door to Door" activities masks the savings achieved in general fundraising costs.

Charitable expenditure at £2,511,905 is 72% of that for 2001/02. This decrease is due to the anticipated reduction in grant expenditure, as the organisation moves towards carrying out research in house, and the reduction in support and management costs which have reduced as a consequence of actions taken in previous years.

Reserves policy and financial position

Reserves policy

As explained above the charity carries out a diverse range of activities, some of which comprise short term and externally funded projects whilst others comprise long term projects requiring significant ongoing financial commitment and investment. The trustees have examined the requirement for free reserves i.e those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The trustees consider that, given the nature of the charity's work, the level of free reserves should be equivalent to between 3 and 6 month's normal unrestricted fund expenditure at any one time. Any monies in excess will be designated to enable investment in high priority programmes identified in the strategic plan. The trustees are keeping this assessment of need under review.

Reserves policy and financial position (continued)

Financial position

The balance sheet shows total funds of £1,514,782.

These funds include permanent endowment funds of £43,160. Whilst the majority of income from these funds may be used for general purposes of the charity and is credited, therefore, to unrestricted funds, the endowment fund balances themselves are 'capital' and must be invested and held indefinitely by the charity.

Also included in total funds is an amount of £435,563 which is restricted. These monies have either been raised for, and their use restricted to specific purposes, or they comprise donations subject to donor imposed conditions. Full details of these restricted funds can be found in note 15 to the accounts together with an analysis of movements in the year.

Funds set aside, or designated, for particular purposes total £350,000. Full details of these funds can be found in note 14 to the accounts.

General funds of the charity at 31 March 2003 total £686,059. These funds are represented by tangible fixed assets with a net book value of £30,594 and 'free reserves' of £655,465.

The trustees consider that this level of free reserves is adequate, but not excessive, and matches the parameters set out in the above reserves policy.

Risk management

The trustees are assessing the major risks to which the charity is exposed, in particular those relating to specific operational areas of the Foundation, its investments and its finances. The trustees believe that by monitoring reserves levels, by ensuring controls exist over key financial systems, and by examining the operational and business risks faced by the Foundation, they are in the process of establishing effective systems to mitigate those risks.

The charity's assets

Acquisitions and disposals of tangible fixed assets and fixed asset investments are recorded in the notes to the accounts.

Investment policy

The Foundation's investment portfolio is managed by independent investment managers who operate within specific guidelines, which are set out and regularly reviewed by the trustees. The investment objectives are to maximise total return through a diversified portfolio, whilst providing a level of income advised by the trustees from time to time.

The trustees are satisfied that the investment performance is in line with the market and expectations given the current economic climate.

Since the year end the trustees have been notified of the sale by Henderson Global Investors of their private asset management business to Newton Investment Management.

Monies which are available for investment in the short term only are held on treasury deposit.

The trustees

The trustees constitute directors of the charitable company for the purposes of the Companies Act 1985.

Trustees are elected by company members at the Annual General Meeting. Each trustee serves for a period of three years and may be re-elected for a second three year period. At any one time there must be a minimum of 10 trustees and a maximum of 30.

The following trustees were in office at 31 March 2003 and served throughout the year except where shown:

Trustees

Jack Barnes *	Retired September 2002
Jane Carter	
Lord Dholakia OBE JP	Retired February 2003
Lady Euston	Retired March 2003
Abel Hadden	
Professor Rachel Jenkins	
Christopher S Martin *	
Dr Zenobia Nadirshaw	
Professor Stephen Platt	Appointed March 2003
Giles Ridley *	
Michael C Roberts *	Retired September 2002
Dr Philippa Russell CBE	
David Sachon *	
Daphne Statham CBE	
Lady Weston	
Andrew Wetherell	Appointed March 2003

Michael O'Connor CBE was appointed a trustee in May 2003.

* Denotes membership of the Finance and Investment Committee, which is a sub-committee of the Board of Trustees.

No trustee received any remuneration for services as a trustee during the year (2002 - £nil). Expenses totalling £495 (2002 - £nil) were reimbursed to, or paid on behalf of, 3 (2002 - none) trustees during the year.

No trustee had any beneficial interest in any contract with the Foundation during the year.

Trustees' responsibilities statement

Company law requires the trustees (who are the directors of the company for the purpose of the Companies Act) to prepare accounts which give a true and fair view of the state of affairs of the Foundation at the end of the financial year and of its surplus or deficit for the financial year. In preparing accounts giving a true and fair view, the trustees are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;

Trustees' responsibilities statement (continued)

- ♦ prepare the accounts on the going concern basis unless it is inappropriate to presume that the Foundation will continue in operation.

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

Senior executives at 31 March 2003

Dr Andrew McCulloch	Chief Executive
Helen Gravatt	Financial Controller
Madeleine Halliday	Director Scotland & UK Development
Christine Bedding	Director of Personnel

Employment policy

The Mental Health Foundation aims to ensure that it is an equal opportunities employer and applies objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

Selection criteria and procedures are reviewed to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities.

Auditors

The auditors, Buzzacott will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Approved by and signed on behalf of the trustees



Christopher S Martin
Chair



David Sachon
Honorary Treasurer

Approved by the trustees on: 16 July 2003

Report of the independent auditors to the members of the Mental Health Foundation

We have audited the accounts on pages 13 to 29 which have been prepared under the accounting policies set out on pages 18 to 20.

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 this report, or for the opinions we have formed.

Respective responsibilities of trustees and independent auditors

As described on page 9 the trustees, who are also the directors of Mental Health Foundation for the purposes of company law, are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 trustees' report is not consistent with the accounts, if the charity 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 transactions with the charity 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.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the charity's state of affairs as at 31 March 2003 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Buzzacott

Buzzacott
Chartered Accountants and Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

16 July 2003

Statement of financial activities Year to 31 March 2003



	Notes	Unrestricted funds £	Restricted funds £	Permanent endowment funds £	Total 2003 funds £	Total 2002 funds £
Income and expenditure						
Incoming resources						
Donations, legacies and similar incoming resources						
. Donations and gifts		1,424,374	541,641	—	1,966,015	2,256,201
. Legacies		909,013	141,935	—	1,050,948	802,805
Incoming resources from activities in furtherance of the charity's objectives						
. Statutory grants receivable	1	—	320,001	—	320,001	232,600
. Community Fund grant		—	207,425	—	207,425	184,319
. Charitable trading income		216,170	—	—	216,170	295,372
Incoming resources from activities for generating funds						
. Fundraising events		116,703	—	—	116,703	154,666
Investment income and interest receivable		69,736	—	182	69,918	47,262
Total incoming resources		2,735,996	1,211,002	182	3,947,180	3,973,225
Resources expended						
Cost of generating funds	2	627,066	—	—	627,066	504,964
Charitable expenditure						
Grants payable	3	32,026	289,648	—	321,674	1,014,292
Costs of activities in furtherance of the charity's objectives						
. Research and development		305,303	657,054	—	962,357	938,268
. Information, education, dissemination and advisory services programme	4	670,087	152,942	—	823,029	827,254
Support costs		279,700	110,302	—	390,002	576,046
Management and administration of the charity		31,080	—	—	31,080	115,212
Total resources expended		1,945,263	1,209,946	—	3,155,209	3,976,036
Net incoming (outgoing) resources for the year	5	790,733	1,056	182	791,971	(2,811)
Realised losses on investments		(48,780)	—	—	(48,780)	(53,977)
Statement of total recognised gains and losses						
Net income (expenditure)		741,953	1,056	182	743,191	(56,788)
Unrealised losses on investments		(178,070)	—	—	(178,070)	(56,891)
Net movement in funds		563,883	1,056	182	565,121	(113,679)
Balances brought forward at 1 April 2002		472,176	434,507	42,978	949,661	1,063,340
Balances carried forward at 31 March 2003		1,036,059	435,563	43,160	1,514,782	949,661

All of the charity's activities derived from continuing operations during the above two financial periods.

Statement of financial activities Year to 31 March 2003



	2003 £	2002 £
Historical cost net movement in funds		
Net movement in funds (page 13)	565,121	(113,679)
Unrealised losses on investments	178,072	56,891
Difference between the realised gains calculated on the historical cost basis and the losses calculated on revalued amounts	2,067	87,036
Historical cost net movement in funds	745,260	30,248

Balance sheet 31 March 2003



	Notes	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	9		30,594		56,352
Investments	10		684,338		912,887
			<u>714,932</u>		<u>969,239</u>
Current assets					
Debtors	11	191,092		317,791	
Short term deposits		1,019,976		—	
Cash at bank and in hand		193,675		622,630	
		<u>1,404,743</u>		<u>940,421</u>	
Creditors: amounts falling due within one year	12	604,893		927,741	
Net current assets			<u>799,850</u>		<u>12,680</u>
Total assets less current liabilities			<u>1,514,782</u>		<u>981,919</u>
Creditors: amounts falling due after one year	13		—		32,258
Net assets			<u>1,514,782</u>		<u>949,661</u>
Represented by:					
Funds and reserves					
Income funds					
. Unrestricted funds					
.. General funds			686,059		472,176
.. Designated funds	14		350,000		—
. Restricted funds	15		435,563		434,507
			<u>1,471,622</u>		<u>906,683</u>
Capital funds					
. Permanent endowment funds	16		43,160		42,978
			<u>1,514,782</u>		<u>949,661</u>

Approved by the trustees
and signed on their behalf by:

Christopher S Martin
Chair

David Sachon
Honorary Treasurer

Approved on: 16 July 2003

Cash flow statement Year to 31 March 2003

	Notes	2003 £	2002 £
Net cash inflow from operating activities	A	537,521	493,793
Returns on investments and servicing of finance	B	62,225	47,262
Capital expenditure and financial investment	B	(10,831)	414,331
		588,915	955,386
Liquid resources	B	(1,019,976)	—
(Decrease) increase in cash	C	(431,061)	955,386

Notes to the cash flow statement for the year to 31 March 2003.

A Adjustment of net incoming (outgoing) resources for the year to net cash inflow from operating activities

	2003 £	2002 £
Net incoming (outgoing) resources for the year	791,973	(2,811)
Depreciation charge	36,539	71,260
(Gain) loss on disposal of tangible fixed assets	(359)	64,855
Interest receivable	(37,758)	(3,870)
Investment income receivable	(32,160)	(43,392)
Decrease (increase) in debtors	134,392	(15,647)
(Decrease) increase in creditors	(355,106)	423,398
Net cash inflow from operating activities	537,521	493,793

B Gross cash flows

	2003 £	2002 £
Returns on investments and servicing of finance		
Interest received	34,817	3,870
Investment income received	27,408	43,392
	62,225	47,262
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(11,545)	(9,165)
Payments to acquire investments	(176,991)	(104,540)
Receipts from the disposal of tangible fixed asset	1,122	25,030
Receipts from the disposal of investments	176,583	503,006
	(10,831)	414,331
Liquid resources		
Movements on short term deposits	(1,019,976)	—

Cash flow statement Year to 31 March 2003



C Analysis of changes in cash

	At 1 April 2002 £	Cash flows £	At 31 March 2003 £
Cash at bank and in hand	622,630	(428,955)	193,675
Cash held by investment managers	32,270	(2,106)	30,164
	654,900	(431,061)	223,839
Liquid resources	—	1,019,976	1,019,976
Total	654,900	588,915	1,243,815

Basis of accounting

The accounts have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Companies Act 1985. Applicable United Kingdom accounting standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000) have been followed in these accounts.

Incoming resources

Incoming resources are recognised in the period in which the charity is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Grants from government and other agencies have been included as income from activities in furtherance of the charity's objectives where these amount to a contract for services, but as donations where the money is given in response to an appeal or with greater freedom of use, for example monies for core funding.

Legacies are included in the statement of financial activities when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

Resources expended and the basis of apportioning costs

Expenditure is included in the statement of financial activities when incurred and includes any attributable VAT which cannot be recovered.

Resources expended comprise the following:

- a. The costs of generating funds include the salaries, direct costs and overheads associated with generating donated income, and the fees paid to investment managers in connection with the management of the charity's listed investments.
- b. Grants payable are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all related conditions. Grants approved but not paid at the end of the financial year are accrued for. Grants where the beneficiary has not been informed or has to meet certain conditions before the grant is released are not accrued for but are noted as financial commitments in the notes to the accounts. Grants for which there is not secured funding are fully provided for.

Resources expended and the basis of apportioning costs (continued)

- c. The costs of activities in furtherance of the charity's objectives comprise expenditure on the charity's primary charitable purposes as described in the trustees' report.

The majority of costs are directly attributable to specific activities.

- d. Management and administration comprises the costs incurred by finance, human resources and directorate departments which are directly attributable to the management of the charity's assets, organisational procedures and the necessary legal procedures for compliance with statutory requirements.

Tangible fixed assets

All assets costing more than £1,000 and with an expected useful life exceeding one year are capitalised.

Expenditure on the purchase and replacement of fixtures, fittings and equipment is capitalised and depreciated, on a straight line basis, over a period ranging from 3 to 10 years in order to write off each asset over its estimated useful life.

Investments

Listed investments are included on the balance sheet at their market value at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

Investments in the charity's subsidiary company and shareholdings in unlisted companies are included on the balance sheet at a valuation determined by the trustees, calculated having regard to the net asset value of the relevant company at the balance sheet date.

Fund accounting

The general fund comprises those monies which may be used towards meeting the charitable objectives of the charity and may be used at the discretion of the trustees.

Designated funds comprise monies set aside out of unrestricted general funds for specific future purposes or projects.

The restricted funds are monies raised for a specific purpose, or donations subject to donor-imposed conditions.

The permanent endowment funds comprise monies which must be held as capital indefinitely. The income therefrom is used in accordance with the terms of each individual endowment (note 16).

Pension contributions

Contributions in respect of defined contribution pension schemes are charged to the statement of financial activities in the period in which the premiums become payable to the scheme.

Leased assets

Rental applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the statement of financial activities as incurred.

Liquid resources

Liquid resources represent short term deposits held with United Kingdom banks.

1 Statutory grants receivable

	Unrestricted funds £	Restricted funds £	Permanent endowment funds £	Total 2003 £	Total 2002 £
Department of Health					
Supporting Independence Through the Web	—	—	—	—	12,000
National Mental Health Trainers	—	20,000	—	20,000	23,000
The Use of Advance Statements/Directives in Mental Health practice	—	30,000	—	30,000	18,000
User Led Youth Services	—	30,000	—	30,000	30,000
Mental Health in Later Life: Learning Network project	—	25,000	—	25,000	25,000
Library	—	—	—	—	5,000
Medicine and Good Mental Health in Later Life	—	—	—	—	19,000
User-Centred Initiatives: Sharing Good Practice	—	30,000	—	30,000	—
The Older Family Carers Initiative	—	66,000	—	66,000	—
Valuing Families: A Training Pack	—	26,000	—	26,000	—
E-Communities	—	35,000	—	35,000	—
	—	262,000	—	262,000	132,000
Scottish Executive Health Department					
Section 16B Listening to Children and Young People	—	—	—	—	10,000
Section 16B Core Grant	—	28,000	—	28,000	30,000
	—	28,000	—	28,000	40,000
Department for Education and Skills					
Effective Multi-Agency Working Between Schools and Child and Adolescent Mental Health Services	—	—	—	—	30,800
Promoting Health in Secondary Schools	—	—	—	—	29,800
Whole Child, Whole School, Whole Career	—	30,001	—	30,001	—
	—	30,001	—	30,001	60,600
Total	—	320,001	—	320,001	232,600

2 Cost of generating funds

	Unrestricted funds £	Restricted funds £	Permanent endowment funds £	Total 2003 £	Total 2002 £
General fundraising (including staff costs)	433,614	—	—	433,614	470,770
Face to Face initiative	187,529	—	—	187,529	22,079
Investment management fees	5,923	—	—	5,923	12,115
	627,066	—	—	627,066	504,964

3 Grants payable

	Unrestricted funds £	Restricted funds £	Permanent endowment funds £	Total 2003 £	Total 2002 £
Grants	32,026	289,648	—	321,674	1,014,292

A separate publication listing all such grants is available from the registered office of the charity.

At 31 March 2003 the charity had the following commitments in respect of grants and allocations to be paid out of future incoming resources as follows:

	2003 £	2002 £
Grants and allocations payable in:		
2002/2003	—	218,212
2003/2004	254,127	95,438
2004/2005	61,810	—
	315,937	313,650

4 Information, education, dissemination and advisory services programme

	Unrestricted funds £	Restricted funds £	Permanent endowment funds £	Total 2003 £	Total 2002 £
Press and public relations costs	114,630	1,000	—	115,630	94,666
Information services	77,809	62,072	—	139,881	118,519
Advisory Groups	1,236	8,101	—	9,337	12,227
Publications	199,223	81,769	—	280,992	281,251
General overheads	277,189	—	—	277,189	320,591
	670,087	152,942	—	823,029	827,254

5 Net incoming (outgoing) resources for the year

This is stated after charging (or crediting):

	2003 £	2002 £
Staff costs (note 6)	1,258,238	1,170,646
Depreciation	36,563	71,260
(Gain) loss on disposal of tangible fixed assets	(358)	87,722
Auditors' remuneration		
. Audit	11,535	7,400
. Other services	3,158	1,500
Operating lease rental	59,900	57,322

6 Staff costs

	2003 £	2002 £
Staff costs during the year were as follows:		
Wages and salaries	1,002,062	842,263
Social security costs	90,813	79,699
Other pension costs	82,970	70,711
	1,175,845	992,673
Agency and temporary staff	82,393	177,973
	1,258,238	1,170,646

The average monthly number of employees during the year, calculated on a full time equivalent basis, was 37 (2002 – 38).

The number of employees who earned £50,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2003	2002
£60,001 - £70,000	1	1

Employer contributions made to a money purchase scheme in respect of the above employee during the year amounted to £4,119 (2002 – £6,210).

7 Trustees' remuneration and expenses

No trustee received any remuneration in respect of their services as a trustee during the year (2002 - £nil).

Expenses reimbursed to, or paid on behalf of, trustees during the year were as follows:

	2003		2002	
	No of trustees	Aggregate amount £	No of trustees	Aggregate amount £
Travel expenses	2	356	—	—
Other	1	140	—	—

The trustees have taken out trustee indemnity insurance to cover the liability of the trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to the Foundation. The premium paid by the charity amounted to £1,339 (2002 - £1,102) and provided cover of £1,000,000 (2002 - £1,000,000).

8 Taxation

Mental Health Foundation is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

9 Tangible fixed assets

	Fixtures, fittings and equipment £
Cost	
At 1 April 2002	209,670
Additions	11,545
Disposals	(1,525)
Elimination of fully written down assets	(108,837)
At 31 March 2003	110,853
Depreciation	
At 1 April 2002	153,318
Charge for year	36,539
On disposals	(761)
Elimination of fully written down assets	(108,837)
At 31 March 2003	80,259
Net book values	
At 31 March 2003	30,594
At 31 March 2002	56,352

9 Tangible fixed assets (continued)

The elimination of fully written down assets represents the removal of assets purchased many years ago which have a zero net book value and which have negligible realisable values.

10 Investments

	Listed investments £	Shares in subsidiary company £	Unlisted investments £	Total £
Market value/valuation				
At 1 April 2002	880,543	1	73	880,617
Additions at cost	176,991	—	—	176,991
Disposals at opening book value (proceeds: £176,583; loss: £48,780)	(225,363)	(1)	—	(225,364)
Net losses on revaluation	(178,070)	—	—	(178,070)
	<u>654,101</u>	<u>—</u>	<u>73</u>	<u>654,174</u>
Cash held by investment managers for re-investment	30,164	—	—	30,164
At 31 March 2003	<u>684,265</u>	<u>—</u>	<u>73</u>	<u>684,338</u>
Cost (excluding cash)				
At 31 March 2003	<u>820,289</u>	<u>—</u>	<u>73</u>	<u>820,362</u>

Listed investments held at 31 March 2003 comprised the following:

	£
UK fixed interest	118,861
UK equities	445,664
Overseas equities	89,576
	<u>654,101</u>

All listed investments were dealt in on a recognised stock exchange.

The following holdings each represented more than 5% of the value of the listed investment portfolio as at 31 March 2003:

	Value of holding £	Percentage of portfolio %
Treasury 8.5% Stock 07/12/05	97,744	15.06%
Henderson Global Investors Corp BD CLS INC NAV	51,615	7.9%
Newton Fund Managers (CI) Ltd Offshore Strategy Sterling, Fixed Interest	<u>100,659</u>	<u>15.4%</u>

During the year MHF Trading Limited, a wholly owned subsidiary incorporated in England and Wales which had been dormant was dissolved.

Unlisted investments represent shares in Helpcards Limited. The shares have been valued by trustees having regard to the company's net assets as at 31 March 2003.

11 Debtors

	2003 £	2002 £
Income tax recoverable	59,160	82,673
Prepayments and accrued income	80,527	84,138
Grants receivable	—	62,046
Amounts due in respect of social security and other taxes	18,709	4,962
Other debtors	32,696	83,972
	191,092	317,791

12 Creditors: amounts falling due within one year

	2003 £	2002 £
Expense creditors	237,048	337,328
Grants payable	188,572	502,492
Social security and other taxes	32,314	29,496
Other creditors	12,799	9,859
Accruals	134,160	48,566
	604,893	927,741

13 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Grants payable	—	32,258

14 Designated funds

The income of the charity includes the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

	At 1 April 2002 £	New designations £	Utilised/ released £	At 31 March 2003 £
Children and Young People	—	100,000	—	100,000
Dementia advice and support services	—	150,000	—	150,000
Strategies for Living	—	50,000	—	50,000
Organisational development	—	50,000	—	50,000
	—	350,000	—	350,000

14 Designated funds

The purposes for which the funds have been set aside are as follows:

Children and Young People

To part fund the second phase of a project on Youth Crisis aimed at helping to develop excellent local services which can meet the needs of young people having mental health crises.

Dementia advice and support services

To fund dissemination of the lessons learned from the dementia advice and support services programme in order to further the development of such services nationally and to develop a further phase to this programme.

Strategies for Living

To part fund research projects within the Strategies for Living programme focused on self help and depression and other issues concerned with adult mental health problems.

Organisational development

To support organisational development in order to build the capacity of programmes, to develop new work, to better manage existing work and to build relevant skills in the workforce.

15 Restricted funds

The income funds of the charity include restricted funds comprising the following donations and grants held on trusts to be applied for specific purposes:

	At 1 April 2002 £	Incoming resources £	Resources expended £	At 31 March 2003 £
Dementia advice and support services	—	77,541	77,541	—
Strategies for living	21,647	272,440	287,535	6,552
Children and young people – mental health problems	57,559	196,420	238,193	15,786
Foundation for People with Learning Disabilities	234,079	403,580	394,588	243,071
Other restricted funds	121,222	261,021	212,089	170,154
	<u>434,507</u>	<u>1,211,002</u>	<u>1,209,946</u>	<u>435,563</u>

15 Restricted funds (continued)

The specific purposes for which the funds were received and applied are as follows:

Dementia Advice and Support Services

A new initiative that has established 6 pilot projects across the UK to develop and evaluate more effective ways of supporting people with an early diagnosis of dementia and their carers. Sufficient provision has been made within these accounts for committed expenditure.

Strategies for Living

A UK user-led research initiative, training and supporting local user-led organisations to identify the many ways in which people with mental health problems live with and manage their distress.

Children and Young People – mental health problems

Research and development to help vulnerable children and young people, for example those who are looked after in residential settings and children living on the streets.

Foundation for People with Learning Disabilities

The Foundation is an integral part of the Mental Health Foundation, which supports a range of research, policy, practice and information activities across the UK which seek to enhance the well-being and quality of life of people with learning disabilities.

16 Permanent endowment funds

	At 1 April 2002 £	Additions £	At 31 March 2003 £
Wilke Fund	12,093	—	12,093
Lander Fund	30,885	182	31,067
	<u>42,978</u>	<u>182</u>	<u>43,160</u>

The above funds represent permanent endowment which must be retained indefinitely and held as capital. Both funds are constituted under separate trust deeds. Under the deed of trust relating to the Wilke Fund, all income arising from the capital sum may be used for the general purposes of the charity and it is credited, therefore, to general funds on receipt. Under the terms of the deed governing the Lander Fund, 25% of the income generated by the fund each year must be added to the capital sum and be retained as part of the permanent endowment. The remaining 75% of the income may be credited to general funds on receipt and used for the general purposes of the charity.

17 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Permanent endowment funds £	Total funds £
Tangible fixed assets	30,594	—	—	30,594
Investments	684,338	—	—	684,338
Net current assets	321,127	435,563	43,160	799,850
	<u>1,036,059</u>	<u>435,563</u>	<u>43,160</u>	<u>1,514,782</u>
Unrealised losses included above:				
. On investments	<u>(166,188)</u>	<u>—</u>	<u>—</u>	<u>(166,188)</u>
Reconciliation of movements in unrealised gains on investments				
. At 1 April 2002	13,949	—	—	13,949
. On disposals	(2,067)	—	—	(2,067)
. Unrealised losses in the year	<u>(178,070)</u>	<u>—</u>	<u>—</u>	<u>(178,070)</u>
. At 31 March 2003	<u>(166,188)</u>	<u>—</u>	<u>—</u>	<u>(166,188)</u>

18 Operating lease commitments

At 31 March 2003 the charity had the following annual commitments under non-cancellable operating leases in relation to land and buildings:

	2003 £	2002 £
Leases expiring:		
Between 2 and 5 years	<u>59,900</u>	<u>57,322</u>