

Only Connect UK Report and Financial Statements

For the year ended 31 August 2016

Company number: 05848399

Registered charity number: 1116147



Contents

Board of Trustees' report	1
Introduction from Daniel Kruger, Chairman of Board of Trustees	1
Objectives and activities	3
Structure, governance and management	7
Auditors report	10
Financial Statements	
Statement of financial activities for the year ended 31 August 2016	12
Charity balance sheet 31 August 2016	13
Cash flow statement for the year ended 31 August 2016	14
Notes to financial statements for the year ended 31 August 2016	15
Reference and Administrative Details	22

Board of Trustees' report

Introduction from Daniel Kruger, Chairman of Board of Trustees

This was the first year that Only Connect spent under the auspices of Catch22 group. It was a remarkable year in many ways, but from Only Connect's perspective, it was a case of transitioning our business model and settling many of the 'engine room' processes within the wider governance of Catch22. There have been many successes, as well as the usual challenges of running an organisation of Only Connect's type and size, but so many positive foundations upon which to build the future within Catch22 group.

The externalities we reported on last year continued: increased competition in the voluntary sector for discretionary income, contraction in the availability of public funding, coupled with a lot of instability caused by a change in government before and after the EU Referendum. The added pressure for Only Connect was the need to resurface after a couple of years of sustained financial losses, a transition that had to include innovations in the revenue model, to bring about the necessary diversity in funding needed to survive and thrive.

This was the first year in which we accelerated growth and development in statutory contracted services. This income stream is presently almost half of Only Connect's turnover. It was a conscious shift made in part possible by the governance and performance management support from Catch22. Among the big successes was our involvement in the London Gang Exit programme, which was announced in February 2016, and will be running until October 2017 at least. We also received a sizable grant from the North East London Resettlement Consortium to work with young people in custody and the community, reducing their propensity for aggression and violence towards each other and communities more widely.

Our work remains focussed on supporting young people and young adults in prisons and the community. The *Membership* offer sees us working across four London prisons, providing training and development programmes, as well as enhanced resettlement support. In the community, our offer is centred on support and progression – we provide the community and creativity necessary for progressing members into education, training or employment and then sustaining their participation.

Prisons: our involvement on the NOMS ESF contract took a positive turn, with the number of young people worked with rising to more than 180, and 50 being in active support at time of writing. Through the funding from the North East Resettlement Consortium, we delivered an embedded restorative gang intervention in HMPYOI Feltham and HMPYOI Cookham Wood. We worked with more than 50 young men to reduce their propensity for violence and find alternative pathways to help them exit gangs on release.

Community: in the community we have continued to deliver a range of creative projects in our two Membership centres. In 2016 we worked with 147 new members of which 63 progressed into Education, Training and/or Employment. We also joined Redthread and Safer London in the delivery of the Pan-London Gang Exit programme, funded by the Mayor's Office.

Events: we continued to deliver a range of community events to grow our network of supporters. We put in train a range of evening events that would broaden our stakeholder base as well as generate revenue for Only Connect, most of which were realised in the first half of 2016/17.

Over the course of the year we achieved our objective of stabilising the organisation in respect to the business model, the staffing structure and the key governance procedures. In the coming year, September 2016 - August 2017, the key focus is on documenting the frontline processes and finessing the operational model. Financially, it is imperative that we end the year with a positive surplus.

Board of Trustees' report

Introduction (continued)

We will continue to work directly with prisons (to support resettlement, which needs more resource, consistency and coordination), young offenders' institutes, Community Rehabilitation Companies and youth offending teams. As the government moves to devolve justice to regions through Police and Crime Commissioners and prison governors, new opportunities will open up for community charities such as Only Connect.

We remain optimistic about the potential to make a lasting difference to London and Londoners in this new environment. The Board is extremely motivated and supportive to continue the journey towards realising a more connected society, in which we all choose a crime free life.



Danny Kruger
Chairman, Only Connect

Board of Trustees' report

Objectives and Activities

Policies and objectives

Only Connect is London's creative criminal justice charity. Our vision is a more connected society where we all choose a crime-free life. Our mission is to enable people with experience of the criminal justice system to live harm-free lives.

Only Connect works with people aged 16 and over who are either serving custodial sentences, or who have concluded their sentence and are looking to grow new skills and rebuild their confidence. We work across four prisons in the south east: HMYOI Feltham, HMYOI Cookham Wood, HMP Wormwood Scrubs, and HMP Pentonville. In these institutions, we provide resettlement support to prisoners as they prepare for life away from the criminal justice system (CJS).

In the community, we provide men and women with Membership of two Members' Centres, in King's Cross and White City. Upon completion of a strengths-based assessment, Members are able to access a range of support and projects. These include a catering training programme (OC Kitchen), music training programme (OC Music), employment and self-improvement programme (On Point), volunteer group-mentoring programme (Entourage) 1:1 employment support, and general support.

These initiatives enable Members to rebuild confidence and grow new skills, and focus on the development of positive relationships. Ultimately, the key objective of Membership model is to progress Members into education, training and employment (ETE). In 2016 we worked with 147 new Members, of which 63 progressed in ETE.

We believe in the idea of "Handshake, not Handout". This means our Members are enabled to design and deliver solutions to their own problems, and problems faced by other Members and their peers across London. We aim to equip a generation of people with the resilience and skills to address the challenges they face, and become positive agents for change in their communities – 'assets' not 'liabilities' for London.

Achievements and performance

a. Review of activities

In 2016 we worked with 147 new members of which 63 progressed into Education, Training and/or Employment (ETE). This is an improvement on last year when we worked with 77 members, progressing 44 into ETE.

Over 50% of Only Connect's new Members in 2016 came from five boroughs: Brent, Ealing, Camden, Hammersmith & Fulham and Islington. Our Members were referred from a number of sources: probation (13%), youth offending teams (2.8%), local authority (4.7%), custody (12%), Job Centre Plus (3%), a friend (5.6%) or self-referral (6.5%).

This year we were successful in piloting new work:

- In HMP Wormwood Scrubs, as a partner to Care UK, we increased the take up of primary mental health provision in custody and supported men at OC West on release;
- A Restorative Embedded Gangs Intervention programme for 15-18 year olds, funded by the North East London Resettlement Consortium (NELRC).

Board of Trustees' report

Objectives and Activities (continued)

All of our members received ETE support. This consists of 1:1 sessions and group sessions as part of our On Point programme. Members are also receiving support throughout their time with Only Connect.

This is a 'case worker' type relationship, which focuses on improvements in emotional resilience, overcoming housing challenges and planning for the future. This work was funded in part by the Hans & Julia Rausing Trust and Job Centre Plus. We benefited from a range of other partnerships including White and Case, City Bridge Trust, the National Foundation for Youth Music and the Nexen Charitable Trust.

b. Lessons learnt and plan for the future

Key lessons learned in this financial year were about running the organisation more efficiently and effectively. This meant greater control over expenditure, for example completely eliminating non-essential spend such as marketing (and sourcing it in kind, where possible). We were drawn to greater use of volunteers, hosting almost as many volunteers as staff at any point over the course of the year. Only Connect also became more commercial, driving income through statutory service contracts, and more recently, through exploiting our building for hall hires and events.

Our managers learned more about what we mean by 'handshake not handout' in taking a more motivational approach to working with our Members on the frontline, using challenge methods as much as support. This was a key driver behind our achievement of recruiting more members and progressing a high proportion of them into ETE, despite halving our staff base compared to the previous 8 months to August 2015.

We plan to continue developing our frontline practices and sharpening Only Connect's business model in the coming year.

c. Financial overview

Income and expenditure

Total income for the year to 31 August 2016 was £1,025k, compared with £1,240k for the 8 months to 31 August 2015. Whilst total income fell the organisation was less reliant on voluntary income with income from charitable activities making up 28% of total income (2015: 9%). This has been the result of a deliberate strategic move to more earned income, approved by the Board in September 2015. The Trustees' view is that a diverse income strategy, with regular and long-term funding streams is the pathway to Only Connect's sustainability.

Total expenditure for the year to 31 August 2016 was £1,127k compared with £1,401k for the 8 months to 31 August 2015. £103k of this expenditure related to the use of restricted reserves, where the income had been received in the previous financial year (in the previous financial year restricted income exceeded restricted expenditure by £73k). The expenditure in the early part of the year was relatively high, relating to some specific restructuring activities, including final redundancy payments.

Overall the net movements in funds for the year was an excess of expenditure over income of £102k (2015: £161k), of which £103k related to restricted funds (2015: £73k). For the year income on unrestricted funds exceeded expenditure by £1k compared to an excess of expenditure against income in 2015 of £234k, an overall swing year on year of £235k.

The key financial priority for Only Connect in 2016/17 is to finish the year with a positive unrestricted surplus, ideally a positive net asset balance.

Board of Trustees' report

Objectives and Activities (continued)

Investment policy and performance

Any significant amounts of cash held which are unlikely to be expended in the immediate future are placed on deposit. The directors consider this to be the appropriate policy as it is low risk and makes funds readily accessible if required to further Only Connect UK's objectives.

Reserves policy

In the trustees' view reserves should provide the charity with adequate financial stability and the means for it to meet its charitable objectives for the foreseeable future. The reserves policy approved by the Trustees has always been three months' operating costs, although in recent years this has proved elusive.

At 31 August 2016 the charity's total reserves amounted to a deficit of £151k (2015: deficit of £49k) of which £nil was restricted (2015: £103k) and a deficit of £151k was unrestricted (2015: deficit of £152k).

The trustees acknowledge that whilst the position in respect of free reserves has stabilised in the year to 31 August 2016, following the depletion in the period to 31 August 2015 it is imperative that the deficit position is cleared and sufficient free reserves are generated and retained over the medium term to secure the charity's financial stability. This will be made possible by economies in bringing functions and services together with Catch22, as well as further reductions to overhead costs and non-fee earning posts.

Only Connect UK is a wholly owned subsidiary of Catch22 Charity Limited and the group of which Catch22 is the ultimate parent company has free reserves of £7.8m (2015; £7.7m) with headroom against its target level of £3.2m (2015; £3.1m)

d. Financial risks

Liquidity risk

The charity's objective is to maintain a balance between cash balances and long-term investments. The charity's policy on liquidity risk is to ensure there are sufficient cash balances to meet the day-to-day needs of the organisation while investing surplus balances in fixed asset investments.

Credit risk

The charity is mainly exposed to credit risk in relation to money due from commissioners in relation to its delivery of services. The vast majority of these commissioners have proved to be extremely credit worthy. Nevertheless, we operate a proactive credit control system designed to ensure payment is received quickly and that problems are identified as early as possible and the appropriate action is taken. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Foreign exchange risk

The charity does not have any significant exposure to foreign exchange risk.

d. Going concern

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charitable group to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular, the trustees have considered the charitable company's forecast and projections, which for the year ended 31 August 2017 should add

Board of Trustees' report

Objectives and Activities (continued)

c.£100k to unrestricted funds following the further actions taken to reduce costs. The charity has a £120k (2015: £nil) unsecured loan from its parent company, Catch22 Charity Limited and the trustees have received assurances that Catch22 does not plan to demand repayment of that loan for a period of at least one year from the date of approval of the financial statements and will continue to support Only Connect UK. Therefore, after making enquiries the trustees have concluded that there is a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. The charitable company therefore continues to adopt the going concern basis in preparing its financial statements.

Board of Trustees' report

Structure, governance and management

Formation and structure of the Charity

Only Connect UK was incorporated as a Company Limited by Guarantee on 16 June 2006. It was registered as a charity on 19 September 2006.

Its objectives, as stated in its memorandum of association, are: 'To advance the education and prospects of prisoners, ex-offenders and young people at risk of crime in London, and their families, through the provision of arts projects and productions, personal development and community activities.'

We have considered the Charity Commission's guidance on public benefit, including the guidance 'Public benefit: running a charity (PB2)'. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set, taking account of the available guidance on public benefit.

The trustees are satisfied that Only Connect UK has aims and objectives and carries out activities that are for the public benefit in that the support provided to individuals, families and communities directly benefits each of those groups and therefore the wider public.

On 5 October 2015 Only Connect UK Limited was acquired by Catch22 Charity Limited (Company no. 6577534 and Registered charity no. 1124127) who became the sole member on that date.

Governance

The management of the company is the responsibility of the trustees who are elected and co-opted under the terms of the Articles of Association.

The Trustee board meets at least four times a year and monitors progress against goals and targets that flow from the strategic plan set by the Trustee board.

Day to day management is delegated to the chief executive officer. This is in line with our stated delegations of authority; the Trustee board is involved in all material decisions including but not limited to:

- pre-approval of annual budgets
- signing of leases and other issues pertaining to property
- strategic partnerships and significant donor relations
- approval and signature of contracts and other agreements
- appointment of auditors, solicitors and other advisors
- appointment and remuneration of senior staff

The Only Connect UK Trustee board operates as an independent board of trustees. The board papers, along with management accounts are also reported to the Catch22 senior management and trustee board, in line with the provisions of the grouping agreement in place between Catch22 and Only Connect.

Trustees responsibilities

The Trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Board of Trustees' report

Structure, governance and management (continued)

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.
- observe the methods and principles in the Charities SORP;

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the Charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Charity's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The charitable company qualifies as small under section 383 of The Companies Act 2006 and so no strategic report has been prepared, which is a requirement of medium and large companies under the Companies Act 2006 (Strategic Report and Director's Report) Regulation 2013.

Policies adopted for the induction and training of trustees

All new trustees are taken through a trustee induction process carried out by the Chair of the board and as part of this they are introduced to their responsibilities and the key company policies.

Pay policy for senior staff

Senior management (directors and above) are remunerated in line with sector benchmarks (reviewed annually) and all senior staff appointments, pay and award changes are approved by the board of trustees.

Board of Trustees' report

Structure, governance and management (continued)

Risk management

The trustees have assessed the major risks to which the company is exposed, in particular those related to the operations and finances of the company, and are satisfied that systems and procedures are in place to control and mitigate the charitable company's exposure to the major risks.

Key risks:

- Financial: risk of insolvency or financial impropriety. Mitigated by strong financial controls from the Board through the Executive Director and operational leads. Catch22 financial governance regime and monthly reporting support overarching accountability
- Reputational: risk of reputational damage arising from breach of legal responsibilities, for example in respect to Data Protection Act. Mitigated by strong compliance requirements to Catch22 group policies, overseen by Catch22 Director of Governance.
- Business continuity: ongoing risk of one or both of Only Connect's buildings being unavailable due to lease issues or force majeure event. Mitigated by Board oversight and contingency planning around geographical location of services.
- Safeguarding: ongoing risk of a serious safeguarding incident exposing major practice or process limitations. Mitigated by ongoing process compliance and adherence to Catch22 safeguarding protocols, overseen by Director of Governance.

Signed on behalf of the Board of Trustees



Daniel Kruger
Chairman
Only Connect UK
25 May 2017

Auditors report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONLY CONNECT UK

We have audited the financial statements of Only Connect UK for the year ended 31 August 2016 which comprise the Statement of Financial Activities, the Charitable Company Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 'The Financial Reporting Standard applicable in the UK and Ireland'.

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable 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 auditor

As explained more fully in the Trustees' Responsibilities Statement the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2016 and of the charitable company's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Auditors report (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the charitable company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Neil Finlayson (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

31 May 2017
Devonshire House
60 Goswell Road
London
EC1M 7AD

FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL ACTIVITIES FOR THE PERIOD ENDED 31 AUGUST 2016

		Restricted Funds	Unrestricted Funds	12 month period to 31 August 2016	Restricted Funds	Unrestricted Funds	8 month period to 31 August 2015
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Income from							
Donations and legacies	2	3	119	122	60	675	735
Grants	2	198	316	514	196	197	393
Income from charitable activities	4	3	386	389	22	90	112
Total income		204	821	1,025	278	962	1,240
Expenditure on							
Raising funds		39	54	93	43	65	108
Charitable activities							
Ordinary activities		268	766	1,034	162	1,131	1,293
Total expenditure		307	820	1,127	205	1,196	1,401
Net movement in funds		(103)	1	(102)	73	(234)	(161)
Reconciliation of funds							
Total funds brought forward		103	(152)	(49)	30	82	112
Total funds carried forward		-	(151)	(151)	103	(152)	(49)

The Charity had no recognised gains or losses other than those dealt with in the Statement of Financial Activities.

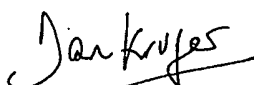
FINANCIAL STATEMENTS

CHARITY BALANCE SHEET - 31 AUGUST 2016

Company number: 05848399

	notes	31 August 2016 £'000	£'000	31 August 2015 £'000	£'000
Fixed assets					
Tangible fixed assets	6		<u>22</u>		<u>29</u>
			22		29
Current assets					
Debtors	7	51		41	
Cash at bank and in hand		<u>45</u>		<u>65</u>	
		96		106	
Current liabilities					
Creditors: amounts due within one year	8	<u>(269)</u>		<u>(184)</u>	
Net current assets/(liabilities)			(173)		(78)
Net (liabilities)			<u>(151)</u>		<u>(49)</u>
Funds					
Restricted funds					103
General fund			(151)		(152)
			<u>(151)</u>		<u>(49)</u>

The financial statements were approved by the Board of Trustees and authorised for issue on 25 May 2017.



Daniel Kruger
Chairman

The notes on pages 15 to 21 form part of these financial statements.

FINANCIAL STATEMENTS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 2016

	notes	Year to 31 August 2016		8 months to 31 August 2015	
		£'000	£'000	£'000	£'000
Net income/(expenditure) for the reporting period			(102)		(161)
Adjusted for:					
Depreciation charges			8		6
(Increase)/Decrease in debtors			(10)		96
Increase/(Decrease) in creditors			84		83
Net cash provided by/(used in) operating activities			(20)		24
Investing activities			-		-
Financing Activities			-		-
Net (decrease)/increase in cash and cash equivalents in the reporting period			(20)		24
Cash and cash equivalents at beginning of year			65		41
Cash and cash equivalents at end of year			45		65
Relating to:					
Bank balances and short term deposits			45		65
Cash and cash equivalents			45		65

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2016

1. Accounting policies

Only Connect UK is a charitable company, limited by guarantee, incorporated in England and Wales and registered with the Charity Commission. The registered office is 32 Cubitt Street, London WC1X 0LR

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The company is a public benefit entity for the purposes of FRS 102 and a registered charity established as a company limited by guarantee and therefore has also prepared its financial statements in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (the FRS 102 Charities SORP) and the Companies Act 2006.

Going concern

The trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charitable group to continue as a going concern. The trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular, the trustees have considered the charitable company's forecast and projections, which for the year ended 31 August 2017 should add c.£100k to unrestricted funds following the further actions taken to reduce costs. The charity has a £120k (2015: £nil) unsecured loan from its parent company, Catch22 Charity Limited and the trustees have received assurances that Catch22 does not plan to demand repayment of that loan for a period of at least one year from the date of approval of the financial statements and will continue to support Only Connect UK. Therefore, after making enquiries the trustees have concluded that there is a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. The charitable company therefore continues to adopt the going concern basis in preparing its financial statements.

The financial statements are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts are rounded to the nearest thousand pounds.

A summary of the principal accounting policies adopted (which have been applied consistently, except where noted), judgements and key sources of estimation uncertainty, is set out below:

Fund Accounting

General funds

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charitable company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Income

All income is recognised once the charitable company has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Legacies

Entitlement is taken as the earlier of the date on which either: the company is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the charitable company that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charitable company has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charitable company, or the charitable company is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material.

Donations

Donated services or facilities are recognised when the charitable company has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charitable company of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS102), the general volunteer time of the Friends is not recognised – refer to the Trustees' report for more information about their contribution. On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charitable company which is the amount the charitable company would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised as expenditure in the period of receipt.

Income tax recoverable

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Other income

Other income is recognised in the period in which it is receivable and to the extent the goods have been provided or on completion of the service.

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated to the applicable expenditure headings.

Fundraising costs are those incurred in seeking voluntary contribution and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management carried out at headquarters. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2016

1. Accounting policies (continued)

Expenditure (continued)

at the year-end are noted as a commitment, but not accrued as expenditure.

Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

Tangible fixed assets are stated at costs less depreciation. Depreciation is provided at rates calculated to write-off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

- Leasehold improvements – 33% straight line
- Fixtures and fittings – 25% reducing balance

Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charitable company; this is normally upon notification of the interest paid or payable by the bank.

Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Financial Instruments

The charitable company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measure at their settlement value with the exception of bank loans which are subsequently measured at amortised costs using the effective interest rate method.

Debtors

Trade and other debtors are recognised at the settlement amount after and trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand and short term deposits with a maturity date of three months or less.

Cash at bank and in hand

Cash at bank in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors and provisions

Creditors and provisions are recognised when the charitable company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Pension costs – Defined Contribution Schemes

The charitable company makes payments to defined contribution pension schemes on behalf of qualifying employees. Such contributions are charged in the Statement of Financial Activities as they fall due. The contributions are invested separately from the charities assets.

Critical accounting estimates and areas of judgement

In preparing financial statements it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements. Other than the adoption of the Going Concern basis of preparation as set out above, no judgements or estimates are considered by the trustees to have a significant effect on the amounts recognised in the financial statements.

2. Donations, Legacies and Grants

	Year to 31 August 2016			8 months to 31 August 2015		
	Restricted	Unrestricted	Total funds	Restricted	Unrestricted	Total funds
	£'000	£'000	£'000	£'000	£'000	£'000
Donations	3	119	122	60	675	735
Grants	-	316	316	196	197	393
Grant – Arts Project	43	-	43	-	-	-
Grant – Personal Development	155	-	155	-	-	-
Total	201	435	636	256	872	1,128

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 AUGUST 2016

3. Net income/(expenditure) for the year

	Year to 31 August 2016 £'000	8 months to 31 August 2015 £'000
This is stated after charging:		
Depreciation of tangible fixed assets	7	6
Auditor's remuneration - Audit fees for Charity's annual accounts	6	7
Lease payments recognised as an expense	63	50

4. Charitable activities

Analysis of income from charitable activities for the year ended 31 August 2016

	Restricted Funds £'000	Unrestricted Funds £'000	12 month period to 31 August 2016 £'000
Service contracts (Personal Development)	3	330	333
School tours income (Arts Project)	-	23	23
Production ticket and other sales (Other Activities)	-	33	33
Total	3	386	389

Analysis of income from charitable activities for the period ended 31 August 2015

	Restricted Funds £'000	Unrestricted Funds £'000	8 month period to 31 August 2015 £'000
School tours income (Arts Project)	1	1	2
Workshops	21	27	48
Rental income	-	12	12
Fees	-	49	49
Production, ticket and other sales	-	1	1
Total	22	90	112

Analysis of expenditure on charitable activities for the year ended 31 August 2016

	Restricted Funds £'000	Unrestricted Funds £'000	12 month period to 31 August 2016 £'000
Personal Development	225	130	355
Arts Project	43	75	118
Other Activities	-	561	561
Total	268	766	1,034

Analysis of expenditure on charitable activities for the period ended 31 August 2015

	Restricted Funds £'000	Unrestricted Funds £'000	8 month period to 31 August 2015 £'000
Arts Projects, production and related activities	82	432	514
West London Zone	76	123	199
Other Activities	4	576	580
Total	162	1,131	1,293

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 AUGUST 2016

4. Charitable activities (continued)

Support Costs

Year Ended 31 August 2016	Arts Projects	Personal Development	Other Activities	Total
	£'000	£'000	£'000	£'000
Marketing and IT	-	8	23	31
Office costs	-	9	27	36
Staff costs	42	221	357	620
Rent and rates	-	17	51	68
Other costs	-	20	60	80
Training and support	-	5	17	22
Governance costs	-	3	9	12
Total	42	283	544	869

Governance costs included in the above support costs amount to £12k

Support costs are allocated based on the estimated usage of those support services by each project or activity.

Year Ended 31 August 2015	Arts, production and related activities	West London Zone	Other Activities	Total
	£'000	£'000	£'000	£'000
Marketing and IT	9	-	26	35
Office costs	10	-	28	38
Staff costs	124	-	376	500
Rent and rates	18	-	53	71
Other costs	24	-	75	99
Training and support	5	-	13	18
Governance costs	3	-	9	12
Total	193	-	580	773

Governance costs included in the above support costs amount to £12k

5. Staff costs

	Year to 31 August 2016 £'000	8 Months to 31 August 2015 £'000
Salaries	642	750
Redundancies	-	6
National Insurance contributions	63	69
Pension contributions	14	13
	719	838
The average number of employees during the period	22	47

During the period payments to agencies for temporary staff amounted to £nil (8 months to 31 August 2015 £nil)
Agency staff are used to cover temporary vacancies and to meet short term needs.

No employee received remuneration amounting to more than £60,000 in either year.

No trustees received any remuneration during the period, or were reimbursed expenses (8 months to 31 August 2015 £173 reimbursed to one trustee for travelling expenses incurred during the year).

Key Management Personnel

The Key Management Personnel comprises the Executive Director, Head of Development and Head of Frontline.

The total employee benefits of the Key Management Personnel were £2k (£146k for the 8 months to 31 August 2015)

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 AUGUST 2016

6. Tangible fixed assets

	Leasehold property £'000	Fixtures and fittings £'000	Total £'000
Costs			
1 September 2015	28	67	95
Additions	-	-	-
31 August 2016	28	67	95
Depreciation			
1 September 2015	28	38	66
Charge for the period	-	8	8
31 August 2016	28	46	74
Net book value			
At 31 August 2016	-	21	21
At 31 August 2015	-	29	29

7. Debtors: amounts due within one year

	31 August 2016 £'000	31 August 2015 £'000
Trade debtors	16	37
Prepayments and accrued income	35	4
	51	41

Financial instruments included in the above debtor balances are £38k (2015: £37k)

8. Creditors: amounts falling due within one year

	31 August 2016 £'000	31 August 2015 £'000
Loans and overdrafts	120	1
Trade creditors	40	40
Accruals and deferred income	88	107
Other taxes and social security	19	25
Other creditors	2	11
	269	184

Financial instruments included in the above creditor balances are £165k (2015: £51k)

Deferred income movement

	£'000
Balance at 1 September 2015	42
Amount released in the period	(42)
Amount deferred in the period	85
Balance at 31 August 2016 – all due within one year	85

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 AUGUST 2016

9. Restricted funds

	Restricted funds £'000	Total Restricted funds £'000
Balance at 1 September 2015	103	103
Income	204	204
Expenditure	(307)	(307)
Balance at 31 August 2016	-	-

Prior period

	Restricted funds £'000	Total Restricted funds £'000
Balance at 1 April 2014	30	30
Income	278	278
Expenditure	(205)	(205)
Balance at 31 August 2015	103	103

	Balance 1 September 2015 £'000	Income £'000	Expenditure £'000	Balance 31 August 2016 £'000
Personal development	46	158	(204)	-
Youth Work	1	-	(1)	-
Staffing	1	-	(1)	-
Organisational development	20	-	(20)	-
Schools project (Arts Project)	-	43	(43)	-
Big Lottery fund grant	35	-	(35)	-
Other	-	3	(3)	-
Total restricted funds	103	204	(307)	-

	Balance 1 January 2015 £'000	Income £'000	Expenditure £'000	Balance 31 August 2015 £'000
Prior period				
Personal development	-	98	(52)	46
Youth Work	-	14	(13)	1
Staffing	-	29	(28)	1
Organisational development	30	25	(35)	20
Schools project (Arts Project)	-	1	(1)	-
Big Lottery fund grant	-	111	(76)	35
Total restricted funds	30	278	(205)	103

10. Unrestricted funds

	Balance 1 September 2015 £'000	Income £'000	Expenditure £'000	Balance 31 August 2016 £'000
General Fund	(152)	821	(820)	(151)

	Balance 1 April 2014 £'000	Income £'000	Expenditure £'000	Balance 31 August 2015 £'000
Prior period				
General Fund	82	962	(1,196)	(152)

General fund

This represents funds which are not restricted or designated for specific purposes. General funds are expendable at the discretion of the trustees to further the charitable objects of the charitable company.

FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 AUGUST 2016

11. Analysis of net assets between funds

	Restricted funds £'000	Unrestricted funds £'000	31 August 2016 Total £'000
Fund balances at 31 August 2016 are represented by:			
Tangible fixed assets	-	22	22
Current assets/(liabilities)	-	(173)	(173)
Total net liabilities	-	(151)	(151)

	Restricted funds £'000	Unrestricted funds £'000	31 August 2015 Total £'000
Fund balances at 31 August 2015 are represented by:			
Tangible fixed assets	-	29	29
Current assets/(liabilities)	103	(181)	(78)
Total net liabilities	103	(152)	(49)

12. Commitments under operating leases

	31 August 2016 £'000	31 August 2015 £'000
Land and buildings:		
expiring in the first year	65	78
expiring in the second to fifth year	92	163
expiring after five years	-	-
	157	241

13. Pension and Similar Obligations

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £13,995 (2015: £12,694). Contributions totalling £1,501 (2015: £3,432) were payable to the fund at the balance sheet date and are included in creditors.

Ultimate Parent Charity

The Charity's ultimate parent charity is Catch22 Charity Limited (registered charity number 1124127). Copies of the consolidated financial statements are available from the Company Secretary of Catch22 Charity Limited, whose registered office is 27 Pear Tree Street, London, EC1V 3AG.

The parent's principal purposes and activities are to promote opportunities for the development, education and support of young people in need to lead purposeful, stable and fulfilled lives and to promote safer, crime free communities for the benefit of the public.

14. Related party transactions

Advantage has been taken of the exemption available in FRS102 Section 33, not to disclose transactions with the parent charity or any wholly owned subsidiaries of the group on the grounds that Catch22 Charity publishes consolidated Financial Statements.

Reference and Administrative Details

Board of Trustees

Mr Daniel Kruger, Chair (appointed 25 September 2015)
Lady Jane Fellows
Mrs Emma Kruger (appointed 25 September 2015)
Mr Oliver Scutt (appointed 16 June 2016)
Mr Chris Wright (appointed 5 October 2015)
The Rt Hon The Lord Paul Boateng (resigned 13 October 2015)
Ms Ruth Field (resigned 5 October 2015)
Mr Giles Inglis (resigned 20 April 2016)
Mr Mark Rhodes (resigned 5 October 2015)

Chief Executive

Mr Mat Ilic

Company Secretary

Mr Ben Edgington

Registered Office

32 Cubitt Street
London
WC1X 0LR

Bankers

Lloyds Bank plc
Paddington
London
W2 1EY

Solicitors

Bates Wells Braithwaite
10 Queen Street Place
London
EC4R 1BE

Auditors

Kingston Smith LLP
Devonshire House,
60 Goswell Road,
London,
EC1M 7A

Only Connect
32 Cubitt Street
London WC1X 0LR
T: 0207 278 8939 E: info@onlyconnectuk.org
Registered charity no. 1116147

Company limited by guarantee
Company no. 05848399