

CHILDREN NORTH EAST
(A Company Limited by Guarantee)

FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2011

Charity registration number 222041

Company registration number 90288

CHILDREN NORTH EAST
(A Company Limited by Guarantee)
ANNUAL ACCOUNTS — YEAR ENDED 31 MARCH 2011

TRUSTEES' ANNUAL REPORT

REFERENCE AND ADMINISTRATIVE DETAILS

The following are each both a Trustee of the Charity and a Director of the Company.

Trustees

Mr S Richardson (chair)
Mrs C E Weightman
Mr J Dean
Mr P Parker
Mrs A Livesey
Mr G Little
Mrs M S Dixon
Mr J van Wagtendonk
Ms A Joicey
Mrs C Ball*
Dr H Jones-Lee*
Mrs L Robinson*

* Trustees from October 2010

Chief Executive & Company Secretary

Mr J. Cripps

Heads of Service

Mrs S Copley
Ms J James
Ms A Taylor
Mr J McLeod (Finance)

Head Office & Registered Office

89 Denhill Park
Newcastle upon Tyne NE15 6QE

Auditors

Ernst & Young LLP
Citygate, St James' Boulevard
Newcastle upon Tyne NE1 4JD

Bankers

Lloyds TSB plc
162 Northumberland Street
Newcastle upon Tyne NE1 7PR

Investment Managers

Speirs & Jeffrey Limited
36 Renfield Street Glasgow G2 1 NA

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

Children North East is a registered charity and a company limited by guarantee. It does not have a share capital and members liability is limited to 50p. The governing instrument of the Charity is a set of Memorandum and Articles of Association as adopted by special resolution passed on 11 July 2007. Under the constitution of Children North East, a trustee of the charity is the same as a director of the company. The directors are also charity trustees as defined by Section 97 of the Charities Act 1993. The term 'Board' is used to mean such persons acting collectively. Please note therefore that in this Report and Financial Statements 'Trustee', 'Director' and 'Member of the Board' have the same meaning.

During the year Mrs C Ball, Dr H Jones-Lee and Mrs L Robinson were appointed as Trustees, no Trustees resigned during the year.

Induction and Training of Trustees

The induction and training of Trustees is the responsibility of the Chairman and is arranged on an individual or collective basis as appropriate. The process includes reading key documents (policies and procedures), visits to projects and discussions with the Chairman, Chief Executive and key senior staff. A self-appraisal process (overseen by the Chairman) is implemented for all Trustees; and the HR and Training Sub-committee formally appraised the Chairman.

Organisational Structure

The governing body is the Board. The Board comprised 12 Trustees at 31st March 2011. The Board meets quarterly and has four sub-committees: The 'Finance' and 'Operations' Sub-Committees meet monthly, and 'HR and Training' and 'Fundraising and PR' sub-committees meet bi-monthly. The Board oversees the implementation of policy and considers recommendations for action from the Chief Executive. The day-to-day running of the charity is delegated to the Chief Executive within procedures and policies set by the Board.

A list of the Trustees who have served during the year is on page 1. Trustees retiring by rotation at the next annual general meeting and being eligible, offering themselves for re-election are Mr P Parker, Mrs A Livesey, Mr G Little and Mrs M S Dixon.

No expenses have been claimed by any Trustees, but during the year Mr Parker's spouse was employed in the capacity of a Youth Link Coordinator and received a salary and had expenses reimbursed in the normal course of her employment.

Risk Management

A Risk Assessment and Management process is now undertaken continuously and reported to the Trustees. It covers risk in relation to corporate, statutory, financial, property and people issues. It records areas of risk previously identified and any new areas of risk and details action taken or to be taken. Systems and procedures have been established to mitigate the risks that the charity faces. Significant external risks due to funding have led to the development of tight internal control procedures and a strong fundraising strategy. Procedures are in place to ensure the health and safety of staff, volunteers, service users and visitors to all Children North East sites and activities. The charity has continued with the implementation and embedding of the PQASSO quality assurance system.

OBJECTIVES AND ACHIEVEMENTS

The charity's objects are:

- 1.1 to promote the general health, education and development of children, young people and their families and carers living in the North East of England, the rest of the United Kingdom and such other locations as the Trustees of the charity determine from time to time through the provision of a range of services, training and development opportunities for children, young people, their mothers, fathers, carers and the professionals who work with them; and
- 1.2 to educate the public and professionals in child welfare issues.

The charity's work benefits children, young people and their carers in the parts of the North East of England served by our projects: the Cities of Newcastle upon Tyne and Sunderland; parts of Gateshead; the County of Northumberland; and parts of County Durham. The charity also provides support to organisations across the region and nationally who are developing their work to include fathers and male carers.

Public Benefit

To achieve its objects during the year Children North East provided the following for the general public benefit:

- a range of family support services, including volunteer home visiting services; support for families in homeless accommodation; outreach to parents from Children's Centres in Newcastle;
- a rural Children's Centre in Western Tynedale;
- intensive therapeutic work with parents who misuse drugs or alcohol and families where there is domestic violence;
- support to children in primary schools to enable them to get the best from their education.
- an open access health support and information service for young people in the West End of Newcastle;
- 'Youth Link' services which recruit, train and support young people as volunteers to support other young people; and
- support for organisations in many parts of the country to enable them to engage better with fathers.

Projects are funded in different ways - Service Level Agreements with Primary Care Trusts contracts with Local Authorities obtained through competitive tendering; and grants from Charitable Trusts and funding bodies such as the Big Lottery. The Fathers Plus service also generates income from sales of services and resources to organisations. 'Back office' costs – finance including buildings, equipment and insurance, HR support and volunteer development, management time and associated administration are recharged to the projects pro-rata.

The charity seeks the views of the users of our services continuously and feeds them into the development of existing and new services.

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Progress on the main objectives for the year ending March 2011 was as follows:

Further promote the rights of children and young people

All staff, volunteers and Trustees were involved in a review of our current aims which were then restated as: 'to promote the rights of children and young people; and to counter the effects of inequality on them, their families and communities.' This ensures that Children North East focuses on children's rights as set out in the United Nations Convention on the Rights of the Child (UNCRC).

To ensure the whole organisation upheld this aim we implemented a 'participation strategy' so that each project examined its practice consulting of children and young people. Projects are required to report annually on the participation of children and young people and the changes it has made. All staff have now been trained in participation practice.

Our 'West End Youth Enquiry Service' (WEYES) drop in for young people was awarded the Department of Health 'You're Welcome' quality standard for young people's health services. The award is given to services that involve young people in service improvement; enhance the patient experience; and increase young people's opportunities to share in decisions about their health. WEYES offers a range of healthy lifestyle, sexual health and mental health services for young people.

Children North East won a contract from Newcastle City Council to establish an independent Youth Council for the City. We organised the first ever elections to Newcastle Youth Council in May 2010. 50 candidates stood for the 30 places and over 8,500 young people voted. We have been supporting the Youth Councillors to establish the Youth Council as independent body. During the year they have formed as a working group, agreed terms of reference, established the committee structure, agreed priorities, and worked with a marketing consultant to set up branding and a website.

It is an established principle of our family work that the views of all members of the family including children and young people shape our work with the family. This has been especially important in 'Hidden Harm' work with parents who misuse substances, have mental health difficulties, where there is domestic violence and poor parenting. Listening to young people in those families we worked with in Northumberland led to us establishing a support group for them to meet together.

Continue to counter the effects of inequality on children, young people, their families and communities

Children North East invested in complete renovation of and a large extension to our building that houses the WEYES project. The Board saw this as an investment in the young people of Benwell and Elswick where the project is based. WEYES now has excellent facilities that are attracting other services to be based there and will increase the opportunities available to young people.

Our fund raisers met the target set for them for community fund raising for the building project. We are also very grateful for donations from charitable trusts and of services and goods from local businesses. We are particularly grateful to _space group who designed the building and obtained planning permission free of charge and managed the building project at cost. However less was raised in grants from charitable trusts than had been hoped for. We obtained a loan of £250,000 from Unity Bank to manage cashflow during the building project and have repaid £100,000 leaving an outstanding loan of £150,000. We expect to

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recover and repay this through charges on existing and additional services provided from WEYES.

Newcastle PCT has extended its contract with us to deliver sexual health services to young people from WEYES for a further 3 years. During the year WEYES has extended the offer of these services to Newcastle College and Newcastle University.

We were successful in an application to Big Lottery for funding to offer the existing diploma course in mental health for young people (called 'BU') to schools in Newcastle and Gateshead. This builds on successfully selling and delivering the programme to secondary schools in both boroughs during the year. This work is managed from WEYES.

We negotiated continued funding for 'Hidden Harm' services with Gateshead Council as 'spot purchases' when the original contract for a pilot ended. 'Hidden Harm' services are for families where there is domestic violence, mental ill-health, parental substance misuse and serious concerns about care of children.

In July Northumberland County Council ended a two year contract for 'Hidden Harm' services 6 months early to save money, there were no concerns about the quality of service we provided. The Trustees agreed to underwrite the costs of the team on reduced hours while they marketed the services as 'spot purchases'. This has met with some success including continuing to provide some to Northumberland County Council.

We obtained new sources of funding to maintain the existing Youth Link service in County Durham which would otherwise have ended in March 2011.

Grant funding was finally agreed by Newcastle City Council on 1st April 2011 so that work with young people, families in temporary accommodation, children absent from school and outreach from Children's Centres in west Newcastle will all continue into 2011-2012 albeit at slightly reduced levels.

The Father's Plus service organised a well attended national conference in York on the theme of sustainable work with fathers. A contract to engage fathers in parenting programmes in Sunderland was very successful exceeding all targets.

Mark the 120th anniversary of the charity in 2011

Our theme for the 120th anniversary year is 'Child Poverty – definitely not a thing of the past'. Children North East was originally called the Poor Children's Holiday Association and we will make the connection with the origins of the organisation but point out that though child poverty still exists, it is largely hidden from view. We have commissioned prominent advertising on this theme including the opportunity to donate by text.

We have joined with the Beatrice Webb Memorial Trust which is funding a photographic project we have devised which will involve 1,200 children and young people in each North East local authority area and culminate in an exhibition of their images to depict what poverty means to them where they live. The exhibition will be launched at a national conference hosted by the Beatrice Webb Memorial Trust and Children North East in Newcastle in November 2011.

A Trustee and the Senior Fund Raiser are researching the history of the organisation and working with journalists and broadcasters to tell it publicly. Through this they have made contact with former service users. Taking advice from teachers they are developing a

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teaching resource for schools based on our history which will be used to raise awareness of the organisation and to support school fund raising.

The annual Sandcastle Challenge in 2011 for school children and teams of professionals will have a celebratory 120th birthday theme as will our Sandcastle Charity Ball that follows it. We have also been offered use of Blagdon Hall, family home of the Ridley family in Northumberland to stage a 120th birthday Family Day in June.

Our website has been redesigned and rebuilt to incorporate a content management system which gives us more control over its content and the ability to keep it up to date with feeds from our Facebook, Twitter and the Chief Executive's blog. The website is now fit for purpose to market our services and name.

Initiate a three year strategic plan

Following a review of the Board of Trustees in January 2010 we recruited and appointed 3 new Trustees who bring new ideas, skills and fresh perspectives. During recruitment we sought to understand not only what new Trustees could bring to the role but also what they wanted from it and we have found ways to make good use of their interests and skills.

In July 2010 we forecast the probable impact of cuts in public finances on our income of up to a 56% reduction. The senior management team found alternative sources of income for some projects, developed ideas for new sources of income and new business models. At the same time we cut overheads.

In year losses caused by one local authority ending a contract for intensive family work 6 months early to reduce costs; and income for Father work well below expected levels made it necessary to take the exceptional step of re-profiling the budget in October 2010 for the remainder of the year.

Some staff were made redundant during the year and a quarter of all remaining staff were at risk of redundancy from January 2011. Fortunately most projects found funding albeit some very belatedly and in all only 3 staff lost their jobs at the end of March 2011 and a further 2 took voluntary redundancy.

These events were the background to a 3 year strategic plan that the Board approved in January 2011. The aim of the plan is that Children North East adapts to the new funding environment by becoming far less reliant on income from the public sector.

OBJECTIVES FOR 2011-2012

Our 3 year strategic plan (2011 to 2014) has these three objectives:

- Be known to speak out about child poverty in North East England
- Be financially self-sustaining
- Increase the spread and impact of what we do

Within that the objectives for the first year (2011 to 2012) are:

- Host activities and a significant public event highlighting child poverty in the North East region
- Increase income earned from sale of services from 13% to 20% of all income during the

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year

- Improve how we record and report the impact of our activities

ACHIEVEMENTS AND PERFORMANCE / IMPACT

In 2010-2011 Children North East provided direct services to children, young people and families in Newcastle, Gateshead, Sunderland, County Durham and Northumberland. These services are intensive in time and individually tailored to the needs of the child, young person or family who can choose whether to use them.

During the year 4,093 children and young people; 1,176 families benefited from our services. We worked with 44% more children and young people and 66% more families than the previous year.

11% of the children and young people we worked with were from Black and Minority Ethnic groups and 4.5% had some form of disability.

We also worked with 620 fathers and provided training to 706 practitioners about how to work more effectively with fathers and male carers.

Our Hidden Harm services in Northumberland and Gateshead work with families in crisis often at the critical time when Children's Services are considering removing the children into care. The service is highly effective so that children can remain safely with their parents thus avoiding disruption and expense to the public purse.

We are gradually increasing our public profile. We contributed to debates in the local and national media about the impact of cuts in public sector services on families and the voluntary sector.

For the first time we published an 'Impact Report' in place of the former Annual Review about the previous year's work. The report was very well received as effective marketing for the whole organisation.

The WEYES building project was completed during the year. The newly renovated premises project an unmistakable message of valuing young people and supporting their aspirations.

Our 3 Youth Link projects have matured and operate at full capacity employing 96 young people as volunteer mentors and befrienders. Each has a list of young people waiting to be matched to a volunteer, such is the demand for these services.

All projects publicise the complaints process to service users. There were no complaints from service users during the year. We receive many enquiries from local authorities and individuals seeking historical information about their childhood. All our former children's home records are stored digitally and original files can be retrieved and relevant information shared with enquirers.

For some years Children North East has provided training and support to engage men in services provided by public services. We made contact with 10,629 professionals and sold 62,000 (up from 40,000 the previous year) pamphlets and other printed resources to organisations in all parts of the UK.

Children North East recruits, trains and supports volunteers to support parents and

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increasingly, young people to mentor and befriend other young people. 130 volunteers worked with us in 2010-2011, 96 of whom were young people.

Fundraising

During the year one of our two fundraisers took voluntary redundancy. We reviewed our fundraising strategy and decided to focus more attention to schools next year because other charities no longer target schools for fund raising. We will develop teaching materials based on our history to support this.

We continued to be a major recipient of unrestricted funds from the People's Postcode Lottery. This relationship is likely to continue, in return we agree to advertise their support of our work.

The main focus of our fundraising continues to be building relationships with local businesses. Benefits from this are sponsorship of fundraising events; donations of goods and services especially for the WEYES building project this year; unrestricted fundraising and Christmas gifts for children from employees; and some restricted income for example for families in temporary accommodation.

In Children North East fund raising includes marketing. In May we were invited to take part in the Pfizer 'Thinkathon' when 25 Pfizer managers gave their time for one day to focus on ways to promote Children North East. This has resulted in greater attention to defining and promoting our brand.

We commissioned digital advertising on the departure screens at Newcastle Airport incorporating text giving. Also posters on Metro trains promoting our annual Christmas 'Giving Tree' appeal. We have maintained at least 2 pieces a month about the charity in local newspapers, TV and radio.

In July web designers and programmers built a new website for us during the 24 hour Webdurance event. We now have greater control of content than before and also a much higher search engine rating.

The main fundraising and promotional activities of the year have once again been the Sandcastle Challenge, Sandcastle Ball and Christmas Giving Tree.

Other fundraising events were:

- Annual Golf Tournament for business people.
- Charity fashion show
- Recruited supporters to raise money by being sponsored to take part in zip wire from the Tyne Bridge, the Great North Run and the Edinburgh Marathon.
- Organising volunteers for collections in shopping centres and bag-packing in supermarkets.

The charity raises limited funds from sale of Christmas cards and personal letters from Santa to children at Christmas. We also have a pool of some 4,000 supporters who receive our newsletter twice a year many of whom make regular donations.

REVIEW OF OUTSIDE FACTORS

The North East region is losing regional bodies such as Government Office North East, One North East and the Strategic Health Authority. Organisations with a regional title like Children North East can step into the vacuum, in our case to speak out on behalf of children.

There are likely to be fewer but bigger public sector contracts to bid for. Increasingly voluntary organisations will form consortia to bid for contracts. Recent Big Lottery grant schemes have also encouraged consortia applications. There is a role for larger organisations such as Children North East to lead consortia.

The absence of government driven agendas and less public sector money creates an opportunity for voluntary organisations to set their own agenda. Children North East will focus on child poverty. We expect that data from our photography project with children and young people in all parts of the region will enable us to identify needs in specific locations which we expect to respond to by commissioning services ourselves.

Voluntary organisations can access funding which is closed to public bodies. Local Authorities will want to partner with voluntary organisations to develop services funded through sources such as Big Lottery and charitable foundations.

Public Sector bodies are unlikely to continue to grant fund entire projects but will want to retain our services for some children, young people and families. Where possible we will market individual pieces of family or group work as 'spot purchases'. Public bodies are more likely to buy services in this way.

Schools will have even more freedom to spend their income as they see fit. Some schools will use the new Pupil Premium grant for disadvantaged children to commission additional services for those children. Children North East offers several services for schools which we will market to them.

The continuing recession, cuts in welfare benefits and reductions in public services will mean more children, young people and their families will have less money and greater stress on family relationships. There are likely to be increases in domestic violence, parental mental ill-health and substance misuse and neglectful parenting and therefore more demand for Children North East services.

Young people are finding it much harder to find work; abolition of the Education Maintenance Allowance and changes to Housing Benefit will impact hard on them. Children North East will create opportunities for young people as apprentices and volunteers and we will offer more student placements and work experience.

Responsibility for public health will transfer from the NHS to Local Authorities who will create Health and Wellbeing Boards to set local health priorities. There is a danger that children and young people's needs will have less priority and that desirable outcomes for them will increasingly be expressed in health terms.

GPs will form consortia and be empowered to commission local health services including services for children, young people and family health. It is possible this will include family support services of the type offered by Children North East. Voluntary organisations will

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need to engage with these new health bodies.

The importance of fathers to children's well being is no longer specifically supported by government policy. Children North East will continue to promote the importance of good family relationships including fathers and male carers. Funding this work has become extremely difficult so we will manage it as part of our offer to families and expect to offer more online.

The coalition government appears to use the 'Big Society' as a 'brand' rather than a set of specific proposals. However the brand includes voluntary organisations, social enterprises and businesses running former public sector services; greater local accountability and control; more voluntary service and greater public giving to charity. Children North East is very experienced in recruiting, training and supporting volunteers to provide services, we will also create other sorts of opportunities for volunteers for example to support fund raising.

FINANCIAL REVIEW

Sources of Income

Children North East continues to be highly dependent upon short-term restricted income grants from a wide range of donors totalling £1,957,038 (2009 £1,386,392). The majority of this income continues to be classified as non-business for VAT on the basis that the funding body does not receive a benefit from the service. Increasingly local authorities are switching from the traditional model of grant based funding to seeking tender bids from service providers, this reclassifies the activity as “business” for VAT purposes. Income is always shown net of any applicable VAT.

Unrestricted income was £197,114 (2009 £281,654), of which £178,211 (2009 £190,982) comprised funds raised from voluntary donations and fundraising activities, £2,158 (2009 £59,187) was raised in connection with charitable activities and £16,744 (2009 £31,485) comprised investment income. The income raised within the charitable activities continues to be mainly raised by the Fathers’ projects. Both the voluntary donations and the investment income have been adversely affected by the economic downturn.

Reserves Policy

Funds received in respect of the WEYES refurbishment appeal comprise **restricted funds** of £28,172 (2009 £18,825).

As an aid to understanding the composition of the **unrestricted reserves** the Board has designated the purposes in respect of which reserves are held. These include:

- **Premises Fund** £636,306 (2009 £636,306), comprising those reserves locked into providing land and buildings on a long term basis (the Head Office building at 89 Denhill Park and the newly acquired premises for the WEYES project at 4 Graingerville).
- **Unrealised revaluation surplus on investments** £65,263 (2009 minus £55,645), comprising the appreciation in the market value of investments still held at the date of the balance sheet compared to their original cost.

The balance remaining after deduction of the foregoing designated reserves comprises those **General Funds** £243,017 (2009 £337,037), which are available to invest in premises, to fund future deficits, to fund working capital, to develop the charity and to meet any unforeseen contingencies.

The purchase of the former premises of the WEYES was completed in August 2008 and the refurbishment stage was on-going at the year end. £228,572 was incurred on the initial purchase and a budget was authorised of up to £400,000 for the refurbishment, of which £117,345 has been incurred up to the year end, leaving potential future spend of up to £282,655 on this project. The building appeal had collected £46,997 up to the year end so, if maximum expenditure was incurred and no further funds were raised by the appeal, up to £235,658 could potentially be charged to general funds leaving no free reserves.

The Board considers that the general funds should ideally comprise:

1. a contingency amount to cover operating deficits on activities, to be set at £250,000.

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2. working capital equivalent to two months' budgeted income (necessary because the majority of funding is received quarterly in arrears), amounting to £388,000.

Setting a target level of £638,000. As the general funds are currently below this level the Board are considering ways in which additional funds may be raised.

Reducing the operating deficit

Formerly it was the practice to set budget deficits on some projects, covering the shortfall in income by selling off investments. In December 2004 the Board recognised that the reserves were no longer sufficient to continue to fund budget deficits on the same scale. Following a review it was agreed that:

- Projects with no prospect of securing adequate funding would have to be terminated.
- Unplanned operating deficits will be avoided through careful monitoring.
- Sustainable voluntary fundraising must be increased.

INVESTMENT POLICY

Speirs & Jeffrey continue to manage the investment portfolio at their discretion within agreed parameters. The investment managers provide quarterly reports and meet annually with the Finance Committee to monitor performance.

The investment objective is to provide a balanced return between income and capital growth with a low to medium level of risk.

Restrictions on the managers' discretion:

- No investments that would be against the interests of children (i.e. armaments, gambling, tobacco or alcohol)
- No equity investment to exceed 5% of the total value of the portfolio at the time of purchase
- Total amount of fixed interest investments not to exceed 33% of the total portfolio.

Review of investment performance

The investment managers are authorised to manage at their discretion within agreed parameters. The Finance Sub-Committee tracks performance on investments at each monthly meeting. Over the year the portfolio enjoyed an increase in capital value of 24% and generated an income yield of 4.3%, based on the full market value in March 2009.

PLANS FOR FUTURE PERIODS

The Board continues to undertake a thorough examination of the options, opportunities and threats posed by the development of markets in the areas of social care that it is interested in continuing to be a provider. It has decided that the immediate future for the charity lies in securing grants and contracts for work from statutory agencies while it continues to seek funding from traditional grant giving trusts and foundations. The Board will ensure that all developments are in line with Children North East's objects and values.

FINANCIAL RISK MANAGEMENT POLICY

The charity's principal financial instruments comprise cash and investments. Other financial assets and liabilities, creditors and debtors, arise directly from normal operating activities. The main risks associated with the charity's financial assets and liabilities are set out below. The charity does not undertake any hedging activity.

Interest rate risk

The charity invests short term surplus cash in a variable rate interest yielding deposit account with the Charities Aid Foundation and any longer term surplus cash is transferred to our investment managers to be invested. Interest income and cash flows can be affected by movements in interest rates but as interest only comprises a small part of total income the Board do not consider there to be any significant exposure.

Investments

Income and cash flows can be affected by dividend yields on equity investments and capital values can be affected by market value fluctuations. Again, as dividend income only comprises a small part of total income the Board do not consider there to be any significant exposure.

However the investments represent a significant proportion of the net assets of the charity so there is a significant capital value exposure to market value fluctuations. This had been identified previously however the control mechanism, of investing at the discretion of professional investment managers and monitoring performance, failed to significantly mitigate the impact of the crash in stock market valuations during 2008-2009. The Board have yet to decide how to deal with this risk in future.

Credit risk

The charity's policy is aimed at minimising such losses. However the charity depends on many funders to reimburse its expenditure and each funder has its own claim procedure, rules and deadlines. There is a risk that expenditure may be incurred that does not qualify for reimbursement (i.e. redundancy when funding ceases) or that we are unaware of until after the claim deadline (i.e. supplier invoicing error). Generally claims are made for each project activity, prepared quarterly and care is taken to comply with funder deadlines so the Board does not consider there to be any significant exposure.

Liquidity risk

The charity manages its cash flows to ensure sufficient funds are available when required. Liquidity moves on a quarterly cycle as those funders paying in arrears process reimbursement claims. Recourse can be made to selling investments to generate cash when necessary for significant capital investment and to fund deficits. As cash can be realised from investments within 24 hours the Board do not consider there to be any significant exposure.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The Trustees who were members of the board at the time of approving the Trustees' report are listed on page 1. Having made enquiries of fellow Trustees and of the company's auditors, each of these Trustees confirm in their capacity as directors that:

- to the best of each director's knowledge and belief, there is no information relevant

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to the preparation of their report of which the company's auditors are unaware; and

- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Trustees, in their capacity as directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom Law and United Kingdom Generally Accepted Accounting Practice.

Company Law requires directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss for the company for that period. In preparing those financial statements, the directors 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members in General Meeting.

By order of the Board on 20 October 2010

Mr S Richardson
Chairman