

FREE THE CHILDREN (UK)
(Company number 7306686)

REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011

FREE THE CHILDREN (UK)

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FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011**

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FREE THE CHILDREN (UK)
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**REFERENCE AND ADMINISTRATIVE INFORMATION
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011**

TRUSTEES

Jennifer Ann Brigden
Hamish Andrew Jenkinson
Alison Louise Young
Richard Hamilton

MANAGEMENT

Operations Director: Jessica Bentley-Jacobs
Operations Manager: Kasia Popowicz

PRINCIPAL OFFICE ADDRESS

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London, SE1 7HS
Tel: 020 7921 4305
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REGISTERED OFFICE ADDRESS

Belmont House
Station Way
Crawley, West Sussex
RH10 1JA

COMPANY NUMBER

7306686

CHARITY NUMBER

1138645

BANKERS

Royal Bank of Scotland
Threadneedle Street,
London, EC2R 8LA

AUDITORS

Hetherington and Company
Second Floor, 289 Green Lanes
Palmer's Green, London N13 4XS

SOLICITORS

Thomas Eggar LLP
Belmont House
Station Way
Crawley, West Sussex
RH10 1JA

**FREE THE CHILDREN (UK)
(Company number 7306686)**

**TRUSTEES REPORT
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011**

The Trustees, who are also Directors of the Charity for the purposes of the Companies Act 2006, present their report and the audited financial statements for the period ending 31 July 2011.

The reference and administrative information set out on page 1 forms part of this report.

The Charitable Company (The Charity) has prepared its financial statements in accordance with the Statement of Recommended Practice: Accounting and reporting by Charities (SORP 2005). The financial statements also comply with the special provisions of Part 15 of the Companies Act 2006 relating to small companies

Free The Children (UK) is a children's charity established on the 28th of October 2010. Free The Children (UK) is unique in that it operates programmes both domestically and internationally, in a manner that is intended to be interrelated and mutually reinforcing. Our overarching mandate is to help children and youth fulfill their potential to be agents of change.

AIMS AND OBJECTIVES

The Charity's aims and objectives as set out in its memorandum of association and articles are:

- To advance in life and help young people by providing support and activities which develop their skills, capacities and capabilities to enable them to participate in society as mature and responsible individuals.
- To relieve poverty, advance education, relieve sickness and promote and protect good health.

Free The Children (UK) is a non-denominational and non-partisan organisation.

STRATEGIES ADOPTED TO ACHIEVE THE AIMS AND OBJECTIVES

The Charity seeks to achieve its aims through its activities which include:

Domestic Programmes

Our primary goal is to ensure all young people are free to achieve their fullest potential as agents of change. We believe that young people will change the world once they are free from the notion that they are powerless to make a difference.

Through our domestic programming, we work to free children from the idea that they are too young to make a difference. Instead, we help them to realise their full potential as compassionate and active members of their local and global communities.

Campaigns

Free The Children (UK) has an array of campaigns that promote learning and action on pressing local and global issues. Through these campaigns, young people raise funds and awareness on issues that they are passionate about.

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FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011**

Teacher Resources

Free The Children (UK) offers issue-based resources to support teachers as they bring social justice education into their classroom.

Free The Children Groups

Formed by students in a school or by a few motivated youth in the neighbourhood who want to take action, these groups are the foundation on which Free The Children (UK) is built. They raise funds and awareness for the issues that matter, participate in our many programmes and push the message behind our campaigns into their communities and the world.

Youth Programming Coordinators

This team offers insight into various social issues, maintains ongoing communication with teachers and youth and provides one-on-one support for groups' fundraising and awareness-raising actions. They are always there to help and answer any questions youth and teachers may have about our programmes, campaigns and events.

Motivational Speeches

Custom designed speaking tours for all ages are aimed to educate students to learn more about social issues, including the Millennium Development Goals, and inspire them to take action to help children in their local and global communities.

Leadership Workshops

School educational workshops bring social justice learning to life whilst achieving numerous curriculum outcomes.

Youth Summit

The summit is a yearly event for student leaders to connect and share their experiences and interests. Through a series of interactive workshops and activities, youth share ideas for creating social change in their local and global communities.

International Volunteer Trips

The opportunity to experience international development first-hand, Free The Children (UK) gives young people the chance to visit projects overseas. These international volunteer and leadership experiences take place in the rural communities of Arizona-Mexico, Kenya, Ecuador, China and India.

International Programmes

In pursuit of its charitable aims, Free the Children (UK) co-operates with Kids Can Free The Children, a charity registered and incorporated in Canada and one with whom Free The Children (UK) share similar aims and objectives. Free the Children (UK) achieves its objectives by providing grants in support of international projects initiated by Kids Can Free The Children.

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With respect to international projects, the Charity particularly focuses its support on:

The Adopt a Village model

Around the world, the Adopt a Village development model, works alongside the children, women, and men who every day strive to free themselves from poverty, exploitation, disease and thirst. This effort is not charity, it is sustainability.

Adopt a Village was developed from an understanding that everything is part of a wider system. We understand that to help children break free from poverty, we must first work in partnership with the community to empower their mothers, improve their schools, outfit their health clinics and build their clean water wells.

The Adopt a Village model is implemented in rural communities within Haiti, Kenya, China, India, Nicaragua, Sierra Leone and Ecuador. Each region we support in is chosen based on its high incidence of poverty and child labour.

Designed to meet the basic needs of communities and eliminate the obstacles preventing children from accessing education, Adopt a Village is made up of four pillars crucial to freeing communities from poverty: education, alternative income, health care and clean water and sanitation.

Supporting Education

Education provides the highest return of any social investment. The education programmes supported build schools and libraries; purchase school furniture and basic schools supplies; and contribute to teacher development, certification trainings and on-site living accommodations for educators. Together, these projects improve the quality of education, helping to empower children and entire communities to break the cycle of poverty for future generations.

Promoting Health

At Free The Children (UK), we recognise the link between helping disadvantaged people meet their basic health care needs and building strong communities. These needs include mobile health clinics; basic medical supplies; training for health care workers; student nutrition programmes; community gardens for fresh, nourishing food; health care and awareness workshops to educate communities on preventable diseases; and kitchens and dining halls.

Clean Water and Sanitation

At Free The Children (UK) we believe that clean water is not a luxury—it's a basic human right. The clean water component of the Adopt a Village model provides communities with localized clean water sources and sanitation facilities, reducing the spread of waterborne diseases and ridding children of their daily treks to collect water, freeing them to attend school. The clean water and sanitation projects include the construction of wells, rain catchment systems, hand-washing stations and latrines. We aim to support community members to promote local education in basic hygiene practices and waterborne disease prevention.

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Supporting Alternative Income

With our support the alternative income programmes target marginalised parents, especially women, providing them with resources to generate a sustainable source of income, increase their savings and even start their own businesses. Those resources include agricultural training, women's lending circles, animals for breeding and milking, financial literacy workshops, business training sessions and women's support groups. With these gifts, parents are given the education, tools and skills to improve their income, helping to give their children access to education and removing them from situations of child labour.

Our Partnership with Virgin Atlantic Airways

In 2010, Free The Children (UK) formally entered into a three-year partnership with Virgin Atlantic Airways as part of the airline's active sustainability programme, 'Change is in the Air.' The partnership between Free The Children (UK) and Virgin Atlantic Airways focuses on creating change amongst young people in the UK and working to support communities in Kenya, China and India.

Domestically, Virgin Atlantic Airways is supporting the Be The Change Speaking Tour which will reach across the United Kingdom, engaging and motivating young people to tackle issues that they are passionate about. Students have the opportunity to learn leadership and entrepreneurial skills, empowering them to take action at a local or global level. Furthermore, Virgin Atlantic Airways have set up a Matching Fund so that students who fundraise for Adopt a Village projects can apply to have their contributions matched. Beyond local engagement, youth are presented with the opportunity to take part in a Volunteer Adventure Trip through a partner organisation where they witness firsthand the impact that they are making abroad.

Virgin Atlantic Airways is also supporting 6 communities in rural China, India and Kenya via the holistic sustainable development model Adopt a Village. By supporting Adopt a Village, Virgin Atlantic Airways is making a tangible difference in the lives of thousands of community members around the world.

FREE THE CHILDREN UK'S NOTABLE ACHIEVEMENTS

During the period there were some notable achievements including:

Be The Change is a unique school programme designed to engage and motivate students to create a better world. With a focus on the United Nation Millennium Development Goals, students develop leadership skills and learn about volunteerism and social entrepreneurship as a means of making a positive impact on the world. Students are inspired to "be the change." Thanks to the generosity of Virgin Atlantic Airways, the programme is available to schools in the UK at no cost.

The Be The Change programme begins with a motivational speech, followed by a workshop on leadership skills training, giving students tangible tools, tips and direction on becoming active global citizens to support their peers in developing the world.

The speaking tour part of the Be The Change programme includes:

- Hour-long multimedia presentation to the entire student body
- Fun, interactive workshop for 20 student leaders
- Action-planning session
- Teacher resource guide
- Ongoing support provided by Free The Children (UK)

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Trips

In the summer of 2011, our partner organisation hosted the first Virgin Atlantic Airways Scholarship Trip to Kenya. Twenty eight students from around the UK were accepted to join the trip that took place from July 31 to August 17 2011.

Youth Summit

Held on 2 July 2011, the summit engaged young people from schools across the UK in a day of learning on how to bring change to their local and global communities. Participants heard inspirational speeches from Free The Children (UK) speakers and came away with new friendships, connections and memories to inspire them on their path to making a difference.

International Programmes

With support from Virgin Atlantic Airways, Free The Children (UK) has been able to help make significant progress on development work in India, Kenya, China and Haiti. With all four pillars of Adopt a Village working together, we are confident that the communities we work with there can become beacons of sustainability and development.

The following international programmes were supported in the year.

Udawad and Kamoda, India: Adopt a Village projects in India take place in the Udaipur District in the northern state of Rajasthan, which suffers from many economic and social crises. In Udawad and Kamoda, communities have little access to education, water, income generating activities, and health care services.

Our support has helped contribute to the following successes in Udawad:

- Two new classrooms with the construction of two new classrooms already in the works
- Students equipped with school kits
- Families in Udawad to raise awareness about the importance of clean water practices
- Hand-washing stations and latrines are scheduled to be built to help families reduce the spread of disease
- Informal home visits which include raising awareness of mother/child health
- Development of a new Agricultural Development Centre in the community

Our support has helped contribute to the following successes in Kamoda :

- The digging of the foundation for the school
- The school is being outfitted with supplies
- Trainings are taking place on personal hygiene, nutrition, disease prevention and pre- and post-natal care

Alternative Income - Kenya, India and China:

The alternative income programmes target marginalized parents, especially women, providing them with resources to generate a sustainable source of income, increase their savings and even start their own businesses. These resources include animals for breeding, financial literacy workshops, micro-credit loans, business training sessions and women's support groups. The skills, confidence and income gained from these sources empower mothers to invest in their household, and send their children to school.

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Our support has helped contribute to the following successes:

China

- Micro-enterprise development
- Financial literacy training
- Debt management training

India

- Delivery of 12-part micro-enterprise programme
- Financial literacy training
- Women's groups
- Formation of a federation for women taking part in dairy farming
- Gender equity training
- Caste sensitisation
- Youth empowerment

Kenya

- Delivery of 12 part microenterprise curriculum
- Engaging women's networks and cooperatives in governance and rights trainings
- Business and literacy skills training
- Developing merry-go-round

Haiti

When the 7.0 magnitude earthquake struck Haiti's capital city, Port-au-Prince the disaster ruined homes, schools, hospitals and the lives of hundreds of thousands of Haitians.

Our support has helped contribute to the following successes in Haiti:

- Fully equipped and furnished all schools
- Delivered 500 school kits and household supplies to students and families
- Broke ground on new water project close to school site
- Providing clean water to mountainous regions in District of Hinche, Central Plateau where 20,000 people directly benefit
- Will pipe a water source to two other Free The Children schools, an orphanage, individuals homes, hospitals and clinics
- Delivery of 4.5 million USD worth of medical supplies
- Continuing to carry out capacity assessments and planning activities to bring new mobile health care service to the rural communities where we work in Central Plateau
- Mainstreaming health and wellness education into primary education
- Sponsoring two radio programmes that reach the Dominican Republic, North and Central Plateau which serves to promotes awareness around local issues in education and health
- Developing income-generating programmes

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PUBLIC BENEFIT

The Charity Commission in its Charities and Public Benefit Guidance requires that there are two key principles to be met to show that an organisation's aims are for the public benefit. Firstly, there must be an identifiable benefit. Second, the benefit must be to the public or a section of the public.

The Trustees confirm that in setting the charity's objectives and in planning its activities, they have had due regard to the Charity Commission's guidance on public benefit and that they will continue to ensure each year that they will consider how the charity continues to meet the public benefit objectives outlined in section 4 of the Charities Act 2006.

The Trustees are satisfied that the Charity has met the requirements of the public benefit guidance.

FINANCIAL REVIEW

The results for the period are set out on page 13. The Charity's principle source of funding in the period derived from its main donor, Virgin Atlantic Airways. During the year the Free the Children (UK) received £1,315,295 of which £76,222 related to general funds and £1,239,073 restricted specifically towards its domestic programme as well as international community development projects. During this period, the Charity incurred costs totalling £132,645 with respect to its domestic programme. The Charity also provided grants totaling £250,000 in support of international community development projects.

On the 31st of July 2011, the general funds stood at £24,426 and this is stated after the Trustee's decided to designate £9,100 from this fund towards the production of a video in support of the domestic programme. Restricted funds held on 31st of July 2011 stood at £856,428.

PLANS FOR THE FUTURE

Free The Children (UK) will continue to focus on engaging young people through the speaking tour and workshop, will provide quality programming and resources and create strong partnerships with schools to support youth leadership. Free The Children (UK) will also continue to support all international projects through Adopt a Village. Free The Children (UK) looks forward to forging new global partnerships by aligning with organisations with similar values and aims.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing Document

Free the Children (UK) is constituted as a Company limited by guarantee having been incorporated on 7th July 2010 and is therefore governed by its Memorandum and Articles of Association.

Free the Children (UK) was granted charitable status on the 28th of October 2010.

Directors and Trustees

The Directors of the charitable company (The Charity) are its Trustees for the purpose of charity law and throughout this report are collectively referred to as Trustees.

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**TRUSTEES REPORT
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011**

The Charity may appoint a new Trustee by ordinary resolution. Potential new Trustees may be recommended by members of the existing Board on the basis that the candidate has the required specialist skills needed. Newly appointed Trustees are provided with an information pack about the Charity and are given a briefing as well as details concerning their duties and responsibilities as custodians of the Trust. The Board meets formally on a quarterly basis.

The Trustees serving during the period or were appointed since the period end, were as follows:

- Jennifer Ann Brigden
- Hamish Andrew Jenkinson
- Alison Louise Young
- Richard Hamilton

Risk Management

The Trustees have taken all reasonable steps to minimise the foreseeable risks to which the Charity's operations may be exposed and to mitigate them against any significant reduction in revenue or during any sustained period of financial uncertainty. In view of this, the Board intend to ensure that general reserves represent an equivalent of 6 months working capital.

The Trustees have also identified and considered the following potential risks arising from the present economic climate:

- A reduction in existing donor funding
- Financial difficulties amongst potential donors
- Budgetary risks in the supported projects

The Trustees and the executive team will continue to closely monitor the above risks.

Organisational Structure

The Charity is managed on a daily basis by a small executive team, based in London and is headed by the Operations Director, Jessica Bentley-Jacobs with the assistance of the Operations Manager, Kasia Popowicz. The other members of the staff comprise the Youth Programme Co-ordinators and Motivation Tour Speakers and leadership facilitators.

The Operations Director reports to the Board of the Trustees on a regular basis. Although the Board meets formally on a quarterly basis, individual Trustees maintain regular contact with the office staff and make periodic visits to the office in London. There is regular and valuable communication between the Trustees themselves and between the Trustees and the executive team.

As part of the Charity's governance procedures during the year, members of the executive staff and many of the Trustees conducted a variety of fact-finding visits to a number of the overseas projects supported by the Charity.

Reserve Policy

It is the policy of the Charity that we aim for general funds to be at a level equivalent to six months to cover administrative expenditure. The Trustees consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the charity's current activities while consideration is given to ways in which additional funds may be raised.

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**TRUSTEES REPORT
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Grant Policy

The Trustees award grants only after carefully considering the merits of each application and after ensuring that the grants provided meet the stated objectives of the Charity.

Statement of Trustees Responsibilities

The Trustees (who are also the Directors of Free the Children (UK) for the purpose of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure of the charitable company for that period.

In preparing these financial statements the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charity SORP;
- Make judgements and estimates that are reasonable and prudent;
- Prepare financial statements on a going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and to 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.

Statement as to Disclosure of Information to Auditors

So far as the Trustees are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Charity's auditors are unaware, and each Trustee has taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

Small Company Exemption

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The attached financial statements comply with relevant legislation and with the Charity's governing document.

Approved by the Board of Trustees on 13 March 2012 and signed on its behalf by:

.....
Hamish Andrew Jenkinson (Chairman)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FREE THE CHILDREN (UK)

We have audited the financial statements of Free The Children (UK) for the period ended 31 July 2011 on pages 13 to 23 which comprise the Statement of Financial Activities, the summary Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 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 Charitable Company and the 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 auditors

As explained more fully in the Trustees' Responsibilities Statement on page 10, the Trustees (who are also the Directors for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that the Charity's financial statements 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, including 'APB Ethical Standards – Provisions Available for Small Entities (Revised)', in the circumstances set out in note 17 to the financial statements.

Scope of the audit

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' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implication 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 July 2011 and of its incoming resources and application of resources, including its income and expenditure for the period then ended;
- the financial statements have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice applicable to smaller entities, and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2006.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
FREE THE CHILDREN (UK)**

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial 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:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies' regime.

M Koureas FCCA, Senior Statutory Auditor
Hetherington and Co
Accountants and Registered Auditors
289 Green Lanes,
Palmer's Green,
London
N13 4XS

Date: 14 March 2012

FREE THE CHILDREN (UK)
(Company Number 7306686)

STATEMENT OF FINANCIAL ACTIVITIES
(Incorporating an income and expenditure account)
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011

	Note	General Funds £	Designated Funds £	Restricted Funds £	Total £
INCOMING RESOURCES					
Incoming Resources from generated funds					
Voluntary income					
Donations and grants	2	76,222	-	1,239,073	1,315,295
Investment income					
UK bank interest		1	-	-	1
Total Incoming Resources		<u>76,223</u>	<u>-</u>	<u>1,239,073</u>	<u>1,315,296</u>
RESOURCES EXPENDED					
Charitable activities	5	15,614	-	382,645	398,259
Governance costs	6	27,083	-	-	27,083
Total Outgoing Resources		<u>42,697</u>	<u>-</u>	<u>382,645</u>	<u>425,342</u>
Net Income for the period before transfers	7	33,526	-	856,428	889,954
Transfer between funds		(9,100)	9,100	-	-
Reserves carried forward		<u>24,426</u>	<u>9,100</u>	<u>856,428</u>	<u>889,954</u>

There were no gains or losses other than the net movement on funds stated above.

The notes form part of these financial statements.

FREE THE CHILDREN (UK)
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BALANCE SHEET
AS AT 31 JULY 2011

	Note	£	£
Fixed assets			
Tangible fixed assets	8		1,411
Current assets			
Debtors	9	16,258	
Cash at bank and in hand		<u>885,102</u>	
		<u>901,360</u>	
Creditors: amounts falling due within one year	10	<u>12,817</u>	
Net current assets			<u>888,543</u>
Net assets			<u><u>889,954</u></u>
FUNDS			
General funds	12		24,426
Designated funds	13		9,100
Restricted funds	14		<u>856,428</u>
			<u><u>889,954</u></u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Board of Trustees on 13 March 2012 and signed on its behalf by:-

.....

Hamish Andrew Jenkinson (Chairman)

The notes form part of these financial statements.

FREE THE CHILDREN (UK)
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011

1. ACCOUNTING POLICIES

1.1 Accounting conventions

The financial statements are prepared under the historical cost convention. The financial statements have been prepared in accordance with the Companies Act 2006, the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) issued in March 2005 and the FRSSE (April 2008).

1.2 Incoming resources

Voluntary income including donations, gifts, legacies or grants from various individuals, corporations and charitable foundations are recognised where there is entitlement, certainty of receipt and where the amount can be measured with sufficient reliability. Such income is only deferred when:

- a) The donor specifies that the grant or donation must only be used in future accounting periods.
- b) The donor has imposed conditions which must be met before the charity has unconditional entitlement.

Donated goods or services received are included in the Statement of Financial Activities as both intangible income and cost at a value estimated by the Trustees.

All incoming resources are reported gross before expenses.

1.3 Resources expended

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charitable company to the expenditure. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category.

Grants payable are payments made to third parties in furtherance of the charitable objectives of the Charity. Grants are accounted for when either the recipient has a reasonable expectation that they will receive a grant and the Trustees have agreed to pay the grant without condition, or the recipient has a reasonable expectation that they will receive a grant and the condition attaching to the grant is outside the control of the Trustees.

Provision for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty about either the timing of the grant or the amount of the grant payable.

Irrecoverable VAT is charged against the category of resources expended for which it was incurred.

1.4 Support costs.

Overhead and support costs have been allocated across activity categories on a basis consistent with the use of the resource, e.g. salaries allocated on the basis of estimated time spent and office overheads by estimated usage.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011

1. ACCOUNTING POLICIES (Continued)

(i) Charitable activities

This represents all direct costs (including grants) associated with the identified charitable activities together with attributed support costs.

(ii) Governance

This represents all costs involving public accountability of the Charity and its compliance with regulation and good practice. These costs include costs related with statutory audit and constitutional requirements together with attributable support costs.

1.5 Tangible fixed assets

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets by equal annual instalments over their expected useful lives. The rate applicable is:

Office equipment and furniture 25%.

1.6 Operating leases

Rentals paid under operating leases are charged to the Statement of Financial Activities in the period to which they relate.

1.7 Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling using the exchange rate ruling at the balance sheet date. Transactions in the period are translated using the exchange rate ruling on the date of the transaction. Exchange differences are written off to the Statement of Financial Activities.

1.8 Funds

General funds

General funds are donations and other incoming resources receivable or generated for the objects of the Charity without specified purpose.

Designated funds

Designated funds are those funds which the Trustees have set aside from general funds for the benefit of a particular project.

Restricted funds

Restricted funds are specifically donated to the charity where the donor has specified they be used for the benefit of a specific project or for a particular administrative cost.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD 7 JULY 2010 TO 31 JULY 2011

2. DONATIONS AND GRANTS

	General Funds £	Restricted Funds £	Total £
Donations and grants	76,222	1,239,073	1,315,295
	<u>76,222</u>	<u>1,239,073</u>	<u>1,315,295</u>

3. RESOURCES EXPENDED

	Grants £	Direct Costs £	Support Costs £	Total £
International projects -Community development -see note 5(a)	250,000	-	-	250,000
Be the Change - UK school tours	-	12,598	119,299	131,897
Scholarship -Volunteer trips	-	-	16,362	16,362
Governance	-	27,083	-	27,083
	<u>250,000</u>	<u>39,681</u>	<u>135,661</u>	<u>425,342</u>

4. ALLOCATION OF SUPPORT COSTS AND OVERHEADS

Support costs are those expenses incurred in connection with the administration and operation of the charity. For the period under review all support costs were allocated solely towards delivering the Charity's UK domestic programme. For the period under review, the Trustees consider that there were no significant attributable support costs relating to supporting international projects.

The breakdown of support costs and how they were allocated towards the UK school tours programme is shown below:-

Cost type and basis	B the Change UK schools tours £	Scholarship Volunteer Trips £	Total £
Salaries & related costs- time basis	105,568	14,479	120,047
Office overheads -usage	13,731	1,883	15,614
	<u>119,299</u>	<u>16,362</u>	<u>135,661</u>

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5. ANALYSIS OF CHARITABLE EXPENDITURE BY FUND

In order to meet the Charity's stated objectives, the following grants were made in support of projects initiated by Kids Can Free Children, a charity registered in Canada.

(a) International programmes

Projects funded	General Funds £	Restricted Funds £	Total £
Adopt a village project - Udwad India	-	58,124	58,124
Adopt a village project - Kamoda India	-	11,545	11,545
Alternative income projects	-	27,086	27,086
Relief project in Haiti	-	153,245	153,245
	-	<u>250,000</u>	<u>250,000</u>

(b) UK programmes

	General Funds £	Restricted Funds £	Total £
Be the Change - UK Schools tours	-	118,166	118,166
Scholarship -Volunteer trips	-	14,479	14,479
Attributed support costs	15,614	-	15,614
	<u>15,614</u>	<u>132,645</u>	<u>148,259</u>
Total charitable expenditure	<u>£15,614</u>	<u>£382,645</u>	<u>£398,259</u>

6. GOVERNANCE COSTS

	General Funds £	Total £
Auditors fees -audit	3,000	3,000
Auditors fees-non audit fees	5,900	5,900
Legal fees	18,183	18,183
	<u>27,083</u>	<u>27,083</u>

7. NET INCOME FOR THE PERIOD BEFORE TRANSFERS

This is stated after charging:

	£
Auditors remuneration	3,000
Non audit fees	5,900
Staff costs (see note 7.1)	120,047
Depreciation	<u>472</u>

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7.1 Staff costs

	Total £
Wages and salaries	108,187
Social security Costs	<u>10,953</u>
	119,140
Other costs of employment	<u>907</u>
	<u><u>120,047</u></u>

No employees were paid a salary in excess of £60,000

None of Trustees of the Chariy were remunerated for their time or reimbursed for expenses incurred in carrying out their duties.

The average number of persons employed by the Charity during the period was:

4

8. TANGIBLE FIXED ASSETS

	Office Equipment & Furntiture £
Cost:	
Additions in the period	1,883
Eliminated on disposal	-
At 31 July 2011	<u><u>1,883</u></u>
Depreciation:	
Eliminated on disposal	-
Charge for the period	<u>472</u>
At 31 July 2011	<u><u>472</u></u>
Net book value	
At 31 July 2011	£ <u><u>1,411</u></u>

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9. DEBTORS	£
Other debtors	15,375
Prepayments	883
	<u>16,258</u>

10. CREDITORS DUE IN ONE YEAR

	£
Other creditors	3,340
Accruals	9,477
	<u>12,817</u>

10.1 LEASE OBLIGATIONS

At the year end date the Charity was not committed to any non cancellable lease agreements

11. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	General Funds £	Designated Funds £	Restricted Funds £	Total £
Fixed assets	1,411	-	-	1,411
Current assets	35,832	9,100	856,428	901,360
Creditors	<u>(12,817)</u>	<u>-</u>	<u>-</u>	<u>(12,817)</u>
	<u>24,426</u>	<u>9,100</u>	<u>856,428</u>	<u>889,954</u>

12. GENERAL FUNDS

	£
Movement in the year	33,526
Transfer to designated funds	(9,100)
At 31 July 2011	<u>24,426</u>

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13. DESIGNATED FUNDS

At 31st July 2011 the following amounts were designated from general funds

	Incoming funds £	Outgoing funds £	Total £
Towards the production of video in support of UK domestic programme	9,100	-	9,100
	<u>9,100</u>	<u>-</u>	<u>9,100</u>

14. RESTRICTED FUNDS

	Incoming funds £	Outgoing funds £	Total £
Domestic programme funds			
Be the Change fund	201,110	(118,166)	82,944
Scholarship funds	93,912	(14,479)	79,433
Matching fund	105,068	-	105,068
Adopt a village -International programme funds			
Adopt a village project - Kenya	72,800	-	72,800
Adopt a village project - Sikiri Kenya	50,750	-	50,750
Adopt a village project -India	150,000	(58,124)	91,876
Adopt a village project -India Kamoda	63,700	(11,545)	52,155
Adopt a village project - China	22,750	-	22,750
Other International programme funds			
Relief projects in Haiti fund	184,455	(153,245)	31,210
Kenya emergency nutrition fund	109,200	-	109,200
Alternative income project funds	120,889	(27,086)	93,803
Udawad watershed fund	59,965	-	59,965
Other funds	4,474	-	4,474
	<u>1,239,073</u>	<u>(382,645)</u>	<u>856,428</u>

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NOTES TO THE FINANCIAL STATEMENTS
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14.1 RESTRICTED FUNDS CONTINUED

DOMESTIC PROGRAMME FUNDS

Be the Change fund

This fund represents monies received and expended specifically for the unique UK schools programme designed to engage and motivate students to create a better world

Scholarship fund

This fund relate to grants specifically received and expended on overseas scholarship trips.

Matching Fund

The matching fund represents funds received in order to serve as an incentive to young people who will be fundraising for the adopt a village programme. The fund will be used to enable schools to have their respective donations matched pound for pound up to a maximum of £2,500.

ADOPT A VILLAGE -INTERNATIONAL PROGRAMME FUNDS

Each of the respective funds listed under this heading relate to monies specifically received towards development of those communities identified via the adopt a village programme as explained in the Trustees report. During the year the Charity provided an interim grant totalling £11,545 from funds received, specifically for the adopt a village project in Kamoda, India and also £58,124 towards adopt a village project in Udawad situated in the Udaipur District in the northern state of Rajasthan,India.

OTHER INTERNATIONAL PROGRAMME FUNDS

Relief projects in Haiti fund

This fund represents monies raised and expended to support the people of Haiti to re-build their community following the recent devastating earthquake

Kenya emergency nutrition fund

This fund represents monies specifically received to support an emergency nutrition programme for the vulnerable populations in the Narok District in Kenya.

Alternative income project funds

This fund represents monies received and expended in support of alternative income programmes in Kenya, China and India specifically targeted to help marginalised parents, particularly women, to provide them with the resources to generate a sustainable income source.

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NOTES TO THE FINANCIAL STATEMENTS
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14.1 RESTRICTED FUNDS CONTINUED

Udawad watershed fund

This fund represents monies raised and donated to the charity towards community development in Udawad also situated in the Udaipur District in the northern state of Rajasthan, India.

Other funds

Other funds represent small funds of less than £5,000 received in the year.

15. TRANSACTIONS WITH TRUSTEES

During the period the Charity paid £424 for Trustees indemnity insurance.

16. CONTROL

The Charity is ultimately controlled by the members

17. APB ETHICAL STANDARD -PROVISIONS AVAILABLE FOR SMALLER ENTITIES

In common with many other entities of our size and nature, we use our auditors to assist us with the preparation of the financial statements and also to provide other accountancy services.

18. TAXATION

Free the Children (UK), as a registered charity, is potentially exempt from taxation of income and gains falling within section 505 of the Income and Corporation Taxes Act 1988 and section 256 of the Taxation of Chargeable Gain Act 1992. No tax charge has arisen in the year.

19. COMPANY STATUS

Free The Children (UK) is a company limited by guarantee. The members are liable for the debts and liabilities of the charity to an amount not exceeding £10 in the event of a winding up during membership or within one year afterwards.