

# Financial Statements

For the year ended 31 March 2006

## Lifeline Project

A company limited by guarantee and not  
having share capital

Company No: 1842240  
Registered Charity No: 515691

Merchant Exchange, Whitworth Street West, Manchester,  
M1 5WG  
Tel 0161 209 5050 Fax 0161 236 6068

| <b>CONTENTS</b>                      | <b>PAGE</b> |
|--------------------------------------|-------------|
| Legal and administrative information | 2           |
| Trustees' Report                     | 3           |
| Auditors' report                     | 10          |
| Statement of financial activities    | 11          |
| Balance sheet                        | 12          |
| Cash flow statement                  | 13          |
| Notes to the financial statements    | 14          |

## **LEGAL AND ADMINISTRATIVE INFORMATION**

### **Constitution**

Lifeline Project is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association. Charity number: 515691. Company number: 1842240.

### **Directors and trustees**

The directors of the charitable company ("the charity") are its trustees for the purpose of charity law. Under the Articles, the directors all serve as members of the Council of Management, which constitutes the Board of Directors for the purposes of the Companies Act 1985. Directors may be appointed by ordinary resolution.

### **Board of Trustees (formerly known as the Council of Management)**

Trustees serving at the date the Trustees' Annual Report was approved were -

Ms Sheila Lee (Chair)  
Dr John Burgess Bayne  
Ms Jocelyn Jean-Pierre  
Mr Davy Iredale  
Ms Laura Keiher  
Mr David Mackintosh  
Mr Jon Snape  
Mr Mick Barwood (appointed 6<sup>th</sup> September 2006)  
Mr Guy Berry (appointed 6<sup>th</sup> September 2006)  
Ms Lynda Brady (appointed 6<sup>th</sup> September 2006)  
Mr Peter Garland (appointed 6<sup>th</sup> September 2006)  
Professor Eddie Kane (appointed 6<sup>th</sup> September 2006)  
Mr Peter McDermott (appointed 6<sup>th</sup> September 2006)  
Mr John Scampion (appointed 6<sup>th</sup> September 2006)

### **Secretary**

Ian Wardle

### **Registered office**

101-103 Oldham Street, Manchester, M4 1LW

### **Auditors**

Mazars LLP, Merchant Exchange, Whitworth Street West, Manchester, M1 5WG

### **Bankers**

National Westminster Bank Plc, 115 Deansgate, Manchester, M3 2NW  
The Co-operative Bank Plc, 1 Balloon Street, Manchester, M60 4EP

### **Solicitors**

Hill Dickinson, 50 Fountain Street, Manchester M2 2AS

## **TRUSTEES' REPORT**

**For the year ended 31 March 2006**

The Board of Trustees presents herewith their report together with the audited financial statements of the company for the year ended 31 March 2006

Legal and administrative information set out on page 2 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005).

### **1. Introduction**

Lifeline emerged in 1971 as one of the handful of community based drug agencies founded in the late 1960s and early 1970s in response to the UK's first wave of drug problems. At the time it was the only one of these agencies operating outside London. During 2005-06 Lifeline has moved to become one of the five largest charities working within the field of substance misuse in the UK as defined by income. The charity now delivers a broad portfolio of services across the North West, North East, Yorkshire & Humberside and now in London too.

Over the years Lifeline has developed a reputation for specialist skills in harm reduction services like needle exchange, work with young people and attracting black and minority ethnic drug users into services. Since the late 1990s the charity has also developed a strong specialism working with drug users in prison and is now the largest provider of CARAT (counselling, assessment, referral and treatment) services for HM Prison Service, operating in twenty five prisons in the North of England.

Less well known but of equal importance has been the development of services in Kirklees, West Yorkshire, where Lifeline provides the lion's share of the treatment system locally, including prescribing services traditionally seen as the province of the NHS.

Despite this growth in the provision of services to contract, Lifeline has also continued to provide one of the few campaigning voices in the field, prepared to speak up on behalf of drug users and their families, to question orthodoxy and take calculated risks.

### **2. Lifeline's Charitable Objects**

The objects of the charity are to relieve poverty, sickness and distress among those persons affected by addiction to drugs of any kind and to educate the public on matters relating to drug misuse.

In furtherance of its charitable objects Lifeline is empowered to:

- Provide residential therapeutic facilities
- Provide day care and advisory/ counselling / support facilities
- Provide information, education and training services to the general public, statutory agencies and voluntary groups
- Provide induction services for those wishing to become drug-free
- Promote and provide the development of new facilities pertaining to treatment of sufferers from sexually transmitted diseases and the treatment and rehabilitation of drug misusers and prevention of drug misuse
- Promote and provide the advancement of training and research into the dangers arising from habitual or other uses of drugs, and the publication of research results
- Promote the prevention of drug addiction and to make provision for the treatment and aftercare of those relieved from drug addiction

### **3. Mission Statement**

#### **Telling the Truth about Drugs**

"Telling the truth about drugs" is our mission statement and reflects our commitment to those people who access our services and our desire to make a positive contribution to the challenges and debates that arise within the drugs and alcohol field.

### **4. Objectives and Activities**

Lifeline's income has grown during the year to over £13.5m – well ahead of the forecast budget at the year's start. Much of this growth has continued to be through competitive tendering as well as the continued expansion of existing services. This growth has been reflected in our workforce which has risen from 264 to 409 over the year.

## **TRUSTEES' REPORT**

**For the year ended 31 March 2006 (continued)**

Lifeline's service portfolio now includes most types of service in most types of setting including:

- Harm reduction services
- Structured day care
- Community development work
- Young people's services
- Specialist work to meet the needs of black and minority ethnic communities
- Services to drug users in prison
- Substitute (e.g. methadone) prescribing services

Lifeline's research function continues to enable the charity to innovate in the design of its services and to contribute to the evidence base of "what works" rather than simply sticking to it. Close work with our service user customers in the design and delivery of Lifeline's services continues to be a trademark, strengthened by new representation on Lifeline's Board of Trustees.

Lifeline is working in a rapidly changing environment: The Government's ten year national drug strategy is drawing to its close in 2008 and with it the unprecedented investment in the field that has fuelled the growth of Lifeline and many other organisations in the field. The new and emerging context is the landscape of "double devolution" - of enhanced local and community determination of need and funding priorities. Lifeline is involved in a major review of strategy designed to ensure the organisation continues to successfully engage with a changing policy and funding environment, that its services stay relevant, its business model sustainable and its campaigning voice heard. In this context Lifeline's publications department continues to have a key role in projecting the charity's campaigning voice and sustaining the voice financially is one of the key challenges of the year ahead.

The other key challenge facing the organisation is responding to the increasing public service quality and accountability demands and requirements. Lifeline is committed to demonstrating its quality of work with evidence, to strengthening its policy framework and improving the infrastructure that supports its front line services. All of this has to be accomplished in a way which facilitates rather than impedes innovation and responsiveness and is affordable to the charity and acceptable to its paying customers. Lifeline is strongly committed to providing value for money and to ensuring that resources are directed to the point of impact.

Our objectives for this year and the next few years can be summarised as follows:-

### **1.Delivering Our Vision**

To ensure that Lifeline's vision and core values are established and maintained across the organisation.

### **2.Growth and Consolidation**

To ensure that the health of the organisation is maintained via sustainable growth, so providing help for more people and supporting the professional development of the workforce (staff and volunteers).

### **3. Organisational Communication**

To maintain and develop Lifeline's image and reputation, and promote effective internal and external communication frameworks.

### **4.Research and Publications**

To maintain, enhance and develop the quality and quantity of information relating to substance misuse issues available to all Stakeholders via a range of communication methods.

### **5.Campaigning Agenda**

To strive to protect the best interest of those we serve by legitimate (non-party) political activism in line with our mission to "Tell the Truth About Drugs".

### **6.Governance**

To maintain the long-term governance of the charity.

### **7. Medium / Long Term Organisational Sustainability and Success**

To plan for the continued success of the organisation beyond the current strategic planning timeframe.

## **TRUSTEES' REPORT**

**For the year ended 31 March 2006 (continued)**

### **5. Governance**

#### **5.1 The Board of Trustees (formerly referred to as Members of the Council of Management)**

The Board of Trustees is responsible for setting the strategic direction and providing leadership to the organisation. It aims to ensure that high standards of governance are achieved and in pursuit of this goal the Board commissioned a root and branch review of its governance in 2004. The review was led by an external consultant and examined all governance arrangements in connection with the systems and processes and the overall direction, effectiveness, supervision and accountability of the organisation. The review was very thorough and the findings and recommendations of the review have now been implemented, although the Board continues to review governance arrangements and strives to implement best practice in all areas of governance.

In May 2005 four additional Trustees were recruited to the Board drawn from a wide range of backgrounds and experiences and bringing a combination of skills needed to govern a charity such as Lifeline, dealing with vulnerable beneficiaries. These additional Trustees were recruited via an advertisement in the Guardian newspaper and other appropriate journals, thus fulfilling the commitment of the Board to recruit in an open and transparent manner and in line with best practice guidelines.

A formal induction programme was organised for the new Trustees consisting of a comprehensive briefing pack and meetings with key personnel within Lifeline. A dedicated member of staff was assigned to the Trustees in order to help with the induction and to act as a focal point of contact.

In January and February 2006 the Charity Commission conducted a review visit to the Lifeline Project and issued a report of their findings to the Board of Trustees in March 2006. The Commission fully acknowledged the work undertaken in connection with the root and branch review of governance and stated that Lifeline had established a comprehensive governance framework, which met effective governance standards as far as the Charity Commission was concerned. The Commission commented that indeed in some areas Lifeline set an example with innovative or uncommon practices. The Commission also acknowledged that the governance review had taken stock of new guidance which had been published since the Charity Commission leaflet CC60 (the Hallmarks of an Effective Charity) namely Good Governance – a code for the voluntary sector ([www.governancehub.org.uk](http://www.governancehub.org.uk)). The Commission also commented that the Trustees' Annual Report was of a very good standard in its description of activities and governance arrangements. In connection with the 2004/2005 accounts the Commission stated that the accounts were very good presentationally and very informative.

In December 2005 the Board of Trustees agreed to recruit additional Trustees in order to continue the good work already undertaken by Board members and to improve the sub committee membership composition, by strengthening the skills of the Board. The Trustees viewed this initiative as a continuation of the previous exercise. The Trustees also agreed to use a firm of recruitment consultants in order to recruit the best possible Trustees for Lifeline. In addition to this initiative an advertisement was also placed in the Guardian newspaper, to ensure openness and transparency. The recruitment company conducted a profiled search exercise and, as a result of their work and applications received via the advertisement, a number of potential trustees were interviewed over several days in March and April 2006. The standard of applicants was considered to be very high and an additional seven Trustees were recruited, to join the Board in September 2006. A similar induction process will take place to that used in 2005 and arrangements have already been made to conduct a half day induction event in October 2006, when the new Trustees will receive various presentations and will be given the opportunity to meet key personnel in Lifeline etc.

The Board of Trustees met formally on 10 occasions during 2005/2006.

#### **5.2 Committee Structure**

As a result of the root and branch review of governance the Board is now moving towards a sub committee structure. In July 2005 the terms of reference for two sub committees were agreed by the Board of Trustees. One sub committee will deal with audit and financial matters and another sub committee will deal with HR, remuneration and policy. Unfortunately due to lack of Trustees and appropriate skills, progress on this front has been somewhat limited. It is now envisaged that with the additional Trustees joining the Board the sub committee structure will now make progress. Senior staff from Lifeline will attend these sub committee meetings as appropriate. The sub committees have clear terms of reference and delegated powers, and will report to the main Trustee Board on a regular basis. The Trustee Board will now meet every two months and with the introduction of the sub committee structure the main Board meeting will be able to concentrate on strategic issues and a higher level overview, with detailed scrutiny taking place at sub committee level. It is believed that this board and meeting structure will best serve the needs of the charity and enable Lifeline to move forward in an effective and efficient manner and to achieve high standards of governance.

## **TRUSTEES' REPORT**

**For the year ended 31 March 2006 (continued)**

### **5.3 The Role of Senior Staff**

The Board of Trustees delegates the day-to-day running of the organisation to the Chief Executive, and this includes the formulation and implementation of appropriate policies. The Chief Executive attends all Board meetings and reports on operational and financial matters. In addition, the Finance Manager attends the Trustee Board meetings and presents a comprehensive financial report. In view of the rapid expansion of services, Lifeline appointed a Deputy Chief Executive in January 2006. The Deputy Chief Executive now attends all Board meetings and will have special responsibilities in relation to servicing the Board and sub committees. The establishment of an "Authorities Chart" is now being considered to ensure that delegated duties, within clearly marked financial parameters, are agreed at all levels. This will ensure that delegated duties are clearly understood and adhered to and that the Board is fully able to monitor the adherence of delegated authority.

### **5.4 Information and Key Reports**

An annual budget is prepared each year for approval by the Board of Trustees, together with regular financial reports and forecasts. A "traffic light" system of financial reporting to the Board has now been developed to ensure that Trustees are aware of any financial performance which may be at risk. In addition the Chief Executive presents a report at each Board meeting in connection with performance, achievements and general highlights. The management information and performance analysis is continually reviewed in order to ensure that the Board of Trustees receive adequate and appropriate information. The newly appointed Deputy Chief Executive will have special responsibilities to review systems and processes in this area.

## **6. Financial Review**

Income during the year amounted to £13,515,638, which represents a growth of 55% on 2004/5 (£8,711,043). The majority of Lifeline's income comes from contracting with a wide spectrum of public bodies. Our sustained growth over the past few years has been achieved by accepting opportunities to expand on existing service provision and the pursuit of developing new services aimed at specific needs within communities across the country.

The year to 31 March 2006 has been another successful year for Lifeline as a result of generic growth within existing areas of operation, the largest area of expansion being Prison services. Lifeline now provides services to 25 prisons across the North West, Yorkshire and Humberside and the North East compared to 13 Prisons in the North West area during 2004/5.

Total resources expended during the year amounted to £13,035,057. Expenditure has risen during the year in proportion with income.

Net incoming resources for the year amounted to £480,581. Total funds increased to £1,776,673. After all movements and transfers, the General (free) reserve increased to £656,944.

Restricted funds amounting to £410,289 were transferred to unrestricted funds during the year. This amount represents funding to refurbish a large property in Wellington Street, Dewsbury. The work was completed during the year and we are pleased that the building has had a positive impact on service provision in the area.

## **7. Reserves Policy**

Total Reserves as at 31 March 2006 were £1,776,673 and are categorised as follows:

Restricted Funds: £0

Restricted funds represent income received to support future expenditure on specific activities.

Unrestricted Funds: £1,776,673

Unrestricted funds contain both designated and general reserves.

Designated funds fall into two categories:

Property funds: £673,689

The net book value of freehold properties less any restricted funds and borrowings related to these properties.

Project Funds: £446,040

Funds that have been identified for use on specific projects.

**TRUSTEES' REPORT**

**For the year ended 31 March 2006 (continued)**

General reserves: £656,944

General reserves represent the free unrestricted, undesignated funds that are not earmarked for particular purposes. Lifeline's target is to achieve a level of general reserves equal to two months expenditure, in order to ensure that the core activities of the charity are secure as well as the overall financial position. General reserves as at 31 March 2006 amount to 30% of the target figure. Using this formula as the charity grows, so the target level increases and we have focused during the year on plans to strengthen our general reserves position.

**8. Fundraising Activities**

No material fundraising activity is undertaken by Lifeline.

**9. Investment Policy**

Due to the fact that the vast majority of Lifeline's income results from contracts for the provision of services, we do not have resources available to enter into long-term investments. Lifeline enjoys favourable rates on short-term secure deposits.

**10. Management of Key Risks**

Lifeline's risk assessment identification and policy continues to develop. The risk assessment process is now ongoing and regularly reviewed. It is particularly difficult in an organisation such as Lifeline, which is reliant on contracts from commissioners, many of which are paid in arrears.

The Trustees have overall responsibility for ensuring that the charity has proper systems in place to manage the organisation, and they ensure that risks are regularly reviewed and appropriate action taken to mitigate the risk, wherever possible. As part of the root and branch review of governance the Board of Trustees recognised that a more formal approach to risk management was needed. The Board of Trustees recognises that risk management needs to be embedded in an organisation and to be part of the culture.

In 2004/2005 a specific exercise was conducted in terms of governance risks and, in connection with this, the Charity Commission model of risk assessment was adopted and has proved to be very useful. New procedures and practices have been introduced as a result of this assessment and review, in order to mitigate against these risks.

Lifeline now follows the Charity Commission model of risk assessment and the newly appointed Deputy Chief Executive (joined Lifeline in January 2006) has special responsibility in this area in connection with operational, financial and external risks and will report regularly to the Board of Trustees.

The newly formed Executive Team (comprising CEO, DCEO, Finance Manager and Charity Consultant) meets fortnightly to steer the day to day running of the charity. Additionally the Executive Team hear reports from all senior managers on rotation at each meeting, with the organisation's two largest cost centres reported on at alternate meetings. The senior manager reports cover operational risks and financial risks, in terms of compliance with budget profiles, and any areas of potential risk to the organisation are discussed. This information in turn informs the content of the Chief Executive's report to the Board. Additionally any financial matters of risk are reported by the Finance Manager. A "traffic light" system of financial reporting of risk has now been developed and is delivered to the Board at every meeting. This report highlights any areas concerning adverse budget profiles or developing areas of risk.

The development of risk systems continue and a register of "top risks" is now being developed. In addition the introduction of the sub committee structure will strengthen risk reporting and development, and will enable the main Board meeting to concentrate on possible areas of risk in order to develop appropriate strategies.

The Board of Trustees receives regular advice from their solicitors in connection with compliance with law and regulation and the solicitor attends Board meetings as and when required.

**11. Details of serving Trustees during the financial year ending 31 March 2006**

Ms Sheila Lee (Chair)  
Dr John Burgess Bayne  
Ms Jocelyn Jean-Pierre  
Mr Davy Iredale (appointed 18 May 2005)  
Ms Laura Keiher (appointed 18 May 2005)

Ms Lydia Fleuty (resigned 2 October 2005)  
Cllr Annie Smith (resigned 11 January 2006)  
Mr Peter Hewitt (resigned 4 September 2005)  
Mr David Mackintosh (appointed 18 May 2005)  
Mr Jon Snape (appointed 18 May 2005)

## **TRUSTEES' REPORT**

**For the year ended 31 March 2006 (continued)**

### **12. Achievements and Performance**

Lifeline's work with drug users in prison has been one of the great success stories of the year. Lifeline's pioneering work in the North West was subsequently rolled-out across the North East and Yorkshire & Humberside areas following the recent HM Prison Service procurement exercise. This has led to an expansion of work across a total of twenty five prisons. Lifeline's work has now attracted the maximum performance bonus awarded for good performance by HM Prison Service.

Collaboration has been a key theme of the charity's work this year: Lifeline has also been working in close collaboration with other charities to further its objectives: In Preston, Lifeline provides the drug intervention component for one of the pilot Home Office funded "Prospects" hostels for prisoners on release. This work is in partnership with Stonham Housing Association. Lifeline's work in prisons has also involved collaborative work with other charities in the development of training for staff working with prisons. Lifeline is providing this training to staff from other provider charities as well as HM Prison staff.

Engaging beneficiaries in the design of the charity's services is a key part of Lifeline's commitment to user involvement. In Calderdale and Bradford, Lifeline has run an organised "Feedback Week" engaging 213 service users to elicit their views on the design and quality of the services they receive. 87% described themselves as satisfied or very satisfied with the service they receive.

The new multi-media unit based in Calderdale has also produced an annual review in DVD format including a number of short films about the services' activities and down-loadable PDF reports. This innovative model has been adopted for the forthcoming organisation-wide Lifeline annual review. Amongst many other achievements, the unit has produced a series of films responding to areas of topical interest within the drug treatment field. Many of these are now video-streamed via the charity's re-designed website, reaching more of the public than ever before. The new multi-media unit and the website have become critical means for fulfilling the charity's campaigning and public education objectives.

Lifeline Kirklees has been the first area in the organisation to achieve Investors in People (IIP) status after a major and sustained effort on the part of many managers and staff. This award sets new standards for the organisation in evidencing the quality of its support to its workforce. The young people's service there has also been highly commended by Government Office for a 99% achievement of the national young people into treatment target.

### **13. Use of Volunteers**

Lifeline has a long and successful history with regards to the recruitment, induction, supervision, support and training of volunteers. Roles across the organisation vary, according to the type of service, and include both supportive work and the utilisation of specialist skills that complements the work of paid staff. Volunteering continues to be a crucial area of work for the charity. Lifeline does not see volunteering as simply a way of subsidising or under-writing the cost of contracted public services. Volunteering for Lifeline is a key means of involving beneficiaries in the work of the charity and enabling them to make the transition into the workforce. This is challenging for both the individuals and the charity and poses risks for both parties that have to be managed. Lifeline believes that these are calculated risks worth running and willingness to do so marks the charity out in its field. Lifeline believes that building a workforce that includes "experts by experience" makes for services that are more responsive, more closely attuned to the charity's customers and better able to hear critical feedback and act upon it.

### **14. Disabled Persons**

The charity's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Disabled employees receive appropriate training to promote their career development within the charity. Employees who become disabled are retained in their existing posts where possible or retained for suitable alternative posts.

### **15. Plans for Future Periods**

Lifeline's future objectives were set out in last year's strategic plan document but are currently under review. A draft business plan has been drawn up to guide the organisation's business priorities to the end of the national drug strategy in 2008. Key areas for development are the consolidation of a sustainable business model, improvements in quality assurance and plans for further growth and development. To this end and to support the charity's first services in London, Lifeline has appointed to a new senior manager post based in the South East of England. London and the South East have been identified as key priority areas for further growth and

**TRUSTEES' REPORT**

**For the year ended 31 March 2006 (continued)**

development. Further work to improve the organisation's support service infrastructure, within an affordable cost envelope, are also key priorities. An external HR review has also been commissioned to advise on best practice in this area. Lifeline's objectives are clearly detailed at section 4 and these objectives present a real challenge for the Trustees, staff and volunteers. Lifeline's growth has been substantial over the past few years and if the growth is to continue it is essential that the foundations, in terms of governance, policies and structures are fit for purpose and adaptable in connection with the challenges that lie ahead.

**16. Responsibilities of the Board of Trustees**

The Board of Trustees are the directors for the purposes of company law. Company law requires the directors to prepare accounts 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 of the company for that period. In preparing those accounts, the directors are required to:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
4. prepare the accounts 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 accounts comply with the Companies Act 1985. They 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.

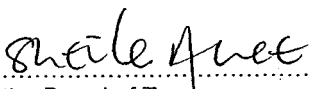
**17. Statement of disclosure to auditor**

The directors have taken all the necessary steps to make us aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information.

**18. Auditors**

A resolution to reappoint Mazars LLP as auditors to the Company will be proposed at the Annual General Meeting.

On Behalf of the Board of Trustees

Signed  .....  
Chair of the Board of Trustees  
1<sup>st</sup> November 2006

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIFELINE PROJECT**

We have audited the financial statements of Lifeline Project for the year ended 31 March 2006 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Responsibilities of the Board of Trustees, the directors, who also act as trustees of Lifeline Project, are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Trustees is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the charity is not disclosed.

We read the Report of the Trustees and consider the implications for our report if we become aware of any apparent misstatement within it.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the state of the charitable company's affairs as at 31 March 2006 and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Trustees is consistent with the financial statements.



**Mazars LLP**  
**Chartered Accountants and Registered Auditors**  
Merchant Exchange  
Whitworth Street West  
Manchester  
M1 5WG

2-11-06

**STATEMENT OF FINANCIAL ACTIVITIES  
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)  
FOR THE YEAR ENDED 31 MARCH 2006**

|                                                      | Notes | Unrestricted<br>Funds<br>2006<br>£ | Restricted<br>Funds<br>2006<br>£ | Total<br>2006<br>£      | Total<br>2005<br>£      |
|------------------------------------------------------|-------|------------------------------------|----------------------------------|-------------------------|-------------------------|
| <b>Incoming resources</b>                            |       |                                    |                                  |                         |                         |
| <b>Incoming resources from generated funds:</b>      |       |                                    |                                  |                         |                         |
| Voluntary income:                                    |       |                                    |                                  |                         |                         |
| Donations                                            | 2     | 37,001                             | 65,758                           | 102,759                 | 261,181                 |
| Activities for generating funds:                     |       |                                    |                                  |                         |                         |
| Investment income and interest                       |       | 27,273                             | -                                | 27,273                  | 10,762                  |
| <b>Incoming resources from charitable activities</b> | 3     | 13,385,606                         | -                                | 13,385,606              | 8,439,100               |
| <b>Total incoming resources</b>                      |       | <u>13,449,880</u>                  | <u>65,758</u>                    | <u>13,515,638</u>       | <u>8,711,043</u>        |
| <b>Resources expended</b>                            |       |                                    |                                  |                         |                         |
| Charitable activities                                | 4     | 12,944,369                         | -                                | 12,944,369              | 8,480,300               |
| Governance costs                                     | 5     | 90,688                             | -                                | 90,688                  | 54,411                  |
| <b>Total resources expended</b>                      |       | <u>13,035,057</u>                  | <u>-</u>                         | <u>13,035,057</u>       | <u>8,534,711</u>        |
| <b>Net incoming resources before transfers</b>       | 6     | 414,823                            | 65,758                           | 480,581                 | 176,332                 |
| <b>Transfers</b>                                     | 15    | <u>410,289</u>                     | <u>(410,289)</u>                 | <u>-</u>                | <u>-</u>                |
| <b>Net incoming/(outgoing)resources For the year</b> |       | 825,112                            | (344,531)                        | 480,581                 | 176,332                 |
| <b>Balance brought forward at 1 April 2005</b>       | 15    | <u>951,561</u>                     | <u>344,531</u>                   | <u>1,296,092</u>        | <u>1,119,760</u>        |
| <b>Balance carried forward at 31 March 2006</b>      | 15    | <u><u>1,776,673</u></u>            | <u><u>-</u></u>                  | <u><u>1,776,673</u></u> | <u><u>1,296,092</u></u> |

The statement of financial activities includes all gains and losses recognised in the year.

All incoming and expended resources derive from continuing activities.

Where appropriate, comparative figures have been restated to comply with SORP 2005.

**BALANCE SHEET  
AS AT 31 MARCH 2006**

|                                                                | Notes | 2006<br>£   | 2005<br>£ |
|----------------------------------------------------------------|-------|-------------|-----------|
| <b>Fixed Assets</b>                                            | 9     | 968,597     | 825,729   |
| <b>Current Assets</b>                                          |       |             |           |
| Stock                                                          |       | 87,219      | 100,734   |
| Debtors                                                        | 10    | 2,573,796   | 968,191   |
| Cash at bank and in hand                                       |       | 1,089,646   | 354,726   |
|                                                                |       | 3,750,661   | 1,423,651 |
| <b>Creditors: amounts falling due within one year</b>          | 11    | (2,667,677) | (736,288) |
| <b>Net Current Assets</b>                                      |       | 1,082,984   | 687,363   |
| <b>Net Assets less current liabilities</b>                     |       | 2,051,581   | 1,513,092 |
| <b>Creditors: amounts falling due after more than one year</b> | 12    | (274,908)   | (217,000) |
| <b>Net Assets</b>                                              |       | 1,776,673   | 1,296,092 |
| <b>Unrestricted funds</b>                                      | 15    |             |           |
| Designated funds                                               |       | 1,119,729   | 512,968   |
| General funds                                                  |       | 656,944     | 438,593   |
|                                                                |       | 1,776,673   | 951,561   |
| <b>Restricted funds</b>                                        | 15    | -           | 344,531   |
|                                                                |       | 1,776,673   | 1,296,092 |

Approved by the Board of Trustees and signed on their behalf by:

**D Jredale**  
Director

1 November 2006

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2006**

|                                                                  | Notes | 2006<br>£             | 2005<br>£               |
|------------------------------------------------------------------|-------|-----------------------|-------------------------|
| <b>Operating activities</b>                                      |       |                       |                         |
| Net incoming resources                                           |       | 480,581               | 176,332                 |
| Investment income and interest                                   |       | (27,273)              | (10,762)                |
| Interest paid                                                    |       | 7,908                 | -                       |
| Depreciation                                                     |       | 220,390               | 161,139                 |
| Cash inflow/(outflow) from movements in stock                    |       | 13,515                | (9,548)                 |
| Cash (outflow) from movements in debtors                         |       | (1,605,605)           | (89,212)                |
| Cash inflow/(outflow) from movements in creditors                |       | 1,926,389             | (47,940)                |
|                                                                  |       | <u>1,015,905</u>      | <u>180,009</u>          |
| Cash flows from operating activities                             |       | 1,015,905             | 180,009                 |
| <b>Returns on investment and servicing of finance</b>            |       |                       |                         |
| Investment income and interest                                   |       | 27,273                | 10,762                  |
| Interest paid                                                    |       | (7,908)               | -                       |
|                                                                  |       | <u>19,365</u>         | <u>10,762</u>           |
| Cash inflow from returns on investments and servicing of finance |       | 19,365                | 10,762                  |
| <b>Capital expenditure</b>                                       |       |                       |                         |
| Payments to acquire tangible fixed assets                        |       | (363,258)             | (796,018)               |
|                                                                  |       | <u>(363,258)</u>      | <u>(796,018)</u>        |
| Cash outflow from capital expenditure                            |       | (363,258)             | (796,018)               |
| <b>Cash inflow/(outflow) before financing</b>                    |       | <b>672,012</b>        | <b>(605,247)</b>        |
| <b>Financing</b>                                                 |       |                       |                         |
| Bank loan received                                               | 17    | 62,908                | 232,000                 |
|                                                                  |       | <u>62,908</u>         | <u>232,000</u>          |
| Cash inflow from financing                                       |       | 62,908                | 232,000                 |
| <b>Increase/(decrease) in cash in the year</b>                   | 17    | <u><u>734,920</u></u> | <u><u>(373,247)</u></u> |

**Notes to the Financial Statements  
for the year ended 31 March 2006**

**1. Accounting policies**

**a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, and in accordance with the Companies Act 1985 and follow the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice issued in March 2005 (SORP 2005) and applicable accounting standards. Where appropriate, comparative figures have been restated to comply with SORP 2005.

The principal accounting policies adopted in the preparation of the financial statements are as follows:

**b) Company status**

The charity is a company limited by guarantee. The liability in respect of the guarantee as set out in the memorandum, is limited to £1 per member of the company. The company has availed itself of Paragraph 3(3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the company's activities.

**c) Incoming resources**

All incoming resources are included in the Statement of Financial Activities when the charity is entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies are applied to particular categories of income:

Voluntary income is received by way of donations and gifts and is included in full in the Statement of Financial Activities when receivable.

Incoming resources from charitable activities, where related to performance and specific deliverables, are accounted for as the charity earns the right to consideration by its performance.

**d) Resources expended**

Resources expended are recognised on an accruals basis as a liability is incurred. Resources expended include any VAT which cannot be fully recovered, and are reported as part of the expenditure to which they relate.

Charitable expenditure comprises those costs incurred by the charity in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of staff resources.

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and costs linked to the strategic management of the charity.

**e) Fund accounting**

General funds are available for use at the discretion of the directors in furtherance of the general objectives of the charity.

Designated funds are unrestricted funds earmarked by the Council of Management for particular purposes.

**Notes to the Financial Statements  
for the year ended 31 March 2006**

Restricted funds are subject to specific restrictive conditions imposed by donors or by the nature of the appeal. The purpose and use of the restricted funds are set out in the notes to the financial statements.

**f) Tangible fixed assets and depreciation**

Tangible fixed assets that have been acquired for annually or short term funded projects are written off in the year of acquisition, apart from land and buildings.

Other tangible fixed assets are stated at cost less depreciation. Depreciation has been provided at rates calculated to write off the cost less residual value over their expected useful lives as follows:

|                        |      |                            |
|------------------------|------|----------------------------|
| Freehold property      | 4%   | straight line              |
| Property improvements  | 20%  | straight line              |
| Computer equipment     | 100% | straight line              |
| Vehicle                | 25%  | straight line              |
| Leasehold improvements |      | over the term of the lease |

**g) Stock**

Stock has been valued at the lower of cost or net realisable value in accordance with SSAP 9.

**h) Pensions costs**

Certain employees are members of a defined contribution pension scheme. The contributions to the scheme are charged to the statement of financial activities as they become payable in accordance with FRS17.

**i) Leasing**

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

**2. Donations**

|                              | Unrestricted  | Restricted    | 2006<br>Total  | 2005<br>Total  |
|------------------------------|---------------|---------------|----------------|----------------|
|                              | £             | £             | £              | £              |
| General donations            | 37,001        | -             | 37,001         | 27,181         |
| Wellington St refurbishments |               |               |                |                |
| - ERDF                       | -             | 65,758        | 65,758         | 214,000        |
| - Sundries                   | -             | -             | -              | 20,000         |
|                              | <u>37,001</u> | <u>65,758</u> | <u>102,759</u> | <u>261,181</u> |

**Notes to the Financial Statements  
for the year ended 31 March 2006**

**3. Incoming resources from charitable activities**

|                                                                              | Unrestricted      | Restricted | 2006<br>Total     | 2005<br>Total    |
|------------------------------------------------------------------------------|-------------------|------------|-------------------|------------------|
|                                                                              | £                 | £          | £                 | £                |
| Substance misuse services                                                    | 12,878,917        | -          | 12,878,917        | 7,926,875        |
| Educational publications, information,<br>research, training and consultancy | 506,689           | -          | 506,689           | 512,225          |
|                                                                              | <u>13,385,606</u> | <u>-</u>   | <u>13,385,606</u> | <u>8,439,100</u> |

Income received for delivering a service to assist persons and their families and dependants affected by the misuse of drugs. Fees were received as follows:

|                                         | 2006<br>£         | 2005<br>£        |
|-----------------------------------------|-------------------|------------------|
| Blackburn with Darwen Borough Council   | 147,951           | 189,442          |
| Bradford Council                        | 60,814            | 110,984          |
| Calderdale Metropolitan Borough Council | 326,861           | 33,028           |
| Connexions                              | 30,557            | 55,465           |
| Drug (Alcohol) Action Teams             | 1,790,829         | 801,818          |
| HM Prison Service                       | 4,037,370         | 1,374,563        |
| Home Office                             | 115,393           | 90,702           |
| Job Centre Plus                         | 197,580           | 185,921          |
| Kirklees Metropolitan Borough Council   | 672,324           | 636,074          |
| Manchester City Council                 | 1,131,777         | 801,025          |
| National Children's Home                | 189,164           | 185,255          |
| North Kirklees PCT                      | 3,143,336         | 2,213,531        |
| Other PCTs                              | 300,459           | 601,185          |
| Single Regeneration Budget              | 215,623           | 157,903          |
| Tameside Metropolitan Borough Council   | 136,949           | 123,155          |
| University of Central Lancashire        | 13,871            | 27,662           |
| West Yorkshire Police                   | -                 | 30,185           |
| Youth Offending Teams                   | 127,738           | 126,226          |
| Others                                  | 240,321           | 182,751          |
|                                         | <u>12,878,917</u> | <u>7,926,875</u> |

**Sales income**

Income received from publication sales and the provision of training and consultancy.

**4. Resources expended - cost of activities in furtherance of the charity's objects**

|                                                                              | Direct<br>costs<br>£ | Support<br>costs<br>£ | 2006<br>£         | 2005<br>£        |
|------------------------------------------------------------------------------|----------------------|-----------------------|-------------------|------------------|
| Substance misuse services                                                    | 11,427,800           | 934,396               | 12,362,196        | 7,897,438        |
| Educational publications, information,<br>research, training and consultancy | 546,233              | 35,940                | 582,173           | 582,862          |
|                                                                              | <u>11,974,033</u>    | <u>970,336</u>        | <u>12,944,369</u> | <u>8,480,300</u> |

**Notes to the Financial Statements  
for the year ended 31 March 2006****5. Governance costs**

|                                          | <b>2006</b>   | <b>2005</b>   |
|------------------------------------------|---------------|---------------|
|                                          | <b>£</b>      | <b>£</b>      |
| Recruitment                              | 16,526        | 2,488         |
| Legal and professional fees              | 43,550        | 28,305        |
| Travel                                   | 1,090         | 3,841         |
| Insurance                                | 1,969         | -             |
| Room hire and accommodation              | 8,018         | 6,041         |
| Auditors' remuneration - statutory audit | 12,925        | 9,000         |
| - other                                  | 6,610         | 4,736         |
|                                          | <u>90,688</u> | <u>54,411</u> |

**6. Net incoming resources**

|                                              | <b>2006</b>    | <b>2005</b>    |
|----------------------------------------------|----------------|----------------|
|                                              | <b>£</b>       | <b>£</b>       |
| This is stated after charging:               |                |                |
| Operating lease rentals – land and buildings | 236,489        | 190,803        |
| Operating lease rentals – other              | 26,020         | 19,926         |
| Loan interest paid                           | 7,908          | -              |
| Trustees' indemnity insurance                | 9,450          | 7,350          |
|                                              | <u>280,867</u> | <u>218,079</u> |

**7. Staff costs and numbers**

| <i>Staff costs</i>    | <b>2006</b>      | <b>2005</b>      |
|-----------------------|------------------|------------------|
|                       | <b>£</b>         | <b>£</b>         |
| Wages and salaries    | 8,401,945        | 5,199,522        |
| Social security costs | 834,375          | 514,448          |
| Pensions              | 292,570          | 170,027          |
|                       | <u>9,528,890</u> | <u>5,883,997</u> |

One employee earned £60,000 per annum or more.

*Pensions*

The charity operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the charity to the fund and amounted to £292,570 (2005 - £170,027). Contributions totalling £36,828 (2005 - £20,500) were payable to the fund at the year end.

The average monthly number of persons employed by the charity during the year was as follows:

|                                   | <b>2006</b> | <b>2005</b> |
|-----------------------------------|-------------|-------------|
| Project activities                | 395         | 256         |
| Management and policy development | 6           | 5           |
| Administration                    | 8           | 3           |
|                                   | <u>409</u>  | <u>264</u>  |

*Directors' expenses*

Expenses of £1,090 (2005 - £3,841) were reimbursed to 5 directors (2005 - 3) during the year. No remuneration was paid to any director during the year.

**Notes to the Financial Statements  
for the year ended 31 March 2006**

**8. Taxation**

The charitable company is exempt from corporation tax on its charitable activities.

**9. Fixed assets**

|                           | Leasehold<br>Improvements<br>£ | Freehold<br>Property<br>£ | Property<br>Improvements<br>£ | Computer<br>Equipment<br>£ | Vehicle<br>£ | Total<br>£ |
|---------------------------|--------------------------------|---------------------------|-------------------------------|----------------------------|--------------|------------|
| <u>Cost</u>               |                                |                           |                               |                            |              |            |
| At 1 April 2005           | -                              | 845,481                   | 52,348                        | 402,071                    | -            | 1,299,900  |
| Additions during the year | 28,857                         | 90,386                    | 51,712                        | 166,050                    | 26,253       | 363,258    |
| At 31 March 2006          | 28,857                         | 935,867                   | 104,060                       | 568,121                    | 26,253       | 1,663,158  |
| <u>Depreciation</u>       |                                |                           |                               |                            |              |            |
| At 1 April 2005           | -                              | 19,752                    | 52,348                        | 402,071                    | -            | 474,171    |
| Charge for the year       | -                              | 37,435                    | 10,342                        | 166,050                    | 6,563        | 220,390    |
| At 31 March 2006          | -                              | 57,187                    | 62,690                        | 568,121                    | 6,563        | 694,561    |
| <u>Net Book value</u>     |                                |                           |                               |                            |              |            |
| At 31 March 2006          | 28,857                         | 878,680                   | 41,370                        | -                          | 19,690       | 968,597    |
| At 31 March 2005          | -                              | 825,729                   | -                             | -                          | -            | 825,729    |

**10. Debtors**

|                                | 2006<br>£ | 2005<br>£ |
|--------------------------------|-----------|-----------|
| Trade debtors                  | 63,117    | 49,690    |
| Other debtors                  | 2,438,802 | 893,857   |
| Prepayments and accrued income | 71,877    | 24,644    |
|                                | 2,573,796 | 968,191   |

**11. Creditors: amounts falling due within one year**

|                                 | 2006<br>£ | 2005<br>£ |
|---------------------------------|-----------|-----------|
| Trade creditors                 | 381,422   | 278,067   |
| Other taxes and social security | 267,011   | 156,348   |
| Accruals                        | 187,632   | 89,105    |
| Deferred income (note 13)       | 1,811,612 | 197,768   |
| Bank loan                       | 20,000    | 15,000    |
|                                 | 2,667,677 | 736,288   |

**Notes to the Financial Statements  
for the year ended 31 March 2006****12. Creditors: amounts falling due after more than one year**

|                                                     | 2006<br>£      | 2005<br>£      |
|-----------------------------------------------------|----------------|----------------|
| Bank loan                                           | 274,908        | 217,000        |
|                                                     | <u>274,908</u> | <u>217,000</u> |
|                                                     | 2006<br>£      | 2005<br>£      |
| Analysis of debt maturity – bank loan:              |                |                |
| In one year or less                                 | 20,000         | 15,000         |
| In more than one year but not more than two years   | 20,000         | 20,000         |
| In more than two years but not more than five years | 60,000         | 60,000         |
| After five years                                    | 194,908        | 137,000        |
|                                                     | <u>294,908</u> | <u>232,000</u> |
| Included in current liabilities                     | (20,000)       | (15,000)       |
|                                                     | <u>274,908</u> | <u>217,000</u> |

The bank loan is secured by a first legal charge on the freehold property, 3 Wellington Street. The loan is for the period of 15 years to June 2020 bearing an interest rate of 2% per annum over the bank's base rate.

**13. Deferred income**

|                                               | 2006<br>£        | 2005<br>£      |
|-----------------------------------------------|------------------|----------------|
| Balance at 1 April 2005                       | 197,768          | 280,502        |
| Fees received                                 | 14,252,440       | 7,661,390      |
| Released to statement of financial activities | (12,638,596)     | (7,744,124)    |
|                                               | <u>1,811,612</u> | <u>197,768</u> |
| Balance at 31 March 2006                      | <u>1,811,612</u> | <u>197,768</u> |
| Deferred income                               | 127,344          | 197,768        |
| Amounts invoiced in advance                   | 1,684,268        | -              |
|                                               | <u>1,811,612</u> | <u>197,768</u> |
| Balance at 31 March 2006                      | <u>1,811,612</u> | <u>197,768</u> |

**14. Analysis of net assets between funds**

|                       | Designated<br>Funds<br>£ | General<br>Funds<br>£ | Restricted<br>Funds<br>£ | Total<br>Funds<br>£ |
|-----------------------|--------------------------|-----------------------|--------------------------|---------------------|
| Tangible fixed assets | 968,597                  | -                     | -                        | 968,597             |
| Current assets        | 446,040                  | 3,304,621             | -                        | 3,750,661           |
| Current liabilities   | (20,000)                 | (2,647,677)           | -                        | (2,667,677)         |
| Long term liabilities | (274,908)                | -                     | -                        | (274,908)           |
|                       | <u>1,119,729</u>         | <u>656,944</u>        | <u>-</u>                 | <u>1,776,673</u>    |

**Notes to the Financial Statements  
for the year ended 31 March 2006**

**15. Movement of funds**

|                              | 1 April<br>2005<br>£ | Incoming<br>Resources<br>£ | Outgoing<br>Resources<br>£ | Transfers<br>£   | 31 March<br>2006<br>£ |
|------------------------------|----------------------|----------------------------|----------------------------|------------------|-----------------------|
| <b>Restricted funds:</b>     |                      |                            |                            |                  |                       |
| Wellington St refurbishments | 344,531              | 65,758                     | -                          | (410,289)        | -                     |
|                              | <u>344,531</u>       | <u>65,758</u>              | <u>-</u>                   | <u>(410,289)</u> | <u>-</u>              |
| <b>Unrestricted funds:</b>   |                      |                            |                            |                  |                       |
| General funds                | 438,593              | 13,449,880                 | (12,980,717)               | (250,812)        | 656,944               |
| Designated fixed asset funds | 249,198              | -                          | (54,340)                   | 478,831          | 673,689               |
| Designated project funds     | 263,770              | -                          | -                          | 182,270          | 446,040               |
|                              | <u>951,561</u>       | <u>13,449,880</u>          | <u>(13,035,057)</u>        | <u>410,289</u>   | <u>1,776,673</u>      |
| <b>Total funds</b>           | <u>1,296,092</u>     | <u>13,515,638</u>          | <u>(13,035,057)</u>        | <u>-</u>         | <u>1,776,673</u>      |

**Purposes of restricted funds:**

Wellington St refurbishments

A project to refurbish the freehold property at Wellington Street, Dewsbury, with funds provided from a number of sources, including ERDF and Kirklees MBC. The refurbishment was completed in the year and the fund balance has been transferred to the designated property funds.

**Purposes of designated funds:**

Fixed Asset funds

The designated assets funds represent the net book value of fixed assets owned by Lifeline Project less any restricted funds and loans relating to these assets.

Project funds

The designated project funds represent funds as yet unspent which relate to particular projects.

**16. Financial commitments**

At 31 March 2006 the charity had annual commitments under the non-cancellable operating leases which expire as follows:

|                            | Land and<br>buildings<br>2006<br>£ | Other<br>2006<br>£ | Land and<br>buildings<br>2005<br>£ | Other<br>2005<br>£ |
|----------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Less than one year         | 41,650                             | 5,741              | 45,550                             | 1,023              |
| Between two and five years | 138,639                            | 13,730             | 58,352                             | 14,417             |
| In over five years         | 127,000                            | -                  | 21,550                             | -                  |
|                            | <u>307,289</u>                     | <u>19,471</u>      | <u>125,452</u>                     | <u>15,440</u>      |

Notes to the Financial Statements  
for the year ended 31 March 2006

17. Analysis and reconciliation of funds

|                            | At 1 April 2005 | Cash flow      | At 31 Mar 2006 |
|----------------------------|-----------------|----------------|----------------|
|                            | £               | £              | £              |
| Cash                       | 354,726         | 734,920        | 1,089,646      |
| Bank loan                  | (232,000)       | (62,908)       | (294,908)      |
|                            | <u>122,726</u>  | <u>672,012</u> | <u>794,738</u> |
|                            |                 | 2006           | 2005           |
|                            |                 | £              | £              |
| Net funds at 1 April 2005  |                 | 122,726        | 727,973        |
| Cash flow in period        |                 | 734,920        | (373,247)      |
| Bank loan received         |                 | (62,908)       | (232,000)      |
|                            |                 | <u>794,738</u> | <u>122,726</u> |
| Net funds at 31 March 2006 |                 |                |                |