

ANNUAL REPORT & FINANCIAL STATEMENT

30th September 2005



Charity No 1001327
Scottish Charity Registration SC0 39383

To cure, sometimes; To help, often; To comfort, always

Children in Distress
Financial Statements
for the period ended 30 September 2005

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CHARITY INFORMATION

CHARITY REGISTRATION

10001327 (ENGLAND & WALES)

ADMINISTRATIVE OFFICE:

SUITE 36/38
LADYWELL BUSINESS CENTRE
94 DUKE STREET
GLASGOW G4 0UW

BOARD OF TRUSTEES;

ALISDAIR FORSYTH BARRON (CHAIRMAN)
MRS. JULIA CLARKE
DR. ROBIN DUNN
MICHAEL EAST
MS. CHRISTINE HENDERSON -DOCHERTY
DR. NORMAN HOW

MRS. ALYTH HUGHES

FATHER CLIVE PARNELL -HOPKINSON

REV. CHRISTOPHER SAMUELS
SIR NEIL THORNE

DIRECTOR OF OPERATIONS;

OFFICE AND SPONSORSHIP CO-ORDINATOR;

FUNDRAISER;

CHARITY ACCOUNTANT;

CHARITY SHOP MANAGER GUISBOROUGH;

CHARITY SHOP MANAGER SHILDON;

ADMINISTRATIVE ASSISTANT;

DERMOT LAMB

LIZ CLIFF

MARJORY DOCHERTY

ALLAN GALLAGHER

CLIVE HUGHES

JOYCE HUTCHINSON

SINITA SALAM

PRINCIPLE BANKERS

ROYAL BANK OF SCOTLAND
10 GORDON STREET
GLASGOW G1 3P

AUDITORS;

THE KELVINPARTNERSHIP

CHARTERED ACCOUNTANTS
& REGISTERED AUDITORS

THE COOPER BUILDING

505 GREAT WESTERN

GLASGOW G12 8HN

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CHAIRMAN'S REPORT

This will be seen as a Landmark Year for Children in Distress, in the first half of the year; Trustees faced the prospect of a dramatic reduction in donation income, an aftermath of the Tsunami Disaster and the massive response to the plight of those involved. Core projects and services were assessed for transfer or closure and the children in their care were at risk and faced with the prospect of a return to hospitals and orphanages little prepared to meet their specialised needs.

The magnificent response by our management teams here in the United Kingdom and in Romania and particularly from our supporters, when made aware in a special summer appeal of the financial challenges before us, meant, that we not only overcame the problems we faced, but were able to continue to improve and develop the care services we provide. The Trustees were forced to liquidate some of the Charity's limited investment reserve, however we continued to invest in staff training and development and as funds allowed moved into the final phase of a facilities redevelopment programme that has set standards and created a series of beacon projects in Romania.

Increasingly recognised for the quality of our care and the professionalism of staff we have infinitely more access to and support from Ministers and senior officials of Local and National Government than ever before.

I should also like to recognise the effort that has ensured that Copii in Dificultate was in the vanguard of Romania's recent registration and licensing process and is one of the few NGOs to have been registered to date.

None of this would be possible without the continuous support of donors across the United Kingdom; the professionalism of the teams lead by both Dermot Lamb and Paul Kubaszky; supervision and support from volunteers in our Advisory Panel and specifically the initiative, drive and vision demonstrated by my fellow Trustees who volunteer of their time to ensure that we achieve the highest standards of child care possible. I record my appreciation and respect for all that they do on behalf of the children in our care.

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The Charity's vision has not changed throughout the sixteen years in which we have served Europe's forgotten children. Our Trustees and advisors maintain the terms our Founding Deed drafted in 1990 and the amendment accepted in 1992 as part of our registration with the Charity Commission of England and Wales, however to ensure its relevance this is constantly reviewed and that review process will result in application to the Charity Commission for their approval for incorporation as a charitable company.

For all Trustees a prime consideration is ensuring the financial viability of all that we do, to that end the Trustees retain experienced professional Financial and Banking Advisors and act prudently in matters of investment.

The Trustees have adopted policies practices, guidelines and operational procedures to protect the rights of employees and in the interest of the Charity. These comply with best practice, current legislation within the United Kingdom and the SORP guide issued by the Charity Commission of England and Wales. In this financial year, policies have been revised and new policies enacted on the Recruitment and Training of Trustees, the Assessment of Risk, Performance Management and the Care and Protection of the Vulnerable. The Governance Manual a reference book for our Trustees has been revised and reissued.

As a small relatively young charity, we have limited financial reserves held mainly in termed bank deposit and a smaller sum invested in the stock of Futura Medical originally gifted by a benefactor. The value of this investment is closely monitored to maximise the benefit to our work. The Trustees apply their investment powers with caution and under professional guidance.

My fellow Trustees have long expressed the wish to see a full six months operational cost held in a financial reserve. Sadly with limited investments and bank reserves, this not been achieved in this financial period although the cash reserves and the funds held in accounts by projects and partner organisations have approached that figure. Trustees will continue to act with prudence however remain committed to answer the needs of children in distress in Eastern Europe when drawn to our attention whenever possible.

In the period of this report, with effect from 5th July 2005, one of the Trustees tendered her resignation for reasons of health, Mrs Julia Clarke, Founding Trustee and former Clerk to the PCC of St. Laurence Barkingside the "home church" of our charity. On behalf of all of my colleagues I should like to express my appreciation for her generosity of spirit and commitment over the last sixteen years, we wish her well in the future.

I am pleased to report that two new Trustees were interviewed and confirmed in their appointments, one vacancy remains to be filled. Our team has been strengthened by Mrs. Alyth Hughes MCSP a qualified physiotherapist, who prior to her retirement led the physio therapy service in West Essex Health District, and Dr. Norman How MD a retired general practitioner and founding member of the Children in Distress Medical Advisory Panel.

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The essence of Children in Distress has always been those volunteers, who are prepared to share their skills, expertise, experience and time to work on behalf of and care for Europe's forgotten children.

In the preparation of these accounts, we tried to estimate the actual annual value of volunteer time offered to further our work. We have been advised that it would be both impossible and inappropriate to do so, however all of our children recognise the goodwill, love and care involved and that in itself is infinitely more valuable.

It was felt appropriate to celebrate the fifteen anniversary of our foundation by arranging two Services of Thanksgiving, held in London and Durham. These were dedicated our volunteers and gave thanks for all that they have achieved.

The new logo to be introduced in 2006 offers new colours and a brighter image, featuring two children reaching out for love and care. This new image better reflects our work today and the impact on care for Europe's forgotten children. The Children in Distress website has been updated from time to time, however this year has seen the launch of both a new website and domain name. The site reflects the changing nature of the work we support and can be found at www.childrenindistress.org

Our Charity shops have long been our presence in the High Street offering a service to their community as well as contributing to our work. Trustees closely monitor their performance and recognise the commitment by volunteers they represent. Sadly increased competition and rising rental values made a significant impact on shop viability and reluctantly it was necessary to close the shops in Thirsk and South Woodford. We record our thanks to the shop managers and the volunteer staff involved.

Looking to the future, some three years ago the Trustees adopted a strategic plan, which fosters increasing independence for both Copii in Dificultate - CID RO and Bulgarian Children's Aid. This increasingly changes the roles played by staff in the United Kingdom as; they become advisors, mentors and guides and for those in Romania and Bulgaria who must now increasingly share both the management and funding burden.

For Trustees this has also meant significant changes in their role, as part of the project assessment and funding process. Although we continue to monitor closely all the financial and administrative aspects of the projects and programmes we support, we are committed to skills transfer and the development of capacity building within each of our country teams. We are now actively looking to other projects in other counties to share the vision of Children in Distress.

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The expertise and experience of our staff is key to the success of all of our projects, we therefore have continued to fund a comprehensive training and personal development programme. We have provided Montessori training and first aid and resuscitation training for carers, as part of our nutrition expertise programme dietician training has helped nursing staff acquire new certificated skills and we have continued to provide training and qualification in palliative care through our contacts with the Dangel Clinic in Warsaw.

This year's management training workshop brought together Romania's project management teams and offered insights into time and quality management techniques and paved the way to a series of working groups, standardising report formats and the set up of small internal comparative audit teams.

Over the last three years there has been continuous improvement in the efficiency and effectiveness of administration of Copii in Dificultate or CID RO which is our sister Charitable Foundation and operational arm in Romania. Financial and administrative control has migrated from projects to the Foundation's operational office base within St. Margaret's Complex in Bucharest. This process has liberated the project teams to concentrate on operational issues and the development of treatment, education and welfare of children in residential and respite care or being supported in the community in one of our many community nursing support programmes.

The Foundation has received increasing recognition for its work exemplified by invitations to attend and participate in a number key child protection conferences held in Romania and by unprecedented access offered this year to Ministers and Secretaries of State in the Departments of Education, Labour and Social Protection and Health and the support of the British Ambassador and Embassy.

Paul Kubaszky, CID RO's Regional Director, is a man of exceptional experience, the Trustees, his staff and fellow Directors recognise the import of his personal drive and commitment to the success of our work

ST ANDREW'S CHILDREN COMPLEX

This remains a unique project, which brings together the dynamism, flexibility and expertise of an NGO and the experience and local knowledge of the Arges County Child Protection Department.

Whilst this remains a challenging process, it is clear that we have achieved a powerful blueprint for an innovative model of care delivery, which can be replicated elsewhere.

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ST. CHRISTOPHER'S HOLIDAY CENTRE

Severe weather has made the operation of St. Christopher's difficult, torrential rain not only dampened the enthusiasm of the children but restricted access for a period as the adjacent stream became a torrent and swept away the parts of the access road. Camping activity was curtailed and bookings were cancelled, however over four hundred and ninety children and carers still enjoyed the facilities provided. A range of classes for local children in English language and Computer studies make use of the facilities throughout the winter months, when the demand for vacations and sheltered holiday breaks are limited.

ST LAURENCE CHILDREN'S CENTRE

This has been a year of considerable change at St. Laurence with some of our young people returning to their families and home communities or finding new homes with foster families willing to help their continuing transition to adult life.

The Centre's redevelopment programme has continued in each of the houses, with new central heating systems, insulation and double glazing units improving the fuel efficiency and running costs. The programme continues with new furnishings and kitchens as part of the rolling programme of maintenance and upgrade

St.Laurence continues to offer the chance of life to children abandoned in the local hospitals or by increasing number of teenage single mothers as result of their HIV status.

St Margaret's Child Services Complex

Valentina Zaharia St.Margaret's Director, on behalf of all of the Foundation's projects and centres successfully co-ordinated the registration process required by Romania's new child care legislation and will lead the licensing programme as this commences in spring 2006.

The St. Margaret's team bear the brunt of the additional work load arising from the centralisation of administration. At times of inspection by the labour and tax departments and the annual financial audit this puts considerable strain on the small team dealing with the bureaucracy involved. We record our appreciation of their perseverance.

As part of the strategic plan it was always intended that some of the projects within the St. Margaret's project complex would be developed and re-sited in new premises tailored to better deliver their services.

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The Autism Project relocated to the Sector 1 School of the Deaf and opened as St. Michael's School for Children with Autistic Spectrum Disorder. We have re-located and expanded the Street Children's Education programme at the St. Macrina's Street Children's Centre, where it now offers thirty children the opportunity through education of a life away from the abuse they face as children on the streets.

St. Nicolas Child Development and Therapies Centre team have developed a high standard, flexible and well designed child development and intensive therapy programme to be based within St.Margaret's Yorkshire House building on their experience and success of intensive individually tailored therapy programmes for children within St.Margaret's Hospice,

This project has attracted considerable support and earmarked funding particularly from the Lloyds TSB Foundation Overseas Grants Scheme and the Act Foundation , Dorfred and Philip Henman Trusts, as well as numerous individual donors. We record our appreciation of their support

The St.Margaret's team hosted and ran in July 2005 a roundtable workshop for over sixty parents and carers from other organisations working with both autistic children and adults. This event was the third in a series of national conferences and workshops sponsored by Children in Distress. The momentum will be continued with a conference for over 250 delegates is planned for May 2006 and is intended to advocate on behalf of the of those living with ASD, to offer their families hope, to influence the education and training of consultants and students working in the field and above all improve the facilities, treatment, education and care offered by local and national authorities.

Bulgarian Children's Aid is the operational partner of Children in Distress and all of its funding is supplied by donation income generated in the United Kingdom. Although the Vidin therapy project has underperformed throughout the last year however after a comprehensive performance review and refocusing of objectives, funding will be continued.

A re-assessment of the St. George's Community Palliative Care Nursing Service, considered in 2003/04 has been carried out. Discussions with identified potential partners indicate that this project could be based within the Sofia Paediatric Cancer Hospital and should compliment a small respite care unit within the hospital,

These developments will feature in the revised development plan presented to Trustees for review in 2006

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Our Partnership Programmes are supported financially by Children in Distress but delivered by partner organisations that have similar aims and objectives

St. Mungo and St.Dimitrie Children's Day Centre, Craiova offers support for up to 256 children touched by HIV/AIDS, from the counties of Dolj, Gorj and Mehediti. From the St. Mungo Centre redeveloped and opened with the support of the readership of the Scottish Catholic Observer and Children in Distress, the project team offer an education and activity programme, modelled on that provided by elsewhere by Copii in Dificultate, to over forty children excluded from school as a result of discrimination and fear of their HIV status.

St. Paraschiva Community Nursing Programme, Braila County. From its base, the Fundația Cuvioasa Paraschiva team actively supports twenty-five children throughout Braila and Ialomița Counties living with HIV AIDS or in the final phase of terminal illness, with all of the basic necessities of life particularly in the winter, firewood for heating and cooking, food and clothing. A further twenty children receive food supplements and assistance as funds allow.

We look to a future which builds on the experience gained over the last sixteen years to carry our mission of care to children in areas of Eastern Europe, where the need is greatest. The review of our strategic plan is already underway and given funding we will be able to report in subsequent years on new projects in Bulgaria, Moldova and perhaps the Ukraine.

Alisdair Barron MBE

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DIRECTOR OF OPERATIONS REPORT

OBJECTIVES 2005-2006

The Trustees have agreed that the following are to be the priorities for the next financial year.

FUNDRAISING

Financial constraints have meant that funds for potential donor development have been severely restricted and closely monitored. Direct mailing has failed to deliver expectations; therefore it has been decided to revert to our more traditional direct contact programmes. There will be increasing emphasis on:

- On the use of in-house resources in the development of point of contact material.
- " Vision" the Charity's newsletter continues to be improved and we will seek the most cost effective printing and delivery arrangements for each issue.
- Raising the Charity's profile and to reach out to the donor public.
- Through our Ambassador Programmes meeting the needs for preachers and speakers for churches, church organisations, school and youth organisations and Rotary and Lions clubs.
- Spreading wide the good news of what we can achieve.

IMPROVEMENT IN THE QUALITY OF CARE

Although substantially improved over the last five years there is a great deal still to be achieved to ensure that all our projects deliver the highest standards of child focussed individually tailored care programmes. This will be achieved through:

- Developing the expertise and experience of our staff in all of our projects.
- Establishing robust performance and appraisal systems including comprehensive training and personal development programme.
- Expanding Montessori training and first aid and resuscitation training for carers.
- Developing in project expertise in nutrition and dietetics to new certificated standards.
- Providing qualification in palliative care in partnership with the Dangel Clinic in Warsaw.
- Developing expertise in the Management of Hydrocephalus through shared standards in surgery and nursing care.
- The use of management training workshop to offer insights into quality management techniques.
- The set up of small internal comparative audit teams.

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PROJECT ASSESSMENT AND DEVELOPMENT PROGRAMMES

As part of an ongoing strategic review to consider alternative projects, partnership working and establish funding sources appropriate to project needs:

- Developing robust project assessment and review criteria.
- Identify suitable partnership programmes and develop standardised performance contract and report formats to encourage a continuous assessment and improvement ethos.
- Create by in surveys the needs assessment in the candidate countries which meet the criteria laid down by the Trustees.
- Develop needs led rather than service led approach to project assessment.
- To network with other NGO's and local, national and international agencies as a principle means of developing project objectives targets and measure.

DEVELOPMENT OF PUBLICITY & PUBLIC RELATIONS STRATEGY

Children in Distress is a little known charity, which has delivered considerable change to the care and condition of care of children who are in need of intensive or palliative care yet remains relatively unknown to the donor public within the United Kingdom.

- Develop a public relations plan involving the media to share the news of CID's achievements in palliative care, child development and education and care of those with ASD.
- Co-ordinate activity within projects to ensure that public relations and publicity are seen as essential element of the deliver of project objectives.
- Create a net work of supporters throughout the United Kingdom to share experience and maximise the potential of fundraising activity.
- Use IT and computer technology to deliver information to supporters in a cost effective and efficient way. Developing an internet Vision to broadcast the charity achievements via the Internet.
- Maximise computer software skills within support staff to ensure that they can maximise the benefit the computer technology and software can deliver.

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FINANCIAL PERFORMANCE

The Charity has had a successful year in terms of financial performance with net income resources of £862,881 in the year compared with £768,790 in the period ending 30 September 2004.

Direct charitable expenditure was increased to £ 552,581 which represented a 9.4% increase in on-year expenditure.

Support costs have been closely contained and have been reduced by 35 % to £9190.

The cost of generating funds were also prudently controlled and reduced by £21,137 or slightly in excess of 8 %. Management costs although closely monitored and contained have however increased by £1910.

The cash balance carried forward has been reduced by 9.5% to £107,453

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TRUSTEES REPORT

MISSION AND AIMS OF THE CHARITY

Children in Distress is a registered charity providing palliative, medical and nursing care and education to children in Eastern Europe, advocating on their behalf to improve their condition of life and training staff to deliver and share their expertise and higher standards of child care, nursing and welfare by training and example. We focus our work on those who have been abandoned by parents and diagnosed by professional medical staff as being beyond help.

In our hospices and community nursing programmes admission or respite care, is open to those who have been defined as having a short life term of little more than three months. In our child development and therapy centres, children are assessed where modern techniques can offer improvement in conditions resulting from genetics, infection or accident.

In our autism and education programmes, where after assessment, we believe we can improve life skills and the opportunity of independent life.

All the work undertaken by the Charity is designed:

To enable children, whatever their starting point, to progress:

To offer love and care to children living with HIV AIDS or other incurable or terminal illness.

That no child should be left frightened and alone, in pain, in the dark, dirty, abandoned and abused. No child should have to die without medication to ease their pain, without someone to comfort them and a hand to hold.

That in our Hospices, Children's Centres and Community Based Programmes, irrespective of their race religion or creed; to bring quality of life and dignity in death to children abandoned and forgotten, who would otherwise have neither.

"To cure sometimes; to help, often; to comfort, always"

Having reviewed our expertise in 2004 it has been decided to concentrate on five key services where we can demonstrate excellence and to share our expertise with partner organisations and individuals to mutual benefit and the greater good of children.

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The Trustees emphasis is placed on:

- Palliative care and the longer term treatment of those who live with HIV/AIDS and the opportunistic infections that put their lives at risk.
- The treatment and care of those with genetic and heredity based defects which impair their lives and their ability to live independently at any level.
- The Development of children, who have infirmities resulting from genetics, infection or accident that impair their lives and ability to function independently at any level.
- Advocacy education and care for those who live with autistic spectrum disorders, sharing expertise and experience with those who wish or need to work with these particularly challenged groups.
- To educate and train professional medical nursing and care staff to assist with the work of delivering any of the above key areas of specialism.

LOCATION

Children in Distress delivers its mission of care in centres throughout Romania and Bulgaria but has worked in Albania, Belarus, Bosnia, the Ukraine, and other states of the former Yugoslav Republic. The main sphere of activity is defined by Eastern Europe.

RESERVES

There is an aspirational reserves policy; however the designated reserve is determined by a review of annual financial commitments and the contract support commitment with partner organisation.

FUTURE PROSPECTS AND CHALLENGES

The Board of Trustees believe strongly that the future prospects of the Charity are positive and opportunities in Eastern Europe are infinite.

Considerable work has been done to clarify the Charity's mission and service delivery strategy, to determine an organisational structure to meet these objectives and to create an efficient and effective management capacity in each of the projects it supports. Developments particularly in Romania with the move to the contracting of specialised child care service, offers opportunity to build on current expertise. There is a continual focus on improving the quality of services and the efficiency of the infrastructure to position the Charity as a mainstream partner provider of choice for a number of core services by a range of agencies and authorities.

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Children in Distress does face challenges in terms of maintaining and developing funding streams at present levels. The donor public are faced with increasing requests to assist world wide emergencies and at home donor are asked to support projects and support financially a range of services that previously were thought of as local or national authority funding issues. With this increasing competition for the donor pound, comes an increasing sophistication in donor decision making. Donors offer and seek greater personal involvement and ongoing and differing levels of contact and communication that may be difficult for a small organisation with a limited but cost effective staffing structure to deliver.

The Board of Trustees is developing a fundraising strategy as a priority to move the charity over the medium term to a situation where it is less dependent on individual one off donations.

EMPLOYMENT POLICIES

The Charity is committed to free and open communication and has involved its staff in its performance and development. Everyone is to be congratulated for their contributions to the financial stability we have achieved in a very challenging year and for their continued commitment to the children in our care.

As an organisation we are committed to equal opportunities and seek to employ wherever practical those who are less abled and ensure that they have every opportunity to be the best that they can be.

In this financial year new policies have been revised and enacted on the Recruitment and Training of Trustees, the Assessment of Risk, Performance Management and the Care and Protection of the Vulnerable. The Governance Manual has been revised and reissued.

BOARD OF TRUSTEES AND GOVERNANCE

The Board of Trustees comprises 9 non-executive Trustees, who serve without payment and many have foregone the reimbursement of travelling expenses.

The Board agrees a schedule of regular meetings, normally five, to be held each calendar year and also meets on other occasion as required.

There is an agreed list of matters which the Board has formally reserved to itself for decision. These include approval of the Charity's strategy, actions consistent with its charitable objectives, capital expenditure, financial statements, the appointment and membership of the Board of Trustees and risk management.

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Responsibility for certain matters is delegated to Board Committees; amongst these are

- Trustee Management Executive Group.
- Corporate Finance, Information Technology & Audit Group,
- Governance and Legal Advisory Group, Advisory Group Sub-Committee,
- Fundraising and Public Relations Sub-Committee.

Each Committee has its decisions ratified by the full Board.

Day to day management of the Charity is devolved to the Director of Operations, who has access for advice to the Chairman of Trustees and members of the Trustee Management Executive Group. Trustees receive financial statements and management reports and full Board papers are sent to each Trustee in sufficient time before Board meetings and further papers and information is available to all Trustees on request.

Papers include minutes of meetings and the Chair of each committee is normally available to offer a verbal report on Committee proceedings at the Board meeting if appropriate.

All Trustees bring independent judgement to bear in issues of strategy, performance, key appointments and policies.

Trustees serve for a three year period and may be reselected for a further two terms of three years.

The Director of Operations and the Charity's Accountant are invited to attend Board Meetings.

The Trustees review the major risks which the Charity faces and believe that maintaining free reserves at the levels stated above, combined with constant review of the controls over key financial expenditure and systems carried out by the audit process, provides sufficient resources in the event of adverse conditions. The Trustees have also examined other operational and business risks faced by the charity and confirm that they have established systems to mitigate the significant risks.

The Finance, Information Technology and Audit Committee reviews the Charity's accounting principles, policies and practices adopted in the annual accounts and discusses with the auditors the result and scope of the audit. It reviews the performance of the finance systems and the performance of the auditors. The Committee meets at least once a year and the Director of Operations and the Charity's Accountant are invited to attend.

FINANCE AND AUDIT COMMITTEE

This committee reviews accounting principles, policies and practices adopted in the annual accounts and discusses with the auditors the result and scope of the audit. It reviews the performance of the finance systems and the performance of the auditors. The Committee meets at least once a year and the Director of Operations and the Charity's Accountant are invited to attend. The Committee remit is as follows:

- To monitor the financial results shown in the managements accounts by comparison with the annual budget initiating action where necessary.
- To meet the Auditors and take note of their findings in the Management Letter and act to review the financial plan prepared by the Director of Operations and Charity Accountant , which should support the Strategic Plan , for approval by the board of Trustees prior to the beginning of each Financial Year.
- To review detailed annual budgets for approval by the Board of Trustees prior to the start of each Financial Year.
- To ensure the Charity is compliant with the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP)
- To ensure the proper management of the Charity's investments.
- To set and review salaries.
- To agree the allocation of grant aid funding annually.
- To see the development of IT strategies and the use of such technologies to further the efficiency and effectiveness of the Charity.

IN RESPECT OF AUDIT AND COMPLIANCE

- To audit compliance with policy and law and to audit systems.
- To oversee the audit process, ensure the timetable is established and managed.
- To recommend to the board any changes to systems they consider are required
- To undertake occasional reviews of the effectiveness of the Boards own Governance.

ACCOUNTABILITY

The Committee's programme of reviews /audit is set so that over a period of years the periodic reviews that it is carries out allow the Board of Trustees to assess and evaluate all major risk areas.

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CHARITABLE STATUS

Children in Distress is a charity registered under the auspices of the Charity Commissioners of England and Wales.

Charity Registration Number 10001327

The Trustees have in terms of the Foundation Document all undertaken to contribute to the assets of the Charity in the event of it being wound up during the time they continues to be a Trustee, or within a year after they cease to be a Trustee, such amount to meet the liabilities of the Charity.

TRUSTEES RESPONSIBILITIES FOR THE FINANCIAL REPORT

Charity law in the United Kingdom requires that Trustees prepare financial statements for each financial year which give true and fair view of the state of affairs of the Charity and the surplus or deficit for that period. In preparing these financial statements the Directors have:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that are reasonable and prudent ;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the statements;
- Prepared the financial statements on a going concern

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with current legislation. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention of fraud and irregularities.

The Trustees are responsible for ensuring that the Trustees' report and other information included in the annual report is prepared in accord with company and Charities Act 1993 in the United Kingdom.

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Report of the Independent Auditors to the Trustees of Children in Distress

We have audited the financial statements of Children in Distress for the period ended 30 September 2005 on pages 19 to 31 which have been prepared in accordance with the financial reporting standard for smaller entities (effective June 2002), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's trustees 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 charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF TRUSTEES AND AUDITORS

As described on Page 19 the charity's trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom auditing standards.

We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with regulations made under Section 44 of the Act.

We report to you our opinion as to whether the financial statements give a true, fair view and are properly prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the Report of the Trustees is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all of the information and explanations we require for our audit, or if the information specified by law regarding trustees' remuneration and transactions which 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 misstatements within it.

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BASIS OF OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all of the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that 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 and information in the financial statements.

Children in Distress

Financial Statements

for the period ended 30 September 2005

**Report of the Independent Auditors to the Trustees of
Children in Distress**

Opinion

In our opinion, the financial statements give a true and fair view of the state of the charity's affairs as at 30 September 2005 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.

The Kelvin Partnership
Chartered Accountants
Registered Auditors
The Cooper Building
505 Great Western Road
Glasgow G12 8HN

Date:

Children in Distress

Financial Statements

for the period ended 30 September 2005

Income and Expenditure Account Incorporating Statement of Financial Activities

For The Year Ended 30 September 2005

	Restricted Note s	£	2005 Unrestricted £	2004 Total £	Total £
INCOME AND EXPENDITURE					
Incoming resources					
Donations, legacies and gifts in kind		18,338	745,082	763,420	682,207
Other incoming resources from operating activities					
- Charity Shops income		-	62,737	62,737	85,591
Investment income		-	724	724	992
		-----	-----	-----	-----
					-
Total incoming resources		18,338	808,543	826,881	768,790
		-----	-----	-----	-----
					-
Resources Expended					
Cost of generating funds	2	3,200	228,688	231,888	253,025
Charitable expenditure					
- Direct charitable expenditure	3	7,000	545,581	552,581	505,314
- Support costs	4	400	8,790	9,190	14,094
Management & administration	5	400	32,207	32,607	30,697
		-----	-----	-----	-----
					-
		11,000	815,266	826,266	803,130
		-----	-----	-----	-----
					-
		7,338	(6,723)	615	(34,340)
Other recognised gains & losses					
Loss/gain on revaluation of investment asset		-	(11,955)	(11,955)	(5,268)
		-----	-----	-----	-----
Net movement in funds for the year		7,338	(18,678)	(11,340)	(39,608)
		-----	-----	-----	-----
Total funds brought forward		21,734	97,059	118,793	158,401
		-----	-----	-----	-----
Total funds carried forward		29,072	78,381	107,453	118,793
		=====	=====	=====	=====

The notes on pages 20 to 31 form part of the Accounts

CONTINUED OPERATIONS

None of the Charity's activities were acquired or discontinued during the current and previous year.

Children in Distress

Financial Statements

for the period ended 30 September 2005

Balance Sheet

As At 30 September 2005

	Notes	2005		2004	
		£	£	£	£
Fixed assets					
Tangible fixed assets	7		10,289		17,106
Investments	8		55,413		85,000
			-----		-----
			65,702		102,106
Current assets					
Debtors	9	9,278		20,482	
Cash at bank and on hand		45,106		18,462	
		-----		-----	
		54,384		38,944	
Creditors : amounts falling due in one year	10	(12,633)		(22,257)	
		-----		-----	
Net current assets			41,751		16,687
			-----		-----
Total assets less current liabilities			107,453		118,793
Net assets			107,453		118,793
			-----		-----
Funds					
Restricted	11		29,072		21,734
Unrestricted	12		78,381		97,059
			-----		-----
			107,453		118,793
			=====		=====

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

.....

Alisdair Barron, Chairman of Trustees

.....

Michael East, Trustee

Date:

Children in Distress
Financial Statements
for the period ended 30 September 2005

Notes to the Accounts
For The Year Ended 30 September 2005

1. ACCOUNTING POLICIES

ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention and the Statement of Recommended Practice Accounting by Charities ("SORP 2000") and applicable accounting standards.

Incoming resources

Donations are accounted for when received by the Charity. "Donations receivable under Gift Aid are recognised only when honoured by the Donor." Income Tax recoverable on covenanted or gift aid donations is recognised when claimed. Legacies are included in the year in which they are received.

TURNOVER OF CHARITY SHOPS

The turnover of charity shops represents sales of donated goods.

GIFTS IN KIND

Gifts of clothing etc received and given to overseas projects are included in the financial statements at market value at the time of export. Items donated for resale are included in shop income when sold and no value is placed on stock at the year end. The value of services provided by volunteers has not been included.

GRANT GIVING

From 1 October 2002 there has been a change of treatment in respect of expenditure in Romania. Funds transferred to Romania are now shown as grants payable to the projects. (Previously the transfers had been shown analysed between various expenditure headings.) This reflects a change in the approach to supporting operations in Romania and one small project in Bulgaria where an agreed monthly transfer is now made to be administered locally across the projects. This gives more independence and reflects the actual position of the charity and Romanian operation.

INVESTMENTS

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

Children in Distress

Financial Statements

for the period ended 30 September 2005

RESOURCES EXPENDED

Resources expended are included in the statement of financial activities on an accruals basis inclusive of any VAT which cannot be recovered.

During the year the trustees have examined the apportionment of Head Office expenditure to cost categories and have revised the allocations to more accurately reflect the proportion of time spent on each category. The 2003 figures have been restated to reflect the revised apportionments.

Head office expenditure has been apportioned to cost categories as follows:

Wages and salaries	Dependent on employee activity
Legal and professional fees	100% support costs
Bank charges	77% direct charitable expenditure 23% management and administration

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

ACCOUNTING POLICIES CONTINUED

Book-keeper	100% management and administration
Audit and accountancy	100% management and administration
Telephone	30% fundraising costs 60% direct charitable expenditure 10% support costs
Hotel and travel expenses	10% fundraising costs 80% direct charitable expenditure 10% support costs
All other expenditure	80% fundraising costs 10% support costs 10% management and administration

COSTS TO GENERATE FUNDS

The costs charged under this heading are in respect of advertising and printing costs together with the costs of running the four charity shops, together with head office costs which are apportioned on an estimate of the proportion of time spent by staff.

SUPPORT COSTS

Support costs comprise all services supplied centrally, identifiable as wholly or mainly in support of the projects and include an appropriate proportion of overheads. The overheads are allocated to direct project charitable expenditure on the basis of estimated staff time with the aim of ensuring the costs remaining within administration related to the management of assets, organisational administration and compliance with constitutional and statutory requirements.

TAXATION

The Charity is a registered charity and as such is exempt from income tax and capital gains tax but not from VAT. The recoverable VAT is excluded from the cost of those items to which it relates.

Children in Distress

Financial Statements

for the period ended 30 September 2005

TANGIBLE FIXED ASSETS

Fixed assets incorporated at cost have been depreciated at the following rates to write off assets over their estimated useful life.

Fixtures, fittings and equipment	20% per annum reducing balance
Motor vehicles	25% per annum reducing balance
Office equipment	33% per annum reducing balance and 33% per annum on cost

Expenditure is capitalised where appropriate at a value of over £500.

The expenditure of a capital nature in respect of buildings not directly owned by the Charity for relief work overseas is written off as incurred.

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

ACCOUNTING POLICIES CONTINUED

FINANCE AND OPERATING LEASES

Rentals applicable to operating leases are charged to the Statement of Financial Activities over the period they are incurred. Assets obtained under finance leases are capitalised as tangible fixed assets. Obligations under such leases are included in creditors net of finance charge allocated to future periods. The finance element of each payment is charged to the Statement of Financial Activities so as to produce a constant periodic rate on the net obligation outstanding in each period.

PENSIONS

Pension payments represent contributions to defined contribution schemes. Such payments are recognised in the accounts, as and when incurred.

FUNDS

General funds represent the funds of the Charity that were not subjected to any restrictions regarding their use and are available for application on the general purpose of the Charity. These include funds designated for a particular purpose by the Trustees. The purpose of any restricted fund is noted in the accounts.

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

2. COSTS OF GENERATING FUNDS

Restricted	Unrestricted		2005	2004
	£	£		
Printing, appeals advertising, publications and exhibitions	-	57,223	57,223	65,294
Shop expenses				
Wages and salaries	-	31,042	31,042	32,543
Rent and rates	-	21,074	21,074	32,586
Heat and light	-	1,745	1,745	1,455
Repairs, sundries and telephone	-	3,233	3,233	1,971
Motor expenses	-	3,226	3,226	2,802
Wages and salaries	-	45,205	45,205	44,622
Wages - fundraising	-	6,225	6,225	-
Expenses - fundraising	-	1,454	1,454	-
Pension costs	-	4,281	4,281	5,485
Rent and rates	-	17,211	17,211	17,612
Heat and light	-	225	225	686
Insurance	-	1,681	1,681	2,181
Repairs and renewals	-	414	414	773
Postage, stationery, copying, advertising and computer costs	-	9,923	9,923	13,973
Motor expenses	-	3,087	3,087	4,474
Refurbishment and relocation costs	-	2,493	2,493	6,324
Telephone	-	1,814	1,814	1,521
Equipment leasing	-	10,912	10,912	10,251
Hotel and travel expenses	-	593	593	525
Bank interest	-	46	46	35
Sundry expenses	-	492	492	372
Depreciation	3,200	5,089	8,289	7,540
	-----	-----	-----	-----
Total fundraising expenditure	3,200	228,688	231,888	253,025
	=====	=====	=====	=====

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

3. DIRECT CHARITABLE EXPENDITURE

Restricted	Unrestricted		2005	2004
	£	£	£	£
Gifts in kind	-	46,315	46,315	18,200
Grants	7,000	432,598	439,598	416,057
Wages and salaries	-	31,203	31,203	34,608
Pension costs	-	1,223	1,223	-
Telephone	-	3,629	3,629	3,043
Travel and subsistence	-	20,085	20,085	20,246
Sundry expenses	-	1,100	1,100	2,596
Carriage and general transport	-	5,628	5,628	4,918
Romanian Children's visit	-	-	-	2,481
Bank charges	-	3,800	3,800	3,165
	-----	-----	-----	-----
Total direct charitable expenditure	7,000	545,581	552,581	505,314
	=====	=====	=====	=====

As stated in the accounting policies the operations in Romania and Bulgaria are now supported with an agreed and consistent monthly transfer of funds from the United Kingdom to Bucharest. These funds are independently administered among the projects at a local level and as such it is more appropriate to treat these transfers as grants rather than to separately identify categories of expenditure as has happened in past years. The monthly transfers are all sent to the main bank account of Copii in Dificultate in Romania to support the various projects.

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

4. SUPPORT COSTS

Restricted	Unrestricted		2005	2004
	£	£	£	£
Pension costs	-	-	-	685
Rent and rates	-	2,151	2,151	2,201
Heat and light	-	28	28	85
Insurance	-	210	210	272
Repairs and renewals	-	52	52	96
Postage, stationery, copying, advertising and computer costs	-	1,240	1,240	1,747
Motor expenses	-	386	386	559
Refurbishment and relocation costs	-	311	311	791
Telephone	-	605	605	507
Legal and professional fees	-	1,146	1,146	4,351
Equipment leasing	-	1,364	1,364	1,281
Hotel and travel expenses	-	593	593	525
Bank interest	-	6	6	4
Sundry expenses	-	62	62	47
Depreciation	400	636	1,036	943
Gain/loss on sale of assets	-	-	-	-
	-----	-----	-----	-----
Total support costs	400	8,790	9,190	14,094
	=====	=====	=====	=====

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

5. MANAGEMENT AND ADMINISTRATION EXPENSES

Restricted	Unrestricted		2005	2004
	£	£	£	£
Wages and salaries	-	6,458	6,458	6,374
Pension costs	-	612	612	685
Rent and rates	-	2,151	2,151	2,201
Heat and light	-	28	28	85
Insurance	-	210	210	272
Repairs and renewals	-	52	52	96
Postage, stationery, copying, advert and computer costs	-	1,240	1,240	1,747
Motor expenses	-	386	386	559
Refurbishment and relocation costs	-	311	311	791
Equipment leasing	-	1,364	1,364	1,281
Book-keeping	-	12,922	12,922	12,472
Audit and accountancy	-	4,634	4,634	2,194
Sundry expenses	-	62	62	47
Depreciation	400	636	1,036	943
Bank charges	-	1,135	1,135	946
Bank interest	-	6	6	4
	-----	-----	-----	-----
	400	32,207	32,607	30,697
	=====	=====	=====	=====

During the year the charity relocated to new premises at the Ladywell Business Centre 94 Duke Street, Glasgow.

6. TRUSTEES REMUNERATION AND EXPENSES

No remuneration or expenses are paid to the Trustees of the Charity.

While Children in Distress may organise travel for the Trustees, it is the Trustees' own responsibility to pay for this travel, with the exception of expenses to travel to Romania paid on behalf of Trustee Dr Robin Dunn acting in his capacity as Chairman of the Advisory Panel and not as a Trustee. The expenses paid on behalf of Dr Dunn amounted to £351 (2004 - £634).

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

7. TANGIBLE FIXED ASSETS

	<u>Total</u>	<u>Office</u>	<u>Fixtures</u>	<u>Motor</u>
	<u>£</u>	<u>Equipment</u>	<u>& Fittings</u>	<u>Vehicles</u>
	£	£	£	£
COST				
At 1 October 2004	91,656	55,426	34,030	2,200
Additions	3,544	3,544	-	-
	-----	-----	-----	-----
As at 30 September 2005	95,200	58,970	34,030	2,200
	=====	=====	=====	=====
DEPRECIATION				
At 1 October 2004	74,550	39,970	34,030	550
Provided	10,361	9,949	-	412
	-----	-----	-----	-----
As at 30 September 2005	84,911	49,919	34,030	962
	=====	=====	=====	=====
NET BOOK VALUE				
As at 30 September 2005	10,289	9,051	-	1,238
	=====	=====	=====	=====
As at 30 September 2004	17,106	15,456	-	1,650
	=====	=====	=====	=====

8. FIXED ASSET INVESTMENTS

	<u>Total</u>	<u>Listed</u>
	<u>£</u>	<u>£</u>
Brought forward	85,000	85,000
Additions	-	-
Disposals	(17,632)	(17,632)
Decrease in market value	(11,955)	(11,955)
	-----	-----
	55,413	55,413
	-----	-----

Listed investments Futura Medical

In 2003 the charity received a donation of 125,000 shares in Futura Medical. These shares have been incorporated in the accounts in the current year at their market value of £55,413.

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
VAT	1,324	84
Prepayments	7,954	20,398
	-----	-----
	9,278	20,482
	=====	=====

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005	2004
	£	£
Trade creditors and accruals	10,152	19,784
Social Security and other taxes	2,481	2,473
	-----	-----
	12,633	22,257
	=====	=====

11. RESTRICTED FUNDS

	Balance at 01.10.04	Incoming	Outgoing	Balance at 30.09.05
	£	£	£	£
Catholic Observer	13,734	-	7,000	6,734
Gifts in kind - office equipment	8,000	-	4,000	4,000
Lloyds TSB Foundation	-	16,338	-	16,338
ACT Foundation	-	2,000	-	2,000
	-----	-----	-----	-----
	21,734	18,338	11,000	29,072
	=====	=====	=====	=====

The Catholic Observer fund is to underwrite the cost of converting the parish house at St Mungo's and St. Demitrie Centre, Craiova to create an HIV Outreach project.

The Lloyds TSB Foundation fund is to fund the salaries of medical staff in the St Nicholas Child Development and Therapies Centre in Bucharest.

Children in Distress
Financial Statements
for the period ended 30 September 2005

Notes to the Accounts
For The Year Ended 30 September 2005

12. UNRESTRICTED FUNDS

In the year the Trustees have reviewed the general reserves position of the charity which exists to cater for fluctuations in the income of Children in Distress from year to year. The Trustees have decided upon the following desired provision:

	2005	2004
	£	£
Core costs (3 months provision)	150,000	165,000
Shortfall	(71,619)	(67,941)
	-----	-----
General fund balance	78,381	97,059
	=====	=====

The Trustees are considering ways to increase the general free reserves to a position where designated requirements are able to be met and the provision for core costs is increased to six months.

13. EMPLOYEES

	2005	2004
	£	£
Wages and salaries	123,489	118,557
Employer's NIC	8,839	12,062
Pension costs	6,116	6,855
	-----	-----
	138,444	137,474
	=====	=====

The average number of employees employed during the year was as follows:-

	2005	2004
Administration support and management		3
Direct charitable		1
Fundraising		4
	----	----
		8
	===	===

Children in Distress

Financial Statements

for the period ended 30 September 2005

No employee earned £50,000 per annum or more.

The Trustees would like to acknowledge with thanks the contribution made by the large number of volunteers, the value of which is impossible to reflect in these financial statements.

In line with the change of accounting policy on page 19 employee costs and number of employees disclosed in the accounts now reflect only United Kingdom employees. In prior years employees in Romania and Bulgaria and their related costs have been disclosed in the accounts. This is no longer deemed appropriate.

Children in Distress

Financial Statements

for the period ended 30 September 2005

Notes to the Accounts

For The Year Ended 30 September 2005

14. FINANCIAL COMMITMENTS

At 30 September 2005 the Charity has annual commitments under non-cancellable leases as follows:-

	Land and Buildings £
Expiry date	
Less than one year	17,849
Two to five years	16,165
Over five years	-

	34,014
	=====

15. INDEMNITY INSURANCE

Trustee's liability insurance was taken out by the Charity at a cost of £1,150.

16. RELATED PARTIES

Alisdair F Barron, Dr Robin Dunn, Trustees of Children in Distress and Dermot Lamb the Charity's Director of Operations hold appointments as directors of the Copii in Dificultate Foundation (Children in Distress Romania), a sister organisation which manages the projects supported by Children in Distress.

