

BIRTHLINK
(a company limited by guarantee)
FINANCIAL STATEMENTS
For the Year Ended 31 March 2010

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(A company limited by guarantee)

FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

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REFERENCE AND ADMINISTRATIVE DETAILS

For the Year Ended 31 March 2010

Board of Director's

Sheriff Richard J D Scott (Chairperson)
Mrs Jennifer Broach
Mrs Anna Brown (appointed 7 October 2009)
Mrs Ann Coulson
Mr Jamie Dalzell (appointed 11 November 2009)
Mrs Amanda Ferguson (resigned 7 October 2009)
Mrs Rosemary Hamilton
Miss Doris Laing (resigned 25 November 2009)
Mrs Jennifer McNiven
Mrs Aileen Nimmo (appointed 11 November 2009)
Mrs Kathleen Smith (resigned 27 May 2009)
Mr Peter Somerville

Secretary

Mrs Aileen Nimmo

Executive Officer

Mrs Linda Powell

Auditor

Chiene + Tait
Chartered Accountants
61 Dublin Street
Edinburgh
EH3 6NL

Bankers

Bank of Scotland
St Andrew Square Branch
38 St Andrew Square
Edinburgh
EH2 2YR

Solicitors

Murray Beith Murray WS
3 Glenfinlas Street
Edinburgh
EH3 6AQ

Registered Office

21 Castle Street
Edinburgh
EH2 3DN

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BOARD OF DIRECTORS' REPORT

For the Year Ended 31 March 2010

The Board of Directors has pleasure in presenting its annual report and financial statements for the year to 31 March 2010.

Structure, governance and management

The company is governed by the Board of Directors. The Board Members who are the directors of the company and who served during the year were:-

Sheriff Richard J D Scott (Chairperson)
Ms Jennifer Broatch
Mrs Anna Brown
Mrs Ann Coulson
Mr Jamie Dalzell (Finance Convenor - appointed 7 October 2009)
Mrs Amanda Ferguson (Finance Convenor - resigned 7 October 2009)
Mrs Rosemary Hamilton
Miss Doris Laing
Mrs Jennifer McNiven
Mrs Aileen Nimmo
Mrs Kathleen Smith
Mr Peter Somerville

The Chairperson Sheriff Richard J D Scott is elected for five years from 16 April 2008. The Finance Convenor is elected annually. Members receive induction and training as and when required.

Objectives and activities

Birthlink (formerly Family Care) has been in existence since 1911. The company was incorporated on 26 May 1982 as a company limited by guarantee. The company changed its name to Birthlink on 13 August 2007. Birthlink is a voluntary social work agency which now provides a range of services to people who have been affected by adoption in Scotland and to people who have been looked after by local authorities in Scotland. Its main aims are:-

- to enhance the well-being and promote the welfare of all people affected by adoption in Scotland;
- to enhance the well-being and promote the welfare of people who have been looked after by local authorities in Scotland;
- to work for and contribute to the development of a comprehensive strategy on post adoption service provision across Scotland.

The company has developed and introduced a management structure to ensure that these objectives are met. The Board of Director's has responsibility for finance, administration and voluntary fundraising. Birthlink now provides a social work service for families and children in need.

Achievements, performance and future plans

Birthlink is regulated by the Scottish Commission for the Regulation of Care and has an annual inspection and report which can be viewed on request at its office at 21 Castle Street, Edinburgh and on its website at <http://www.birthlink.org.uk>.

Birthlink derives satisfaction from the positive feedback it receives from its service users.

In the course of the last year, Birthlink has rationalised its categories of membership in a way that it hopes will encourage increased support for its activities. Birthlink values the generous contributions of its members, friends and volunteers. The year has also seen the publication of Birthlink's latest publication, "Relatively Clear", a search guide for adopted people in Scotland.

Birthlink's future plans are based on its ambition to maintain and improve its services, and to promote community understanding, involvement and support in all areas of its work.

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BOARD OF DIRECTORS' REPORT

For the Year Ended 31 March 2010

The benefits of the efficient running of the organisation achieved in previous years continue to be maintained, particularly following a challenging year due to unforeseen circumstances and the recession. The restructuring of some staff posts, in particular a new book keeper, has helped in the implementation of new procedures to increase efficiency in budget management.

A successful application to the Resilience Fund of the Scottish Government allowed us to carry out much needed renovation work in both Thrift Shops. The shops now display the Birthlink logo and are benefiting from improved name awareness. Staff, customers and volunteers are all delighted with the clean bright environment and hopefully this will result in increased business. The shops already provide an essential contribution to our financial support.

The warehouse continues to be sub let allowing us to offset our costs until we are able to end the lease.

The Executive Officer oversees a wide range of activities, particularly in financial and business management, public relations, personnel, IT including our website, property negotiations and in the management and organisation of our Thrift Shops.

We are much indebted to all the volunteers who support Birthlink but in particular the volunteer searchers whose skill and untiring work are a major contribution to our success.

Sadly Lorraine Kelly decided to resign from the role of Patron and we thank her for her support to date.

There have been a number of changes to the Board since 31 March 2009. Mrs Amanda Ferguson resigned as Finance Convenor as has Miss Doris Laing as Director and Secretary. Ms Jennifer Nobbs has married and is now Mrs Jennifer Broatch. New members include Mrs Anna Brown and Mrs Aileen Nimmo who has agreed to be our new secretary and Mr Jamie Dalzell our new Finance Convenor.

Financial review

The overall surplus for the year is £12,000 (2009: deficit £29,594) as stated in the Statement of Financial Activities. The general unrestricted surplus for the year was £20,388 (2009: deficit of £23,564 prior to the transfer of the Family Care trust Fund from designated reserves).

Principal risks and uncertainties

The principal risks and uncertainties affecting the charity relate to sustainability of ongoing funding, and further information is contained under the Reserves Policy.

Guarantee

Each member of the company has undertaken to contribute an amount not exceeding £1 towards any deficit arising in the event of Birthlink being placed in liquidation. At 31 March 2010 there were 9 members.

Reserves policy

It is the policy of the directors to maintain unrestricted general funds, which are the free reserves of the charity, at a level, which equates to approximately three months unrestricted expenditure. The unrestricted general funds as at 31 March 2010 were a surplus of £45,446. The nature and purpose of the various funds of the charity are set out in note 1 to the financial statements.

Risk management

The Board continues to review and assess risks capable of affecting the operation and finances of the company. The Board also has regard to the need to ensure that systems are in place to make such review and assessment effective.

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BOARD OF DIRECTORS' REPORT

For the Year Ended 31 March 2010

Investment policy

Monies previously deposited in an interest bearing account have now been withdrawn in order to eliminate overdraft charges.

Statement of Board of Directors' responsibilities

The Board of Directors (who are directors of Birthlink for the purposes of company law) are responsible for preparing the Board of Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Board of Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the incoming resources and application of resources, including the net income and expenditure, of the charitable company for the year. In preparing the financial statements the Board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Board are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements, comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The applicable law also sets out the Board of Director's responsibilities for the preparation and content of the Board of Directors' Report.

The Board of Directors are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Directors are aware:

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

Auditor

A resolution to appoint Chiene + Tait, Chartered Accountants, as auditor will be put to the members at the Annual General Meeting.

ON BEHALF OF THE BOARD

Aileen A Nimmo

Aileen Nimmo
Director

8/11/10 2010

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS
AND MEMBERS OF BIRTHLINK (a company limited by guarantee)**

We have audited the financial statements of Birthlink for the year ended 31 March 2010 set out on pages 7 to 19. The financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charity's Board of Director's, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the members and the charity's Board of Director's 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 charity, its members as a body and its Director's as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board of Directors and auditor

The Board of Directors (who are the Directors of the company for the purposes of Company law) responsibilities for preparing the Board of Directors' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of the Board of Directors' Responsibilities.

We have been appointed auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report to you in accordance with those Acts.

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, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006. We also report to you whether in our opinion the information given in the Board of Directors' Report is consistent with those financial statements.

We also report to you if, in our opinion, the charity has not kept adequate and proper accounting records, if the charity's financial statements are not in agreement with these accounting records, if we have not received all the information and explanations we require for our audit, or if certain disclosures of Directors' remuneration specified by law are not made.

We read the Board of Directors' Report and consider the implications for our report if we become aware of any apparent misstatements 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 Board of Directors 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 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 of information in the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS
AND MEMBERS OF BIRTHLINK (a company limited by guarantee) (Continued)**



Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the charity's affairs as at 31 March 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006; and
- the information given in the Board of Directors' Report is consistent with the financial statements.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 18 to the financial statements concerning the charity's ability to continue as a going concern. As disclosed in this note the charity's sources of funding are subject to fluctuation and this fact together with the uncertainty over the future availability of bank facilities indicate the existence of a material uncertainty which may cast doubt about the company's ability to continue as a going concern. The financial statements do not include adjustments that would result if the company was unable to continue as a going concern.

Malcolm Beveridge

**Malcolm Beveridge BA CA (Senior Statutory Auditor)
For and on behalf of
CHIENE + TAIT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh EH3 6NL**

9 November 2010

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STATEMENT of FINANCIAL ACTIVITIES

For the Year Ended 31 March 2010

	Notes	Designated Funds £	Unrestricted Funds £	Restricted Funds £	Total 2010 £	Total 2009 £
Incoming resources						
Incoming resources from generated funds						
		-	5,941	5,606	11,547	12,011
		-	84,114	-	84,114	83,003
		-	151	-	151	1,289
		-	-	143,441	143,441	138,321
		-	-	-	-	-
Total incoming resources	2	-	90,206	149,047	239,253	234,624
Resources expended						
Costs of generating funds						
		-	53,306	-	53,306	81,331
	3	-	53,306	-	53,306	81,331
		-	-	168,989	168,989	170,120
	4	-	-	168,989	168,989	170,120
		-	4,958	-	4,958	12,767
	5	-	4,958	-	4,958	12,767
		-	-	-	-	-
Total resources expended		-	58,264	168,989	227,253	264,218
Net incoming/(outgoing) resources before transfers						
		-	31,942	(19,942)	12,000	(29,594)
		-	(11,554)	11,554	-	-
		-	-	-	-	-
Net movement in funds	9	-	20,388	(8,388)	12,000	(29,594)
Total funds brought forward						
		601,891	25,058	11,168	638,117	667,711
		-	-	-	-	-
Total funds carried forward	14	601,891	45,446	2,780	650,117	638,117

The notes on pages 9 to 19 form part of these financial statements

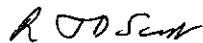
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BALANCE SHEET

As at 31 March 2010

	Notes	£	2010 £	£	2009 £
Fixed assets					
Tangible assets	10		482,130		485,840
Investment properties	11		160,000		160,000
			<u>642,130</u>		<u>645,840</u>
Current assets					
Debtors	12	3,656		7,014	
Cash at bank and in hand		37,532		10,334	
		<u>41,188</u>		<u>17,348</u>	
Creditors: amounts falling due within one year	13	<u>(33,201)</u>		<u>(25,071)</u>	
Net current (liabilities)/assets			<u>7,987</u>		<u>(7,723)</u>
Total assets less current liabilities			<u><u>650,117</u></u>		<u><u>638,117</u></u>
Reserves					
Restricted funds	14		2,780		11,168
Unrestricted funds	14		45,446		25,058
Designated funds	14		601,891		601,891
	15		<u>650,117</u>		<u>638,117</u>

The financial statements have been approved by the Executive Committee on 8 Nov 2010.



R Scott, Chair

Company Number: SC013007

The notes on pages 9 to 19 form part of these financial statements

NOTES to the FINANCIAL STATEMENTS

For the Year Ended 31 March 2010

1. Accounting Policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of heritable and investment properties and in accordance with applicable accounting standards, the Charities Accounts (Scotland) Regulations 2006, the Statement of Recommended Practice – Accounting & Reporting by Charities 2005 and the Companies Act 2006.

Depreciation

Property improvements are depreciated on a straight line basis over 10 years.

Furniture and fittings are valued in the financial statements at £1,000. All additions and replacements are written off to the Statement of Financial Activities in the period of purchase.

Assets costing less than £500 are not capitalised in the balance sheet.

Office equipment is depreciated on a straight line basis over four years.

Computer equipment is depreciated on a straight line basis over five years.

Financial Reporting Standard 15 requires all tangible fixed assets to be depreciated over their useful economic life, taking account of any residual value of the assets. In accordance with FRS 15, the company adopted a policy of revaluing their heritable property with a valuation being carried out during the year to 31 March 2006. The company believes that due to the high residual value of the property a depreciation charge would be immaterial and no charge has therefore been made. Where no charge for depreciation is made, an impairment review should be carried out. Such a review has been performed and this shows that the value of the Buildings under Financial Reporting Standard 11 exceeds the carrying value in the financial statements.

Legacies

Legacies are recorded in the financial statements when they are receivable, which is when the company becomes entitled to the resource and the amount can be calculated with reasonable certainty.

Expenditure

All expenditure is included on an accruals basis inclusive of VAT and is recognised where there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of resource expended in the Statement of Financial Activities. Costs of generating voluntary income relate to costs incurred in the running of the thrift shops. Governance costs include those costs associated with meeting the constitutional requirements of the charity and include audit fees and costs linked to the strategic management of the charity.

Support costs

Support costs are allocated between unrestricted and restricted funds dependent on their nature. They are further split between restricted funds dependent on the income for each fund (excluding depreciation charge).

VAT

The company is partially exempt from VAT. That proportion of VAT which is irrecoverable is charged to the appropriate expense.

Grants

Revenue grants are recognised in the year of receipt and allocated to restricted or unrestricted funds as appropriate. Capital grants are recognised in the year of receipt and treated as restricted funds with depreciation on such assets charged directly to the restricted fund in the Statement of Financial Activities.

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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

1. Accounting Policies (cont'd)

Pension Costs

The company participates in a multi-employer defined benefit scheme. Contributions are charged to the Statement of Financial Activities so as to spread the cost of pensions over the employees' working lives with the company. The pension charge is based on contributions payable, which are calculated on the basis of actuarial advice.

Investment property

In accordance with SSAP 19:-

- i. Investment properties are revalued annually by the Executive Committee and the aggregate surplus or deficit is transferred to the revaluation reserve; and
- ii. No depreciation or amortisation is provided in respect of investment properties.

The Executive Committee consider that this accounting policy results in the financial statements giving a true and fair view. Depreciation is only one of many factors reflected in the annual valuation and the amount which might otherwise be shown cannot be separately identified or quantified.

Operating lease agreement

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against surpluses incurred.

Restricted funds

Birthlink

Birthlink operates to provide a range of post adoption services to people who have been affected by an adoption that has a Scottish connection.

Care Connect

Provides a service to local authority and fostering agencies that may be approached for search and contact assistance by adults who have been fostered.

Lloyds TSB – Equipment

For the acquisition and maintenance of computer equipment and servers.

Scottish Executive Equipment

For the purchase of computing equipment at Birthlink premises.

Unrestricted Funds

Heritable Property Fund

This designated fund represents the increase in value over cost of the heritable property of the company as a result of the revaluation of the heritable property by Messrs D M Hall in 2001 and Graham and Sibbald on 21 February 2006.

General

The General Fund represents the unrestricted funds which the Executive Committee are free to use in accordance with the charitable objects.

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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

2. Income Analysis	2010	2009
	£	£
Voluntary income		
Fees and donations	11,547	12,011
	<hr/>	<hr/>
Activities for generating funds		
Thrift shops	62,366	70,143
Commercial activity	2,060	1,719
Publication sales	105	37
Rental income	19,583	11,104
	<hr/>	<hr/>
	84,114	83,003
	<hr/>	<hr/>
Investment income		
Bank interest receivable	151	1,289
	<hr/>	<hr/>
Incoming resources from charitable activities		
Scottish Government grant	45,292	45,292
Birthlink local authority contributions	53,654	45,573
City of Edinburgh Council Care Connect grant	28,415	28,415
Birthlink fees	16,080	17,751
Training income	-	1,290
	<hr/>	<hr/>
	143,441	138,321
	<hr/>	<hr/>
Total incoming resources	<u>239,253</u>	<u>234,624</u>

3. Costs of generating funds	Unrestricted	2010	2009
	Thrift Shop	Total	Total
	£	£	£
Costs of goods sold and other costs			
Wages and salaries	33,113	33,113	41,005
Employer's National Insurance	1,494	1,494	2,054
Sessional costs	2,565	2,565	4,452
Support costs (Note 6)	16,134	16,134	33,820
	<hr/>	<hr/>	<hr/>
	53,306	53,306	81,331
	<hr/>	<hr/>	<hr/>

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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

4. Charitable Activities	<u>Restricted Funds</u>				2010 Total £	2009 Total £
	Birth Link £	Care Connect £	Scottish Exec Eq. £	TSB Equip. £		
Wages and salaries	94,718	24,396	-	-	119,114	109,779
Employers' NI	7,899	2,035	-	-	9,934	9,969
Employers' pension costs	1,366	351	-	-	1,717	2,002
Sessional costs	438	-	-	-	438	-
Training	366	-	-	-	366	426
Travel	197	-	-	-	197	139
Marketing	201	-	-	-	201	1,069
Conferences	58	-	-	-	58	168
NRH Fees	15	-	-	-	15	949
Volunteer expenses	392	-	-	-	392	162
Search fees	822	-	-	-	822	348
Recruitment expenditure	-	-	-	-	-	40
Birthlink expenditure	5,000	-	-	-	5,000	-
Support costs (Note 6)	24,093	3,254	1,642	1,746	30,735	45,069
	<u>135,565</u>	<u>30,036</u>	<u>1,642</u>	<u>1,746</u>	<u>168,989</u>	<u>170,120</u>

5. Governance Costs

	2010 £	2009 £
Audit fee	3,846	3,938
Accountancy	-	744
Bank and payroll charges	299	2,315
Support costs (note 6)	813	5,770
	<u>4,958</u>	<u>12,767</u>

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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

6. Support Costs

	<u>Charitable Activities</u>				<u>Cost of</u>	<u>Governance</u>	<u>2010</u>	<u>2009</u>
					<u>Generating Funds</u>	<u>Costs</u>		
	<u>Restricted</u>				<u>Unrestricted</u>			
	<u>Scottish</u>		<u>TSB</u>					
	<u>Birth</u>	<u>Care</u>	<u>Gvt.</u>	<u>Consul/</u>	<u>Thrift</u>		<u>2010</u>	<u>2009</u>
	<u>Link</u>	<u>Connect</u>	<u>Equip</u>	<u>Equip.</u>	<u>Shop</u>		<u>Total</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Wages & salaries	1,477	-	-	-	363	751	2,591	18,358
Employers' NI	120	-	-	-	29	62	211	1,520
Travel	4	-	-	-	-	-	4	6
Rent	-	-	-	-	12,002	-	12,002	11,000
Rates	1,536	315	-	-	1,892	-	3,743	6,181
Insurance	4,454	912	-	-	-	-	5,366	4,321
Heat & light	1,534	314	-	-	427	-	2,275	4,306
Buildings maintenance	(2,134)	(437)	-	-	462	-	(2,109)	1,124
Cleaning	399	81	-	-	90	-	570	2,154
Stationery & postage	1,850	379	-	-	102	-	2,331	2,804
Printing	549	112	-	-	-	-	661	501
Telephone	1,795	368	-	-	393	-	2,556	2,995
Leases	765	157	-	-	-	-	922	1,573
Equipment maintenance & repairs	1,508	309	-	712	65	-	2,594	3,314
Miscellaneous	505	104	-	-	40	-	649	466
Accountancy	3,125	640	-	-	-	-	3,765	4,485
Consultancy	2,000	-	-	-	-	-	2,000	2,222
Legal fees	40	-	-	-	-	-	40	6,909
Subscriptions & literature	3,288	-	-	-	-	-	3,288	4,907
Merchant charge	244	-	-	-	269	-	513	1,716
Depreciation	1,034	-	-	-	-	-	1,034	965
Depreciation								
SE Equipment	-	-	1,642	-	-	-	1,642	1,821
Lloyds funding equipment	-	-	-	1,034	-	-	1,034	1,011
	<u>24,093</u>	<u>3,254</u>	<u>1,642</u>	<u>1,746</u>	<u>16,134</u>	<u>813</u>	<u>47,682</u>	<u>84,659</u>

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NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

7. Taxation

The company has been awarded charitable status under Section 505 of the Income and Corporation Taxes Act 1988, as amended and Section 256 of the Taxation of Chargeable Gains Act 1992, as amended, and as such is exempt from tax.

8. Staff Numbers and Costs

The average monthly number of employees (full-time equivalents, including directors) during the year was made up as follows:-

	2010 No.	2009 No.
Administration	2	3
Social workers	3	3
Thrift shop	3	4
	<u>8</u>	<u>10</u>

The total salary costs were as follows:-

	2010 £	2009 £
Salaries and wages	158,300	175,664
Social security costs	11,639	13,543
Pension costs	1,717	2,002
	<u>171,656</u>	<u>191,209</u>

No employee received emoluments over £60,000. No remuneration is paid to any director. Two Directors received reimbursement of expenses for their work as searchers amounting to £nil (2009: £60).

The company is indebted to numerous volunteers who have assisted during the year and without whose support, the company would not be what it is. The Executive Committee estimate that the financial benefit of this support was in the region of £75,000 (2009: £75,000). The Executive Committee wishes to express its thanks to the volunteers in all our services.

9. Operating deficit is stated after charging

	2010 £	2009 £
Operating leases	12,002	11,892
Auditor – audit fee	3,846	3,938
Depreciation	3,710	3,797
	<u>19,558</u>	<u>19,627</u>

BIRTHLINK
(a company limited by guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

10. Tangible Fixed Assets

	Property Improvements £	Heritable Property £	Furniture & Fittings £	Office Equipment £	Computer Equipment £	Total £
Cost or valuation						
At 1 April 2009 and 31 March 2010	6,063	475,000	1,000	4,937	29,083	516,083
Depreciation						
At 1 April 2009	4,242	-	-	4,937	21,064	30,243
Charge for year	606	-	-	-	3,104	3,710
At 31 March 2010	4,848	-	-	4,937	24,168	33,953
Net Book Value						
At 31 March 2010	1,215	475,000	1,000	-	4,915	482,130
At 31 March 2009	1,821	475,000	1,000	-	8,019	485,840

Heritable property was independently revalued on 21 February 2006 by Graham and Sibbald, Chartered Surveyors.

11. Investment Properties

	2010 £	2009 £
Valuation		
Second floor office premises, 21 Castle Street at valuation.	160,000	160,000

The investment property was independently revalued on 21 February 2006 by Graham and Sibbald, Chartered Surveyors. The Executive Committee is satisfied that there has been no material movement in the value since this valuation. The previous revaluation was during 2001.

12. Debtors

	2010 £	2009 £
Sundry debtors	1,786	3,540
Prepayments	870	1,453
Income Tax recoverable	1,000	1,306
VAT recoverable	-	715
	3,656	7,014

13. Creditors: amounts falling due within one year

	2010 £	2009 £
Bank overdraft	-	12,124
Accruals and sundry creditors	9,338	6,400
Social security and other taxes	7,663	4,347
Deferred income	16,200	2,200
	33,201	25,071

BIRTHLINK
(a company limited by guarantee)

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

14. Analysis of Funds

	Balance at 1 April 2009 £	Incoming Resources £	Outgoing Resources £	Transfers £	Balance at 31 March 2010 £
Restricted funds					
BirthLink	5,000	120,632	(135,565)	9,933	-
Care Connect	-	28,415	(30,036)	1,621	-
Lloyds TSB Equipment	4,526	-	(1,746)	-	2,780
Scottish Executive Equipment	1,642	-	(1,642)	-	-
Total restricted funds	<u>11,168</u>	<u>149,047</u>	<u>(168,989)</u>	<u>11,554</u>	<u>2,780</u>
Unrestricted funds					
General funds	25,058	90,206	(58,264)	(11,554)	45,446
Designated funds:- Heritable property	601,891	-	-	-	601,891
Total Funds	<u>638,117</u>	<u>239,253</u>	<u>(227,253)</u>	<u>-</u>	<u>650,117</u>

Transfers from unrestricted funds to restricted funds represent funds transferred to cover excess costs incurred by projects during the year.

15. Analysis of net assets between funds

	Tangible Fixed Assets £	Invest- ment Properties £	Net Current Assets £	Total £
Unrestricted funds	37,459	-	7,987	45,446
Restricted funds	2,780	-	-	2,780
Designated funds	441,891	160,000	-	601,891
Total Funds	<u>482,130</u>	<u>160,000</u>	<u>7,987</u>	<u>650,117</u>

16. Lease Commitments

The company has the following annual commitments under non cancellable operating leases.

	2010 £	2009 £
Equipment:		
Expiring less than one year	-	-
Expiring between one and two years	-	-
Expiring between two and five years	<u>1,986</u>	<u>1,089</u>
Land and Buildings:		
Expiring less than one year	-	-
Expiring between two and five years	11,000	11,000
Expiring after five years	<u>-</u>	<u>-</u>

17. Pensions

Birthlink participates in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

Birthlink paid contributions at the rate of 5% during the accounting period. Members paid contributions at the rate of 5% during the accounting period. Pension costs charged in the year were £1,717 (2009: £2,002) and there were £1,274 (2009: £426) of outstanding contributions as at the balance sheet date.

As at the balance sheet date there were 2 active members of the Plan employed by Birthlink. Birthlink continues to offer membership of the Plan to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme where the Plan assets are co-mingled for investment purposes, and benefits are paid from the total Plan assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 have now been completed and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

NOTES to the FINANCIAL STATEMENTS (cont'd)

For the Year Ended 31 March 2010

17. Pensions (cont'd)

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	%
	per annum
- Investment return pre-retirement	7.6
- Investment return post-retirement	
Actives/deferreds	5.1
Pensioners	5.6
- Bonuses on accrued benefits	0.0
- Rate of price inflation	3.2

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the Plan liabilities the Trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision the Trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30 September 2008) will be cleared within 10 years if the investment returns from assets are in-line with the 'best estimate' assumptions. 'Best estimate' means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre-retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post-retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009.

The next full actuarial valuation will be carried out as at 30 September 2011.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan. The Trustee's current policy is that it only applies to employers with pre-October 2001 liabilities in the Plan. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

17. Pensions (cont'd)

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared to the total amount of the Plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

Birthlink has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2009. As of this date the estimated employer debt for Birthlink was £187,571.

18. Going Concern

The charity's activities are funded through various sources of income, including grants, donations, membership fees and the operation of the Thrift Shops and as a consequence the income is subject to fluctuation. As at the year end the charity had total reserves of £650,117 of which its free reserves amounted to £45,446.

The charity manages its day to day working capital requirements through tight financial controls. There is an overdraft facility in place though it has not been employed since December 2009. The recession and subsequent uncertainty of availability of bank finance is always at the forefront of day to day working transactions. There has been no suggestion the overdraft facility would not be renewed or available if required in the future.

The charity's forecasts and projections, taking account of reasonable expectations for the level of funding, show that the charity should be able to operate within the level of its current facility. The charity continues to seek new funding opportunities to sustain the level of service they provide. Ongoing communication with present funders exists where possible, to reinforce and hopefully maintain these relationships.

The directors have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.