

**THE TOYBOX CHARITY**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 2013

Charity Number 1084243

**The Toybox Charity**  
**Year Ended 31 March 2013**

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### Report of the Trustees of the Toybox Charity for the year ended 31 March 2013

#### Our Charitable Objectives and Activities

Toybox is a Christian, international, non-governmental, non-political organisation, committed to helping street living and street working children and those at risk of becoming so, principally in Latin America.

Our vision is of a world where there are no street children, where families are restored, those who are disadvantaged have choices and hope and all children have a voice.

Our mission is to bring lasting and positive change to the lives of street children, street working children and those at risk of becoming so, through front line work, prevention and advocacy, being a facilitator and enabler, galvanising people and resources in the UK, Latin America and worldwide.

Street children include children and young people up to the age of 18 years. These children and young people may be living on the street with no home at all; spending most or part of their time on the streets generally without appropriate adult supervision; child workers who spend time working on the street and those in danger of migrating to the streets to live or to work (sometimes called children at 'high risk').

The Charity's objects are:

1. The relief and prevention of poverty in particular but not exclusively by:
  - a) providing help, care and assistance to vulnerable families in the developing world so as to encourage stable and caring family life and prevent children being forced onto the streets;
  - b) providing help, care and assistance for street working and street living children, including access to education and healthcare.
2. The promotion of the human rights of children as set out in the United Nations Convention on the Rights of the Child by any means the Trustees in their absolute discretion choose and in particular by raising awareness as to the needs of street living and working children and advocacy as to how those needs can best be met.
3. The advancement of education of the public in particular but not exclusively by:
  - a) educating the public about the nature, causes and effects of poverty and of life on the streets and how appropriate help can be provided or improved;
  - b) conducting and procuring research concerning the same and disseminating the useful results to the public.
4. The advancement of the Christian Faith in particular but not exclusively by:
  - a) Promoting the active engagement of the Christian church in the provision of help, care and assistance to vulnerable families, and street working and living children, as well as in the promotion of their rights;
  - b) being witnesses of God's love through our dedication to our mission, absolute integrity and unprejudiced compassion, working with all people irrespective of race, gender, colour, age or religious belief.
5. To carry out any other activities which are exclusively charitable and are beneficial to the community in the places where the Charity operates.

"Vulnerable Families" means those families whose lives, livelihoods, security or health are at risk.

We are inspired to serve street children aiming to relieve their suffering and to promote the transformation of their condition of life. We are committed to helping all street children and their families irrespective of origin, race, gender, faith or status. We encourage local accountability by building the capability and capacity of our partners and working towards independence.

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In setting our programme each year we have regard to both the Charity Commission's general guidance on public benefit and prevention and relief of poverty for the public benefit. The Trustees always ensure that the programmes we undertake are in line with our charitable objects and aims.

All our charitable activities are directed towards, and motivated by, our desire to help street children and their communities and are undertaken to further our charitable purposes for the public benefit. In setting our strategic objectives and implementing the operational plans the Trustees have considered the Charity Commission's general guidance on public benefit.

### Our Strategic Objectives

*The aim of our strategy is to significantly reduce the number of children on the streets of Latin America and to extend this aspiration to other parts of the world.*

*The overarching objective is to build our capacity to drive, deliver and sustain growth in income and impact, utilising the most efficient development models and effective partnerships.*

We have established the following strategic objectives:

1. To support a range of existing and new local and national partners in Latin America and beyond, where their vision and activities lead to a significant reduction in the number of children living or working on the street.
2. To mobilise and equip a range of local, national and international civil society actors empowering them to influence and address the key factors leading to children on the streets.
3. To work with and on behalf of street and high risk children, upholding children's rights, being a voice for street children and championing their cause locally, nationally and internationally, encouraging positive change by acting to influence the policies and actions of others.
4. To enhance the profile, reputation and financial standing of Toybox by developing the brand through professional promotions, products, processes and PR aimed at meeting the growing resource needs of the charity.
5. To enhance and sustain an effective and efficient organisational infra-structure that reflects the Toybox vision and values and meets recognised good practice, enabling Toybox to achieve its mission and funding objectives.

### International

*We aim to enhance and develop existing international work and to build a portfolio of international partnerships in Latin America, with indigenous projects focused on working long term with street children and their communities.*

#### ***In this area our work will focus on:***

Supporting and developing existing project work, through funding our partners' work in Bolivia, Guatemala, El Salvador and Nicaragua. We plan to continue to support local Viva networks to meet the specific needs of street connected children in the cities where they work. This will be carried out through training, workshops and support as well as investment into vital capital items to allow local Civil Society Organisations working directly with street connected children to deliver effective programmes for them.

#### ***This year we have:***

Supported 114 projects in 5 countries; these projects have mainly focused on the area of preventing children from living on the street, whilst a number have been in outreach work with children on the street. We have continued to try and find good outcomes for children, and this has included an exciting project in Guatemala, trialling a fostering approach for young children. It is groundbreaking in the Guatemalan context, but was something that was adapted from another Central American country, showing the value of

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Toybox's breadth of experience across Latin America. Toybox has reached 11,400 children in the projects that we support, seeing many positive outcomes for children.

We have also sought to develop our capacity in international development through recruiting a Latin America manager in May 2012 to ensure that we can support and monitor our partners' programmes and effectively develop the work. In January 2013 we recruited a new International Programmes Director to oversee all of Toybox's international work. In February 2013 we opened an office in Costa Rica, which will better serve the work in Latin America through the 3 staff members who are based in that office. This provides Toybox with a strong basis with which to continue to improve our work and outcomes for the children our partners work with.

### ***In the coming year we will:***

Improve the effectiveness of our work with street children and seek new and innovative models and partnerships to achieve this.

Since the end of the financial year it has come to light that there has been poor financial management by one of our overseas partners. This matter is being fully investigated and reported to all relevant stakeholders with appropriate action being taken.

To reduce the future risk of financial mismanagement we are improving systems for monitoring and evaluating our projects. In addition this year we are going to audit each project and partner we support. We want to identify best practice and share this across our project portfolio. As we work to deepen our impact on the children we work with, we expect to fund and support over 80 projects working with more than 9,000 street connected children in the next year.

We will be constantly seeking to improve our impact on children, and are excited by the potential in new projects and approaches that we are funding. We will be investing in the development of good monitoring and evaluation programmes for all our projects. Our development model will focus on street children and the key areas of prevention, intervention and re-integration.

One exciting opportunity that we are hoping to see come to fruition is to send a girls football team from El Salvador to the Street Children's World Cup in Brazil. This project will be part of an advocacy campaign in El Salvador to highlight good treatment of children, and the value of each and every child, no matter what their background or situation.

### **Advocacy**

*We aim to work with and on behalf of street and high risk children, upholding children's rights, being a voice for street children and championing their cause locally, nationally and internationally encouraging positive change by acting to influence the policies and actions of others.*

### ***In this area our work will focus on:***

Our field based research in Central America will enhance engagement with governments at local, national and international levels. We are excited by the opportunities that this will bring for significant influence, particularly in the countries in which we work. The Child Ambassadors' Good Treatment campaign will continue to run and we are pleased to support this pioneering work, established across all the countries in which we operate. Our advocacy is an integral part of our programmatic work.

In the UK, we participate in various coalitions and in so doing bring our allies alongside in promoting the rights of street children. We will contribute to the work with the All Party Parliamentary Group on Street Children, Global Campaign for Education, and the Bond Latin America group seeking to support appropriate campaigns and identifying other partnerships.

### ***This year we have:***

Worked in coalition with the Consortium for Street Children on the International Day for Street Children

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### ***In the coming year we will:***

Review the most effective way to advocate on behalf of street children, whether this should be UK or overseas based advocacy, or a combination of both.

### **Marketing and Fundraising**

*We aim to enhance the profile, reputation and financial standing of Toybox by developing the brand through professional promotions, products, processes and public relations aimed at meeting the growing resource needs of the charity.*

### ***In this area our work will focus on:***

- Continuing to refresh and develop the brand to elicit support from as wide a range of supporter groups as possible to include individuals, churches, community groups, businesses and institutional and trust funding organisations.
- Using a marketing framework to marshal the resources available for messaging, channels and media in the most effective and efficient way.
- Investing in new and existing acquisition activity to enlarge our database and using telephone engagement to convert these prospects into regular givers.
- Encouraging ad hoc giving through direct appeals, sponsored challenges and gala and auction events.
- Continuing to research the market for interested trust funders and present relevant and engaging proposals.

### ***This year we have:***

Had a challenging year and initial income forecasts were not realised. Areas which performed well included institutional and family trusts and individual regular giving through the Best Friend scheme (which experienced 20% growth) and the Child Ambassador scheme reached £964,731 for the year, contributing 59% of incoming resources.

Areas which did not perform as well as anticipated included the Alternative Gift Catalogue and sales from Christmas cards. We also saw a disappointing return from events aimed at the philanthropic community.

New initiatives included a successful national radio advertising campaign with a texting call to action. This campaign allowed us to reach a different demographic and extend the pool of current prospects for conversion to regular giving. This campaign has helped to shape our thinking for future acquisition approaches.

The first regularly-giving CASCade churches were signed up, receiving and sharing information with the churches working with street children in El Salvador.

### ***In the coming year we will:***

Grow income by 3%. The engine of this increase will be regular giving, expected to rise to over £1m. The flexible and easily-administered Best Friend scheme is forecast to grow most strongly. A substantial part of the budget has been made available for supporter acquisition activity through events, radio advertising roll-out and, for the first time, the direct acquisition of new contacts. The communication model for the Child Ambassador Scheme will be re-assessed with a view to efficiency savings using digital channels for some updates.

A full marketing and communications audit will be undertaken to revise the product portfolio to ensure maximum engagement of the supporter base. In addition, all acquisition channels will be reviewed to ensure maximum return on investment.

Ad hoc giving through sponsored challenges will be encouraged, in addition to cash appeals to the supporter base. More emphasis will be placed on engaging with the philanthropic and corporate communities with the creation of bespoke programmes for interested companies or individuals.

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We have defined new Key Performance Indicators for the charity with the main indicators in the Marketing and Fundraising area defined as:

	Budget	Actual	Next Year Target
Unique users to the website	40,000	40,850	44,000
Number of regular giving agreements	3,800	3,589	4,500
Number of new regular givers during year	640	466	1,300
Regular giving as a % of total voluntary income	52%	55%	58%

### Our Capacity

*We aim to enhance and sustain an effective and efficient organisation that reflects the vision and values of Toybox and meets recognised good practice enabling Toybox to achieve its mission and funding objectives.*

### Finance and Support Services

We seek to provide excellent customer service to all our supporters. The Supporter Relations team handles all incoming calls to the Charity, processes all income, donations and orders, and maintains the supporter database. In a crowded market place we aim to be distinguished from our competitors by the excellent service that we give to all our contacts.

All expenditure is monitored closely with the aim of obtaining full value for each pound spent in order to maximise the amount of resources for our work with street children internationally. For example, employees when travelling use the most cost effective and efficient form of transport, this extends to sometimes choosing non direct trains and flights, travelling standard class and during off peak times; no one at the charity travels first class.

We conduct regular supplier reviews to ensure that we are getting the best service and value for money. During this year reviews included our insurance and printing suppliers. Promotional literature and mailings are vital to communicate the work of Toybox; where appropriate Toybox uses black and white print, double sided printed and recycled paper. Postage costs are minimised by using electronic methods of communication and second class postage as standard. In the forthcoming year we will continue to increase the amount of supporter correspondence sent electronically.

We have a robust budgeting and monitoring system for all income and expenditure; budgets are reviewed on a quarterly basis and re-forecasted as necessary. Detailed reports are sent out to all members of staff on a monthly basis. Our budgets are set and agreed with our international partners before the commencement of the financial year. The policy adopted by Trustees is to honour the international budget in US dollars and accordingly for Toybox to underwrite the exchange rate risk.

#### ***This year we have:***

Reviewed the use of our supporter relations database and enhanced its use and facilitated training within the team. This has also involved being a champion for the database with other similar charities who have come to learn best practice from Toybox.

Continued to remit international grants to our partners in US dollars. To mitigate the exchange rate risk and fluctuations in the dollar exchange rate we aim to buy forward US dollar contracts to gain the most favourable exchange rate. The budget for the year ended 31 March 2013 was based upon an exchange rate of 1.55 US dollars to the GB pound; the actual average rate achieved during the year was 1.60.

#### ***In the coming year we will:***

Continue to provide an excellent level of service to all our valued supporters, seeking to engage them at every opportunity in a positive way.

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Review our IT strategy in order to maintain and develop an appropriate IT infrastructure that is innovative and making maximum use of available technology.

### **Staff and Volunteers**

It has been a year of significant change in the staff team, with a staff turnover rate of 41% for the year. New appointments have been made in many significant positions including Lynne Morris appointed as CEO in August 2012 and Ian Gray became International Programmes Director in January 2013.

The Trustees wish to express their appreciation to all staff and volunteers in the UK and overseas for their hard work and dedicated support of the charity throughout the year. The work of the charity would not have been possible without the enthusiasm and professional expertise demonstrated throughout the organisation and the committed involvement of staff and volunteers.

The Trustees recognise the importance of staff development and training. Each staff member is encouraged to undertake development and training activity relating to their work and the wider activity of Toybox, and for some staff this includes an awareness visit to our international work. We seek to motivate, train and develop our team by providing clear and positive leadership.

The contribution from volunteers continues to be invaluable; we have over 30 volunteers who assisted at 7 major events. Together with speakers, fundraisers, office volunteers and trustees it is estimated that people gave over 1,100 days during the year. Volunteer training is also a key activity and involves the availability of training events, individual or group briefings, on-site training for event volunteers and regular and updated e-news sent every month to over 1,150 active supporters.

### ***In the coming year we will:***

Invest in the training of our staff, aiming to spend the equivalent of 1.5% of their salary on training, during this year we achieved a spending of 1.1% of salaries. We will aim to reduce staff turnover to 30% or less for the next year. We have introduced awards to our staff for long service, and in next year hope to make 4 awards, including one for 10 years' service to the Charity.

Review and update our employment terms and conditions, our staff policies and handbook. We will look at ways of motivating our team, and empower them to fulfil their roles and be the very best that they can be.

We will examine our vision, mission and values and develop a new Strategic Plan for the Charity for the 5 years to 2018. One thing will not change: we will continue to work with street children in Latin America and beyond.

## **Financial Review**

### **Income**

This has been a challenging 12 months for the charity as voluntary income decreased by 10% to £1,620,909 (2012: £1,791,837) and total income also decreased by 10% to £1,647,441 (2012: £1,831,700).

The financial irregularities we discovered affected a project run in conjunction with Comic Relief, and therefore the grant received in March 2013 has not yet been recognised as income in the accounts for this year. In the previous financial year £133,403 was received from Comic Relief.

The other components of the £170,928 decrease in voluntary income were a decline in income from churches, events and community fundraising. The income from regular giving shows a mixed picture this year: Child sponsorship income dropped by £24,193 (3%) but Best Friends income increased by an encouraging £49,016 (20%).

Income from trading activity decreased this year due to the decreasing popularity of sending Christmas cards. Investment income remained at a constant level this year due to continuing low interest rates during the year.

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### Expenditure

The total resources expended during the year were £1,472,491 (2012: £1,829,125) a decrease of £356,634 (19%). Charitable expenditure decreased during the year by £318,521 (20%), due to the closure of the work by our partner Fundación Castillo in Guatemala. In the current year financial grants of £110,416 were sent to Fundación Castillo compared with £362,793 in the previous year.

Our ratio of charitable expenditure was again sustained this year at 87% of total expenditure. Expenditure continues to be closely controlled and efficiency and good use of our resources is sought in every area of our work.

### Reserves

Regular giving provides income stability which allows the charity to commit to existing and new projects and long-term decisions to help more street children and communities. The reserves provide a cushion in the event of shortfalls in income compared to the budget so that projects can be planned and approved within the project planning cycle. The reserves policy is reviewed annually by the Finance and Audit Committee and was last reviewed on 8 April 2013.

The minimum level of reserves required is three month's expenditure in the UK, plus a provision for a possible decline in income of £100,000, plus a provision against the falling value of the GB Pound against the US Dollar of £50,000.

At 31 March 2013 these reserves, excluding fixed assets and stock, and including the adding back of three months overseas expenditure of £168,000 treated as a constructive liability, was £649,444 and equivalent to 4.4 months expenditure (2012: £563,895 or 3.5 months). During the year the total reserves increased by £124,950. Our target reserve ratio for the year was 124 days, the actual ratio at 31 March 2013 is 135 days; we have set the target for the next financial year at 123 days.

### Investment Powers and Policy

Under its Memorandum and Articles, the charity can invest and deal with the charity's money not immediately required for its objects in or upon any investments, securities or property. Consequently the funds are managed in accordance with its investment policy.

The investment policy of Toybox is to invest in bank or building society deposits, fixed interest securities and corporate and government bonds on terms to match the timing of returns to meet the needs of the charity. Toybox recognises the current and growing interest in ethical investments and the possibility for potential supporters to be dissuaded from supporting Toybox if it does not have an ethical policy. It would not be cost effective for Toybox to have a bespoke ethical policy and so where practically possible Toybox will place deposits covered by an ethical policy in the accepted definition of the word.

### Toybox Crafts Limited

During the year Toybox Crafts Limited, the wholly owned subsidiary of the Charity, did not trade, and only incurred minor administrative expenses.

The decision has been taken to reduce the balances owing between the charity and its subsidiary to reflect the proper nature of the relationship.

For the year ended 31 March 2013 total sales of Christmas cards and books sold through the charity were £20,557 (2012: £34,351). Donations to the charity given when purchasing these items amounted to £14,274 (2012: £16,007).

### Auditors

A resolution will be proposed at the next Board meeting that Sayer Vincent be re-appointed as auditors to the charity for the ensuing year.

### Our Structure, Governance and Management

The Toybox Charity is a registered charity and charitable company limited by guarantee governed by its Memorandum and Articles of Association dated 29 March 2000 as amended by special resolution dated 6 December 2000 and further on 28 June 2010 which sets out the objects and powers.

#### Directors and Trustees

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

The Trustees serving through the year and on the date the report was approved were:

Mrs NA Adlam  
Mr JR Eke (Treasurer)  
Mr M Jennings  
Mr D Lowbridge (Chair of Trustees)  
Mrs ELM Melliush (resigned 14 December 2012)  
Mrs B Plass (resigned 30 November 2012)  
Ms J Watson (appointed 25 February 2013)  
Mrs J York

#### Appointment of Trustees, Induction and Training

New Trustees are recommended by the existing Trustees. One third of Trustees are required to retire (and if appropriate seek reappointment) annually.

When appointed new Trustees are provided with an information pack containing copies of the governing documents, annual report, strategic plan, core documents and other supporting papers. Each new Trustee is linked with an existing Trustee for induction and also spends time in the UK office meeting staff and gaining an understanding of each department. After initial attendance at Trustee meetings, new Trustees may undertake an international awareness visit. Training is made available as required and can include providing suitable publications, in-house updates and external events.

#### Trustee and Committee Meetings

The Trustees met five times during the year (including an away day in February 2013) to make strategic and policy decisions. The CEO and members of the Leadership Team attend these meetings but do not have voting powers. The CEO reports to and is appointed by the Trustees to manage the day-to-day operations of the charity.

The Finance and Audit Committee met three times during the year and the Governance and Nominations Committee met prior to each of the Board meetings.

All Trustees give of their time freely and no Trustee remuneration was paid in the year. Details of Trustee expenses are disclosed in note 5 to the accounts. Trustees are required to disclose all relevant interests and register them with the CEO and in accordance with the Charity's policy withdraw from decisions where a conflict of interest arises.

Trustees receive a monthly Performance Summary that includes Management Accounts and a set of Key Performance Indicators (KPIs). Each quarter a more detailed report is provided by the Leadership Team for discussion by the Trustees and includes additional KPIs and narrative explanation along with a detailed risk report.

#### Chief Executive

Mrs Lynne Morris was appointed as Chief Executive on 20 August 2012; taking over from Mr Andy Stockbridge on that date. The Chief Executive is responsible for the day to day operation of the charity and

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managing the staff of the charity on behalf of the Trustees. The Chief Executive heads the Leadership Team and the staff team who deliver the strategy and programmes of Toybox.

### Risk Management

The Trustees have considered the major risks to which the charity is exposed and have reviewed those risks establishing systems and procedures to manage major risks.

The positive risk management strategy adopted by the Trustees comprises:

- Quarterly review of the major risks of the charity, the overall risk map, movement in risks, actions taken and an updated risk map presented and discussed at each Trustee meeting;
- Ongoing systems and procedures to mitigate major risks identified;
- Implementation of procedures designed to minimise any potential impact on the charity should these risks materialise.

This strategy of positive risk management identifies significant risks, along with the probability of such risks occurring, the likely level of impact, together with mitigating action. Particular attention is given to those risks having the potential to have the greatest impact on the charity such as reputation, finance, funding, international, partnerships and child protection. Procedures to mitigate other identified significant risks are implemented covering areas such as staff retention, erosion of values, mission drift, key relationships and efficiency.

Significant opportunities and threats are discussed in more detail at the annual Trustee away days. Outcomes of these discussions feed into the strategic and operations plans.

### Statement of Trustees' responsibilities

The Trustees (who are also directors of The Toybox Charity for the purposes of company law) are responsible for preparing the Trustees' 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 Trustees 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 group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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 Trustees are aware:

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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### Reference and Administrative Details

Charity number	1084243
Company number	03963000
Registered Office & Principal Address	4-8 Challenge House, Sherwood Drive, Bletchley, Milton Keynes, Buckinghamshire MK3 6DP Telephone: 01908 360050 Email: info@toybox.org Website: www.toybox.org.uk
Auditors	Sayer Vincent, 8 Angel Gate, City Road, London EC1V 2SJ
Bankers	Co-operative Bank, 9 Prescott Street, London, E1 8BE
Solicitors	Bates Wells & Braithwaite London LLP, 2-6 Cannon Street, London, EC4M 6YH Fairchild Dobbs & Co., 1 Bulstrode Way, Gerrards Cross, SL9 7QT

**Approved by the Board of Trustees on 16 September 2013 and signed on its behalf by**

Mr D Lowbridge  
Chair of Trustees  
16 September 2013

### Independent Auditors' Report to the Members of The Toybox Charity

We have audited the financial statements of The Toybox Charity for the year ended 31 March 2013 which comprise the Group and Parent Charitable Company Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 144 of the Charities Act 2011 and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of trustees and auditors

As explained more fully in the Statement of Trustees' responsibilities set out in the Trustees' report, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2013, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Judith Miller  
Senior Statutory Auditor

19 September 2013

For and on behalf of Sayer Vincent, Statutory Auditors

Sayer Vincent, 8 Angel Gate, City Road, LONDON EC1V 2SJ  
Sayer Vincent is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

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### Consolidated Statement of Financial Activities

(including Income & Expenditure Account)

#### For the Year Ended 31 March 2013

	Notes	Unrestricted Funds £	Restricted Funds £	2013 Total £	2012 Total £
<b>INCOMING RESOURCES</b>					
<i>Voluntary income</i>	2	576,463	1,044,446	1,620,909	1,791,837
<i>Income from trading activity</i>	7	20,557	-	20,557	34,351
<i>Investment income</i>		5,975	-	5,975	5,512
<b>Total incoming resources</b>		<b>602,995</b>	<b>1,044,446</b>	<b>1,647,441</b>	<b>1,831,700</b>
<b>RESOURCES EXPENDED</b>					
<i>Costs of Generating Funds</i>	3				
Costs of generating voluntary income		107,451	46,520	153,971	173,743
Costs of trading activity		27,839	-	27,839	46,296
<i>Charitable activities</i>	3	272,600	1,008,022	1,280,622	1,599,143
<i>Governance costs</i>	3	10,059	-	10,059	9,943
<b>Total resources expended</b>		<b>417,949</b>	<b>1,054,542</b>	<b>1,472,491</b>	<b>1,829,125</b>
<b>Net movement in funds</b>	5	<b>185,046</b>	<b>(10,096)</b>	<b>174,950</b>	<b>2,575</b>
<b>RECONCILIATION OF FUNDS</b>					
Total funds brought forward		371,465	172,810	544,275	541,700
Subsidiary capital adjustment		(50,000)	-	(50,000)	-
<b>Total funds carried forward</b>		<b>506,511</b>	<b>162,714</b>	<b>669,225</b>	<b>544,275</b>

All of the Charity's activities are considered as continuing  
There were no recognised gains or losses other than the result for the year

The notes on pages 15 to 22 form part of these accounts

**Consolidated and Charity Balance Sheets as at 31 March 2013**

	Note	Group		Charity	
		2013 £	2012 £	2013 £	2012 £
<b>Fixed Assets</b>					
Tangible assets	6	19,361	23,939	19,361	23,939
<b>Current Assets</b>					
Stock		5,706	3,631	5,706	3,631
Debtors	8	53,356	84,490	53,691	84,490
Short term deposits		575,318	458,940	575,318	458,940
Cash at bank		346,774	252,007	344,576	237,174
		981,154	799,068	979,291	784,235
Creditors: amounts falling due within one year	9	(331,290)	(278,732)	(331,290)	(316,299)
<b>Net Current Assets</b>		649,864	520,336	648,001	467,936
<b>Net Assets</b>		669,225	544,275	667,362	491,875
<b>Funds</b>					
Unrestricted:					
General	10	506,511	371,465	504,648	319,065
Restricted	11	162,714	172,810	162,714	172,810
<b>Total Funds</b>		669,225	544,275	667,362	491,875

The accounts were approved by the Board of Trustees on 16 September 2013 and were signed on their behalf by:

Mr David Lowbridge  
Chair of Trustees

Mr John Eke  
Treasurer & Company Secretary

The notes on pages 15 to 22 form part of these accounts

## Notes to the Consolidated Accounts

### 1. Accounting Policies

#### a) Basis of Accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. They follow the recommendations in the Statement of Recommended Practice, Accounting and Reporting by Charities (issued in March 2005) and the Companies Act 2006.

#### b) Group Accounts

These financial statements consolidate the results of the Charity and its wholly-owned trading subsidiary, Toybox Crafts Limited, on a line by line basis.

#### c) Cash Flow Statement

The group has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small group.

#### d) Incoming Resources

Income is recognised in the period in which the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the Charity being notified of an impending distribution or the legacy being received. Tax recoverable on gift aid is accounted for in the period in which the gift aided amount is received and is included in donations with the original gift.

#### e) Resources Expended

Expenditure is accounted for on an accruals basis, inclusive of VAT where this cannot be recovered. Overseas grant payments are recognised when a constructive obligation arises that results in the payment being unavoidable.

Certain expenditure is directly attributable to specific activities and has been allocated to those cost categories. Certain other costs and some staff costs are attributable to more than one activity. In these cases the costs have been apportioned to the other individual activities on the basis of the time spent by staff on matters relating to those activities.

Support costs represent the costs incurred by UK based staff directly providing support to directly charitable activities including management, technical and prayer support.

#### f) Governance Costs

Governance costs are the costs associated with the governance arrangements of the Charity. These costs are associated with constitutional and statutory requirements and include any costs associated with the strategic management of the charity's activities.

#### g) Gifts in Kind

Gifts in kind represent assets donated for distribution or use by the charity. Assets given for distribution are recognised as incoming resources only when distributed. Assets given for use by the charity are recognised when receivable. Gifts in kind are valued at the amount actually realised from the disposal of the assets or the price the charity would otherwise have paid for the assets.

No amounts are included in the accounts for services donated by volunteers.

# The Toybox Charity

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## 1. Accounting Policies (continued)

### h) Depreciation

All fixed assets costing more than £5,000 are capitalised.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Furniture & fittings	10% per annum straight line
Motor vehicles	25% per annum straight line
Equipment	25% per annum straight line

### i) Stocks

Purchased stocks are valued at the lower of cost or net realisable value after making due allowance for obsolete or slow-moving items.

### j) Foreign Currencies

Foreign currency transactions are recorded at the exchange rate achieved when the foreign currency was purchased. In order to minimise the risk from buying foreign currencies, forward contracts for a period of up to three months are entered into. The expenditure is recorded at the average rate of the balance held in the foreign currency account when the payment is made.

Assets and liabilities at the balance sheet date are translated into sterling at the rates of exchange ruling at that date, with exchange gains and losses taken to the Statement of Financial Activities.

### k) Pensions

The Charity operates a defined contribution stakeholder pension scheme. The pension charge represents the amount payable by the Charity to the scheme for the year.

### l) Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the period of the lease.

### m) Tax Status

The Charity is a registered Charity and therefore it is not assessable to corporation tax on any surplus funds.

### n) Funds Accounting

Funds held by the Charity are:

*Unrestricted general funds* – these are funds which can be used in accordance with the charitable objects at the discretion of the Trustees.

*Restricted funds* – these are funds which can only be used for particular purposes within the objects of the Charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

The nature and purpose of each fund is explained further in the notes to the accounts.

## The Toybox Charity

### 2. Voluntary Income

	<b>2013</b>	<b>2012</b>
	<b>£</b>	<b>£</b>
Child sponsorship	670,198	694,391
Other regular giving	294,533	245,517
Trusts and voluntary grants	167,883	272,044
Legacies	62,567	25,500
Donations made through Craft purchases	24,776	39,421
Other donations	400,952	514,964
<b>Total voluntary income</b>	<b>1,620,909</b>	<b>1,791,837</b>

### 3. Resources Expended

	<b>Grants</b>	<b>People Resources</b>	<b>Pro-motion</b>	<b>Support &amp; Other</b>	<b>Total 2013</b>	<b>Total 2012</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Guatemala - Castillo	125,301	36,836	-	7,403	169,540	462,466
Guatemala - Red Alert	93,006	27,342	-	5,495	125,843	123,797
Bolivia	224,316	65,945	-	13,252	303,513	267,253
Peru	144,842	42,581	-	8,557	195,980	172,758
El Salvador	86,404	25,401	-	5,105	116,910	101,557
Regional Initiatives	53,151	15,625	-	3,140	71,916	111,641
Advocacy	-	28,433	-	3,089	31,522	56,885
Awareness	-	151,427	85,555	28,416	265,398	302,786
<b>Total Charitable Expenditure</b>	<b>727,020</b>	<b>393,590</b>	<b>85,555</b>	<b>74,457</b>	<b>1,280,622</b>	<b>1,599,143</b>
Fundraising	-	81,770	56,118	16,083	153,971	173,743
Trading	-	12,064	-	15,775	27,839	46,296
<b>Total Cost of Generating Funds</b>	<b>-</b>	<b>93,834</b>	<b>56,118</b>	<b>31,858</b>	<b>181,810</b>	<b>220,039</b>
Governance (note 5)	-	-	-	10,059	10,059	9,943
<b>Total Expenditure</b>	<b>727,020</b>	<b>487,424</b>	<b>141,673</b>	<b>116,374</b>	<b>1,472,491</b>	<b>1,829,125</b>
<b>2012</b>	<b>977,230</b>	<b>495,230</b>	<b>166,887</b>	<b>189,778</b>		

The grants were made to our partner organisations in Latin America, for work by Fundación Castillo in Guatemala and Viva LA to implement Red Alert programmes in Latin America for street children.

People resources comprises staff costs in the UK and internationally and consists of all costs relating to staff employed, including their training and development. People resources and support and other costs are allocated to the areas of activity according to staff time spent on that particular activity.

Promotion costs are entirely spent on promoting the activities of the charity and include enhancing the awareness of the charity and the issues it seeks to address, not only with its supporters but also with the wider public. Fundraising costs are those which are entirely spent on activities which were undertaken in order to generate voluntary income.

## The Toybox Charity

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### 4. Employees and Staff Costs

The average number of contracted employees throughout the year, calculated on a full time equivalent basis, was:	2013	2012
	No	No
Trading	0.5	0.7
Overseas	3.6	2.7
Advocacy	0.5	0.8
Awareness	5.0	4.5
Fundraising	2.8	2.7
Support	3.7	3.4
	<u>16.1</u>	<u>14.8</u>

The average number of contracted employees throughout the year, calculated on a numbers basis, was:	2013	2012
	No	No
Trading	0.5	0.7
Overseas	3.9	2.7
Advocacy	0.7	1.0
Awareness	5.2	4.7
Fundraising	4.7	5.2
Support	4.3	4.0
	<u>19.3</u>	<u>18.3</u>

The cost of employing those staff was:	2013	2012
	£	£
Salaries and wages	411,433	385,320
Employer's National Insurance contributions	42,202	35,654
Employer's pension contributions	16,297	17,709
	<u>469,932</u>	<u>438,683</u>

No employee earned £60,000 or more during the year (2012: £nil).

### 5. Net incoming resources for the year

This is stated after charging:	2013	2012
	£	£
Depreciation	4,578	8,971
Operating lease: office premises	48,502	43,744
Provision of corporation tax services by auditors	500	1,424
Governance costs:		
Trustees expenses: UK travel and subsistence	1,048	765
Trustees expenses: overseas travel and subsistence	595	1,258
Recruitment of trustees	346	-
Auditors remuneration: UK audit	8,070	7,920
	<u>10,059</u>	<u>9,943</u>

Expenses reimbursed to trustees represent travel and subsistence costs for 3 trustees relating to attendance at their meetings (2012: 1). One trustee travelled overseas to represent the charity (2012: 1). No trustees received remuneration during the year (2012 – none.)

## The Toybox Charity

### 6. Tangible Fixed Assets

GROUP AND CHARITY	Motor Vehicles	Furniture & Fittings	Equipment	Total
	£	£	£	£
<i>Cost</i>				
At 1 April 2012	7,150	30,688	33,414	71,252
Additions	-	-	-	-
Disposals	-	-	-	-
At 31 March 2013	7,150	30,688	33,414	71,252
<i>Depreciation</i>				
At 1 April 2012	7,149	12,531	27,633	47,313
Charge for the Year	-	3,069	1,509	4,578
Disposals	-	-	-	-
At 31 March 2013	7,149	15,600	29,142	51,891
<i>Net Book Value</i>				
At 31 March 2013	1	15,088	4,272	19,361
At 31 March 2012	1	18,157	5,781	23,939

The assets owned by the Charity are used for direct charitable purposes.

### 7. Income from Trading and Subsidiary Trading Company

	2013	2012
	£	£
During the year the following trading activity took place:		
Toybox Crafts Ltd	-	13,487
Toybox Charity	20,557	20,864
	<u>20,557</u>	<u>34,351</u>

Toybox Crafts Ltd is a wholly owned subsidiary of the Charity. During the year Toybox Crafts Limited did not trade. Therefore it has been decided to write off the balances owing between the subsidiary and the company and to reduce the value of the share capital held in the subsidiary. The shares in the company were gifted to the Charity and are included in the Charity's balance sheet at nil value as the shares are not readily marketable. A summary of the financial statements for Toybox Crafts Ltd is as follows:

	2013	2012
	£	£
Turnover	-	13,487
Cost of sales	-	(7,933)
Gross Profit	-	5,554
Other administrative expenditure	(537)	(501)
Profit before intercompany payments	(537)	5,053
Gift aid payment to the Charity	-	(5,053)
Retained profit for the financial year	(537)	-
Balance brought forward	17,398	17,398
Transferred to parent company	(15,000)	-
Balance carried forward	<u>1,861</u>	<u>17,398</u>

## The Toybox Charity

### 7. Income from Trading and Subsidiary Trading Company (continued)

	2013	2012
	£	£
Current assets	1,863	52,400
Share capital	2	35,002
Reserves	1,861	17,398
Total funds	<u>1,863</u>	<u>52,400</u>

### 8. Debtors

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Trade debtors	1,870	1,416	1,870	1,416
Gift Aid recoverable	17,409	20,071	17,409	20,071
Prepayments	33,501	40,728	33,501	40,728
Amounts due from subsidiary	-	-	335	-
Other debtors	576	22,275	576	22,275
	<u>53,356</u>	<u>84,490</u>	<u>53,691</u>	<u>84,490</u>

### 9. Creditors: amounts falling due within one year

	Group		Charity	
	2013	2012	2013	2012
	£	£	£	£
Amounts due to subsidiary	-	-	-	37,567
Taxation and social security	12,230	10,106	12,230	10,106
Accruals and other creditors	151,060	48,626	151,060	48,626
Constructive obligation to partners	168,000	220,000	168,000	220,000
	<u>331,290</u>	<u>278,732</u>	<u>331,290</u>	<u>316,299</u>

### 10. Unrestricted Funds - Group

	Balance at 1 April 2012	Incoming Resources	Resources Expended	Transfers In / (Out)	Balance at 31 March 2013
	£	£	£	£	£
General Fund	371,465	602,995	(417,949)	(50,000)	506,511

## The Toybox Charity

### 11. Restricted Funds – Group & Company

	Balance at 1 April 2012	Incoming Resources	Outgoing Resources	Balance at 31 March 2013
	£	£	£	£
<i>Fundación Castillo</i>	-	110,416	110,416	-
<i>Red Alert Networks</i>				
Guatemala	-	195,874	106,957	88,917
Bolivia	28,712	207,795	236,507	-
Peru	-	102,313	89,831	12,482
El Salvador	34,331	85,048	99,365	20,014
Nicaragua	-	82,342	44,995	37,347
Nicaragua - JOAC	29,076	-	29,076	-
<i>Peru - Comic Relief</i>	80,691	-	76,737	3,954
<i>Latin America projects</i>	-	260,658	260,658	-
	<u>172,810</u>	<u>1,044,446</u>	<u>1,054,542</u>	<u>162,714</u>

Fundación Castillo provided preventative and residential care in Guatemala. Red Alert Networks are a model of working with street children in a city-wide strategy.

During the previous financial year, funds were received from Comic Relief to improve the physical, mental and social health of street-involved children in Lima, Peru and from Jersey Overseas Aid Committee (JOAC) for the Good Treatment Campaign in Nicaragua.

Latin America project costs include funds for specific or more general project work.

### 12. Analysis of Group Net Assets Between Funds

	Unrestricted Funds	Restricted Funds	Total Funds
	£	£	£
Tangible Fixed Assets	19,361	-	19,361
Current Assets	818,440	162,714	981,154
Current Liabilities	(331,290)	-	(331,290)
Total	<u>506,511</u>	<u>162,714</u>	<u>669,225</u>

### 13. Operating Lease

The Group had annual commitments under a non-cancellable operating lease for its current office property as at 31 March 2013 which expires as follows:

	2013	2012
	£	£
Lease expiring:		
Between one and five years	<u>42,406</u>	<u>42,406</u>

### 14. Pension Scheme

The Charity operates a defined contribution stakeholder pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the Charity. At 31 March 2013 there were no outstanding contributions (2012: nil).

## The Toybox Charity

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### **15. Control**

During this financial year and the previous financial year the Charity and trading subsidiary were under the control of the Trustees of the Charity, who are also its directors and members of the company. The charitable company is limited by guarantee and has no share capital. The liability of each member of the company in the event of winding up is limited to £10. The total number of guarantees at 31 March 2013 was 8 (2012: 8).

### **16. Commitments**

At 31 March 2013 Toybox had no commitments to buy US dollars in foreign exchange forward contracts (2012: US \$100,000).

### **17. Contingencies**

The Trustees have confirmed that there were no contingent liabilities which need to be disclosed (2012: nil).