

# **BARNARDO'S**

**YEAR ENDED 31 MARCH 2006**

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**Barnardo's  
Report of Council  
Year Ended 31 March 2006**

**Barnardo's vision is that the lives of all children and young people should be free from poverty, abuse and discrimination and the organisation is focused on helping the most vulnerable children and young people transform their lives and fulfil their potential.**

In pursuit of its vision Barnardo's provides services in locations across the UK, directly reaching approximately 120,000 children and young people and their families, as well as having an impact on a significant additional number through a wide range of partnerships. Barnardo's 383 services, also known as projects, range from family centres providing day care for vulnerable children, to residential schools for young people with special educational needs and from short break care services for children with disabilities, to services which help young people in local authority care to manage the transition to independence.

As well as providing direct services, Barnardo's also undertakes a range of influencing work to change policy and practice to improve outcomes for children and young people, thereby benefiting many more than can be helped through its services alone. These activities are based on knowledge gained from its research and practical experience, and seek to influence government, local authorities and other policy-making bodies.

To fund its work, Barnardo's relies upon voluntary donations from the public, companies and trusts together with fees it generates from the provision of services to Local Authorities and other funding partners. Barnardo's is also heavily reliant on a force of over 12,000 volunteers who work tirelessly to raise money or provide direct support to children and young people.

Specific information on Barnardo's work can be found in the Annual Review which accompanies the Report and Accounts or on the website at [www.barnardos.org.uk](http://www.barnardos.org.uk).

## **STRATEGIC DIRECTION**

In December 2005 Sir Roger Singleton retired after 22 years of distinguished service as Chief Executive of Barnardo's. His successor, Martin Narey took up post in January 2006 and with the support of the Council embarked upon a consultation process to establish a vision and strategy for the organisation that will take Barnardo's forward for the next five years. The review will culminate in the autumn in a new Corporate Plan which will become operational from April 2007. The revised strategy will build on the solid foundation already laid down but will ensure that the work of Barnardo's is focussed on the areas where it is best able to make the greatest impact in the lives of disadvantaged children and young people whether that be through direct service provision (Barnardo's will remain one of the UK's largest direct providers of services to children and young people) or by being an effective advocate for change.

At present Barnardo's operates within a five year planning framework, the priorities of which currently are to:

- Place children and young people's perspectives and participation at the heart of its work
- Ensure its services deliver excellent value for children and young people
- Achieve effective influence
- Promote the Barnardo's name to gain greater recognition and support
- Enable employees and volunteers to achieve exemplary performance
- Achieve its financial objectives, which are set out in greater detail below.

In essence these strategies can be summed up in this overriding objective – that Barnardo's should improve the outcomes for children and young people by policy and practice influence and through the delivery of distinctive, sustainable services that are recognised as deserving of support by donors and funders alike.

Involving young people in both its service delivery and influencing work is central to Barnardo's values. To that end Barnardo's is working to see how best to engage young people in its governance. At the same time each service is tasked with ensuring the views of users are considered when establishing priorities and direction for new

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and existing work.

Excellence in service provision is a key priority to ensure that Barnardo's services make a real and measurable difference to the lives of children and young people. Each service is required to establish outcome measures to assess the extent to which the service is meeting the needs of its users (which are also used to compare outcomes from similar services across the organisation). At the same time services work to a set of core standards in relation to child protection, supervision, recording, responsiveness to users and equalities, the outcome of which is audited. Barnardo's has a longstanding commitment to evaluating its practice and planning its provision on the basis of the best possible evidence of what works.

Barnardo's uses its experience from practice and research to turn lessons learned into authoritative guidance for policy makers and others to follow. Core issues are identified and developed into an annual programme of influencing activity including the publication of its influential "What works" series and a range of briefings for parliamentarians and other policy makers. The outcome of this work is measured by the degree to which Barnardo's ideas are taken up by others.

Key to Barnardo's success is the extent to which the public and other funders recognise the quality of the work it does and its distinctive nature and are prepared to support the organisation financially. Barnardo's looks to statutory authorities with whom it contracts to meet the full cost of the service provided, including each service's share of support costs. At the same time Barnardo's seeks financial support from the public through a range of fund raising methods including face to face marketing, legacy promotion and retail and trading to help provide the resources to fund new and innovative work with children and young people. Success is measured by the extent to which Barnardo's is able to increase its income year on year and, through its advertising, to keep Barnardo's at the forefront of donors' minds as being a contemporary charity worthy of support.

None of Barnardo's work can be delivered without the engagement of thousands of employees and volunteers. Barnardo's has developed a People strategy that seeks to ensure staff and volunteers have the required support to give of their best to the children and young people the organisation serves. This includes providing skilled management support, regular appraisals, and an appropriate remuneration package – the effectiveness of which can be measured by the extent to which the organisation is able to retain the staff and volunteers it requires.

## **OBJECTIVES and ACHIEVEMENTS**

In last year's Annual Report Barnardo's identified a range of specific objectives for the year ended 31 March 2006:

*- Achieve a modest growth in services (2%) and an improved level of recovery of overheads on new and existing work.* The number of services increased by 6% in the year to March 2006 to a total of 383 and importantly, the level of overhead recovery improved also during the year, resulting in a greater proportion of voluntary funds being available to fund new and innovative work. This was pleasing progress given the current changes in the way services to children are organised within Local Authorities.

*- Extend the concept of local appeals to create a closer link between the work done on the ground and raising the funds to sustain it.* Two successful local appeals were launched during the year in Scotland and the London/South East area with a number of further initiatives in the pipeline for 2006/7.

*- Launch a major campaign on the back of learning from the UK Agenda initiative.* The original plans for a major launch were deferred to June 2006 (with the focus being on learning from work on the sexual exploitation of young people).

*- Extend the concept of participation across the whole of the organisation's operations and conduct the first audit of the new core standard on participation.* An audit of Barnardo's participation standards was carried out in December 2005 by the Corporate Audit and Inspection Unit. The audit found that generally the standards were

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being met in the services inspected, although there was scope for improving the recording of children's and young people's involvement in services, and developing more challenging standards.

- *Generate net £34.8 million from voluntary sources to help fund Barnardo's operations.* Barnardo's net fundraising income for the year was 99.3% of budget – a pleasing result given the ever increasing competition for voluntary funds.

- *Mount a volunteer development programme across all areas of the organisation's activities.* A strategy for the development of volunteers has been produced and Barnardo's secured a grant from the Russell Commission to help the organisation develop a best practice model for working with hard-to-reach young volunteers.

- *Achieve a revenue surplus in cash terms to provide a cushion against fluctuations in fundraising and continue to re-build reserves through planned property disposal.* The management accounts to 31 March 2006, which are based on cash coming in and out of the organisation, showed that Barnardo's exceeded its targeted revenue surplus. Good progress too was made in rebuilding reserves through a programme of planned property disposals – helped by gains in the value of investments as stock markets recovered.

- *Reduce 'voluntary' staff turnover, with the aim of reaching 10% by 2009.* Given the nature of Barnardo's work there will always be a significant turnover in staff as new services open and old ones close, but it is the extent to which staff voluntarily opt to stay with the organisation that provides the best measure of employment conditions within Barnardo's. In the year to 31 March 2006 staff turnover was 12.2% (a reduction from 12.8% the previous year).

## **2006/7 PLANS**

As noted above, 2006/7 will see the development of a new five year plan which will set the direction and priorities for Barnardo's beyond the next general election. In the immediate future Barnardo's is planning to build on the achievements to date and specifically:

- Increase by 6% the number of services to the most vulnerable children across the UK focussing particularly on the most disadvantaged communities
- Enhance the sustainability of Barnardo's services by generating a further £1.5m contribution to overheads from statutory and related funders, earning voluntary income of £34.6m (net) and achieving a revenue surplus
- Demonstrate the level of impact Barnardo's services are making to children's lives by producing the first outcome measures report on all services by December 2006
- Increase Barnardo's ability to influence the public agenda on children's issues by increasing awareness of the organisation by the media, the public and amongst legislators.

## **FINANCE**

### **Results for the year**

Barnardo's has adopted the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP) which was issued in 2005. Comparatives for the previous year have been restated to ensure a consistent treatment of overhead allocations between the two sets of figures, but this restatement has no impact on the reported result or reserves.

The results for the year show Barnardo's achieved gross income of £193.3 million (2005 £191.6 million) – the increase coming on the back of a number of property developments that were concluded during the year. Reported net fundraised income fell 2% but this is due to an extraordinary legacy which was received in 2004/5 distorting the comparatives – see note 5 of the accounts. One major positive in the year has been the improved performance of retail and trading after a number of years of decline, with net income increasing by almost £1m compared to the same period last year.

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The amount Barnardo's spent on direct service provision increased to £130.6 million (2005 £128.8 million) which, when added to monies spent on grants, research, education and influencing work, meant that some £153.3 million was spent directly in furtherance of the charity's objectives (2005 £155.5 million).

The net income from general funds activity, before transfers and investment gains, was £306,000. Taking general and restricted funds activity as a whole, net income for the year was £938,000, which together with gains on both Barnardo's own investment portfolio and the pension scheme assets resulted in an increase in net funds year on year of £15.9 million (2005 - £6.2 million).

**General Reserve and risk reduction strategy**

Barnardo's reserves policy strikes a balance between the need to use voluntary income to provide services for children and the need to ensure that, once a commitment has been given to a child or their family, sufficient funds exist to meet the commitment for as long as it is required and appropriate. However the organisation also needs to ensure that relatively minor disruptions to its financial plans do not result in having suddenly to cease activities in order to balance the books.

Barnardo's reserves and risk reduction strategy has been developed to address that twin objective. The first strand involves a policy of budgeting to generate small revenue surpluses year by year so that inevitable adverse fluctuations in levels of voluntary income do not immediately impact work with children. The intention is to budget for revenue surpluses equivalent to 5% of (net) voluntary income. Surpluses above this amount, if realised, would be available in the subsequent year to fund new operating initiatives. It will take time to achieve this level of surplus. The budgeted surplus for 2007 is 2% of (net) voluntary income, increasing to 5% by 2010.

The second strand involves taking more specific account than hitherto of risks associated with cash flow, statutory funding and the stock and property markets. To this end Barnardo's has set a policy of building reserves to a level that will cover one month's operating cash flow, 10% of the previous year's public sector income (that is received to fund Barnardo's own work) and a significant setback in the stock and property markets to which Barnardo's may at any one time be exposed. The build up will be achieved through the generation of revenue surpluses, above, and through property realisations.

At 31 March 2006 the General Reserve of Barnardo's stood at £36.3 million (2005 - £26.9 million) compared to a target reserve under the policy of approximately £40 million.

**Other Funds**

A fund equivalent to the net book value of the fixed assets used in Barnardo's work is set aside on the basis that it is not practicable to sell off operational properties in order to fund further work. The total funds tied up in fixed assets amounted to £38.6 million (2005 - £42.5m) - the reduction reflecting the impact of the property realisations.

A second fund in relation to working capital represents the funds required to meet day to day operational commitments. These are all represented by net current assets. At 31 March 2006 this fund stood at £16.4 million (2005 - £14.7m million).

Further funds of £26.6 million (2005 - £24.9 million) were tied up in restricted and endowment funds, only the income from which has been available to fund Barnardo's work. During the year Barnardo's, under an arrangement agreed with the Charity Commission, transferred £2 million of the unapplied total return within the endowment funds to general funds and this sum was spent on the work of the organisation during the year, the drawdown being more than compensated by the increase in value during the year.

**Overall financial health**

The trustees consider that Barnardo's is well placed, as a result of the cost reduction measures implemented in recent years together with the advances made in full cost recovery from statutory and other funders and a modest

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investment in new fundraising activities, to deliver against its plans for the year ahead.

However there continue to be risks and the trustees will be monitoring carefully over the coming year the impact of the Pensions Act 2004 and progress towards achieving full cost recovery on contracts in particular. In the medium term, ways will need to be found to replace income currently generated from the sale and development of surplus properties.

#### **Investments**

Barnardo's investments are held in three common investment funds managed by Merrill Lynch, one in equities, one in fixed income securities and one in cash. The equities fund is one which does not invest in companies whose products are associated with tobacco. The performance of the funds is measured against the relevant market indices and in the year to 31 March 2006 generated a total return of 18.4% which was 1% behind the benchmark return set. Over the longer term, the total return achieved is ahead of the benchmark.

#### **Commercial Activities**

The results of Barnardo's subsidiary companies are summarised in Note 3 to the financial statements. In total, net income generated by the subsidiaries was £3 million (2005 - £295,000).

Barnardo Trading Limited generated a profit of £195,000 (2005 - £199,000 loss) from its mail order, publishing and retail activities following a successful restructuring of the operation. Barnardo's retail and trading activities in total (including the sale of donated goods in Barnardo's shops which is accounted for as part of the charity's activities) produced a surplus of £1.6 million.

Barnardo Developments Limited's principal activity is the development and sale of properties which are surplus to Barnardo's operational requirements. Net profit from development activities totalled £2.2 million as major developments in Tunbridge Wells, Lytham St Annes and Harrogate were concluded during the year. In addition, the activities of Barnardo Developments generated £3.7 million direct to Barnardo's from the related land sales. These are accounted for within the charity's results in the Statement of Financial Activities.

Barnardo Events Limited raises sponsorship income and runs special events in aid of Barnardo's, much of the income of which is accounted for within the charity. The company generated a profit of £321,000.

#### **Accounts**

The Council confirms that the accompanying accounts comply with statutory requirements, the requirements of the Memorandum and Articles of Association, and the requirements of the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP 2005). The Council considers that Barnardo's has adequate resources to continue in business for the foreseeable future, and that, for this reason, it should continue to adopt the going concern basis in preparing the accounts.

### **STRUCTURE, GOVERNANCE and MANAGEMENT**

Barnardo's is a company limited by guarantee company number 61625, and a registered charity number 216250. It is governed by its Memorandum and Articles of Association which set out its charitable purposes in the following terms:

- (i) the relief and assistance of children and young people in need;
- (ii) the promotion of the education of children and young people;
- (iii) the promotion among children and young people of the knowledge of the Christian faith or the faith in which they were brought up and
- (iv) the relief of the poor, sick, handicapped and aged.

The Members of Council, who are elected by the Members of Association at the Annual General Meeting, are the charity's trustees and the legal directors of the company. They serve for a three year term, after which they are

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eligible for re-election. New trustees are selected through open recruitment, which includes advertising in the national press. Particular emphasis is placed at the time of recruiting to appoint individuals who can fulfil any identified skill gaps within the trustee body. New appointees and existing trustees are provided with an induction programme and a range of other training opportunities to help them meet their responsibilities.

The Council meets every two months. Matters not reserved for decision by Council are delegated either to one of the Council Committees or to the Chief Executive and UK Directors (being the three senior executives who report to the Chief Executive).

The Council Committees are as follows:

- **Audit Committee** reviews the annual accounts before submission to the full Council and policies and procedures in relation to internal financial control; it also considers matters of corporate governance and any significant issues arising in respect of either internal or external audit arrangements.
- **Investment Committee** assists the Council in safeguarding the charity's assets and in determining investment policy including the charity's stance on ethical investment, and receives reports from the investment managers who manage the portfolio on a discretionary basis.
- **Nominations Committee** nominates, for approval by the Council and by the Members of Association, persons willing to act as Members of Council. The Committee also approves appointments to the national committees.
- **Remuneration Committee** determines the remuneration of the Chief Executive and of the three UK Directors on an annual basis. Their remuneration does not include any element of performance-related pay or bonus, share option or long-term incentive scheme. The period of notice for termination of contracts of employment is six months for the Chief Executive and three months for the UK Directors. There are no pension provisions for the Chief Executive or for the UK Directors other than membership of Barnardo's Pension Scheme on the same terms as other employees.
- **Adoption Committee** meets to consider policy issues that arise in relation to adoption work. The Committee comprises three Members of Council plus one representative from each of Barnardo's seven adoption panels and such other as are required by the Adoption regulations.
- **Three committees** in Scotland, Northern Ireland and Wales. On each are one or two Members of Council and other individuals with local knowledge and experience. Barnardo's remains a single UK charity, but these committees are responsible, within the framework set by the Council, for overseeing the development of services, the raising of income and Barnardo's influencing work in their respective localities.

#### **Members of Council**

A list of Members of Council appears on pages 33 and 34.

Dr David Barnardo (chair) and Mr James Shera retire from Council with effect from the date of the Annual General Meeting. The Council thanks them both for their contributions to the work of Barnardo's during their periods of office and notes with special appreciation Dr David Barnardo's 25 years of service as a trustee.

The following members retire at the end of their three year term of office, and offer themselves for re-election:

Mr Winston Fletcher  
Mrs Jenny Cromack  
Miss Ruth Owen

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Mr Colin Sheppard  
Ms Gill Stewart

Since the last Annual General Meeting, Ms Judy Clements has been co-opted as a Member of Council and offers herself for election.

### **Management**

Responsibility for operational activities is allocated to three departments. Children's Services is divided geographically into nine nations/regions operating from Belfast, Birmingham, Bristol, Cardiff, Edinburgh, Leeds, Liverpool, London and Newcastle. The Marketing and Communications Department operates from the Head Office in Barkingside and also from regional offices. The Corporate Resources Department, which includes the Finance, Information Systems, People and Properties functions, is also based at Head Office and provides support services to the other two departments.

Barnardo's has three related charities: Barnardo's Republic of Ireland, Barnardo's Australia and Barnardo's New Zealand. They are locally registered organisations with their own governing bodies which raise money for use in their own countries. Barnardo's supports the work of these related organisations through the provision of a grant. The financial transactions of these related charities are not included in the accompanying accounts.

There were no transactions with related parties during the year other than contributions made to the Barnardo's Pension Scheme, which are separately disclosed within the notes to the accounts.

### **INTERNAL CONTROL and RISK MANAGEMENT**

The Council has responsibility for ensuring that the organisation has in place an appropriate system of controls, financial and otherwise, to provide reasonable assurance that the charity is operating efficiently and effectively, its assets are safeguarded against unauthorised use or disposition, that proper records are maintained and financial information used within the charity or for publication is reliable and the charity complies with relevant laws and regulations.

The Audit Committee examines the effectiveness of the systems of internal financial control on behalf of the Council relying in particular on the work of the Corporate Audit and Inspection Unit. Any significant findings or identified risks are examined to ensure that appropriate action is being taken.

The systems of financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- A corporate plan and an annual budget approved by the Council.
- Regular consideration by the Council of actual results compared with budgets and forecasts.
- Delegation of authority to spend within clearly defined limits.
- Segregation of duties.
- Identification and management of financial risks by Council and Management.

The Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) was set up to review those aspects of corporate governance specifically related to financial reporting and accountability. In 1999, the Code introduced a recommendation that the directors of each company should review and monitor the entire system of internal controls; this extended the previous recommendation in respect of financial controls to cover all controls including financial, operational, compliance and risk management. The Council confirms that it has identified and reviewed the major risks to which the charity is exposed, that systems have been established to mitigate those risks, and that it considers that Barnardo's has achieved compliance with the 1999 guidance and the recommendations of the subsequent Higgs and Smith reviews, in so far as they are relevant to charities.



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## **AUDITORS**

In accordance with Section 384 of the Companies Act 1985 resolutions proposing the re-appointment of KPMG LLP as auditors of the Company and authorising Council to fix their remuneration will be put to the Members at the Annual General Meeting.

## **EQUAL OPPORTUNITIES**

Barnardo's is committed to providing equality of opportunity for the children, young people, families and carers with whom it works. It values and respects their diversity.

Barnardo's welcomes difference in its staff and volunteers. In accordance with its Basis and Values, Barnardo's is working to create equal access to opportunities for paid employment and voluntary involvement while continuing to base selection and promotion solely on ability to meet the requirements of the post. This is irrespective of race, colour, ethnic or national origins, religion, disability, gender, sexuality, age, marital status, responsibility for dependants, economic status or political views.

Barnardo's is committed to taking active steps to address and eliminate unfair or unlawful discrimination or prejudice where these are identified in the organisation's procedures or practices.

## **ENVIRONMENT**

Barnardo's is an environmentally conscious organisation contributing towards a safe and healthy environment for today's children and future generations. The organisation promotes initiatives which are designed to reduce or remove environmentally damaging activities, and to increase activities which improve or conserve the environment. These initiatives include measures to increase the recycling of materials, to reduce the use of energy and to reduce activities which generate pollution.

## **ACKNOWLEDGEMENTS**

Council wishes to record its appreciation of the generosity of the many friends of Barnardo's by thanking them for their donations and bequests, and of the thousands of volunteers who give so unstintingly of their time. Barnardo's has also benefited from help received from companies, organisations, local authorities and individuals in the form of gifts in kind, free loans of property, preferential rent and part relief from rates. Particular gifts and grants are acknowledged in accordance with their terms on pages 29 to 32.



By Order of the Council  
Dr David Barnardo  
Chair of Council

27 July 2006

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**STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES OF BARNARDO'S IN RESPECT OF THE  
REPORT OF COUNCIL AND THE FINANCIAL STATEMENTS**

The trustees, who are also directors for the purposes of company law, are responsible for preparing the Report of Council and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year in accordance with UK accounting standards.

The group and charity's financial statements are required by law to give a true and fair view of the state of affairs of the group and charity and of the group's income and expenditure.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- 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 group and charity will continue its activities.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The trustees who held office at the date of approval of this Report of Council confirm that, so far as they are each aware, there is no relevant audit information of which the charity's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a trustee to make himself/herself aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BARNARDO'S**

We have audited the group and charity financial statements of Barnardo's for the year ended 31 March 2006 which comprise the statement of financial activities including the group income and expenditure account, the group and charity balance sheet, and the group cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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

**Respective responsibilities of the trustees and auditors**

As described in the statement of trustees responsibilities on page 9, the charity trustees, who are also the directors of Barnardo's for the purposes of company law, are responsible for preparing the Report of Council and the financial statements in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice).

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

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

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

**Basis of audit opinion**

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

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and charitable company's affairs as at 31 March 2006 and of the group's 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 the Companies Act 1985; and
- the information given in the Report of Council is consistent with the financial statements.

*KPMG LLP*

**KPMG LLP**  
Chartered Accountants  
Registered Auditor  
Gatwick  
27 July 2006

**Barnardo's**  
**Consolidated Statement of Financial Activities**  
**Year Ended 31 March 2006**

	Note	Unrestricted Funds £000	Restricted & endowment funds £000	Total 2006 £000	Total 2005 (restated) £000
<b>Incoming resources</b>					
Incoming resources from charitable activities					
- Fees and grants for children's services	4	99,012	7,785	106,797	107,846
Voluntary income	5	42,308	2,775	45,083	46,566
Less: Costs of generating voluntary income		(10,402)	-	(10,402)	(10,034)
<b>Net voluntary income</b>		31,906	2,775	34,681	36,532
Activities for generating funds					
Trading income		23,399		23,399	22,376
Less: Costs of goods sold and other costs		(21,845)		(21,845)	(21,791)
<b>Net income from trading</b>		1,554	-	1,554	585
Income from sale and development of properties	6	13,911		13,911	10,900
Less: Costs of developing and selling properties		(5,060)		(5,060)	(4,273)
<b>Net income from property sale and developments</b>		8,851	-	8,851	6,627
Investment income	7	3,043	1,054	4,097	3,926
Less: Investment management costs		(140)	(77)	(217)	(145)
<b>Net income from investments</b>		2,903	977	3,880	3,781
<b>Net incoming resources available for charitable expenditure</b>		144,226	11,537	155,763	155,371
<b>Charitable expenditure</b>					
Charitable Activities					
Service provision - Direct costs		120,814	9,836	130,650	128,813
Grants made	8	340	1,069	1,409	6,856
Other service & training costs		13,553	-	13,553	12,625
Informing the public about our work		5,498	-	5,498	4,749
Child care research and education		2,202	-	2,202	2,522
Governance costs		1,513	-	1,513	1,366
<b>Total charitable expenditure</b>		143,920	10,905	154,825	156,931
<b>Net incoming/(outgoing) resources</b>	10	306	632	938	(1,560)
Endowment funds income release	23	2,000	(2,000)	-	-
Profits/(Losses) on revaluation and on investment asset disposals	11	3,795	3,079	6,874	3,473
Actuarial gain recognised in the pension scheme	15	8,100	-	8,100	4,300
<b>Net movement in funds</b>		14,201	1,711	15,912	6,213
<b>Fund balances brought forward</b>		15,905	24,865	40,770	34,557
<b>Fund balances carried forward</b>	23	30,106	26,576	56,682	40,770

**Note:**

Total incoming resources	181,673	11,614	193,287	191,614
Total resources expended	(181,367)	(10,982)	(192,349)	(193,174)
Net incoming/(outgoing) resources	306	632	938	(1,560)
Total cost of generating funds (including fundraising, trading, property development)	(37,447)	(77)	(37,524)	(36,243)

All of the above results relate to continuing activities. The notes on pages 15 to 28 form part of these financial statements. Comparatives have been restated to comply with SORP 2005 but these restatements have had no effect on the funds brought forward at the start of the year.

**Barnardo's  
Balance Sheet  
Year Ended 31 March 2006**

	Note	Group		Charity	
		2006	2005	2006	2005
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	16	38,753	42,712	38,732	42,677
Investments	17	66,996	53,602	66,996	53,602
		105,749	96,314	105,728	96,279
<b>Current assets</b>					
Stocks and work in progress	18	3,553	3,520	-	-
Debtors	19	18,487	14,515	17,789	14,580
Cash and bank balances and short-term deposits	20	12,425	17,111	12,185	16,805
		34,465	35,146	29,974	31,385
<b>Creditors: Amounts falling due within one year</b>	21	(22,332)	(22,490)	(18,277)	(19,000)
<b>Net current assets</b>		12,133	12,656	11,697	12,385
<b>Net assets excluding pension liability</b>		<b>117,882</b>	<b>108,970</b>	<b>117,425</b>	<b>108,664</b>
Pension liability	15	(61,200)	(68,200)	(61,200)	(68,200)
<b>Net assets including pension liability</b>		<b>56,682</b>	<b>40,770</b>	<b>56,225</b>	<b>40,464</b>
<b>Fund balances</b>					
Restricted and endowment funds	23(a)&(b)	26,576	24,865	26,576	24,865
Fixed assets fund		38,580	42,539	38,558	42,504
General reserve		36,315	26,908	36,315	26,908
Working capital fund		16,411	14,658	15,976	14,387
Unrestricted funds excluding pension liability		91,306	84,105	90,849	83,799
<b>Total funds excluding pension reserve</b>		<b>117,882</b>	<b>108,970</b>	<b>117,425</b>	<b>108,664</b>
Pension reserve	15	(61,200)	(68,200)	(61,200)	(68,200)
<b>Total funds</b>	23(c)	<b>56,682</b>	<b>40,770</b>	<b>56,225</b>	<b>40,464</b>



**Dr David Barnardo**  
Chair of Council



**Geoffrey Barnett**  
Honorary Treasurer

27 JULY 2006

The notes on pages 15 to 28 form part of these financial statements.

**Barnardo's**  
**Cash Flow Statement**  
**Year Ended 31 March 2006**

	Note	2006	2005
		£000	(restated) £000
<b>Reconciliation of net incoming/(outgoing) resources to net cash outflow from operating activities</b>			
Net incoming/(outgoing) resources		938	(1,560)
Depreciation charge	16	4,699	5,225
Net gain on disposal of tangible fixed assets		(8,851)	(6,627)
Special contribution to pension scheme		-	(10,000)
Increase in pension liability		1,100	2,100
(Increase)/Decrease in debtors		(3,972)	157
(Decrease)/Increase in creditors (excluding bank overdraft)		(159)	2,761
Investment income and interest	7	(4,097)	(3,926)
(Increase)/Decrease in stock and work in progress		(33)	1,507
		-----	-----
Net cash outflow from operating activities		(10,376)	(10,363)
		-----	-----
<b>Cash flow statement</b>			
Net cash outflow from operating activities		(10,376)	(10,363)
<b>Returns on investments and servicing of finance</b>			
Investment income and interest	7	4,097	3,926
		-----	-----
		4,097	3,926
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets	16	(6,037)	(5,021)
Purchase of investments	17	(8,114)	(9,800)
Sale of tangible fixed assets		14,150	9,553
Sale of investments	17	1,594	11,125
		-----	-----
		1,593	5,857
		-----	-----
Cash outflow before use of liquid resources		(4,686)	(580)
<b>Management of liquid resources</b>			
Net cash put on deposit		5,740	789
		-----	-----
Increase in cash in the year		1,054	209
		-----	-----
<b>Reconciliation of net cash flow to movement in net cash funds</b>			
Net funds at beginning of the year	20	3,342	3,133
Change in net funds during the year		1,054	209
		-----	-----
Net funds at end of the year	20	4,396	3,342
		-----	-----

**Barnardo's**  
**Summary Income and Expenditure Account**  
**Year Ended 31 March 2006**

	Note	2006 £000	2005 (restated) £000
<b>Gross income</b>			
Gross income of continuing operations		150,277	153,234
Income of non-charitable trading subsidiaries	3	41,956	37,238
		-----	-----
		192,233	190,472
		-----	-----
<b>Gross expenditure</b>			
Total expenditure of continuing operations		152,350	155,057
Expenditure of non-charitable trading subsidiaries	3	38,981	36,943
		-----	-----
		191,331	192,000
		-----	-----
<b>Net expenditure for the year before transfers and Investment asset disposals</b>		902	(1,528)
		-----	-----
<b>Realised gain on disposal of investment assets</b>	11	236	7
		-----	-----
<b>Net income/(expenditure) for the year</b>		1,138	(1,521)
		-----	-----
<b>Reconciliation to statement of financial activities:</b>			
Net income/(expenditure) for the year before investment asset disposals as above		902	(1,528)
Movement on restricted capital and endowment funds	23(a)	36	(32)
		-----	-----
<b>Net incoming/(outgoing) resources</b>		938	(1,560)
		-----	-----

The summary income and expenditure account is presented in order to ensure compliance with the Companies Act 1985. The major difference in the figures presented from those in the consolidated statement of financial activities is that unrealised gains and losses on investments are not recognised.

In accordance with the provisions of the Companies Act 1985, a separate income and expenditure account dealing with the results of the charity only has not been presented. Net expenditure for the year of £1.8 million (2005 £2.7 million) has been dealt with in the accounts of the charity.

**Arnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

## **1 Accounting policies**

### **Basis of preparation**

The accounts are drawn up in accordance with applicable accounting standards, including the Statement of Recommended Practice (SORP) on Accounting and Reporting by Charities (revised 2005) and the Companies Act 1985.

Monetary values are calculated under the historical cost convention, as modified by the revaluation of investments and certain properties.

### **Basis of consolidation**

The consolidated accounts of the group incorporate the accounts of the charity and its subsidiary undertakings, all of which were prepared to 31 March 2006. The trading results of the subsidiary undertakings as shown in note 3 are consolidated on a line by line basis within the consolidated statement of financial activities (SOFA). A separate SOFA for the charity is not presented as permitted by the SORP and the Companies Act 1985.

### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value.

### **Investments**

Investments are stated in the balance sheet at their market value as at the balance sheet date. All movements in value arising from investment changes or revaluation are recognised in the consolidated statement of financial activities. Gains or losses on investments are calculated as the difference between the disposal proceeds and the historical cost.

### **Properties**

Except as set out below, properties are stated in the balance sheet at their cost or value at the time of receipt less depreciation. Profits and losses on the disposal of properties are recognised in the consolidated statement of financial activities in the year of disposal.

### **Depreciation**

- i) Depreciation of freehold and long leasehold properties is provided at the rate of two per cent per annum on their cost or value. Short leasehold properties are amortised over the period of the lease. Properties acquired and adapted for child care purposes, whose book cost exceeds market value at the date of commissioning, are subject to a special provision whereby the excess cost is written off over three years in equal instalments.
- ii) Where a property is known to have suffered an impairment in market value, the reduction is recognised in full in the results for the year, in accordance with FRS 15 ("Tangible Fixed Assets").
- iii) Other tangible fixed assets are depreciated over their expected useful lives, which vary between one and five years.

### **Income**

- i) Fees and grants for child care services are accounted for on the basis of the amount receivable for the year.
- ii) Donations except in relation to legacies are accounted for at the time of receipt. Legacies have been included in the statement of financial activities where probate was granted prior to the balance sheet date and where receipt took place shortly after the year end. Other legacies notified are not accrued due to uncertainties of value and timing of receipt. The amount notified in relation to such legacies is disclosed in Note 13.
- iii) Income raised through the operation of shops and related trading activity under the charity's management is taken into account at the time of receipt. Stocks of unsold donated goods are not valued for balance sheet purposes.



**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

**1 Accounting policies (contd.)**

**Income (contd.)**

iv) Income from sale and development of properties is accounted for once the certainty of completion has been established.

v) Investment income is the amount receivable for the year, including recoverable tax.

**Expenditure**

i) All expenditure is accounted for on an accruals basis and irrecoverable VAT is included in the relevant cost category.

Some costs incurred centrally are allocated to expenditure categories listed below on the basis of their use of corporate functions. Such allocations of support costs are made on the basis consistent with the use of resources. Further details regarding support costs are disclosed in Note 9.

ii) Costs of generating voluntary funds are incurred in relation to staff members who are engaged in fundraising activities.

iii) Costs of generating trading income represent expenditure incurred in the operation and management of the Barnardo's chain of shops and other activities undertaken by Barnardo Trading, such as the Christmas mail order catalogue.

iv) Costs of developing and selling properties represent expenditure undertaken by Barnardo Developments Limited.

v) Direct service provision costs represent the operational costs of service delivery.

vi) Grants made include those that Barnardo's makes to other organisations and grants to young people through Barnardo's trust funds.

vii) Other service and training costs are incurred in providing regional/national and departmental management.

viii) Informing the public about our work includes the costs incurred in raising awareness of child care issues and Barnardo's activities in relation to them.

ix) Child care research and education include policy reviews and activities to help educate wider groups about relevant child care issues.

x) Governance costs include those incurred in the governance of Barnardo's assets and are associated with constitutional and statutory requirements.

**Pension costs**

In accordance with FRS17 Retirement Benefits, the SOFA includes: the cost of benefits accruing during the year in respect of current and past service (charged against net incoming/(outgoing) resources); the expected return on the scheme's assets and the increase in the present value of the scheme's liabilities arising from the passage of time (charged against net incoming/(outgoing) resources); actuarial gain recognised in the pension scheme (shown within net movement of funds). In accordance with FRS17, the balance sheet includes the deficit in the scheme taking assets at their year-end market values and liabilities at their actuarially calculated values discounted at year-end AA corporate bond interest rates. Further details regarding the scheme are disclosed in Note 15.

**Capital grants**

In accordance with the SORP for charities, grants receivable are recognised immediately in the statement of financial activities unless they are restricted to future accounting periods or may become repayable under the terms attached.

**Operating leases**

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

**Corporation tax**

The subsidiary companies gift aid all taxable profit to Barnardo's. No corporation tax liability arises in the accounts.

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

**1 Accounting policies (contd.)**

**Fund accounting**

Barnardo's has various types of funds for which it is responsible, and which require separate disclosure as follows:

Restricted income funds	Donations or legacies received, or income arising from such, which are earmarked by the donor for specific purposes. Such purposes are within the overall aims of the organisation.
Restricted capital and endowment funds	Funds given to the charity where the income may be used for the charity's purposes. In accordance with the Order signed by the Charity Commission in 2003, the charity may convert a proportion of the capital gain on monies held by way of endowment into income as long as the current indexed value of the original endowment is maintained.
Unrestricted funds	<p>Funds which are expendable at the discretion of the trustees in furtherance of the objects of the charity, consisting of three specific types:</p> <p>(1) Fixed assets fund This fund represents amounts invested in fixed assets for use by the charity.</p> <p>(2) General reserve This reserve represents funds set aside as part of the organisation's risk reduction strategy. Barnardo's has set a policy of building reserves to a level that will cover one month's operating cash flow, 10% of the previous year's public sector income (received to fund Barnardo's work) and protect Barnardo's against a significant setback in the stock and property markets to which the organisation may at any one time be exposed.</p> <p>(3) Working capital fund This fund represents net assets available to meet day-to-day operational commitments.</p>
Pension reserve	In accordance with FRS17 - Retirement Benefits, the liability attributable to the Barnardo Staff Pension Scheme is shown as a reduction of total funds. No designation of funds to meet future pension commitments at the balance sheet date is in place as the organisation anticipates meeting such commitments through future cash flows, a situation that is subject to regular review in conjunction with actuarial valuations and related professional advice.
Subordinate charities	Included in restricted and endowment funds are assets held on behalf of trusts that are constituted as separately registered charities. These have purposes which are consistent with the objects of Barnardo's and are under common control. As such, their results have been included in the consolidated statements presented.

The SORP lays down that restricted income funds should be separately disclosed in the statement of financial activities. However, in the case of Barnardo's the value of such funds is not material. The disclosure is therefore made by way of note (Note 23).

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

**2 Subsidiaries**

Barnardo's owns the whole of the issued capital amounting to £20,000 (20,000 ordinary shares of £1 each) of Barnardo Holdings Limited which in turn owns the whole of the issued capital of the following principal subsidiaries:

<b>Subsidiary Undertaking</b>	<b>Principal Activities</b>
Barnardo Developments Limited	Property development
Barnardo Events Limited	Sponsorship & special events
Barnardo Trading Limited	Mail order and retailing
Barnardo Services Limited	Child care services

All the companies above gift aid their taxable profits to the charity.

**3 Trading subsidiaries' results**

	<b>Barnardo Trading Limited £000</b>	<b>Barnardo Developments Limited £000</b>	<b>Barnardo Events Limited £000</b>	<b>Barnardo Services Limited £000</b>	<b>Total 2006 £000</b>	<b>Total 2005 £000</b>
Turnover	2,431	7,221	592	31,072	41,316	36,939
Cost of sales	(1,439)	(5,060)	(7)	(31,072)	(37,578)	(34,855)
Gross profit	992	2,161	585	-	3,738	2,084
Admin/other costs	(797)	(315)	(264)	(27)	(1,403)	(2,088)
Trading profit/(loss)	195	1,846	321	(27)	2,335	(4)
Other income	-	321	-	319	640	299
Net Income	195	2,167	321	292	2,975	295
Amount payable by gift aid to Barnardo's	(195)	(2,167)	(321)	(292)	(2,975)	(295)
Retained profit for year	-	-	-	-	-	-
Retained profit brought forward	10	-	-	-	10	10
Retained profit carried forward	10	-	-	-	10	10

These results have been consolidated on a line by line basis in the SOFA, after consolidation adjustments.

	<b>2006 £000</b>	<b>2005 £000</b>
<b>4 Fees and grants for children's services</b>		
Family support & placement	41,493	38,452
Education	14,847	14,318
Disability support	11,292	11,095
Other services	39,165	43,981
	<b>106,797</b>	<b>107,846</b>
<b>5 Voluntary income</b>		
Legacies	20,871	22,972
Donations and gifts from the general public	23,069	21,748
Donations from companies and trusts	1,143	1,846
	<b>45,083</b>	<b>46,566</b>

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

	2006	2005
	£000	£000
<b>6 Income from sale and development of properties</b>		
Gain on disposal of properties	6,690	6,393
Turnover of Barnardo Developments Limited	7,221	4,507
	-----	-----
	13,911	10,900
	-----	-----
<b>7 Investment and other income</b>		
Listed investments - United Kingdom	2,306	2,543
Short term deposits	874	782
Rents and ground rents	381	418
Loan and other interest	358	15
Gain on disposal of non property fixed assets	178	168
	-----	-----
	4,097	3,926
	-----	-----
<b>8 Grants made</b>		
Grants to other organisations	340	5,768
Grants to young people	1,069	1,088
	-----	-----
	1,409	6,856
	-----	-----

**9 Allocation of support costs**

Total resources expended include the allocation of support costs to the various expenditure categories set out in the SOFA. These support costs relate to the corporate functions of information technology, property and facilities management, human resources and finance, in addition to the support costs incurred by communications and other centralised departments that are not otherwise directly allocated. Support costs have been allocated to activities on a basis consistent with the use of resources (e.g. time spent, number of staff, asset value).

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

	2006 £000	2005 £000
<b>10 Net incoming/(outgoing) resources</b>		
Net incoming/(outgoing) resources are stated after charging:		
Depreciation of tangible fixed assets	4,147	4,389
Depreciation on adaptations for special purposes	552	836
Auditors' remuneration - statutory	56	52
- non-audit work	22	9
Operating lease rentals	6,714	6,421
	-----	-----
<b>11 Gains and losses on revaluation and on investment asset disposals</b>		
Realised gains	236	7
Unrealised gains	6,638	3,466
	-----	-----
	6,874	3,473
	-----	-----
<b>12 Employees</b>	<b>No.</b>	<b>No.</b>
The average number of employees during the year was:		
Children's services	5,008	4,919
Fundraisers, shop managers, clerical staff and fundraising management	1,003	977
Central support services (including employees performing work for other departments)	355	389
Subsidiary companies	10	29
	-----	-----
	6,376	6,314
	-----	-----
Number of part-time and casual employees at year end	3,554	3,355
	-----	-----
The aggregate emoluments to employees in the year were:	<b>£000</b>	<b>£000</b>
Wages and salaries	98,165	94,939
Social security costs	7,223	6,965
Pension costs	8,823	8,639
Benefits in kind (as calculated for taxation purposes)	294	343
	-----	-----
	114,505	110,886
	-----	-----
The number of staff whose emoluments fell within each of the following bands was:	<b>2006</b>	<b>2005</b>
£60,000 to £69,999	8	17
£70,000 to £79,999	15	5
£80,000 to £89,999	1	3
£90,000 to £99,999	4	1
£110,000 to £119,999	-	1

Emoluments for this purpose include gross salary and benefits in kind.

The above banding includes 24 staff (2005: 24) for whom retirement benefits are accruing under the Barnardo's Staff Pension Scheme.

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

<b>13 Legacies</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>
Legacies notified but not accrued	8,763	9,071

**14 Members**

Barnardo's is a company limited by guarantee having no share capital and in accordance with clause 7 of the Memorandum of Association every member is liable to contribute a sum of £1.05 in the event of the company being wound up. At 31 March 2006 there were 394 members (31 March 2005 - 400).

During the year no Council member received any remuneration. Expenses incurred by trustees amounted to £10,131 (2005 - £9,514) and included travel, subsistence and other related costs. The number of Council members claiming expenses was 18 (2005: 16).

The charity purchased insurance for Council members and officers of the company during the year to indemnify them against possible liabilities incurred by them in relation to their duties. The cost of this insurance was £39,900 (2005 - £32,025).

**15 Retirement Benefits**

The group operates a funded defined benefit scheme, the Barnardo Staff Pension Scheme, the assets of which are held in a specific trust separately from those of the group. Contributions are paid to the scheme as agreed with the scheme's trustees, having taken independent actuarial advice.

The scheme operated two benefit scales up to 31 March 2004: one with a normal retirement age of 65 ("the NRA65 scale") and one with a normal retirement age of 60 ("the old NRA60 scale"). Members of the old NRA60 scale were invited to choose from a range of options for future service after 31 March 2004. Details of the scheme, produced in accordance with FRS17, are set out below.

The full actuarial valuation as at 31 March 2003 was updated to 31 March 2006, by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

The following table sets out the key FRS17 assumptions used for the scheme. The table also sets out as at the accounting date the fair value of assets, a breakdown of the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities.

<b>Assumptions</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	per annum	per annum	per annum
Price inflation	2.8%	2.7%	2.7%
Discount rate	5.1%	5.6%	5.7%
Pension increases (LPI)	2.7%	2.6%	2.6%
Salary growth	4.3%	4.7%	4.7%

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to live for a further 24 years (2004/05: 24 years). Allowance is made for future improvements in life expectancy.

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

**15 Retirement Benefits (contd.)**

**Asset distribution and expected return**

	<b>2006</b>		<b>2005</b>		<b>2004</b>	
	Expected return	Fair value £m	Expected return	Fair value £m	Expected return	Fair value £m
Equities	7.4%	251.8	7.7%	199.7	7.7%	176.4
Bonds	4.6%	60.0	4.7%	17.9	4.7%	16.4
Property	5.8%	20.0	6.2%	18.3	6.2%	16.5
Other	4.5%	9.7	4.7%	39.5	4.7%	24.1

<b>Balance Sheet</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total fair value of assets	341.5	275.4	233.4
Present value of liabilities	(402.7)	(343.6)	(313.8)
Deficit	(61.2)	(68.2)	(80.4)

Over the year to 31 March 2006, regular contributions by Barnardo's of £8.7m were made to the scheme and £0.1m was paid to cover the costs incurred due to early retirements. Barnardo's has agreed with the trustees that they will pay contributions to the scheme at the rate of 11.6% of pensionable earnings subject to review at the next actuarial valuation due at 31 March 2006.

The post retirement deficit under FRS17 moved as follows during the year to 31 March 2006:

	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>
Post retirement deficit at beginning of year	(68.2)	(80.4)
Current service cost (employee and employer)	(14.6)	(14.2)
Past service cost	(0.1)	(0.4)
Contributions (employee and employer, incl. special)	13.6	23.8
Net pension finance charge	-	(1.3)
Actuarial gain	8.1	4.3
Post retirement deficit at year end	(61.2)	(68.2)

The following amounts for total operating charge have been included within net incoming/(outgoing) resources under FRS17:

	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>
Current service cost (employer's part only)	9.8	9.5
Past service cost	0.1	0.4
Total operating charge	9.9	9.9

The following amounts for pensions finance charge have been included within net incoming/(outgoing) resources under FRS17:

	<b>2006</b>	<b>2005</b>
	<b>£m</b>	<b>£m</b>
Expected return on pension scheme assets	19.3	16.7
Interest on post retirement liabilities	(19.3)	(18.0)
Net pension finance charge	-	(1.3)

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

**15 Retirement Benefits (contd.)**

The following amounts for 2004-2006 have been recognised under the "actuarial gain recognised in the pension scheme" heading within the statement of financial activities:

	<b>2006</b>		<b>2005</b>		<b>2004</b>	
	<b>£m</b>		<b>£m</b>		<b>£m</b>	
Actual less expected return on scheme assets	44.1	13%	11.1	4%	34.1	15%
Experience (loss)/gain on scheme liabilities	(0.4)	(0%)	0.2	0%	3.3	1%
Loss due to assumption changes underlying the present value of scheme liabilities	<u>(35.6)</u>	(9%)	<u>(7.0)</u>	(2%)	<u>(34.1)</u>	(11%)
Actuarial gain	<u>8.1</u>	2%	<u>4.3</u>	1%	<u>3.3</u>	1%

The above percentages show the components as a percentage of the end of year value of the scheme's assets or liabilities, as appropriate.



**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

16 Tangible assets	Properties	Equipment & vehicles	Total
(a) Group:	£000	£000	£000
<i>Cost or valuation</i>			
At beginning of year	100,356	15,393	115,749
Additions	3,941	2,096	6,037
Disposals	(11,446)	(1,283)	(12,729)
<b>At end of year</b>	<b>92,851</b>	<b>16,206</b>	<b>109,057</b>
<i>Depreciation</i>			
At beginning of year	59,716	13,321	73,037
Provided during year	2,972	1,727	4,699
On disposals	(6,176)	(1,256)	(7,432)
<b>At end of year</b>	<b>56,512</b>	<b>13,792</b>	<b>70,304</b>
<b>Net book value</b>			
At beginning of year	40,640	2,072	42,712
<b>At end of year</b>	<b>36,339</b>	<b>2,414</b>	<b>38,753</b>
<b>(b) Charity:</b>			
<b>Net book value</b>			
At beginning of year	40,640	2,037	42,677
<b>At end of year</b>	<b>36,339</b>	<b>2,393</b>	<b>38,732</b>
		<b>Group &amp; Charity</b>	
		<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
<b>(c) Analysis of freehold and leasehold properties:</b>			
Freeholds		29,366	32,522
Long leaseholds (over 50 years)		3,119	4,529
Short leaseholds (50 years and under)		3,854	3,589
		<b>36,339</b>	<b>40,640</b>
<b>(d) Use of properties:</b>			
Barnardo's childcare work		18,896	23,165
Other (including shops, warehouses and administration)		17,443	17,475
		<b>36,339</b>	<b>40,640</b>

Rental income is received from property surplus to functional requirements.

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

		<b>Group</b>	
		<b>2006</b>	<b>2005</b>
		<b>£000</b>	<b>£000</b>
<b>17 Investments</b>			
Investments at market value		66,996	53,602
Investments of the charity include £20,000 in Subsidiary undertakings (Note 2).			
<i>Investments at market value:</i>			
At beginning of year		53,602	51,454
Additions		8,114	9,800
Disposals		(1,594)	(11,125)
Realised/unrealised gains		6,874	3,473
<b>At end of year</b>		<b>66,996</b>	<b>53,602</b>
<i>Comprising:</i>			
Listed investments - United Kingdom		66,691	53,293
Other investments		305	309
		<b>66,996</b>	<b>53,602</b>
<b>Cost of Investments</b>		<b>60,065</b>	<b>52,922</b>

There were no individual listed investments in excess of 5% of the total portfolio value.

<b>18 Stocks and work in progress</b>			
Finished goods		784	966
Work in progress		2,769	2,554
		<b>3,553</b>	<b>3,520</b>

Work in progress represent building developments at the year end. No stocks or work in progress were held by the charity.

	<b>Group</b>		<b>Charity</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>19 Debtors</b>				
Trade debtors	313	107	44	-
Statutory and related funders	9,598	8,929	7,736	7,017
Car loans and other staff advances	356	506	356	505
Taxation	1,803	1,552	1,803	1,527
Other debtors	4,278	891	362	880
Prepayments and accrued income	2,139	2,530	1,688	2,203
Amounts due from subsidiaries	-	-	5,800	2,448
	<b>18,487</b>	<b>14,515</b>	<b>17,789</b>	<b>14,580</b>

Other debtors include amounts totalling £1m (2005 - £nil) which are recoverable on a phased basis between 2006/7 to 2008/9. Amounts due from subsidiaries represent loans from the charity to Barnardo Trading Limited and Barnardo Developments Limited and temporary current account balances between the charity and two other subsidiaries (Barnardo Services Limited and Barnardo Events Limited). The loans are repayable on demand, and are secured by fixed and floating charges over the assets of the subsidiaries. Interest is chargeable at rates of 1.5% to 2% above base rate.

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

	Group 2006 £000	Group 2005 £000	Charity 2006 £000	Charity 2005 £000
<b>20 Cash and bank balances and short-term deposits</b>				
Cash at bank & in hand	4,396	3,342	4,156	3,035
Short-term deposits	8,029	13,769	8,029	13,770
	<hr/> 12,425 <hr/>	<hr/> 17,111 <hr/>	<hr/> 12,185 <hr/>	<hr/> 16,805 <hr/>
<b>21 Creditors - amounts falling due within one year</b>				
Pension contributions	1,113	1,104	1,113	1,104
Other taxes and social security costs	3,812	3,932	2,428	2,295
Other creditors	1,608	1,158	1,151	936
Accruals	5,141	5,154	4,931	5,038
Trade creditors	2,046	3,232	2,014	3,184
Deferred income	8,612	7,910	6,640	6,443
	<hr/> 22,332 <hr/>	<hr/> 22,490 <hr/>	<hr/> 18,277 <hr/>	<hr/> 19,000 <hr/>

Deferred income relates to fees and grants invoiced in advance from statutory and related funders.

**22 Commitments**

<b>(a) Capital Expenditure</b>	Group 2006 £000	Group 2005 £000	Charity 2006 £000	Charity 2005 £000
Capital expenditure contracted	2,644	1,642	2,644	1,582
Capital expenditure authorised but not contracted for	820	3,684	820	3,684

**(b) Land & Other Buildings**

	Group & Charity	
	2006 £000	2005 £000
Annual commitments under non-cancellable operating leases are as follows:		
Operating Leases which expire:		
Within one year	280	332
In the second to fifth years inclusive	2,052	1,721
Over five years	3,797	3,642

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

**23 Fund balances**

**(a) Analysis of restricted & endowment funds**

	Restricted income funds	Restricted capital and endowment funds	Total 2006
	£000	£000	£000
Incoming resources			
- Statutory income	7,617	-	7,617
- Fundraising income	2,775	-	2,775
- New Opportunities Fund	168	-	168
- Net income from investments and other	-	1,055	1,055
	10,560	1,055	11,615
Resources expended			
- Child care and community work in the UK	9,914		9,914
- Grants to other organisations	50	-	50
- Grants to young people in need	-	1,019	1,019
	9,964	1,019	10,983
<b>Net incoming resources</b>	596	36	632
<b>Endowment funds income release</b>	-	(2,000)	(2,000)
<b>Gains and losses on revaluation and on investment asset disposals</b>			
Realised gains	-	94	94
Unrealised gains	-	2,985	2,985
	-	1,079	1,079
<b>Net movement in funds</b>	596	1,115	1,711
<b>Fund balances brought forward</b>	1,245	23,620	24,865
<b>Fund balances carried forward</b>	1,841	24,735	26,576

All endowment funds are permanent endowments.

The restricted capital and endowment fund balances carried forward at 31 March 2006 include £23.9m in respect of endowment funds for which Barnardo's has received an Order signed by the Charity Commission on 11 March 2003 enabling the unapplied total return within these endowment funds to be transferred to unrestricted funds.

	£000
Value of assets representing the unapplied total return within endowment funds at 1 April 2005	6,700
Endowment funds income release during the year	(2,000)
Net increase in value during the year of the unapplied total return within endowment funds	2,700
Value of assets representing the unapplied total return within endowment funds at 31 March 2006	7,400

**Barnardo's**  
**Notes to the Accounts**  
**Year Ended 31 March 2006**

**23 Fund balances (contd.)**

	2006	2006	2005	2005
	No.	£000	No.	£000
<b>(b) Categorisation of restricted &amp; endowment funds</b>				
Fund balances				
- Educational purposes	3	2,297	3	2,065
- Project buildings	2	284	2	284
- Sea training	1	374	1	330
- Community life (Community Fund)	-	-	1	8
- General & other purposes	22	23,621	22	22,178
	28	26,576	29	24,865

	Unrestricted	Restricted & endowments	Total
	£000	£000	£000
<b>(c) Analysis of fund balances between group net assets</b>			
Fixed assets	38,580	173	38,753
Investments	42,824	24,172	66,996
Pension liability (note 15)	(61,200)	-	(61,200)
Net current assets	9,902	2,231	12,132
<b>Net assets as at 31 March 2006</b>	30,106	26,576	56,682
<b>Net assets as at 31 March 2005</b>	15,905	24,865	40,770
Unrealised profits included in investments value	3,653	2,985	6,638

**24 Related parties**

The trustees confirm that there have been no related party transactions during the year which require disclosure under FRS 8 ("Related Party Transactions").

**25 Contingent Liabilities**

There is a contingent liability in respect of the unexpired term of leases assigned to other tenants. Council considers that the possibility of a material cost accruing to the organisation is remote and consequently no provision has been included in the accounts.

**Barnardo's**  
**Year Ended 31 March 2006**

**GIFTS AND GRANTS RECEIVED**

**Corporate Donations**

The following companies have given more than £100,000 during the year:

The Royal Bank of Scotland, Foresters, Timberland (UK) Ltd and BGC International.

The following companies have donated more than £10,000 during the year:

ABN AMRO, Autoplanet, Barclays Bank plc, Bovis Lend Lease, Carphone Warehouse, Clinton Cards plc, Friends Provident, Goldman Sachs, Hallmark Cards, Hasbro UK Ltd, Marks & Spencer plc, Mitchells & Butlers, Next plc, Taylor Woodrow Group and The California Prune Board.

The following are acknowledged in accordance with the terms of the gift or grant:

**Charitable Trust Grants**

**Big Lottery Fund**

- SECOS Project, North East, £40,660
- CANDL, East London, £40,480
- Spark Centre, East London, £49,724
- Somerset Inclusion Service(Early Years Service), Somerset, £37,119

**Bridge House Trust**

- Sexual Exploitation work, London, £120,000

**Children in Need**

- Forward Steps, Belfast, £25,022

**Comic Relief**

- Hopscotch Project, Scotland, £24,777

**The Ellerdale Trust**

- Action with Young Carers Project, Liverpool, £7,500
- The Merseyside Scheme Project, Liverpool, £7,500

**The Eveson Charitable Trust**

- Birmingham Space, Midlands, £15,000

**Francis C Scott Charitable Trust**

- South Lakeland Family Support Service in Kendal, £18,000
- The Family Place, Cumbria, £75,000 (£25,000 running costs/£50,000 building costs)
- Ewanrigg Project, Cumbria, £17,500

**Henry Smith Charity**

- Parenting Matters, Northern Ireland, £40,000

**The Jack Petchey Foundation**

- Indigo Project, London, £25,000

**The Jessie Spencer Trust**

- Sherwood Project, Midlands, £1,000

**The John James Bristol Foundation**

- Bristol Base Project, South West, £23,448

**Kahan Trust, £22,535**

**Lloyds TSB Foundation for England and Wales**

- Forward Steps Project, Northern Ireland, £7,000
- SMART Project, West Midlands, £10,000

**Lloyds TSB Foundation for Northern Ireland, £7,000**

**The Northern Rock Foundation**

- Ewanrigg Project, Cumbria, £19,444

**The Robertson Trust**

- Freagarrach Project, Scotland, £38,000

**Barnardo's**  
**Year Ended 31 March 2006**

**Thwaite Charitable Trust**

- Blackburn Family Action, £457

**Grants from Statutory Authorities**

**Cymru**

Welsh Assembly Government, £840,961

**England**

**Department of Health**

Opportunities for Volunteering Scheme, £200,000

**Section 64 Grants Scheme**

- Merseyside Scheme, £78,000
- National Drugs Action, £28,000
- Integrated Children's Services, £12,000

**Department for Education and Skills**

**Family Support Grant**

- Babyfather Initiative, £54,780

**NVYO Grants Scheme**

- SPHERE, £29,112

**Parenting Fund**

- Leeds Elijah Service, £38,890
- Health through Action, £27,311

**Home Office**

**Victims Fund**

- Young Men's and Young Women's Services, London, £35,000

**Purposeful Activities Fund**

- Health through Action, £17,310

**Challenge Fund**

- Safe and Sound, £24,683

**Russell Commission**

- Hard to Reach Volunteers Project, £19,438

**Local Funding Bodies**

**Bristol City Council – Early Years and Childcare Services**

- Lawrence Weston Family Centre, £104,446
- Fulford Family Centre, £101,231

**Bristol City Council – Hartcliffe and Withywood Community Partnership**

- Fulford Family Centre - The Race Equality Project, £18,210

**Bristol Regeneration – SRB6**

- Shakti Imani Inclusion Project - Family Education Inclusion Strategy, £84,665

**Birmingham City Council Department of Leisure and Community Services, £19,057**

**Derbyshire Children's Fund, £616,869**

**Leicester City Council, £37,357**

**Leicestershire County Council, £84,197**

**Blackburn with Darwen Sure Start**

- Blackburn Family Action, £116,669

**Community Foundation for Merseyside**

- Blackburn Family Action, £7,000

**Blackburn with Darwen Community Network**

- Blackburn Family Action, £5,000

**Blackburn and Darwen Freemasons, £650**

**Awards for All, Northumberland Housing, £5,000**

**Barnardo's**  
**Year Ended 31 March 2006**

**Big Lottery Fund - New Opportunities Fund**

- Orchard, £50,000
- Blackburn Family Action, £13,398

Children's Fund Gateshead, Gateshead Family Resource Centre, £90,000

Children's Fund Middlesbrough, SECOS, £40,000

Children's Fund Hartlepool, Heartbeat, £84,232

Sure Start Newcastle, NIN - £31,000, Howdon Children's Centre - £99,699, Longbenton

Children's Centre - £75,500, Byker Sands Family Centre - £103,618, The Hive - £42,717.

European Urban 2, The Hive, £33,490

**Northern Ireland**

**North & West Belfast Health & Social Services Trust**

- PACT, £1,656
- Child Bereavement, £600
- Newry Family Resource Centre, £600
- Domestic Violence Scheme, £2,300
- Tuar Ceatha Travellers, £14,661
- CFC - Forward Steps, £23,100
- Professional Fostering, £130,094

**Community Foundation For Northern Ireland**

- NOVA Training, £34,486

**NIPPA, The Childhood Fund**

- Woodland Family Centre, £8,742
- Tuar Ceatha Lay Scheme, £13,225
- Tuar Ceatha Greencastle, £21,152
- CFC - Forward Steps, £4,349
- Parenting Matters, £11,475
- Parenting Matters, Foyle, £13,190

**Community Relations Council**

- NOVA, £96,255
- NI Personal and Development Unit, £1,814

**Department for Employment & Learning European Social Fund - Building Sustainable Prosperity**

- Dr. B's Kitchen, £172,497

**Department of Health, Social Services & Public Safety**

- Domestic Violence Scheme, £20,000
- NI Secondment, £21,771
- NI Trainee Social Worker, £35,992
- NI Training Support Programme, £3,120

**Department of Education**

- Young Peoples Network, £44,012
- Edenbrooke Family Services, £44,409

**Children's Fund Unit (DHSSPS)**

- CP Education Advocacy, £161,827
- Pyramid Plus, £103,459
- Young Carer's Scheme - Children's Fund, £77,163
- DVOS - Children's Fund, £59,939
- Key Worker, £113,952
- Newry Adolescent Partnership, £14,619
- Pact Aftercare Support, £63,966
- Parent Support Project, £25,707
- Parenting Matters - Childhood Fund, £63,295
- Young Peoples Advices & Info Bureau, £39,409
- Home from Home Outreach Services, £111,101



**Barnardo's**  
**Year Ended 31 March 2006**

**Volunteer Development Agency (CVS)**

- Learning Together CVS, £19,495

**YESIP (SEUBP)**

- CP Education Advocacy, £35,018

**Antrim Borough Strategy Partnership**

- Antrim Family Support Project, £10,940

**Scotland**

**Scottish Executive – Youth Crime Prevention Fund**

- Lighthouse Youth Crime Prevention, £154,240
- Freagarrach Family Care, £43,630
- Family Matters, £44,326

**Renfrewshire Council – Community Regeneration Funding**

- Paisley Threads, £60,000
- Paisley Youthbuild, £30,895

**Inverclyde Council**

- Inverclyde Family Support Team, £187,550
- Threshold, £211,263

**Discretionary**

Tom Parrington's Will Trust, £100

**COUNCIL AND OFFICERS**

**REGISTERED OFFICE**

Tanners Lane, Barkingside, Ilford, Essex IG6 1QG  
Telephone 020 8550 8822, fax 020 8551 6870  
Reg. no 61625 England  
Charity Reg. no 216250

**PATRON**

Her Majesty The Queen

**PRESIDENT**

Cherie Booth QC

**VICE PRESIDENTS**

Mr John Bartle  
Ms Floella Benjamin  
Mrs S E Bernerd  
Rt Rev Christopher Budd  
Rev Joel Edwards  
Rev David Gamble  
Mr Peter Hardy  
Mr T R Lawson, CBE  
Mr Raj Loomba  
Lady Mackay of Clashfern  
Sir Clive Martin  
Baroness Julia Neuberger  
Mr B Oldfield, OBE  
Sir Cliff Richard  
Judge Mota Singh  
Mr Leslie Thomas  
Dame Gillian Wagner  
Dr Rowan Williams

**MEMBERS OF COUNCIL**

Dr D E Barnardo (1981)  
Mr G G F Barnett, OBE (2001)  
Ms R E Bayley (2005)  
Baroness Blood (2002)  
Ms J Clements (2006)  
Mr M Connor (resigned July 2005)  
Mrs J Cromack (2003)  
Mr W Fletcher (2000)  
Dr J F T Glasgow (retired November 2005)  
Mrs A Hodgson (2003)  
Mr R E Jones (1999)  
Ms R I Jones (retired November 2005)  
Ms H A Keenlyside (2001)  
Mr I Marshall (2005)  
Mrs S Mawer (2005)  
Miss R E Owen (2003)  
Mrs K Pawson (2005)  
Mr C G Sheppard (2003)

**Barnardo's**  
**Year Ended 31 March 2006**

Mr J M Shera (1997)  
Ms G M Stewart (2003)  
The Lady Stewartby (2004)  
Mr R Swanston (retired November 2005)  
Mrs D M Symon (retired November 2005)  
Miss H L Thomas (resigned December 2005)  
Mr D M Tolson (2005)  
Mrs E A Watkins (2001)

**CHAIR OF COUNCIL**  
Dr David Barnardo

**DEPUTY CHAIR OF COUNCIL**  
Gill Stewart

**HONORARY TREASURER**  
Geoffrey Barnett, OBE

**CHIEF EXECUTIVE**  
Sir Roger Singleton (retired December 2005)  
Martin Narey (appointed December 2005)

**UK DIRECTOR OF OPERATIONS**  
Dr Chris Hanvey

**UK DIRECTOR OF MARKETING AND COMMUNICATIONS**  
Andrew Nebel

**UK DIRECTOR OF CORPORATE RESOURCES**  
Ian Theodoreson

**COMPANY SECRETARY**  
Joanna Lawson

**DIRECTOR OF AUDIT AND INSPECTION**  
Robert Patterson

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KPMG LLP, 1 Forest Gate, Brighton Road, Crawley, West Sussex RH11 9PT

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Merrill Lynch Investment Managers, 33 King William Street, London EC4R 9AS

**PRINCIPAL SOLICITORS**  
Campbell Hooper Solicitors LLP, 35 Old Queen Street, London SW1H 9JD

## FINANCIAL SUMMARY

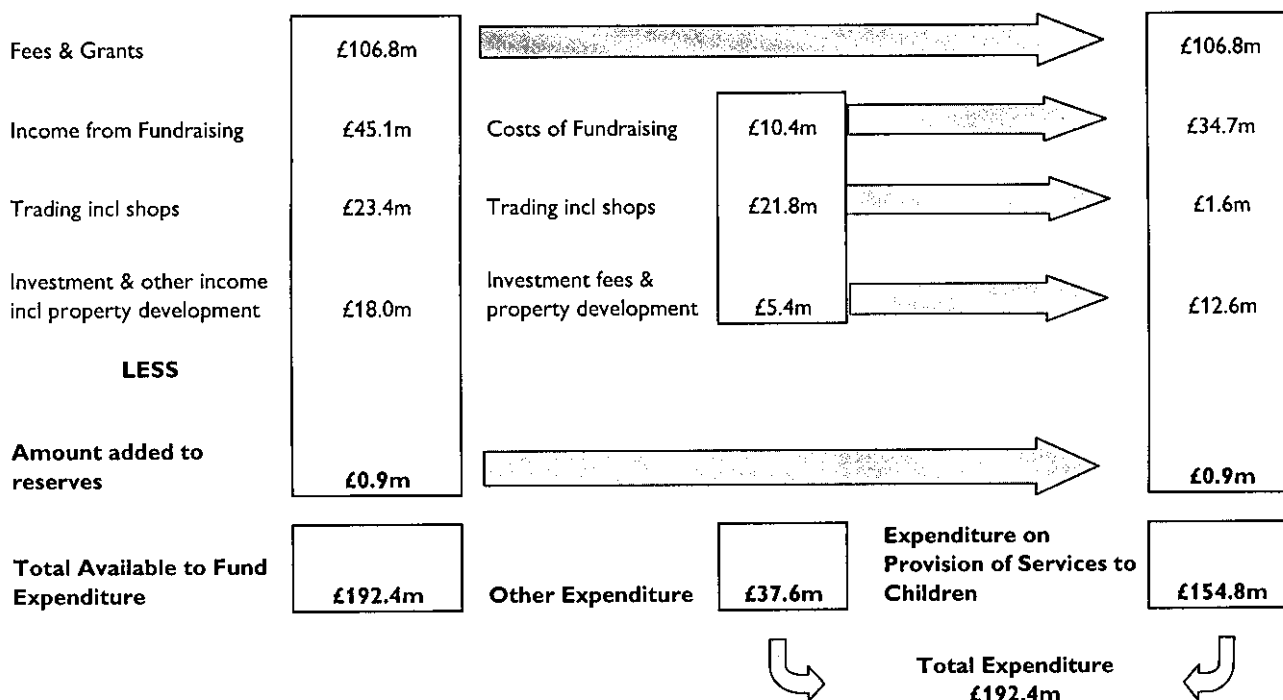
### TOTAL FUNDS AVAILABLE

### HOW THE FUNDS AVAILABLE ARE SPENT

#### Total Sources of Income:

#### Other Expenditure:

#### Expenditure on Provision of Services to Children:



Total gross income from all sources was £193.3m of which £0.9m has been added to reserves.

Total expenditure was £192.4m in the year of which £154.8m was spent on Barnardo's work with children. The remainder comprised the costs of raising voluntary income from public donations and shops and trading activities plus a further sum being spent on property development. The cost of providing services for children of £154.8m was funded by grant and fee income from local and central government, plus net voluntary donations from fundraising and net income from shops, trading, property and investment sources.

Much of fundraising income has to be actively acquired and does not arrive unsolicited. This costs money as fundraising is not free even for a charity which has many active volunteers.