

BARNARDOS 00061625

FINANCIAL SUMMARY

TOTAL FUNDS AVAILABLE

HOW THE FUNDS AVAILABLE ARE SPENT

Total Sources of Income:

Other Expenditure:

Expenditure on Provision of Services to Children:

Fees & Grants

£107.8m

Income from Fundraising

£46.6m

Trading incl shops

£22.3m

Investment & other income
incl property development

£14.8m

PLUS

Amount drawn from
reserves

£1.6m

**Total Available to Fund
Expenditure**

£193.1m

Costs of Fundraising

£9.8m

Trading incl shops

£21.7m

Investment fees &
property development

£4.4m

Other Expenditure

£35.9m

**Expenditure on
Provision of Services to
Children**

£107.8m

£36.8m

£0.6m

£10.4m

£1.6m

£157.2m

**Total Expenditure
£193.1m**

Total gross income from all sources was £191.5m. The £1.6m drawn from reserves is an accounting charge for largely non-cash items and does not represent a net outflow of cash from the organisation.

Total expenditure was £193.1m in the year of which £157.2m 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 £157.2m 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.



BARNARDO'S

YEAR ENDED 31 MARCH 2005

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**Barnardo's
Report of Council
Year Ended 31 March 2005**

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. Services, 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 practice 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 11,000 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

STRATEGIC DIRECTION

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 has established a UK Advisory Group of children and young people (FRAME) which meets with the trustees of Barnardo's to bring to their attention matters of concern to users. The members of the group reflect all areas of Barnardo's activity. At the same time each project is tasked with ensuring the views of service users are considered when establishing priorities and direction for new and existing work.

Excellence in service provision is a key priority to ensure that Barnardo's projects make a real difference to the lives of children and young people. Each project 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 projects 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. It is not possible to sum up the outcomes of all of Barnardo's work and deliver a simple, organisation-wide measure of performance against targets – each service is different and the needs of each individual within the services are different.

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However 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 seeks financial support through a range of fund raising methods including face to face marketing, legacy promotion and retail and trading. At the same time Barnardo's looks to statutory authorities with whom it contracts to provide services to meet the full cost of the service provided including its share of support costs to ensure that the voluntary funds are used to provide services which go beyond the statutory provision. 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 2005.

Develop measurable outcomes in terms of innovation, participation and influence for each service to children and young people by March 2005. Good progress has been made across all regions and nations to develop meaningful measures and considerable evidence is emerging of innovatory and child centred practice. A new core standard for participation by children and young people was launched during the year to help demonstrate that the views of children and young people are being taken into account in decisions related to service delivery.

Develop a UK Agenda for action with service outcomes defined by October 2004 – A UK Agenda has been developed to help focus Barnardo's work on what matters most to children and young people across the UK; their emotional well being, mental health and the harm caused by substance misuse and sexual exploitation. The existence of the UK Agenda provides a focus for the re-direction of funds and resources.

Secure an increase in the proportion of indirect costs that are recovered through service contracts – not withstanding the difficult financial circumstances faced by the statutory authorities with whom Barnardo's contracts, the organisation has been successful in ensuring that new services established are able to recover the full costs of providing the service. However there is still some way to go to ensure that all existing services also recover the full overhead and this remains an important target to achieve if Barnardo's is to focus its voluntary funds for spending on innovative and extra-statutory services.

Establish young people in each nation/region as assessors for an Investors in Young People award, and include the views of young people in the development of all services – Barnardo's launched its Investors in Young People Award at its Annual General Meeting in 2004 and to date young people have been trained as assessors in five of the nine nations/regions, with the rest planned for the coming year. As noted above, all projects are required to develop specific plans for the inclusion of the views of children and young people in service delivery.

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Coordinate at least two major UK campaigns, based on robust research data and incorporating the "voice" of children and young people – During 2004/5 Barnardo's campaigned on a range of issues including the risk posed by abusers on the internet, the circumstances of disabled children during school holidays, school meals and financial support to young people moving into independent accommodation. In all cases the campaigns include the experiences and voice of children and young people and groups of young people also made presentations to the Labour Party conference and at campaign launches.

Reduce staff turnover from 18% in March 2003 to 16% by March 2005 – During the financial year Barnardo's completed the development of a People strategy focussed on ensuring the organisation has the procedures and practices in place to get the 'right people to do the right jobs at the right time to achieve the right outcomes for children and young people'. The elements of the strategy will inevitably take some time to develop but one of the consequences is that it will concentrate in future on *voluntary* staff turnover (i.e. excluding redundancies and staff on fixed term contracts), rather than total staff turnover, as it is more reflective of the underlying employment conditions within Barnardo's. At 31 March 2005 voluntary staff turnover stood at 12.8% compared to 15.2% the year before. By contrast, total staff turnover at 31 March 2005, calculated on the old basis, was 16.9%.

Increase by 5% the number of active volunteers within Barnardo's – 2005 has been designated the Year of the Volunteer by the government. Barnardo's has invested resources in building up its volunteer network and supporting the contribution made by volunteers. In retail, where the majority of long term volunteers work, the numbers increased by 10.9% over the year – more than double the target set. Barnardo's currently deploys over 11,000 active volunteers, mainly working in retail, fundraising and children's services, whose collective input adds value well in excess of £10m.

Achieve a balanced revenue budget in 2004/5 – Internal management accounts based on cash received and spent in the year show that Barnardo's achieved a modest surplus, which was ahead of budget. The surplus was achieved through careful management of costs which helped compensate for a £1.2m shortfall in voluntary income.

2005 PLANS

Looking forward Barnardo's plans to address the three objectives of distinctiveness, deservedness and sustainability. Specific targets for 2005/6 include:

- Achieve a modest growth in services (2%) and an improved level of recovery of overheads on new and existing work which will be a challenge in what is a very turbulent funding environment
- 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
- Launch a major campaign on the back of learning from the UK Agenda
- 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
- Generate net £34.8 million from voluntary sources to help fund Barnardo's operations
- Mount a volunteer development programme across all areas of the organisation's activities
- Achieve a revenue surplus of 0.5% of net voluntary income to provide a cushion against fluctuations in fundraising and continue to re-build reserves through planned property disposal (see section on reserves below)
- Reduce voluntary staff turnover with the aim of reaching 10% by 2009.

FINANCE

Results for the year

The results for the year show Barnardo's achieved record gross income of £191.6 million (2004 £184.2 million) – driven by an 8% increase in statutory income. Net fundraised income however fell 5% as a result of being unable to replace the income generated by being Tesco's charity of the year in 2004 and of trading losing ground. Tesco aside, the underlying fundraising performance remained static.

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The amount Barnardo's spent on direct service provision increased to £128.2 million (2004 £125.3 million) which when added to monies spent on research, education and influencing work meant that some £152.8 million was spent directly in furtherance of the charity's objectives (2004 £148.5 million).

Barnardo's has implemented the accounting standard FRS17 – Retirement Benefits, for the first time. The accounting standard requires organisations to include in the Balance Sheet the difference between the liabilities of the pension fund and the value of its underlying assets (valued according to the provisions laid down in the accounting standard, which are different from those used by the actuary when preparing the triennial valuation). The introduction of FRS17 has resulted in the re-statement of prior year figures to enable a direct comparison of the results year on year – the effect of which is described in note 14 of the accounts. The result is that the accounts reflect a liability of £68.2 million at 31 March 2005 (2004 - £80.4 million). As current projections show that Barnardo's remains able to meet its pension fund liabilities as they fall due and that the current contribution rate includes an amount designed to reduce the deficit, there is no requirement to earmark general funds to help meet future contributions.

The net outgoing resources from general funds activity, before transfers and investment gains, was £96,000, demonstrating the fact that Barnardo's has brought its income and expenditure back into balance after a sustained period of draw down from reserves. Taking general and restricted funds activity as a whole, the net outgoing resources, including the effect of the new accounting standard, was £1.6 million (2004 - £3.7m), offset by gains on both Barnardo's own investment portfolio and in the pension scheme assets. The result was an increase in net funds year on year of £6.2 million (2004 - £6.8 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 fundraised income do not immediately impact work with children. The intention is to budget for revenue surpluses equivalent to 5% of net fundraised 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 2006 is only 0.5% of net fundraised income.

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.

This reserve and risk reduction policy was adopted from 1 April 2004 and both are reflected in the accounts for the first time, with the figures for the previous year being re-stated to indicate progress made year on year. At 31 March 2005 the General Reserve of Barnardo's stood at £26.9 million (2004 - £19.1 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 £42.5 million (2004 - £45.7m).

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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 2005 this fund stood at £14.7 million. The comparative figure at 31 March 2004 of £23.8m included £10m which was being held as a special contribution to the pension fund and which was paid over during the subsequent financial year.

Further funds of £24.9 million (2004 - £26.4 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 £1.8 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.

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, to deliver against its plans for the year ahead. The policy of running down reserves which has been in place since 1996 has run its course and Barnardo's once again is operating within the levels of income it generates within any one year.

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.

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 2005 generated a composite return of 12.7% which was ahead of the benchmark return set.

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 £295,000.

Barnardo Trading Limited generated a loss of £199,000 from its mail order, publishing and retail activities in a difficult trading environment. A review of the trading operation has led to a cost reduction programme which is currently being implemented with the aim of returning the company to profit in the current financial year. Barnardo's retail and trading activities in total (including the sale of donated goods in Barnardo's shops which are accounted for as part of the charity's activities) produced a surplus of £629,000.

Barnardo Developments Limited's principal activity is the development and sale of properties which are surplus to Barnardo's operational requirements. Because of the nature of its activities, the company's results fluctuate significantly from year to year. Net profit from development activities during 2005 totalled £23,000 on top of £1.4 million included in the Statement of Financial Activities from the related land sales. These are accounted for within the charity's results.

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 £220,000.

Contingent Liabilities

There is a contingent liability in respect of the unexpired term of leases assigned to other tenants. The 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.

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An action against the charity relating to children who migrated from the UK in the early part of the 20th century, which was launched in June 2002 in Ontario, Canada, was formally discontinued as a class proceeding during the year.

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 for accounting and reporting by charities (SORP). 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 sets 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 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 four 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 four 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 four UK Directors. There are no pension provisions for the Chief Executive or for the UK Directors other than membership of

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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. The representatives from the seven adoption panels are also appointed as Restricted Members of Council for adoption matters.
- **Three committees** in Scotland, Northern Ireland and Wales were established in 2002. On each are two members of the 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, raising income and influencing work in their respective localities.

Members of Council

A list of Members of Council appears on pages 32 and 33.

Dr John Glasgow, Ms Rosemary Jones, Mr Roy Swanston and Mrs Daphne Symon retire from Council with effect from the date of the Annual General Meeting. The Council wishes to record its appreciation for the very substantial contributions which all four have made towards the work of Barnardo's during their periods of office. In addition to those retiring, Mr Michael Connor resigned in July 2005 and Mrs Fiona Middleton, who had served as a trustee since 1993, died in November 2004 after an extended illness and will be equally missed.

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

Dr David Barnardo
Baroness May Blood
Mr Roger Jones
Mrs Elisabeth Watkins

Since the last Annual General Meeting, Miss Rachael Bayley, Mr Ian Marshall, Mrs Sheila Mawer, Mrs Kit Pawson, Miss Hannah Thomas and Mr David Tolson have been co-opted as Members of Council and also offer themselves 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 is separately disclosed within the notes to the accounts.

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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 so that appropriate action can be 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 line 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.

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.

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ENVIRONMENT

Barnardo's is an environmentally conscious organisation contributing towards a safe and healthy environment for today's children and future generations. The organisation's environmental policy 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 30 to 31.



By Order of the Council
Dr David Barnardo
Chair of Council

28 July 2005

Barnardo's
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STATEMENT OF COUNCIL'S RESPONSIBILITIES

Law applicable to incorporated charities in England and Wales requires the trustees, who are also directors for the purposes of company law, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the group and of its financial activities during the year. In preparing those 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 accounting standards and statements of recommended practice have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity and the group will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which 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 charity/group and to prevent and detect fraud and other irregularities.

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Year Ended 31 March 2005

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARNARDO'S

We have audited the financial statements on pages 12 to 29.

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 the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Council and auditors

The Council (namely the trustees), who are also the directors of Barnardo's for the purposes of company law, are responsible for preparing the trustees' report and, as described on page 8, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 trustees report 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 transactions with the group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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 of the state of affairs of the charitable company and the group as at 31 March 2005 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditor
Gatwick
28 July 2005

Barnardo's
Consolidated Statement of Financial Activities
Year Ended 31 March 2005

	Note	Unrestricted Funds £000	Restricted & endowment funds £000	Total 2005 £000	Total 2004 (restated) £000
Incoming resources					
Fees & Grants for children's services	4	95,673	12,173	107,846	99,962
Donations, legacies & other fundraising	5	43,684	2,882	46,566	50,395
Less: Costs of generating voluntary funds		(9,769)	-	(9,769)	(11,453)
Net donations, legacies and other fundraising		33,915	2,882	36,797	38,942
Trading income (including shops)		22,376		22,376	21,702
Less: Costs of generating trading income		(21,747)		(21,747)	(20,344)
Net income from trading activities		629	-	629	1,358
Income from sale and development of properties	6	10,900		10,900	7,703
Less: Costs of developing and selling properties		(4,272)		(4,272)	(1,289)
Net income from property sale and developments		6,628	-	6,628	6,414
Investment and other income	7	2,713	1,183	3,896	4,420
Less: Investment manager fees and other costs		(75)	(70)	(145)	(130)
Net income from investments and other		2,638	1,113	3,751	4,290
Net incoming resources available for charitable expenditure		139,483	16,168	155,651	150,966
Charitable expenditure					
Cost of activities in furtherance of the charity's objects:					
Direct service costs		116,182	11,315	127,497	125,310
Child care research and education		2,204	-	2,204	2,184
Grants made	8	539	6,317	6,856	5,252
Informing the public about our work		4,071	-	4,071	5,243
Service support and training costs		12,173	-	12,173	10,462
Managing and administering the charity		3,110	-	3,110	3,296
Pensions finance charge	14	1,300	-	1,300	2,900
Total charitable expenditure		139,579	17,632	157,211	154,647
Net outgoing resources	9	(96)	(1,464)	(1,560)	(3,681)
Endowment funds income release	22	1,800	(1,800)	-	-
Profits/(Losses) on revaluation and on investment asset disposals	10	1,729	1,744	3,473	7,198
Actuarial gain recognised in the pension scheme	14	4,300	-	4,300	3,300
Net movement in funds		7,733	(1,520)	6,213	6,817
Fund balances brought forward (as previously stated)		8,172	26,385	34,557	117,765
Prior year adjustment re FRS17 - Retirement Benefits	14	-	-	-	(90,025)
Fund balances carried forward (as restated)	22	15,905	24,865	40,770	34,557

Note:					
Total incoming resources		175,346	16,238	191,584	184,182
Total resources expended		(175,442)	(17,702)	(193,144)	(187,863)
Net outgoing resources		(96)	(1,464)	(1,560)	(3,681)
Total cost of generating funds (including fundraising, trading, property development)		(35,863)	(70)	(35,933)	(33,216)

All of the above results relate to continuing activities.
The notes on pages 16 to 29 form part of these financial statements.

Barnardo's
Balance Sheet
Year Ended 31 March 2005

	Note	Group		Charity	
		2005	2004	2005	2004
		£000	(restated) £000	£000	(restated) £000
Fixed assets					
Tangible assets	15	42,712	45,842	42,677	45,800
Investments	16	53,602	51,454	53,602	51,454
		96,314	97,296	96,279	97,254
Current assets					
Stocks and work in progress	17	3,520	5,027	-	-
Debtors	18	14,515	14,672	14,875	16,747
Cash and bank balances and short-term deposits	19	17,111	17,691	16,805	17,356
		35,146	37,390	31,680	34,103
Creditors: Amounts falling due within one year	20	(22,490)	(19,729)	(19,000)	(16,410)
Net current assets		12,656	17,661	12,680	17,693
Net assets excluding pension liability		108,970	114,957	108,959	114,947
Pension liability	14	(68,200)	(80,400)	(68,200)	(80,400)
Net assets including pension liability		40,770	34,557	40,759	34,547
Fund balances					
Restricted and endowment funds	22(a)&(b)	24,865	26,385	24,865	26,385
Fixed assets fund		42,539	45,669	42,504	45,627
General reserve		26,908	19,073	26,908	19,073
Working capital fund		14,658	23,830	14,682	23,862
Unrestricted funds excluding pension liability		84,105	88,572	84,094	88,562
Total funds excluding pension reserve		108,970	114,957	108,959	114,947
Pension reserve	14	(68,200)	(80,400)	(68,200)	(80,400)
Total funds	22(c)	40,770	34,557	40,759	34,547

Approved by Council



Dr David Barnardo
Chair of Council



Geoffrey Barnett
Honorary Treasurer

The notes on pages 16 to 29 form part of these financial statements.

Barnardo's
Cash Flow Statement
Year Ended 31 March 2005

	Note	2005		2004 (restated)	
		£000	£000	£000	£000
Reconciliation of net outgoing resources to net cash outflow from operating activities					
Net outgoing resources			(1,560)		(3,681)
Depreciation charge	15		5,225		4,944
Net gain on disposal of tangible fixed assets			(10,900)		(7,703)
Special contribution to pension scheme	14		(10,000)		-
Increase in pension liability			2,100		3,600
Decrease in debtors			157		(517)
Increase in creditors (excluding bank overdraft)			2,761		4,032
Investment income and interest	7		(3,897)		(4,420)
Decrease in stock and work in progress			1,507		249
			-----		-----
Net cash outflow from operating activities			(14,607)		(3,496)
			-----		-----
Cash flow statement					
Net cash outflow from operating activities			(14,607)		(3,496)
Returns on investments and servicing of finance					
Investment income and interest	7	3,897		4,420	
		-----	3,897	-----	4,420
Capital expenditure and financial investment					
Purchase of tangible fixed assets	15	(5,021)		(3,880)	
Purchase of investments	16	(9,800)		(34,203)	
Sale of tangible fixed assets		13,826		10,548	
Sale of investments	16	11,125		35,780	
		-----	10,130	-----	8,245
			-----		-----
Cash (outflow)/inflow before use of liquid resources			(580)		9,169
Management of liquid resources					
Net cash put on deposit/(withdrawn)			789		(7,902)
			-----		-----
Increase in cash in the year			209		1,267
			-----		-----
Reconciliation of net cash flow to movement in net cash funds					
Net funds at beginning of the year	19		3,133		1,866
Change in net funds during the year			209		1,267
			-----		-----
Net funds at end of the year	19		3,342		3,133
			-----		-----

Barnardo's
Summary Income and Expenditure Account
Year Ended 31 March 2005

	Note	2005 £000	2004 (restated) £000
Gross income			
Gross income of continuing operations		153,234	150,107
Income of non-charitable trading subsidiaries	3	37,238	32,890
		-----	-----
		190,472	182,997
		-----	-----
Gross expenditure			
Total expenditure of continuing operations		155,057	154,611
Expenditure of non-charitable trading subsidiaries	3	36,943	32,092
		-----	-----
		192,000	186,703
		-----	-----
Net expenditure for the year before transfers and Investment asset disposals		(1,528)	(3,706)
		-----	-----
Realised gain/(loss) on disposal of investment assets	10	7	1,666
		-----	-----
Net expenditure for the year		(1,521)	(2,040)
		-----	-----
Reconciliation to statement of financial activities:			
Net expenditure for the year before investment asset disposals as above		(1,528)	(3,706)
Movement on restricted capital and endowment funds	22(a)	(32)	25
		-----	-----
Net outgoing resources		(1,560)	(3,681)
		-----	-----

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 £2.7 million (2004 £2.8 million) has been dealt with in the accounts of the charity.

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

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 (issued October 2000) 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 2005. 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 12.

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 2005

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 central support services. Such allocations are made on the basis of staff numbers, asset value or other method as appropriate.

- 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 costs represent the operational costs of service delivery.
- vi) Child care research and education include policy reviews and activities to help educate wider groups about relevant child care issues.
- vii) Grants made include those that Barnardo's makes to other organisations and grants to young people through Barnardo's trust funds.
- 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) Service support costs are incurred in providing regional/national and departmental management.
- x) Managing and administering the charity costs relate to the management of Barnardo's assets, organisational administration and compliance 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 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 (shown as pensions finance charge); 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 14.

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 2005

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 22).

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

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:

Subsidiary Undertaking

Barnardo Developments Limited
 Barnardo Events Limited
 Barnardo Trading Limited
 Barnardo Services Limited

Principal Activities

Property development
 Sponsorship & special events
 Mail order and retailing
 Child care services

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

3 Trading subsidiaries' results

	Barnardo Trading Limited £000	Barnardo Developments Limited £000	Barnardo Events Limited £000	Barnardo Services Limited £000	Total 2005 £000	Total 2004 £000
Turnover	3,187	4,507	424	28,821	36,939	32,613
Cost of sales	(1,757)	(4,272)	(5)	(28,821)	(34,855)	(30,029)
Gross profit	1,430	235	419	-	2,084	2,584
Admin/other costs	(1,629)	(212)	(199)	(48)	(2,088)	(2,063)
Trading profit/(loss)	(199)	23	220	(48)	(4)	521
Other income	-	-	-	299	299	277
Transfer of tax losses	199	-	-	(199)	-	-
Net Income	-	23	220	52	295	798
Amount paid by gift aid to Barnardo's		(23)	(220)	(52)	(295)	(798)
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.

	2005 £000	2004 £000
4 Fees and grants for children's services		
Family support & placement	38,452	32,193
Education	14,318	14,151
Disability support	11,095	10,189
Other services	43,981	43,429
	107,846	99,962
	2005 £000	2004 £000
5 Fundraising income		
Legacies	22,972	21,737
Donations and gifts from the general public	21,748	22,778
Donations from companies and trusts	1,846	5,880
	46,566	50,395

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

	2005 £000	2004 £000
6 Income from sale and development of properties		
Gain on disposal of properties	6,393	5,977
Turnover of Barnardo Developments Limited	4,507	1,726
	----- 10,900	----- 7,703
	2005 £000	2004 £000
7 Investment and other income		
Listed investments - United Kingdom	2,543	2,383
Listed investments - overseas	-	281
Short term deposits	782	429
Rents and ground rents	388	1,086
Loan and other interest	15	60
Gain on disposal of non property fixed assets	168	181
	----- 3,896	----- 4,420
	2005 £000	2004 £000
8 Grants Made		
Grants to other organisations	5,768	4,107
Grants to young people	1,088	1,145
	----- 6,856	----- 5,252

Grants to other organisations include £5,229,000 (2004 - £3,245,000) made in respect of the BetterPlay Scheme and £386,000 (2004 - £452,000) made to related charities overseas, £287,000 (2004 - £352,000) of which was in relation to grants to Barnardo's Republic of Ireland.

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

	2005 £000	2004 £000
9 Net outgoing resources		
Net outgoing resources are stated after charging:		
Depreciation of tangible fixed assets	4,389	4,274
Depreciation on adaptations for special purposes	836	670
Auditors' remuneration for audit work	54	49
Operating lease rentals	6,421	5,984
	-----	-----
10 Gains and losses on revaluation and on investment asset disposals		
Realised gains/(losses)	7	1,666
Unrealised gains/(losses)	3,466	5,532
	-----	-----
	3,473	7,198
	-----	-----
11 Employees	No.	No.
The average number of employees during the year was:		
Children's services	4,919	4,713
Fundraisers, shop managers, clerical staff and fundraising management	977	1,035
Central support services (including employees performing work for other departments)	389	399
Subsidiary companies	29	27
	-----	-----
	6,314	6,174
	-----	-----
Number of part-time and casual employees at year end	3,355	3,344
	-----	-----
The aggregate emoluments to employees in the year were:	£000	£000
Wages and salaries	94,939	91,230
Social security costs	6,965	6,621
Pension costs	8,639	8,259
Benefits in kind (as calculated for taxation purposes)	343	392
	-----	-----
	110,886	106,502
	-----	-----
The number of staff whose emoluments fell within each of the following bands was:	2005	2004
£50,000 to £59,999	12	8
£60,000 to £69,999	17	10
£70,000 to £79,999	5	4
£80,000 to £89,999	3	3
£90,000 to £99,999	1	1
£110,000 to £119,999	1	1

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

The above banding includes 35 staff (2004: 24) for whom retirement benefits are accruing under the Barnardo's Staff Pension Scheme.

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

12 Legacies	2005 £000	2004 £000
Legacies notified but not accrued	9,071	8,126

13 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 2005 there were 400 members (31 March 2004 - 394).

During the year no Council member received any remuneration. Expenses incurred by trustees amounted to £9,514 (2004 - £11,999) and included travel, subsistence and other related costs. The number of Council members claiming expenses was 16 (2004: 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 £32,025 (2004 - £24,675).

14 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. As this is the first occasion that Barnardo's has adopted FRS17 for its primary statements, a prior year adjustment is required and the 2003/04 comparative figures have been restated. The adjustment of £90.025m to the balance sheet at 31 March 2003 reflects the difference between the balance sheet figure at that date under the previous pensions accounting standard SSAP24 (a prepayment of £9.9m) and that under FRS17 (a pension liability of £80.1m). Under FRS17, the total pension charge to the statement of financial activities during 2003/04 is £8.6m, including the "actuarial gains and losses on pension scheme assets/liabilities" (compared with the SSAP24 charge of £17.2m). 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 2005, 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.

Assumptions	2005 per annum	2004 per annum	2003 per annum
Price inflation	2.7%	2.7%	2.5%
Discount rate	5.6%	5.7%	5.8%
Pension increases (LPI)	2.6%	2.6%	2.4%
Salary growth	4.7%	4.7%	4.5%

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

14 Retirement Benefits (contd.)

Asset distribution and expected return

	2005		2004		2003	
	Expected return	Fair value £m	Expected return	Fair value £m	Expected return	Fair value £m
Equities	7.7%	199.7	7.7%	176.4	7.5%	135.6
Bonds	4.7%	17.9	4.7%	16.4	4.4%	12.4
Property	6.2%	18.3	6.2%	16.5	6.0%	13.9
Other	4.7%	39.5	4.7%	24.1	4.0%	21.3

Balance Sheet

	2005	2004	2003
	£m	£m	£m
Total fair value of assets	275.4	233.4	183.2
Present value of liabilities	(343.6)	(313.8)	(263.3)
Deficit	(68.2)	(80.4)	(80.1)

Over the year to 31 March 2005, regular contributions by Barnardo's of £8.7m were made to the scheme and £0.4m was paid to cover the costs incurred due to early retirements. In addition, a special contribution of £10m was made by Barnardo's during the year and has been included with the scheme's net current assets at the accounting date. 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 2005:

	2005	2004
	£m	£m
Post retirement deficit at beginning of year	(80.4)	(80.1)
Current service cost (employee and employer)	(14.2)	(13.0)
Past service cost	(0.4)	(0.2)
Contributions (employee and employer, incl. special)	23.8	12.5
Net pension finance charge	(1.3)	(2.9)
Actuarial gain	4.3	3.3
Post retirement deficit at year end	(68.2)	(80.4)

The following amounts have been included within charitable expenditure under FRS17:

	2005	2004
	£m	£m
Current service cost (employer's part only)	9.5	8.8
Past service cost	0.4	0.2
Total operating charge	9.9	9.0

The following amounts have been included as "pensions finance charge" under FRS17:

	2005	2004
	£m	£m
Expected return on pension scheme assets	16.7	12.5
Interest on post retirement liabilities	(18.0)	(15.4)
Net pension finance charge	(1.3)	(2.9)

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

14 Retirement Benefits (contd.)

The following amounts for 2005 and 2004 have been recognised under the "actuarial gain recognised in the pension scheme" heading within the statement of financial activities:

	2005		2004		2003	
	£m		£m		£m	
Actual less expected return on scheme assets	11.1	4%	34.1	15%	(66.9)	(37%)
Experience gains arising on scheme's liabilities	0.2	0%	3.3	1%	0.3	0%
Loss due to assumption changes underlying the present value of scheme liabilities	<u>(7.0)</u>	(2%)	<u>(34.1)</u>	(11%)	<u>(7.2)</u>	(3%)
Actuarial gain / (loss)	<u>4.3</u>	1%	<u>3.3</u>	1%	<u>(73.8)</u>	(28%)

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 2005

15 Tangible assets	Properties	Equipment & vehicles	Total
(a) Group:	£000	£000	£000
<i>Cost or valuation</i>			
At beginning of year	102,503	15,984	118,487
Additions	3,783	1,238	5,021
Disposals	(5,929)	(1,830)	(7,759)
At end of year	100,356	15,393	115,749
<i>Depreciation</i>			
At beginning of year	59,232	13,413	72,645
Provided during year	3,500	1,725	5,225
On disposals	(3,016)	(1,817)	(4,833)
At end of year	59,716	13,321	73,037
Net book value			
At beginning of year	43,271	2,571	45,842
At end of year	40,640	2,072	42,712
(b) Charity:			
Net book value			
At beginning of year	43,271	2,529	45,800
At end of year	40,640	2,037	42,677
		Group & Charity	
		2005	2004
		£000	£000
(c) Analysis of freehold and leasehold properties:			
Freeholds		32,522	35,879
Long leaseholds (over 50 years)		4,529	4,519
Short leaseholds (50 years and under)		3,589	2,873
		40,640	43,271
(d) Use of properties:			
Barnardo's childcare work		23,165	23,799
Other (including shops, warehouses and administration)		17,475	19,472
		40,640	43,271

Rental income is received from property surplus to functional requirements.

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

		Group	
		2005	2004
		£000	£000
16 Investments			
Investments at market value		53,602	51,454
Investments of the charity include £20,000 in Subsidiary undertakings (Note 2).			
<i>Investments at market value:</i>			
At beginning of year		51,454	45,832
Additions		9,800	34,203
Disposals		(11,125)	(35,780)
Realised/unrealised gains/(losses)		3,473	7,199
At end of year		53,602	51,454
<i>Comprising:</i>			
Listed investments - United Kingdom		53,293	38,133
Other investments		309	13,321
		53,602	51,454
Cost of Investments		52,922	50,878

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

17 Stocks and work in progress			
Finished goods		966	781
Work in progress		2,554	4,246
		3,520	5,027

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

	Group		Charity	
	2005	2004	2005	2004
	£000	£000	£000	£000
18 Debtors				
Trade debtors	107	106	-	-
Statutory and related funders	8,929	8,621	7,018	6,697
Car loans and other staff advances	506	700	505	699
Taxation	1,552	1,852	1,527	1,844
Other debtors	891	254	880	174
Prepayments and accrued income	2,530	3,139	2,203	3,066
Amounts due from subsidiaries	-	-	2,743	4,267
	14,515	14,672	14,876	16,747

Amounts due from subsidiaries represent loans from the charity to Barnardo Trading Limited and Barnardo Developments Limited and temporary current account balances between 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 2005

	Group	Group	Charity	Charity
	2005	2004	2005	2004
	£000	£000	£000	£000
19 Cash and bank balances and short-term deposits				
Cash at bank & in hand	3,342	3,133	3,035	2,798
Short-term deposits	13,769	14,558	13,769	14,558
	<hr/>	<hr/>	<hr/>	<hr/>
	17,111	17,691	16,805	17,356
	<hr/>	<hr/>	<hr/>	<hr/>
20 Creditors - amounts falling due within one year				
Pension contributions	1,104	1,041	1,104	1,041
Other taxes and social security costs	3,932	3,664	2,295	2,267
Other creditors	393	723	246	510
Accruals	5,154	3,460	5,038	3,444
Trade creditors	3,232	3,168	3,184	3,119
Deferred income	8,675	7,673	7,133	6,029
	<hr/>	<hr/>	<hr/>	<hr/>
	22,490	19,729	19,000	16,410
	<hr/>	<hr/>	<hr/>	<hr/>

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

21 Commitments

(a) Republic of Ireland

The Council has entered into a deed of guarantee with the Council of Barnardo's Republic of Ireland whereby financial support is provided by way of grants. At 31 March 2005, this guarantee covers a total commitment estimated at £210,000 (2004 - £679,000).

(b) Capital Expenditure

	Group	Group	Charity	Charity
	2005	2004	2005	2004
	£000	£000	£000	£000
Capital expenditure contracted	1,642	770	1,582	770
Capital expenditure authorised but not contracted for	3,684	896	3,684	649

(c) Land & Other Buildings

	Group & Charity	
	2005	2004
	£000	£000
Annual commitments under non-cancellable operating leases are as follows:		
Operating Leases which expire:		
Within one year	332	222
In the second to fifth years inclusive	1,721	1,492
Over five years	3,642	3,455

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

22 Fund balances

(a) Analysis of restricted & endowment funds

		Restricted income funds	Restricted capital and endowment funds	Total 2005
		£000	£000	£000
Incoming resources	- Community Fund	17	-	17
	- New Opportunities Fund	4,098	-	4,098
	- Fundraising income	2,883	-	2,883
	- Statutory income	8,058	-	8,058
	- Net income from investments and other	-	1,112	1,112
		15,056	1,112	16,168
Resources expended	- Child care and community work in the UK	11,259	56	11,315
	- Grants to other organisations	5,229	-	5,229
	- Grants to young people in need	-	1,088	1,088
		16,488	1,144	17,632
Net outgoing resources		(1,432)	(32)	(1,464)
Endowment funds income release		-	(1,800)	(1,800)
Gains and losses on revaluation and on investment asset disposals				
Realised gains		-	12	12
Unrealised gains		-	1,732	1,732
		-	(56)	(56)
Net movement in funds		(1,432)	(88)	(1,520)
Fund balances brought forward		2,677	23,708	26,385
Fund balances carried forward		1,245	23,620	24,865

All endowment funds are permanent endowments.

The restricted capital and endowment fund balances carried forward at 31 March 2005 include £22.9m 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 2004	7,400
Endowment funds income release during the year	(1,800)
Net increase in value during the year of the unapplied total return within endowment funds	1,100
Value of assets representing the unapplied total return within endowment funds at 31 March 2005	6,700

Barnardo's
Notes to the Accounts
Year Ended 31 March 2005

22 Fund balances (contd.)

		2005	2005	2004	2004
		No.	£000	No.	£000
(b) Categorisation of restricted & endowment funds					
Fund balances	- Educational purposes	3	2,065	2	1,944
	- Project buildings	2	284	2	284
	- Sea training	1	330	1	307
	- Community life (Community Fund)	1	8	1	9
	- General & other purposes	22	22,178	23	23,841
		29	24,865	29	26,385

	Restricted &		
	Unrestricted	endowments	Total
	£000	£000	£000
(c) Analysis of fund balances between group net assets			
Fixed assets	42,539	173	42,712
Investments	30,517	23,085	53,602
Pension liability (note 14)	(68,200)	-	(68,200)
Net current assets	11,049	1,607	12,656
Net assets as at 31 March 2005	15,905	24,865	40,770
Net assets as at 31 March 2004 (as restated)	8,172	26,385	34,557
Unrealised profits included in investments value	1,734	1,732	3,466

23 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").

24 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 2005

GIFTS AND GRANTS RECEIVED

Corporate Donations

The following companies have given more than £100,000 during the year:
HBOS plc, Foresters, Morgan Stanley & Co International Ltd and Hilton Group plc.

The following companies have donated more than £10,000 during the year:
ABN AMRO, ASDA Stores Ltd, Barclays, Clinton Cards plc, Friends Provident, Guardian Newspapers Ltd, Newman's Own, Next plc, Renault UK Ltd, Salesforce.com Foundation, Simon & Schuster UK Ltd, Taylor Woodrow Group and Timberland (UK) Ltd.

Charitable Trust Grants

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

Bridge House Trust - sexual exploitation work, London, £60,000

Children in Need - Forward Steps, Belfast, £24,293

Comic Relief - Hopscotch Project, Scotland, £12,205

Community Fund (Big Lottery Fund)

- Spark Centre, East London, £67,294

- SECOS Project, North East, £30,675

- CANDL, East London, £37,919

Ellerdale Trust

- Action with Young Carers Project, Liverpool, £7,500

- Merseyside Scheme Project, Liverpool, £7,500

Elton John AIDS Foundation - Riverside Project, Glasgow, £9,230

Eveson Charitable Trust - Amazon Project, Midlands, £15,000

Francis C Scott Charitable Trust

- South Lakeland Family Support Service, Kendal, Cumbria, £36,000

- Family Place, Wigton, Cumbria, £25,000

- Ewanrigg Project, Maryport, Cumbria, £12,500

Freemasons' Grand Charity

- Mid Derbyshire After Care Project, Midlands, £28,700

- Manchester Leaving Care Project, North West, £27,950

Gannochy Trust - Hopscotch Project, Perth, £15,000

Grantham Yorke Trust - Amazon Project, Midlands, £4,500

Jack Petchey Foundation - Young Carers Scheme, London, £25,000

John James Bristol Foundation - Bristol Base Project, £20,340

J.P. Morgan Fleming Educational Trust - Blackford Brae Project, Edinburgh, £10,000

Lady Hind Trust - Sherwood Project, Midlands, £1,000

Lloyds TSB Foundation for England and Wales

- Forward Steps Project, £10,129

- Carefree Project, Leicestershire, £10,000

- Neath Port Talbot Parenting Matters Project, £10,000

- Dr B's Restaurant, Harrogate, £4,000

Lloyds TSB Foundation for Scotland - Greater Easterhouse Youth Involvement Project, £35,000

Marks and Spencer - Dr. B's Kitchen, Northern Ireland, £5,000

Northern Rock Foundation - Ewanrigg Project, Maryport, Cumbria, £18,878

Tom Parrington's Will Trust, £90

Wates Foundation - Windermere Construction Centre, £17,000

Grants from Statutory Authorities

Cymru

Welsh Assembly Government, £1,207,599

Barnardo's
Year Ended 31 March 2005

England

Birmingham City Council, £76,653

Department for Education and Skills

- Family Support Grant - Babyfather Initiative, £54,220
- Parenting Fund - Health Through Action, £16,667 and Leeds Elijah Project, £16,665
- Consultation Fund - Gateshead FRC, £4,860 and VOICE, £4,473

Department of Health

- Opportunities for Volunteering Scheme, £200,000
- Section 64 Grants - Merseyside Scheme, £75,000 and BASE Boys & Young Men, £53,340
- National Drugs Action, £30,000
- Integrated Children's Services, £22,620

Derbyshire County Council, £624,868

- Family Action, Family Forum, Youth Inclusion, Stepping Forward (Rural Outreach; Parenting Skills)

Home Office

- Victims Fund - Young Men's and Young Women's Services, £2,701

Leicester City Council, £33,310

Northern Ireland

Community Foundation for Northern Ireland, £32,641

Community Relations Council, £93,769

Department for Employment & Learning, £161,183

Department of Health, Social Services & Public Safety, £147,819

Children's Fund Unit (DHSSPS), £740,004

Department of Education, £91,738

NIPPA The Childhood Fund, £103,768

North & West Belfast Health & Social Services Trust, £228,140

Volunteer Development Agency (CVS), £30,721

Scotland

Scottish Executive, £ 436,707

Youth Education Social Inclusion Partnership, £33,299

Barnardo's
Year Ended 31 March 2005

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

Mrs T A Baring, CBE
Mr J Bartle, CBE
Ms F Benjamin, OBE
Mrs S E Bernerd, MBE
The Rt Rev C Budd
The Rev J Edwards
The Rev D Gamble
Mr P B Hardy
Mr T R Lawson, CBE
Mr R Loomba
Sir Clive Martin, OBE, TD
Baroness Julia Neuberger
Mr B Oldfield, OBE
Sir Cliff Richard
Judge Mota Singh
Mr L Thomas
Dame Gillian Wagner
Dr Rowan Williams

MEMBERS OF COUNCIL (Year of first appointment)

Dr D E Barnardo (1981)
Mr G G F Barnett OBE (2001)
Miss R E Bayley (2005)
Baroness Blood (2002)
Mr M Connor (resigned July 2005)
Mrs J Cromack (2003)
Mr W Fletcher (2000)
Rev D Gamble (retired October 2004)
Dr J F T Glasgow (1987)
Mrs E A Hodgson (2003)
Mr R E Jones (1999)
Ms R I Jones (1987)
Ms H A Keenlyside (2001)
Mr I Marshall (2005)
Mrs S Mawer (2005)
Mrs F E Middleton (deceased November 2004)
Miss R E Owen (2003)
Mrs K Pawson (2005)
Mrs K K Randhawa (resigned October 2004)

Barnardo's
Year Ended 31 March 2005

Mr C G Sheppard (2003)
Mr J M Shera (1997)
Ms G M Stewart (2003)
The Lady Stewartby (2004)
Mr A K Stewart-Roberts (retired October 2004)
Mr R Swanston (1989)
Mrs D M Symon (1995)
Miss H L Thomas (2005)
Mr D M Tolson (2005)
Mrs E A Watkins (2001)

CHAIR OF COUNCIL
Dr David Barnardo

DEPUTY CHAIR OF COUNCIL
Daphne Symon

HONORARY TREASURER
Geoffrey Barnett, OBE

CHIEF EXECUTIVE
Roger Singleton, CBE

UK DIRECTOR OF OPERATIONS
Dr Chris Hanvey

UK DIRECTOR OF CHILDREN'S SERVICES
John Tebbet

UK DIRECTOR OF MARKETING AND COMMUNICATIONS
Andrew Nebel

UK DIRECTOR OF CORPORATE RESOURCES
Ian Theodoreson

COMPANY SECRETARY
Joanna Lawson

DIRECTOR OF AUDIT AND INSPECTION
Bob Patterson

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