



# Annual Report and Accounts 2017-18

**Transforming** the lives of  
the UK's most vulnerable children

Believe in  
children  
 **Barnardo's**



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# Chair's introduction



I felt a great sense of privilege to be appointed Chair of Trustees at Barnardo's in April, and at the same time a strong sense of responsibility to build on the outstanding work led by my predecessor Tony Cohen.

No one cared more passionately about the difference

Barnardo's could make than Tony. Whether it is our work with vulnerable children and young people or the work behind the scenes to strengthen the way Barnardo's delivers – the story of a strong year captured in this report was achieved under Tony's wise stewardship, supported by dedicated Trustees and a committed executive Corporate Leadership Team.

Barnardo's has earned enormous trust over many years of expert service delivery. Our dedicated staff are at the heart of this and help Barnardo's deliver a definitive impact. Those who work or volunteer for Barnardo's consistently speak about their sense of pride at working for a great children's charity which makes such a difference. The Corporate Strategy adopted by the Board sets a clear path for building on those strengths and at the same time determinedly making the necessary changes to secure Barnardo's strength and impact well into the future.

This impact, the strong reputation, our dedicated staff and valued services are all assets to be cherished; however Barnardo's Trustees are acutely aware that, they do not make us immune to the increasing challenges and scrutiny faced by the charity sector as a whole.

My fellow Trustees and I are acutely aware, in our governance role, of the critical need for Barnardo's to always live by and demonstrate the highest standards in our values and behaviours, so the safeguarding culture we cherish greatly always continues to be the real experience.

The Board's rigorous review of our safeguarding procedures, and the ongoing review to which they are subject, demonstrates our determination to protect and promote our safeguarding culture. However we know procedures are never enough: there is never room for complacency. The Board and Corporate Leadership Team will remain vigilant to ensure the safeguarding culture we cultivate at Barnardo's continues to shape all we do.

Encouraging and supporting charitable giving is critical to making sure charities have the resources to deliver our work. I know from my previous roles that delivering excellent services is completely dependent on engaging existing and potential supporters in a compelling way, bringing to life the difference we make. That will be a priority for the coming year.

I am passionate about giving every child and young person the opportunity to achieve their full potential. I am incredibly proud to lead a charity which has that ethic at the heart of its purpose: which believes all children, with the right help and support can overcome trauma and adversity to achieve a positive future.

I am very much looking forward to working with my fellow Trustees and the executive team to achieve our ambitious goal: to help even more children achieve better futures.

A handwritten signature in black ink, appearing to read 'Wendy Becker'.

**Wendy Becker**  
Chair of Trustees

# Chief Executive's introduction



Tackling the challenges and pressures faced by the UK's most vulnerable children and young people, both physical and mental, has never been more important nor more complex. The wellbeing, and life chances of an entire generation is at stake. Barnardo's work at the front line gives us a unique understanding of those challenges, the best ways to tackle them, and possible changes which could prevent future challenges emerging. It is therefore with great pride that I can report that Barnardo's has continued to go from strength to strength over the past year.

Approaching the third year into our ambitious ten-year Corporate Strategy, we are making excellent progress. One of our key goals, widely viewed as stretching at the time, was to reach and support 300,000 children and young people by 2025. I am delighted to report that we have achieved this in 2017/18.

This progress, towards our goal of helping better outcomes for more children, is a tribute to the hard work, expertise and passion of our 8,000 plus staff and our more than 23,400 volunteers who are the beating heart of this amazing charity.

Our strategy is to focus our work on priority areas which allow us to make the biggest impact where children, young people and families / carers need us most. Visiting services around the country, the real and actual difference our work makes comes vividly to life. On a recent visit to the North East, I met a 15 year old girl with a history of suicide attempts. She told me, in a way I will never forget,

that the practical support she received from her Barnardo's support worker had made the difference between life and death.

An important way that Barnardo's improves life chances is by using our insight expertise and strong networks among decision makers to shape public policy relating to children and young people. Again, this year, we have seen important moves forward in this area.

We achieved success through our long term campaign to persuade the Government to introduce compulsory Relationship and Sex Education in schools across England, ensuring children receive vital information and support to stay safe from abuse. We persuaded the Government to correct an injustice that denied some victims of child sexual exploitation compensation for this horrific crime. In addition, we achieved important policy changes in Wales, Scotland and Northern Ireland that will protect and support vulnerable young people.

Much of our work is achieved through partnerships. The tough and uncertain economic climate creates challenges for both the charity sector and our partners which has a direct impact on our work. I am delighted that through our responsive, creative and pragmatic approach to partners, we were able to continue to increase our income in 2017-18 and provide over 1,000 services.

I am pleased that in the past year we achieved a net profit of £15m in our retail stores, 25% up on last year, and our net voluntary income increased by 4%. These are good results but there is no question of us resting on our laurels. We will continue to innovate, to look at new and creative ways of delivering services, at the best possible value. We understand how important it is to demonstrate our impact, to innovate, and to develop new ways of working. There is a fundamental rethink underway in terms of how children's services are best developed and delivered. That includes exploring exciting concepts such as co-production of solutions and services, and Barnardo's is pleased to be at the forefront of that work.

Barnardo's safeguarding culture is at the heart of how we think and work. We review our processes and procedures on an ongoing basis and work hard to encourage staff and volunteers to report anything which concerns them, and ensure they can do that in a safe way. The allegations which emerged in other charities relating to breaches in safeguarding and workplace harassment was a wake-up call to the whole sector, both in terms of protecting individuals and also retaining public trust. At Barnardo's our reviews showed we have strong systems in place, and we have shared that expertise with sector colleagues. We will never be complacent. Reinforcing that culture is critical. We have reminded all our colleagues of our robust reporting mechanisms and we are actively encouraging an ongoing conversation about how within Barnardo's we tackle society-wide issues, such as gender equality, discrimination and ensuring inclusiveness.

The Corporate Strategy made a clear commitment to change the way we do things, where that is needed to keep pace with wider change, and ensure we deliver the best possible services in the best possible way. In delivering this work, Barnardo's continues to look to the future. We are embracing new technologies to help us work "smarter", make efficiency savings, and reach young people in the way that works best for them. We are demonstrating our ongoing commitment to diversity, publishing our Gender Pay Gap and action plan, and recruiting more BAME volunteers. We are investing in our workforce, with more than 89% of staff completing three or more days of learning in the past year.

With all these achievements in mind, I'd like to pay tribute to our retiring Chair, Tony Cohen, who has stepped down after nearly five years in the role and eight on the Board of Trustees. Tony helped the charity thrive by developing and leading a Board of Trustees totally committed to Barnardo's and ensuring a strong future. I want to thank him for his dedication and support.

I have been delighted to welcome our new Chair, Wendy Becker, to the Barnardo's family. She brings a wealth of talent and experience in the corporate and charity sectors, which is already proving hugely valuable.

Barnardo's has every reason to be confident about the future.



**Javed Khan**  
Chief Executive

# Report of the Board of Trustees

## 1. Objectives and activities

Barnardo's mission is to realise our founder's dream of a world where no child in need is turned away. Our purpose is to transform the lives of the UK's most vulnerable children and young people, with the goal of helping even more children in future years. We support them, stand up for them and lobby Governments on their behalf with the goal of allowing each child to achieve their full potential.

The Corporate Strategy sets out a clear plan to focus on building stronger families, safer childhoods and positive futures, and within that to focus on specific areas where Barnardo's is uniquely placed to make the biggest impact: children in and leaving care, childhood sexual exploitation and mental health.

The goal, at the heart of that strategy, is to achieve better outcomes for more children and young people.

Our work approaches that goal through a number of targeted programmes. These programmes specifically recognise that to have the greatest impact Barnardo's needs to build on what is working well, but also needs to change the way we work in some areas to reflect wider changes in society.

Our work began more than 150 years ago with our pioneering founder, Thomas Barnardo, who stood up for the most vulnerable children in society. We continue to fight for the most vulnerable children to realise his dream of a world where no child is turned away. Today, we are the largest and oldest national children's charity in the UK.

While we remain true to our mission the services we deliver are very different from in those pioneering days. An important part of our work, therefore, is to ensure that our driving mission, the nature of our work, how we work, and the difference we make – the different elements of our brand – come to life and are well understood.

We operate more than 1,000 services, many commissioned by partners. We operate more than 700 retail shops, and we are able to draw on a highly motivated and dedicated army of more than 23,400 volunteers who support our vital work.

The services we provide cover many aspects of established and developing vulnerability. We work with children and young people who have suffered sexual abuse and exploitation; with children who are in care, those who are leaving care, and those caring for others. We provide early intervention for children, parents and carers through our work in children's centres across the country. We support children who care for a sick or disabled relative, focussing on their emotional health and wellbeing. We work with children who have been trafficked, who have suffered through domestic abuse and children who are living with a disability. We find loving and supportive foster placements and adoptive homes for children in care.

Last year we helped improve the lives of more than 301,100 children and young people, parents and carers. We helped 32,200 children, young people, parents and carers with mental health and emotional wellbeing support; we enabled 3,200 care leavers to live independently and we worked with more than 7,900 children who are looked after in the care system. We worked with 3,300 people through our Child Sexual Exploitation services and supported 2,300 people in our services for missing young people.

We are transforming the way we engage both service users and stakeholders, and the way we are able to mine our information, through a focus on enhancing our digital capability and communication channels. We ensure our safeguarding practices and procedures are robust, reinforcing the safeguarding culture that our staff and supporters deserve and expect.

We are proud that we have helped many, and will help many more in the future by campaigning effectively to change public policy and public opinion. Our Policy and Communications team influences and informs politicians, decision makers, the media and many other key stakeholders across the UK. We are working collaboratively with other charities to develop innovative ways of working.

Our work to develop digital initiatives and exploit digital opportunities continues to make Barnardo's more efficient and agile, which in turn means we are better able to direct resources to frontline services.



Our Directorate of Impact and Learning is finding smarter ways to measure accurately what we do and how successful we are, what works and what doesn't. This is a vital ingredient in sharing best practice and knowledge, which sits at the heart of our way of working. This year we launched our Learning Commitment which better empowers our staff and volunteers to develop and grow in their roles.

Our Gender Pay Gap Report showed that the gender pay gap at Barnardo's is significantly lower than the national average. We are committed to reducing the gap further, and launched a comprehensive action plan alongside that report to deliver this.

Barnardo's relies for its life changing work on donations from the public, companies and trusts, together with the fees and grants we raise for providing services to local authorities and other funding partners.

Through prioritising activities that focus on building stronger families, safer childhoods and positive futures we will reach the goals set out in our ten-year Corporate Strategy. Centred on our core purpose, we will achieve better outcomes for more children and young people.

## 2. Strategic report

### Achievements and performance

In 2016 we launched a new ten-year Corporate Strategy, Better Outcomes for More Children. Its focus is on sustained interventions over a long-term period. By 2025 we aim to be supporting 300,000 children, young people, parents and carers, 25% more than in 2015. To achieve this, we have made a commitment to three strategic aims and investing our voluntary funding into six strategic service categories. We now report on the progress we have made in 2017/18.

In 2017/18, we worked with more than 301,100 children, young people, parents and carers exceeding the 2017/18 KPI target of 255,000 by 18% (46,100).

### 1. Stronger Families

- **Early support:** Our Children's Centres were used by 143,500 people last year, including over 64,500 children and 70,500 parents/carers. This is compared to 182,400 children and parents/carers who used our services in 2016/17.
- **Family support services:** Barnardo's provided family support services to 91,800 children, young people, parents and carers, facing a range of difficulties, including children with a parent in prison, children with caring responsibilities, child bereavement and families with children on the edge of being taken into care. The number supported is a significant increase compared to 2016/17 when we supported 30,600 people in our family support services.
  - [This increase in numbers supported through Family Support, and decrease in Children's Centres, was driven by Essex Child and Family Wellbeing Service – established combining North and West Essex Children's Centres and supporting 60,300 service users. This represents a move towards commissioning of more 'family hub' partnership models of support to whole families, rather than traditional Children's Centres]
- **Mental health:** Barnardo's supported over 32,200 children, young people, parents and carers through our Mental Health services. This included 23,500 children supported through our school-based programmes, aimed to improve emotional health and wellbeing. This compares to 14,500 in our school based services in 2016/17. This was driven by growth in PATHS programs as a result of new schools recruited in Northern Ireland, Renfrewshire (Scotland) and London as well as expansions in existing schools. There has been an 88% growth in total PATHS program service users between 2016/17 and 2017/18 increasing from 11,600 to 21,800.

## 2. Safer Childhoods

- Child Abuse and Exploitation:
  - We supported 6,500 people through our Child Abuse and Exploitation services, including 3,300 people through our Child Sexual Exploitation services.
  - In 2017-18, we received Home Office funding to develop Boys 2. With boys and young men as co-creators, Boys 2 focused on identifying approaches to increase opportunities for boys and young men who have been abused to engage in support. The boys and young men were clear that they need to feel a sense of control in any work they engage in and that the pace of any intervention is set with them.
  - In 2017-18 Barnardo's launched a successful media campaign in England, along with a coalition of partners, to lobby the Criminal Injuries Compensation Authority to change guidance accusing children who have experienced sexual exploitation of consenting to their own abuse. Barnardo's strongly argued that no child can have ever consented to sexual abuse. The guidance was changed which should ensure that child victims are not denied compensation on the mistaken grounds that they 'consented' to or complied with their abuse.
  - Barnardo's helped to secure changes to the Children and Social Work Bill to make sex and relationship lessons become compulsory in all secondary schools. Barnardo's briefed Parliamentarians, met with ministers and mounted a public campaign, making the case that having access to high quality, sex and relationships education is critical to developing healthy and safe relationships.
- Looked After Children (e.g. family placements):
  - Barnardo's is the largest UK voluntary adoption agency, and the largest not-for-profit fostering agency (IFA). We focus primarily on children who are more difficult to place, including older children, sibling groups and children with disabilities.

- In 2017/18 our adoption services placed 121 children with adoptive families.
- Barnardo's Fostering UK placed 874 children 2017/18, compared to 893 in the previous 12 months.
- We are committed to working in partnership with local authorities to securing the best possible outcomes for children and young people in care.
- 85% of our foster carers described their supervising social worker as 'excellent' or 'good', compared to 66% in the State of the Nation Foster Care survey.

## 3. Positive futures for young people

- Leaving Care/Accommodation
  - In 2017/18 Barnardo's supported 3,200 care leavers, and 7,900 children in care, across a range of services. Of the care leavers we supported, nearly 2,400 were supported through our Leaving Care or Accommodation Support services.

In 2017-18, we achieved our goal of working with more than 300,000 children, young people, parents and carers. By focusing on the above service areas, we also aimed to reach more vulnerable children and young people, and have a greater impact on their lives. However, we know that for the most vulnerable children there are often entrenched problems which we cannot fix through individual work with the child. We have therefore committed to three Corporate Priority Programmes focused on the areas where we felt we could focus resources across the organisation to have more significant impact. These Core Priority Areas are:

- Mental Health and Wellbeing
- Child Sexual Abuse
- Children In and Leaving Care

We also made a commitment to transform the organisation to be in the best possible shape to achieve our ambition on behalf of children and families. We will do this by becoming a digital, diverse, learning organisation:

**Digital:** To make the best use of digital technology and communications in all aspects of our work, to reach out to and support more vulnerable children.

- We have set up and are progressing a set of transformation programmes focusing on channels, technology, data and next generation products for both service users and supporters.
- In 2017/18 we launched an FGM online risk assessment tool for professionals and received funding to design a 'Journey' App, to build self-sufficiency amongst young people leaving care.
- Specific key performance indicators have been developed for reach and income, to measure the progress of our innovative digital solutions.

**Diverse:** Equality, diversity and inclusion run through everything we do from the way we support people to who comes to work or volunteer for us.

- In 2017/18 we reduced the proportion of service users where we did not know their ethnicity or if they had a disability. We focused on reducing these unknown characteristics across high-risk and high vulnerability services, where these factors can place young people at greater risk.
- We have implemented a plan to ensure Equality Impact Assessment compliance across the organisation, in order to not discriminate or disadvantage people and identify ways to make improvements for people with a protected characteristic.
- In order to increase attraction rates from disabled applicants applying to work with us, our new recruitment system allows for ease of application and we now post vacancies to disability-friendly job board for targeted recruitment of people with a disability.

**Learning organisation:** To make learning central to everything we do; capturing and sharing knowledge is key to our work.

- This is tracked using a staff survey question: "I have the right opportunities to learn and grow at work". In 2014, there was a 57% approval rating. At the end of 2016/17 a supplementary survey reported 62%. We will carry out this survey in 2018 and report on

the findings in the next annual report.

- In 2017/18, we have supported staff and volunteers to have a minimum of three days learning (or equivalent for those working part-time). In the first year of this target, 89% of eligible staff recorded three or more days of learning.

Our volunteers play a critical role in our work and we will need their help more than ever over the next ten years. Our strategy commits us to recruit more volunteers and strengthen the support we provide.

- We remain on course to increase the number of volunteers to 25,000 by 2025, having reached 23,436 in 2017/18, an increase of 3,000 since 2016/17.

Our strategy recognises that we must change the way we work with, and for, the people we support. We devised a strategic approach, called the Barnardo's Way, with five key elements to help us benchmark how we do things and what we want to achieve for the future.

1. Impact: Consistently high quality support for better results

- We have set the target to be supporting 300,000 children, young people, parents and carers every year by 2025. This is a 25% increase compared to 2015.
- In 2017/18 we worked with more than 301,100 children, young people, parents and carers. This is an increase of 28,800 since 2016/17 and means we have exceeded our original target.

2. Measure: The real impact of our work

- In 2017, we published the 3rd *Barnardo's Impact Report*, which demonstrates and measures impact across Barnardo's. We will publish the 4th *Barnardo's Impact Report* in 2018.
- We continue to produce a quarterly performance report, which measures progress against our strategy to inform decision making and provide holistic intelligence on the performance of Barnardo's.
- We have developed our Contract Performance Tool, which is used to measure the effectiveness of Barnardo's work.

3. Influence: Building on our reputation
- Seven of our policy calls passed into law in 2017/18. In addition Government listened to us by not making a policy change on the child protection system, as we advised it might not help children.
  - Policy changes included The Child Poverty (Scotland) Act which involved lobbying for the establishment of a statutory Poverty and Inequality Commission.
  - In Wales, we lobbied for The Additional Learning Needs and Educational Tribunal (Wales) Bill to have a duty of due regard to the UN Convention on the Rights of the Child (UNCRC) for both the rights of the child and rights of persons with disabilities.
  - In England, the Department for Education published guidance on harmful sexual behaviour in schools. Barnardo's lobbied to have a focus on seeing young people who display harmful sexual behaviour as victims.
4. Innovate: New ideas for support
- We have set up and are progressing a set of transformation digital programmes for both service users and supporters, with a strong focus on innovation.
  - In 2017/18, we launched an internal Innovation Fund to find and support the best ideas from staff across our organisation, to achieve our goal of getting better outcomes for more children and young people.
5. Income: Secure funding to deliver great work
- Total Statutory income increased from £172.6m in 2016/17 to £173.7m in 2017/18.
  - Net Voluntary income increased from £24.9m in 2016/17 to £25.8m in 2017/18.
  - Net Retail and Trading income increased from £12.1m in 2016/17 to £15.0m in 2017/18.
  - We began to roll out EPOS, scanning tills, in our shops to simplify the Gift Aid process.

## Financial review

### Overall financial health

Financially, 2017/18 has to be seen as another successful year for Barnardo's. We have worked hard to successfully secure new income to support our charitable activities and deliver our plans. The current public sector funding environment is challenging, and expected to remain so for the foreseeable future. However, we have once more grown our total income and endowments. We continue to follow the path outlined in our ten-year Corporate Strategy (we are currently in Year Three), which focuses charitable expenditure on priority areas and on growing our voluntary income base. This should ensure Barnardo's continues to expand its reach and use its resources effectively for all stakeholders.

### Results for 2017-18

Our total income and endowments increased this year to £304.3m (2017: £301.5m) as shown in the Statement of Financial Activities on page 30. Of the increase, £4.6m came from our retail and trading activities, £1.1m came from fees and grants for delivering children's services and £0.8m came from donations and legacies, offset by a reduction in income from the development and sale of properties of £3.2m and other income of £0.6m.

As a result our net incoming resources available for charitable activities increased from £218.3m to £220.6m.

However, there was a reduction in expenditure on charitable activities, inclusive of governance costs, of £2.3m to £210.3m (2017: £212.6m) and after pension finance costs of £5.3m (2017: £5.4m), our total charitable expenditure came to £215.6m (2017: £218.0m). This was partially due to a reduction in our central overheads and partially due to some of our new Core Priority Programmes starting a little later than expected.

Allowing for net losses on investments totalling £0.5m (2017: gains of £11.4m), the resulting net income for the year is £4.5m (2017: £11.7m).

## Income

Total £304.3m

**£173.7m**

Fees and grants

**£74.9m**

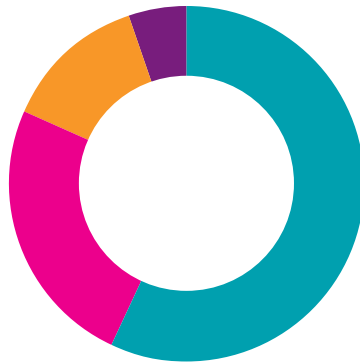
Trading, including shops

**£40.4m**

Donations, Gifts in Wills and other fundraising

**£15.3m**

Investments and property development



## Expenditure

Total £299.3m

**£210.3m**

Charitable activities

**£59.9m**

Trading, including shops

**£14.7m**

Fundraising

**£14.4m**

Other costs (inc pension charge)



The figures above exclude net losses/gains on investments

## Pensions

Barnardo's is the employer sponsor of the Barnardo's Staff Pension Scheme (BSPS) which is a defined benefit pension plan that closed to new members in 2007 and the further accrual of defined benefits in April 2013. The disclosure requirements for these financial statements are governed by Financial Reporting Standard (FRS) 102 and reported that the accounts are true and fair by our auditors. The FRS 102 position at 31 March 2018 shows a deficit of £139m (2017: £137.7m). The main factor contributing to the slight deterioration was actual investment return achieved on the assets was lower than that required to match the increase in the defined benefit obligation over the year.

The assumptions used for calculating these disclosures are necessarily different to those used for the last triennial valuation, which is carried out separately by the Trustees of the Barnardo's Staff Pension Scheme. At 31 March 2015, on the ongoing valuation basis for their last triennial valuation, the deficit disclosed was £182m and the funding level was 77%. The difference between the last triennial actuarial valuation and the FRS 102 valuations demonstrates the volatility in calculating long term pension liabilities. Neither calculation is right or wrong. They are both snapshots of the situation at a particular moment in time and highly sensitive to changes in financial market factors. They also highlight the difference between the more conservative assumptions used for the triennial valuation and the 'best estimate' assumptions used for the FRS 102 calculations. The FRS valuation uses lower inflation and higher interest/discount rate assumptions and both of these lead to a lower calculation of pension liabilities.

It is the ongoing triennial valuation that is used to calculate the payment of pension contributions and these are currently based on the deficit reduction/recovery plan agreed between the Board of Trustees of Barnardo's and the Trustees of the Barnardo's Staff Pension Scheme following the 2015 triennial valuation. Barnardo's has paid £7.3m in the year ending 31 March 2018, followed by £10.7m per annum for 18 years. Barnardo's therefore expects to pay £10.7m to the Scheme during the accounting year beginning 1 April

2018. This deficit reduction plan should ensure that the deficit reduces over a number of years as additional pension contributions are paid.

With respect to these future planned payments, the Trustees believe that the pension scheme liability is a manageable long-term liability, where the payments required by the pension plan can be met from forecast cash flows without drawing on reserves on an on-going basis. Supporting this is the implementation of an agreed investment strategy with the Pension Scheme Trustees, allowing for a lower risk asset portfolio but one which still retains potential for growth.

## Reserves and the position at the end of the year

Reserves are represented by the fund balances in the Balance Sheet on page 31.

The level of our reserves is determined by balancing two objectives: maintaining sufficient reserves to enable us to carry on our work when faced with difficult circumstances, and ensuring we maximise the resources used for charitable purposes. Our reserves level therefore needs to be adequate to allow us to address potential losses that might arise from our charitable activities, investments, trading and other activities. It also needs to give us sufficient time to adjust our strategy to meet changing circumstances without unnecessarily removing funds from addressing our charitable purposes.

The Balance Sheet shows unrestricted reserves (reserves that do not carry any restrictions on how they can be used) of £106.2m (2017: £104.9m). In carrying out our assessment of reserves, we look at reserves prior to taking pension liabilities into account, referred to as free reserves. In assessing our level of free reserves we also exclude the fixed asset fund of £39.3m (2017: £41.1m) because this cannot quickly be realised. We do, however, include the working capital fund of £22.7m (2017: £14.4m) as no restrictions apply to this fund. After excluding the fixed assets fund, this leaves free reserves at £66.9m (2017: £63.8m) as at the 31 March 2018.

The Board of Trustees assesses the risks Barnardo's could be exposed to and the appropriate level of reserves that we should maintain. A recent review of our free reserves (funds that are freely available to be used for our general charitable purposes), based on the financial position at 31 March 2018, set a target range of £45.9m to £61.2m. This is an increase from last year to reflect the greater financial and economic uncertainties caused by Brexit, the current political environment and the risk associated with our pension deficit. We regularly review the actual level of reserves, and take action to bring it back in line with the target if the level looks likely to move significantly outside the target range. At 31 March 2018 the level of free reserves is outside of this target range, however, it is expected to move back within range by the end of the next financial year.

Our unrestricted reserves assessment also takes no account of the £34.8m (2017: £35.0m) held in restricted and endowment funds. Only the income from these funds is available for our work.

## Investments

Barnardo's investments are managed on our behalf by BlackRock Investment Management (UK) Limited and Ruffer LLP. Investments are held in a range of asset classes including equities, fixed-income securities, commodities and cash. The equities funds do not invest in companies whose products are associated with tobacco or arms industries. In the year to 31 March 2018, our unrestricted investments held with Blackrock Investment Management (UK) Limited delivered a positive return of 2.3% (2017: positive return of 22%). The Blackrock investment performance is benchmarked against the weighted average of three tracker indexes over a rolling five-year period.

Our target is to outperform this benchmark by 0.75% per annum, we exceeded this benchmark by 0.83% for the year. Ruffer LLP delivered a negative return of -0.8% (2017: positive return of 12.2%). Ruffer's overall objective is firstly to preserve client's capital over rolling twelve month periods, and secondly to grow the portfolio at a higher rate (after fees) than could reasonably be expected from alternative of depositing the cash value

of the portfolio in a reputable United Kingdom bank. This benchmark was not met for the year. The performance of our investment managers is monitored on a regular basis by our Finance Committee, through quarterly reporting and discussion directly with representatives.

The restricted capital and endowment fund balances are carried forward at 31 March 2018. They include endowment funds for which Barnardo's has received an order, signed by the Charity Commission, enabling the unapplied total return to be transferred to unrestricted funds. The initial value of the unapplied return was established in 2002. It is the value of funds donated at 1 April 1976 or at the date of donation if later, indexed to 2002. Indexation has then been applied to this 2002 value to give the 2018 value. The unapplied return is the difference between the 2018 value and the market value of funds as at 31 March 2018. The annual change is included in the net gains or losses on investments. Further details can be seen in note 24 (a) and (b).

## Commercial activities

In total, the financial activities of Barnardo's subsidiaries generated net income of £2.7m (2017: £4.6m) during the year with all of the subsidiaries contributing to the surplus. The net income from each subsidiary is gift aided to Barnardo's. The trading subsidiary companies' activities are summarised in note 3 to the accounts.

Barnardo Trading Limited generated a profit of £1.3m (2017: £875,000) from its mail order, publishing and retail activities during the year. Barnardo's total retail and trading activities (including the sale of donated goods in Barnardo's shops, which is accounted for as part of the charity's activities) produced a profit of £15.0m (2017: £12.1m). The increased profitability is due to more efficient purchasing of stock and improved cost management.

Barnardo Developments Limited's principal activity is the development and sale of properties surplus to Barnardo's operational requirements. The company generated a profit of £0.6m during the year (2017: £2.8m), largely from the sale of properties built and sold on its site in Barkingside,

Essex. 23 out of the 34 properties relating to the final phase of the Barkingside Regeneration Project have now been sold with the remaining 11 forecast to be sold during 2018-19.

Barnardo Events Limited raises sponsorship and runs special events to generate funds for Barnardo's. The company generated a profit of £232,000 during the year (2017: £375,000). The reduction in profitability in 2017-18 was due to a reduction in the number of events and sponsorship agreements.

Barnardo Services Limited provides a range of services for children and young people in conjunction with local authorities, health authorities and similar bodies. The company generated a profit of £536,000 during the year (2017: £614,000).

## Plans for 2018-19

We will continue to work towards our ten year aspirations by focusing on our strategic aims and updating them when we have already achieved our goals:

- Our original aim was to increase the number of children, young people, parents and carers we work with by 25%, from 240,000 in 2015 to 300,000 in 2025. As we have achieved this target we will be reviewing and updating it during the course of this year.
- Provide better outcomes for more children by improving the quality of services we deliver.
- Ensure as income grows a minimum of 50% of voluntary funds is invested in prevention.

Our three Core Priority Programme areas, where we will seek to deliver transformative change, are Mental Health and Wellbeing; Child Sexual Abuse (including exploitation); and Children In and Leaving Care. In 2018/19, we will;

- Develop strategic partnerships across the UK.
- Implement practice development projects.
- Produce evidence to ensure consistency of understanding across Barnardo's.

## Principal risks and uncertainties

The Board of Trustees has responsibility for ensuring that there are effective risk management and systems of internal control in place to manage Barnardo's major risks and support the achievement of our strategic objectives.

This responsibility is discharged through an annual review of the effectiveness of Barnardo's risk management and internal control framework. Processes in place to manage the key risks that could affect Barnardo's ability to achieve its objectives include the following:

- A risk escalation protocol is established, to identify risks at directorate and regional level and ensure that, where applicable, these are included in the 'Corporate Risk Register' which is subject to regular senior leadership and Trustee (Audit and Risk Committee) review.
- The Audit and Risk Committee approves the annual risk based internal audit and inspection plan and reviews regular audit reports on internal controls and risk management across the charity and its subsidiaries.
- A quarterly 'horizon scanning' exercise is performed, with input from leaders across Barnardo's, to identify upcoming risks and opportunities in the external environment that could have a material impact on our strategy. Owners are assigned to the changes considered most important, to ensure impact is monitored and the risks and opportunities for Barnardo's are appropriately managed.
- A framework of delegated authority is established, with detailed procedures setting out the governance and decision-making process for key corporate decisions.
- A whistleblowing policy is in place, which is communicated to and accessible by all Barnardo's employees and volunteers. All whistleblowing cases are subject to independent review, investigation and reporting to Trustees where required.

The principal risks to Barnardo's objectives and how these are managed is set out below:

Risk	Risk Management
<p><b>Financial performance and sustainability</b></p> <p>Significant reduction in statutory funding for children's services and/or reduction in income from fundraising and retail due to the economic conditions and competitor actions. This risks undermining our ability to meet the needs of service users and to meet our strategic aims.</p>	<ul style="list-style-type: none"> <li>• Holding of a significant value of reserves and a regular review of charity reserves to ensure these remain within the target range set by the Finance Committee.</li> <li>• Annual budget setting process, including review and challenge from senior management and Trustees.</li> <li>• Sensitivity analysis on income and expenditure streams and contingency planning.</li> <li>• Regular review and scrutiny of financial performance (short and medium term) by senior management and Trustees through the Finance Committee.</li> <li>• Delegated approvals process, ensuring Trustee review and scrutiny of material income and expenditure contracts and transactions.</li> </ul>



Risk	Risk Management
<p><b>Safeguarding children and young people</b></p> <p>Negligence in relation to safeguarding policy or practice results in or contributes to serious harm or injury to a child or vulnerable adult and damage to the organisation's reputation.</p>	<ul style="list-style-type: none"> <li>• All employees and volunteers are required to sign the Barnardo's safeguarding code of conduct.</li> <li>• Barnardo's-wide safeguarding policy, available to all employees and volunteers.</li> <li>• Mandatory safeguarding training for all employees working directly with children and young people and additional learning requirements for those outside of these roles.</li> <li>• Clear safeguarding reporting mechanisms, including safeguarding leads in all directorates and regions.</li> <li>• Clear escalation protocol for all relevant incidents to the Head of Safeguarding, executive level Safeguarding lead and Audit and Risk Committee.</li> <li>• Independent review of safeguarding practices across Barnardo's, performed by safeguarding specialists.</li> </ul>
<p><b>Pension Liabilities</b></p> <p>Defined benefit pension scheme deficit increases due to actuarial valuations. Requirement of additional use of Barnardo's funds, impacting on our growth and investment plans, particularly in priority areas.</p>	<ul style="list-style-type: none"> <li>• Agreement of an affordable long-term recovery plan with the Scheme Trustees.</li> <li>• Ongoing monitoring and review (including annual desk-based valuations) of Scheme liabilities and reporting to Trustees.</li> <li>• Ongoing relationship with the Scheme Trustees.</li> <li>• Review and monitoring of the Scheme investment strategy and returns.</li> </ul>
<p><b>Information Security</b></p> <p>Serious data protection or security failure, including cyber-attacks, resulting in legal and contractual issues, reputational damage and potential fines and loss of income.</p>	<ul style="list-style-type: none"> <li>• A corporate governance structure in place for Data Protection Act (DPA) monitoring and compliance.</li> <li>• DPA training as part of mandatory training/induction, with compliance monitored and reported quarterly.</li> <li>• Barnardo's ISO27001 information security standard established.</li> <li>• Routine external penetration testing of IT systems to identify any security weaknesses.</li> <li>• Regular review of external organisation cyber-attacks and applying lessons learn to Barnardo's systems.</li> </ul>

## Going concern

The Board of Trustees confirms that the accompanying accounts comply with statutory requirements, the requirements of the Articles of Association, and the requirements of the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP 2015).

The Trustees have considered the financial budget for the year of 2018/19 and the medium-term business plan for the following years. Such plans demonstrate robust contract, fundraising and retail income projections and a focus on overhead cost control. Pension contributions appear affordable and are in line with the deficit reduction plan and should challenges arise there is adequate flexibility within the financial plans to flex the cost base and manage cash flows accordingly. Free reserves remain healthy and can also be used to absorb the impact of any unexpected volatility.

Considering all the above, the Trustees believe that Barnardo's has adequate resources to continue operating successfully for the foreseeable future, and so should continue to adopt the going concern basis in preparing the annual report and the financial statements.

### 3. Structure, governance and management

Barnardo's is a company limited by guarantee (registered in England, company number 61625). It operates throughout the UK and is a charity registered in England and Wales (Charity Commission registration number 216250) and in Scotland (Office of the Scottish Charity Regulator registration number SC037605). It is governed by its Articles of Association, last reviewed and revised in 2011. The Articles of Association set out the charitable purposes for public benefit in the following terms:

- (i) to promote the care, safety and upbringing of children and young people by:
  - a) supporting and assisting those in need along with their families and carers
  - b) promoting their health
  - c) advancing their education.
- (ii) the relief of those in need by reason of age, ill-health, disability, financial hardship or any other disadvantage.

The Board of Trustees, elected by the Members of Association at the Annual General Meeting, are the charity's Trustees and the legal directors of the company. Members of the Board of Trustees serve a three-year term, after which they are eligible for re-election for a maximum of two further three-year terms in all but exceptional cases. New Trustees are selected through an open recruitment process, which generally includes advertising in the national press and online, and a targeted recruitment search.

New appointees are given a personal induction programme tailored to their areas of expertise and governance obligations, and all Trustees are provided with a range of training opportunities to help them meet their responsibilities. The Board of Trustees meets every two months with occasional ad hoc meetings for exceptional business. The balance of Trustees is kept under review with regard to diversity and geographical spread. The Board of Trustees also places particular emphasis on appointing individuals who bring specific identified skills.

A written schedule of matters is reserved for decision by the whole Board of Trustees, including:

- the formulation and implementation of strategy
- overseeing the implementation of the strategy through annual operating plans and budgets
- monitoring progress
- accepting ultimate responsibility for the sound professional, legal and financial management of the charity.

Matters not reserved for decision by the Board of Trustees are delegated either to one of the Board committees or to the Chief Executive. The Chief Executive and members of the executive Corporate Leadership Team (CLT) are detailed on page 58.

The charity's governance is kept under review by the Governance Committee to ensure that the Board of Trustees, its committees and governance structures and procedures are fit for purpose as the organisation and the environment evolves. In addition, Barnardo's abides by the Charity Governance Code, which sets the principles and recommended practice for good governance. The committees have the following remits:

- **Audit and Risk Committee** – Independently reviews the effectiveness of Barnardo's internal control and risk management systems. It reviews the content of the *Annual Report and Accounts* and supporting materials before submission to the full Board of Trustees. It also considers any significant issues arising in respect of either internal or external audit, or inspection arrangements, and has oversight of arrangements for the organisation's whistleblowing policy.
- **Family Placement Scrutiny Committee** – Responsible for adoption and family placement work within Barnardo's. It considers reports, proposals and recommendations before submission to the Board of Trustees. It also ensures that the adoption agency and family placement work operates in accordance with the law and organisational policy.
- **Finance Committee** – Oversees and monitors the financial position of the charity and its subsidiaries to ensure long- and short-term

viability. It oversees the budgeting process and recommends the investment policy, including the charity's stance on ethical investment. It appoints – and receives reports from – the charity's investment managers who manage the portfolio on a discretionary basis. It also approves loan arrangements for subsidiary companies and ensures an appropriate return on capital invested in non-operational properties. It monitors reserves and makes recommendations to the Board of Trustees on the appropriate level for reserves, taking into account the financial risks faced by the organisation.

- **Governance Committee** – Ensures that Barnardo's complies with its governing documents and all relevant governance-related legislation, and meets the requirements of charity regulators and best governance practice. Its remit includes: succession planning, recruitment, training and development of Trustees; reviewing committee terms of reference and levels of delegated authority; and ensuring appropriate performance evaluation processes are in place.
- **Remuneration Committee** – Advises the Board of Trustees on the charity's overall remuneration framework and the remuneration of senior staff.
- The **National Advisory Boards** (NABs) for Scotland, Northern Ireland and Cymru/Wales typically comprise at least one Trustee in addition to individuals with local knowledge and experience. Barnardo's remains a single UK charity, but these NABs support the formation and delivery of Barnardo's UK Corporate Strategy in the relevant Nation within the framework set by the Board of Trustees.

## Fundraising

Barnardo's has a wide portfolio of fundraising activities to generate voluntary donations towards the vital services which deliver better outcomes for more children. Our Board of Trustees and Corporate Leadership Team are deeply committed to building relationships and trust with our supporters. The regular working group, established during the previous financial year, involving Trustees and senior staff, with the aim of strengthening oversight and assurance of our

fundraising programmes has been active and has been instrumental in ensuring compliance and best practice in these areas. This group has responsibility for all aspects of quality assurance and compliance relating to fundraising. We are members of the Fundraising Regulator and the Institute of Fundraising and we engage widely within the sector to support measures to increase public trust and confidence in the sector.

In addition to our staff and volunteer-led fundraising, we engage the services of agencies to help deliver face-to-face, telephone and other direct marketing activities (e.g. direct mail). External agencies who act in this capacity on our behalf are required to do so in a respectful manner and in accordance with our standards and sector regulation such as the Fundraising Code of Practice. We recognise the need to monitor the performance and compliance of our agencies and we involve ourselves in their training with regular briefing and refresher sessions involving our staff. Our quality assurance also includes regular reviews of complaints and other feedback, as well as regular audits, mystery shopping and shadowing of agency fundraisers.

We are particularly aware of the need to protect vulnerable individuals in any fundraising we undertake. Our vulnerable person's policy sets out the high standards we commit to meet and we work regularly with third party agencies and fundraisers to review their policies, procedures and performance.

Over the course of this financial year we received 277 complaints, 24 more than the previous year. Although the majority of complaints received related to door to door activity there was an overall benefit with over 21,000 new donors signing up through Individual Giving channels.

We continue to be committed to addressing any expression of dissatisfaction on the part of our supporters and to examining ways to improve the levels of our service to them. Our Supporter Relations' team look into the basis of each complaint that we receive, and we aim to resolve complaints speedily and to the satisfaction of our supporters. Our complaints procedure is available on our website with all relevant contact details.

## Patron

Our Patron, Her Royal Highness, The Duchess of Cornwall, has given Barnardo's her invaluable support in a number of ways during 2017/18 and we are extremely grateful for her time and dedication to the work of Barnardo's. The Royal Family has a history of tremendous support to Barnardo's and there has been a Royal Patron since 1902 and Royal Presidents from 1923.

Her Royal Highness has continued to support our events and recognise our incredible supporters and volunteers. We were very grateful to HRH for providing a personal foreword for our annual Firecracker Fundraising Ball in Harrogate and our inaugural Gala Dinner at the Dorchester. The signed Patron's Certificates for Exceptional Effort are always appreciated by staff and volunteers at the annual award ceremony in December.

## Board of Trustees

A list of Trustees is shown on page 58.

Barnardo's activities extend across all four UK nations: England, Scotland, Northern Ireland and Cymru/Wales. England is managed in five regions covering London, South-East and Anglia, Midlands and South-West including Guernsey and Jersey, East and West. Responsibility for operational activities is allocated to five departments: Children's Services (England), Children's Services (Celtic Nations), Strategy and Performance, Income and Innovation, and Finance and Resources.

Barnardo's has three sister charities: Barnardos Republic of Ireland, Barnardos Australia and Barnardos New Zealand. Each is a locally registered organisation with its own governing body. These charities use the Barnardo's name under licence from Barnardo's in the UK. Their financial activities are not included in the accompanying accounts as they are wholly independent of Barnardo's in the UK.

There were no transactions with related parties during the year other than contributions made to the Barnardo's pension scheme, which are separately disclosed in the notes to the accounts and Barnardo's subsidiaries.

## Remuneration policy

To deliver our charitable aims and to meet the needs of our beneficiaries and other stakeholders, Barnardo's employs a significant number of staff alongside the vital support that our volunteers provide.

We recognise and value the unique worth and contribution of every employee and are committed to ensuring that we pay our staff a fair and appropriate salary informed by the local labour market, while always making sure we have the ability to do so.

Barnardo's have assessed our initial gender pay gap disclosure which has shown that we have a median pay gap of 8.75% and a mean average pay gap of 14.07%. Whilst this compares favourably against ONS data which gives an all sector median of 18.01% (mean average data is not available), we are not complacent and are committed to improving on this with a determined effort. Our inaugural disclosure and action plan details our approach to tackling gender inequality and is available in full from our corporate website.

Our approach to reward reflects the importance of both financial and non-financial recognition, including the ethos, culture and other intangible elements of what makes us a great organisation to work for.

Our pay rates are informed primarily by charity sector data. We recognise that charity pay is often lower compared to similar roles in the public or private sector. Nevertheless, in the spirit of fighting 'in work' poverty and child poverty, we aim to pay a decent wage to all, especially those at the bottom of our pay ranges.

Barnardo's recognises a trade union, UNISON, for the purpose of negotiating the inflation linked annual pay review for all eligible staff. This excludes staff with inherited Terms and Conditions, such as TUPE, and the senior management team.

In accordance with the Statement of Recommended Practice we:

- Disclose all payments to Trustees (no Trustees are paid) and expenses reimbursed (detailed in note 11 to the accounts).
- Disclose the number of staff in receipt of £60,000 and above (in bands of £10,000) (note 12 to the accounts).
- Disclose the aggregate remuneration of the Corporate Leadership Team.
- Disclose pensions and other benefits (note 13 to the accounts).

The Board approves the annual pay settlement for all staff.

The Remuneration Committee meets at least annually and comprises the Chair, Deputy Chair, Honorary Treasurer and three additional Trustees. No members of the executive are members of the Committee. The Committee's main responsibilities are to consider the remuneration of the Chief Executive and members of the Corporate Leadership Team as well as to set the pay policy for all staff and agree the basis for any annual increases in pay.

The Committee then makes recommendations to the Board for approval. The Board and the Remuneration Committee operate within the powers and constitutional arrangements as set out in the Articles of Association and Committee terms of reference. When making recommendations, the Committee will draw on relevant internal and external information regarding staff remuneration.

Staff remuneration does not include any share options or long-term incentive schemes. The Chief Executive and other members of the Corporate Leadership Team all need to give at least 26 weeks' notice in order to terminate their contracts of employment. The pension provisions for the Corporate Leadership Team are on the same terms as other employees with the exception of the Chief Executive who has opted out of the staff pension scheme.

## Auditors

In accordance with section 487 of the Companies Act 2006, BDO LLP will be deemed to be re-appointed as auditors at the 2018 Annual General Meeting. Barnardo's abides by regulatory requirements and best practice principles regarding auditor independence and rotation.

## Equality Diversity & Inclusion

Equality, Diversity and Inclusion (EDI) principles are a long standing commitment for Barnardo's, deeply embedded in our Basis and Values. We are committed to being an inclusive organisation where diversity is welcomed and valued.

We are working hard to ensure that in every aspect of the organisation; this is reflected by making our services inclusive and accessible to the most vulnerable children and their families in the UK. Alongside recruiting and retaining a diverse workforce that reflects the communities we serve, we will deliver culturally appropriate and responsive services.

Our EDI Action Plan 2017-2019 contains a suite of Key Performance Indicators (KPIs) and supporting PIs that will allow us to develop a solid foundation on which to build our EDI work. Good progress has been made on targets and we will be refreshing the Action Plan to focus on priority areas from 2019 onwards. A complete EDI Board, chaired by the Chief Executive, oversees EDI action plan delivery.

We have continued to measure progress against external benchmarks; during 2017 we retained our Top 100 ranking in the Stonewall Equality Index for the fourth consecutive year, and achieved Bronze standard in the MIND Workplace Wellbeing Index, reinforcing our internal and external commitment to mental health and wellbeing. We were also the recipients of the inaugural PINK News Third Sector LGBT Equality Award. We will continue to measure and review our work to ensure we are achieving positive outcomes and focusing on priority areas to support delivery of the Corporate Strategy.

## Communicating with staff and volunteers

Informing the public, our volunteers and staff about what we do and the values that drive us is vital to our work. We are proud to shout about our life changing work across regional and national TV, radio and newspapers and make no apologies for championing children and explaining the positive impact we have.

In 2017- 2018, the audience reached by our coverage in newspapers, radio and on television was almost a fifth higher than in the previous year.

Our news stories, commentaries and on-line coverage are a platform for the children, young people and families we work with to have their voices heard. It is a way of sharing their success and celebrating the achievements of both them and our incredible staff.

We continue to engage with media with clear messaging about our commitment to children and young people and our passion to help transform the lives of the most vulnerable.

We have grown our numbers of followers on social media channels. We have a reach of almost 1.1m on Facebook, having increased our number of friends from 68,000 to 84,000. We have more than 183,000 followers on Twitter, an increase of 14,000 from the previous year.

Our most popular tweet was a thank you to our ambassador Amir Khan following his generous donation after his appearance on reality TV show, I'm a Celebrity. This was seen more than 37,066 times and led to 18,230 interactions.

Over the year, posts about child sexual exploitation and children's mental health reached more than 50,000.

We value the opinions of our employees and volunteers and engage with them regularly using briefings, newsletters, events and our intranet, through which we share news about our work, information to help people work more effectively and provide a platform for thought-provoking discussions.

We continue to develop our skills around using the medium of video to allow our senior leaders to reach out to all staff and volunteers with viewings continuing to rise, and we actively encourage feedback to help us continually improve our practice. To this end we have been working throughout the year on the launch of the next Employee Engagement Forum, the first staff survey in four years.

With the continuing development of a network of staff forums across the country, we encourage staff to take part in charity-wide discussions as part of our on-going commitment to listen to our staff and act on what they tell us. And the genuine embracing of diversity through our Equality Diversity and Inclusion policies and networks is at the heart of all we do.

Finally, we have invested in digital and made a strong commitment to encouraging our staff and volunteers to develop and share their learning to ensure that we are a charity that is fit for the future.

## Public benefit

In setting plans and priorities for areas of work, our Trustees have followed guidance from the Charity Commission on the provision of public benefit, in accordance with Section 17 of the Charities Act 2011. In particular, the Trustees consider how activities will contribute to meet the objectives they have set, and focus on the services that will deliver the greatest impact to the most vulnerable children and young people. In delivering these services, we clearly identify the benefits to service users. We also monitor progress to ensure benefits are accruing as planned, and to learn any lessons that can be fed back into the planning and delivery cycle.

We have demonstrated how Barnardo's delivers its principal charitable objective – to promote the care, safety and upbringing of children and young people – in the *Strategic Report*, which forms part of this report and sets out Barnardo's objectives and achievements during 2017-18. We have set out specific examples of activities in our *Impact Report*, which complements this report.

By providing services that support and empower children, and by campaigning for changes to government policy that will improve children's lives, Barnardo's helps some of the most vulnerable children and young people to reach their full potential. The wide-ranging and substantial impact of our work is demonstrated in our *Impact Report*. Our work benefits society as a whole as well as the beneficiaries themselves. In doing this, Barnardo's meets the public benefit requirement as set out in Section 4 of the Charities Act 2011.

## Environment

Barnardo's continues to work hard to reduce the impact it has on the environment and to reduce its carbon footprint via the following initiatives:

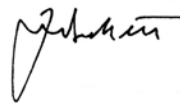
1. We continue via our UK national contract to use where possible 'green' electricity produced from sustainable, renewable energy sources, resulting in lower carbon emissions.
2. Some 97% of our fleet vehicles are now sub 95g/km models to ensure minimal impact to the environment.
3. The Barnardo's Big Switch-Off (BBSO) energy campaign aims to help reduce energy consumption and raise awareness of energy usage throughout Barnardo's. The BBSO now incorporates two environmental awareness weeks each year. During these weeks, our environmental ambassadors raise awareness within Barnardo's about aspects of the environment and sustainability. The ambassadors are responsible for championing and promoting environmental awareness within their local regions and nations.
4. Barnardo's ensures where possible that water and Smart electricity meters are installed in all premises to help reduce consumption and costs.
5. We are promoting recycling within our larger sites, supported by our environmental ambassadors, to reduce the amount of waste being sent to landfill.
6. Barnardo's is fully compliant with the Energy Savings Opportunity Scheme (ESOS). The aim of the ESOS is to identify opportunities to reduce energy consumption, emissions and costs accordingly.
7. We recycle unsold and damaged donations to our retail shops, including textiles, shoes, books, DVDs, CDs, plastics, cardboard, metal and electrical items. More than 3.2m kilos of books were collected and recycled from Barnardo's shops last year. Other environmental initiatives throughout Barnardo's include cartridge recycling, redundant IT kit recycling, and environmentally friendly stationery procurement.
8. Barnardo's has in place a range of resources and mechanisms to give staff and volunteers up-to-date and easily available training and information about environmental issues.
9. Wherever possible we try to procure from sustainable sources by ensuring that any suppliers we engage with have appropriate environmental protection measures, and that these are applied throughout their engagement with Barnardo's.

## Acknowledgements

The Trustees would like to thank the many friends and supporters of Barnardo's for their donations and bequests. They would also like to thank the thousands of volunteers who give their time so generously.

Barnardo's has also benefited with help from companies, legal firms, 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 and pro-bono support are acknowledged in accordance with their terms on pages 52 to 56.

This *Annual Report* is signed by the Deputy Chair on behalf of the Board of Trustees. The Trustees also approve the *Strategic Report*, which is contained within this report, in their capacity as company directors.



By order of the Board of Trustees  
**John Bartlett**  
Deputy Chair of Trustees

19 July 2018





# Statement of responsibilities

## Statement of responsibilities of the Trustees of Barnardo's in respect of the Report of the Board of Trustees and the Financial Statements

The Trustees are responsible for preparing the Annual Report which incorporates the Strategic Report and the financial statements in accordance with the Companies Act 2006 and for being satisfied that the financial statements give a true and fair view. The Trustees are also responsible for preparing the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. 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 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 charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that show and explain the charity's transactions, 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 2006.

They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial statements are published on the charity's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The Trustees confirm that, so far as they are aware, there is no relevant audit information of which the charity's auditors are unaware. They have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

# Independent auditor's report

## Independent Auditor's Report to the Members and Trustees of Barnardo's

### Opinion

We have audited the financial statements of Barnardo's ("the Parent Charitable Company") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the Consolidated Statement of Financial Activities (including the Consolidated Summary Income and Expenditure Account), the Consolidated and Parent Charitable Company Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Charitable Company's affairs as at 31 March 2018 and of the Group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006, as amended in 2010.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the

financial statements section of our report. We are independent of the Group and the Parent Charitable Company in accordance with the ethical requirements relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions related to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Parent Charitable Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The other information comprises: Report of the Board of Trustees. The Trustees are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Report, which includes the Directors' Report and the Strategic report prepared for the purposes of Company Law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' Report, which are included in the Trustees' Report, have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Group and the Parent Charitable Company and its environment obtained in the course of the audit, we have not identified material misstatement in the Strategic report or the Trustee's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005 requires us to report to you if, in our opinion;

- proper and adequate accounting records have not been kept by the Parent Charitable Company,

or returns adequate for our audit have not been received from branches not visited by us; or

- the Parent Charitable Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Group's and the Parent Charitable Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or the Parent Charitable Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

This report is made solely to the Charitable Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the Charitable Company's Trustees, as a body, in accordance with the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's ("FRC's") website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



**Donald Bawtree** (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Gatwick United Kingdom  
Date: 23 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



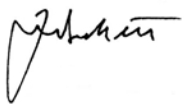
# Consolidated statement of financial activities

	Note	Unrestricted Funds	Restricted & endowment funds	Total 2018	Total 2017
		£000	£000	£000	£000
<b>Income from:</b>					
Charitable activities	4	170,338	3,378	173,716	172,602
Donations and legacies	5	36,017	4,390	40,407	39,601
Other trading activities	6	74,924	-	74,924	70,310
Development and sale of properties	8	9,752	-	9,752	12,949
Investments	9	1,767	954	2,721	2,695
Other	10	2,751	-	2,751	3,327
<b>Total income</b>		<b>295,549</b>	<b>8,722</b>	<b>304,271</b>	<b>301,486</b>
<b>Expenditure on:</b>					
Raising donations and legacies		10,595	4,057	14,652	14,736
Other trading activities	7	59,919	-	59,919	58,206
Costs of developing and selling properties		8,856	-	8,856	9,933
Investment management costs		210	65	275	262
<b>Raising funds</b>		<b>79,580</b>	<b>4,122</b>	<b>83,702</b>	<b>83,138</b>
<b>Net incoming resources available for charitable expenditure</b>		<b>215,969</b>	<b>4,600</b>	<b>220,569</b>	<b>218,348</b>
<b>Expenditure on:</b>					
Service provision	7	196,556	4,508	201,064	200,264
Informing the public about our work		7,447	-	7,447	9,931
Childcare research and education		1,775	-	1,775	2,405
<b>Charitable Activities</b>		<b>205,778</b>	<b>4,508</b>	<b>210,286</b>	<b>212,599</b>
Other – pension finance charge	13	5,300	-	5,300	5,400
<b>Total expenditure</b>		<b>211,078</b>	<b>4,508</b>	<b>215,586</b>	<b>218,000</b>
Net (losses)/gains on investments	15	(308)	(211)	(519)	11,361
<b>Net income</b>	14	<b>4,583</b>	<b>(118)</b>	<b>4,465</b>	<b>11,709</b>
<b>Other recognised losses:</b>					
Actuarial loss on defined benefit pension scheme	13	(4,580)	-	(4,580)	(24,400)
<b>Net movement in funds</b>		<b>3</b>	<b>(118)</b>	<b>(115)</b>	<b>(12,691)</b>
<b>Total funds brought forward</b>		<b>(32,814)</b>	<b>34,967</b>	<b>2,153</b>	<b>14,844</b>
<b>Total funds carried forward</b>	24	<b>(32,811)</b>	<b>34,849</b>	<b>2,038</b>	<b>2,153</b>

All of the above results relate to continuing activities. The notes on pages 33 to 50 form part of these financial statements.

# Balance sheet

	Note	Group		Charity	
		2018	2017	2018	2017
		£000	£000	£000	£000
<b>Fixed assets</b>					
Tangible assets	16	39,491	41,222	39,491	41,222
Investments	17	72,990	78,509	72,096	77,712
		<b>112,481</b>	<b>119,731</b>	<b>111,587</b>	<b>118,935</b>
<b>Current assets</b>					
Stocks and work in progress	18	4,390	8,950	-	-
Debtors	19	36,586	38,041	35,426	39,582
Current asset investments	20	11,018	8,018	11,018	8,018
Cash and cash equivalents	21	19,889	9,143	19,466	8,645
		<b>71,883</b>	<b>64,153</b>	<b>65,910</b>	<b>56,245</b>
<b>Creditors: amounts falling due within one year</b>	22	<b>(43,346)</b>	<b>(44,031)</b>	<b>(36,075)</b>	<b>(34,062)</b>
<b>Net current assets</b>		<b>28,537</b>	<b>20,123</b>	<b>29,835</b>	<b>22,183</b>
<b>Net assets excluding pension liability</b>		<b>141,018</b>	<b>139,853</b>	<b>141,422</b>	<b>141,118</b>
Pension liability	13	(138,980)	(137,700)	(138,980)	(137,700)
<b>Net assets including pension liability</b>		<b>2,038</b>	<b>2,153</b>	<b>2,442</b>	<b>3,418</b>
<b>Fund balances</b>					
<b>Restricted and endowment funds</b>	24(a) and(b)	<b>34,849</b>	<b>34,967</b>	<b>34,849</b>	<b>34,967</b>
Fixed assets fund	24(c)	39,318	41,049	39,318	41,049
General reserve	and(d)	44,133	49,445	43,238	48,648
Working capital fund		22,718	14,392	24,017	16,453
<b>Unrestricted funds excluding pension liability</b>		<b>106,169</b>	<b>104,887</b>	<b>106,573</b>	<b>106,151</b>
Pension liability	13	(138,980)	(137,700)	(138,980)	(137,700)
<b>Total unrestricted funds including pension reserve</b>		<b>(32,811)</b>	<b>(32,813)</b>	<b>(32,407)</b>	<b>(31,549)</b>
<b>Total funds</b>	24(c)	<b>2,038</b>	<b>2,153</b>	<b>2,442</b>	<b>3,418</b>



**John Bartlett**  
Deputy Chair of Trustees

19 July 2018



**Neil Braithwaite**  
Honorary Treasurer

The notes on pages 33 to 50 form part of these financial statements.

Company Number 61625

# Consolidated statement of cash flows

	Note	2018		2017	
		£000	£000	£000	£000
<b>Cash flows from operating activities:</b>					
Net cash generated/(used) in operating activities	25		3,101		(4,386)
<b>Cash flows from investing activities:</b>					
Investment income and interest	9	2,721		2,695	
Purchase of tangible fixed assets	16	(4,346)		(4,952)	
Purchase of investments	17	(9,582)		(15,026)	
Sale of tangible fixed assets		4,276		6,626	
Sale of investments	17	17,582		15,611	
<b>Net cash provided by investing activities</b>			<b>10,651</b>		<b>4,954</b>
<b>Cash flows from financing activities:</b>					
Decrease in long term borrowings			-		(2)
<b>Net cash provided by financing activities</b>			<b>-</b>		<b>(2)</b>
<b>Increase in cash and cash equivalents in the year</b>			<b>13,752</b>		<b>567</b>
<b>Cash and cash equivalents at the beginning of the year</b>					
Held as current asset investments		3,011		2,187	
Held as cash deposits		9,143		9,401	
			<b>12,155</b>		<b>11,588</b>
<b>Cash and cash equivalents at the end of the year</b>					
Held as current asset investments		6,018		3,011	
Held as cash deposits		19,889		9,143	
			<b>25,907</b>		<b>12,155</b>

# Consolidated summary income and expenditure account

The summary income and expenditure account is presented in order to ensure compliance with the Companies Act 2006. 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.

	Note	2018		2017	
		£000	£000	£000	£000
<b>Gross income</b>					
Gross income of continuing operations			230,246		215,573
Income of non-charitable trading subsidiaries	3		73,136		85,169
			<b>303,382</b>		<b>300,742</b>
<b>Gross expenditure</b>					
Total expenditure of continuing operations			228,527		220,205
Expenditure of non-charitable trading subsidiaries	3		70,412		80,549
			<b>298,939</b>		<b>300,754</b>
<b>Net income for the year before transfers and investment asset disposals</b>			<b>4,443</b>		<b>(13)</b>
Realised gain on disposal of investment assets	15		2,430		2,132
<b>Net income for the year</b>			<b>6,874</b>		<b>2,119</b>
<b>Reconciliation to statement of financial activities:</b>					
Net income for the year before investment asset disposals as above			4,443		(13)
Movement on restricted capital and endowment funds	24 (a)		541		360
<b>Net income</b>			<b>4,984</b>		<b>347</b>

In accordance with the provisions of the Companies Act 2006, a separate income and expenditure account dealing with the results of the charity only has not been presented. Gross income of the charity of £230.3 million and net income of £4.2 million (2017: net expenditure £2.8 million) has been dealt with in the accounts of the charity.



# Notes to the accounts

## 1. Accounting policies

### Basis of preparation

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), (Charities SORP (FRS102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

Barnardo's meets the definition of public benefit entity under FRS102. Monetary values are calculated under the historical cost convention, as modified by the revaluation of investments.

### Critical accounting estimates and judgements

To be able to prepare financial statements in accordance with FRS102, Barnardo's must make certain estimates and judgements that have an impact on the policies and the amount reported in the annual accounts. The estimates and judgments are based on historical experiences and other factors including expectations of future events that are believed to be reasonable at the time such estimates and judgements are made.

Of particular significance is the retirement benefit liability. As disclosed in note 13, the charity's previous retirement benefit scheme was of the defined benefit type. Year-end recognition of the liabilities under this scheme and the valuation of assets held to fund these liabilities require a number of significant assumptions to be made, relating to levels of scheme membership, key financial market indicators such as inflation and expectations on future asset returns. These assumptions are made by the charity in conjunction with the schemes' actuaries.

### Parent charity disclosure exemptions

In preparing the separate financial statements of the parent charity, advantage has been taken

of the following disclosure exemptions available in FRS102:

- Disclosures in respect of the parent charity's financial statements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent charity as their remuneration is included in the totals for the group as a whole.
- Cash flow of the parent charity has not been presented as disclosure has been provided in respect of the group as a whole.

### 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 2018. 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 2006.

### Stocks and work in progress

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

### Investments

Investments, including those held as fixed assets and current assets, 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 ("unrealised gains") are recognised in the SOFA. Realised gains or losses on investments are calculated as the difference between the disposal proceeds and the carrying value.

### Fixed Assets

Fixed assets are stated in the balance sheet at their cost or value at the time of receipt less depreciation. Expenditure of a capital nature over £1,000 is capitalised. Profits and losses on the

disposal of properties are recognised in the SOFA in the year of disposal.

## Depreciation

1. Depreciation of freehold and long-leasehold properties is provided at the rate of between two and three 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 childcare 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.
2. Where a property is known to have suffered an impairment in market value and it is not used for the delivery of charitable objectives, the reduction is recognised in full in the results for the year.
3. Other tangible fixed assets are depreciated over their expected useful lives, which vary between one and five years.

## Creditors

Payments to suppliers are either our standard payment terms of 30 days or according to the agreed credit terms.

## Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

## Financial instruments

The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at amortised cost.

## Income

1. Fees and grants for service provision are accounted for on the basis of the amount

receivable for the year with income included in the SOFA in the period in which this supply is made.

2. Donations (except in relation to legacies) are accounted for when receivable. Income from pecuniary legacies is recognised where grant of probate has been received, and income from residuary legacies is recognised where estate accounts have been finalised. Income from wills or reversionary trusts of property is not recognised until the life interest has passed away and the property sale is at an advanced stage. Income from all other legacies is only recognised where there is clear entitlement, the amount can be accurately measured and there is reasonable probability of receipt. The receipt of legacies is considered probable when probate has been granted, it has been established that there are sufficient net assets to pay the legacy and any conditions attached to the legacy have been met or are under the control of Barnardo's.
3. The value for gifts in kind, donated services and donated facilities are estimated and included in the period in which they are received. In accordance with the Charities SORP (FRS102), general volunteer time is not recognised. More information about their contribution is explained in the Trustee's annual report.
4. All grants are accounted for when receivable, as long as this is capable of financial measurement. Grants where entitlement is not conditional on the delivery of a specific performance by the charity are recognised when the charity becomes unconditionally entitled to the grant.
5. Income raised through the operation of shops and related trading activity under the charity's management is taken into account at the point at which ownership of the goods transfers to the customers. Stocks of unsold donated goods are not valued for balance sheet purposes as it is not considered practical to estimate the fair value due to the high volume of low value inventory and the absence of management information systems.

6. Income from sale and development of properties is recognised based on Barnardo's share of profit on practical completion of each sale.
7. Investment income is the amount receivable for the year.
8. Where fee or performance-related grant income is invoiced or received that relates to subsequent periods or when other conditions have not yet been met, the income is treated as deferred income in note 22 to the accounts.
8. Informing the public about our work includes the costs incurred in raising awareness of childcare issues and Barnardo's activities in relation to them.
9. Childcare research and education includes policy reviews and activities to help educate wider groups about relevant childcare issues.
10. All costs involved in terminating employee contracts are accounted for on an accruals basis and disclosed in aggregate in Note 12. Termination benefits are measured at the best estimate of the expenditure required to settle the obligation of the reporting date.

## Expenditure

1. 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 a basis consistent with the use of resources. Further details regarding support costs are disclosed in note 7.
2. Costs of generating voluntary funds are incurred in relation to staff members who are engaged in fundraising activities and the provision of fundraising activities on Barnardo's behalf.
3. 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's Trading Limited.
4. Costs of developing and selling properties represent expenditure undertaken by Barnardo Developments Limited.
5. Direct service provision costs represent the operational costs of service delivery.
6. Grants made include those that Barnardo's makes to other organisations and grants to young people through Barnardo's trust funds. Grant expenditure is recognised once the offer is communicated to the recipient.
7. Other service and training costs are incurred in providing regional/national and departmental management.

## Pension costs

In accordance with FRS 102 section 28, the SOFA includes:

- the cost of benefits accruing during the year in respect of current and past service (charged against net income)
- the actual return on plan assets less interest on plan assets and the increase in the present value of the scheme's liabilities arising from the passage of time (charged against net incoming resources), and:
- actuarial gain/(loss) recognised in the pension scheme (shown within net movement in funds).

In accordance with FRS 102, 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 13.

## Capital grants

In accordance with the SORP for charities, grants receivable are recognised immediately in the SOFA unless they are restricted to future accounting periods and are recognised as a liability.

## 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 make qualifying donations of all taxable profits to Barnardo's. The company is a charity within the meaning of the Finance Act 2010 (schedule 6, paragraph 1). Accordingly the company is potentially exempt from taxation in respect of income or capital gains within categories covered by the Corporation Tax Act 2010 (part 11, chapter 3) or the Taxation of Chargeable Gains Act 1992 (section 256), to the extent that such income or gains are applied exclusively to charitable purposes. No tax charge arose in the period.

## 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

Funds that are expendable at the discretion of the Trustees in furtherance of the objects of the charity, consisting of three specific types:

1. Fixed assets fund  
This fund represents amounts invested in fixed assets for use by the charity.
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 retaining reserves at a level that will cover operating cash flow 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.

3. Working capital fund

This fund represents net assets available to meet day-to-day operational commitments.

### Pension reserve

In accordance with FRS 102, 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 that 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 SOFA. However, in the case of Barnardo's the value of such funds is not significant. The disclosure is therefore made by way of note (note 24).

## Going concern

The officers of the charity have considered their obligations to prepare these financial statements on an appropriate basis, having specific regard to the charity's net liability position within unrestricted funds at 31 March 2018. The unrestricted funds net liability position is as a result of the inclusion of an FRS 102 liability of £139.0m for the Barnardo's Staff Pension Scheme. The charity's funding commitment to the pension scheme remains long term and the charity has agreed a long-term funding plan with the Trustees of the pension scheme.

The Trustees have also assessed the impact of the financial budgets in place for 2018-19 to 2020-21 inclusive, against the working capital available, notably its cash and investments. As a result, in the opinion of the Trustees, the charity has sufficient resources to be able to meet its obligations as and when they fall due and accordingly the accounts have been prepared on a going-concern basis.

## 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 subsidiaries:

Subsidiary undertaking	Company Reg No	Principal activities
Barnardo Trading Limited	886425	Mail order and retailing
Barnardo Developments Limited	964920	Property development
Barnardo Events Limited	2270706	Sponsorship and special events
Barnardo Services Limited	1227919	Childcare services
Barnardo's Garden Village Management Company Limited	8652230	Property management

During the year there was no activity in Barnardo Holdings Limited.  
The net assets of Barnardo Holdings Limited are £20,000.

The subsidiary companies make qualifying donations of all taxable profit to Barnardo's.  
No corporation tax liability on the subsidiaries arises in the accounts.

Barnardo's Garden Village Management Company Limited is not consolidated in the group accounts as it is not material to the group accounts.

## 3. Trading subsidiaries' results

	Barnardo Trading Limited	Barnardo Developments Limited	Barnardo Events Limited	Barnardo Services Limited	Total 2018	Total 2017
	£000	£000	£000	£000	£000	£000
Turnover	3,817	9,752	348	58,604	72,521	84,500
Cost of sales	(1,641)	(8,857)	-	(58,604)	(69,102)	(79,199)
Gross profit	2,176	895	348	-	3,419	5,301
Admin/other costs	(848)	(296)	(116)	(50)	(1,310)	(1,350)
Trading profit/(loss)	1,328	599	232	(50)	2,109	3,951
Other income	-	29	-	586	615	669
Net Income	1,328	628	232	536	2,724	4,620
Amount payable by qualifying charitable donation to Barnardo's	(1,328)	(628)	(232)	(536)	(2,724)	(4,620)
Retained profit for year	-	-	-	-	-	-
Retained profit brought forward	10	-	-	-	10	10
Retained profit carried forward and net assets	10	-	-	-	10	10

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

## 4. Income from charitable activities

	2018	2017
	£000	£000
Family support & placement	74,734	82,925
Education	15,448	14,722
Disability support	9,861	10,726
Government grants	6,563	9,411
Other services	67,110	54,818
	<b>173,716</b>	<b>172,602</b>

The income from charitable activities is £173.7m (2017: £172.6m) of which £170.3m is unrestricted (2017:£168.7m) and £3.4m is restricted (2017:£3.9m).

## 5. Income from donations and legacies

	2018	2017
	£000	£000
Legacies	16,550	15,015
Donations and gifts from the general public	22,266	22,713
Donations from companies and trusts	1,591	1,873
	<b>40,407</b>	<b>39,601</b>

The income from donations and legacies is £40.4m (2017:£39.6m) of which £36.0m is unrestricted (2017:£35.9m) and £4.4m restricted (2017:£3.7m). Legacies notified but not accrued at 31 March 2018 were £4.0m (2017: £4.7m).

## 6. Other Trading Income

Income from trading is £74.9m (2017:£70.3m). All income relates to unrestricted activities.

## 7. Expenditure

Trading expenditure of £58.6m (2017:£55.3m) represents the costs of operating our 706 retail shops. The remainder of £1.3m (2017:£2.9m) includes the expenditure of Barnardo Trading Limited on costs of goods sold and other costs. £8.9m (2017:£9.9m) has been incurred developing and selling land surplus to the group's requirements. Expenditure on service provision comprises direct costs of £189.5m (2017: £188.0m), grants made of £0.3m (2017: £0.4m) and support and training costs of £11.3m (2017: £11.9m). Of the total expenditure on service provision of £201.1m (2017:£200.3m), £196.6m was unrestricted (2017:£192.7m) and £4.5m restricted (2017:£7.6m) 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). Voluntary income in support of contracts is managed through Barnardo's.

## 8. Income from development and sale of properties

	2018	2017
	£000	£000
Turnover of Barnardo Developments Limited	9,752	12,949

Income relates to unrestricted activities.

## 9. Income from investments

	2018	2017
	£000	£000
Listed investments – United Kingdom	2,579	2,460
Short term deposits	27	26
Rents and ground rents	62	208
Other interest	53	-
	<b>2,721</b>	<b>2,695</b>

The income from investments was £2.7m (2017:£2.7m) of which £1.8m is unrestricted income (2017:£1.9m) and £0.9m is income from endowments (2017:£0.8m).

## 10. Other Income

	2018	2017
	£000	£000
Gain on disposal of non property fixed assets	217	211
Gain on disposal of properties	2,534	3,115
	<b>2,751</b>	<b>3,327</b>

Income relates to unrestricted activities.

## 11. Members & Trustees

Barnardo's is a company limited by guarantee having no share capital and in accordance with clause 6 of the Articles 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 2018 there were 289 members (31 March 2017: 295).

Barnardo's Trustees are all unpaid volunteers who give freely of their time and expertise to the Charity. The time that they give to Barnardo's ranges from around 15 to over 90 days per year depending on their role on the Board and on committees. These days cover preparation and attendance at Board, committee and planning meetings, Barnardo's service visits, special working groups, governance groups required for regulatory reasons, briefings and training.

During the year no Trustee received any remuneration or benefits from the charity. Trustees often cover all their costs of travel and accommodation incurred whilst on Barnardo's business. Actual expenses incurred amounted to £13,177 (2017: £7,930) and included travel, subsistence and other related costs. The number of Trustees claiming expenses was 8 (2017:6). Charities have to disclose where Trustees or their related parties have made their donations to the charity with conditions attached. No such disclosable donations have been made to Barnardo's in the year to 31 March 2018.

The charity purchased insurance for Trustees 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 £4,689 (2017:£9,986).

## 12. Employees

	2018	2017
	No.	No.
The average number of employees during the year was:		
Children's services	5,264	5,387
Fundraisers, shop managers, clerical staff and fundraising management	1,931	1,782
Central support services	933	1,030
	<b>8,128</b>	<b>8,199</b>

	2018	2017
The number of staff whose emoluments fell within each of the following bands was:		
£0 to £59,999	8,070	8,161
£60,000 to £69,999	21	13
£70,000 to £79,999	13	8
£80,000 to £89,999	9	6
£90,000 to £99,999	5	7
£100,000 to £109,999	6	1
£110,000 to £119,999	1	1
£120,000 to £129,999	-	1
£130,000 to £139,999	2	-
£180,000 to £189,999	1	1
	<b>8,128</b>	<b>8,199</b>

Number of full time equivalent employees at year end	5,519	5,471
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The highest paid employee is the chief executive.

	2018	2017
	£000	£000
The aggregate emoluments to employees in the year were:		
Wages and salaries	145,808	144,267
Social security costs	11,645	11,578
Pension costs	11,321	11,279
Benefits in kind (as calculated for taxation purposes)	454	431
	<b>169,228</b>	<b>167,555</b>

Included in wages and salaries is an amount of £2.3m relating to redundancy, compromise and termination costs (2017: £2.1m) following the completion of children services contracts. Emoluments for this purpose include gross salary and all benefits in kind (including pension contributions) but exclude expenses. Systems are in place for the management of expenses. 52 staff earning over £60,000 (2017: 34) receive benefits accruing under the Barnardo's Retirement Savings Plan. Employer contributions to the pension funds of these 52 employees were a combined total of £181k during the year (2017: £140k).

The total employee benefits of the executive Corporate Leadership Team, as listed on page 58, was £799k in 2018 (2017: £762k).



## 13. 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 was closed to further accrual of defined benefits from 30 April 2013, with active members of the scheme on that date becoming members of the Barnardo's Retirement Savings Plan, which is a defined contribution arrangement, for future service. Benefits for members of the defined benefit scheme will continue to increase broadly in line with inflation.

New employees are offered membership of the Barnardo's Retirement Savings Plan. The total employer contributions and costs relating to the defined contribution arrangement for the year amount to £6,389,000 (2017: £6,338,000).

The funding plan for the defined benefit scheme is to hold assets equal to the value of the benefits earned by employees, where that value is calculated using a set of assumptions appropriate for funding the scheme. The funding assumptions differ from the assumptions used to calculate the figures for these accounts, and therefore produce different results. If there is a shortfall against this funding plan, Barnardo's and the pension scheme Trustees agree on deficit contributions to meet this deficit over a period. A deficit recovery plan was agreed with the pension scheme Trustees following the actuarial valuation as at March 2015.

Over the year to 31 March 2018, £8.6m of deficit contributions were paid into the scheme. On the current plan (agreed following the actuarial valuation as at 31 March 2015), deficit contributions of £10.7m per annum are expected to be paid starting in 2018 up to the end of the current recovery plan in 2037.

Details of the defined benefit scheme, produced in accordance with section 28 of FRS102, are set out below. Calculations are based on membership data as at 31 March 2015 were updated to 31 March 2018 by an independent qualified actuary, allowing for changes in financial conditions, actual benefit payments made over the period, and the impact of pension scheme increases granted. The defined benefit liabilities have been measured using the projected unit method.

The following table sets out the key FRS102 assumptions used for the scheme.

Assumptions	2018	2017
	per annum	per annum
Price inflation (RPI)	3.1%	3.1%
Discount rate	2.7%	2.8%
Pension increases (5% LPI)	3.0%	3.0%
Pension increases (2.5% LPI)	2.1%	2.1%
Further life expectancy of male aged 60 now	26 years	26 years
Further life expectancy of male aged 60 in 20 years	28 years	28 years
Further life expectancy of female aged 60 now	27 years	28 years
Further life expectancy of female aged 60 in 20 years	29 years	30 years

The amounts included in the balance sheet arising from Barnardo's obligations in respect of the defined benefit scheme for the current and previous period are as follows:

	2018	2017
	£m	£m
Fair value of assets	684.6	686.6
Present value of liabilities	(823.5)	(824.3)
Net liability recognised in the balance sheet	<b>(138.9)</b>	<b>(137.7)</b>

These figures exclude additional voluntary contributions, which have previously been included.

### Sensitivity Analysis

The sensitivity of the liabilities (in both percentage and £ terms) to changes in the key assumptions used to measure the Pension Fund's liabilities is shown in the table below:

Assumption	Change in Assumption	Impact on liabilities
Discount rate	+/- 0.1%	-/+ £13.4m (1.6%)
Rate of Inflation	+/- 0.1%	+/- £12.7m (1.5%)
Life Expectancy	+/- 1 year	+/- £28.0m (3.4%)

The following amounts have been included within net incoming resources in relation to the defined benefit scheme:

	2018	2017
	£ m	£ m
Employer's part of current service cost	0.0	0.0
Past service cost	0.0	0.0
Interest expense	3.8	4.1
Administrative expenses	1.5	1.3
Total expense	<b>5.3</b>	<b>5.4</b>

The current allocation of the scheme's assets is as follows:

	2018	2017
	£m	£m
Equities	54.2	42.1
Bonds	205.0	368.0
Diversified growth fund	194.2	172.1
Swap contracts	211.3	46.7
Private credit	8.8	4.6
Cash/other	11.1	53.1
	<b>684.6</b>	<b>686.6</b>

The scheme's assets shown above at 31 March 2018 include instruments that protect against movements in long term interest rates and future inflation and also instruments that provide returns linked to equity markets (shown categorised as swaps above). The scheme's exposure to equity markets is therefore greater than that indicated by the asset split shown above.

Changes in the present value of the scheme liabilities over the year are as follows:

	2018	2017
	£m	£m
Opening value of scheme liabilities	824.3	701.8
Past service cost	-	-
Interest cost	22.7	24.9
Actuarial loss/(gain)	0.2	122.2
Benefits paid	(23.7)	(24.6)
Closing value of scheme liabilities	<b>823.5</b>	<b>824.3</b>

Changes in the fair value of the scheme assets over the year are as follows:

	2018	2017
	£m	£m
Opening fair value of the scheme assets	686.6	587.0
Interest on plan assets	19.0	20.7
Actual return on plan assets less interest on plan assets	(4.4)	97.8
Contributions by the employer	8.6	7.0
Administrative expenses	(1.5)	(1.3)
Benefits paid	(23.7)	(24.6)
Closing fair value of scheme assets	<b>684.6</b>	<b>686.6</b>

The actual return on the scheme's assets over the year was a gain of £14.6m (2016/17: gain of £118.6m).

## 14. Net income

	2018	2017
	£000	£000
Net income is stated after charging:		
Depreciation of tangible fixed assets	5,238	5,132
Auditors' remuneration		
Statutory	72	71
Other assurance services	8	9
Operating lease rentals	18,732	17,785

## 15. Gains and losses on revaluation and on investment asset disposals

	2018	2017
	£000	£000
Realised gains	2,430	2,132
Unrealised gains/(losses)	(2,949)	9,229
	<b>(519)</b>	<b>11,361</b>

Gains and losses on revaluation and on investment asset disposals is a £0.5m loss for the year (2017:£11.4m gain) of which £0.3m is unrestricted (2017:£7.2m) and £0.2m is restricted (2017:£4.2m).

## 16. Tangible assets

	Properties	Equipment & vehicles	Total 2018
	£000	£000	£000
<b>(a) Group and Charity:</b>			
<i>Cost</i>			
At beginning of year	83,118	21,644	104,762
Additions	1,243	3,102	4,346
Disposals	(2,364)	(2,237)	(4,601)
<b>At end of year</b>	<b>81,997</b>	<b>22,509</b>	<b>104,506</b>
<i>Depreciation</i>			
At beginning of year	45,650	17,890	63,540
Provided during year	2,541	2,697	5,238
On disposals	(1,594)	(2,169)	(3,763)
<b>At end of year</b>	<b>46,597</b>	<b>18,418</b>	<b>65,015</b>
<b>Net book value</b>			
<b>At beginning of year</b>	37,468	3,754	41,222
<b>At end of year</b>	<b>35,400</b>	<b>4,091</b>	<b>39,491</b>

	Group & Charity	
	2018	2017
	£000	£000
<b>(b) Analysis of freehold and leasehold properties:</b>		
Freeholds	25,220	26,401
Long leaseholds (over 50 years)	2,324	2,389
Short leaseholds (50 years and under)	7,856	8,678
	<b>35,400</b>	<b>37,468</b>
<b>(c) Use of properties:</b>		
Service delivery	13,076	13,277
Other (including shops and offices)	22,324	24,191
	<b>35,400</b>	<b>37,468</b>

## 17. Investments

	Group	
	2018	2017
	£000	£000
Investments at market value	<b>72,990</b>	<b>78,509</b>
Investments of the charity include £20,000 in Subsidiary undertakings (Note 2).		
<i>Investments at market value:</i>		
At beginning of year	78,509	66,917
Additions	12,582	15,842
Disposals	(17,582)	(15,611)
Realised/unrealised gains/(losses)	(519)	11,361
At end of year	<b>72,990</b>	<b>78,509</b>
<i>Comprising:</i>		
UK Equities	22,337	24,050
UK Bonds	22,651	25,082
International Pooled Funds	24,122	26,077
Cash	1,382	1,012
Other investments	2,498	2,288
	72,990	78,509
Cost of Investments	<b>59,141</b>	<b>62,428</b>

There were no investments in individual companies in excess of 5 per cent of the total portfolio value.

## 18. Stocks and work in progress

	2018	2017
	£000	£000
Finished goods	1,013	1,427
Work in progress	3,377	7,523
	<b>4,390</b>	<b>8,950</b>

Work in progress represents building developments held by Barnardo Developments Limited at the year end. No stocks or work in progress were held by the charity. The value of stock recognised within the Statement of Financial Activities during the year ended 31 March 2018 was £8.4m.

## 19. Debtors

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade debtors	138	487	-	80
Statutory and related funders	19,236	21,359	14,414	12,651
Taxation	2,764	2,994	2,764	2,994
Other debtors	2,151	2,470	1,459	1,337
Prepayments and accrued income	12,297	10,731	11,406	9,716
Amounts due from subsidiaries	-	-	5,383	12,805
	<b>36,586</b>	<b>38,041</b>	<b>35,426</b>	<b>39,582</b>

Amounts due from subsidiaries represent:

- Loans from the charity to Barnardo Trading Ltd and Barnardo Developments Ltd. These 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.
- Temporary current account balances between the charity and Barnardo Services Limited and Barnardo Events Ltd.

## 20. Current Asset Investments

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Interest bearing deposit accounts	11,018	8,018	11,018	8,018

## 21. Analysis of cash and cash equivalents

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Cash in hand	19,851	9,105	19,428	8,607
Notice deposits (less than 3 months)	38	38	38	38
Total cash and cash equivalents	<b>19,889</b>	<b>9,143</b>	<b>19,466</b>	<b>8,645</b>

## 22. Creditors – amounts falling due within one year

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Pension contributions	-	564	-	564
Other taxes and social security costs	7,436	8,170	4,539	4,270
Other creditors	8,040	6,460	7,446	5,854
Accruals	16,329	12,724	15,183	12,090
Trade creditors	2,905	4,205	2,853	4,126
Deferred income	8,636	11,908	6,054	7,158
	<b>43,346</b>	<b>44,031</b>	<b>36,075</b>	<b>34,062</b>

Deferred income relates to fees and grants invoiced in advance from statutory and related funders. An amount of £4.2m (2017:£6.2m) was released from prior year.

## 23. Commitments

### (a) Capital Expenditure

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Capital expenditure contracted	990	2,987	-	287
Capital expenditure authorised but not contracted for	-	-	-	-

Capital expenditure commitment relates to the outstanding expenditure on the Barkingside Regeneration Project (Phase 4) development.

### (b) Land & Other Buildings

	Group & Charity	
	2018	2017
	£000	£000
Total future minimum lease commitments under non-cancellable operating leases are as follows:		
Operating Leases which expire:		
Within one year	616	757
In the second to fifth years inclusive	16,748	17,141
Over five years	79,920	68,484

## 24. Fund balances

(a) Analysis of restricted & endowment funds	Restricted income funds	Endowment funds	Total 2018	Restricted income funds	Endowment funds	Total 2017
	2018	2018		2017	2017	
	£000	£000	£000	£000	£000	£000
Incoming resources						
Fundraising income	5,240	-	5,240	3,747	-	3,747
Big Lottery Fund	2,528	-	2,528	3,873	-	3,873
Net income from investments and other	-	889	889	-	743	743
	<b>7,768</b>	<b>889</b>	<b>8,658</b>	<b>7,620</b>	<b>743</b>	<b>8,363</b>
Resources expended:						
Child care and community work in the UK	7,606	-	7,606	7,221	-	7,221
Cost of fundraising income	610	-	610	602	-	602
Grants to young people in need	-	349	349	-	383	383
	<b>8,216</b>	<b>349</b>	<b>8,565</b>	<b>7,823</b>	<b>383</b>	<b>8,206</b>
<b>Net incoming/(outgoing) resources</b>	<b>(448)</b>	<b>541</b>	<b>92</b>	<b>(203)</b>	<b>360</b>	<b>157</b>
<b>Gains and losses on revaluation and on investment asset disposals:</b>						
Unrealised (losses)/gains	(480)	-	(480)	642	-	642
Realised Gains	270	-	270	3,559	-	3,559
	<b>(211)</b>	<b>-</b>	<b>(211)</b>	<b>4,201</b>	<b>-</b>	<b>4,201</b>
<b>Net movement in funds</b>	<b>(659)</b>	<b>541</b>	<b>(118)</b>	<b>3,998</b>	<b>360</b>	<b>4,358</b>
<b>Fund balances brought forward</b>	<b>11,986</b>	<b>22,981</b>	<b>34,967</b>	<b>7,988</b>	<b>22,621</b>	<b>30,609</b>
<b>Fund balances carried forward</b>	<b>11,327</b>	<b>23,522</b>	<b>34,849</b>	<b>11,986</b>	<b>22,981</b>	<b>34,967</b>

All endowment funds are permanent endowments.

The restricted capital and endowment fund balances carried forward at 31 March 2018 include endowment funds for which Barnardo's has received an Order signed by the Charity Commission enabling the unapplied total return to be transferred to unrestricted funds.

	£000
Value of assets representing the unapplied total return within endowment funds at 1 April 2017	5,963
net decrease in value during the year of the unapplied total return within endowment funds	(967)
Value of assets representing the unapplied total return within endowment funds at 31 March 2018	4,996

(b) Categorisation of restricted & endowment funds	2018	2018	2017	2017
	No.	£000	No.	£000
Fund balances				
Educational purposes	2	2,998	3	2,997
Project buildings	2	284	2	284
Sea training	1	492	1	504
General & other purposes	19	31,075	19	31,182
	<b>24</b>	<b>34,849</b>	<b>25</b>	<b>34,967</b>



Included in the restricted and endowment funds are two charities that are independently registered with the Charity Commission, along with a number of constituent charities, also registered with the Charity Commission. The independent charities are ACW Edwards (registration number 247678) whose objects are for the income to be distributed to recognised local or national charities that the Trustees shall in their absolute discretion select, and GA Joyce (registration number 272973) whose objects are such charitable purposes as the Trustees shall in their absolute discretion determine. Funds are held separately from Barnardo's. The objects are closely aligned to Barnardo's so in accordance with the Charities SORP (FRS102), as custodian Trustees, and with Charity Commission consent, these charities have been included as if they represent restricted funds of Barnardo's.

(c) Analysis of fund balances between group net assets	Unrestricted	Restricted & endowments	Total	Unrestricted	Restricted & endowments	Total
	2018	2018	2018	2017	2017	2017
	£000	£000	£000	£000	£000	£000
Fixed assets	39,318	173	39,491	41,049	173	41,222
Investments	44,133	28,857	72,990	49,445	29,064	78,509
Pension liability (note 13)	(138,980)	-	(138,980)	(137,700)	-	(137,700)
Net current assets	22,718	5,819	28,537	14,393	5,730	20,123
<b>Net assets</b>	<b>(32,811)</b>	<b>34,849</b>	<b>2,038</b>	<b>(32,813)</b>	<b>34,967</b>	<b>2,153</b>

(d) Analysis of fund balances between charity net assets	Unrestricted	Restricted & endowments	Total	Unrestricted	Restricted & endowments	Total
	2018	2018	2018	2017	2017	2017
	£000	£000	£000	£000	£000	£000
Fixed assets	39,318	173	39,491	41,049	173	41,222
Investments	43,238	28,858	72,096	48,649	29,064	77,712
Pension liability (note 13)	(138,980)	-	(138,980)	(137,700)	-	(137,700)
Net current assets	24,017	5,818	29,835	16,453	5,730	22,183
<b>Net assets</b>	<b>(32,407)</b>	<b>34,849</b>	<b>2,442</b>	<b>(31,549)</b>	<b>34,967</b>	<b>3,418</b>
Unrealised (losses)/gains included in investments value	(2,469)	(480)	(2,949)	5,671	3,559	9,230

The restricted funds are held in appropriate asset forms to enable the restrictions to be satisfied.

## 25. Reconciliation of net income to net cash outflow from operating activities

	2018	2017
	£000	£000
Net income	4,465	11,709
Depreciation charge	5,238	5,132
Loss/(gains) on investments	519	(11,361)
Profit on the sale of fixed assets	(3,430)	(6,132)
Net pension charges	(3,300)	(1,600)
Decrease/(increase) in debtors	1,455	(440)
(Decrease)/increase in creditors	(685)	2,271
Increase in current asset investments	(3,000)	(831)
Investment income and interest	(2,721)	(2,695)
Decrease/(increase) in stock and work in progress	4,560	(438)
<b>Net cash generated/(used) in operating activities</b>	<b>3,101</b>	<b>(4,386)</b>

## 26. Related parties

The following amounts are due to/(from) the Charity and its subsidiaries

	2018	2017
	£000	£000
Barnardo Services Limited	(254)	654
Barnardo Developments Limited	4,243	10,184
Barnardo Events Limited	82	337
Barnardo Trading Limited	1,296	1,296

Commission amounting to £0.6m was paid by the Charity to Barnardo Services Ltd (2017:£0.7m). Payments made to the pension scheme by the Charity amounted to £6.4m (2017:£6.3m) of which £nil is outstanding as at 31 March 2018 (2017:£0.5m).

## 27. Contingent Liabilities

Barnardo's has operated a large number of residential and non-residential services over a long period of time caring for significant numbers of vulnerable children and young people. Rigorous procedures have been and continue to be in place for ensuring the safeguarding of children and internal and external inspections evidence the high standard of services delivered. The nature of this work could give rise to potential claims against Barnardo's. The Trustees have considered this likelihood and potential materiality of any such claims and do not consider a provision in the accounts is warranted in this regard.

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



# Gifts and grants received

## Funding from donations

### Corporate donations

Balfour Beatty plc, Bank of Ireland, Beko, Build a Bear Workshop, Bunzl plc, Geldards LLP, Hallmark Cards, Hill Dickinson LLP, John Lewis Partnership, Land Securities Group plc, Lotto Scotland Ltd, Network Rail, Next plc, The Royal Bank of Scotland Group plc, Saint-Gobain SA, Santander UK plc, Screwfix Direct Ltd, New World Trading Company (UK) Ltd and Willis Towers Watson.

### Charitable trusts, grants and foundations

Alice Ellen Cooper Dean Charitable Foundation

The Atlantic Philanthropies	£331,000
BBC Children In Need	£83,872
Big Lottery Fund	
All Stars	£10,224
All Stars Shine	£2,871
Barnardo's Building Better Opportunities	£188,843
Barnardo's Weave	£115,000
Big Manchester	£187,619
Breaking the Cycle	£124,666
Community Spaces	£3,461
Compass Aspire	£192,760
DFST – Growing up	£29,489
Family Learning and Integration Hub	£118,669
Invisible Walls Accord	£256,531
Lancashire Building Better Opportunities	£58,994
London Hub and Spoke	£87,487
Nurture Service Inverclyde	£9,178
Outside In	£1,240
Palmerston Training	£35,148
Paths +	£530
Polmont All Stars	£8,851
Positive Destinations	£170,518
Project 84	£329,442
Spokes CSEFA Reaching Communities	£139,917
Talent Match – Bradford	£27,838
Talent Match – Lincolnshire	£39,721
The Hub – Talent Match	£64,682
Threads Connections	£94,495
U-turn	£83,255
VAW Advocacy Service – Dundee	£198,512
Bill Brown's Charitable Settlement of 1989	£3,750
Building and Civil Engineering Charitable Trust B&CE	

City Bridge Trust	
Comic Relief	£38,515
DM Thomas Foundation for Young People	
David & Ruth Lewis Family Charitable Trust	
Eveson Charitable Trust	
Heritage Lottery Fund – The Base	£24,242
Ivy & Jane Charitable Trust Fund	
J H Bartlett Charity Trust	
John James Bristol Foundation	
John Scott Trust	
Kennedy Charitable Trust	
Littlefield Foundation	
Lloyds TSB – Forth Valley LAC	£39,773
Miss E A Pemberton Barnes Will Trust	£22,763
Miss RCR Angel Charitable Trust	
Morrisons Foundation	
Mrs Christina Goodall Trust	
Mrs Maxwell Stuart Charitable Trust	
Nicholas Chamberlaine’s Schools Foundation	
Pauline Meredith Charitable Trust	
Peacock Charitable Trust	
People’s Postcode Trust	£20,000
R S Macdonald Charitable Trust	
ScottishPower Energy People Trust	
Shanly Foundation	
Springboard	£8,041
Stadium Charitable Trust	
The Blgrave Trust	
The Corra Foundation	£300,000
The Edith Murphy Foundation	
The Evan Cornish Foundation	
The Grantham Yorke Trust	
The Hemraj Goyal Foundation	
The Jones 1986 Charitable Trust	
The Katherine Martin Charitable Trust	
The Life Changes Trust – 16+ Edinburgh	£4,000
The Life Changes Trust – Springboard	£5,000
The McLain 8 Strands Foundations Limited	
The Robertson Trust	£7,000
The Rothley Trust	
The Sir John Fisher Foundation	

The Swire Charitable Trust	
The Tudor Trust	
The Zochonis Charitable Trust	
Tom Parrington's Will Trust	£40
Trust for London	
William Belmer Rush Foundation	£21,207
William Brake Charitable Trust	
William Whyte Tait Charitable Trust	

## Funding from statutory authorities

### Cymru/Wales

South Wales Police	£194,706
Wales Council for Voluntary Action	£18,766
Welsh Government	£690,528

### England

#### Department for Education

National FGM Centre	£405,870
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#### Home Office

Centre of Expertise on Child Sexual Abuse	£1,973,758
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### Northern Ireland

Belfast Health & Social Care Trust	£2,118,639
Department for the Economy – European Social Fund	£277,978
Department of Education (Through HSCB)	£835,001
Department of Education (DE)	£24,644
Department of Justice	£39,000
Health & Social Care Board (HSCB)	£977,593
Northern Ireland Housing Executive	£284,032
Northern Ireland Prison Service	£130,373
Public Health Agency	£863,364
Southern Health & Social Care Trust	£1,219,682
The Executive Office	£10,532
Victims & Survivors Service	£92,186
Western Health & Social Care Trust	£163,013

### Scotland

#### Better Breaks

THRIVE	£9,204
APNA	£14,836

#### Creative Breaks

THRIVE	£12,000
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<b>Central Scottish Government</b>	
Caern BIBBS Service – ASD	£75,447
Care Experienced Employability Programme	£940,000
Cashback for Communities	£173,813
HMP Edinburgh Visitors Centre	£50,000
Barnardo’s Early Intervention Service & Stop It Now – Safer Futures Programme	£9,493
SG Here and Now	£71,056
Threads Connections	£57,698
White Flowers Alba	£10,000
<b>Clackmannanshire Council</b>	
Stirling & Clackmannanshire Service – Youth Substance Service	£65,686
<b>Falkirk Alcohol &amp; Drug Partnership</b>	
Axis Falkirk	£18,455
<b>Falkirk Council</b>	
Axis Falkirk	£105,405
Barnardo’s Education & Family Resources Service	£281,583
Cluaran	£345,297
<b>Falkirk Health and Social Care Partnership</b>	
Forth Valley Locality Strategic Development	£3,000
<b>Highland Council</b>	
Northern Lights	£732,553
Springboard	£374,505
<b>Inverclyde Council</b>	
THRIVE	£76,997
Weave Service	£82,500
<b>Lothian Health Trust</b>	
Barnardo’s Early Intervention Service	£7,333
<b>NHS Lothian</b>	
Barnardo’s Edinburgh Community Support Service – Community SEBN Service	£3,900
Barnardo’s Edinburgh Community Support Service	£7,800
<b>NHS Forth Valley &amp; Partners</b>	
Stirling & Clackmannanshire Service – Social Influencing	£40,000
<b>Scottish Prison Service</b>	
Outside In	£260,665
Parenting Matters	£50,256
Hear and Now (Our Lives With Others)	£70,000
HMP Edinburgh Visitors Centre	£103,987

**Stirling & Clackmannanshire Alcohol & Drug Partnership**

Stirling & Clackmannanshire Service £11,808

**The City of Edinburgh Council**

HMP Edinburgh Visitors Centre £2,256

## Philanthropy Network

### Platinum Patron

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### Patron

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Mr & Mrs Jonathan and Jane Clarke  
The Waterloo Foundation

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Mr Gerald Voisin  
Mr & Mrs Giles and Caroline Wilkes  
Ms Beverley Lacey & Mr David Banks – Lacey Advocates  
Mr & Mrs Paul & Pam Bell  
Nairn Family Trust

## Pro Bono Support

Barnardo's would like to thank the following firms and practitioners for their pro bono work over the course of the financial year:

Covington & Burling LLP  
Hunton and Williams LLP  
Withers LLP  
Weil Gotshal & Manges (London) LLP





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Louise Parkes

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Richard Moore

## Company Secretary

David Cunningham\*\*

\*Member of Corporate Leadership Team

\*\* Interim

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Mr Darra Singh (2016)  
Mr Colin Walsh (2014)

## Contact details

### Registered office

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Ilford, Essex IG6 1QG | 020 8550 8822

### Auditors

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### Bankers

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1 Churchill Place, London E14 5HP

### Investment managers

BlackRock Investment Management (UK) Limited,  
12 Throgmorton Avenue, London EC2N 2DL  
Ruffer LLP, 80 Victoria Street, London SW1E 5JL

### Principal solicitors

Bates Wells Braithwaite London LLP,  
10 Queen Street Place, London EC4R 1BE



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Registered Company No. 61625. 19759dos18

