



**Believe in  
children**



**Barnardo's**

[www.barnardos.org.uk](http://www.barnardos.org.uk)



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# Chair's introduction



This year has been the first full year of our three year plan *True to Our Roots, Fit for the Future* which lays out an ambitious strategy for Barnardo's to be even more effective in delivering its purpose of transforming the lives of the UK's most vulnerable children. We believe the strategy will help realise our founder Thomas Barnardo's dream of a world where no child is turned away. I am glad to report that we have made very good progress since 2013.

As you will see from this year's report, Barnardo's has further developed its services in fostering and adoption and children's centres, as well as in increasing the number of young people we help with employment, training and skills. We have also significantly advanced our work in the four areas where we have prioritised projects to help the most vulnerable children. These include combatting child sexual exploitation, supporting care leavers, helping families with very young children and those children affected by parental imprisonment. Part of our work is to persuade government and decision

makers of the importance of supporting all these services. We have had considerable success with this too, often in very productive partnerships both with other charities and with politicians.

Barnardo's has been re-organising its services across the UK so that they can better serve local needs, manage the complex problems that vulnerable children and their families face, and promote best practice. We are already seeing the benefit in our increasing ability to help the most vulnerable. Our financial results have also been good, with a 10 per cent increase in our turnover.

In May this year we were delighted to welcome Javed Khan as our new Chief Executive. His leadership will enable Barnardo's to face the uncertainties and challenges of the future with confidence.

I have many people to thank for their help and dedication. They include Peter Brook, who became acting Chief Executive last year and led Barnardo's management and staff very successfully until he retired at the end of April. I also thank Judy Clements, OBE, who became Chair of the board last summer and guided it with great skill until January this year, and my fellow Trustees, for their invaluable support, hard work and belief in Barnardo's and all it does.

My greatest thanks go to our staff, management and volunteers, for their incredible dedication and extraordinary commitment to Barnardo's values, despite all the economic pressures and organisational change, and also to Barnardo's fundraising groups, corporate partners, sponsors and our donors and celebrity supporters, who always give so very generously of their time and resources. You all have my and the Board's deepest gratitude for everything you do to help those children who most need it.

A handwritten signature in dark ink, reading 'Tony Cohen'.

**Tony Cohen**

Chair of the Board of Trustees

16 July 2014

# Chief Executive's introduction



I am absolutely delighted to have joined Barnardo's. It is a fantastic charity with a strong heritage, and is widely respected across the UK.

We do great work here, helping to make a huge difference to the lives of so many vulnerable children, young people and their families. Their needs are of the utmost importance and, as Tony has said, we could not do what we do without our supporters and the commitment of our employees and volunteers.

Over the last 12 months Barnardo's has been working with more than 200,000 children, young people and their families. We have raised funds for significant pieces of work, like the *five to thrive* programme in our early years services, which focuses on children's personal, social and physical development. Young people have also been at the forefront of our agenda. We have seen a 90 per cent increase in the number of people we are working with to gain employment or to improve their training and skills.

To continue to make an impact in our work, we need to respond to the funding challenges faced by many charities – targeting our resources effectively, influencing and working in partnership with others and ensuring we are efficient in all that we do.

I am confident we will continue to deliver high-quality services to the most vulnerable children, young people and families who need us most.

A handwritten signature in dark ink that reads "Javed Khan". The signature is written in a cursive style with a horizontal line under the name.

**Javed Khan**  
Chief Executive  
16 July 2014



# Report of the Board of Trustees

## 1. Objectives and activities

Our vision is to realise our founder's dream of a world where no child is turned away. Our purpose is to transform the lives of the UK's most vulnerable children. We support them, stand up for them and bring out the best in each and every child who needs us the most.

Our work began nearly 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 UK's most vulnerable children to realise his dream of a world where no child is turned away.

We are the largest children's charity in the UK. We run over 900 services in local communities, have 539 shops and more than 8,000 employees. We also have 15,000 volunteers who help support our vital work. Our services include reaching and helping children who have been sexually exploited, young people leaving the care system, children with a parent in prison and early intervention for families struggling to cope. We find loving and adoptive homes and foster placements for children in care.

Last year we helped improve the lives of more than 200,000 of the UK's most vulnerable children, young people and their families. We helped many more by campaigning to change policy and public opinion, drawing on our years of extensive research.

To fund our work, Barnardo's relies on voluntary 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.

## 2. Strategic report

### a. Achievements and performance

Our strategic business plan for 2013–16, *True to our roots, Fit for the future* included eight objectives for the three years of the plan. We now report on the progress made in the first year.

#### 1. Plan, develop and implement strategies in four priority areas of need: children at risk of sexual exploitation, young people who spend time in care (care leavers), children affected by parental imprisonment and early intervention with families.

We have developed strategies in each of the four priority areas. As a direct result of those strategies we have achieved the following:

- We have brought about changes to the Children and Families Bill by working alongside other charities. Changes include the introduction of legislation that would enable young people to stay with their foster parents until aged 21. The Government also committed to amend guidance for local authorities on provision of personal advisors so that more vulnerable care leavers have access to them.
- We introduced significant new work including a new service for those leaving care; and training in our children's centres in *five to thrive* – a flexible approach offering learning for practitioners and parents designed to enhance awareness of the central ingredients – to talk, play, relax, cuddle and respond – for healthy brain development in babies.
- We launched an advertising campaign focused on child sexual exploitation that highlighted our work with the most vulnerable children.

- We worked in partnership with Sarah Champion MP on a backbench inquiry into child sexual exploitation. We also worked in partnership with the other major children's charities to encourage political parties to commit to early intervention in their manifestos.

Our strategies have also identified service models that will, in the main, add to current services to make maximum use of resources. For example, we aim to increase the accommodation available to the most vulnerable care leavers. To do this we are seeking in 2014–15 to introduce eight new supported lodgings services within existing leaving care services.

Similarly, we have developed a model of working in the community for children affected by parental imprisonment. This model is currently used in three locations and we plan to roll it out to five new areas over the next two years.

### **2. Further improve the quality of our children's centres and grow our market share.**

The number of children's centres we operate has increased from 132 at the start of the year to 139 at the end.

For our children's centres 72 per cent of centres in our current portfolio that have been inspected have been rated as good or better by Ofsted. This sets a baseline from which we will be aiming to further improve the quality of our work over the next two years. We will do this by putting in place actions, including training all staff in *five to thrive* by the end of 2014–15. We have already delivered training in 22 services. We aim to improve service quality in absolute terms as well as how it is judged by Ofsted, who is strengthening its approach to inspection grades.

### **3. Increase the number of young people we help achieve employment, training and skills.**

The number of young people in our services working towards employment

or improving their training and skills has increased from 3,000 in 2012–13 to 5,750 in 2013–14, an increase of more than 90 per cent.

### **4. Be one of the top voluntary adoption agencies in the UK, providing excellent UK-wide services and a growing number of fostering placements.**

Seven of our nine adoption services have been rated by Ofsted as satisfactory or good, with some excellent or outstanding components (or equivalent by the Care Inspectorate in Scotland). The number of adoptions in the last year has increased by 74 per cent, with adoptions taking place across England, Scotland and Wales. The growth in the number of adoptions will improve economies of scale by increasing the size of services and support plans that are in place to improve all external inspection outcomes to good or outstanding.

We have also increased fostering placements by 19 per cent in the last year.

### **5. Achieve significant changes in government policy so that the most vulnerable children and young people achieve their potential.**

In 2013–14 Barnardo's achieved 11 significant changes in legislation and government policy including successfully campaigning for the following:

- Four changes to the Children and Families Act 2014 to: enable young people to stay with foster carers until they are 21; introduce a statutory requirement for young carers to receive an assessment of their support needs; improve guidance for local authorities ensuring vulnerable care leavers can access personal advisors and make it harder for the Government to remove responsibility for adopter recruitment from local authorities.
- £50m funding in the March 2014 Budget to introduce a nursery premium to benefit disadvantaged three and four-year-olds in nursery and ensure all families on

Universal Credit would have 85 per cent of their childcare costs subsidised.

- In Scotland, the option for young people to remain in care until the age of 21 and a national action plan to tackle the sexual exploitation of children.
- Ratification by the All Wales Child Protection Procedures Group of a protocol, drafted by Barnardo's, on sexually harmful behaviour.
- The inclusion of child sexual exploitation in the policing plan for Northern Ireland.

#### **6. Increase non-legacy fundraising income over the next three years.**

Our fundraising income increased by 0.4 per cent in the last year. It was pleasing that the increase was from legacies which have been under pressure in the past few years. However we also need to increase non-legacy income to achieve the objective. During the year we therefore invested in a number of other fundraising channels, which we expect to increase income during the remainder of the plan.

#### **7. Extend our retail chain to raise more net income towards our work.**

The number of shops has increased by seven during the year to 539, making us the fourth largest charity retailer (by the number of shops). The net income continues to be more than £10m per annum, which goes towards our work with the most vulnerable. During the year we have paid above-inflationary increases to the lowest paid staff in our shops to ensure they are paid a fair salary. This has added to our costs, resulting in a small reduction in net income during the year. We are continuing to expand the chain and expect to increase net income in future years.

#### **8. Increase the number of volunteering opportunities across the organisation.**

By expanding our service delivery and retail activities, we increased the number of volunteers by four per cent in the last year. This brings the total to more than 15,000 volunteers who give freely of their time to enhance the services we deliver.



## b. Financial review

### Income

**Total £285.8m**



**£164.7m**

Fees and grants

**£51.7m**

Trading, including shops

**£43.7m**

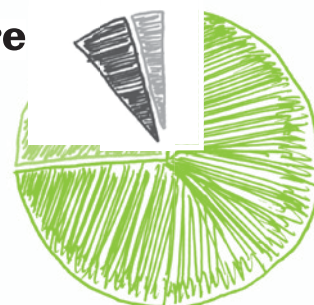
Donations, Gifts in Wills and other fundraising

**£25.7m**

Investments and property development

### Expenditure

**Total £278.4m**



**£205.9m**

Charitable activities

**£41.5m**

Trading, including shops

**£18.9m**

Governance costs, pension charge and other costs

**£12.1m**

Fundraising

## Results for 2013–14

The net income available for our charitable activities increased from £209.5m to £219.4m, as shown in the statement of financial activities on page 22. Of the increase, £6.4m came from fees and grants for delivering children's services. The other large contributor was a £5m increase in net income from developing former Barnardo's sites, in particular the highly successful development of our Head Office site in Barkingside, Essex. There were small decreases in net income from both retail trading and our voluntary fundraising activities. This reflected our investment in those areas and the current economic climate. Gross income increased in both areas.

With the increased income we were able to increase expenditure on charitable activities by £8.7m to £206m (2013: £197.3m). After governance and pension finance costs of £6.1m, our total charitable expenditure came to £212.1m, which is a surplus of £7.4m (2013: £6.2m). Not included in the expenditure is the past cost of pensions, of which £5.2m was paid in the last year. The remaining surplus of income over

expenditure is to support our contingency reserves and future charitable activities.

The statement of financial activities goes on to show the change in the value of our investments, and movement in the long-term valuation of the Barnardo's pension fund. In the year to 31 March 2014, the value of our investments increased by £2m and the deficit in the Barnardo's pension fund increased from £87.8m to £95.9m. This increase largely results from the long-term actuarial assumption on corporate bond yields, which is impacting many UK pension schemes. The Board of Trustees of Barnardo's and the Trustees of the pension fund have agreed a plan to eliminate the deficit over time, including closure of the pension scheme to future accrual from May 2013. We have planned and budgeted for our pension contributions and included them in future cash flow projections without needing a contribution from reserves.

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

Barnardo's maintains a level of financial reserves in order to meet potential losses that might arise from its charitable activities, investments, trading and other activities. The objective is that Barnardo's would be able to carry on its work, even if faced with a combination of difficult circumstances, and have the time to adjust its strategy to meet these changing circumstances. At the same time, the Board wants to maximise the resources used for charitable purposes, and therefore aim to ensure that reserves are no higher than necessary. Reserves are represented by the fund balances in the balance sheet on page 23.

The Board assesses the risks Barnardo's could be exposed to and the appropriate level of reserves that we should maintain. The current assessment of the target range of free reserves – funds that are freely available to be used for our general charitable purposes – is £36–48m. We review the actual level of reserves regularly, and if the level looked likely to move significantly outside the target range we would take action to bring it back in line with the target.

The balance sheet shows unrestricted reserves – reserves that do not carry any restrictions on how they can be used – of £87.1m (2012–13: £80m). In assessing our level of free reserves against the target range, we exclude the fixed asset fund of £46.5m (2012–13: £41m) because this cannot quickly be realised. After excluding the fixed assets fund, this leaves free reserves of £40.6m (2012–13: £39m), which is within the target range of £36m–£48m.

In carrying out the above assessment, we look at reserves before the pension liability, because this is a long-term liability and there is an agreed plan to eliminate it over time.

We also take no account of the £30.1m (2012–13: £29.2m) held in restricted and endowment funds. Only the income from which is available to fund our work.

## Overall financial health

Throughout 2013–14 and looking ahead, Barnardo's has successfully secured new income to support its charitable activities and deliver its plans. The current economic and public sector funding situation is expected to remain challenging for some time to come. So the Board has developed contingency plans to minimise the effect on our charitable activities should income be adversely affected. We have had a good track record over the last five years of being able to maintain or increase income as we deliver valued and cost-effective services to commissioners, and generate income from fundraising, trading and other sources.

## Investments

Barnardo's investments are managed on our behalf by BlackRock Investment Management Limited and, from this year, 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 2014 our unrestricted investments delivered a return of 6.4 per cent. Our performance is measured against relevant market indices and, over the same period, our performance was 0.7 per cent better than the benchmark.

## Commercial activities

The financial activities of Barnardo's subsidiary companies are summarised in note 3 to the accounts. In total, the subsidiaries generated net income of £6.3m (2012–13: £1.9m), with all of the subsidiaries contributing to the surplus. The net income from each subsidiary is gift aided to Barnardo's.

Barnardo Trading Limited generated a profit of £618,000 during the year (2012–13: £898,000) from its mail order, publishing and retail activities. 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 £10.1m (2012–13: £10.9m).

Barnardo Developments Limited's principal activity is the development and sale of properties that are surplus to Barnardo's operational requirements. The company generated a profit of £4,807,000 during the year (2012–13: £145,000), largely from the sale of properties built and sold on its site in Barkingside, Essex. The sales programme continues with further sales expected in 2014–15.

Barnardo Events Limited raises sponsorship and runs special events to generate funds for Barnardo's, with much of the income included in the charity's accounts. The company generated a profit of £277,000 during the year (2012–13: £292,000).

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 £568,000 during the year (2012–13: £561,000).

## c. Plans for future periods

### Plans for 2014–16

2014–15 and 2015–16 are the second and third years of our three-year strategic business plan, *True to our roots, fit for the future*. Over the life of this plan we will be focusing on the children, young people and families who are unseen, unheard and whose needs are ignored. We will focus on where we can make the most impact and strengthen our presence in local communities. We will respond to a challenging external environment of increasing need, decreasing resources and more competition in every field. To achieve this vision we will continue working towards achieving each of the eight measures our success will be measured against, and we will report the progress we make in each year.

Over the next two years we will continue to do the following:

1. Plan, develop and implement strategies in four priority areas of need: children at risk of sexual exploitation, young people who spend time in care (care leavers), children affected by parental imprisonment and early intervention with families.
2. Improve the quality of our children's centres and grow our market share.
3. Increase the number of young people we help to achieve employment, training and skills.
4. Be one of the top voluntary adoption agencies in the UK, providing excellent UK-wide services and a growing number of fostering placements.
5. Achieve significant changes in government policy so that the most vulnerable children and young people achieve their potential.
6. Increase our non-legacy fundraising income.
7. Extend our retail chain to raise more net income that can be put towards our work.
8. Increase the number of volunteering opportunities across the organisation.

## d. Principal risks and uncertainties

Barnardo's Board has responsibility for ensuring that:

- the charity has an appropriate system of financial and non-financial controls to provide reasonable assurance that it is operating efficiently and effectively
- the charity's assets are safeguarded against unauthorised use or disposition
- proper records are maintained
- financial and operational information used within the charity or for publication is reliable
- Barnardo's complies with relevant laws and regulations.

The Audit and Risk Committee examines the effectiveness of the systems of internal operational and financial control annually, and confirms the operating effectiveness of those systems to the Board. The key components of Barnardo's internal control and risk management environment include the following:

- A documented framework of delegated authority with procedures for reporting decisions.
- An approved business plan and annual budget, against which progress is reported on a regular basis, including monthly financial reporting of actual results compared with budgets and forecasts.
- An independent inspection of services and a review of safeguarding of children and our internal audit process, involving both Barnardo's Corporate Audit and Inspection Unit and third-party inspectors and auditors. This subjects critical business systems and policy areas of Barnardo's operations to regular review. The results of each review are reported to management and, via the Audit and Risk Committee, to the Board of Trustees.
- Policies on whistle-blowing and reporting in relation to safeguarding, child protection, health and safety, and complaints, to ensure compliance with statutory requirements.

- Formal consideration by the Board of an annual governance statement in which the effectiveness of the charity's financial and operational internal controls have been satisfactorily reviewed against objective and independent evidence. This process complies with the Charity Commission's recommended practice.

Barnardo's operates a formal risk-management process, culminating in a corporate risk register that identifies the top risks, their likelihood and impact, and the consequent actions necessary to manage them effectively. The process follows good practice methods and guidance from the Charity Commission and others, with risks mapped against the objectives of the charity. Wherever possible we identify ways of providing independent assurance against the management of each risk. Corporate risks and mitigating actions are regularly scrutinised at each Audit and Risk Committee meeting and by senior management and the Board.

The principal commercial, operational and financial risks that have been identified, and could seriously impact on performance, future prospects or reputation, are as follows:

- Significant reductions in statutory funding in key service areas.
- Failure to deliver the objectives of the strategic business plan, which would have an adverse impact on our ability to raise funds against those priorities and our four priority areas – children at risk of sexual exploitation, young people who spend time in care (care leavers), children affected by parental imprisonment and early intervention with families.
- A serious safeguarding incident resulting in harm to a child or young person, and the subsequent damage to the charity's reputation.
- An inability to generate increased voluntary funds from fundraising and retail.
- The pension liabilities increasing faster than the agreed recovery plan and investment performance.
- Failure to effectively leverage our brand to further Barnardo's purposes due to an



inability to communicate our purpose and work to the public and other stakeholders.

The Board and senior management are satisfied that appropriate actions have been identified and are being taken so these risks are managed effectively.

In terms of financial risks, we agree prices in advance with our customers and suppliers to minimise the pricing risk to Barnardo's. Credit risk on amounts owed by donors and funders is low, and our activities are UK-based so exchange risk is negligible. Regarding liquidity risk, we have set out our policies on the management of investments and reserves above.

## Going concern

The Board 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 2005). The Board considers that Barnardo's has adequate resources to continue in business for the foreseeable future and that, for this reason, it should continue to adopt the going concern basis in preparing the accounts.

## 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:

1. To promote the care, safety and upbringing of children and young people by:
  - supporting and assisting those in need, and their families and carers
  - promoting their health
  - advancing their education.
2. The relief of those in need by reason of age, ill-health, disability, financial hardship or 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 for a three-year term, after which they are eligible for re-election. 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 and existing trustees are provided with an induction programme and a range of other training opportunities to help them meet their responsibilities. The Board 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, and the Board places particular emphasis on appointing individuals who bring specific skills that have been identified.



The Board has a written schedule of matters reserved for decision by the whole Board, which include:

- 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 are delegated either to one of the board committees or to the chief executive.

The board committees are as follows:

- The **Audit and Risk Committee** independently reviews the effectiveness of Barnardo's internal control and risk management systems. It also reviews the content of the *Annual Report and Accounts* and supporting materials before submission to the full Board. It considers any significant issues arising in respect of either internal or external audit, or inspection arrangements.
- The **Family Placement Scrutiny Committee** is responsible for adoption and family placement work within Barnardo's. It considers reports, proposals and recommendations before submission to the Board. It also ensures that the adoption agency and family placement work operates in accordance with the law and organisational policy.
- The **Investment Committee** assists the Board in safeguarding the charity's assets and recommending 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. A revised investment

strategy, following a comprehensive review by the Investment Committee, was approved by the Board in September 2013.

- The **Nominations Committee** reviews the make-up of the Board and recommends action to address identified requirements. It may appoint the panel of trustees that handles trustee recruitment. It has oversight of Membership of Association and may appoint national committee members.
- The **Remuneration Committee** determines the remuneration of the chief executive and members of the Corporate Management Team (the senior executives who report to the chief executive) on an annual basis.
- There are **three national committees** in Scotland, Northern Ireland and Wales that comprise one or two trustees plus other individuals with local knowledge and experience. Barnardo's remains a single UK charity but these committees are responsible, within the framework set by the Board, for overseeing the development of services, the raising of income and Barnardo's influencing work in their respective nations.

The Board may also set up ad hoc, time-limited committees from time to time, if it deems this necessary. For example, this financial year a group was set up to review and make recommendations to the Board on various matters of governance. Its recommendations were accepted by the Board and consequent changes will be enacted in the 2014-15 financial year.

Barnardo's abides by the Code of Good Governance, which sets out the principles of board leadership for the voluntary and community sectors.

## President

Her Royal Highness The Duchess of Cornwall continued her active support of Barnardo's through the year. In October she again

recognised the exceptional efforts made by staff, volunteers and supporters through the award of a number of President's Certificates. In December, Her Royal Highness together with our Patron, Her Majesty the Queen, officially opened our new headquarters – Barnardo House. This wonderful occasion was attended by children, young people and families from our services across the UK.

In February Her Royal Highness hosted an evening reception at St James' Palace, bringing together prospective supporters of Barnardo's to hear more about our work with vulnerable children. In May she hosted guests from Barnardo's at a Buckingham Palace Garden Party.

## Board of Trustees

A list of Trustees is shown on page 45.

## Management

Barnardo's activities extend across all four UK nations: England, Scotland, Northern Ireland and Wales. England is managed in five regions covering London, South East and Anglia, Midlands and South West, East, and West. Responsibility for operational activities is allocated to five departments: Children's Services, Strategy, Marketing, Corporate Services and Finance.

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 and raises money for use in its home country. They 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.

## Remuneration policy

To deliver our charitable aims and to meet the needs of various service contracts, Barnardo's employs a significant number of staff, alongside the vital support that our volunteers provide. We are committed to ensuring that we pay our staff a fair and appropriate salary, while always making sure we have the ability to do so. This is so we can attract and retain people with the right skills and therefore have the greatest impact in delivering our objectives. We recognise that in some cases it is possible to attract staff at a discount to market rates for similar roles in the public or private sector. When setting levels of pay, particularly for more senior roles, this level of discount is taken into account.

In accordance with the SORP we:

- disclose all payments to trustees (no trustees are paid) and expenses reimbursed (detailed in note 9 to the accounts)
- disclose the number of staff in receipt of £60,000 and above (in bands of £10,000) (note 10 to the accounts)
- disclose pensions and other benefits (note 10 to the accounts).

The Board approves the pay settlement for all staff.

The Remuneration Committee meets annually and comprises the chair, deputy chair, honorary treasurer and one other trustee. No members of the executive are members of the Committee. The Committee's main responsibility is to consider the remuneration of the chief executive and members of the Corporate Management Team. The Committee then make recommendations to the Board for approval. The Board and the Remuneration Committee operate within their powers of governance and constitutional arrangements as set out in the Articles of Association. When making recommendations, the Committee will draw on relevant internal and external information about remuneration for senior staff and others.

After the end of the financial year, the National Council of Voluntary Organisations (NCVO) produced recommendations on the disclosure of senior executive pay in

the charity sector. The Board is currently considering the recommendations and how they may be implemented.

Barnardo's recognises a trade union, Unison, for the purposes of negotiating the pay of all other staff. Through negotiation with Unison we have, for the last two years, agreed modest increases for all staff. We have targeted larger increases on those staff who receive the lowest rates of pay, so our minimum rates are considerably higher than the national minimum wage.

Remuneration of staff does not include any share options or long-term incentive schemes. The period of notice for termination of contracts of employment is six months for the chief executive, and between 12 and 16 weeks for the members of the Corporate Management Team. The pension provisions for the chief executive and the members of the Corporate Management Team are on the same terms as other employees.

## Auditors

In accordance with section 487 of the Companies Act 2006, BDO LLP will be deemed to be re-appointed as auditors at the 2014 annual general meeting. Barnardo's abides by regulatory requirements and best practice principles regarding auditor independence and rotation.

## Equal opportunities

Equality and diversity is an intrinsic part of Barnardo's basis and values, which can be found on our website. We are committed to being an inclusive organisation where diversity is welcomed and valued.

We aim to embed equality and diversity in every aspect of the organisation by making our services inclusive and accessible to the most vulnerable children in the UK. We do this by recruiting and retaining a diverse workforce that reflects the communities we serve.

Barnardo's strives to create a culture where people treat each other with mutual respect regardless of age, disability, gender, marital

or civil partnership status, pregnancy and maternity, gender reassignment, race, religion and belief, sexual orientation, irrelevant offending background, responsibility for dependants, economic status or political values.

To drive organisational performance and improvements we recently launched our three-year equality and diversity strategy, and a revised governance structure. The vision for our strategy is to create an environment where diversity is valued and embraced, and which is free from discrimination, victimisation and harassment for service users, staff and volunteers.

We will implement the strategy through region, nation and department business plans, and we will seek to sustain a productive and positive environment where everybody feels valued and works collectively to achieve our purpose – to transform the lives of the most vulnerable children in the UK.

## Communicating with employees and volunteers

At Barnardo's we value the opinions of our employees and volunteers. We engage with them regularly, sharing news about our work and frequent updates about how we're meeting our objectives, and our plans for the future. We encourage everyone to speak to our leadership team, through phone-in sessions and face-to-face events, and raise questions directly with them, including our chief executive, in person or via email.

Using briefings, e-newsletters and events we encourage employees to discuss our work, sharing their expertise with fellow colleagues as well as our leadership team. We also receive feedback via our discussion forums, surveys and events.

We are introducing a new intranet to connect our workforce across our offices, services and shops. It will help us all work together even more efficiently using a central, user-friendly resource.

It will also facilitate speedier discussions across the UK and draw all of our work, news and tools into one area.

## Public benefit

In setting plans and priorities for areas of work, the Trustees of Barnardo's have followed the latest 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 meeting 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 the service users and 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 sets out Barnardo's objectives and achievements during 2013–14. We have set out more specific examples of activities in the *Annual Review 2014*, which complements this report. One such example Robert from Glasgow, not in education, employment or training, who began working at the KFC Argyle Street store as part of the Barnardo's and KFC work experience scheme. After showing great initiative and overcoming his learning difficulties he is now a certified cook and has become a crucial member of the kitchen team.

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. This 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 works hard to reduce the impact it has on the environment and reduce its carbon footprint with the following initiatives:

1. Purchasing 'green' electricity produced from sustainable, renewable energy sources for all our premises, resulting in lower carbon emissions and less impact on the environment.
2. All diesel vehicles in our car fleet have been replaced with 100g/km low-emission models. From 2014 all replacement vehicles are being changed to 90g/km low-emission models with more efficient engines.
3. Continuing to promote the *Big Switch Off* energy campaign, with the aim of reducing energy consumption by five per cent each year.
4. Where practical, installing water meters in our larger premises to reduce consumption and costs.
5. Promoting recycling within our larger sites, to reduce the amount of waste being sent to landfill.
6. Recycling unsold and damaged donations to our retail shops, including textiles, shoes, books, DVDs, CDs, plastics, cardboard, and metal and electrical items. We also recycle old mobile phones and printer cartridges, both those received from the public and those used by Barnardo's.
7. Promoting video conferencing, which has been used more than 1,500 times during the year, saving an estimated 600,000 business miles.

## 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 from help received from companies, organisations, local authorities and individuals in the form of gifts in kind, free loans of property, preferential rent and part-relief from rates. Particular gifts and grants are acknowledged in accordance with their terms on pages 42 to 44.

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



By order of the Board of Trustees

**Tony Cohen**

Chair of the Board of Trustees

16 July 2014



# 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 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 Board of Trustees and members of Barnardo's

We have audited the financial statements of Barnardo's for the year ended 31 March 2014 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 Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's trustees and members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity's trustees and members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees and members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Trustees and auditor

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

We have been appointed 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 regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2014 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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

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

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

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



**Donald Bawtree,**  
Senior Statutory Auditor  
for and on behalf of BDO LLP,  
Statutory Auditor  
Gatwick  
United Kingdom

Date: 16 July 2014

BDO LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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 and endowment funds | Total 2014     | Total 2013     |
|--|------|--------------------|----------------|--------------------------------|----------------|----------------|
|  |      | £000               | £000           | £000                           | £000           | £000           |
| <b>Incoming resources</b>  |      |                    |                |                                |                |                |
| Incoming resources from charitable activities  |      |                    |                |                                |                |                |
| Fees and grants for service provision  | 4    |                    | 159,476        | 5,239                          | 164,715        | 158,316        |
| Voluntary income   | 5    | 40,781             |                | 2,936                          | 43,717         | 43,556         |
| Less: Costs of generating voluntary income   |      | (11,304)           |                | (757)                          | (12,061)       | (10,946)       |
| <b>Net voluntary income</b>  |      |                    | <b>29,477</b>  | <b>2,179</b>                   | <b>31,656</b>  | <b>32,610</b>  |
| Activities for generating funds  |      |                    |                |                                |                |                |
| Trading income   |      | 51,680             |                |                                | 51,680         | 48,274         |
| Less: Costs of goods sold and other costs  | 6    | (41,544)           |                |                                | (41,544)       | (37,385)       |
| <b>Net income from trading</b>   |      |                    | <b>10,136</b>  | <b>-</b>                       | <b>10,136</b>  | <b>10,889</b>  |
| Income from development and sale of properties   | 7    | 21,563             |                |                                | 21,563         | 4,154          |
| Less: Costs of developing and selling properties   |      | (12,539)           |                |                                | (12,539)       | (66)           |
| <b>Net income from developing and selling properties</b>                                 |      |                    | <b>9,024</b>   | <b>-</b>                       | <b>9,024</b>   | <b>4,088</b>   |
| Investment and other income  | 8    | 2,679              |                | 1,421                          | 4,100          | 3,812          |
| Less: Investment management costs  |      | (141)              |                | (75)                           | (216)          | (172)          |
| <b>Net investments and other income</b>  |      |                    | <b>2,538</b>   | <b>1,346</b>                   | <b>3,884</b>   | <b>3,640</b>   |
| Total incoming resources   |      |                    | 276,179        | 9,595                          | 285,774        | 258,112        |
| Less: Cost of generating income  |      |                    | (65,528)       | (832)                          | (66,360)       | (48,569)       |
| <b>Net incoming resources available for charitable expenditure</b>                       |      |                    | <b>210,651</b> | <b>8,763</b>                   | <b>219,414</b> | <b>209,543</b> |
| <b>Charitable expenditure</b>  |      |                    |                |                                |                |                |
| Charitable activities:   |      |                    |                |                                |                |                |
| Service provision  | 6    |                    | 188,572        | 8,523                          | 197,095        | 187,492        |
| Informing the public about our work  |      |                    | 6,881          | -                              | 6,881          | 7,875          |
| Childcare research and education   |      |                    | 1,978          | -                              | 1,978          | 1,918          |
| <b>Total charitable activities</b>   |      |                    | <b>197,431</b> | <b>8,523</b>                   | <b>205,954</b> | <b>197,285</b> |
| Governance costs   |      |                    | 2,207          | -                              | 2,207          | 1,568          |
| Pensions finance charge  | 11   |                    | 3,900          | -                              | 3,900          | 4,500          |
| <b>Total charitable expenditure</b>  |      |                    | <b>203,538</b> | <b>8,523</b>                   | <b>212,061</b> | <b>203,353</b> |
| <b>Net incoming resources</b>  | 12   |                    | <b>7,113</b>   | <b>240</b>                     | <b>7,353</b>   | <b>6,190</b>   |
| Gains on revaluation and on investment asset disposals                                   | 13   |                    | 1,277          | 693                            | 1,970          | 5,364          |
| Actuarial loss recognised on defined benefit pension scheme                              | 11   |                    | (9,400)        | -                              | (9,400)        | (6,300)        |
| <b>Net movement in funds</b>   |      |                    | <b>(1,011)</b> | <b>934</b>                     | <b>(77)</b>    | <b>5,254</b>   |
| <b>Fund balances brought forward</b>   |      |                    | <b>(7,777)</b> | <b>29,194</b>                  | <b>21,417</b>  | <b>16,163</b>  |
| <b>Fund balances carried forward</b>   | 23   |                    | <b>(8,788)</b> | <b>30,128</b>                  | <b>21,340</b>  | <b>21,417</b>  |
| <b>Note:</b>   |      |                    |                |                                |                |                |
| Total incoming resources   |      |                    | 276,179        | 9,595                          | 285,774        | 258,112        |
| Total resources expended   |      |                    | 269,066        | 9,355                          | 278,422        | 251,922        |
| <b>Net incoming resources</b>  |      |                    | <b>7,113</b>   | <b>240</b>                     | <b>7,353</b>   | <b>6,190</b>   |
| Total cost of generating funds (including fundraising, trading and property development) |      |                    | 65,528         | 832                            | 66,360         | 48,570         |

All of the above results relate to continuing activities. The notes on pages 26 to 40 form part of these financial statements.

# Balance sheet

|   | Note          | Group          |                | Charity        |                |
|---|---------------|----------------|----------------|----------------|----------------|
|   |               | 2014<br>£000   | 2013<br>£000   | 2014<br>£000   | 2013<br>£000   |
| <b>Fixed assets</b>   |               |                |                |                |                |
| Tangible assets   | 14            | 46,694         | 41,186         | 46,694         | 41,186         |
| Investments   | 15            | 62,751         | 65,687         | 62,771         | 65,707         |
|   |               | <u>109,445</u> | <u>106,873</u> | <u>109,465</u> | <u>106,893</u> |
| <b>Current assets</b>   |               |                |                |                |                |
| Stocks and work in progress                                     | 16            | 1,968          | 3,311          | -              | -              |
| Debtors   | 17            | 28,695         | 31,018         | 26,241         | 31,867         |
| Current asset investments                                       | 18            | 11,093         | 5,002          | 11,093         | 5,002          |
| Cash and bank balances and short-term deposits                  | 19            | 11,172         | 6,645          | 10,819         | 6,605          |
|   |               | <u>52,928</u>  | <u>45,976</u>  | <u>48,153</u>  | <u>43,474</u>  |
| <b>Creditors – amounts falling due within one year</b>          | 20            | (42,071)       | (36,632)       | (34,677)       | (29,789)       |
| <b>Net current assets</b>                                       |               | <u>10,857</u>  | <u>9,344</u>   | <u>13,476</u>  | <u>13,685</u>  |
| <b>Creditors – amounts falling due after more than one year</b> | 21            | (3,063)        | (7,000)        | (3,063)        | (7,000)        |
| <b>Net assets excluding pension liability</b>                   |               | <u>117,240</u> | <u>109,217</u> | <u>119,878</u> | <u>113,578</u> |
| Pension liability   | 11            | (95,900)       | (87,800)       | (95,900)       | (87,800)       |
| <b>Net assets including pension liability</b>                   |               | <u>21,340</u>  | <u>21,417</u>  | <u>23,978</u>  | <u>25,778</u>  |
| <b>Fund balances</b>  |               |                |                |                |                |
| Restricted and endowment funds                                  | 23(a) and (b) | 30,128         | 29,194         | 30,128         | 29,194         |
| Fixed assets fund   | 23(c)         | 46,520         | 41,012         | 46,520         | 41,012         |
| General reserve   |               | 29,735         | 29,667         | 29,753         | 29,687         |
| Working capital fund  |               | 10,857         | 9,344          | 13,476         | 13,685         |
|   |               | <u>87,112</u>  | <u>80,023</u>  | <u>89,749</u>  | <u>84,384</u>  |
| <b>Total funds excluding pension reserve</b>                    |               | <u>117,240</u> | <u>109,217</u> | <u>119,877</u> | <u>113,578</u> |
| Pension liability   | 11            | (95,900)       | (87,800)       | (95,900)       | (87,800)       |
| <b>Total funds</b>  | 23(c)         | <u>21,340</u>  | <u>21,417</u>  | <u>23,978</u>  | <u>25,778</u>  |



**Tony Cohen**  
Chair of the Board of Trustees

16 July 2014



**Ian Marshall**  
Honorary Treasurer

The notes on pages 26 to 40 form part of these financial statements.

Company number: 61625



## Consolidated cash flow statement

|   | Note  | 2014     | 2013     |
|---|-------|----------|----------|
|   |       | £000     | £000     |
| <b>Net cash outflow from operating activities</b>           | 24(a) | (4,064)  | (4,654)  |
| <b>Returns on investments and servicing of finance</b>      |       |          |          |
| Investment income and interest                              | 8     | 4,101    | 3,529    |
| <b>Capital expenditure and financial investment</b>         |       |          |          |
| Purchase of tangible fixed assets                           | 14    | (10,900) | (10,536) |
| Purchase of investments                                     | 15    | (48,418) | (739)    |
| Sale of tangible fixed assets                               |       | 10,422   | 5,298    |
| Sale of investments   | 15    | 53,324   | 758      |
|   |       | 4,428    | (5,219)  |
| <b>Cash inflow/(outflow) before use of liquid resources</b> |       | 4,465    | (6,344)  |
| <b>Management of liquid resources</b>                       |       |          |          |
| Net cash (put on deposit)/withdrawn                         |       | (1,454)  | 978      |
| <b>Financing</b>  |       |          |          |
| Increase in long-term borrowings                            |       | 63       | 7,000    |
| <b>Increase in cash in the year</b>                         |       | 3,074    | 1,634    |

## 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  | 2014    | 2013    |
|--|-------|---------|---------|
|  |       | £000    | £000    |
| <b>Gross income</b>  |       |         |         |
| Gross income of continuing operations  |       | 200,987 | 192,024 |
| Income of non-charitable trading subsidiaries                                  | 3     | 83,440  | 65,117  |
|  |       | 284,427 | 257,141 |
| <b>Gross expenditure</b>   |       |         |         |
| Total expenditure of continuing operations                                     |       | 200,948 | 188,387 |
| Expenditure of non-charitable trading subsidiaries                             | 3     | 77,170  | 63,221  |
|  |       | 278,118 | 251,608 |
| <b>Net income for the year before transfers and investment asset disposals</b> |       | 6,309   | 5,533   |
| <b>Realised gain on disposal of investment assets</b>                          | 13    | 8,454   | 66      |
| <b>Net income for the year</b>   |       | 14,764  | 5,600   |
| <b>Reconciliation to statement of financial activities:</b>                    |       |         |         |
| Net income for the year before investment asset disposals as above             |       | 6,309   | 5,533   |
| Movement on restricted capital and endowment funds                             | 23(a) | 1,043   | 657     |
| <b>Net incoming resources</b>  |       | 7,352   | 6,190   |

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 £201.0m and net income of £8.5m (2013: net income £4.4m) 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 applicable accounting standards, including the Statement of Recommended Practice (SORP) on Accounting and Reporting by Charities (revised 2005) and the Companies Act 2006.

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

### Basis of consolidation

The consolidated accounts of the group incorporate the accounts of the charity and its subsidiary undertakings, all of which were prepared to 31 March 2014. 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 are recognised in the SOFA. Gains or losses on investments are calculated as the difference between the disposal proceeds and the historical cost.

### Fixed assets

Except as set out below, 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

- i. 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.
- ii. 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, in accordance with Financial Reporting Standard (FRS) 15 (Tangible Fixed Assets).
- iii. 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.

### Income

- i. 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.
- ii. Donations (except in relation to legacies) are accounted for at the time of receipt. 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 certainty of imminent receipt. The amount notified in relation to such legacies is disclosed in note 5.

- iii.** The value for gifts in kind, donated services and donated facilities are estimated and included in the period in which they are received.
- iv.** All grants are accounted for gross 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.
- v.** 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.
- vi.** Income from sale and development of properties is accounted for once the income on the land element of the sale is received in the bank.
- vii.** Investment income is the amount receivable for the year.
- viii.** 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 20 to the accounts.

## Expenditure

- i.** All expenditure is accounted for on an accruals basis and irrecoverable VAT is included in the relevant cost category. Some costs incurred centrally are allocated to expenditure categories listed below on the basis of their use of corporate functions. Such allocations of support costs are made on a basis consistent with the use of resources. Further details regarding support costs are disclosed in note 6.
- ii.** 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.
- iii.** Costs of generating trading income represent expenditure incurred in the operation and management of the Barnardo's chain of shops and other activities undertaken by Barnardo Trading, such as the Christmas mail-order catalogue.
- iv.** Costs of developing and selling properties represent expenditure undertaken by Barnardo Developments Limited.
- v.** Direct service provision costs represent the operational costs of service delivery.
- vi.** Grants made include those that Barnardo's makes to other organisations and grants to young people through Barnardo's trust funds. Grant expenditure is recognised once the offer is communicated to the recipient.
- vii.** Other service and training costs are incurred in providing regional/national and departmental management.
- viii.** Informing the public about our work includes the costs incurred in raising awareness of childcare issues and Barnardo's activities in relation to them.
- ix.** Childcare research and education includes policy reviews and activities to help educate wider groups about relevant childcare issues.
- x.** Governance costs include those incurred in the governance of Barnardo's assets and are associated with constitutional and statutory requirements.

## Pension costs

In accordance with FRS 17 (Retirement Benefits), the SOFA includes:

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

In accordance with FRS 17, 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 11.

## 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 or may become repayable under the terms attached.

## Operating leases

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

## Corporation tax

The subsidiary companies 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 17 (Retirement Benefits), the liability attributable to the Barnardo Staff Pension Scheme is shown as a reduction of total funds. No designation of funds to meet future pension commitments at the balance sheet date is in place as the organisation anticipates meeting such commitments through future cash flows, a situation that is subject to regular review in conjunction with actuarial valuations and related professional advice.

#### ■ Subordinate charities

Included in restricted and endowment funds are assets held on behalf of trusts that are constituted as separately registered charities. These have purposes 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 23).

## 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 2014. The net liability position is as a result of the inclusion of an FRS 17 liability of £95.9m for the Barnardo 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 2014–15 and beyond, against the working capital available, notably its cash and investments. Despite a challenging environment, a break-even budget is planned for 2014–15.

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                             | Principal activities           |
|--|--------------------------------|
| Barnardo Trading Limited                           | Mail order and retailing       |
| Barnardo Developments Limited                      | Property development           |
| Barnardo Events Limited                            | Sponsorship and special events |
| Barnardo Services Limited                          | Childcare services             |
| Barnardo Holdings Limited                          | Holding company                |
| Barnardo Garden Village Management Company Limited | 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 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<br>Trading<br>Limited | Barnardo<br>Developments<br>Limited | Barnardo<br>Events<br>Limited | Barnardo<br>Services<br>Limited | Total<br>2014 | Total<br>2013 |
|--|--------------------------------|-------------------------------------|-------------------------------|---------------------------------|---------------|---------------|
|  | £000                           | £000                                | £000                          | £000                            | £000          | £000          |
| Turnover                                       | 2,992                          | 17,402                              | 390                           | 61,915                          | 82,699        | 64,423        |
| Cost of sales                                  | (1,461)                        | (12,539)                            | -                             | (61,915)                        | (75,915)      | (62,114)      |
| Gross profit                                   | 1,531                          | 4,863                               | 390                           | -                               | 6,784         | 2,309         |
| Admin/other costs                              | (913)                          | (178)                               | (113)                         | (51)                            | (1,255)       | (1,107)       |
| Trading profit/(loss)                          | 618                            | 4,685                               | 277                           | (51)                            | 5,529         | 1,202         |
| Other income                                   | -                              | 122                                 | -                             | 619                             | 741           | 694           |
| Net income                                     | 618                            | 4,807                               | 277                           | 568                             | 6,270         | 1,896         |
| Amount payable by gift aid<br>to Barnardo's    | (618)                          | (4,807)                             | (277)                         | (568)                           | (6,270)       | (1,896)       |
| 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. Fees and grants for children's services

|                              | 2014<br>£000 | 2013<br>£000 |
|------------------------------|--------------|--------------|
| Family support and placement | 90,882       | 85,100       |
| Education                    | 21,706       | 21,758       |
| Disability support           | 12,104       | 11,793       |
| Other services               | 40,023       | 39,665       |
|                              | 164,715      | 158,316      |

## 5. Voluntary income

|   |
|---|
| Legacies                                    |
| Donations and gifts from the general public |
| Donations from companies and trusts         |

| 2014          | 2013          |
|---------------|---------------|
| £000          | £000          |
| 18,649        | 16,337        |
| 23,816        | 24,926        |
| 1,252         | 2,293         |
| <b>43,717</b> | <b>43,556</b> |

Legacies notified but not accrued at 31 March 2014 were £4.6m (2013: £5.7m).

## 6. Expenditure

Trading expenditure of £39.1m represents the costs of operating our 539 retail shops. The remainder of £2.4m includes the expenditure of Barnardo Trading Limited on costs of goods sold and other costs. £12.5m has been incurred developing and selling land surplus to the group's requirements. Expenditure on service provision comprises direct costs of £181.2m (2013: £172.6m), grants made of £0.3m (2013: £0.3m) and support and training costs of £15.5m (2013: £14.6m).

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.

## 7. Income from sale and development of properties

|   |
|---|
| Gain on disposal of properties            |
| Turnover of Barnardo Developments Limited |

| 2014          | 2013         |
|---------------|--------------|
| £000          | £000         |
| 4,160         | 3,790        |
| 17,402        | 364          |
| <b>21,562</b> | <b>4,154</b> |

## 8. Investment and other income

|   |
|---|
| Listed investments – United Kingdom           |
| Short-term deposits                           |
| Rents and ground rents                        |
| Loan and other interest                       |
| Gain on disposal of non-property fixed assets |

| 2014         | 2013         |
|--------------|--------------|
| £000         | £000         |
| 3,400        | 3,053        |
| 77           | 86           |
| 254          | 303          |
| 124          | 87           |
| 246          | 283          |
| <b>4,101</b> | <b>3,812</b> |

## 9. Members

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 2014 there were 306 members (31 March 2013: 313).

During the year no Trustee received any remuneration or benefits from the charity. Expenses incurred by Trustees amounted to £24,329 (2013: £24,603) and included travel, subsistence and other related costs. The number of Trustees claiming expenses was 11 (2013:11).

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 £7,819 (2013: £7,791).

## 10. Employees

The average number of employees during the year was:

|  |       |       |
|--|-------|-------|
| Children's services  | 6,229 | 6,283 |
| Fundraisers, shop managers, clerical staff and fundraising management                | 1,765 | 1,629 |
| Central support services (including employees performing work for other departments) | 260   | 278   |

| 2014<br>No. | 2013<br>No. |
|-------------|-------------|
| 6,229       | 6,283       |
| 1,765       | 1,629       |
| 260         | 278         |
| 8,254       | 8,190       |

The number of staff whose emoluments fell within each of the following bands was:

|                      |       |       |
|----------------------|-------|-------|
| £0 to £59,999        | 8,223 | 8,154 |
| £60,000 to £69,999   | 8     | 14    |
| £70,000 to £79,999   | 12    | 7     |
| £80,000 to £89,999   | 8     | 9     |
| £90,000 to £99,999   | -     | 3     |
| £100,000 to £109,999 | 2     | 1     |
| £120,000 to £129,999 | -     | 1     |
| £130,000 to £139,999 | 1     | -     |
| £140,000 to £149,999 | 1     | -     |
| £150,000 to £159,999 | -     | 1     |

| 2014<br>No. | 2013<br>No. |
|-------------|-------------|
| 8,223       | 8,154       |
| 8           | 14          |
| 12          | 7           |
| 8           | 9           |
| -           | 3           |
| 2           | 1           |
| -           | 1           |
| 1           | -           |
| 1           | -           |
| -           | 1           |
| 8,254       | 8,190       |

Number of full-time equivalent employees at year end

|       |       |
|-------|-------|
| 5,354 | 5,171 |
|-------|-------|

The aggregate emoluments to employees in the year were:

|  |         |         |
|--|---------|---------|
| Wages and salaries                                     | 133,165 | 129,673 |
| Social security costs                                  | 10,721  | 9,670   |
| Pension costs  | 12,073  | 12,233  |
| Benefits in kind (as calculated for taxation purposes) | 344     | 372     |

| £000    | £000    |
|---------|---------|
| 133,165 | 129,673 |
| 10,721  | 9,670   |
| 12,073  | 12,233  |
| 344     | 372     |
| 156,303 | 151,948 |

Emoluments for this purpose include gross salary and benefits in kind but exclude expenses. Systems are in place for the management of expenses.

29 employees earning over £60,000 (2013: 11) receive benefits accruing under the Barnardo's Retirement Savings Plan. The increased number of pension members follows the closure of the defined benefit pension scheme during the year (see note 11). Employer contributions to the pension funds of these 29 employees were a combined total of £142,000 during the year (2013: £48,000).

## 11. 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 new entrants in 2007, and pensions accrued since then have been provided on a career average revalued earnings basis, with increases broadly in line with inflation. 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 £5,409,000 (2013: £2,153,000). This figure is higher than 2013 now that the former active members of the defined benefit scheme are members of the defined contribution scheme.

Details of the defined benefit scheme, produced in accordance with FRS17, are set out on the next page.

The full actuarial valuation as at 31 March 2012 was updated to 31 March 2014, by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

The expected rate of return on assets for the financial year ended 31st March 2014 was 4.6 per cent pa (2013 4.9 per cent pa). This rate is derived by taking the weighted average of the long term expected rate of return on each of the asset classes that the scheme was invested in at 31 March 2013, less an allowance for administration expenses.

The estimated amount of total employer contributions expected to be paid to the scheme during 2014–15 is £7.0m (2013–14 actual: £7.0m).

The following table sets out the key FRS17 assumptions used for the scheme.

| Assumptions                                       | 2014<br>per annum | 2013<br>per annum |
|---|-------------------|-------------------|
| Price inflation (RPI)                             | 3.2%              | 3.2%              |
| Discount rate                                     | 4.6%              | 4.6%              |
| Pension increases (5% LPI)                        | 3.1%              | 3.1%              |
| Pension increases (2.5% LPI)                      | 2.2%              | 2.2%              |
| Further life expectancy of male aged 60 in 2014   | 26 years          | 26 years          |
| Further life expectancy of male aged 60 in 2034   | 28 years          | 28 years          |
| Further life expectancy of female aged 60 in 2014 | 28 years          | 28 years          |
| Further life expectancy of female aged 60 in 2034 | 29 years          | 29 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 four periods are as follows:

|                              | 2014<br>£m | 2013<br>£m | 2012<br>£m | 2011<br>£m | 2010<br>£m |
|------------------------------|------------|------------|------------|------------|------------|
| Total fair value of assets   | 522.9      | 525.2      | 463.9      | 417.6      | 381.9      |
| Present value of liabilities | (618.8)    | (613.0)    | (547.8)    | (491.0)    | (466.9)    |
| Deficit                      | (95.9)     | (87.8)     | (83.9)     | (73.4)     | (85.0)     |

The following amounts have been included within net incoming resources under FRS17 in relation to the defined benefit scheme:

|   | 2014<br>£m | 2013<br>£m |
|---|------------|------------|
| Employer's part of current service cost | 0.7        | 7.3        |
| Past service cost                       | 1.1        | 0.8        |
|   | 1.8        | 8.1        |
| Interest cost                           | 27.8       | 27.1       |
| Expected return on scheme assets        | (23.9)     | (22.6)     |
| Curtailment (gain)                      | 0.0        | (2.0)      |
| Total expense                           | 5.7        | 10.6       |

The reduction in costs compared with 2013 is mostly a result of the closure of the defined benefit scheme to further accrual during the year.

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

|                         | 2014<br>£m | 2013<br>£m |
|-------------------------|------------|------------|
| Equities                | 161.2      | 207.6      |
| Bonds                   | 151.4      | 131.0      |
| Diversified growth fund | 177.4      | 150.5      |
| Swap contracts          | 17.4       | 20.2       |
| Cash/other              | 15.5       | 15.9       |
|                         | 522.9      | 525.2      |



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

|   | 2014<br>£m | 2013<br>£m |
|---|------------|------------|
| Opening value of scheme liabilities     | 613.0      | 547.8      |
| Employer's part of current service cost | 0.7        | 7.3        |
| Past service cost                       | 1.1        | 0.8        |
| Interest cost                           | 27.8       | 27.1       |
| Curtailment (gain)                      | -          | (2.0)      |
| Contributions from scheme members       | -          | 0.2        |
| Actuarial (gain)/loss                   | (4.6)      | 49.0       |
| Benefits paid                           | (19.2)     | (17.2)     |
| Closing value of scheme liabilities     | 618.8      | 613.0      |

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

|   | 2014<br>£m | 2013<br>£m |
|---|------------|------------|
| Opening fair value of the scheme assets | 525.2      | 463.9      |
| Expected return on scheme assets        | 23.9       | 22.6       |
| Actuarial (loss)/gain                   | (14.0)     | 42.7       |
| Contributions by the employer           | 7.0        | 13.0       |
| Contributions by scheme members         | -          | 0.2        |
| Benefits paid                           | (19.2)     | (17.2)     |
| Closing fair value of scheme assets     | 522.9      | 525.2      |

The actual return on the scheme's assets over the year was a gain of £9.9m (2012–13: gain of £65.3m).

The following amounts for 2010–14 have been recognised under the 'actuarial loss recognised on defined benefit pension scheme' heading within the SOFA:

|   | 2014<br>£m |      | 2013<br>£m |      | 2012<br>£m |      | 2011<br>£m |      | 2010<br>£m |       |
|---|------------|------|------------|------|------------|------|------------|------|------------|-------|
| Actual less expected return on scheme assets  | (14.0)     | (3%) | 42.7       | 8%   | 22.1       | 5%   | 7.0        | 2%   | 64.1       | 17%   |
| Experience gain/(loss) on scheme liabilities  | 3.2        | 1%   | 0.4        | 0%   | (7.4)      | (1%) | (6.0)      | (1%) | 3.8        | 1%    |
| Gain or (loss) due to assumption changes underlying the present value of scheme liabilities | 1.4        | 0%   | (49.4)     | 8%   | (30.8)     | 6%   | 0.4        | 0%   | (89.3)     | (19%) |
| Actuarial (loss)/gain   | (9.4)      | (2%) | (6.3)      | (1%) | (16.1)     | (3%) | 1.4        | 0%   | (21.4)     | (5%)  |

The above percentages show the components as a percentage of the end of year value of the scheme's assets or liabilities, as appropriate. The cumulative amount of actuarial gains and losses recognised under the above heading in the statement of financial activities since 1 April 2002 is a loss of £125.2m.

A recovery plan has been agreed with the pension trustees to fund the deficit in the defined benefit scheme and the agreed payments have been budgeted and included in future cashflow projections. Payments will be accounted for over a number of years and do not require a reduction in the total funds shown in the balance sheet.

## 12. Net incoming resources

|   | 2014<br>£000 | 2013<br>£000 |
|---|--------------|--------------|
| Net incoming resources are stated after charging: |              |              |
| Depreciation of tangible fixed assets             | 3,993        | 3,769        |
| Depreciation on adaptations for special purposes  | -            | 45           |
| Auditors' remuneration – statutory                | 65           | 63           |
| – taxation  | 2            | 1            |
| – other   | 10           | 11           |
| Operating lease rentals                           | 13,729       | 13,452       |

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

Realised gains  
Unrealised (losses)/gains

| 2014<br>£000 | 2013<br>£000 |
|--------------|--------------|
| 8,454        | 66           |
| (6,484)      | 5,298        |
| 1,970        | 5,364        |

## 14. Tangible assets

### (a) Group and charity

#### Cost

At beginning of year  
Additions  
Disposals

#### At end of year

#### Depreciation

At beginning of year  
Provided during year  
On disposals

#### At end of year

#### Net book value

At beginning of year

At end of year

| Properties<br>£000 | Equipment<br>and vehicles<br>£000 | Total<br>2014<br>£000 |
|--------------------|-----------------------------------|-----------------------|
| 94,786             | 19,005                            | 113,791               |
| 7,533              | 3,368                             | 10,900                |
| (4,800)            | (1,703)                           | (6,503)               |
| 97,518             | 20,670                            | 118,188               |
| 55,739             | 16,866                            | 72,605                |
| 1,957              | 2,036                             | 3,993                 |
| (3,505)            | (1,599)                           | (5,104)               |
| 54,191             | 17,303                            | 71,494                |
| 39,047             | 2,140                             | 41,186                |
| 43,328             | 3,367                             | 46,694                |

### Group and charity

### (b) Analysis of freehold and leasehold properties:

Freeholds  
Long leaseholds (over 50 years)  
Short leaseholds (50 years and under)

### (c) Use of properties:

Service delivery  
Other (including shops and offices)

| 2014<br>£000 | 2013<br>£000 |
|--------------|--------------|
| 34,834       | 30,633       |
| 2,718        | 3,336        |
| 5,776        | 5,078        |
| 43,328       | 39,047       |
| 16,494       | 17,601       |
| 26,834       | 21,446       |
| 43,328       | 39,047       |

Rental income is received from properties surplus to operational requirements.

## 15. Investments

|   | Group         |               |
|---|---------------|---------------|
|   | 2014<br>£000  | 2013<br>£000  |
| Investments at market value   | 62,751        | 65,687        |
| Investments of the charity include £20,000 in subsidiary undertakings (note 2). |               |               |
| <i>Investments at market value:</i>   |               |               |
| At beginning of year  | 65,687        | 60,342        |
| Additions   | 48,418        | 739           |
| Disposals   | (53,324)      | (758)         |
| Realised/unrealised gains   | 1,970         | 5,364         |
| <b>At end of year</b>   | <b>62,751</b> | <b>65,687</b> |
| <i>Comprising:</i>  |               |               |
| UK equities   | 21,367        | 45,116        |
| UK bonds  | 17,688        | 13,358        |
| International Pooled Funds  | 20,336        | -             |
| Cash  | 2,373         | 6,863         |
| Other investments   | 987           | 350           |
|   | 62,751        | 65,687        |
| <b>Cost of investments</b>  | <b>59,016</b> | <b>55,396</b> |

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

## 16. Stocks and work in progress

|                  | Group        |              |
|------------------|--------------|--------------|
|                  | 2014<br>£000 | 2013<br>£000 |
| Finished goods   | 1,000        | 659          |
| Work in progress | 968          | 2,652        |
|                  | <b>1,968</b> | <b>3,311</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.

## 17. Debtors

|                                | Group         |               | Charity       |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2014<br>£000  | 2013<br>£000  | 2014<br>£000  | 2013<br>£000  |
| Trade debtors                  | 282           | 171           | 2             | 7             |
| Statutory and related funders  | 15,897        | 17,633        | 10,056        | 10,224        |
| Taxation                       | 2,757         | 2,837         | 2,710         | 2,837         |
| Other debtors                  | 1,079         | 2,063         | 795           | 244           |
| Prepayments and accrued income | 8,681         | 8,314         | 6,683         | 7,573         |
| Amounts due from subsidiaries  | -             | -             | 5,995         | 10,982        |
|                                | <b>28,695</b> | <b>31,018</b> | <b>26,241</b> | <b>31,867</b> |

Amounts due from subsidiaries represent:

- Loans from the charity to Barnardo Trading Limited and Barnardo Developments Limited. 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 per cent to two per cent above base rate.
- Temporary current account balances between the charity and Barnardo Services Limited and Barnardo Events Limited.

## 18. Current asset investments

|  | Group  |       | Charity |       |
|--|--------|-------|---------|-------|
|  | 2014   | 2013  | 2014    | 2013  |
|  | £000   | £000  | £000    | £000  |
| At beginning of year                   | 5,002  | -     | 5,002   | -     |
| Transfer from short-term cash deposits | 6,091  | 5,002 | 6,091   | 5,002 |
| At end of year                         | 11,093 | 5,002 | 11,093  | 5,002 |

## 19. Cash and bank balances and short-term deposits

|                          | Group  |       | Charity |       |
|--------------------------|--------|-------|---------|-------|
|                          | 2014   | 2013  | 2014    | 2013  |
|                          | £000   | £000  | £000    | £000  |
| Cash at bank and in hand | 8,097  | 5,023 | 7,744   | 4,983 |
| Short-term deposits      | 3,076  | 1,622 | 3,076   | 1,622 |
|                          | 11,172 | 6,645 | 10,819  | 6,605 |

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

|                                       | Group  |        | Charity |        |
|---------------------------------------|--------|--------|---------|--------|
|                                       | 2014   | 2013   | 2014    | 2013   |
|                                       | £000   | £000   | £000    | £000   |
| Pension contributions                 | 488    | 782    | 488     | 782    |
| Other taxes and social security costs | 7,602  | 6,845  | 4,101   | 3,762  |
| Other creditors                       | 3,840  | 3,488  | 2,772   | 2,276  |
| Accruals                              | 10,809 | 10,372 | 10,580  | 10,188 |
| Trade creditors                       | 6,561  | 5,724  | 6,443   | 5,725  |
| Deferred income                       | 8,772  | 9,421  | 6,294   | 7,056  |
| Bank loans                            | 4,000  | -      | 4,000   | -      |
|                                       | 42,071 | 36,632 | 34,677  | 29,789 |

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

## 21. Creditors – amounts falling due after more than one year

|            | Group |       | Charity |       |
|------------|-------|-------|---------|-------|
|            | 2014  | 2013  | 2014    | 2013  |
|            | £000  | £000  | £000    | £000  |
| Bank loans | 3,063 | 7,000 | 3,063   | 7,000 |

Repayable within two years at fixed rates of interest of between 3.5 per cent and 3.8 per cent.

## 22. Commitments

|   | Group        |              | Charity      |              |
|---|--------------|--------------|--------------|--------------|
|   | 2014<br>£000 | 2013<br>£000 | 2014<br>£000 | 2013<br>£000 |
| <b>(a) Capital expenditure</b>                        |              |              |              |              |
| Capital expenditure contracted                        | 967          | 4,098        | 967          | 4,098        |
| Capital expenditure authorised but not contracted for | -            | -            | -            | -            |

|   | Group and charity |              |
|---|-------------------|--------------|
|   | 2014<br>£000      | 2013<br>£000 |
| <b>(b) Land and other buildings</b>                                       |                   |              |
| Annual commitments under non-cancellable operating leases are as follows: |                   |              |
| Operating leases which expire:  |                   |              |
| Within one year   | 491               | 363          |
| In the second to fifth years inclusive                                    | 4,393             | 3,994        |
| Over five years   | 6,513             | 6,272        |

## 23. Fund balances

|  | Restricted<br>income funds<br>£000 | Restricted<br>endowment funds<br>£000 | Total<br>2014<br>£000 |
|--|------------------------------------|---------------------------------------|-----------------------|
| <b>(a) Analysis of restricted and endowment funds</b>                    |                                    |                                       |                       |
| Incoming resources   |                                    |                                       |                       |
| Fundraising income   | 2,970                              | -                                     | 2,970                 |
| Big Lottery Fund   | 5,204                              | -                                     | 5,204                 |
| Net income from investments and other                                    | -                                  | 1,346                                 | 1,346                 |
|  | 8,174                              | 1,346                                 | 9,520                 |
| Resources expended   |                                    |                                       |                       |
| Childcare and community work in the UK                                   | 8,220                              | -                                     | 8,220                 |
| Cost of fundraising income   | 757                                | -                                     | 757                   |
| Grants to young people in need   | -                                  | 303                                   | 303                   |
|  | 8,977                              | 303                                   | 9,280                 |
| <b>Net incoming resources</b>  | (803)                              | 1,043                                 | 241                   |
| <b>Gains and losses on revaluation and on investment asset disposals</b> |                                    |                                       |                       |
| Unrealised losses  | (1,207)                            | -                                     | (1,207)               |
| Realised gains   | 1,900                              | -                                     | 1,900                 |
|  | 693                                | -                                     | 693                   |
| <b>Net movement in funds</b>   | (110)                              | 1,043                                 | 934                   |
| <b>Fund balances brought forward</b>                                     | 8,725                              | 20,469                                | 29,194                |
| <b>Fund balances carried forward</b>                                     | 8,616                              | 21,512                                | 30,128                |

All endowment funds are permanent endowments.

The restricted capital and endowment fund balances carried forward at 31 March 2014 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 2013  | 1,728 |
| Net increase in value during the year of the unapplied total return within endowment funds      | 50    |
| Value of assets representing the unapplied total return within endowment funds at 31 March 2014 | 1,778 |



|   | 2014<br>No. | 2014<br>£000 | 2013<br>No. | 2013<br>£000 |
|---|-------------|--------------|-------------|--------------|
| <b>(b) Categorisation of restricted and endowment funds</b> |             |              |             |              |
| Fund balances   |             |              |             |              |
| Educational purposes  | 3           | 2,477        | 3           | 2,402        |
| Project buildings   | 2           | 284          | 2           | 284          |
| Sea training  | 1           | 407          | 1           | 408          |
| General and other purposes                                  | 20          | 26,960       | 20          | 26,100       |
|   | 26          | 30,128       | 26          | 29,194       |

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 Statement of Recommended Practice for Charities, issued in 2005, as custodian Trustees, and with Charity Commission consent, these charities have been included as if they represent restricted funds of Barnardo's.

|   | Unrestricted<br>£000 | Restricted<br>and<br>endowments<br>£000 | Total<br>£000 |
|---|----------------------|---|---------------|
| <b>(c) Analysis of fund balances between group net assets</b> |                      |   |               |
| Fixed assets  | 46,520               | 174                                     | 46,694        |
| Investments   | 39,122               | 23,629                                  | 62,751        |
| Pension liability (note 11)                                   | (95,900)             | -                                       | (95,900)      |
| Net current assets  | 4,532                | 6,326                                   | 10,857        |
| Long-term liabilities   | (3,063)              | -                                       | (3,063)       |
| <b>Net assets as at 31 March 2014</b>                         | <b>(8,788)</b>       | <b>30,128</b>                           | <b>21,340</b> |
| <b>Net assets as at 31 March 2013</b>                         | <b>(7,777)</b>       | <b>29,194</b>                           | <b>21,417</b> |
| Unrealised losses included in investments value               | (5,277)              | (1,207)                                 | (6,484)       |

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

## 24(a). Reconciliation of net incoming resources to net cash outflow from operating activities

|   | 2014<br>£000   | 2013<br>£000   |
|---|----------------|----------------|
| Net incoming resources                            | 7,353          | 6,190          |
| Depreciation charge                               | 3,993          | 3,814          |
| Net gain on disposal of tangible fixed assets     | (9,024)        | (4,371)        |
| Net pension charges                               | (1,300)        | (2,400)        |
| Decrease/(increase) in debtors                    | 2,323          | (3,033)        |
| Increase in creditors                             | 1,439          | 4,219          |
| Increase in current asset investments             | (6,091)        | (5,002)        |
| Investment income and interest                    | (4,101)        | (3,529)        |
| Decrease/(increase) in stock and work in progress | 1,343          | (542)          |
| <b>Net cash outflow from operating activities</b> | <b>(4,064)</b> | <b>(4,654)</b> |

## 24(b). Reconciliation of net cash flow to movement in net cash funds

|  | 2014<br>£000 | 2013<br>£000 |
|--|--------------|--------------|
| Increase in cash                             | 3,074        | 1,634        |
| Cash outflow from changes in debt            | (63)         | (7,000)      |
| Cash inflow from changes in liquid resources | 7,545        | 4,024        |
| Movement in net funds                        | 10,556       | (1,342)      |
| Opening funds                                | 4,647        | 5,989        |
| Closing funds                                | 15,203       | 4,647        |

## 24(c). Analysis of net cash funds

|                           | At 1 April<br>2013<br>£000 | Cashflow<br>£000 | Other<br>non-cash<br>items<br>£000 | At 31<br>March<br>2014<br>£000 |
|---------------------------|----------------------------|------------------|------------------------------------|--------------------------------|
| Cash at bank and in hand  | 5,023                      | 3,074            | -                                  | 8,097                          |
| Debt due within one year  | -                          | -                | (4,000)                            | (4,000)                        |
| Debt due after one year   | (7,000)                    | (63)             | 4,000                              | (3,063)                        |
| Cash on deposit           | 1,622                      | 1,454            | -                                  | 3,076                          |
| Current asset investments | 5,002                      | 6,091            | -                                  | 11,093                         |
|                           | 4,647                      | 10,556           | -                                  | 15,203                         |

## 25. Related parties

The Trustees confirm that there have been no related party transactions during the year that require disclosure under FRS8 ('Related Party Transactions').

## 26. 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 arising 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

AF International, Aldi Stores Limited, Balfour Beatty plc, BEKO plc, Berrymans Lace Mawer LLP, BGC Partners, Carillion plc, Colgate-Palmolive, DLA Piper UK LLP, Dunelm, Foresters Friendly Society Limited, Hallmark Cards, ISG plc, John Lewis Partnership, KFC UK and Ireland, Kier Group plc, Knight Frank, Ladbrokes, Lorne Stewart plc, Lotto – Scotland, Next Retail Limited, Saint-Gobain Building Distribution UK & Ireland, Shoosmiths, Stephenson Harwood LLP, Sweets for Life, ITV – Text Santa, The Royal Bank of Scotland Group plc, Waitrose Ltd, Wates Group Limited.

### Charitable trusts, grants and foundations

Allan & Nesta Ferguson Charitable Settlement: £25,000

The Atlantic Philanthropies: £220,000

Bank of Scotland Foundation: £10,000

The Bartle Family Charitable Trust: £2,000

BBC Children in Need: £58,322

Big Lottery Fund:

- All Stars: £352,668
- B Venture: £110,089
- Baby Father Initiative: £93,446
- Best Start Middlesbrough: £366,898
- A Better Start Leicester: £213,238
- A Better Start London: £395,142
- BIG Manchester: £249,879
- Blaenau Gwent Community Connections: £89,062
- Canolfan Caban Bach Mantell Gwynedd: £109,002
- Community Futures, Barnsley: £15,179
- Compass Aspire: £49,274
- Compass Options Project: £57,000
- Connected Northumberland: £398,966
- Cyfle Work Your Way: £60,000
- Eleri project: £288,675
- East Ayrshire Families: £10,019
- Family Connections: £232,702
- Flintshire Service – One Community: £52,433
- Gregory's Place Anti-Trafficking project: £99,130
- Growing Up service: £78,585
- Hopscotch: £131,956
- Lifeskills: £438,474
- Lothian Supported Carers Scheme: £179,140
- Making Change Happen: £12,534
- Nurturing Inverclyde: £19,279



|  |
|--|
| ■ Parenting Support Group: £9,005  |
| ■ Path Plus: £397,791  |
| ■ Priory Family Centre: £15,179  |
| ■ Rural Families Service: £6,228   |
| ■ South Lakeland Helping Hands: £41,292                                  |
| ■ South Tyneside Domestic Abuse Perpetrators Programme (STDAPP): £38,672 |
| ■ Streetlevel – Perpetrators Programme: £37,757                          |
| ■ Support and Connect: £38,034   |
| ■ Taith – Girls with Sexually Harmful Behaviour: £82,288                 |
| ■ You First National: £193,590   |
| Bill Brown’s Charitable Settlement of 1989: £3,750                       |
| The Blagrave Trust: £15,000  |
| The Boltini Trust: £10,000   |
| The Brelms Trust: £4,600   |
| The Bromley Trust: £10,000   |
| Burges Salmon Charitable Trust: £3,000                                   |
| The C A Redfern Charitable Foundation: £3,000                            |
| Comic Relief: £173,259   |
| Dr C M H G Barrow Charitable Trust: £12,000                              |
| The Edith Murphy Foundation: £10,000                                     |
| The Equity Housing Group: £1,000   |
| Eveson Charitable Trust: £10,000   |
| The Freemasons’ Grand Charity: £25,000                                   |
| The Gannochy Trust: £17,000  |
| The Henry Smith Charity: £24,750   |
| Jimbo’s Fund: £20,000  |
| The John and Sally Reeve Charitable Foundation: £10,000                  |
| John James Bristol Foundation: £25,000                                   |
| Littlefield Foundation: £18,000  |
| The Liz and Terry Bramall Charitable Trust: £15,000                      |
| Manchester Pride: £1,000   |
| Margaret Giffen Charitable Trust: £10,000                                |
| The Millennium Stadium Charitable Trust: £3,267                          |
| Moondance Foundation: £125,000   |
| Northern Rock Foundation: £138,453                                       |
| The Pauline Meredith Charitable Trust: £16,000                           |
| The Peacock Charitable Trust: £15,000                                    |
| The Railway Children Charity: £100,000                                   |
| The Rothley Trust: £1,500  |
| The Rumi Foundation: £5,000  |
| The R S Macdonald Charitable Trust: £10,000                              |
| The Samworth Foundation: £35,000   |
| Scottish Power Energy People Trust: £25,000                              |
| Sherburn House Charity: £3,000   |
| The Waterloo Foundation: £65,000   |



# Funding from statutory authorities

## Cymru/Wales

Carmarthenshire County Council Department of Education and Children funding for Young Carers service: £29,861

Welsh Assembly Government: £364,700 including £166,392 Section 180 Homelessness Grant

## England

Department for Education:

- Families of Offenders: £304,859

Leicestershire County Council Youth Service: £25,636

## Northern Ireland

Belfast Health and Social Care Trust: £2,316,712

Department for Employment and Learning European Social Fund: £74,211

Department of Education: £193,578

Department of Health, Social Services and Public Safety: £19,492

Department of Justice: £65,154

Early Years – the organisation for young children: £71,830

Health and Social Care Board: £2,576,834

Northern Ireland Housing Executive: £344,554

Northern Ireland Prison Service: £110,698

Office of the First Minister and Deputy First Minister: £44,641

Public Health Agency: £642,947

Southern Health and Social Care Trust: £1,066,092

Victims and Survivors Service: £82,192

Western Health and Social Care Trust: £158,520

## Scotland

Better Breaks: £25,500

Central Scottish Government:

- Plan B Extended Service: £34,939
- You First: £26,186
- East Region Disability Services: £85,107

Inverclyde Council:

- Inverclyde Family Support Team: £181,970
- Nurture Services Inverclyde: £123,824

NHS Forth Valley: £23,500

The Robertson Trust: £229,163

Scottish Prison Service: £131,128

STV Charitable Trust:

- 16+ At Home: £81,872
- CHIP: £74,656

Youth Link Scotland: £25,000

# Board of Trustees and officers

## Patron

Her Majesty The Queen

## President

Her Royal Highness The Duchess of Cornwall

## Vice Presidents

Dr David Barnardo, OBE  
Mr John Bartle, CBE  
Baroness Benjamin, OBE, DL  
Mrs Susan Bernerd, MBE  
Ms Cherie Booth QC (Honorary)  
Mr David Cathie  
Rev. Joel Edwards  
Rev. David Gamble  
Ms Rosemary Jones  
Lord Loomba, CBE  
Mr Bruce Oldfield, OBE  
His Honour Sir Mota Singh, QC  
Mr Philip Taylor

## Trustees

(Year of first appointment)

Ms Rachael Bayley (2005)  
Mr Neil Braithwaite (2011)  
Mr Hugh Burkitt (2009)  
Ms Judy Clements, OBE (2006) – Deputy Chair  
Ms Alexis Cleveland (2011)  
Mr Tony Cohen (2011) – Chair  
Lady Amanda Ellingworth (2009)  
Mrs Ann Hodgson (2003) – retired October 2013  
Ms Hilary Keenlyside (2001) – retired July 2013  
Mrs Ruth Laird, CBE (2012) – retired July 2013  
Mr Ian Marshall (2005) – Honorary Treasurer  
Mrs Sheila Mawer (2005)  
Mrs Kit Pawson (2005) – retired October 2013  
Ms Gill Stewart, CB (2003)  
Ms Eleanor Williams (2008)

## Chief Executive

Javed Khan (from May 2014),  
Peter Brook was Acting Chief Executive  
(from July 2013 to April 2014)

## Deputy Chief Executive and Executive Director, Marketing

Diana Tickell

## Executive Director, Children's Services

Sam Monaghan

## UK Director of Strategy

Puja Darbari

## Executive Director, Corporate Services

Everton Bryan (from June 2014),  
Peter Brook (to April 2014)

## Director of Finance

Kevin Barnes

## Company Secretary

Joanna Lawson

## Contact details

### Registered office

Tanners Lane, Barkingside,  
Ilford, Essex IG6 1QG Tel: 020 8550 8822

### Auditors

BDO LLP, 2 City Place, Beehive Ring Road,  
Gatwick, West Sussex RH6 OPA

### Bankers

Barclays Bank plc, Level 28,  
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,  
2–6 Cannon Street, London, EC4M 6YH







# At Barnardo's, we **believe** in children.

Our vision is to realise  
Thomas Barnardo's  
dream of a world where  
**no child is turned away.**

We work hard to transform  
the lives of the UK's  
most vulnerable children,  
young people and  
their families.



**Believe in  
children**



**Barnardo's**

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[www.barnardos.org.uk](http://www.barnardos.org.uk)

 *give with confidence*

Barnardo's adheres to the Fundraising  
Promise and Fundraising Standards  
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Registered Company No. 61625.