

# 06 ending cruelty to children

REVIEW



NSPCC   
Cruelty to children must stop. FULL STOP.™

The NSPCC's purpose is to end cruelty to children. Our vision is of a society where all children are loved, valued and able to fulfil their potential.

We seek to achieve cultural, social and political change – influencing legislation, policy, practice, attitudes and behaviours and delivering services for the benefit of children and young people.

To accomplish this, our FULL STOP Strategy sets out what we need to do, and how it will be done. We have four strategic objectives that provide the direction and focus for all the work we do and against which we can assess our effectiveness towards ending cruelty to children.

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OBJECTIVE

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OBJECTIVE

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OBJECTIVE

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# Welcome

Welcome to the NSPCC's annual review 2006. I am a children's services manager for a small project in Essex. We provide therapeutic services for children who have been abused, or are affected by a parent's substance misuse, or who display sexually harmful behaviour. Our specialist assessments help social services to make plans for children where there are child protection concerns.

I am proud to work for the NSPCC. I believe in its values, and everything it does – in its services, education and awareness campaigns, lobbying – brings us closer to ending cruelty to children. I also enjoy being a part of a highly skilled team that makes such a positive difference for local children and young people, and which works in partnership with other agencies and the local community.

The courage of the children and young people we work with is often very moving. One recent case involved an eight-year-old girl, Phoebe. She had been taken away from her biological parents, after a history of neglect, physical and emotional abuse which left her very traumatised. She was confused about relationships, and showed signs of sexually inappropriate behaviour.

Life had taught Phoebe not to trust adults, and she feared that her foster mother's face was a mask, behind

which one of her old abusers was hiding. During therapy, she would paint dark, distressing pictures. Then she would empty her play box and make a mess of the room. It was as if the chaos represented the feelings she kept bottled up inside.

Over time she began to trust me, and accept her loving foster parents would keep her safe. Eventually, Phoebe told us that she had been sexually abused by her father. It was an enormous step to take, but as she explained, she needed to act to protect her unborn sibling, as she knew her parents would be unable to look after another child.

After that, her pictures began to look brighter. The mess in the play room reduced, and she slowly started to talk more openly about her experiences and her feelings of anger and sadness. It was very hard, but she could now start to look forward in life. Phoebe finished her therapy earlier this year, and I often think about her, and how brave she was in speaking out.

The NSPCC's services and other activities all play a part in ending cruelty to children. We act to protect them from abuse, and we work with families and others to prevent it happening in the first place. We also help children and young people to overcome their damaging experiences, and fulfil their potential. We campaign



to raise awareness of the nature of child abuse, and we lobby policymakers who can make a difference to all children's lives. But we can only achieve our objectives if everybody – individuals, families and the wider community, agencies, organisations and businesses – takes action together. If a child like Phoebe can find the courage, then surely we can too.

*Julie Cole*

**Julie Cole**  
Manager, Tilbury Children's Project

# Mobilise everyone to take action to end cruelty to children

Our key achievements in 2005/06 are listed here, against last year's aims for Objective 1.

**Encourage the public to join us in the FULL STOP Campaign by actively protecting children known to them, including using EduCare (a child protection training pack), and campaigning with us.**

Of those who saw the *Talk 'til it stops* campaign advertising, 89 per cent agreed that everyone should do more about the issue of child abuse.

More than 20,000 Partners in Campaigning asked the Government to introduce public education campaigns to help prevent abuse.

The NSPCC has more than 900,000 active donors, of whom 85,000 gave for the first time last year – 85 per cent of our work is made possible by voluntary donations.

**Increase contact with adults who work closely with children and ensure they have the necessary skills to keep children safe: distribute 250,000 copies of stage one of the EduCare training package<sup>1</sup>.**

More than 19,000 copies of *Bruises on children*, the first of a series of leaflets for professionals, were sold, and more than 5,000 were downloaded.

We sent 222,000 copies of EduCare to health, social care and education professionals. Of these, 24,000 returned stage one and went onto stage two. Nearly 4,000 people have so far completed the course, bringing the total number who have completed EduCare since 1999 to nearly 100,000.

**Equip parents with advice and information on positive parenting and child protection, particularly through *Your Family* magazine<sup>2</sup> which, in 2005, has an estimated readership of 5.4 million people.<sup>3</sup>**

Each issue of parenting magazine *Your Family*, now distributed through the Early Learning Centre, reaches 900,000 readers, bringing its estimated annual audience up to 5.4 million.

After the *Hit means lost it* campaign, 69 per cent of parents agreed that it is cruel to smack a toddler.

**Influence the prioritising of effective safeguarding policies, practices and services for the Change for Children programme, through central government and locally through area child protection committees and local safeguarding children boards. For example, additional support will be provided for NSPCC representatives on local safeguarding children boards.**

The NSPCC's divisional director in Northern Ireland has been seconded to Northern Ireland's Department of Health, Social Services and Public Safety, to advise on the restructuring of child protection services.

The NSPCC is represented on two-thirds of the new local safeguarding children boards (LSCBs), set up by local authorities in England to promote the welfare of children.

Senior NSPCC colleagues were seconded to the Home Office to help set up a new centre for child protection on the internet, which opened in April 2006.



Humsaath provides family support services for the Asian, African and east-European communities in a very deprived area. It offers a range of support groups and courses, including the first for south-Asian mothers of children with autism. It also provides training for teachers, health professionals and others, and influences policymakers through its position on the local safeguarding children board.

Hamza (4) came to the Humsaath project after seeing his dad violently racially abused whilst they were in the park. Hamza was very angry towards white men, and felt unable to trust his dad, although he was terrified whenever they were apart. His mum had to support them both, and said she felt like a single parent, as her husband was retreating from his role as a father.

An NSPCC worker helped Hamza to understand his feelings of anger and express them in a more positive way. She also helped his mum with parenting skills and improving her self-esteem, to help her manage things at home. With our help, she was able to help Hamza and his dad rebuild their relationship.

In April, more than 300 parliamentary candidates supported the Room for improvement manifesto for children, produced by the NSPCC and four other children's charities, before the general election.

The NSPCC's green wristbands went on sale in June. More than 750,000 were sold in 2005/06.



<sup>1</sup> Last year's Annual Review incorrectly set our aim as 250,000 professionals completing EduCare stage one, when we actually aspired to distribute 250,000 copies of the training package.

<sup>2</sup> Produced on behalf of the NSPCC by Redwood.

<sup>3</sup> This objective has been modified to show the estimated annual readership, rather than that for each issue.

Our Child Protection in Sport Unit (CPSU) hosted an international conference in July, promoting best practice on preventing child abuse in sport.

September's *Talk 'til it stops* campaign started more than 17,000 conversations about child abuse on our TalkTown website.

The Refuge helped 226 vulnerable young runaways off the streets last year.

One of only a handful of refuges for young people remaining in the UK, it offers six beds where young people can stay for up to 14 nights, receive counselling and have their immediate needs provided for. Family support services are also offered to help them return home wherever possible, as long as it is safe to do so.

When Sarah (14) came to stay, her ideas about relationships and the boundaries between children and adults were very confused. During a counselling session, she told us about her developing sexual relationship with a man more than twice her age. Sarah could see nothing wrong in this, and it was clear from some of the things she said that she had been sexually abused in the past.

The worker spoke to the police, and the man sexually exploiting Sarah was arrested. When it became clear that her parents were unable to keep her safe, Sarah was taken into care.

<sup>4</sup> Training was needed to help with the greater emphasis placed on improved outcomes, more accountability and better joint working by the Act.

# Give children the help, support and environment they need to stay safe from cruelty

Our key achievements in 2005/06 are listed here, against last year's aims for Objective 2.

## Identify training needs for professionals, and develop and deliver training arising from the Children Act 2004<sup>4</sup>.

The *Keeping Children Safe* toolkit, *Safetycheck*, a set of standards, and an audit tool, *Firstcheck*, were published, in addition to training for organisations working with children and young people.

## Following a pilot, establish, with the help of children and young people, whether SMS text is appropriate as a new means of access to NSPCC services.

A pilot text project has been organised, to run in Bradford for two months from June 2006, giving information and support to 12 to 16-year-olds on their mobile phones, and pointing them to other NSPCC services.

Work with other services to ensure they have a sharper focus on meeting the needs of children within the care system in Northern Ireland. This will include the establishment of an excellence model in Northern

## Ireland's independent visiting service.

After lobbying by the NSPCC, a child protection lead has been appointed in every government department in Northern Ireland.

We are writing a code of conduct for NSPCC independent visitors, to be put in place in 2006.

The Northern Ireland Sex Offender Strategic Management Committee published a report, setting out clear procedures for assessing and managing sex offenders who pose a threat.

## Recruit 10 more social work trainees by April 2006 to allow us to increase the number of children we can help.

We successfully recruited 10 more social work trainees, who are all working in projects providing services to children.

## Report on the improved accessibility and cost effectiveness of combining a number of NSPCC services in one area by April 2006.

Combining services is cost effective, and creates better outcomes for children and young people. The Safe Place Appeal continued last year, aiming to raise £17 million for a new building in Merseyside, where a number of services will be based, including a new partnership with Liverpool Women's Hospital, working with pregnant drug users to make sure their babies get the care they need.

New features to make [www.worriedneed2talk.org.uk](http://www.worriedneed2talk.org.uk) more accessible to disabled young people and those with special educational needs were launched, helping us to be someone to turn to for all children.



# Find ways of working with communities to keep children safe from cruelty

Our key achievements in 2005/06 are listed here, against last year's aims for Objective 3.

**Develop at least one community-based programme to keep children safe.**

In consultation with children and young people, we have developed the idea of safeguarded communities, where the views of those who receive our child protection services help to influence the services provided locally by other agencies, as well as give them access to the views of young people more generally. During the pilot, a group of Year 6 pupils in Corwen, North Wales, has designed leaflets about how to stay safe when being bullied in the park or on the street. Another has contributed to the

Welsh Assembly Government's safeguarding review, and given their views about keeping safe in a rural community.

**Increase the number of partnerships with communities to enable us to offer more child protection information.**

The NSPCC works with black and minority ethnic (BME) voluntary sector organisations through its Respect to Protect project. In 2005 it worked closely with Africans Unite Against Child Abuse (AFRUCA) and the African Child Association (ACA), and ran a number of conferences and seminars to raise awareness of how BME organisations can work together to safeguard children.

The Bian V'nu Family Support Service, a partnership between the NSPCC, the government of Guernsey and the voluntary, charity and

business sectors, offers drop-in facilities and services for local families with young children.

The Family Support team in Scarborough opened its doors to ensure the local community knows all about the support it offers to children and families.

**Develop and promote safeguarding training for locally elected council members required under the Children Act 2004 to take responsibility for children's services.**

*Signposts*, a toolkit to help local councils and their partners meet legal obligations to children and young people, was launched in partnership with the NSPCC and the Improvement and Development Agency (IDeA).

**Develop and deliver a community safeguarding toolkit, which is a package of child protection resources specifically for community groups.**

The Big Lottery Fund awarded the NSPCC a strategic grant of £717,000 to help small voluntary and community organisations put measures to prevent abuse in place, and to ensure staff and volunteers can recognise the signs of abuse. The *Safe communities* toolkit has been developed, to be piloted in Brent, Birmingham and Denbighshire in 2006.



The NSPCC's child-friendly business adviser for Northern Ireland works with a range of organisations, including out-of-town supermarkets, shopping centres, town centre management teams and a ferry company, to keep children safe.

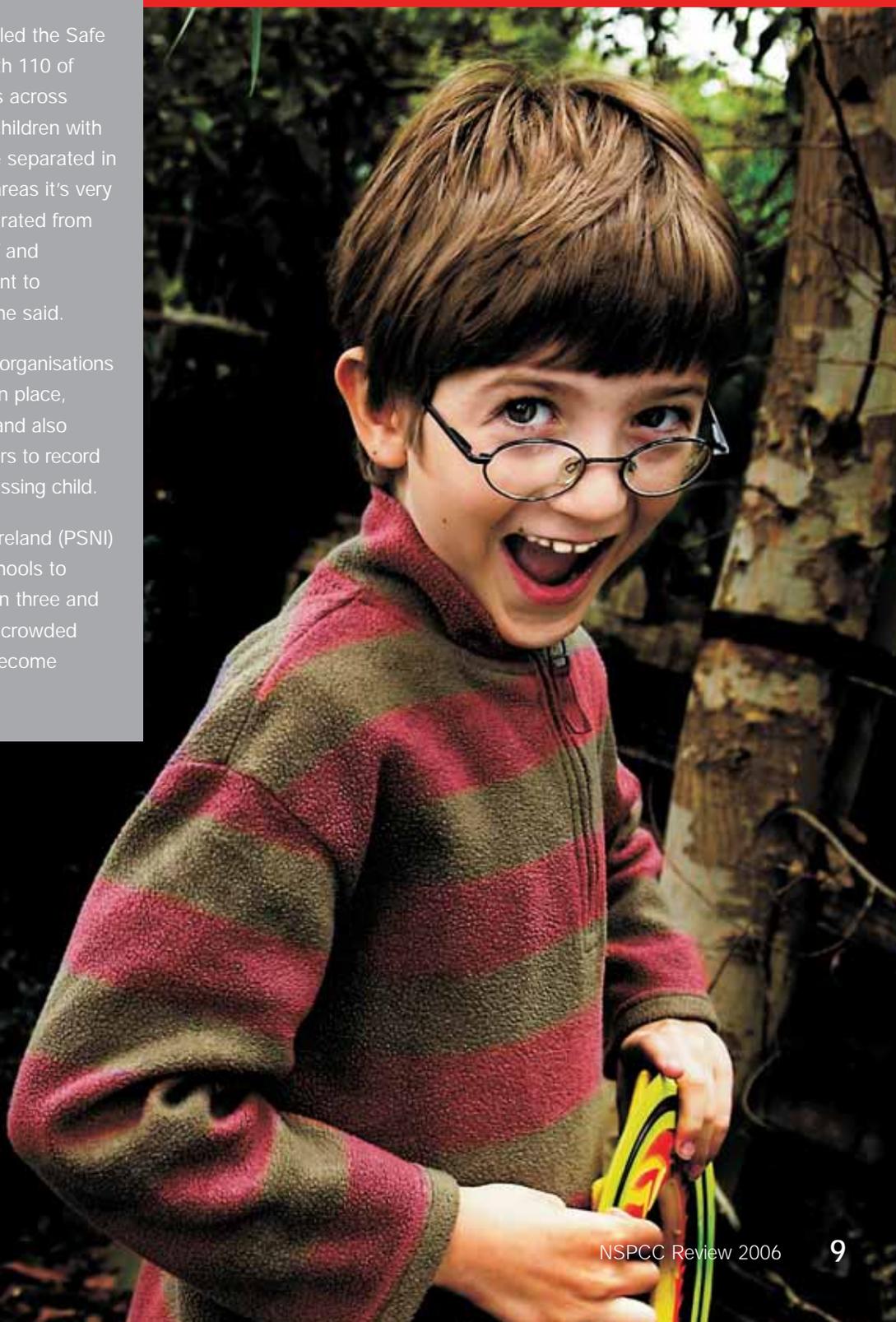
The adviser runs an initiative called the Safe Child Scheme in conjunction with 110 of these businesses in 11 locations across Northern Ireland, reuniting lost children with their parents when they become separated in busy areas. "In large, crowded areas it's very easy for a child to become separated from their parents or carers, and staff and shoppers are sometimes reluctant to approach a child who is lost," she said.

To tackle this, the scheme helps organisations to put safeguarding procedures in place, provides basic training for staff, and also encourages participating members to record the number of incidences of a missing child.

The Police Service of Northern Ireland (PSNI) also plays a key role, visiting schools to explain to children aged between three and seven years how to stay safe in crowded places, and what to do if they become separated from their family.

Jonny Wilkinson, Tess Daly and a host of sports stars and celebrities launched FULL STOP Week in October, helping people to talk about ending child abuse.

November's St Petersburg Ball raised more than £10 million for the FULL STOP Appeal.



In January, the NSPCC lobbied for changes to the vetting and barring system, after it was revealed a known sex offender had been working as a teacher.

The Staying Safe Commitment Scheme launched in March to help voluntary and commercial organisations protect children and young people.

Terri-Ann (13) was one of the 20,654 children counselled by ChildLine in Wales last year.

She called after being hit by her father, no longer feeling safe as she was getting caught up in her parents' violent arguments. She explained that her mum was afraid to stand up to him. Terri-Ann was staying with a friend that night in order to get help. "But I don't want to leave my mum on her own for long," she said.

The ChildLine counsellor talked her through the help that was available, and what might happen next. After discussing it, Terri-Ann decided that she would like to speak to a social worker, and a counsellor arranged for her to be contacted at her friend's house the next day. "I feel better now that someone else is going to help," she said. "Maybe it will stop all this."

ChildLine's base in north Wales is staffed by 15 full-time employees and 150 volunteers, providing a confidential bilingual counselling service for children and young people who feel they have no one else to turn to.

# To be, and be seen as, someone to turn to for children and young people

Our key achievements in 2005/06 are listed here, against last year's aims for Objective 4.

**By talking to children and young people, establish to what extent they are more aware of and able to access listening services which meet their needs. Use this as a guide to future development of these services.**

The NSPCC and ChildLine joined together in February 2006, meaning that we can now reach even more vulnerable children who need support. ChildLine's free 24-hour helpline answers calls from around 2,300 children and young people every day, but hundreds more are trying to get through.

**Create and implement a society-wide strategy for involving children and young people in all aspects of the NSPCC's work to ensure what we do is relevant and appropriate. Talk to children and young people themselves to evaluate success.**

We are building on our existing work to involve children and young people, having set up a task group to share best practice and produce a strategy for the future.

A Certificate of Thanks is now given to each one of the hundreds of children and young people who help to develop our services, policies and campaigns each year.

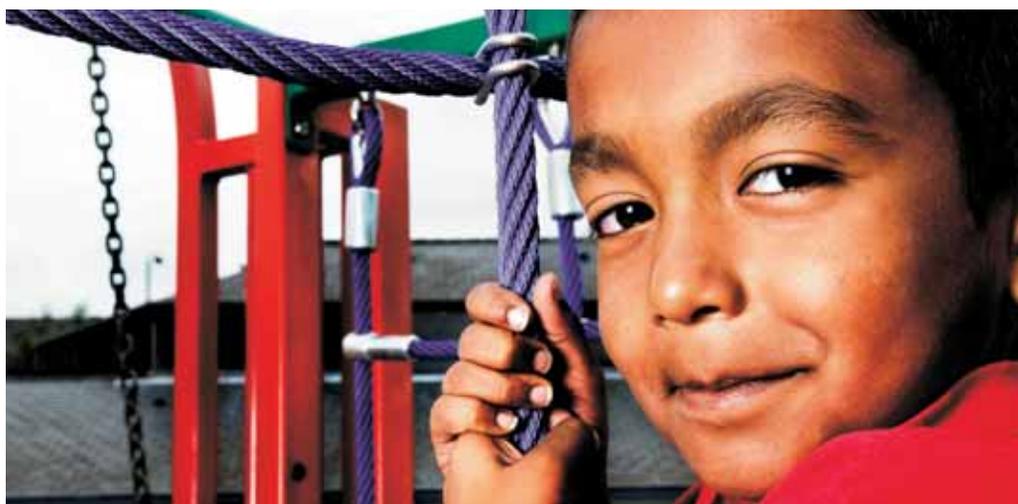
Media partnerships are another way to give young people a voice. In 2005 we ran a survey with *Sugar* magazine to understand how bullying affects teenage girls. Three-quarters of those taking part felt that bullying in schools was still a problem, or had got worse.

**Develop a more coordinated approach to working in schools, ensuring children and young people know how to stay safe and more teachers and ancillary staff are aware of the role they can play in child protection.**

Our new education task group is starting work on a strategy to ensure NSPCC services and activities reach as many children as possible in the most effective way. This includes ChildLine in Partnerships (CHIPS), which runs events, raises awareness of the issues children and young people face, and helps to set up peer support schemes in schools.

A new portfolio of materials, and a new mascot, Will Stop, have been developed to increase awareness and help children raise funds in schools. Each year, 500,000 children hear a talk by NSPCC school fundraising teams.

There are currently 13 schools teams within the NSPCC education programme, providing independent listening and counselling services to children.



# Next year's aims

With the generosity and support of our partners, donors and supporters, we have achieved most of what we set out to do last year. We hope to achieve even more against our goals for next year.

## Aims 2006/07

- Deliver a mobilisation campaign in autumn 2006, encouraging everyone to take individual actions which they understand help to end cruelty to children, particularly at a local level.
- Over the year, increase the numbers of campaigners by 26 per cent, and campaigner actions by 55 per cent, with particular emphasis on recruiting parents, children and young people, and local NSPCC fundraising supporters.
- Continue to build on the success of *Your Family* magazine, increasing its frequency to six issues per year, and developing an online community where parents can exchange advice and support.

## Aims 2006/07

- Ensure every NSPCC service is able to demonstrate clearly how the service is contributing to keeping children safe.
- Review management arrangements in NSPCC services to ensure that costs are kept to a minimum, while still being able to deliver all our strategic objectives.
- Bring together the Specialist Assessment Service, which assesses whether it is safe for a child to return home after abuse, and the Specialist Investigation Service, which works with the police to investigate organised and professional child abuse, into a single Assessment and Investigation Service.
- Review our listening services following the integration with ChildLine so that the NSPCC Child Protection Helpline focuses on providing a service to adults, while ChildLine continues to offer a confidential pre-referral service for children and young people. Plans are also under consideration to create a service for children which offers a choice of telephone, online and text services.

## Aims 2006/07

- Develop and pilot initiatives to deliver integrated approaches to safeguarding communities.
- Promote and deliver leadership training to develop competence in safeguarding.
- Produce a community safeguarding toolkit for more than 2,000 community organisations that provide services or activities for children and young people.
- Work with area child protection committees in Northern Ireland and local safeguarding children boards in England and Wales to promote integrated strategies for safeguarding children.

## Aims 2006/07

- Complete and implement the outcomes from a branding for children project, which considers the most effective way to link, position and talk to children about our self-referral services, including ChildLine, There4me.com, texting, schools and young people's centres, and other sources of information and advice.
- Develop new or enhanced approaches to communication with children and young people based on the learning from recent years.
- Build on our programme of direct communication with children and young people, which began with our spring 2006 campaign that encouraged them to speak out about sexual abuse.

# Our other priorities for 2006/07

In order to realise our vision of a society where all children are loved, valued and able to fulfil their potential, we must stay true to the principles that govern everything we do. The NSPCC believes in valuing difference, working with others, being accountable, efficient and effective, learning from experience, and being open and honest. To help us do this, we will:



## Value diversity and embed equality

Our aim is to be, and be seen as, an inclusive organisation that embraces equality and diversity in all of its work. The review of our equality and diversity strategy will:

- set outcomes for 2010
- confirm that equality and diversity must be addressed in all work plans
- propose new priorities for the equality and diversity agenda.

## Involve children and young people

During 2006/07 we will complete a corporate strategy and a set of standards for involving children and young people, to encourage all functions and trustees to expand the scope and quality of their involvement activities.

## Integrate our activities in schools and other educational settings

We will review all of our services, fundraising, policy and communications work in and through schools and the wider education sector, to see how effective they are in ending cruelty to children, and how we can integrate them more effectively.

## Demonstrate effectiveness

We will strengthen the measurement of our performance in every area by collecting more information and data.

## Implement a new grading system for staff

As part of our reward strategy, the new grading system will help to recruit and retain excellent staff across the Society's different activities.

## Establish an information systems strategy and implementation plan

This will ensure the NSPCC's future investment in information systems (IS) is consistent with our FULL STOP objectives. The IS strategy will help us to take advantage of any new opportunities that can help us to end cruelty to children.

## Work together and communicate effectively

We will continue to integrate ChildLine into the NSPCC in a way that maximises the benefits of the two organisations coming together. We will also build on our commitment to mobilise all our colleagues to take their own actions to end cruelty.

## Deliver our multi-nation agenda

We seek to achieve change for children in England, Scotland, Wales, Northern Ireland and the Channel Islands. When we make strategic or policy decisions, our foremost consideration will be the direct and indirect impact on children in the different countries and diverse communities where our activities are delivered.





## Working together

### Taking action

If we are serious about making a better world for children, we must change the way people think and the way that society behaves as a whole. Every single one of us has a part to play, in every area of our lives. It is the NSPCC's role to help everyone understand that they have a responsibility to take action, and the power to make a difference. We are working with more individuals, communities and organisations to give them the knowledge and the confidence to act confidently and effectively.

In the last year we have reviewed the way we deliver our services for children and young people to ensure they play an effective part in delivering our long-term strategy. It is vital that they not only make a difference for the children they see, but also influence others to take action in their own lives.

### Involving children

One of the NSPCC's core values is listening to children. For this reason our most significant achievement of the last year has been our joining together with ChildLine.

More children will now see us as someone to turn to, with more choice than ever about how to make contact. In ChildLine we now have a free 24-hour helpline specifically for children that sits alongside There4me.com, our website for 12 to 16-year-olds, and the NSPCC's existing free, 24-hour Child Protection Helpline, which is mainly used by adults.

Just as importantly, ChildLine gives us even more information about children and young people's feelings and needs through its helpline and the work it does in

schools. It gives us even more credibility when we speak on their behalf, and, hopefully, it will encourage more people to take action.

In order to stand up for children and young people, we must also listen to their views about what they want us to say and do. We are building on the work we already do by consulting them in the development of our policy and campaigns, and giving them a greater say in how local projects are run.

### Maintaining momentum

There are two big challenges for us in the year ahead. Our fundraising FULL STOP Appeal will come to an end in December 2006, although the FULL STOP Campaign continues. The success of the Appeal has enabled us to increase our spending on activities to end cruelty to children by almost 100 per cent, and we must find a way to continue fundraising at this level. It will not be easy.

Secondly, we will continue to integrate ChildLine into the Society. Bringing two organisations together is a huge challenge. But it brings many benefits, not least in strengthening our position as someone to turn to. ChildLine is currently able to answer 60 per cent of its calls. We are determined to drive this up. We will also do more to promote our whole range of services, so that every child and young person knows they can find help and support whenever they need it.

**Sir Christopher Kelly, Chairman** (pictured aged nine)

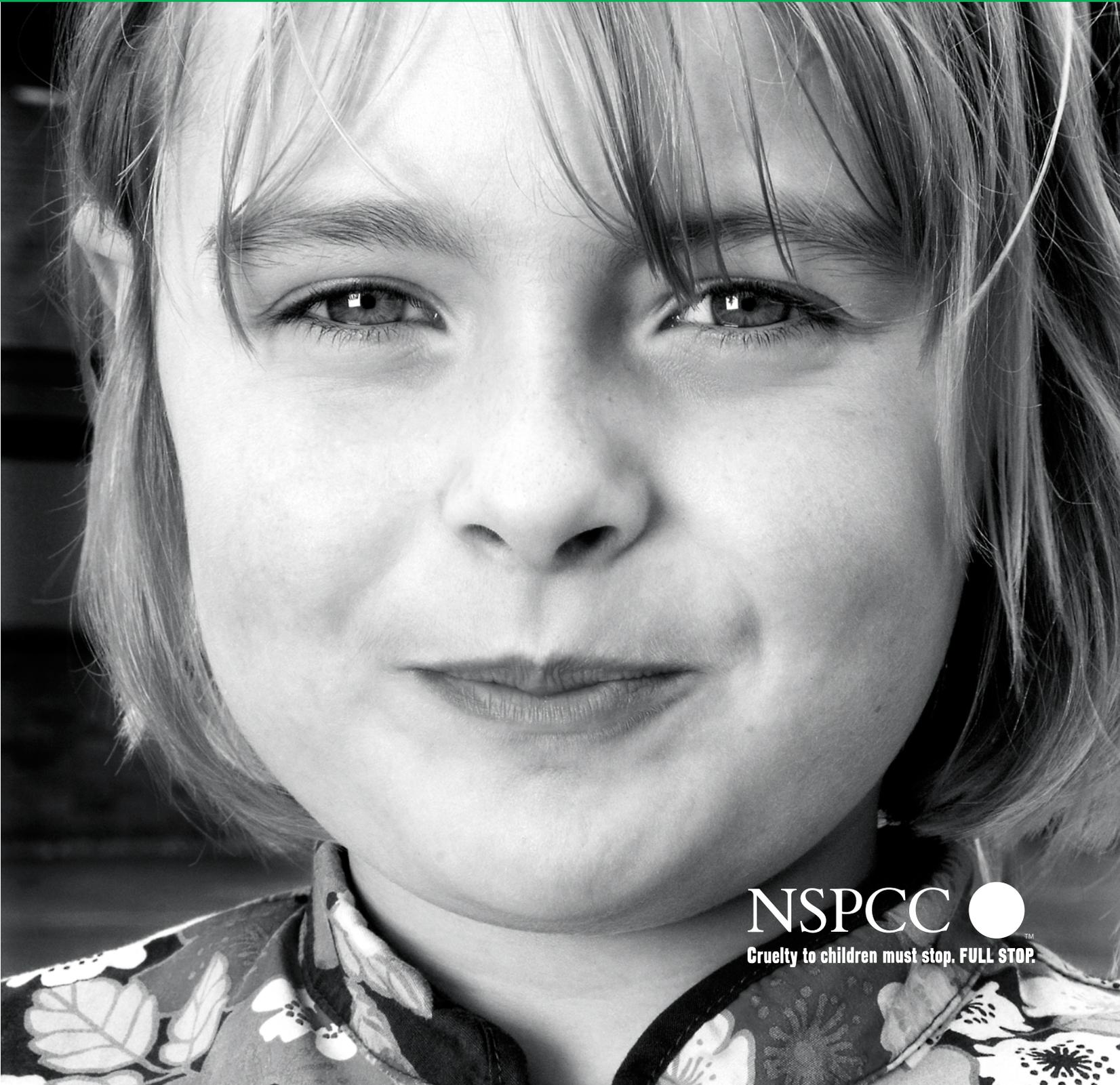
**Mary Marsh, Director and Chief Executive** (pictured age three)





# 06 ending cruelty to children

REPORT AND ACCOUNTS



NSPCC   
Cruelty to children must stop. FULL STOP.™



# Trustees' report

## Reference and administrative

The trustees are pleased to present their Report and Accounts for the NSPCC Charity and its subsidiaries (the Group) for the year ended 31 March 2006. The charity ChildLine joined the NSPCC on 1 February 2006 and the results for the Group incorporate the results of ChildLine for the months of February and March 2006 and its assets and liabilities are included in the consolidated balance sheet as at 31 March 2006.

The NSPCC is registered with the Charity Commission under registration number 216401. The NSPCC operates across the British Isles and the Channel Islands. Details of the Society's trustees and senior staff who served during the year and since the year end are set out on page 23. The Charities Act 1993 requires the trustees to prepare accounts for each financial year which give a true and fair view of the financial activities of the NSPCC Group, the Charity and its subsidiaries during the year and of the financial position at the end of that year.

In preparing these accounts the trustees should follow best practice, and:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- follow applicable accounting standards and the Charities Statement of Recommended Practice (SORP) 2005, disclosing and explaining any departures in the accounts

- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Charity and Group will continue in operation.

The trustees are also responsible for keeping accounting records which are such as to disclose, with reasonable accuracy, the financial position of the Charity at any time, and to enable them as trustees to ensure that the accounts comply with charity law.

The trustees are also responsible for safeguarding the Society's assets and ensuring their proper application in accordance with charity law and hence for taking reasonable steps for the prevention and detection of error, fraud and other irregularities.

## Structure, governance and management

The NSPCC was founded in 1884 and incorporated by Royal Charter in 1895. The NSPCC is governed by the Council of the Society which consists of members of the Society appointed as prescribed by the bye-laws. Trustees are elected by the Council in accordance with the rules set out in the bye-laws and have the sole and entire management of the business of the Society.

Trustees serve an initial term of three years and are eligible for a maximum of two further terms of three years. Trustees are sought in a variety of ways involving exploration of the field of potential candidates, including recommendation from the branch network, from existing trustees and supporters or from Members of Council. Potential trustees are

scrutinised by the Nominations and Governance Committee and are subject to competitive interview before being proposed as a trustee. Under the terms of the Charter any trustee appointed in the year by the Board of Trustees must stand for election at the next Annual Council Meeting. All new trustees are required to undertake an induction programme and undergo a structured introduction to the operation of the Society.

Full Board of Trustee meetings are held six times per year to review and agree major areas of policy. One of these meetings takes place over an evening and the whole of the following day. It is used to review performance over the past year, including Board performance, and agree key objectives for the coming year. Presentations before each trustee meeting keep the trustees informed about the work of the Society and about latest developments in the charity sector. Responsibility for reviewing key areas of activity and policy are delegated to committees that report back to the bimonthly trustee meetings.

The committees, with specific terms of reference, include specialist co-opted members as well as trustees. These committees monitor and scrutinise the work of the Society. The day-to-day running of the NSPCC and the exercise of executive responsibility is delegated to the chief executive and her Leadership Group.

**The current Board Committees are:**  
**Policy** – advises and assists the development of the strategy for policy, public education, influencing and

campaigning and advises on the associated method and forms of communication.

**Standards and Performance** – monitors the performance of the Society's activity and outcomes against strategic priorities, performance targets, internal standards, and external benchmarks and the action taken to respond to and learn from recommendations for improvement.

**Finance** – maintains an overview of the strategies, policies and operations of the NSPCC to secure effective management of the NSPCC's financial, information technology and real estate resources.

**Audit** – ensures the adequacy of internal controls, reviews the management of risk within the NSPCC, monitors the relationship with the external auditors and takes an overview of the work plan of the Internal Audit department. The role includes recommendation to the Board of Trustees for the formal approval of the Annual Report and Accounts.

**Remuneration** – decides the remuneration of the chief executive and agrees that of other members of the Leadership Group.

**Nominations and Governance** – reviews the role and membership of the Board of Trustees and oversees adherence to the Charter and bye-laws.

**Divisional Trustees** – champion, as volunteer members of branches, the aims and objectives of the NSPCC and represent the Society across all sections of the community.

The NSPCC maintains close links with other children's welfare organisations in

the UK and the rest of Europe, including CHILDREN 1<sup>ST</sup> in Scotland and with the Irish Society for the Prevention of Cruelty to Children. Following several months of negotiation, on 1 February 2006 ChildLine joined with the NSPCC and the services of both charities are now being carried out under common direction.

In 2004 the NSPCC established a joint arrangement with The Children's Society, CharTyShare, to operate information technology services more efficiently by sharing those services between the two charities. The company is jointly and equally owned by the two charities.

The NSPCC continues to work in partnership with many local authorities and other agencies such as SureStart and the Children's Fund in order to enhance effective child protection services throughout its areas of operations.

### **Risk management**

The chief executive reports to trustees on managing risk through the Audit Committee. The key risks identified within the NSPCC have been recorded in a Headline Risk Register (HRR) which is presented to the Audit Committee twice a year. The HRR details the scope of each risk, action taken to mitigate that risk and the assessment of the degree to which the risk is being managed. Supporting the HRR are Functional Risk Registers that are updated and reviewed quarterly by senior management. Action to address risk is planned and monitored in these quarterly reviews and used to update

the HRR. Internal Audit has the task of checking that any necessary action is completed and for reporting to the Leadership Group and trustees on the fulfilment of appropriate responsibilities.

### **Objectives and activities**

In 2004 the Board agreed a medium term strategy – the FULL STOP Strategy. The purpose of the NSPCC is to end cruelty to children. It aims to achieve this across the British Isles by:

- mobilising everyone to take action to end cruelty to children
- giving children the help, support and environment they need to stay safe from cruelty
- finding ways of working with communities to keep children safe from cruelty
- being, and being seen as, someone to turn to for children and young people.

To deliver the objectives, the Leadership Group prepares an annual business plan approved by trustees, which is linked to the achievement of the objectives and outcomes. This business plan sets out the planned activities including:

- influencing policy makers, raising public awareness to end cruelty to children and informing the public of the impact on society of child abuse
- working with other organisations in effective co-operation towards common ideals

- operating around 200 teams and projects whose activities include:
  - protecting children from organised, institutional and other abuse
  - counselling and therapy to repair the damage to children and families caused by abuse
  - supporting families in successful parenting
  - working within schools offering counselling to pupils and training for teachers
  - providing a voice for children and young people.
- maintaining a 24-hour Child Protection Helpline, a Wales Helpline and, from February 2006, the ChildLine helpline, together with other associated helplines in five minority languages and supporting the interactive website There4me.com
- giving training and advice on child protection to local authorities and other bodies involved in the education or development of children (such as sports control bodies or young people's associations)

- carrying out research into the nature and effect of child abuse and responses to it
- publishing books, leaflets, newsletters and magazines to educate parents, children, the general public and professionals about abuse.

Many thousands of people give to the NSPCC every month and these donations of £2 or more each month are the largest source of income for the charity. The Society also relies upon volunteers to raise money through a wide range of community activities to fund the business. The ChildLine helpline is operated by many committed volunteers who give of their time to help children.

Legacies continue to form a significant proportion of the income raised.

### Achievements, performance and future plans

Achievements for the year in meeting our objectives and future plans are set out in full in the Annual Review. This section summarises some of the key areas which affect our annual accounts.

### Fundraising activities

Total incoming resources at £116 million are 5% higher than last year.

Included in this figure is a contribution of £3.4 million from ChildLine for the two months from 1 February. Without this contribution total incoming resources would have grown by only 1% reflecting the small decline in income from service level agreements and no growth in legacies or community fundraising. Voluntary income and activities for generating funds accounts for 84.6% (2005: 83.1%) of incoming resources. The most significant element of this income comes from individual donors giving to us monthly which raised £51.7 million (2005: £48.8 million). All aspects of expenditure to help raise funds are constantly monitored, tested and compared with industry norms. The NSPCC's results have been consistently excellent.

Last year to reflect the growing harmonisation of all our activities in line with the FULL STOP strategy, we integrated the accounting for the FULL STOP Appeal with that of our total fundraising. However we continue to monitor achievement and the cumulative performance of the FULL STOP Appeal to 31 March 2006 is below.

The NSPCC undertakes a number of trading activities, including commercial sponsorships, participating in lotteries, organising special events and undertaking mail order activities. Income generated by the trading company in 2006 (£2.8million) was lower than that in 2005 (£3.2 million) but the costs were also proportionately lower. The Trading Company remained profitable and at the end of the year £2.0 million (2005: £2.0 million) was passed to the charity under Gift Aid.

<b>FULL STOP Appeal</b>	<b>Balance 1 April 2005 £ million</b>	<b>Increase during the year £ million</b>	<b>Balance 31 March 2006 £ million</b>
Appeal total	140.7	45.9	186.6
Of which cash received so far	105.9	25.7	131.6

### Financial review

The result for the year shows the expenditure on charitable activities at £92.3 million (2005: £84.5 million) the highest ever. Fundraising income rose to cover the increased expenditure and at the end of March, after taking into account the gains on the investment portfolio and the decreased deficit on the pension scheme (see below) the increase in the balance of funds was £9.3 million (2005: £4.6 million).

### Reserves

The NSPCC aims to retain sufficient free reserves equivalent to approximately six months forward expenditure. These reserves are held in case of any sudden decline in income and ensure that commitments to providing services for children in the form of contractual commitments to staff, premises and funding partners can be made with some confidence.

At 31 March 2006 unrestricted free reserves amounted to £54.9 million. In taking on ChildLine, we applied a fair value to the assets and liabilities. At the point of transfer the restricted reserves in ChildLine exceeded the net asset value transferred creating a deficit on unrestricted reserves of £638,000. NSPCC has funded this deficit and taken on the commitment to future expenditure in ChildLine. With a consolidated value of £54.9 million, the unrestricted free reserves at 31 March 2006 are equivalent to 6.1 months forward unrestricted expenditure (2005: 6.3 months).

### Investment powers and performance

The trustees have wide investment powers set out in the Royal Charter and bye-laws. Investments may be made in any share or bond unless the underlying activity of the company or institution concerned is in direct conflict with the aims of the NSPCC.

In 2003 the trustees agreed to an investment strategy aimed at capital protection and maintaining liquidity which involves a gradual reduction of the value in equities and further investments in short-term bonds and cash. Over a two-year period we transferred approximately 1.7% of our portfolio per month out of equities into bonds. This steady rate of transfer has allowed us to benefit from the recovery in the market while at the same time increasing our confidence that the gains reported in these accounts will be protected.

During 2005/06 the trustees concluded that reduction of equities had reached a point where they could be confident of meeting any immediate call on reserves out of liquid assets yet be able to benefit from the steady rise in the equity market. The withdrawal of funds from equities ceased although any new money is still being invested in short term liquid assets. The equities, all UK, are held mostly in a FTSE 100 Tracker Fund managed by Legal and General Investment Managers. Any liquidity generated outside immediate need is invested in a fund operated by UBS which invests in short-dated global bonds and whose target is to achieve LIBOR plus 0.5% after fees.

The UK gilts fund remains with Hendersons Investors and is managed on a discretionary basis with a performance benchmark of the FTSE 5 year gilt. The balance of investments is held in cash funds with blue chip bankers with a benchmark of Bank of England Bank Rate. The average return for the year on our cash investments was 4.7%.

At 31 March 2006 the percentage of our portfolio in cash or bonds was 65.0% (2005 69.2%).

### Pensions

The accounts as presented include the full adoption of accounting standard FRS 17. In accordance with paragraph 355 of the SORP 2005, we have charged against the funds of the charity a pension provision equivalent to the deficit reported under FRS 17. The trustees consider that the pension deficit is recoverable from future cash flows.

#### The NSPCC currently operates two schemes:

1. A Stakeholder defined contribution pension operated by Scottish Equitable and available to all staff.
2. A defined benefit scheme with two sections:
  - a. a contributory section open to new employees who have direct professional contact with children and have had pensionable service in the Local Government Pension Scheme
  - b. a non-contributory section closed to all new members from 1 July 2002.

The last completed triennial actuarial valuation of the defined benefit scheme took place at 31 March 2003. This valuation showed a deficit of £15.6million and was used to set an employer contribution rate of 19.9% which remains in force today. Work is in hand to complete the next triennial actuarial valuation at 31 March 2006, the results of which are due to be announced in late 2006. Data collected for the valuation has been used to prepare the FRS 17 valuation included in these accounts and the figures included therein use current economic data applied to the latest available staffing and mortality information at 31 March 2006.

In the 2003 actuarial valuation we assumed an average male retiring from the Scheme at age 60 would live until he is 83 and an average female until she is 86. Recent research suggests that people are living longer than expected at the time of the 2003 valuation. This new research, which has been incorporated into the assumptions underlying the valuation in March 2006, suggests that average life expectancy at age 60 has increased for a male to 87 years and for a female to 89 years.

The results of the FRS valuation show liabilities of £129m with assets of £118m giving a deficit of £11 million. Based upon these figures, which reflect the most recent estimate of the financial state of the pension scheme, the trustees consider that the likely performance of the investment portfolio, the increase in employer contribution rate applied from 2003 and the changes implemented to the Pension Scheme in 2002 are sufficient to anticipate that the deficit will be eliminated as planned by 2015.



**Sir Christopher Kelly**  
**Chairman**

# Independent auditors' report to trustees

## Independent auditors' report to trustees of the NSPCC

We have audited the financial statements of the NSPCC for the year ended 31 March 2006 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement, notes "a" to "e" to the consolidated cash-flow statement and the related notes 1 to 25. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with Regulation 7 of the Charities (Accounts and Reports) Regulations 2005. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditors

As described in the statement of trustees' responsibilities, the NSPCC trustees are responsible for the preparation of the financial statements, which are required to be prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2005 and the Royal Charter. We read the trustees' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of opinion

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

to the circumstances of the Charity and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the Charity and the Group, in accordance with United Kingdom Generally Accepted Accounting Practice, as at 31 March 2006 and of the Group's incoming resources and application of resources in the year then ended
- the financial statements have been properly prepared in accordance with the Charities Act 1993, Regulation 3 of the Charities (Accounts and Reports) Regulations 2005 and the Royal Charter.



**Deloitte & Touche LLP**  
**Chartered Accountants and**  
**Registered Auditors**  
**Hill House, 1 Little New Street**  
**London EC4A 3TR**  
**31 August 2006**

**Notes:** An audit does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial statements since first published. These matters are the responsibility of the trustees but no control procedures can provide absolute assurance in this area. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

# Trustees, officers and professional advisers

## Royal Patron

Her Majesty The Queen

## President

Vacant

## Board of Trustees

(in post on the date of this report)

### Sir Christopher Kelly

Chairman

(Finance, Nominations and Governance, Policy, Remuneration)

### Anita Green

Vice chairman

(Audit, Nominations and Governance, Remuneration, Divisional trustees)

### Mark Wood

Vice chairman

(Audit, Nominations and Governance, Remuneration, Member of National Appeal Board)

### Adrian Burn

Treasurer

(Finance, Audit, Remuneration)

### Carol Borghesi

Appointed 1 February 2006

(Standards and Performance)

### Bridget Cluley

(Divisional trustees)

### Rob Hutchinson CBE

(Standards and Performance)

### Esther Rantzen CBE

Appointed 1 February 2006

(Policy)

### Andrew Rosenfeld

(Chairman of the

FULL STOP Campaign)

### Locksley Ryan

(Finance, Standards and Performance)

### Mrs Derek Shaw CBE

(Divisional trustees, Finance, Policy,

Member of National Appeal Board)

### Robert D Smith CMG

(Nominations and Governance, Policy)

### The Hon Mrs Nicholas Wallop

(Member of National Appeal Board)

### Mrs Helene Webb

(Standards and Performance)

### Mrs Anthony Wigram

(Member of National Appeal Board)

### Dr Hywel Williams

(Divisional trustees, Policy)

### Mrs Michael Willoughby

(Audit, Divisional trustees, Policy)

### Jane Woodford

(Divisional trustees, Policy, Standards and Performance)

The Charity thanks and recognises the contributions of Diane Chorley and Graham Wilson who retired as trustees of the NSPCC in October 2005.

## NSPCC secretary

### Rebecca Packwood

## Senior management

### Mary Marsh

\*Director and chief executive

### Wes Cuell

\*Director of services for children and young people

### Giles Pegram

\*Director of fundraising

### John Grounds

\*Director of communications

### John Graham FCA

\*Director of finance and administration

### Phillip Noyes

\*Director of public policy

### Liz Booth

\*Director of human resources

### Mary Handley

Director of internal audit and inspection

\*Leadership Group

## Bankers and professional advisers

### Bankers

Barclays Bank plc  
One Churchill Place  
London E14 5HP

The Co-operative Bank plc  
9 Prescott Street  
London EC1 8BE

### Auditors

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Hill House, 1 Little New Street  
London EC4A 3TR

### Solicitors

Hempsons  
20 Embankment Place  
London WC2N 6NN

### Investment advisors

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

Henderson Investors  
3 Finsbury Avenue  
London EC2M 2PA

# Consolidated Statement of Financial Activities

(incorporating an Income & Expenditure Account) for the year ended 31 March 2006

	Notes	Unrestricted Funds General & Designated Funds		Endowment & Restricted Funds		Total 2006	Total 2005
		Existing NSPCC Operations £'000	New NSPCC Operations ChildLine £'000	Existing NSPCC Operations £'000	New NSPCC Operations ChildLine £'000	Continuing NSPCC Operations £'000	£'000
<b>Incoming resources</b>							
Voluntary income	2	82,990	2,043	4,637	383	90,053	86,323
Activities for generating funds	2	7,575	730	–	–	8,305	6,405
Investment income	2	2,761	16	–	–	2,777	2,732
<b>Incoming resources from generated funds</b>		<b>93,326</b>	<b>2,789</b>	<b>4,637</b>	<b>383</b>	<b>101,135</b>	<b>95,460</b>
<b>Incoming resources from charitable activities</b>	<b>3</b>	<b>1,535</b>	<b>–</b>	<b>13,374</b>	<b>190</b>	<b>15,099</b>	<b>16,073</b>
<b>Total incoming resources</b>		<b>94,861</b>	<b>2,789</b>	<b>18,011</b>	<b>573</b>	<b>116,234</b>	<b>111,533</b>
<b>Resources expended</b>							
Costs of generating voluntary income	4	17,071	1,198	289	–	18,558	14,930
Fundraising trading: costs of goods sold and other costs	4	1,868	47	–	–	1,915	2,327
Investment management costs	4	102	–	–	–	102	103
Costs of generating funds		19,041	1,245	289	–	20,575	17,360
Charitable activities to end cruelty to children	4	73,365	1,145	17,249	573	92,332	84,500
Governance costs	4	192	7	–	–	199	228
Other resources expended	4	627	–	–	–	627	–
<b>Total resources expended</b>	<b>4</b>	<b>93,225</b>	<b>2,397</b>	<b>17,538</b>	<b>573</b>	<b>113,733</b>	<b>102,088</b>
Consolidation of ChildLine operations		392	(392)	–	–	–	–
<b>Net incoming resources before transfers</b>		<b>2,028</b>	<b>–</b>	<b>473</b>	<b>–</b>	<b>2,501</b>	<b>9,445</b>

The NSPCC operations relate to continuing activities. The acquired operations of ChildLine for the period from 1 February 2006 are shown separately for each of the main headings above, in accordance with FRS 3 on Reporting Financial Performance. No activities were discontinued.

# Consolidated Statement of Financial Activities

continued

for the year ended 31  
March 2006

		Unrestricted Funds		Endowment & Restricted Funds	Total 2006	Total 2005
	Notes	General £'000	Designated £'000	£'000	£'000	£'000
<b>Net incoming resources before transfers</b>		<b>2,028</b>	<b>–</b>	<b>473</b>	<b>2,501</b>	<b>9,445</b>
Transfers between funds:						
Development fund	22	1,913	(1,913)	–	–	–
Tangible fixed assets	22	(3,456)	3,456	–	–	–
Assumption of ChildLine funds	11 & 21	(638)	–	1,213	575	–
<b>Net incoming resources before other recognised gains and losses.</b>		<b>(153)</b>	<b>1,543</b>	<b>1,686</b>	<b>3,076</b>	<b>9,445</b>
Other recognised gains and losses:						
Gains on investment assets		3,327	–	100	3,427	1,656
Actuarial gains/(losses) on defined benefit pension scheme	18	2,818	–	–	2,818	(6,491)
<b>Net movement in funds</b>		<b>5,992</b>	<b>1,543</b>	<b>1,786</b>	<b>9,321</b>	<b>4,610</b>
Funds balance brought forward		38,195	25,877	4,958	69,030	64,420
<b>Funds balance carried forward</b>		<b>44,187</b>	<b>27,420</b>	<b>6,744</b>	<b>78,351</b>	<b>69,030</b>

The NSPCC operations relate to continuing operations. The transfers to designated funds represent further additions to a Merseyside appeal (see note 22 for further details), and designation for other tangible fixed assets. The net gains shown under the Endowment and Restricted Funds column are attributable to permanent endowment investments. Details are shown in note 20.

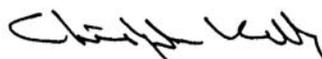
The assessed fair value of the net assets brought by ChildLine to NSPCC at 1 February 2006 amounted to £575,000, representing an amount attributable to restricted funds of £1,213,000 offset in part by a shortfall in the general unrestricted funds of £638,000 (see also note 11).

# NSPCC and Consolidated Balance Sheets

as at 31 March 2006

	Notes	Group		Charity	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Fixed assets</b>					
Tangible assets	12	27,664	21,394	27,880	21,610
Investments	13	64,645	57,773	64,645	57,773
<b>Total fixed assets</b>		<b>92,309</b>	<b>79,167</b>	<b>92,525</b>	<b>79,383</b>
<b>Current assets</b>					
Debtors	14	12,808	9,106	12,162	8,866
Short term investments	15	2,007	2,002	2,007	2,002
Cash at bank and in hand		2,450	1,839	2,121	1,575
		17,265	12,947	16,290	12,443
Creditors – amounts falling due within one year	16	(16,533)	(8,882)	(15,659)	(8,407)
<b>Net current assets</b>		<b>732</b>	<b>4,065</b>	<b>631</b>	<b>4,036</b>
<b>Total assets less current liabilities</b>		<b>93,041</b>	<b>83,232</b>	<b>93,156</b>	<b>83,419</b>
Creditors – amounts falling due after more than one year	16	(3,955)	–	(3,955)	–
<b>Net assets before pension liability</b>		<b>89,086</b>	<b>83,232</b>	<b>89,201</b>	<b>83,419</b>
Defined benefit pension scheme liability	18	(10,735)	(14,202)	(10,735)	(14,202)
<b>Net assets after pension liability</b>		<b>78,351</b>	<b>69,030</b>	<b>78,466</b>	<b>69,217</b>
<b>Capital funds</b>					
Endowment funds	20	1,447	1,347	1,447	1,347
<b>Income funds</b>					
Restricted	21	5,297	3,611	5,224	3,611
Unrestricted:					
Free Reserve		54,922	52,397	54,894	52,368
Pension Reserve	18	(10,735)	(14,202)	(10,735)	(14,202)
General	22	44,187	38,195	44,159	38,166
Designated	22	27,420	25,877	27,636	26,093
Total unrestricted		71,607	64,072	71,795	64,259
<b>Total funds</b>		<b>78,351</b>	<b>69,030</b>	<b>78,466</b>	<b>69,217</b>

Approved by the Board of Trustees on and signed on its behalf by



**Sir Christopher Kelly**  
Chairman



**Adrian Burn**  
Treasurer

# Consolidated Cash Flow Statement

for the year ended  
31 March 2006

**Notes**                      **2006**                      **2005**  
   **£'000**                      **£'000**

Net cash inflow from operating activities	a	6,002	5,456
Returns on investments and servicing of finance	b	2,777	2,732
Capital expenditure and financial investment	c	(11,895)	(6,275)
<b>(Decrease)/Increase in cash in the year</b>	<b>e</b>	<b>(3,116)</b>	<b>1,913</b>

		<b>2006</b>	<b>2005</b>
		<b>£'000</b>	<b>£'000</b>

## Notes to the Cash Flow Statement

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

Net incoming resources before transfers		2,501	9,445
Investment income		(2,777)	(2,732)
Depreciation		2,132	2,376
Loss/(Gain) on disposal of tangible fixed assets		–	174
Assumption of ChildLine assets		575	–
Decrease/(Increase) in donated shares		43	(798)
Increase/(decrease) in creditors		7,879	1,254
Decrease in provisions for pension scheme liability (see note 18)		(649)	(1,314)
Increase in debtors		(3,702)	(2,949)
<b>Net cash inflow from operating activities</b>		<b>6,002</b>	<b>5,456</b>

### b. Returns on investments and servicing of finance

<b>Investment income received</b>		<b>2,777</b>	<b>2,732</b>
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### c. Capital expenditure and financial investment

Purchase of tangible fixed assets		(8,425)	(2,667)
Sale of tangible fixed assets		23	–
Purchase of investments		(13,592)	(92,253)
Sale of investments		11,183	91,509
(Increase)/decrease in cash instruments		(1,079)	(2,701)
(Increase)/decrease in short term investments		(5)	(163)
<b>Total</b>		<b>(11,895)</b>	<b>(6,275)</b>

# Consolidated Cash Flow Statement

continued

for the year ended 31  
March 2006

<b>d. Analysis of changes in net debt</b>	<b>1 April 2005 £'000</b>	<b>Cash Flow £'000</b>	<b>31 March 2006 £'000</b>
Cash at bank and in hand	1,839	611	2,450
Overdraft included in Creditors	–	(3,727)	(3,727)
	<b>1,839</b>	<b>(3,116)</b>	<b>(1,277)</b>
Short-term investments	2,002	5	2,007
<b>Total</b>	<b>3,841</b>	<b>(3,111)</b>	<b>730</b>
<b>e. Reconciliation of net cash flow to movement in net debt</b>		<b>2006 £'000</b>	<b>2005 £'000</b>
(Decrease)/increase in cash in the year		(3,116)	1,913
Cash used to increase/(decrease) liquid resources		5	163
<b>Change in net funds</b>		<b>(3,111)</b>	<b>2,076</b>
Net funds balance brought forward		3,841	1,765
<b>Net funds balance carried forward</b>		<b>730</b>	<b>3,841</b>

for the year ended 31 March 2006

## 1. Accounting policies

### 1.1 Basis of accounting

The accounts, incorporating the Statement of Financial Activities (SOFA), have been prepared in accordance with the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities published in March 2005 and applicable UK accounting standards. The accounts are prepared under the historical cost convention as modified for the revaluation of investments.

### 1.2 Consolidated accounts

On 1 February 2006 ChildLine joined the NSPCC Group. All the trustees of ChildLine stepped down and were replaced by three trustees appointed by the NSPCC. Beneficial ownership of all assets and liabilities of ChildLine was transferred to the NSPCC at the same date at their fair values. The acquisition of the ChildLine charity has been accounted for in accordance with FRS 6 on Accounting for Mergers and Acquisitions. The acquisition method has been used to account for the combination.

The results of NSPCC Trading Company Limited, a wholly owned subsidiary, have been consolidated on a line-by-line basis in the SOFA and Balance Sheet. NSPCC Pension Scheme Limited, a wholly owned subsidiary, has not been consolidated. The company acts solely as a corporate trustee of the NSPCC Pension Scheme, does not trade on its own behalf and has no assets or liabilities.

NSPCC Children's Services Limited and NSPCC Warrington YPC Limited are both dormant and have not been consolidated as they have no material assets or liabilities. Charityshare Limited, a 50% joint arrangement with The Children's Society, has been accounted for as an associate in accordance with FRS 9. NSPCC has accounted for its own share of the assets, liabilities and cash flows of the company according to the level of service it has received. No separate SOFA has been presented for the joint arrangement, in accordance with paragraph 416 of the SORP.

### 1.3 Incoming resources

All incoming resources are accounted for in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the date of receipt. Income is not recognised for legacies which remain subject to a life interest.

Income received from the many thousands of fundraising activities organised by volunteers, excluding major events which are separately accounted for through the Trading Company, is included at the net value remitted. Data has been collected during the year which indicates that including gross income and expenditure on all events would increase total income and expenditure by less than 1.5 per cent. After considering the cost and administrative effort involved in accounting for gross branch income, the trustees have

concluded that the policy of including income from events, other than major events, on a net remitted income basis materially states the income performance of the Society. The data which backs up this conclusion is reviewed on a regular basis in order to confirm it remains valid. Gifts in kind and donated services have been included at their estimated open market value. No amount has been included for services donated by volunteers. All grants and contractual payments are included on a receivable basis. Income received for expenditure in future accounting periods is deferred as shown in note 17.

The value of donated shares that come with a requirement that they be held for a fixed period is recognised as income at a value assessed by the trustees at the time of receipt in line with paragraph 296 of the SORP. The trustees consider that the quoted value of the shares at the balance sheet date does not reflect the true value to the Society because of the risk of a potentially lower value on future disposal.

### 1.4 Resources expended

Expenditure is accounted for on an accruals basis and allocated to the appropriate heading in the accounts. Costs of generating funds include the costs incurred in generating voluntary income; fundraising trading costs and investment management costs. These costs are regarded as necessary to generate funds that are needed to finance charitable activities.

Charitable activities expenditure enables the NSPCC to meet its charitable aims and objectives.

## 1. Accounting policies (continued)

Governance costs are associated with the governance arrangements of the charity and relate to the general running of the charity. These costs include audit, legal advice for trustees and costs associated with meeting constitutional and statutory requirements such as the cost of Trustee meetings and the preparation of the statutory accounts. Support costs are those costs which enable fund generating and charitable activities to be undertaken. These costs include finance, human resources, information systems, communications, internal audit, property management and legal costs. Where expenditure incurred relates to more than one cost category, it is apportioned. The method of apportionment uses the most appropriate basis in each case. Reference should be made to note 5 for further information on the allocation of influencing and public education expenditure.

Any irrecoverable VAT is included as part of the cost to which it relates. The amount suffered in the year is disclosed in note 4.

### 1.5 Fund Accounting

**General funds** – these are funds which can be used in accordance with the NSPCC’s charitable objects at the discretion of the trustees.

**Designated funds** – these are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.

**Restricted funds** – these are funds received for undertaking an activity specified by the donor.

**Endowment funds** – these are funds where the assets must be held permanently by the charity, principally in the form of investments. Income from endowments is included, together with income from restricted funds, in incoming resources. Any capital gains or losses arising on the investments form part of the fund. Further explanation of the nature and purpose of each fund is included in the notes to the financial statements.

### 1.6 Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is calculated to write off the cost of fixed assets by equal annual instalments over their expected useful lives as follows:

**Freehold properties** – 50 years

**Leasehold properties** – the shorter of the term of the lease or 50 years

**Furniture, fittings and equipment** – 5 years

**Major software development eg case management software** – 5 years

**Other computer software and hardware** – 2 years

No depreciation is provided on freehold land. Tangible fixed assets costing less than £2,000 are not capitalised and are written off in the year of purchase. Impairment reviews are conducted on an annual basis. If any asset is found to have a carrying value materially higher than its recoverable amount, it is written down accordingly.

### 1.7 Investments

Other than investments in subsidiaries, which are stated at cost, investments are stated at market value. Donated shares that come with a requirement that they be held for a fixed period are included in the balance sheet at the lower of market value or a value assessed by the trustees. This value is reviewed by the trustees at each balance sheet date.

Realised and unrealised gains and losses are combined in the appropriate section in the SOFA.

### 1.8 Pension costs and balance sheet provision

Pension costs and the pension provision for the defined benefit scheme are calculated on the basis of actuarial advice and are charged to the statement of financial activities on a basis to spread the costs over the employees’ working lives. Pension costs for the defined contribution scheme are charged to the accounts on an accruals basis in accordance with FRS 17. A pensions reserve has been created within unrestricted funds in compliance with paragraph 335 of the SORP. Details of the pension schemes are disclosed in note 18 to the accounts.

### 1.9 Operating leases

Expenditure on operating leases is accounted for on a straight line basis over the life of the lease.

## 2. Analysis of income from generated funds

	Total 2006 £'000	Total 2005 £'000
<b>Voluntary income:</b>		
Monthly donations from individuals	51,719	48,008
Legacies	17,836	17,236
Community fundraising	8,552	8,731
Other donations and gifts	11,946	12,348
<b>Total voluntary income</b>	<b>90,053</b>	<b>86,323</b>
<b>Activities for generating funds:</b>		
Sale of goods	433	426
Fundraising events	6,023	4,979
Other	1,849	1,000
<b>Total activities for generating funds</b>	<b>8,305</b>	<b>6,405</b>
<b>Investment income</b>		
Dividends – UK	504	1,185
Interest	1,812	952
Net return on pension scheme assets	461	595
<b>Total investment income</b>	<b>2,777</b>	<b>2,732</b>

Other income in "Activities for generating funds" includes sponsorship, promotions, training, sundry sales, lotteries, affinity cards and rental income, none of which are individually material.

### 3. Analysis of income from charitable activities

Income raised by the following child protection activities:	Projects & Helplines £'000	Training & Consultancy £'000	Public education & Research £'000	Total 2006 £'000	Total 2005 £'000
<b>Funding from statutory authorities:</b>					
Income from service level agreements	10,950	–	–	10,950	12,184
Donated services and facilities under service level agreements	842	–	–	842	757
Grants and one-off fees	1,265	–	37	1,302	1,490
<b>Total statutory funding</b>	<b>13,057</b>	<b>–</b>	<b>37</b>	<b>13,094</b>	<b>14,431</b>
<b>Other funding received for charitable activities:</b>					
Fees from non-statutory bodies	470	957	–	1,427	1,298
Sale of child protection training publications and other materials	1	499	78	578	344
<b>Total other funding</b>	<b>471</b>	<b>1,456</b>	<b>78</b>	<b>2,005</b>	<b>1,642</b>
<b>Total incoming resources from charitable activities</b>	<b>13,528</b>	<b>1,456</b>	<b>115</b>	<b>15,099</b>	<b>16,073</b>

Donated services and facilities under service level agreements represents £682,000 (2005: £569,000) recognised in respect of staff secondments, and £260,000 (2005: £188,000) in respect of premises and other facilities.

## 4. Analysis of total resources expended

	Note	Direct costs £'000	Support costs £'000	Total 2006 £'000	Total 2005 £'000
<b>Direct charitable expenditure:</b>					
Child protection and preventative services and projects		53,765	4,636	58,401	56,668
Child protection helplines		4,315	250	4,565	3,980
Influencing and public education	5	23,244	993	24,237	18,543
Child protection training and consultancy		3,340	229	3,569	3,740
Child protection research		1,430	130	1,560	1,569
<b>Activities to end cruelty to children</b>		<b>86,094</b>	<b>6,238</b>	<b>92,332</b>	<b>84,500</b>
<b>Costs of generating funds:</b>					
Costs of raising voluntary income		17,239	1,319	18,558	14,930
Costs of fundraising trading		1,775	140	1,915	2,327
Investment manager costs		102	–	102	103
<b>Total costs of generating funds</b>	<b>5</b>	<b>19,116</b>	<b>1,459</b>	<b>20,575</b>	<b>17,360</b>
<b>Governance costs</b>	<b>7</b>	<b>199</b>	<b>–</b>	<b>199</b>	<b>228</b>
<b>Other resources expended</b>	<b>8</b>	<b>627</b>	<b>–</b>	<b>627</b>	<b>–</b>
<b>Total resources expended</b>		<b>106,036</b>	<b>7,697</b>	<b>113,733</b>	<b>102,088</b>

Included in total resources expended is irrecoverable Value Added Tax of £2,770,346 (2005: £2,879,506).

The activities underlying the costs above, under each heading are:

- **Child protection and preventative services and projects** – work by NSPCC and ChildLine staff in teams and projects throughout the British Isles delivering services to children.
- **Child protection helplines** – maintaining the NSPCC and ChildLine 24-hour helplines and associated minority helplines in seven languages and supporting our interactive internet site There4me.com.
- **Influencing and public education** – influencing policy makers, raising public awareness to end cruelty to children and informing the public at large of the impact on society of child abuse, see note 5.
- **Child protection training and consultancy** – delivering a child protection training and consultancy service to those working with children from our centre in Leicester and in London, Wales and Northern Ireland.
- **Child protection research** – carrying out research into the nature and effects of child abuse and responses to it.
- **Cost of raising voluntary income** – promoting the awareness of the NSPCC and its work to create the income flow needed to support our activities.
- **Cost of fundraising trading** – investing in products and organising events to create the income flow needed to support our activities.
- **Governance costs** – expenditure incurred in administering the charity and complying with statutory requirements.

## 4. Analysis of total resources expended (continued)

	2006	2005
	£'000	£'000
<b>Total resources expended includes the following items:</b>		
<b>Operating lease rentals:</b>		
Cars	211	225
Land and buildings	2,076	2,201
<b>Auditors' remuneration:</b>		
Audit services	63	53
VAT and taxation advice	56	4
Due diligence fees re: ChildLine	19	–
<b>Fixed asset costs:</b>		
Capital costs written off:	23	–
Depreciation	2,132	2,376
<b>Trustees' expenses:</b>		
Trustees' travel expenses	11	6

The trustees are not entitled to and did not receive any remuneration during the year (2005:£nil). Eight trustees reclaimed travel expenses during the year (2005: six).

## 5. Influencing and public education

**As part of its mission to end cruelty to children and a key element of the FULL STOP Strategy to 2010, and in accordance with its Royal Charter, the NSPCC undertakes publicity and educational work of all descriptions. The expenditure on influencing and public education:**

- makes the public aware of the incidence and effects of child abuse and everyone's shared responsibility to act to stop it
- provides evidence for the need for policy change and legislative reform to protect children from abuse and prevent its occurrence
- enables effective action to be taken to influence policy makers and to speak up for children and young people's protection
- informs the public and fellow professionals about the NSPCC's own action to protect children and young people through its services for them and their families
- provides advice, including free and subsidised publications, about the safeguarding of children in the community to help parents and others to take action to protect children from abuse.

Communication with the public through influencing and education has a parallel purpose of encouraging potential donors to contribute funds to achieve the mission of the NSPCC. In 2006, activity has increased to mobilise the public to take their part in acting to stop cruelty to children.

## 5. Influencing and public education (continued)

	2006		2005	
	Costs of generating funds £'000	Influencing & public education £'000	Costs of generating funds £'000	Influencing & public education £'000
Charged directly	8,305	10,990	7,504	7,902
Shared costs	10,811	12,254	8,502	9,693
<b>Sub-total</b>	<b>19,116</b>	<b>23,244</b>	<b>16,006</b>	<b>17,595</b>
Support costs allocated	1,459	993	1,354	948
<b>Total</b>	<b>20,575</b>	<b>24,237</b>	<b>17,360</b>	<b>18,543</b>

Expenditure incurred each year is, where possible, charged directly to influencing or the costs of generating funds. Where there is more than one purpose, costs are shared between the activities in proportion to the work undertaken.

## 6. Allocation of support costs

Type of cost	Total allocated to charitable activities £'000	Total allocated to fundraising £'000	Total 2006 £'000	Total 2005 £'000
	Divisional management	2,026	166	2,192
Central management and administration	2,083	306	2,389	2,588
Premises, legal and other support costs	2,129	987	3,116	2,746
<b>Total support costs allocated</b>	<b>6,238</b>	<b>1,459</b>	<b>7,697</b>	<b>7,398</b>

Divisional management costs are the support costs which enable the functioning of divisional offices, including divisional finance, communications and human resources. Central management and administration costs are the support costs which enable fundraising and charitable work to be carried out including the relevant proportion of finance, communications, human resources, information systems and internal audit costs. Premises costs are the costs which enable the buildings from which the Society operates to function effectively.

Information systems and communications costs are allocated where appropriate directly to the frontline services. Those elements used by support functions and the elements not otherwise directly allocated are included in support costs. All support costs are allocated on the basis of full time equivalent staff numbers.

The figure of total support costs for 2006 includes the allocation of £ 274,000 of costs from ChildLine.

## 7. Governance costs

	2006 £'000	2005 £'000
Governance and professional support for trustees	136	175
External audit	63	53
<b>Total Governance costs</b>	<b>199</b>	<b>228</b>

Governance and professional support costs represent the internal costs of strategic planning and providing legal and other support to trustees.

## 8. Other resources expended

ChildLine joined with the NSPCC on 1 February 2006. In accordance with guidance from the Charity Commission this expenditure relates to taking appropriate legal advice, conducting due diligence and restructuring the organisation to bring the two charities together. The legal, restructuring and other costs relating to the acquisition is a one-off cost and is not included in support costs (note 6).

	2006 £'000
<b>Costs of joining with ChildLine</b>	<b>627</b>

The fair values of assets and liabilities acquired are shown in Note 11. All the activities of ChildLine and the beneficial ownership of the majority of its assets and liabilities were transferred to the NSPCC on 1 February 2006. The results of ChildLine for the two months ending 31 March 2006 are consolidated into the Group Statement of Financial Activities (see Note 11). The transferred assets and liabilities of ChildLine are now included in NSPCC's balance sheet. Certain bank accounts, the assets and liabilities of ChildLine Trading Company Limited and some restricted funds were retained by the ChildLine charity and these are shown in ChildLine's balance sheet as at 31 March 2006 (Charity Registration number 1003758). ChildLine net assets have been consolidated with those of the NSPCC Group.

## 9. Employees

	2006 £'000	2005 £'000
<b>Total staff costs</b>		
Wages and salaries	49,437	47,685
Cost of seconded staff	960	569
Social security costs	4,857	4,635
Pension costs	6,684	6,578
Recruitment costs	877	836
<b>Total</b>	<b>62,815</b>	<b>60,303</b>

The average number of employees on the payroll for the year was 2,418 (2005: 2,075). The average number of employees, calculated on a full time equivalent basis was 1,982 (2005: 1,710). The NSPCC operates a family-friendly policy encouraging part-time work and job-sharing. The above numbers include staff responsible for the management and support of the volunteers involved in fundraising.

## 9. Employees (continued)

### Remuneration policy and benefits

The Society bases its reward policies and strategies on the needs of the organisation. Salaries in general are determined by reference to local authority scales and grades, and consistency is ensured by using a job evaluation scheme. Leadership Group and chief executive remuneration is decided by the Trustee Remuneration Committee which has access to externally prepared data. We benchmark ourselves against other comparable organisations to ensure we are paying a suitable rate to all our staff. NSPCC has a stakeholder pension scheme plus a contributory final salary pension scheme open to some of our social work staff and their managers. Cars or an employee car-ownership plan are provided to employees if their job requires a significant amount of business travel. ChildLine employees transferring under TUPE have retained the terms and conditions of their ChildLine employment including membership, where appropriate, of a defined contribution pension scheme with the Pensions Trust (see note 18).

<b>The average number of employees, calculated on a full-time equivalent basis, analysed by function was:</b>	<b>2006 Number</b>	<b>2005 Number</b>
Activities to end cruelty to children	1,416	1,263
Generating funds	403	296
Support and governance	163	151
<b>Total</b>	<b>1,982</b>	<b>1,710</b>

On 1 February 2006, when ChildLine joined the NSPCC 217 staff (FTEs) transferred under TUPE to the NSPCC. The employees transferred were involved in the following activities: Activities to end cruelty to children – 111 FTEs; Activities for generating funds – 86 FTEs; Support and governance – 20 FTEs.

<b>The number of employees whose emoluments (including benefits in kind) as defined for taxation purposes amounted to over £60,000 in the year was as follows:</b>	<b>2006 Number</b>	<b>2005 Number</b>
£120,001 – £130,000	1	1
£90,001 – £100,000	2	2
£80,001 – £90,000	3	3
£70,001 – £80,000	2	2
£60,001 – £70,000	11	9
<b>Total</b>	<b>19</b>	<b>17</b>

All employees earning more than £60,000 participated in a Society pension scheme. Eighteen of the above 19 employees (2005: 16 of the 17) are accruing benefits under the NSPCC defined benefit scheme, and one (2005: one) is accruing benefits under the NSPCC Stakeholder Scheme.

Employer contributions to defined benefit schemes for employees earning over £60,000 in the year were £251,000 (2005: £211,000). Employer contributions to defined contribution schemes for employees earning over £60,000 in the year were £13,000 (2005: £12,000).

## 10. Subsidiary companies, joint arrangements and their activities

The Charity has five wholly owned subsidiaries. Information and financial data on the one active trading company, NSPCC Trading Company Limited, is detailed below. Three other subsidiaries, NSPCC Pension Scheme Limited, NSPCC Children's Services Limited and NSPCC Warrington YPC Limited, are dormant. On 1 February 2006 the charity ChildLine joined the NSPCC Group. The details of the acquisition are shown in Note 11 below, together with the post acquisition results for the two months ending 31 March 2006. The NSPCC also holds a 50 per cent interest in the joint arrangement CharTyShare Limited.

### NSPCC Trading Company Limited

NSPCC Trading Company Limited is incorporated in the UK. The main activities consist of mail order catalogue sales, corporate sponsorships and fund-raising events. There is a small amount of donated goods from the one remaining NSPCC charity shop.

A summary of the trading results is below. The information is taken from the audited accounts for the company and therefore includes transactions undertaken with the NSPCC.

<b>Profit and loss account</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	2,825	3,202
Cost of sales	(659)	(863)
<b>Gross profit</b>	<b>2,166</b>	<b>2,339</b>
Net operating costs	(209)	(289)
<b>Profit on ordinary activities before gift aid payment</b>	<b>1,957</b>	<b>2,050</b>
Amount gift aided to NSPCC	(1,957)	(2,049)
<b>Retained profit for the year</b>	<b>-</b>	<b>1</b>
<b>Assets, liabilities and funds:</b>		
Assets	1,921	570
Liabilities	(1,891)	(540)
<b>Total funds</b>	<b>30</b>	<b>30</b>

Profits from the Trading Company are gift aided to the NSPCC at the value of the taxable profits. The retained profit above represents a timing difference between accounting and taxable profits.

### Charityshare Limited

Charityshare Limited is incorporated in the UK. It exists as a vehicle to share information technology services between NSPCC and the Children's Society, and is jointly and equally owned by the two participants. The proportion of the Company's results that have been consolidated in these accounts is based on the level of service received by the Society. Consolidation is on a line by line basis. The Company commenced trading on 26 November 2004. Its first accounting period ended on 31 March 2006.

## 10. Subsidiary companies, joint arrangements and their activities (continued)

<b>NSPCC results (excluding Trading Company and ChildLine)</b>	<b>2006</b>	<b>2005</b>
The summary results of the parent charity are as follows:	<b>£'000</b>	<b>£'000</b>
Total incoming resources	111,899	110,383
Total resources expended	(109,789)	(100,939)
<b>Net incoming resources</b>	<b>2,110</b>	<b>9,444</b>
Gains on investment assets	3,427	1,656
Actuarial gains/(losses) on defined benefit schemes	2,818	(6,491)
Assumption of ChildLine funds	894	–
<b>Net movement in funds</b>	<b>9,249</b>	<b>4,609</b>
Funds balance brought forward	69,217	64,608
<b>Funds balance carried forward</b>	<b>78,466</b>	<b>69,217</b>

## 11. Accounting for ChildLine

The table below shows the fair values of each class of asset and liability of ChildLine at 1 February 2006, together with the net book values as shown in ChildLine's records at 31 January 2006.

	<b>Book value at 31 January 2006 £'000</b>	<b>Fair Value adjustments Revaluations £'000</b>	<b>Other adjustments £'000</b>	<b>Fair value at 1 February 2006 £'000</b>
<b>Fixed Assets</b>				
Tangible fixed assets	7,470	(1,717)	(157)	5,596
Investments	87	–	(5)	42
<b>Current Assets</b>				
Stock	23	–	(23)	–
Debtors	1,068	–	–	1,068
Cash at bank and in hand	1,729	–	–	1,729
<b>Creditors: amounts due within one year</b>	<b>(2,189)</b>	<b>–</b>	<b>–</b>	<b>(2,189)</b>
<b>Creditors: amounts falling due after one year</b>	<b>(3,949)</b>	<b>(1,122)</b>	<b>(600)</b>	<b>(5,671)</b>
<b>Net current assets (liabilities)</b>	<b>4,239</b>	<b>(2,839)</b>	<b>(785)</b>	<b>575</b>

## 11. Accounting for ChildLine (continued)

The freehold premises in Folgate Street were valued by an independent firm of Chartered Surveyors on the basis of market value of the freehold interest with vacant possession. The impact was a reduction in the value of £1,717,000. There was an additional amount of £157,000 written off the leasehold improvements to ChildLine Properties. The independent surveyor also estimated the dilapidations liability as £600,000 for all leases with an expiry date within 12 months of the date of joining the NSPCC. The increase in creditors of £1,122,000 arises from the pension provision (see note 18).

The resulting surplus of assets over liabilities was £575,000. This was represented by a deficit on unrestricted funds of £(638,000) and restricted fund balances of £1,213,000.

<b>ChildLine summarised accounts for the year ended 31 March 2006</b>	<b>10 months ending 31 January 2006</b>	<b>2 months ending 31 March 2006</b>	<b>Total 2006</b>	<b>Total 2005</b>
<b>Statement of Financial Activities</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total incoming resources	11,813	3,362	15,175	14,593
Total resources expended	(11,841)	(2,970)	(14,811)	(13,817)
<b>Net incoming/(outgoing) resources excluding impairments and other adjustments</b>	<b>(28)</b>	<b>392</b>	<b>364</b>	<b>–</b>
Impairments and other adjustments	(2,502)	–	(2,502)	–
<b>Net incoming/(outgoing) resources</b>	<b>(2,530)</b>	<b>392</b>	<b>(2,138)</b>	<b>776</b>
Other recognised gains and losses	(1,142)	–	(1,142)	9
<b>Net movement in fund balances excluding disposal to NSPCC</b>	<b>(3,672)</b>	<b>392</b>	<b>(3,280)</b>	<b>785</b>
Funds brought forward at the beginning of the period	4,247	73	4,247	3,462
	575	392	967	4,247
Funds transferred to NSPCC charity	(502)	(392)	(894)	–
<b>Funds carried forward at the end of the period</b>	<b>73</b>	<b>73</b>	<b>73</b>	<b>4,247</b>
			<b>31 March 2006</b>	<b>31 March 2005</b>
<b>Balance sheet</b>			<b>£'000</b>	<b>£'000</b>
Total assets			409	10,078
Total liabilities			(336)	(5,831)
<b>Total restricted funds</b>			<b>73</b>	<b>4,247</b>

ChildLine is a charitable company limited by Guarantee. The three members of the company are also the trustees of ChildLine and are appointed by the NSPCC. From 1 April 2006 the charitable activities of ChildLine are carried out by the NSPCC under the ChildLine brand name on behalf of the ChildLine charity.

Impairments and other adjustments include the write down in the value of tangible fixed assets of £1,717,000 and other adjustments of £785,000 (see note 11 on page 39). Other recognised gains and losses include an increase in the pension scheme provision of £1,122,000 and losses on investment assets of £20,000.

## 12. Tangible fixed assets

Group	Freehold property £'000	Leasehold property £'000	Furniture & equipment £'000	Total £'000
<b>Cost</b>				
1 April 2005	16,983	10,112	5,890	32,985
Additions	4,740	1,121	2,564	8,425
Disposals	–	(23)	–	(23)
<b>31 March 2006</b>	<b>21,723</b>	<b>11,210</b>	<b>8,454</b>	<b>41,387</b>
<b>Depreciation</b>				
1 April 2005	2,981	4,244	4,366	11,591
Disposals	–	–	–	–
Charge for the year	324	1,015	793	2,132
<b>31 March 2006</b>	<b>3,305</b>	<b>5,259</b>	<b>5,159</b>	<b>13,723</b>
<b>Net book value:</b>				
<b>31 March 2006</b>	<b>18,418</b>	<b>5,951</b>	<b>3,295</b>	<b>27,664</b>
31 March 2005	14,002	5,868	1,524	21,394
<b>Net movement in the year</b>	<b>4,416</b>	<b>83</b>	<b>1,771</b>	<b>6,270</b>

Charity	Freehold property £'000	Leasehold property £'000	Furniture & equipment £'000	Total £'000
<b>Cost</b>				
1 April 2005	17,199	10,112	5,886	33,197
Additions	4,740	1,121	2,564	8,425
Disposals	–	(23)	–	(23)
<b>31 March 2006</b>	<b>21,939</b>	<b>11,210</b>	<b>8,450</b>	<b>41,599</b>
<b>Depreciation</b>				
1 April 2005	2,981	4,244	4,362	11,587
Disposals	–	–	–	–
Charge for the year	324	1,015	793	2,132
<b>31 March 2006</b>	<b>3,305</b>	<b>5,259</b>	<b>5,155</b>	<b>13,719</b>
<b>Net book value:</b>				
<b>31 March 2006</b>	<b>18,634</b>	<b>5,951</b>	<b>3,295</b>	<b>27,880</b>
31 March 2005	14,218	5,868	1,524	21,610
<b>Net movement in the year</b>	<b>4,416</b>	<b>83</b>	<b>1,771</b>	<b>6,270</b>

### Capital commitments

The construction of a new building in Merseyside was commissioned during the year ended 31 March 2005 and costs will total £2 million. The funds for this capital work have been committed and set aside as detailed in note 21. Construction of the building has started in the period since the year end.

## 13. Investments

	Group and Charity	
	2006	2005
	£'000	£'000
Market value at 1 April 2005	53,507	51,107
Purchases at cost	13,592	92,253
Disposals at market value at 1 April 2005	(11,183)	(91,509)
Increase/(decrease) in market value (excluding movement in value of donated AIM shares)	3,847	1,656
	<b>59,763</b>	<b>53,507</b>
Donated AIM shares (at current valuation)	1,071	1,534
Cash instruments	3,811	2,732
<b>Market value at 31 March 2006</b>	<b>64,645</b>	<b>57,773</b>
Historical cost as at 31 March 2006	55,905	56,747

Donated Aim shares are shown at a valuation. Where the shares are subject to a lock-in period at the balance sheet date, the trustees determine the valuation by reference to the flotation price and taking into consideration the remaining period of the lock-in. Where the shares are no longer subject to a lock-in at the balance sheet date, the valuation is determined by the Society's stockbrokers, Charles Stanley & Company Ltd based on the latest available bid price and liquidity of the holdings.

At the balance sheet date, the portfolio was invested as follows	Group and Charity	
	2006	2005
	£'000	£'000
UK equity shares	20,200	17,914
UK fixed interest bonds & deposits	12,964	19,466
Overseas unit trusts	2,426	–
Overseas fixed interest bonds & deposits	–	2,661
Money market instruments	5,560	–
UK high interest bank accounts	19,684	15,000
Cash instruments	3,811	2,732
<b>Market value at 31 March 2006</b>	<b>64,645</b>	<b>57,773</b>

At 31 March 2006 the following investments represent more than 5% of the portfolio by market value:

		Value
		£'000
HBOS Base Plus account	24.0%	15,497
RBS Special Interest Bearing account	6.5%	4,187
		19,684
CAF UK Equitrack Fund	29.6%	19,129
UBS Bonds and Money Market (Overseas unit trusts, Money Market instruments and a cash holding)	16.0%	10,353
Other individual holdings below 5%		15,479
<b>Market value at 31 March 2006</b>		<b>64,645</b>

## 14. Debtors

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	2,624	1,755	1,218	1,526
Amounts due from group undertakings	–	–	1,356	59
Other debtors	1,656	1,203	1,656	1,203
Prepayments	1,894	1,591	1,357	1,521
Accrued income	6,634	4,557	6,575	4,557
<b>Total</b>	<b>12,808</b>	<b>9,106</b>	<b>12,162</b>	<b>8,866</b>

NSPCC operated the SureStart programme in Highfields, Leicester, during the year. Included in accrued income at 31 March 2006 is an amount of £4.8m due from the SureStart unit, which is a department of the DfES (Department for Education and Skills).

## 15. Short term investments

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Current investments	2,007	2,002	2,007	2,002
<b>Total</b>	<b>2,007</b>	<b>2,002</b>	<b>2,007</b>	<b>2,002</b>

Current investments represents monies invested through our bankers in short-term money market instruments, and available for return on demand.

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

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade creditors	5,137	3,794	4,932	3,772
Other creditors	5,171	2,069	5,008	1,691
Accruals	3,869	2,199	3,795	2,177
Deferred income, see note 17	1,146	820	714	767
Bank loan	88	–	88	–
Pension provision, see note 18	1,122	–	1,122	–
<b>Total</b>	<b>16,533</b>	<b>8,882</b>	<b>15,659</b>	<b>8,407</b>

## Creditors: amounts falling due after more than one year

	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank loan	3,639	–	3,639	–
Deferred VAT liability	316	–	316	–
<b>Total</b>	<b>3,955</b>	<b>–</b>	<b>3,955</b>	<b>–</b>

The bank loan is a mortgage secured on the Folgate Street premises from Barclays Bank Plc taken out by ChildLine at a fixed rate of interest of 4.87% and repayable in 2013.

## 17. Deferred income

Group and charity	Balance 1 April 2005 £'000	Deferred £'000	Released £'000	Balance 31 March 2006 £'000
Statutory sources	592	539	(592)	539
Other charitable sources	175	175	(175)	175
<b>Total for the charity</b>	<b>767</b>	<b>714</b>	<b>(767)</b>	<b>714</b>
Income from fundraising activities	53	432	(53)	432
<b>Total for the group</b>	<b>820</b>	<b>1,146</b>	<b>(820)</b>	<b>1,146</b>

The main reasons for deferrals are as follows:	Group		Charity	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Time restrictions imposed by donor	170	550	170	550
Potentially refundable income received for future events	954	197	528	144
Other deferrals	22	73	16	73
<b>Total</b>	<b>1,146</b>	<b>820</b>	<b>714</b>	<b>767</b>

## 18. Pension schemes

Group and charity	Balance 1 April 2005 £'000	Provided £'000	Released £'000	Balance 31 March 2006 £'000
<b>Total pension provision</b>	<b>14,202</b>		<b>(3,467)</b>	<b>10,735</b>

### NSPCC Pension schemes

The accounts include a provision for pension costs of £10,735,000 (2005: £14,202,000) representing the difference between the amounts cumulatively charged in the Statement of Financial Activities for the defined benefit scheme and the amounts actually paid by the NSPCC. In the year the amount released in the SOFA was the actuarial gain of £2,818,000 and the balance of the movement in pension provisions was £649,000. This was the difference between current service costs in the year and contributions and other finance income.

The NSPCC operates both a defined contribution and a defined benefit pension scheme which require contributions to be made to separately administered funds for the benefit of the employees. The defined contribution pension scheme was opened on 1 April 2003 and the pension costs for the year were £465,701 (2005: £322,000).

## 18. Pension schemes (continued)

### ChildLine Pension scheme

ChildLine operate a defined contribution scheme for their employees with a third party provider. Under the terms of the scheme, until 2001 members were given guarantees of fixed yields on contributions. Following the decline in the stock market and a change of legislation in September 2005, ChildLine was advised by the provider that there was a deficit of funds over liabilities on the scheme. The ChildLine share of this deficit is estimated at £1,122,000. This sum becomes payable if all ChildLine employees withdraw from the existing scheme. We understand that the TUPE transfer of ChildLine staff to NSPCC on 1 February 2006 may have triggered the payment of the debt and consequently the debt is shown in current liabilities (Note 16). The NSPCC continues to make contributions to the scheme on behalf of the ChildLine employees whilst at the same time negotiating with staff and unions for those employees to become members of the NSPCC Pension Scheme. Pension contributions in the two months from 1 February 2006 were £20,000.

### Accounting for the defined benefit scheme under FRS17

The performance of this scheme has been reported under FRS17. The last completed actuarial valuation was carried out at 31 March 2003 and used to set an employer contribution rate at 19.9 per cent of members salaries. The next triennial valuation is in hand and is due to report later in 2006. The actuarial valuation at 31 March 2003 has been updated to 31 March 2006 by a qualified actuary.

### The major assumptions used for the updated actuarial valuation were:

	2006	2005	2004
Rate of increase in salaries	4.5%	4.5%	4.5%
Rate of increase in deferred pensions	2.8%	2.65%	2.65%
Rate of increase in pensions in payment	2.8%	2.65%	2.65%
Discount rate	5.0%	5.4%	5.5%
Inflation assumption	2.8%	2.65%	2.65%
The expected long-term rate of return for each asset class was as follows:			
Equities	7.0%	7.5%	7.5%
Bonds	4.5%	5.0%	5.0%
Other	4.0%	4.0%	4.0%

### Valuation of scheme assets and reconciliation to the pension provision

	2006 £'000	2005 £'000	2004 £'000
Equities	79,343	63,169	56,843
Bonds	38,202	27,760	21,491
Other	710	850	620
<b>Total market value of assets</b>	<b>118,255</b>	<b>91,779</b>	<b>78,954</b>
Present value of scheme liabilities	(128,990)	(105,981)	(87,979)
<b>Deficit in the scheme, equalling the net pension liability</b>	<b>(10,735)</b>	<b>(14,202)</b>	<b>(9,025)</b>

## 18. Pension schemes (continued)

Amounts included in the Consolidated Statement of Financial Activities:	2006 £'000	2005 £'000		
<b>Current service cost included in total resources expended</b>	<b>5,815</b>	<b>5,504</b>		
<b>Analysis of net return on scheme</b>	<b>2006 £'000</b>	<b>2005 £'000</b>		
Expected return on scheme assets	6,261	5,537		
Interest on pension liabilities	(5,800)	(4,942)		
<b>Net return</b>	<b>461</b>	<b>595</b>		
<b>Analysis of movement in the scheme during the year</b>	<b>2006 £'000</b>	<b>2005 £'000</b>		
(Deficit)/Surplus in the scheme at the beginning of the year	(14,202)	(9,025)		
Current service cost	(5,815)	(5,504)		
Contributions	6,003	6,223		
Other finance income/(costs)	461	595		
Actuarial (loss)/gain	2,818	(6,491)		
<b>Deficit in the scheme at the end of the year</b>	<b>(10,735)</b>	<b>(14,202)</b>		
<b>Amounts included in other recognised gains and losses:</b>	<b>2006 £'000</b>	<b>2005 £'000</b>	<b>2004 £'000</b>	<b>2003 £'000</b>
Difference between actual and expected return on scheme assets	17,188	2,820	8,594	(18,908)
Experience gains arising on scheme liabilities	–	–	–	4,542
Changes in assumptions underlying the present value of scheme liabilities	(14,370)	(9,311)	(159)	(3,875)
<b>Total actuarial gains &amp; losses in net movement of funds</b>	<b>2,818</b>	<b>(6,491)</b>	<b>8,435</b>	<b>(18,241)</b>
<b>Amounts included in other recognised gains and losses:</b>	<b>2006 %</b>	<b>2005 %</b>	<b>2004 %</b>	<b>2003 %</b>
<b>As a % of scheme assets:</b>				
Difference between actual and expected return on scheme assets:	15%	3%	11%	(31)%
<b>As a % of present value of scheme liabilities:</b>				
Experience gains arising on scheme liabilities	0%	0%	0%	6%
Changes in assumptions underlying the present value of scheme liabilities	2%	(7)%	0%	(5)%
Total actuarial gains & losses in net movement of funds	2%	6%	10%	(23)%

## 19. Annual operating lease commitments

Annual operating lease commitments of the Group and Charity at 31 March 2006 are in respect of leases expiring:	Land & buildings	Cars	Land & buildings	Cars
	2006 £'000	2006 £'000	2005 £'000	2005 £'000
Within one year	75	283	201	132
Between one and five years	903	129	1,096	347
After five years	641	–	246	–
<b>Total</b>	<b>1,619</b>	<b>412</b>	<b>1,543</b>	<b>479</b>

## 20. Permanent endowments

Group and charity	Balance	Movement in Funds		Balance
	1 April 2005 £'000	Incoming resources £'000	Gains, losses & transfers £'000	31 March 2006 £'000
Permanent Endowment Fund	1,318	–	100	1,418
Other Endowments	29	–	–	29
<b>Total</b>	<b>1,347</b>	<b>–</b>	<b>100</b>	<b>1,447</b>

## 21. Restricted funds

The income funds of the Charity include restricted funds comprising the following unexpended balances of donations and grants held on trust to be applied for specific purposes

Group and charity	Balance	Movement in Funds		Balance
	1 April 2005 £'000	Incoming resources & transfers £'000	Expended in year £'000	31 March 2006 £'000
Local Authorities and other statutory bodies	766	14,238	(13,556)	1,448
Big Lottery Fund (formerly Community Fund)	33	159	(147)	45
Bridge House Trust	–	32	(32)	–
FULL STOP restricted donations	1,700	829	(1,022)	1,507
ChildLine restricted funds transferred to NSPCC	–	1,140	–	1,140
Other restricted donations	1,112	3,326	(3,354)	1,084
<b>Total for the charity</b>	<b>3,611</b>	<b>19,724</b>	<b>(18,111)</b>	<b>5,224</b>
ChildLine restricted funds retained by ChildLine	–	73	–	73
<b>Total for the group</b>	<b>3,611</b>	<b>19,797</b>	<b>(18,111)</b>	<b>5,297</b>

At the time ChildLine joined with the NSPCC, the trustees of the NSPCC agreed to be responsible for and discharge all liabilities arising prior to the transfer date. The obligations accepted by the trustees of ChildLine when accepting restricted funds has been transferred along with the funds to the NSPCC at 1 February 2006.

## 21. Restricted funds (continued)

The following funders have requested that information relating to their grants to the NSPCC be disclosed in the accounts together with their logo. Similar disclosures to meet ChildLine funders' requirements for restricted funds are shown in full in the ChildLine accounts.

Supported by

	<b>Funds received from the Big Lottery Fund have been granted towards expenditure on the following projects:</b>	<b>Balance</b>	<b>Incoming</b>	<b>Expended</b>	<b>Balance</b>
		<b>1 April 2005</b>	<b>resources</b>	<b>in year</b>	<b>31 March 2006</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Bal Raksha Project	–	87	(87)	–
	Community Safeguarding Toolkit	–	27	(24)	3
	Bradford Humsaath Project	33	45	(36)	42
	<b>Total</b>	<b>33</b>	<b>159</b>	<b>(147)</b>	<b>45</b>

	<b>Funds received from the Bridge House Trust have been granted towards expenditure on the following project:</b>	<b>Balance</b>	<b>Incoming</b>	<b>Expended</b>	<b>Balance</b>
		<b>1 April 2005</b>	<b>resources</b>	<b>in year</b>	<b>31 March 2006</b>
		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
	Young People's Centre, East London	–	32	(32)	–

## 22. Designated funds

Designated funds have been created for the following purposes:

- The Development Fund; to complete a programme of work which will set the foundations for the implementation of the strategy to 2010.
- Tangible fixed assets; to highlight the reserves invested in the tangible assets used by the charity in its operations.

<b>Group</b>	<b>Balance</b>	<b>Net</b>	<b>Transfers</b>	<b>Balance</b>
	<b>1 April</b>	<b>additions</b>	<b>between</b>	<b>31 March</b>
	<b>2005</b>	<b>in the year</b>	<b>funds</b>	<b>2006</b>
	<b>£'000</b>		<b>£'000</b>	<b>£'000</b>
Designated Funds:				
The Development Fund	3,992	–	(1,913)	2,079
Tangible fixed assets: Merseyside Appeal (see note below)	491	481	–	972
Existing assets (see note 12)	21,394	2,975	–	24,369
		–		
<b>Total for the Group</b>	<b>25,877</b>	<b>3,456</b>	<b>(1,913)</b>	<b>27,420</b>

## 22. Designated funds (continued)

Charity	Balance 1 April 2005 £'000	Net additions in the year	Transfers between funds £'000	Balance 31 March 2006 £'000
Designated Funds:				
The Development Fund	3,992		(1,913)	2,079
Tangible fixed assets : Merseyside Appeal (see note below)	491	481	–	972
Existing assets (see note 12)	21,610	2,975	–	24,585
<b>Total for the Charity</b>	<b>26,093</b>	<b>3,456</b>	<b>(1,913)</b>	<b>27,636</b>

The Appeal in Merseyside has raised £2,150,000 of which £2,000,000 has been earmarked for the construction of a new building in Liverpool to house NSPCC services. At 31 March 2006, £1,028,000 is held in restricted funds and £972,000 is held in designated funds awaiting the construction to commence. Access to the site was granted on 21 March 2006 and construction of the building has started in the period since the year end.

## 23. Analysis of group net assets between funds

Funds balances at 31 March 2006 are represented by:

	Unrestricted		Restricted £'000	Endowment £'000	Total funds £'000
	General £'000	Designated £'000			
Tangible fixed assets	3,295	24,369	–	–	27,664
Investments	63,198	–	–	1,447	64,645
Current assets	8,917	3,051	5,297	–	17,265
Current liabilities	(16,533)	–	–	–	(16,533)
Long term liabilities excluding pension reserve	(3,955)	–	–	–	(3,955)
<b>Total funds excluding pension reserve</b>	<b>54,922</b>	<b>27,420</b>	<b>5,297</b>	<b>1,447</b>	<b>89,086</b>
Pension reserve	(10,735)	–	–	–	(10,735)
<b>Total net assets</b>	<b>44,187</b>	<b>27,420</b>	<b>5,297</b>	<b>1,447</b>	<b>78,351</b>

## 24. Legacies

The NSPCC has been notified of 1,036 legacies, which have not been included within the financial statements as no notification of impending distribution has been received. Of these, 19% are pecuniary legacies which have an average value of £2,100 and the remaining 81% are residuary legacies, which have an average value of £40,600. The Society does not have any indication of when it is due to receive these monies and there is no certainty of receipt. Included within these legacies which have not been accounted for are 6 pecuniary legacies and 180 residuary legacies which are subject to a life interest.

A 31 March 2006 ChildLine had been notified of 12 legacies which have not been included within the financial statements as distribution is not expected in the near future. Two are pecuniary legacies totalling £3,250 and the remaining are residuary legacies with an approximate average value, where this is known, of £7,000. Two of these residuary legacies are subject to a life interest.

## 25. Related party transactions

Advantage has been taken of exemptions under FRS8 (3) not to disclose balances with or transactions between related parties eliminated on consolidation.

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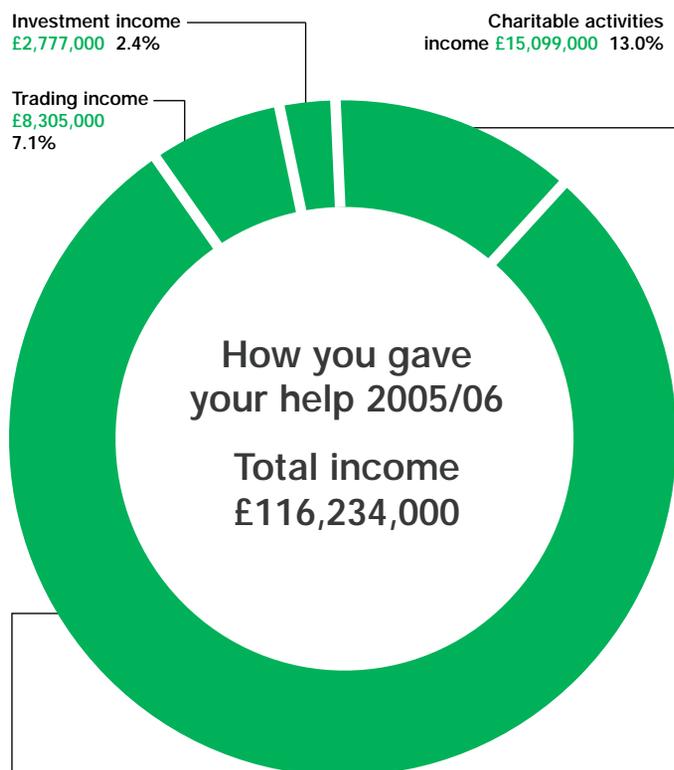
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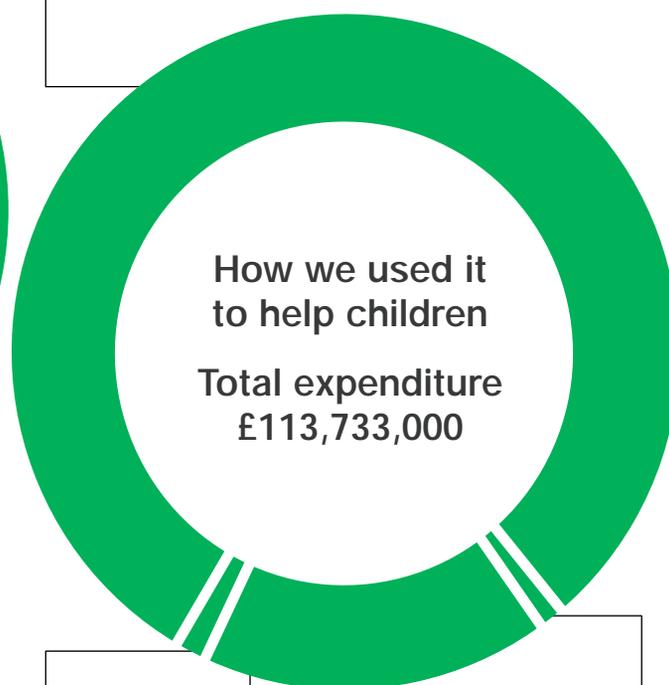
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# Income and expenditure



## Activities to end cruelty to children £92,332,000 81.2%

- Services directly for children and families
- Child protection helplines and websites
- Public awareness, education, influencing and motivation to take action
- Partnerships with other child protection organisations
- Professional training on safeguarding and child protection
- Research on the causes of, and responses to child abuse



Donations, gifts and legacies  
£90,053,000 77.5%

**NOTE:** Included in the income and expenditure are amounts relating to ChildLine activities from 1 February 2006 as follows:

Income	£3,362,000
Expenditure	£2,970,000

Additional gains not included as income are:

Investment gains and actuarial gain on pension scheme	£6,245,000
Assumption of ChildLine assets	£575,000

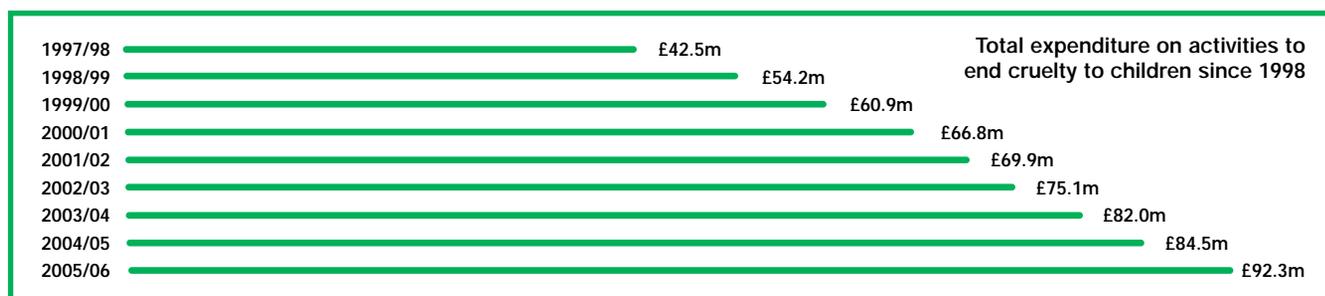
Other resources expended  
£627,000 0.5%

Cost of generating funds  
£20,575,000 18.1%

This is the cost of raising the voluntary income that is our main source of funds, and of attracting new supporters.

Cost of governance  
£199,000 0.2%

General running costs to meet constitutional and statutory requirements.



We would like to give heartfelt thanks to everyone who has helped the NSPCC by donating money, time and hard work. Without this selfless support we would be unable to do so much to end child cruelty.

Thank you.

**National Society for the  
Prevention of Cruelty to Children**

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Chairman  
**Sir Christopher Kelly**

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**Mary Marsh**

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Chairman of the  
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**Andrew I Rosenfeld**



## NSPCC Divisional Offices

South and East Division,  
3rd Floor, Arnold House, 36-41 Holywell Lane,  
London EC2A 3EL  
Tel: 020 7596 3700 Fax: 020 7596 3737

Midlands and West Division,  
NSPCC Gloucester Office, Alexandra Warehouse,  
4th Floor, The Docks, Gloucester GL1 2LG  
Tel: 01452 300 616 Fax: 01452 424 721

North Division,  
2nd Floor, Arndale House, Crossgates, Leeds LS15 8EU  
Tel: 0113 229 2200 Fax: 0113 229 2240

Northern Ireland Division  
NSPCC Jennymount Business Park, North Derby Street,  
Belfast BT15 3HN  
Tel: 028 9035 1135 Fax: 028 9035 1100

Cymru/Wales Division  
Capital Tower, Greyfriars Road, Cardiff CF10 3AG  
Tel: 029 2026 7000 Fax: 029 2022 3628

For information on ways you can support the NSPCC,  
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All individuals in NSPCC case studies are guaranteed complete confidentiality. To protect that trust the names and details of all people/children featured in these case studies have been changed. The essential details of each case, however, are true.

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