

Trustees' report

References 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 2007.

ChildLine joined the NSPCC Group on 1 February 2006 and this is the first set of accounts to include a full year of results for ChildLine.

The NSPCC is registered with the Charity Commission under registration number 216401. The NSPCC is registered with the Office of the Scottish Charity Regulator under registration number SC037717. The NSPCC operates across the United Kingdom 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 29. The trustees are responsible for ensuring that, for each financial year, financial statements are prepared which give a true and fair view of the state of affairs of the Group and the Charity, at the end of that year and of the incoming resources and resources expended for that year. These accounts are presented in accordance with the Statement of Recommended Practice (SORP) 2005.

In preparing these accounts the trustees are responsible for ensuring that:

- suitable accounting policies are adopted and applied consistently
- judgements and estimates made are reasonable and prudent
- applicable United Kingdom accounting standards and statements of recommended practice have been followed
- the accounts are prepared on the going concern basis unless it is inappropriate to presume that the Charity and Group will continue their activities.

The trustees are also responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Charity and Group. The records must enable trustees to ensure that the financial statements comply with the Charities Act 1993 and the Charities (Accounts and Reports) Regulations 1995, 2000 and 2005. They are also responsible for ensuring that the assets of the Charity and Group are safeguarded and hence for ensuring that reasonable steps are taken for the prevention and detection of 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 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 a 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 to 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, service development, 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 its 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 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 1ST in Scotland and the Irish Society for the Prevention of Cruelty to Children. During the year ended 31 March 2007, the NSPCC raised funds under the ChildLine name in Scotland and operated the ChildLine service from Glasgow on behalf of children resident throughout Scotland. Following several months of negotiation, on 1 April 2007 CHILDREN 1ST took over the running and management of the ChildLine service in Scotland under an outsourcing contract with the strategic direction of the service remaining with the NSPCC.

In 2004 the NSPCC established a joint arrangement with The Children’s Society, Charityshare, to operate information technology services more efficiently by sharing those services between the two charities. On 29 March 2007 the Alzheimer’s Society joined Charityshare as a full member. The company is

jointly and equally owned by the three charities.

The NSPCC continues to work in partnership with many local authorities and other agencies such as 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

The purpose of the NSPCC is to end cruelty to children. It aims to achieve this across the British Isles and the Channel 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 NSPCC 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 policymakers, raising public awareness to end cruelty to children
- informing the public of the impact on society of child abuse
- working with other organisations in effective cooperation towards common ideals
- operating around 180 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 for adults, and ChildLine which is a 24-hour helpline for children, a Cymru/Wales Child Protection 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 Review. This section summarises some of the key areas which affect our accounts.

Fundraising activities

Total incoming resources at £152.5 million are 31.0 per cent higher than last year. Included in this figure is a full year contribution of £15.3 million from ChildLine. Without this contribution total incoming resources would have grown by 21.4 per cent, which is still a significant increase. The main contributing factor to the increase has been several major gifts coinciding with the conclusion of the FULL STOP Appeal. The largest element of fundraising remains the income from individual donors giving to us monthly which raised £60.0 million (2006 £51.7 million). All aspects of expenditure to help raise funds are constantly monitored, tested and compared with industry norms.

To reflect the harmonisation of all our activities in line with the FULL STOP strategy, the cash received from

the FULL STOP Appeal is integrated in our accounts with that of our other fundraising. However, we continue to monitor achievement and the cumulative performance of the FULL STOP Appeal to 31 March 2007 is set out below.

	Balance 1 April 2006 £ million	Increase during the year £ million	Balance 31 March 2007 £ million
Appeal total	186.6	80.8	267.4
Of which cash received so far	131.6	37.0	168.6

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 NSPCC Trading Company in 2007, £8.8 million, was significantly higher than that in 2006 (£2.8 million) reflecting the success of a major fundraising event in autumn 2006. The Trading Company remained profitable and, during the year, £5.5 million (2006: £2.0 million) was passed to the charity under Gift Aid. The ownership of ChildLine Trading Company was passed to NSPCC on 31 March 2007. Its contribution to income in the year was £0.4 million (2006 £0.7million) and to profit £0.2 million (2006 £0.4million). Incoming resources from charitable activities fell by £0.7million reflecting the NSPCC's planned reduced involvement in the Government's Sure Start scheme.

Financial review

The result for the year shows the expenditure on charitable activities at £111.5 million (2006 £92.3 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 of £0.2 million (2006 £3.4 million) and the decreased deficit on the pension scheme of £9.2 million (2006 £2.8 million) (see below) the increase in the balance of funds was £15.9 million (2006 £9.3 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 2007 unrestricted free reserves amounted to £57.1 million to which for the purpose of the sufficiency calculation is added the £3.9 million of restricted reserves being the total restricted reserves of £9.5 million less that part (£5.6 million) which relates to property (note 20). At a consolidated value of £61.0 million, the reserves at 31 March 2007 are equivalent to 5.1 months forward expenditure (2006: 5.5 months restated).

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. The trustees have adopted an investment strategy aimed at capital protection and maintaining liquidity.

The majority of our funds are held in cash or short-dated bonds and are available for immediate use. The balance is held in equities.

The equities, all UK, are held in a FTSE 100 tracker fund managed by Legal and General Investment Managers. The short dated bonds are held in a fund operated by UBS which invests in short dated global bonds and whose target is to achieve LIBOR plus 0.5 per cent 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 along with any immediate short term liquidity is held in cash funds with blue chip bankers with a benchmark of Bank of England Base Rate.

The average return for the year on our cash investments was 5.4 per cent (2006 4.7 per cent) At 31 March 2007 the percentage of our portfolio in cash or bonds was 72.9 per cent (2006 65.0 per cent).

Pensions

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 three 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.
 - c. A section created to provide benefits to members of the ChildLine Pension Plan who were transferred from the Pensions Trust in 2007.

The latest triennial actuarial valuation which took place on the defined benefit scheme was at

31 March 2006. The valuation showed a surplus of £9.1 million and was used to set an employer contribution rate to 2009 of 19.9 per cent.

The membership data prepared for the triennial valuation has been used to prepare the FRS 17 valuation. The figures included therein use current economic data applied to the latest available staffing and mortality information at 31 March 2007. FRS 17 requires the investment rate used to estimate future returns to be based on the rate available on corporate bonds. This is a lower rate of return than for the actuarial valuation which uses the expected return on the actual basket of investments held by the fund. The results of using this lower rate of return for FRS 17 gives an estimate of liabilities of £127.5 million with assets of £125.4 million - a deficit of £2.1 million.

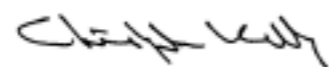
In accordance with paragraph 335 of the SORP 2005, we have charged against the funds of the charity a pension provision equivalent to the deficit reported under FRS 17. The trustees consider that the pension deficit is recoverable from future cash flows.

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 level of employer contribution rate and the changes implemented to the Pension Scheme in 2002 are sufficient to anticipate that the deficit will be eliminated as planned by 2015.

When the NSPCC and ChildLine joined in February 2006, the NSPCC commenced an exercise to bring ChildLine staff into the umbrella of the NSPCC schemes. On 8 June 2007 the Pensions Trust and the NSPCC Pension Scheme Trustees signed a transfer agreement under which the assets and

liabilities of the ChildLine Pension plan held by the Pensions Trust were transferred to the NSPCC Pension scheme. Whilst the principles of the transfer and the calculation of assets and liabilities have been agreed, the final detail of the assets to be transferred is being finalised by the actuaries from both parties.

Benefits promised under the ChildLine Pension Plan with the Pensions Trust will be honoured as part of this transfer. Any shortfall arising from the transfer will be underwritten by the Society. The value of the transfer is expected to be around £5 million. Any shortfall is expected to be less than the £1.2 million already provided for in these accounts under creditors.



Sir Christopher Kelly,
Chairman

Independent auditors' report to trustees

Independent auditors' report to trustees of the NSPCC

We have audited the group and parent charity financial statements of the NSPCC for the year ended 31 March 2007 which comprise the consolidated statement of financial activities, the NSPCC and consolidated balance sheets, the consolidated cash flow statement, notes "a" to "e" to the consolidated cash flow statement and the related notes 1 to 24. 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 s43 of the Charities Act 1993 and report in accordance with regulations made under s44 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 trust deed. 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 2007 and of the Group's incoming resources and application of resources in the year then ended; and
- 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 trust deed.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
180 Strand
London WC2R 1BL
8 October 2007

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)

Adrian Burn

Treasurer

(Finance, Audit, Remuneration)

Bridget Cluley

(Divisional Trustees)

Rob Hutchinson CBE

(Standards and Performance)

Hannah Miller (April 07)

(Policy)

Dame Denise Platt DBE (May 07)

(Standards and Performance)

Esther Rantzen CBE

(Policy, Standards and Performance)

Andrew Rosenfeld

(Chairman of the FULL STOP Campaign)

Locksley Ryan

(Finance, Standards and Performance)

Mrs Derek Shaw CBE

(Divisional Trustees, Finance, Policy)

Robert D Smith CMG

(Nominations and Governance, Policy)

Dr Hywel Williams

(Divisional Trustees, Policy)

Mrs Michael Willoughby

(Divisional Trustees, Policy, Audit)

Jane Woodford

(Divisional Trustees, Policy, Audit)

The Charity thanks and recognises the contributions of Mrs Lavinia Wallop MBE and Mrs Anthony Wigram MBE who retired as trustees of the NSPCC in October 2006 and of Carol Borghesi and Helene Webb who resigned as trustees in September 2006 and March 2007 respectively.

Coopted Members

The Trustees would like to recognise the support given by the following coopted members who bring their special expertise to the committees on which they sit.

Jonathan Bloomer

(Finance)

Alan Taylor-Bigg

(Finance)

Hugo Were

(Finance)

Mike Cawley

(Pension scheme chairman)

NSPCC secretary

Rebecca Packwood

Senior management

*Director and chief executive

Dame Mary Marsh

*Director of services for children and young people

Wes Cuell

*Director of fundraising

Giles Pegram

*Director of communications

John Grounds

*Director of finance and administration

John Graham FCA

*Director of public policy

Phillip Noyes

*Director of human resources

Liz Booth

Director of internal audit and inspection

Mary Handley

*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
180 Strand
London WC2R 1BL

Solicitors

Hempsons
20 Embankment Place
London WC2N 6NN

Investment advisers

BlackRock
33 King William Street
London EC4R 9AS

Henderson Investors
3 Finsbury Avenue
London EC2M 2PA

Consolidated statement of financial activities

(incorporating an Income and Expenditure Account) for the year ended 31 March 2007

	Notes	Unrestricted Funds General Funds £'000	Designated Funds £'000	Endowment & Restricted Funds £'000	Total 2007 £'000	Total 2006 £'000
Incoming resources						
Voluntary income	2	102,089	-	14,691	116,780	90,053
Activities for generating funds	2	16,050	-	-	16,050	8,305
Investment income	2	4,384	-	103	4,487	2,777
Incoming resources from generated funds		122,523	-	14,794	137,317	101,135
Incoming resources from charitable activities	3	4,830	-	9,511	14,341	15,099
Other incoming resources including disposals of fixed assets						
		823	-	-	823	169
Total incoming resources		128,176	-	24,305	152,481	116,403
Resources expended						
Costs of generating voluntary income	4	23,861	-	316	24,177	18,558
Fundraising trading: costs of goods sold and other costs	4	4,980	-	-	4,980	1,915
Investment management costs	4	101	-	2	103	102
Costs of generating funds		28,942	-	318	29,260	20,575
Charitable activities to end cruelty to children	4	92,718	-	18,817	111,535	92,332
Governance costs	4	319	-	-	319	199
Other resources expended	4	4,924	-	-	4,924	796
Total resources expended	4	126,903	-	19,135	146,038	113,902
Net incoming resources before transfers		1,273	-	5,170	6,443	2,501
Transfer from/to designated funds:						
Development Fund	21	181	(181)	-	-	-
Freehold and Leasehold properties	21	(190)	1,218	(1,028)	-	-
Assumption of ChildLine funds		-	-	-	-	575
Net movement in funds before other recognised gains and losses		1,264	1,037	4,142	6,443	3,076

Consolidated statement of financial activities (continued)

Notes	Unrestricted Funds			Endowment	Total 2007 £'000	Total 2006 £'000
	General Funds £'000	Designated Funds £'000	& Restricted Funds £'000	Funds £'000		
	1,264	1,037	4,142	6,443	3,076	
Net movement in funds before other recognised gains and losses						
Other recognised gains and losses						
Gains on investment assets	12	236	-	6	242	3,427
Actuarial gains on defined benefit pension scheme	17	9,233	-	-	9,233	2,818
Net movement in funds	10,733	1,037	4,148	15,918	9,321	
Total funds brought forward		44,187	27,420	6,744	78,351	69,030
Total funds carried forward		54,920	28,457	10,892	94,269	78,351

All income relates to continuing operations.

The movement on the freehold and leasehold designated funds represents the completion of a building in Merseyside and other capitalised expenditure on freehold and leasehold properties in the year, net of amortisation charged in the year on freehold and leasehold properties (see note 21).

The prior year's corresponding figures for 2006 contain two months of ChildLine activity following ChildLine joining with the NSPCC on 1 February 2006. The 2007 figures contain a full 12 months of ChildLine activities.

The net gains on investment assets shown under the Endowment and Restricted Funds column are attributable to permanent endowment investments and along with the allocation of investment management fees, are the only movements on the permanent endowment fund. Details of the Permanent Endowment Fund and the Restricted Funds are shown in notes 19 and 20.

NSPCC and consolidated balance sheets

as at 31 March 2007

Notes	Group		Charity		
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	
Fixed assets					
Tangible assets	10	35,612	27,664	35,828	27,880
Investments	12	75,751	64,645	75,751	64,645
Total fixed assets		111,363	92,309	111,579	92,525
Current assets					
Debtors	13	10,774	12,821	10,181	12,175
Short term investments	14	1,699	2,007	1,699	2,007
Cash at bank and in hand		574	2,518	227	2,189
		13,047	17,346	12,107	16,371
Creditors - amounts falling due within one year	15	(18,814)	(16,014)	(17,983)	(15,140)
Net current (liabilities) / assets		(5,767)	1,332	(5,876)	1,231
Total assets less current liabilities		105,596	93,641	105,703	93,756
Creditors due after one year	15	(4,189)	(3,955)	(4,189)	(3,955)
Provisions	15	(5,000)	(600)	(5,000)	(600)
Net assets excluding pension liability		96,407	89,086	96,514	89,201
Defined benefit pension scheme liability	17	(2,138)	(10,735)	(2,138)	(10,735)
Net assets including pension liability		94,269	78,351	94,376	78,466
Capital funds					
Permanent endowments	19	1,451	1,447	1,451	1,447
Income funds					
Restricted	20	9,441	5,297	9,364	5,224
Unrestricted:					
Free Reserve		57,058	54,922	57,026	54,894
Pension Reserve	17	(2,138)	(10,735)	(2,138)	(10,735)
General		54,920	44,187	54,888	44,159
Designated	21	28,457	27,420	28,673	27,636
Total unrestricted		83,377	71,607	83,561	71,795
Total funds		94,269	78,351	94,376	78,466

Approved by the Board of Trustees on
14 September 2007 and signed on its behalf by


Sir Christopher Kelly
Chairman


Adrian Burn
Treasurer

Consolidated cash flow statement

for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	a	14,132	6,026
Returns on investments and servicing of finance	b	4,770	2,777
Capital expenditure and financial investment	c	(20,759)	(11,852)
(Decrease) in cash in the year	e	(1,857)	(3,049)

Notes to the cash flow statement

	2007 £'000	2006 £'000
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a. Reconciliation of net incoming resources to net cash inflow from operating activities

Net incoming resources	6,443	2,501
Investment income	(4,487)	(2,777)
Depreciation	3,254	2,132
Gain on disposal of tangible fixed assets	(299)	-
Assumption of ChildLine assets	-	575
Decrease / (increase) in debtors	2,047	(3,715)
Increase in creditors	2,138	6,237
Pension contribution in deficiency / (excess) of charge	636	(649)
Increase in other provisions	4,400	1,722
Net cash inflow from operating activities	14,132	6,026

b. Returns on investments and servicing of finance

Investment income received	4,770	2,777
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c. Capital expenditure and financial investment

Purchase of tangible fixed assets	(10,219)	(8,425)
Sale of tangible fixed assets	299	23
Purchase of investments	(32,326)	(13,592)
Sale of investments	21,179	10,147
Decrease / (increase) in short term investments	308	(5)
Total	(20,759)	(11,852)

d. Analysis of changes in net debt

	1 April 2006 £'000	Cash Flow £'000	31 March 2007 £'000
Cash at bank and in hand	2,518	(1,944)	574
Bank loan included in creditors	(3,727)	87	(3,640)
	(1,209)	(1,857)	(3,066)
Short term investments	2,007	(308)	1,699
Total	798	(2,165)	(1,367)

e. Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
Decrease in cash in the year	(1,857)	(3,048)
Cash used to (decrease) / increase liquid resources	(308)	5
Change in net (debt) / funds	(2,165)	(3,043)
Net funds balance brought forward	798	3,841
Net (debt) / funds balance carried forward	(1,367)	798

Notes to the consolidated accounts

for the year ended 31 March 2007

1 Accounting policies

1.1 Basis of accounting

The accounts 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

The results of NSPCC Trading Company Limited, ChildLine and ChildLine Trading Limited, wholly owned subsidiaries, 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 33.3 per cent joint arrangement with The Children's Society and The Alzheimer's Society, has been accounted for as a joint arrangement 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 in many cases received net of related expenditure. In order to reflect the gross position, an estimate of the expenditure has been calculated by extrapolating the analysis of a sample of transactions and income and expenditure have been increased by this amount. The trustees have concluded that this is a reasonable estimate to use given the cost and administrative effort involved to account for the actual gross branch income. Gifts in kind and donated services have been included at the lower of their value to the Society and 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 that has a time restriction placed on it by the donor or income that may become refundable is deferred as shown in note 16.

Donations of shares quoted on the Alternative Investment Market (AIM) of the London Stock Exchange which the charity has accepted under the condition that they would not be sold for a specified period, are included in the accounts at a value

determined by the Board of Trustees. At 31 March 2007, for AIM shares held by the charity, the Board of Trustees has decided that the difficulties in trying to establish a real market value outweighs any benefit and since they were received at no cost, no amount has been included in the financial statements. Shares disposed during the year have been accounted for at their disposal value.

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. Governance costs are associated with the governance arrangements of the charity and relate to the general running of the charity. These costs include external and internal 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, 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. All support costs

are apportioned on the basis of full time equivalent staff numbers. 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 19 to 22.

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 five years

Major software development, eg case management software five years

Other computer software and hardware two years

Major, in relation to software development, is any system with a capital cost in excess of £1 million.

No depreciation is provided on freehold land or on buildings under construction. 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 and donated shares as per the paragraph below, investments are stated at market value.

Donated shares that come with a requirement that they be held for a fixed period or are infrequently traded are included in the balance sheet at the lower of market value or a value ascertained 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

Pensions are accounted for in accordance with FRS 17.

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 the period in which they occur.

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 17 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, in the period in which the lease charge arises.

1.10 Finance leases

Assets held under finance leases are capitalised at their fair value, and provision for depreciation is made over their useful lives. The present value of the future lease payments is shown as a liability under obligations under finance leases. The implicit finance charge is charged to the SOFA in the year that it arises.

2 Analysis of incoming resources from generated funds

	Total 2007 £'000	Total 2006 £'000
Voluntary income:		
Monthly donations from individuals	59,982	51,719
Legacies	19,784	17,836
Community fundraising	11,819	8,552
Other donations and gifts	25,195	11,946
Total voluntary income	116,780	90,053
Activities for generating funds:		
Sale of goods	628	433
Fundraising events	13,650	6,023
Other *	1,772	1,849
Total activities for generating funds	16,050	8,305
Investment income		
Dividends - UK	571	504
Interest	3,085	1,812
Net return on pension scheme assets	831	461
Total investment income	4,487	2,777

* 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. The balance also includes NSPCC's 50% share of CharityShare's third party turnover (see note 9)

Net return on pension scheme assets represents the difference calculated under FRS17 between the expected return on the pension scheme assets and the interest on the value of the scheme's liabilities.

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 2007 £'000	Total 2006 £'000
Funding from statutory authorities:					
Income from service level agreements	8,998	-	-	8,998	10,950
Donated services and facilities under service level agreements	1,231	-	-	1,231	842
Grants and one-off fees	2,008	-	7	2,015	1,302
Total statutory funding	12,237	-	7	12,244	13,094

3. Analysis of income from charitable activities (continued)

Other funding received for charitable activities:

Fees from non-statutory bodies	946	827	-	1,773	1,427
Sale of child protection training publications and other materials	1	244	79	324	578
Total other funding	947	1,071	79	2,097	2,005
Total incoming resources from charitable activities	13,184	1,071	86	14,341	15,099

Donated services and facilities under service level agreements represents £613,000 (2006: £682,000) recognised in respect of staff secondments, and £318,000 (2006: £260,000) in respect of premises and other facilities.

4. Analysis of total resources expended

	Note	Direct costs £'000	Support costs £'000	Total 2007 £'000	Total 2006 £'000
Direct charitable expenditure:					
Child protection and preventative services and projects		57,626	5,453	63,079	58,401
Child protection helplines		11,110	247	11,357	4,565
Influencing and public education	5	29,502	1,613	31,115	24,237
Child protection training and consultancy		3,865	265	4,130	3,569
Child protection research		1,604	250	1,854	1,560
Activities to end cruelty to children		103,707	7,828	111,535	92,332
Costs of generating funds:					
Costs of raising voluntary income		22,736	1,441	24,177	18,558
Costs of fundraising trading		4,571	409	4,980	1,915
Investment manager costs		103	-	103	102
Total costs of generating funds	5	27,410	1,850	29,260	20,575
Governance costs	7	319	-	319	199
Other resources expended					
Dilapidations provision		4,400	-	4,400	-
Charityshare	9	524	-	524	169
Cost of joining with ChildLine		-	-	-	627
Total other resources expended	5	4,924	-	4,924	796
Total resources expended		136,360	9,678	146,038	113,902

Included in total resources expended is irrecoverable Value Added Tax of £4,083,000 (2006: £2,770,000)

Charityshare expense represents the NSPCC's 50% share of costs relating to NSPCC third party turnover (see note 9.)

During the year, the NSPCC has completed a full review of the potential liability to dilapidations at the end of the leases on occupied buildings, and, as a result, has increased the provision by £4,400,000 to £5,000,000

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

Child protection and preventative services and projects

- work by NSPCC staff in teams and projects throughout Great Britain, Northern Ireland and the Channel Islands delivering services to children.

Child protection helplines - maintaining the NSPCC Child Protection 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.

Total resources expended includes the following:

	2007 £'000	2006 £'000
Operating lease rentals:		
Cars	183	211
Land and buildings	2,674	2,076
Auditors' remuneration:		
Audit services	79	63
VAT & taxation advice	4	56
Other consultancy	79	-
Due diligence fees re ChildLine	-	19
Depreciation:		
On assets held under finance leases	177	30
On owned assets	3,077	2,102
Trustees' expenses:		
Trustees' travel expenses	8	11

The trustees are not entitled to and did not receive any remuneration during the year (2006: £nil). Nine trustees reclaimed travel expenses during the year (2006: 8).

5 Influencing and public education

As part of its mission to end cruelty to children, and in accordance with its Royal Charter, the NSPCC undertakes publicity and educational work of all descriptions.

The expenditure in 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 effectively 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, and

- 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. From 2006, activity increased to mobilise the public to take their part in acting to stop cruelty to children, and the growth in expenditure in 2007 reflects the continuing increase in activity.

	2007		2006	
	Costs of generating funds £'000	Influencing & public education £'000	Costs of generating funds £'000	Influencing & public education £'000
Charged directly	10,320	15,669	8,305	10,990
Allocated costs	17,090	13,833	10,811	12,254
Sub-total	27,410	29,502	19,116	23,244
Support costs allocated	1,850	1,613	1,459	993
Total	29,260	31,115	20,575	24,237

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	Total allocated to fundraising	Total 2007	Total 2006
	£'000	£'000	£'000	£'000
Divisional management	2,064	168	2,232	2,192
Central management and administration	2,394	326	2,720	2,389
Premises, legal and other support costs	3,370	1,356	4,726	3,116
Total support costs allocated	7,828	1,850	9,678	7,697

Divisional management costs are the support costs which enable the functioning of divisional offices, including divisional finance and human resources. Central management and administration costs are the support costs which enable fund raising and charitable work to be carried out. These costs include the relevant proportion of central finance, human resources and information systems that support frontline services.

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 other support costs are allocated on the basis of full time equivalent staff numbers.

7 Governance costs

	2007 £'000	2006 £'000
Governance and professional support for trustees	240	136
External audit	79	63
Total Governance costs	319	199

Governance and professional support costs represent the internal costs of strategic planning and providing legal and other support to trustees, and Internal Audit which, in 2006 comparative figures, was included in support costs.

8 Employees

Total staff costs	2007 £'000	2006 £'000
Wages and salaries	59,242	49,437
Cost of seconded staff	322	960
Social security costs	5,592	4,857
Pension costs	7,296	6,684
Total	72,452	61,938

The average number of employees on the payroll for the year was 2,357 (2006: 2,418 on like for like basis including ChildLine). The average number of employees, calculated on a full time equivalent basis for the year was 1,941 (2006: 1,982 on a like for like basis including ChildLine). The figures for 2006 include only two months of staff costs for ChildLine and if a full 12 months were included it is estimated the figure for comparison would be £67,935,000. 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.

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.

During the year, work started on a revised reward scheme which, when complete, will see salaries linked to a wider market rate. Leadership Group and Chief Executive remuneration is decided by the Board Remuneration Committee which has access to externally prepared data. The Society undertakes a benchmarking exercise against other comparable organisations to ensure suitable rates of salary are paid 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.

8 Employees (continued)

The average number of employees, calculated on a full-time equivalent basis, analysed by function was:

	2007 Number	2006 Number
Activities to end cruelty to children	1,397	1,398
Generating funds	384	388
Support and governance	160	159
Total	1,941	1,945

The figures are provided on a like for like basis including ChildLine.

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:

	2007 Number	2006 Number
£130,001 - £140,000	1	-
£120,001 - £130,000	-	1
£100,001 - £110,000	1	-
£90,001 - £100,000	4	2
£80,001 - £90,000	2	3
£70,001 - £80,000	4	2
£60,001 - £70,000	10	11
Total	22	19

All employees earning more than £60,000 participated in a Society pension scheme. Twenty of the above 22 employees (2006: 18 of the 19) are accruing retirement benefits under a defined benefit scheme, and 2 (2006: 1) are accruing retirement benefits under the NSPCC stakeholder scheme.

Employer contributions to defined benefit schemes for employees earning over £60,000 in the year were £297,000 (2006: £251,000).

Employer contributions to the stakeholder scheme for employees earning over £60,000 in the year were £22,000 (2006: £13,000).

9 Subsidiary companies, joint venture companies and their activities

The Charity has six wholly owned subsidiaries. Information and financial data on ChildLine and the two active trading companies, NSPCC Trading Company Limited and ChildLine Trading Limited are detailed below. Three other subsidiaries, NSPCC Pension Scheme Limited, NSPCC Children's Services Limited and NSPCC Warrington YPC Limited, are dormant. The Charity also holds an interest in Charityshare Limited, a joint arrangement not an entity (JANE).

Charityshare Limited

Charityshare Limited is incorporated in the UK. It was set up as a vehicle to share information technology services

between NSPCC and the Children's Society, and was jointly and equally owned by the two participants. On 29 March 2007 The Alzheimer's Society joined Charityshare and was allocated a one third share of the Company. NSPCC held a 33.3 per cent interest in Charityshare at 31 March 2007. Following the join with the Alzheimer's Society in 2007, the accounting for Charityshare has been revised to reflect these accounts, the NSPCC interest in the sales and cost of sales other than those to the NSPCC itself and the NSPCC share of underlying assets and liabilities. The figures for 2006 have been adjusted accordingly. Consolidation is on a line by line basis.

NSPCC interest in Charityshare Limited	2007 NSPCC Share £'000	2007 Eliminate on Consolidation £'000	2007 NSPCC Interest £'000	2006 £'000
Profit and loss account				
Turnover	2,327	(1,802)	525	169
Cost of sales and administration costs	(2,326)	1,802	(524)	(169)
Retained profit for the year	1	-	1	-
Assets, liabilities and funds:				
Assets	468	(362)	106	81
Liabilities	(467)	362	(105)	(81)
Total funds including the NSPCC's holding on one A share of £1	1	-	1	-

NSPCC Trading Company Limited and ChildLine Trading Limited

NSPCC Trading Company Limited (NSPCC Trading) 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 sales of donated goods from the remaining NSPCC charity shop.

ChildLine Trading Limited (ChildLine Trading) is incorporated in the UK. The main activities consist of mail order catalogue sales, corporate sponsorships and fund-raising events. 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 and ChildLine.

Profit and loss account	NSPCC Trading 2007 £'000	ChildLine Trading 2007 £'000
Turnover	8,823	396
Cost of sales	(3,195)	(86)
Gross profit	5,628	310
Net Operating Costs	(173)	(102)
Operating profit	5,455	208
Interest receivable	21	3
Interest payable	-	(5)
Profit on ordinary activities before gift aid payment	5,476	206
Amount gift aided to NSPCC and ChildLine	(5,476)	(206)
Retained profit for the year	-	-
Assets, liabilities and funds:		
Assets	882	282
Liabilities	(852)	(282)
Total funds including ordinary shares of £1 each (NSPCC Trading 100 shares, ChildLine Trading 3 shares)	30	-

Profits from NSPCC Trading are gift aided to the NSPCC at the value of the taxable profits. Profits from ChildLine Trading are gift aided to ChildLine at the value of the

taxable profits The retained profit above represents a timing difference between accounting and taxable profits.

9 Subsidiary companies, joint venture companies and their activities (continued)

NSPCC results (excluding subsidiaries) and ChildLine

ChildLine is a charitable company limited by guarantee, registered in England and Wales and incorporated in the UK. ChildLine became a subsidiary from 1 February 2006. Funds raised by ChildLine after expenses are paid by way

of grant to the NSPCC. A summary of the results of the parent charity and ChildLine are below. The figures for ChildLine are those consolidated into the accounts and therefore includes transactions undertaken with the NSPCC.

	NSPCC excluding subsidiaries 2007 £'000	ChildLine 2007 £'000
Total incoming resources	148,834	15,283
Total resources expended	(142,399)	(15,279)
Net incoming resources	6,435	4
Gains on investment assets	242	-
Actuarial gains / on defined benefit schemes	9,233	-
Net movement in funds	15,910	4
Funds balance brought forward	78,466	73
Funds balance carried forward	94,376	77

Included in the NSPCC total incoming resources and the ChildLine total resources expended is a grant of £15,253,000 from ChildLine to the NSPCC.

10 Tangible Fixed Assets

Group	Freehold property £'000	Leasehold property £'000	Furniture & equipment £'000	Total £'000
Cost				
1 April 2006	21,723	11,210	8,454	41,387
Additions	5,736	3,379	2,087	11,202
Disposals	(168)	(129)	(45)	(342)
31 March 2007	27,291	14,460	10,496	52,247
Depreciation				
1 April 2006	3,305	5,259	5,159	13,723
Disposals	(168)	(129)	(45)	(342)
Charge for year	435	934	1,885	3,254
31 March 2007	3,572	6,064	6,999	16,635
Net book value:				
31 March 2007	23,719	8,396	3,497	35,612
31 March 2006	18,418	5,951	3,295	27,664
Net movement in the year	5,301	2,445	202	7,948

10 Tangible Fixed Assets (continued)

Charity	Freehold property £'000	Leasehold property £'000	Furniture & equipment £'000	Total £'000
Cost				
1 April 2006	21,940	11,209	8,450	41,599
Additions	5,736	3,379	2,087	11,202
Disposals	(168)	(129)	(45)	(342)
31 March 2007	27,508	14,459	10,492	52,459
Depreciation				
1 April 2006	3,305	5,259	5,155	13,719
Disposals	(168)	(129)	(45)	(342)
Charge for year	435	934	1,885	3,254
31 March 2007	3,572	6,064	6,995	16,631
Net book value:				
31 March 2007	23,936	8,395	3,497	35,828
31 March 2006	18,635	5,950	3,295	27,880
Net movement in the year	5,301	2,445	202	7,948

Included in leasehold property above is the cost of £2,392,000 (2006 : nil) of a building under construction in Liverpool which was commissioned and occupied in May 2007. Included in freehold property is a building in London which was purchased during the year and brought into use for NSPCC occupation in February 2007. The cost of this building was funded by a restricted fund. The cost of purchasing the building and the initial refurbishment, both paid for by a restricted donation was £5,556,000.

Included in furniture and equipment above are assets held under finance leases that were transferred to the NSPCC when the Society merged with ChildLine on 1 February 2006. The fair value of these assets as at 1 February 2006 was £603,000. The depreciation charge for the two months to 31 March 2006 was £30,000 giving a net book value as at 31 March 2006 of £573,000. The depreciation charge for the year ended 31 March 2007 was £177,000 giving a net book value as at 31 March 2007 of £396,000.

11 Capital Commitments

There were no significant capital commitments at 31 March 2007 (2006 : £2,000,000).

12 Investments

	Group and Charity	
	2007 £'000	2006 £'000
Value at 1 April 2006	64,645	58,389
Less dividend income reflected in previous year's valuation	(283)	-
	64,362	58,389
Purchases at cost	32,326	13,592
Disposals	(21,179)	(11,183)
Write down of donated shares	(939)	-
Increase in market value	1,181	3,847
Value at 31 March 2007	75,751	64,645
Historical cost as at 31 March 2007	72,427	55,905

The listed investments include shares in 7 companies quoted on the Alternative Investment Market (AIM) of the London Stock Exchange which the charity accepted as donations under the condition that they would not be sold until two years after the date of the gift. At 31 March 2007 the total quoted value of these shares was £889,000 (2006 £1,437,000). Recognising the lack of any effective market for the quantity of the shares held and the remaining restrictions on some of the shares, the board

of trustees has decided that the difficulties in trying to establish a market value outweighs any benefit and since they were received at no cost, no amount has been included in the financial statements. In prior years these donated shares were held in the accounts at a value which made some allowance, but not a full allowance for these factors. At 31 March 2006 they were held at a value of £1,063,000 against a market value of £1,793,000.

At the balance sheet date, the portfolio was invested as follows

	2007 £'000	2006 £'000
UK equity shares	20,510	20,200
UK fixed interest bonds and deposits	49,964	12,964
Overseas unit trusts	-	2,426
Overseas fixed interest bonds and deposits	207	-
UK high interest bank accounts	4,008	19,684
Cash instruments	1,062	9,371
Value at 31 March 2007	75,751	64,645

At 31 March 2007 the following investments represent more than 5 per cent of the portfolio by market value:

	%	Value £'000
CAF UK Equitrack Fund	27.1%	20,503
HBOS Fixed Interest	18.1%	13,700
RBS Fixed Interest (maturing September 2007)	6.6%	5,000
RBS Fixed Interest (maturing January 2008)	6.6%	5,000

13 Debtors

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade debtors	2,073	2,615	1,726	1,209
Amounts due from group undertakings	-	-	314	1,356
Other debtors	3,322	1,656	3,117	1,656
Prepayments	1,406	1,916	1,051	1,379
Accrued income	3,973	6,634	3,973	6,575
Total	10,774	12,821	10,181	12,175

14 Short Term Investments

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Current investments	1,699	2,007	1,699	2,007
Total	1,699	2,007	1,699	2,007

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

15 Creditors: Amounts falling due within one year

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank loan	93	88	93	88
Trade creditors	5,206	5,106	5,171	4,901
Other creditors	4,564	5,790	3,817	5,627
Accruals	7,692	3,884	7,643	3,810
Deferred income (see note 16)	1,072	1,146	1,072	714
Obligations under finance leases falling due within one year	187	-	187	-
Total	18,814	16,014	17,983	15,140

Creditors: Amounts falling due after one year

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Bank Loan	3,547	3,639	3,547	3,639
Obligations under finance leases falling due after one year and less than five years	347	-	347	-
Deferred VAT liability	295	316	295	316
Total	4,189	3,955	4,189	3,955

15 Creditors: Amounts falling due after one year (continued)

Provisions	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Provision for dilapidations on leasehold properties	5,000	600	5,000	600
Total	5,000	600	5,000	600

16 Deferred income

	1 April 2006 £'000	Deferred £'000	Released £'000	31 March 2007 £'000
Statutory sources	539	403	(539)	403
Other charitable sources	175	411	(175)	411
Total for the Charity	714	814	(714)	814
Income from fund-raising activities	432	258	(432)	258
Total for the Group	1,146	1,072	(1,146)	1,072

The main reasons for deferrals are as follows:

	Group		Charity	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Time restrictions imposed by donor	464	170	464	170
Potentially refundable income received for future events	425	954	425	528
Other deferrals	183	22	183	16
Total	1,072	1,146	1,072	714

17 NSPCC Pension Schemes

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. Further details of these schemes are provided below. ChildLine operated a defined contribution scheme and the arrangements relating to that scheme are described below.

ChildLine pension scheme

ChildLine operated a defined contribution scheme for their employees with the Pensions Trust. 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 has been estimated at £1,122,000. This sum was included in current liabilities in the 2006 accounts because, under the terms of the agreement, the debt was triggered by the TUPE transfer of staff on 1 February 2006 from ChildLine to the NSPCC.

On 7 June 2007, the NSPCC and the Pensions Trust entered into a transfer agreement in which the assets and liabilities with the Pensions Trust transfer to the NSPCC Pension Scheme. Actuaries are currently working on the valuation of both assets and liabilities.

It is expected on transfer there will be a deficit which, whilst not yet quantified, is not expected to be larger than the £1,122,000 currently provided for in these accounts.

NSPCC defined contribution pension scheme

The defined contribution pension scheme was opened on 1 April 2003 and the pension costs for the year were £824,000 (2006: £465,000).

NSPCC defined benefit pension scheme

The Society operates a funded defined benefit scheme, the NSPCC Pension Scheme, the assets of which are held in a specific trust separately from those of the Society. Contributions are paid to the scheme as agreed with the scheme's trustees, having taken independent actuarial advice. Over the year to 31 March 2007, regular contributions by the NSPCC of £5,835,000 were made to the scheme. It has been agreed that future contributions to the scheme will continue to be at the rate of 19.9 per cent of pensionable salaries. The Scheme is expected to accept a bulk transfer of assets and liabilities in respect of former ChildLine employees in June 2007. The effect of this will be seen in next year's accounts.

Accounting for the defined benefit scheme under FRS17

The full actuarial valuation of the scheme as at 31 March 2006 was updated to 31 March 2007, by an independent qualified actuary in accordance with FRS17. As required by FRS17, the defined benefit liabilities have been measured using the projected unit method.

Based on the actuarial valuation the accounts include a provision for pension costs of £2,138,000 (2006: £10,735,000) 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 £9,233,000 and the balance of the movement in pension provisions was £636,000. This was the difference between current service costs in the year and contributions and other finance income.

17 NSPCC Pension Schemes (continued)

Group and charity	Balance 1 April 2006 £'000	Provided £'000	Released £'000	Balance 31 March 2007 £'000
Total pension provision	10,735	-	(8,597)	2,138

The following table sets out the key FRS17 assumptions used for the Scheme. The table also sets out as at the accounting date the fair value of assets, a breakdown of

the assets into the main asset classes, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities.

Assumptions	2007	2006	2005
Price Inflation	3.0% pa	2.8% pa	2.65% pa
Discount Rate	5.4% pa	5.0% pa	5.4% pa
Pension Increases (LPI)	3.0% pa	2.8% pa	2.65% pa
Salary growth	4.5% pa	4.5% pa	4.5% pa

On the basis of the assumptions used for life expectancy, a male pensioner currently aged 60 would be expected to

live for a further 25.8 years (2005/06: 25.8 years). Allowance is made for future improvements in life expectancy.

Asset distribution and expected return

	2007 Expected Return	2007 Fair Value	2006 Expected Return	2006 Fair Value	2005 Expected Return	2005 Fair Value
Equities	7.0% pa	78,905	7.00% pa	79,343	7.5% pa	63,169
Bonds	5.0% pa	38,683	4.5% pa	38,202	5.0% pa	27,760
Property	6.0% pa	-	n/a	n/a	n/a	n/a
Cash / other	4.5% pa	7,814	4.0% pa	710	4.0% pa	850

As at 31 March 2007 the Scheme had £7.8 million in cash, of which £3.6 million was waiting to be invested in UK property and £3.6 million in overseas property. On 2 April 2007 these investments took place.

When calculating the pension cost for 2007/08 it will therefore be appropriate to allow for these new investments in determining the expected return on pension scheme assets.

Balance Sheet	2007 £'000	2006 £'000	2005 £'000
Total fair value of assets	125,402	118,255	91,779
Present value of liabilities	(127,540)	(128,990)	(105,981)
Deficit in the scheme, equalling the net pension liability	(2,138)	(10,735)	(14,202)

The post retirement deficit under FRS17 moved as follows during the year to 31 March 2007:

	2007 £'000	2006 £'000
Post retirement deficit at year start	(10,735)	(14,202)
Current service cost	(7,302)	(5,815)
Past service cost	-	-
Contributions (employer only)	5,835	6,003
Net pension finance income	831	461
Actuarial gain	9,233	2,818
Post retirement deficit at year end	(2,138)	(10,735)

The following amounts have been included within total resources expended under FRS17:

	2007 £'000	2006 £'000
Current service cost	7,302	5,815
Past service cost	-	-
Total operating charge	7,302	5,815

The following amounts have been included within total resources expended under FRS17:

	2007 £'000	2006 £'000
Expected return on pension scheme assets	7,381	6,261
Interest on post retirement liabilities	(6,550)	(5,800)
Finance income credited to the statement of financial activities	831	461

The following amounts relate to the “actuarial gains and losses on defined benefit pension scheme” heading within the statement of financial activities:

	2007 £'000	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Actual return less expected return on scheme assets	(2,837)	17,188	2,820	8,594	(18,908)
Percentage of Scheme's assets	(2%)	15%	3%	11%	(31%)
Experience gains and (losses) arising on Scheme's liabilities	5,296	NA	NA	NA	4,542
Percentage of the FRS17 value of the Scheme's liabilities	4%	NA	NA	NA	6%
Gain or (loss) due to changes in assumptions underlying the present value of the Scheme liabilities	6,774	(14,370)	(9,311)	(159)	(3,875)
Percentage of the FRS17 value of the Scheme's liabilities	5%	(11%)	(7%)	0%	(5%)
Actuarial gain/(loss)	9,233	2,818	(6,491)	8,435	(18,241)
Percentage of the FRS value of the Scheme's liabilities	7%	2%	6%	10%	23%

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

18 Annual operating lease commitments

Annual operating lease commitments of the Group and Charity at 31 March 2007 are in respect of leases expiring:

	Land & buildings 2007 £'000	Cars 2007 £'000	Land & buildings 2006 £'000	Cars 2006 £'000
Within one year	659	5	201	132
Between one and five years	1,384	73	1,096	347
After five years	591	-	246	-
Total	2,634	78	1,543	479

19 Permanent Endowments


Group and charity	Balance 1 April 2006 £'000	Movement in Funds Incoming resources £'000	Gains, losses & transfers £'000	Balance 31 March 2007 £'000
Permanent Endowment Fund	1,418	-	4	1,422
Other Endowments	29	-	-	29
Total	1,447	-	4	1,451

20 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 1 April 2006 £'000	Movement in Funds Incoming resources £'000	Expended & transfers £'000	Balance 31 March 2007 £'000
Projects and helplines funded by Local Authorities and other statutory bodies	1,226	9,531	(10,041)	716
Projects funded by the Big Lottery Fund (see below)	45	446	(455)	36
Funding by City Bridge Trust for Young People's Centre East London (see below)	-	33	(33)	-
Activities to end cruelty to children funded by restricted donations from the FULL STOP Appeal	701	496	(1,034)	163
ChildLine restricted funds transferred to NSPCC	1,140	1,636	(2,014)	762
Aquisition of buildings	1,028	5,556	(1,028)	5,556
Activities to end cruelty to children funded by other restricted donations	1,084	6,389	(5,342)	2,131
Total for the Charity	5,224	24,087	(19,947)	9,364
ChildLine restricted Funds retained	73	218	(214)	77
Total for Group	5,297	24,305	(20,161)	9,441

Funds received from the Big Lottery Fund have been granted towards expenditure on the following projects:

	Balance 1 April 2006 £'000	Incoming resources £'000	Expended in year £'000	Balance 31 March 2007 £'000
 Teenage Dating Violence	-	45	(29)	16
Bal Raksha	-	18	(18)	-
Safeguarding Toolkit	3	360	(363)	-
Bradford Humsaath Project	42	23	(45)	20
Total	45	446	(455)	36

Funds received from the City Bridge Trust have been granted towards expenditure on the following projects:

	Balance 1 April 2006 £'000	Incoming resources £'000	Expended in year £'000	Balance 31 March 2007 £'000
 Young People's Centre, East London	-	33	(33)	-
Total	-	33	(33)	-

21 Designated Funds

Designated funds have been created for the following purposes:

- a) The Development Fund; to complete a programme of work which will set the foundations for the implementation of the strategy to 2010.

- b) Freehold and leasehold properties; to highlight the reserves invested in the tangible assets used by the charity in its operations. The amount designated represents the total net book value of freehold and leasehold assets at the year end of £32,115,000, (see note 10) less £5,556,000 held in restricted funds (see note 20).

Group	Balance		Balance 31 March 2007 £'000
	1 April 2006 £'000	Gains, losses & transfers £'000	
The Development Fund	2,079	(181)	1,898
Freehold and leasehold properties	25,341	1,218	26,559
Total for the Group	27,420	1,037	28,457

Charity	Balance		Balance 31 March 2007 £'000
	1 April 2006 £'000	Gains, losses & transfers £'000	
The Development Fund	2,079	(181)	1,898
Freehold and leasehold properties	25,557	1,218	26,775
Total for the Charity	27,636	1,037	28,673

The building in Liverpool funded by the Merseyside Appeal was completed in the year and the full cost of the building is reflected in the figure of £26,559,000 above. The development fund expenditure in the year was £898,000 and related mainly to projects such as the SMS text pilot and mobilising and safeguarding materials.

New funds of £717,000 have been designated to support the Information Systems team which will be progressing the Integrated Helpline Services and also to provide a research fund for Public Policy.

22 Analysis of group net assets between funds

Fund balances at 31 March 2007 are represented by:	Unrestricted		Restricted £'000	Endowment £'000	Total funds £'000
	General £'000	Designated £'000			
Tangible fixed assets	3,497	26,559	5,556	-	35,612
Investments	74,300	-	-	1,451	75,751
Current assets and liabilities	(11,550)	1,898	3,885	-	(5,767)
Long term liabilities excluding pension reserve	(4,189)	-	-	-	(4,189)
Provisions	(5,000)	-	-	-	(5,000)
Total funds excluding pension reserve	57,058	28,457	9,441	1,451	96,407
Pension reserve	(2,138)	-	-	-	(2,138)
Total net assets	54,920	28,457	9,441	1,451	94,269

23 Legacies

The NSPCC has been notified of 1,087 legacies, which have not been included within the financial statements as no notification of impending distribution has been received. Of these, 43 per cent are pecuniary legacies which have an average value of £2,288 and the remaining 57 per cent are residuary legacies, which have an average value of £40,900. 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 the above figures are eight pecuniary legacies and 178 residuary legacies which are subject to a life interest.

24 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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We would like to thank the following companies, trusts, organisations and government departments for their support through 2006/07 including those who have chosen to remain anonymous. We only have room to list a small number of those who support the NSPCC – we are, however, immensely grateful to everyone who helps us to make a difference.

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Jon and Julia Aisbitt	Capita Group Plc	Deborah Fern	Mr and Mrs Peter Jones	Mr and Mrs David Novak	Spirit Group Ltd	Yorkshire Building Society	
Alliance & Leicester Plc	Mr John Caudwell	Fern Training & Development	J P Morgan	The Number UK	Mr John Spurling	Yuill Group Ltd	2007
Allianz Cornhill Insurance Plc	Challenger World	International	The Jupiter Group	Omnicom Group Inc	The Star Newspaper, Sheffield		Ambassadors
Amey Plc	Champneys Health Resorts	Stanley and Barbara Fink	Tarek and Diala Khat	Mr John O'Roarke	The Sun		Dame Judi Dench
Amulet	Mr and Mrs John Chandris	The Football Association	Ladbrokes	Mr and Mrs John Paynter	SurfControl Plc	Peter Andre	Noel Edmonds DL
AOL Europe	Chelsea Stores	Mr Frederick Forsyth CBE	Mr Brian Lay	P F Charitable Trust	David and Susana Svendsen and Family	Catherine Zeta-Jones	Tracey Emin
The Arbib Foundation	The Children's Charity For The Good of All Children	Mr and Mrs Hugh Frost	Keith and Muriel Lipman	Pigott School Fees Trust	Swiftcover.com	Amir Khan	Carl and Michaela Fogarty
Arcadia Group Plc	The Clara Burgess Charity	Mr Anthony Gallagher	Littlewoods Gaming	Mr Paul Pindar	Mr and Mrs Michael Tabor	Kylie Minogue	Torey Hayden
The Arpad Busson Foundation	Mr and Mrs P Clark	Georgia-Pacific GB Ltd	Live Nation	The Earl and Countess of Portsmouth	Mr Rana Talwar	Alan Shearer OBE	Nicholas Hoult
Ascot Racecourse	Jon Claydon and Annie Woolf	Mr and Mrs Robert Gillespie	Lloyds TSB Foundation for the Channel Islands	Private Equity Foundation	Mr Vincent Tchenguiz	Jonny Wilkinson OBE	ChildLine Celebrity Ambassadors
Lord Ashcroft KCMG	The Clore Duffield Foundation	GLG Partners	Lloyds TSB Group	Protectagroup Ltd	telent		Fiona Bruce
ATSCo	Annie and Frank Cocker	Stephen Goodman	Luminar Plc	Provident Financial	Sir Stanley Thomas OBE	2004	Graham Cole
Sir Anthony Bamford DL and Lady Bamford OBE	Sir Ronald and Lady Cohen	Google UK	Mr and Mrs George Magan	Prudential Assurance UK and Europe	Timpson Ltd	Saffron Aldridge	Ronnie Corbett OBE
The Band Trust	Mr John Coldman	Mr Rob Grant	Mr and Mrs John Magnier	Steve and Julie Purdham	Toyota Motor Manufacturers (UK) Ltd	Atomic Kitten (Liz McClarnon, Natasha Hamilton and Jenny Frost)	Beth Cordingly
BBC Children in Need Appeal	Comic Relief	Mr Ray and Mrs Anita Green	Marks & Spencer	Mrs Hans Rausing	Mr and Mrs Michael Tabor	David Beckham OBE	Nicholas Parsons OBE
Paul and Pam Bell	Computacenter Ltd	Mr and Mrs M Gumienny	Mr and Mrs Tom Martin	Dr Sigrid Rausing	Mr Rana Talwar	Victoria Beckham	Wendi Peters
Bentley Motors Ltd	Connells Ltd	John Hargreaves and Family	Nick and Annette Mason	Sir David Richards	Mr Anthony Travis	Jono Coleman	Anthea Turner
The Bernard Sunley Charitable	Mr John Connolly	The Rt Hon Lord and Lady Harris of Peckham	Matalan Plc	Mr Matthew Roeser	Travis Perkins	Lesley Garrett CBE	Ian Wright MBE
	The Co-operative Group	Emma Harrison	Frank and Alison McGarahan	Mr Andrew and Mrs Nicola Rosenfeld	The Tussauds Group Ltd		
		Barry Hawley Green			Ulster Garden Village Ltd		

Income and expenditure

How you gave your help 2006/07

Total income £152,481,000



● **Donations, gifts and legacies £116,780,000 76.7%**

● **Activities for generating funds £16,050,000 10.5%**

These are activities undertaken for the purpose of fundraising, and are not directly concerned with the objectives of the NSPCC. Examples of these activities include dinners and balls, auctions, sale of Christmas cards, allowing commercial organisations to use the NSPCC name in its marketing activities.

● **Investment income £4,487,000 2.9%**

This is interest and dividends receivable from NSPCC bank accounts and other investment holdings.

● **Other incoming resources £823,000 0.5%**

● **Charitable activities income £14,341,000 9.4%**

This is income that the NSPCC charges for carrying out its charitable activities (as opposed to fundraising income opposite). Examples would include the charges made to a local authority for providing welfare services, for training social workers, or for the sale of a research report the NSPCC has produced.

How we helped children 2006/07

Total expenditure £146,038,000



● **Activities to end cruelty to children £111,535,000 76.4%**

- 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.

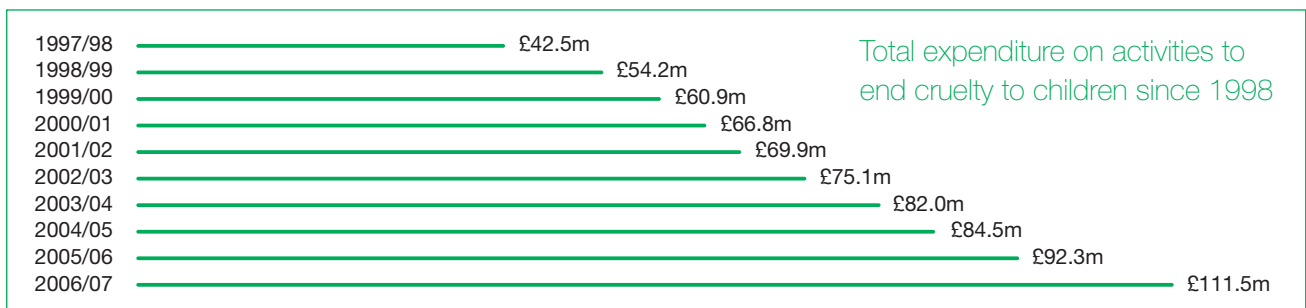
● **Cost of governance £319,000 0.2%**

General running costs to meet constitutional and statutory requirements.

● **Cost of generating funds £29,260,000 20.1%**

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

● **Other resources expended £4,924,000 3.3%**



For further information on the 2006/7 financial report please go to www.nspcc.org.uk/financialachievements2007