



**changing lives
reducing crime**

Report and financial
statements year ended
31 March 2013

Company number: 203583
Charity number: 226171

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**NACRO
COUNCIL MEMBERS AND PROFESSIONAL ADVISORS FOR THE YEAR ENDED 31
MARCH 2013**

President

Lord Dholakia, OBE, JP

Vice President

Dame Linda Dobbs DBE

Trustees

The members of the Council during the year are listed below:

M Litobarski, *Chair*

D Sandiford # *Vice Chair*

L McHugh * ^#

W Saleem *^

M Whyham #

J Aitken

B Booker*

T Mallabone*# resigned November 2012

D McGonigal

J Whitaker resigned December 2012

G Duncan*^ resigned December 2012

Acting Treasurer

J Darley * ^ #

*Denotes members of the Finance and Resources Committee

^Denotes members of the Audit and Risk Committee

#Denotes members of the Performance Committee

Chief Executive

P McDowell

Bankers

National Westminster Bank plc

Cavell House

P-O Box 113

2A Charing Cross Road

London WC2H 0PD

Auditor

BDO LLP

2 City Place

Beehive Ring Road

Gatwick

West Sussex RH6 0PA

Solicitors

Gateley Waring

One Eleven Edmund St

Birmingham

B3 2HJ

Pension consultants

Bluefin Group

Castlemead

Lower Castle Street

Bristol BS1 3AG

Company number: 203583

Charity number: 226171

Secretary and Registered Office

P Murphy (*Resigned 6th February 2013*)

P McDowell (*Appointed 7th February 2013, Resigned 4th July 2013*)

B Aspland (*Appointed 4th July 2013*)

Park Place, 10-12 Lawn Lane

London

SW8 1UD

NACRO
REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

The Council presents its report and the financial statements for the year ended 31 March 2013.

Legal and Administrative Information

Nacro is a company limited by guarantee and a registered charity.

The members of the Council act as directors of the company and trustees of the charity. The names of Trustees who acted during the year are listed on page 3.

Statement of Trustees' Responsibilities

The trustees are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including its income and expenditure, of the charitable company for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting and reporting by charities (Update 2005) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting and reporting by charities.

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REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

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

Structure, Governance and Management

The governing body is the Council. The governing document is the Memorandum and Articles of Association.

Trustees are appointed by open recruitment to ensure that as a group, Council possesses the appropriate experience and required competencies. The induction and training programme for new trustees includes briefing sessions with the Chief Executive, Chair and existing trustees, meetings with senior managers and visits to Nacro projects and staff events.

Nacro has a wholly owned subsidiary, Nacro Community Enterprises Limited, which operates as Nacro Housing. This company is incorporated in England and is limited by guarantee. It is both a registered provider of social housing and a registered charity. Under the terms of its Memorandum and Articles of Association its income and property are not available either directly or indirectly for distribution to members. The results of Nacro Housing are consolidated within the group accounts. Two of the Nacro trustees are also members of the Nacro Housing Board.

The Council meets at least four times a year to review and monitor performance as well as to plan for the future and determine and approve strategy and business plans. In addition, trustees participate in a minimum of one residential meeting each year, which incorporates training and briefing on key matters relating to trustees' responsibilities.

The Council is assisted by the Audit and Risk Committee (ARC) (with a remit to monitor and review risk management, audit matters and regulatory compliance), a Finance and Resources Committee (FRC) (with a remit which covers finance, remuneration and human resources), and a Performance Committee (with a remit to consider operational practices and performance). Members of the committees are appointed by the Council and in the current year have included members of the Nacro Housing Board to ensure that all Group matters are covered. Each committee meets at least four times a year and reports back to the Council. Since the year end, the committee roles and structure have been reviewed. Other committees are constituted from time to time to discuss strategic or performance issues.

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REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

A summary of trustees attendance record at formal meetings during the year ended 31 March 2013 (showing the maximum applicable) is shown below:

	Council	FRC	ARC	Performance
M Litobarski	5/5			
<i>In attendance</i>		6/6	5/5	3/4
J Darley	4/5	5/6	4/5	4/4
L McHugh	3/5	4/6	4/5	4/4
W Saleem	5/5	6/6	5/5	
D Sandiford	4/5			3/4
<i>In attendance</i>		4/6	4/5	
M Whyham	3/5			2/4
T Mallabone	4/5	4/6		2/4
J Aitken	2/5			
J Whittaker	2/5			
D McGonigal	5/5			
R Booker	4/5	2/6		

Management Board

The Council appoints a Chief Executive who, with the executive directors (collectively known as the Leadership Team) is responsible for the day-to-day work of the charity. The Leadership Team meets monthly and reports regularly to Council.

Risks

Nacro has a formal risk management process to assess business risks and implement risk management strategies. The risk register is aligned to the corporate plan and identifies the risks around achieving the objectives. This involves identifying the type of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and identifying mitigating actions.

The key business risks that Nacro faces are:

- Economic – Public sector reforms affect many of the services which Nacro delivers. Continued pressure on public spending continues to be a key business risk. Commissioners of the services that we provide are continuing to seek reductions in contract value or to tender services which are reduced in value and scope. In mitigation we are working hard to take advantage of those areas where Government commissioning plans give us real opportunities, such as in the delivery of rehabilitative services, and to build strong strategic partnerships to leverage our expertise and to open new income streams.
- Payment-by-results funding models – the Government continues to pursue payment-by-results models across a range of public service delivery areas. Such models, although right in principle, carry significant risks for voluntary sector providers, which we are

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REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

working with partners and potential investors to mitigate and to develop innovative funding approaches.

The Council formally considers the risk exposure on a quarterly basis and its committees, in particular the Audit and Risk Committee, have received reports from the internal audit and risk review team which undertakes assurance reviews of both operational and financial matters on a cyclical basis as directed by trustees.

Public Benefit

The trustees have considered their duties in ensuring that the Charity's aims meet public benefit requirements and are satisfied that there are identifiable benefits to a section of the public and that these are not unreasonably restricted. In setting and reviewing the charity's aims, objectives and planning future activities, the trustees pay due regard to the guidance issued by the Charity Commission on public benefit. In seeking to reduce offending there are non-quantifiable benefits to a broader section of the public.

Specifically, the trustees have considered the achievements shown below and consider that the benefits delivered to beneficiaries meet the objectives of the charity. During the year they received reports which give qualitative and quantitative information about beneficiaries on the programmes and this includes receiving reports on the results of feedback from those who use Nacro's services, attend its education programmes and live in its housing projects. Trustees also visited a number of the training centres and homes to receive first-hand feedback on how the needs of the service users are being met and how Nacro is making a difference to the lives of the service users. Relevant staff receive appropriate training on the safeguarding of children and vulnerable adults.

Objectives and Activities

Nacro is the leading crime reduction charity in England and Wales. With a team of over 1,000 staff and volunteers providing services in over 200 communities across the country, Nacro's experience on the ground gives the organisation unparalleled insights into how to reduce crime in communities and change lives for the better.

Given an analysis of Nacro's current position and the objectives outlined in its Strategic Plan 2013/16, it is clear that everything Nacro does, not only has to fit its crime reduction mission, it also has to be viable and based on what commissioners will want to buy. Taking account of these criteria, Nacro's trustees and its leadership team have identified the following priority market areas for 2013-16:

- Housing
- Substance misuse
- Offender management
- Education

Partners and commissioners have commented favourably on the breadth of Nacro's work in different communities across England and Wales, its local reach and its history of influencing government. Regulators have commended Nacro for having enthusiastic staff who understand the barriers to participation which its service users face and who provide good practical and emotional support. Nacro's community partnerships are seen as being

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REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

effective in engaging people from disadvantaged backgrounds and in creating a respectful and mutually supportive environment for service users, staff and volunteers.

Achievements and performance

This has been an extremely busy period for Nacro. Our achievements include the following:

- 15,500 individuals and employers received advice on the disclosure of criminal convictions from Nacro's Resettlement Advice Service.
- Nacro housed 2,200 people
- Nacro provided housing related support to another 2,000 people
- Nacro worked with 8,700 prisoners across the custodial estate
- Nacro helped 3,700 prisoners into education, training or employment
- 4,800 young people took part in Nacro's education programmes.

Nacro has also continued to develop an influential relationship with government, including with the Ministry of Justice, the Department of Health and the Home Office. This is evidenced by continued government contracts and regular involvement in key government-led policy debates and consultations. Nacro was chosen as the lead partner in a consortium of providers commissioned to help NHS England and the Department of Health develop an operating model for liaison and diversion services across England for people in the criminal justice system that have a mental health problem or a disability.

As part of its organisational change programme, Nacro has put in place new systems and the capability for pipeline management, bid/risk analysis, bid writing, mobilisation of new contracts and customer relationship management. The development of the Resettlement Advice Service expands Nacro's housing and resettlement offer by complementing locally-based support services with 'arms-length' information, advice and guidance. Its housing offer is being further expanded by plans to grow Nacro's housing stock in areas where it has a strong infrastructure and in neighbouring areas.

Nacro has been successful in winning significant new service delivery contracts and some of these have opened up the potential for Nacro to enter the substance misuse arena which had hitherto eluded it. In line with this, in December 2012, Nacro was awarded a contract by Wolverhampton City Council to deliver the integrated substance misuse service across the city. From its position as lead provider, Nacro appointed two subcontractors: Birmingham and Solihull Mental Health Foundation Trust and Aquarius, the West Midlands based substance misuse charity. The contract was mobilised in April 2013. Nacro underwent an Ofsted inspection in February/March 2013 and is working on an action plan following that inspection.

In another significant success, having been delivering services to Bradford Youth Offending Team for a number of years, Nacro was awarded the contract to deliver the Intensive Supervision and Surveillance Programme within the city. As well as strengthening local relationships by securing this repeat business, the award of this contract to Nacro reaffirms its commitment to delivering effective interventions to persistent young offenders who would be at significant risk of reoffending in the future without the type of support that Nacro offers through this programme.

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REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

Nacro's public affairs activity has focused on responding to government consultations on: transforming rehabilitation; reducing reoffending by looked after children; effective community sentences; and getting it right for victims and witnesses. Nacro also hosted party conference fringe events highlighting the importance of youth crime prevention, and in parliament, Nacro continued its work as a charity sponsor of the All Party Parliamentary Group on Prison Health.

Nacro achieved a significant level of media coverage this year, building its profile with sustained local, trade and national coverage. In addition, our media footprint ranged across print, radio and television formats. In total, Nacro provided comment on over 1,000 individual news stories, often on multiple outlets. Our spokespeople appeared on flagship programmes, including: BBC News, Sky News, Channel 4 News, BBC Radio, and BBC Sunday Politics East Show. We also achieved positive coverage in the Guardian, Independent, Financial Times, Times, Metro, and the Press Association wire service.

Nacro has continued to develop its online reach and interaction by means of its social media strategy which targets politicians, the media and others in order to continue influencing the criminal justice debate. Nacro's Twitter account now has 5,500 followers.

Nacro has also been successful in securing ownership of the Philip Lawrence Awards (PLANet) from the Home Office. PLANet was established to celebrate young people, based on Philip Lawrence's belief that 'every child is capable of greatness'. It is a network of young people that aims to challenge negative stereotypes and behaviour and to celebrate projects run by young people to improve their communities. PLANet is working with Philip's widow, and other members of the PLANet steering group, to extend the reach of the programme into the custodial estate.

Investors in People

In February 2013 Nacro achieved full Investors in People accreditation. As an employer Nacro understands that developing and supporting its people is key to its success and as an organisation Nacro is aiming to achieve Investors in People gold standard within the next three years.

Financial Review

The results for the year are shown in the Statement of Financial Activities on page 15.

Income for the year was £47.5m compared with £50.5m in the previous year.

There was an operating loss of £0.1m (2012: a loss of £4.0m). By the end of 2012, a number of services had been cut or had reduced funding. This resulted in redundancies and a reduction in staff numbers. Reflecting these changes, the Leadership Team continued the Vision 2015 change programme. In the short term there have been some infrastructure costs and savings but the key focus is about positioning the charity as the market leader in the crime reduction sector.

The liabilities of the closed final salary scheme continue to exceed the value of its assets. However an actuarial gain of £962k (2012: an actuarial gain of £835k) has been recognised

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REPORT OF THE COUNCIL FOR THE YEAR ENDED 31 MARCH 2013

in these financial statements. Also recognised in the financial statements is an exceptional item, this being a release of deferred income from the EFA contract following a year end funding statement for the contract year ending July 2012, received January 2013. The surplus for the year after the movement in the value of the defined benefit pension scheme and exceptional item was £0.9m (2012: a loss for the year of £3.2m).

Total funds are £1,011k (2012: £94k), after providing for the accumulated pension deficit of £14.1m (2012: £15.1m). There are unrestricted funds of £0.7m (2012: £1.5m) before providing for the accumulated pension deficit.

Reserves Policy

There is an annual review of the reserves policy in the context of the business environment, the operational base of Nacro and the demands of funding the pension deficit.

Nacro Housing, the subsidiary, has free reserves in its own right of £6.3m (2012: £5.5m) which equates to 3 months (2012: 3 months) of its current operating costs. These reserves are not available for use by Nacro and are shown as restricted funds in the Group accounts.

At 31 March 2013 Nacro has free reserves of £0.467m (2012: £1.44m) before taking the pension deficit into account.

Whilst the trustees would welcome a group-wide level of reserves equivalent to at least three months of operational costs they recognise that the one-off costs experienced during 2012/13 and the difficult market environment at the present time. Given present levels of income and a target of three months operational costs trustees consider a five year time horizon is appropriate for the achievement of this target.

Based on a recent actuarial valuation the pension deficit is now £14.1m (2012: £15.1m). The scheme is closed to both new members and future accruals. There is a regular dialogue with the pension trustees regarding the agreed repayment plan and its impact upon both Nacro and the pension scheme in the changing economic environment. Details of the scheme are disclosed in Note 22 to these accounts.

Financial Instruments

Nacro does not enter into any hedging arrangements.

Nacro is mainly exposed to credit risk from credit sales. Many of the parties with which it transacts are government owned or backed statutory bodies. Where applicable, the credit risk of new customers is assessed, the results of which are factored into future dealings with the customers. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

The Leadership Team monitors the liquidity and cash flow risk of the charity carefully and makes regular reports to Council.

Plans for future periods

The vast majority of the services that Nacro provides are commissioned by local authorities or by Government. The current Government's agenda of driving down public spending while, at the same time, seeking to reform the delivery landscape by opening up service provision to a plurality of providers, presents both threats and opportunities. On the one hand, Nacro's Supporting People funded housing services continue to face significant pressure to cut costs. Such pressure is shared across our local authority crime prevention and early intervention activities. On the other hand, the agenda of reforming public services, in particular in offender management and criminal justices services, provides Nacro with real opportunities to extend its reach, in partnership with like-minded organisations.

Against this backdrop, Nacro will continue to focus on long term financial sustainability, in particular through:

- A continued focus on rigorous cost control and more efficient service delivery.
- Continuing to develop a distinctive set of service offers, in particular by building on current good practice and taking strong, evidence-based offers into the new opportunities presented by commissioners.
- Seeking to build our presence in the offender management market, in particular through successful engagement with the Government's proposals to reform the probation services and bring about better outcomes in reducing reoffending.
- Building effective strategic partnerships, such as our partnership with Sodexo Justice Services, Ingeus, health trusts and clinical providers of substance misuse services where this enables us to extend our reach and deliver capability beyond what we can achieve unilaterally.
- Diversifying our offer, for example by seeking to build on our track record in supported housing by widening our offer to offenders and ex-offenders who need suitable and sustainable accommodation in order to help them avoid reoffending.

In addition, we plan to grow a strong supporter base of corporate donors, charitable trusts, high net-worth individuals and social investors, increasing our voluntary income as a percentage of annual turnover.

All of our plans are designed to ensure that we engage with commissioners seeking to reduce crime and change lives in local communities, and that we sustain an organisation where the brightest thinkers and most skilled practitioners in the field want to work. We aim to be thought leaders in our field, shaping the agenda based on the evidence of what works and experience of what works on the ground.

Nacro has recently been registered as a provider of social housing by the Homes and Communities Agency (HCA). This will enable Nacro to continue with its plans to transfer the assets and liabilities of Nacro Community Enterprise Ltd to Nacro.

Investors in People

In February 2013 Nacro achieved full Investors in People accreditation. As an employer Nacro understands that developing and supporting its people is key to its success and as an organisation Nacro is aiming to achieve Investors in People gold standard within the next three years.

Equality and Diversity

Nacro embraces the diverse nature of its staff and of those using our services. We aim to ensure that this is reflected in all our practices, policies and services. Our commitment to equality involves much more than equality of opportunity and eradicating discrimination – it means that everyone in Nacro is actively committed to encouraging and promoting the richness brought to the organisation by the diverse nature of our staff and those using our services. Nacro's Equality and Diversity Policy sets out the requirements of the equality policy and a commitment to this approach is required of all Nacro's staff, trustees and everyone using our services.

Where existing employees become disabled, it is Nacro's policy wherever practicable, to provide continuing employment under normal terms and conditions and to provide training and career development wherever appropriate.

Employee Engagement

Nacro provides a range of opportunities for staff to understand and engage with the organisation at all levels. The Leadership Team relies on feedback from staff and has engaged directly with staff through visits, emails, meetings and presentations on a regular basis.

Nacro continues to provide information to staff on key policies and procedures as they join the organisation. This is achieved through our terms and conditions as well as staff induction which gives staff a better understanding of Nacro's aims and activities and the organisation's responsibilities to staff and their wider responsibilities to the organisation. It contains references to other sources of material and contacts for all key services. Nacro produces regular chief executive's bulletin and messages from the chief executive via the staff intranet site, OneSpace. OneSpace is used to communicate corporate news, share key policies and procedures and allows staff to share key information and good news stories.

Nacro has established the equality staff network, which is an independent staff group which works to promote inclusion through engaging employees in the development of initiatives related to equality and diversity.

Nacro has also established a Staff Engagement Group, chaired by the Director of Human Resources and Organisational Development, it is the remit of this group to promote the importance and benefits of high levels of employee engagement across Nacro.

This report was approved by the Council and authorised for issue on 6th November 2013.



M Litobarski
Chair
Park Place
10-12 Lawn Lane
London
SW8 1UD

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF NACRO

We have audited the financial statements of Nacro for the year ended 31 March 2013 which comprise the Group Statement of Financial Activities, the Group Summary Income and Expenditure Account, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Councillors and auditor

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

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2013 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Councillors' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Andrew Stickland, Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick
United Kingdom

Date: 6 November 2013

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

NACRO
CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT STATEMENT OF
FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2013

		Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2013	Total 2012
		£'000	£'000	£'000	£'000	£'000
Incoming Resources						
Incoming resources from generated funds:						
		405	-	-	405	813
		98	27	-	125	69
		20,378	25,005	-	45,383	48,569
		923	-	-	923	-
		629	-	-	629	1,002
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources	3	22,433	25,032	-	47,465	50,453
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Resources expended						
	4 / 5	(22,908)	(24,180)	-	(47,088)	(54,029)
	6	(282)	(213)	-	(495)	(459)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total resources expended		(23,190)	(24,393)	-	(47,583)	(54,488)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net (outgoing)/incoming resources for year		(757)	639	-	(118)	(4,035)
Other recognised gains and losses						
	12	73	-	-	73	-
	22	962	-	-	962	835
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net movements in funds		278	639	-	917	(3,200)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances brought forward at 1 April 2012		(13,631)	13,484	241	94	
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances carried forward at 31 March 2013	17	(13,353)	14,123	241	1,011	
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

All amounts relate to continuing activities.

All recognised gains and losses are included in the Consolidated Income and Expenditure Account/Statement of Financial Activities for the year.

The notes on pages 19 to 36 form part of these financial statements.

NACRO
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2013

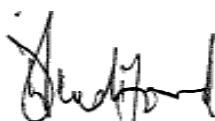
Company number: 203583

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		9,019		9,135
Investments	12		644		571
			9,663		9,706
Current assets					
Debtors	13	5,533		5,808	
Cash at bank and in hand		9,090		10,679	
		14,623		16,487	
Creditors: amounts falling due within one year	14	(6,530)		(8,823)	
Net current assets			8,093	7,664	
Total assets less current liabilities			17,756	17,370	
Creditors: amounts falling due after one year	16		(13)		(15)
Provisions for liabilities and charges	15		(2,679)		(2,144)
Net assets before pension deficit	18		15,064	15,211	
Pension scheme funding deficit	22		(14,053)		(15,117)
			1,011	94	
Funds:					
Unrestricted General funds			700		1,486
Restricted funds			14,123		13,484
Endowment funds			241		241
Total funds excluding pension reserve			15,064	15,211	
Pension Reserve			(14,053)		(15,117)
Total funds	17		1,011	94	

The financial statements were approved by the Council and authorised for issue on 6th November 2013.



M Litobarski
Chair



D Sandiford
Vice Chair

The notes on pages 19 to 36 form part of these financial statements.

NACRO
COMPANY BALANCE SHEET AT 31 MARCH 2013

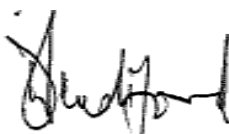
Company number: 203583

	Note	2013		2012	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		233		59
Investments	12		644		571
			877		630
Current assets					
Debtors	13	4,568		5,309	
Cash at bank and in hand		3,272		5,345	
		7,840		10,654	
Creditors: amounts falling due within one year	14	(4,894)		(7,201)	
Net current assets			2,946		3,453
Total assets less current liabilities			3,823		4,083
Creditors: amounts falling due after one year					
Provisions for liabilities and charges	15		(1,536)		(1,143)
	16		-		-
Net assets before pension deficit			2,287		2,940
Pension scheme funding deficit	22		(14,053)		(15,117)
			(11,766)		(12,177)
Funds:					
Unrestricted General funds			1,260		1,792
Restricted funds			786		907
Endowment funds			241		241
Total funds excluding pension reserve			2,287		2,940
Pension reserve			(14,053)		(15,117)
			(11,766)		(12,177)

The financial statements were approved by the Council and authorised for issue on 6th November 2013.



M Litobarski
Chair



D Sandiford
Vice Chair

The notes on pages 19 to 36 form part of these financial statements.

NACRO
CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH
2013

Reconciliation of net incoming resources to net cash inflow from operating activities:	2013	2012
	£'000	£'000
Net (outgoing)/incoming resources for the year before other recognised gains and losses	(118)	(4,035)
Depreciation charges	350	406
Loss on disposal of fixed assets	2	5
Depreciation adjustment	68	-
Income from listed investments	73	-
Interest payable	1	12
Difference between pension charge and cash contribution	(82)	(365)
Decrease in debtors	275	58
Increase/ (decrease) in creditors	(1,759)	1,621
Net cash inflow from operating activities	<u>(1,190)</u>	<u>(2,298)</u>
Cash Flow Statement		
Net cash (outflow) inflow from operating activities	(1,190)	(2,298)
Returns on investments and servicing of finance	20	17
Capital expenditure	10	(126)
Net proceeds from sale of fixed assets	1	5
Increase in cash in the year	<u>(1,589)</u>	<u>(2,402)</u>
Reconciliation of net cash flow to movement in net debt		
(Decrease)/Increase in cash in the year	(1,589)	(2,402)
Cash (outflow)/inflow from decrease in Net debt financing	(2)	-
Movement in net debt in the year	<u>(1,587)</u>	<u>(2,402)</u>
Net funds at 1 April 2012	10,663	13,065
Net funds at 31 March 2013	21	<u>10,663</u>

The notes on pages 19 to 36 form part of these financial statements.

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and on an accruals basis, as modified by the revaluation of fixed asset investments and certain tangible fixed assets, and are in accordance with applicable accounting standards and the "Statement of Recommended Practice Accounting and Reporting by Charities 2005 (SORP 2005)" and the Companies Act 2006, except as set out below.

The charitable company has taken advantage of the exemption allowed under Section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005 and has not presented its own statement of financial activities in these financial statements. The Group accounts include £27.4m (2012: £29.9m) of gross income and £0.9m of net outgoing resources (2012 £2.7m net incoming resources) which is dealt with in the financial statements of the parent company.

Basis of consolidation

The group financial statements include the results of Nacro and its wholly owned subsidiary, Nacro Community Enterprises Limited ('Nacro Housing'). The results and balance sheet of Nacro Housing are included on a line by line basis.

Income Recognition

All income arises in the United Kingdom and is stated net of VAT. All incoming resources are included in the statement of financial activities when the charity is legally entitled to the income, there is certainty of receipt and the amount can be quantified with reasonable accuracy. Specifically:

- Incoming resources from charitable activities includes income and fees from grants, performance related grants and contracts.
- Income arising from donations and grants is treated as restricted income where it can only be used for a particular purpose within the objects of the charity. Other income and all income from contracts is recognised as unrestricted income.
- Revenue from performance related grants and contracts is recognised only when funds have been earned to carry out the activity stipulated in the agreement. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Deferred income amounts received under these grants and contracts represents the amount of cash received in advance of earning revenue.
- Interest is credited on the basis of the amounts earned in the year and dividends on the basis of the dates when payments are due.
- Voluntary income comprises public donations and are accounted for as received.

Resources Expended

All expenditure is accounted for on an accruals basis and included under expenses categories that aggregate costs for allocation to projects or activities. Where relevant this includes irrecoverable VAT. Where costs cannot be directly attributed to a particular activity they have been allocated on a basis consistent with the use of those resources.

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

Costs of generating funds:

Costs of generating funds are those incurred in seeking voluntary contributions and do not include incidental costs associated with raising funds, contract negotiation or grant application which are incurred by staff who are principally engaged in the provision of services or supporting or monitoring those services. These costs are included in activities in furtherance of the charity's objectives.

Activities in furtherance of the charity's objectives:

The objectives of the charity are principally met by the delivery of services. The costs of carrying out these services consist of direct staff, accommodation, trainee payments and grants attributable to each project or activity plus an allocation of support costs.

Allocation of costs:

The majority of costs incurred are specific to a particular project or activity and are allocated on that basis and in accordance with contractual agreements. Where there are direct costs which are shared by projects or indirect costs these are allocated by an appropriate means reflecting usage of resource. The means of allocation may include space utilised, an allotment of time and or headcount.

Governance costs:

Governance costs relate to the statutory and strategic running of the charity, as opposed to direct management of charitable activities.

Provisions

Provisions are recognised where there is a legal obligation relating to a past event and on which a payment is both probable and can be estimated with reasonable certainty.

Tangible fixed assets and depreciation

Housing properties:

Properties are stated at cost which includes the following:

- the cost of acquiring the property;
- development expenditure; and
- interest charged on the development loans raised to finance the scheme up to the date of practical completion of each development.

Where individual components of a property are replaced the costs are capitalised and the cost of the replaced component is written off. These costs are depreciated over the expected economic useful lives as follows;

Main fabric of the building	80 years
Roofs	50 years
Windows	40 years
Kitchens	20 years
Bathrooms	30 years
Gas boilers	15 years
Electrics	30 years
Heating	35 years

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

Depreciation

Depreciation is provided on a straight line basis, to write off the cost, (excluding land where relevant) less estimated residual values, of all fixed assets except freehold land, over their expected useful lives. It is calculated over the following periods or at the following rates:

- Other freehold premises 50 years
- Leasehold improvements over the period of the lease
- Equipment 20% - 25%
- Vehicles 10% - 25%
- Freehold office The freehold office is held at valuation

Donated assets

Donated assets are included at their value to the charity. The value of the donation is recognised as income in the Statement of Financial Activities in the year in which the asset is donated.

Other fixed assets

Fixed assets with a value in excess of £500 are capitalised and included with the relevant category at original cost

Social Housing Grants

The consolidated accounts include those of Nacro Housing, a registered provider of Social Housing. In following the disclosure requirements of the Accounting Requirements for Registered Social Landlords General Determination 2006 and the Statement of Recommended Practice "Accounting by Registered Social Landlords" (Updated SORP) 2010. Nacro Housing treats Social Housing Grants as a deduction from cost of tangible fixed assets. The treatment adopted in these financial statements is consistent with requirements of the Charities SORP (2005), which requires grants to be recognised as income in the Statement of Financial Activities.

Investments

Listed investments are included in the balance sheet at market value. Realised gains and losses on disposals in the year and unrealised gains and losses on investments at the balance sheet date are included in the Statement of Financial Activities for the relevant underlying funds. The historical cost of investments is shown in note 12 to the accounts.

Funds

General funds comprise the accumulated surplus or deficit on the unrestricted activities. They are available for use at the discretion of Council in furtherance of the general objectives of Nacro.

Where funds are received for specific purposes set out by the donor these are shown as restricted income in the statement of financial activities. Expenditure for the purposes specified is applied against the income and any amounts unexpended at the balance sheet date are shown within restricted funds.

Restricted funds, which the donor has stated are to be held as capital, are shown as permanent endowment funds.

Transfers are made between funds where there is a release of restricted funds or where charges are made between funds.

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

Operating leases

Rentals in respect of operating leases are charged to the Statement of Financial Activities as incurred.

Pension Costs

The Nacro Staff Benefits Plan, which closed to new entrants from 1 December 1998, and for future accruals from 31 March 2006 was a group scheme for employees of all group members. The plan is a defined benefit scheme.

The scheme is accounted for in accordance with FRS17 'Retirement Benefits'. The difference between the market value of the assets held in the scheme and the scheme's present value of accrued pension liabilities are recognised in the charity's balance sheet as a pension asset or liability as appropriate. Changes in the defined benefit asset or liability arising from factors other than cash contributions by the charitable company are charged to the Statement of Financial Activities in accordance with FRS17 'Retirement Benefits'.

The charity also contributes to a stakeholder pension scheme. The contributions are charged to the Statement of Financial Activities in the year in which they become payable.

2 Constitution

Nacro is a company limited by guarantee, not having a share capital. It is also a registered charity. In the event of the winding up of the company each member is liable to contribute to the assets of the company up to a maximum of fifty pence.

3 Incoming resources

	2013	2012
	£'000	£'000
<i>Voluntary income</i>	405	813
<i>Incoming resources from charitable activities</i>		
Unrestricted funds:		
Operations	21,301	24,044
Restricted funds:		
Operations	4,946	4,006
Housing	20,059	20,519
	<u>46,306</u>	<u>48,569</u>
<i>Other incoming resources</i>	629	1,002
<i>Interest and investment income</i>	125	69
Total incoming resources	<u>47,465</u>	<u>50,453</u>

Voluntary income included a Home Office grant of £349,000 in 2012 not received in 2013 and donations received.

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

4 Resources expended – charitable activities

	2013	2012
	£'000	£'000
Unrestricted funds:		
Operations	22,908	29,528
Restricted funds:		
Operations	4,894	3,859
Housing	19,286	20,642
	<u>47,088</u>	<u>54,029</u>

5 Resources expended - charitable activities by nature of service

	Service delivery	Support costs	2013 Total	2012 Total
	£'000	£'000	£'000	£'000
Operations	25,504	2,204	27,708	33,376
Housing	17,717	1,663	19,380	20,653
	<u>43,221</u>	<u>3,867</u>	<u>47,088</u>	<u>54,029</u>

Grant and other costs relate to the use external training providers/ partners to assist in the delivery of training and education.

Analysis of support costs by activity

	HR	IT	Finance	Communications	2013 Total	2012 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operations	455	882	730	137	2,204	1,807
Housing	344	665	550	104	1,663	1,205
	<u>799</u>	<u>1,547</u>	<u>1,280</u>	<u>241</u>	<u>3,867</u>	<u>3,012</u>

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

6 Costs of governance

	2013	2012
	£'000	£'000
Staff costs	349	331
Councillors costs	4	7
Audit costs (Note 7)	82	60
Other costs	60	61
	<u>495</u>	<u>459</u>
	<u><u>495</u></u>	<u><u>459</u></u>

Staff costs include an allocation of the Chief Executive, Company Secretary, as well as corporate and internal audit staff

7 Net outgoing/ (incoming) resources

	2013	2012
	£'000	£'000
Net incoming resources are stated after charging / (crediting):		
Auditors' remuneration:		
-Statutory audit	72	60
-Other Services	10	-
Lease costs - other	3,619	3,642
Interest expense	1	38
Depreciation	282	406
Exceptional Income	(923)	-

The exceptional income relates to income earned on the Education Funding Agency (EFA) Contract in relation to contract year 2011/12 which runs from August 2011 to July 2012. The final funding reconciliation was received in January 2013 and identified an additional amount of £923k that related to the period August 2011 to March 2012 and has therefore been recognised as exceptional income in these accounts.

8 Staff costs

	2013	2012
	£'000	£'000
Wages and salaries	24,430	29,418
Social security	2,110	2,553
Other pension costs	1,016	1,385
Agency Costs	1,157	1,398
	<u>28,713</u>	<u>34,754</u>
	<u><u>28,713</u></u>	<u><u>34,754</u></u>

The above costs include £561,976 (2012: £868,519) relating to redundancy payments made to employees.

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

The number of senior staff who received annual emoluments of over £60,000 during the year (salary plus taxable benefits excluding pension contributions) was:

	2013 Number	2012 Number
£60,001 - £70,000	1	2
£70,001 - £80,000	0	2
£80,001 - £90,000	1	2
£90,001 - £100,000	2	0
£100,001 - £120,000	1	2
	<hr/>	<hr/>

Senior staff are eligible to be members of the stakeholder pension scheme. Contributions paid into the scheme on their behalf totalled £8,304 during the year (2012: £10,854).

The average number of full time equivalent employees employed by the group during the year, which excludes agency staff, was as follows:

	2013 Number	2012 Number
Operations	498	651
Housing	291	364
Management and administration	79	114
	<hr/>	<hr/>
	868	1,129
	<hr/>	<hr/>

9 Councillors

No Council member or person related or connected to them received any remuneration from Nacro during the year. During the year expenses relating to travel were reimbursed and paid on behalf of trustees to 11 Council members for £3,837 (2012: £6,441 to 14 members).

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

10 Tangible fixed assets

	Leasehold Improvements	Housing Properties	Freehold office	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
<i>Cost or valuation</i>						
At 1 April 2012	266	10,309	570	1,680	414	13,239
Additions	8	59	48	289	2	406
Disposals	-	-	-	-	-	-
Revaluation / adjustment	-	(240)	-	-	-	(240)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	274	10,128	618	1,969	416	13,405
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<i>Depreciation</i>						
At 1 April 2012	243	1,951	-	1,498	412	4,104
Charge for the year	12	177	8	150	3	350
Eliminated on disposal	-	-	-	-	-	-
Revaluation	-	(68)	-	-	-	(68)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2013	255	2,060	8	1,648	415	4,386
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value						
At 31 March 2013	19	8,068	610	321	1	9,019
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2012	23	8,358	570	182	2	9,135

The freehold office premises were valued in October 2010 by Bells, Chartered Surveyors on an existing use basis in accordance with RICS appraisal and valuation manual.

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

	Leasehold Improvements	Housing properties	Freehold office	Equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Company						
<i>Cost or valuation</i>						
At 1 April 2012	212	-	-	604	414	1,230
Additions	8	-	-	278	2	288
Disposals	-	-	-	-	-	-
At 31 March 2013	220	-	-	882	416	1,518
<i>Depreciation</i>						
At 1 April 2012	207	-	-	552	412	1,171
Charge for the year	3	-	-	109	2	114
Eliminated on disposal	-	-	-	-	-	-
At 31 March 2013	210	-	-	661	414	1,285
Net book value						
At 31 March 2013	10	-	-	221	2	233
At 31 March 2012	5	-	-	52	2	59

11 Capital Commitments

As at 31 March 2013 and 31 March 2012 there were no capital commitments.

12 Fixed asset investments

	2013 £'000	2012 £'000
Group		
Market value at 1 April	571	571
Unrealised investment gains/(losses)	73	-
Investment assets in the UK at market value at 31 March	644	571
Historic cost at 31 March	376	376
Historical investment gains at 31 March	268	195

All investments are listed on a recognised Stock Exchange. There were no additions to listed investments during the year.

Company

Company investments at 31 March 2013 are the same as those for the Group.

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

Nacro Community Enterprises Limited (Nacro Housing)

By virtue of Nacro being the sole member of Nacro Housing and having the power to control the composition of its Council, Nacro Housing is a subsidiary undertaking of Nacro. Nacro Housing, a company limited by guarantee and incorporated in England, is a registered provider of social housing and a registered charity. Under the terms of its Memorandum of Association its income and property are not available either directly or indirectly for distribution to members. Nacro is a registered charity but not a registered provider of social housing. The results of Nacro Housing and the reconciliation of those results to the group accounts were as follows:

	2013	2012
	£'000	£'000
Turnover	20,059	20,519
Operating costs	(19,273)	(20,883)
Operating surplus/ (deficit)	786	(364)
Other income/ (costs)	12	18
Surplus for the year	<u>798</u>	<u>(346)</u>
Total assets less total liabilities	6,303	5,492
Capital and reserves	<u>6,303</u>	<u>5,492</u>

13 Debtors

	Group		Company	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Trade debtors	3,818	3,509	3,634	3,423
Prepayments and accrued income	1,642	2,053	839	1,518
Amounts owed by subsidiary undertakings	-	-	83	274
Other debtors	73	246	12	94
	<u>5,533</u>	<u>5,808</u>	<u>4,568</u>	<u>5,309</u>

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

14 Creditors: amounts falling due within one year

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Bank loan	1	1	-	-
Trade creditors	1,984	1,139	1,143	838
Other creditors	388	576	209	375
Other taxes and social security	805	805	634	603
Accruals	665	1,615	456	1,077
Deferred grants and grants repayable	2,687	4,687	2,452	4,308
	<u>6,530</u>	<u>8,823</u>	<u>4,894</u>	<u>7,201</u>
Deferred income and grants repayable:				
Balance at beginning of year	4,687	2,564		
Amount released to incoming resources	(4,053)	(2,302)		
Amount deferred during the year 2012/13	2,053	4,425		
	<u>2,687</u>	<u>4,687</u>		

Deferred income includes amounts in relation to performance related grants for which qualifying expenses have not been incurred yet.

15 Provisions for liabilities and charges

	Group			Company		
	Dilapidations £'000	Other £'000	Total £'000	Dilapidations £'000	Other £'000	Total £'000
At 1 April 2012	1,241	903	2,144	1,029	114	1,143
Charges for the year	981	433	1,414	796	289	1,085
Utilised in the year	(438)	(266)	(704)	(289)	(228)	(517)
At 31 March 2013	<u>1,784</u>	<u>1,070</u>	<u>2,854</u>	<u>1,536</u>	<u>175</u>	<u>1,711</u>
At 31 March 2013 amounts expected to be incurred:						
Within one year	-	175	175	-	175	175
Beyond one year	1,784	895	2,679	1,536	-	1,536
	<u>1,784</u>	<u>1,070</u>	<u>2,854</u>	<u>1,536</u>	<u>175</u>	<u>1,711</u>

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

16 Creditors: amounts falling due after one year

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Loans: amounts payable:				
Between one and two years	1	1	-	-
Between two and five years	5	6	-	-
After five years	7	8	-	-
	<u>13</u>	<u>15</u>	<u>-</u>	<u>-</u>

17 Statement of funds

Movement in funds

	31 March 2012	Incoming Resources	Resources	Gains, losses, transfers	31 March 2013
	£'000	£'000	£'000	£'000	£'000
Unrestricted funds:					
General funds	1,486	22,404	(23,190)	-	700
Pension reserve	(15,117)	102	-	962	(14,053)
Total unrestricted funds	<u>(13,631)</u>	<u>22,506</u>	<u>(23,190)</u>	<u>962</u>	<u>(13,353)</u>
Permanent endowment funds	<u>241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241</u>
Restricted funds:					
Housing	11,946	20,086	(19,499)	-	12,533
Other projects	1,538	4,946	(4,894)	-	1,590
Total restricted funds	<u>13,484</u>	<u>25,032</u>	<u>(24,393)</u>	<u>-</u>	<u>14,123</u>
Total funds	<u>94</u>	<u>47,538</u>	<u>(47,583)</u>	<u>962</u>	<u>1,011</u>

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

Restricted funds

Housing

Housing funds represent the reserves of Nacro Housing.

Other projects

In any one year Nacro runs in excess of 250 individual projects. Each may be funded from a variety of sources. The purpose of all projects is to create a safer society and help in the re-integration of marginalised or excluded individuals.

Any funding source may specifically restrict the use to which its funds are put, either within a project or across a range of projects. Because of the complex inter-relationship of funds Council consider it impractical to disclose their movements separately.

18 Analysis of group net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Endowment funds £'000	Total funds £'000
Fund balances at 31 March 2013 are represented by				
Tangible fixed assets	233	8,786	-	9,019
Investments	403	-	241	644
Net current assets	1,626	6,467	-	8,093
Long term creditors	(1,562)	(1,130)	-	(2,692)
Net assets before pension deficit	<u>700</u>	<u>14,123</u>	<u>241</u>	<u>15,064</u>

19 Operating leases

As at 31 March 2013, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Office equipment	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Leases expiring:				
Within one year	1,557	981	164	17
Within two to five years	853	1,092	351	167
After five years	27	27	-	-
	<u>2,437</u>	<u>2,100</u>	<u>515</u>	<u>184</u>

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

20 Returns on investments and servicing of finance

	2013 £'000	2012 £'000
Interest paid	(12)	(12)
Interest	18	29
	<u>6</u>	<u>17</u>

21 Analysis of changes in net funds

	At 1 April 2012 £'000	Cash flow £'000	At 31 March 2013 £'000
Cash in hand, at bank	10,679	(1,589)	9,090
Debt due after one year	(15)	2	(13)
Debt due within one year	(1)	-	(1)
	<u>10,663</u>	<u>(1,587)</u>	<u>9,076</u>

22 Pensions

The Nacro Staff Benefits Plan is of the defined benefit type, providing benefits based on final pensionable salary. The plan is a group plan. The disclosures here refer to the whole scheme not to the company. The latest full actuarial valuation carried out by the plan's actuaries was at 31 March 2011. For the purpose of FRS17 disclosure in these accounts the actuaries have based their calculation on the 2011 valuation and then estimated the plan liability at 31 March 2013 by allowing for interest earnings, further benefit accruals, benefit payments and membership movements over the year since the last valuation. The actuaries also had regard to guidance note GN36. The plan was closed to new entrants from 1 December 1998 and to future accruals from 31 March 2006. A repayment plan, effective from March 2010, has been agreed with the Trustees of the Plan and the actuaries to clear the deficit in 12 years.

Reconciliation of Present Value of plan Liabilities:

	2013 £'000	2012 £'000
At the start of the year	56,566	51,436
Interest Cost	2,559	2,788
Actuarial Loss	(3,396)	4,082
Benefits Paid	(1,892)	(1,740)
	<u>53,837</u>	<u>56,566</u>

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

22 Pensions (Continued)

Composition of plan liabilities:	2013	2012
	£'000	£'000
Schemes wholly or partly funded	<u>(53,837)</u>	<u>(56,566)</u>
Reconciliation of fair value of plan assets:	2013	2012
	£'000	£'000
At the start of the year	41,449	35,140
Expected Rate of Return	1,780	1,932
Actuarial gains / (losses)	(2,434)	4,917
Contributions by the group	881	1,200
Benefits paid	(1,892)	(1,740)
	<hr/>	<hr/>
At the end of the year	39,784	41,449
	<hr/>	<hr/>
Reconciliation of Balance Sheet	2013	2012
	£'000	£'000
Present Value of funded obligations	(53,837)	(56,566)
Fair Value of plan assets	39,784	41,449
	<hr/>	<hr/>
Plan deficit	(14,053)	(15,117)
	<hr/>	<hr/>
The amounts charged to statement of financial activities are:	2013	2012
	£'000	£'000
Current Service Cost	-	-
Past service cost	-	-
Interest cost on scheme liabilities	2,559	2,788
Expected return on assets in scheme	(1,780)	(1,932)
	<hr/>	<hr/>
Net finance Charge	779	856
	<hr/>	<hr/>
Actual return less expected return on pension assets	(2,434)	4,917
Experience (loss)/gains on liabilities	1,950	740
Changes in assumption underlying the present value of Scheme liabilities	1,446	(4,882)
	<hr/>	<hr/>
Total actuarial Gain/(loss)	962	835

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

22 Pensions (Continued)

Composition of plan assets	2013 £'000	2012 £'000
Equities and property	17,426	22,259
Gilts	3,381	-
Bonds	5,729	3,316
Cash	1,273	414
Insured annuities	11,975	15,460
	<hr/>	<hr/>
Total plan assets	39,784	41,449

The weighted expected rate of return on assets is calculated by considering the Plan's specific asset distribution. The expected rate of return on assets has been calculated at 5.10% by considering the rates of expected return on the individual asset classes.

	2013 £'000	2012 £'000
Actual return on plan assets	(654)	6,815
	<hr/>	<hr/>

Principle actuarial assumptions used at 31 March 2013

The main assumptions adopted by the Trustees of the Plan as advised by the Actuary are as follows:

	31 March 2013 %	31 March 2012 %
CPI rate	2.40	2.75
RPI rate	3.40	3.25
Discount rate	4.40	4.60
Expected rate of return on plan assets	5.20	5.10
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions in payment (5% LPI)	2.40	2.75
Rate of increase in pensions in payment (2.5% LPI)	1.85	2.05
Rate of discretionary pension increases	Nil	Nil
Inflation assumption	2.40	2.75
Mortality – current pensioners		
Male Life Expectancy (current age 65, years from 65)	21.4	22
Female Life Expectancy (current age 65, years from 65)	23.8	25
Mortality – future pensioners currently aged 45		
Male Life Expectancy (current age 45, years from 65)	22.8	24
Female Life Expectancy (current age 45, years from 65)	25.3	27

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

22 Pensions (Continued)

Five year History	31 March 2013 £'000	31 March 2012 £'000	31 March 2011 £'000	31 March 2010 £'000	31 March 2009 £'000
Present value of the plan liabilities	(53,837)	(56,566)	(51,436)	(52,964)	(40,149)
Fair value of the plan assets	39,784	41,449	35,140	37,814	28,041
Deficit in plan	(14,053)	(15,117)	(16,296)	(15,150)	(12,108)

Experience adjustments arising on:

	31 March 2013 £'000	31 March 2012 Restated £'000
Plan liabilities	-	-
Plan assets	(2,434)	4,917

The group's best estimate of the contributions expected to be paid in the year beginning the 1 April 2014 is £.85M

Movement in deficit during the year:

	31 March 2013 £'000	31 March 2012 £'000
Deficit in scheme at the beginning of year	(15,117)	(16,296)
Movement:		
Current service cost	-	-
Employer contributions (less admin costs)	881	1,200
Past service cost	-	-
Other financial income	(779)	(856)
Actuarial gain	962	835
Deficit in scheme at the end of year	(14,053)	(15,117)

NACRO
NOTES FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR
ENDED 31 MARCH 2013

23 Related party transactions

There were no related party transactions during the year and no amounts were due at the year end. The charity has taken advantage of the exemption in FRS8 'Related Party Transactions' extended to subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, where the consolidated financial statements are publicly available. Accordingly, no disclosure has been made of transactions with entities that are part of the group, or investees of the group qualifying as related parties.

The activities of Nacro are funded by a broad range of organisations including governmental and statutory bodies, such as Ministry of Justice, Department of Health, the YPLA, Local Authorities and Primary Care Trusts. It recognises the value of these monies but also wishes to recognise the contributions of other organisations which have supported our work at a local level during 2012-13. These include:

	2013	2012
	£'000	£'000
Barrow Cadbury Trust	12	50
Big Lottery Fund – Power of One (Restricted)	84	49
Big Lottery Fund – 2 Gether Project (Restricted)	30	57
Big Lottery Fund– Reaching Communities Grant (Restricted)	47	49
Big Lottery Fund– S.E.E.N. (Restricted)	95	92
Big Lottery Fund – First Steps (Restricted)	78	78
Big Lottery Fund – Switch (Restricted)	137	135
Big Lottery Fund – 5 Alive (Restricted)	52	61
Birmingham NHS Pact (Restricted)	182	91
Cais – Prison Service – TSS (Restricted)	-	93
Catch 22	137	67
Department of Health (Strategic Partner Program)	284	175
European Social Fund – Support into Education (Restricted)	-	55
Football Foundation (Restricted)	53	35
Heritage Lottery Fund (Restricted)	-	9
Mencap (restricted)	172	86
NHS Central Lancashire	36	197
NHS North West	-	6
NHS Western Cheshire	106	36
North Stevenage Council	-	12
Northern Rock Foundation – Bridging Gaps (Restricted)	31	65
Northern Rock Foundation – Engage (Restricted)	70	81
Northern Rock Foundation – Switch (Restricted)	31	38
Sport England	3	65
WCVA ESF (Restricted)	434	1,473
WCVA Future Jobs (Restricted)	-	110
WCVA Gateway (Restricted)	84	128
Welsh Assembly Government (Restricted)	138	141