



changing lives
reducing crime

Nacro Annual Report and Financial Statements year ended **31 March 2012**

Company number: 203583
Charity number: 226171

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Council members and professional advisors for the year ended 31 March 2012

President

Lord Dholakia, OBE, JP

Vice President

Her Honour Judge Linda Dobbs QC

Councillors

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

M Litobarski, *Chair*

D Sandiford # *Vice Chair*

J Darley * ^ #

L McHugh * ^

W Saleem * ^ #

M Whyham #

J Aitken appointed August 2011

B Booker appointed May 2011

T Mallabone* ^appointed February 2012

D McGonigal appointed May 2011

J Whitaker appointed May 2011

Acting Treasurer

G Duncan*^

* 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

Auditors

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

Secretary and Registered Office

P Murphy
Park Place, 10-12 Lawn Lane
London
SW8 1UD

Company number: 203583

Charity number: 226171

Nacro report of the Council for the year ended March 2012

The Council presents its report and the financial statements for the year ended 31 March 2012.

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 Councillors are listed on page 4.

Statement of Councillors' responsibilities

The Councillors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Councillors to prepare financial statements for each financial year. Under that law the Councillors 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 Councillors 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 charity and of the incoming resources and application of resources of the charity for that period.

In preparing these financial statements, the Councillors 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 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

In accordance with company law, as the trustee directors of the charitable company, the councillors certify that:

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

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

Nacro report of the Council for the year ended March 2012

Structure, governance and management

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

Councillors are appointed from Nacro members or by open recruitment to ensure that as a group, Council possesses the appropriate experience and required competencies. The induction and training programme for new Councillors includes briefing sessions with the Chief Executive, Chair and existing Councillors, 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 Councillors are also trustees of Nacro Housing.

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, Councillors participate in a minimum of one residential meeting each year, which incorporates training and briefing on key matters relating to Councillors' responsibilities.

The Council is assisted by the Finance and Resources Committee (FRC) (with a remit which covers finance, remuneration and human resources), an Audit and Risk Committee (ARC) (with a remit to monitor and review risk management, audit matters and regulatory compliance) and a Services Sub Committee (Services) (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 trustees of Nacro Housing 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 has been reviewed. Other sub committees are constituted from time to time to discuss strategic or performance issues.

Nacro report of the Council for the year ended March 2012

A summary of Councillors attendance record at formal meetings during the year ended 31 March 2012 (showing the maximum applicable) is shown below:

	Council	FRC	ARC	Performance
M Litobarski	5/6			
<i>In attendance</i>		3/6	3/6	2/3
J Darley	5/6	6/6	6/6	3/3
L McHugh	3/6	6/6	6/6	2/3
W Saleem	5/6	2/6	5/6	2/3
D Sandiford	5/6			3/3
<i>In attendance</i>		2/6	2/6	
M Whyham	6/6			1/3
T Mallabone	5/6	2/6	1/6	
J Aitken	4/6			
J Whittaker	4/6			
D McGonigal	3/6			
R Booker	5/6			

Nacro Housing trustees

M Bartlett				2/3
G Duncan	5/6	4/6	4/6	
K Pollard				3/3
<i>In attendance</i>	5/6	1/6		

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 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 market 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 opportunities
- Payment by results funding models – 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 working with partners and potential investors to mitigate and to develop innovative funding approaches.

Nacro report of the Council for the year ended March 2012

The Council formally considers the risk exposure on a quarterly basis and its sub committees 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 Councillors.

Public benefit

The Councillors 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 Councillors 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 Councillors have considered the achievements shown below and consider that the benefits delivered to its beneficiaries meet the objectives of the charity. During the year they received reports which give qualitative and quantitative information about beneficiaries on the programmes. They 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 1,200 staff and volunteers providing services in 300 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.

Nacro's work focuses on three areas – before, while and after people are in trouble:

- **Crime prevention and early intervention** – stopping young people getting into trouble by running services which steer them away from crime, teach them new skills and create new opportunities.
- **Offender management** – working with people in prison, on post-release licences and on community sentences, challenging them to stop offending and equipping them with skills and opportunities so they can move away from crime and give something positive back to their communities.
- **Resettlement** – helping offenders cope after serving a prison sentence so they can settle back into the community, find somewhere to live and access education, training or a job.

We are a practical charity – clear and to the point about who we are and what we do. We are determined to articulate, at every opportunity, what is unique about the Nacro approach and to further establish our crime reduction expertise, promoting the impact of our work on the ground in neighbourhoods across England and Wales and establishing a strong, stand-out identity which grabs the attention of national government and local commissioners, the media and potential donors. We speak with authority, based on our work on the ground and we continue to stand strong in the midst of a changing marketplace, because we are dedicated to quality, professionalism and innovation.

Nacro report of the Council for the year ended March 2012

Achievements and performance

This year Nacro's public affairs activity has focused on: parliamentary monitoring, contact planning, meetings with ministers, shadow ministers and MPs. We hosted three party conference fringe events to focus debate on Nacro's policy publication, *Whose Crime is it Anyway*. In parliament Nacro has become a charity sponsor of the All Party Parliamentary Group on Prison Health and has lead discussions on offender health through custody and into the community. Nacro has also responded fully to government consultations on the future of probation services and community sentences, and given evidence to the Caldicot review into clinical information sharing and the independent enquiry into the 2011 UK riots.

In addition Nacro has successfully campaigned for a change to the changes to the Rehabilitation of Offenders Act 1974 and to the process for carrying out Criminal Records Bureau checks. It continues to advise government on the implementation of changes and the provision of guidance for the public and practitioners. These activities have significantly raised Nacro's profile with decision makers and enabled the charity to grow its reputation as an organisation which has authority on pertinent topics including, the rehabilitation revolution, payment by results, public sector reform and commissioning.

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 150 individual news stories, often on multiple outlets. Our spokespeople appeared on flagship programmes, including: BBC News, Sky News, Newsnight, and Breakfast. We also achieved positive coverage in the Guardian, Independent, FT, Times, Metro, and Press Association wire.

Nacro has continued to develop its online reach, influence ongoing online interaction by means of its social media strategy which targets politicians, the media and others influencing the criminal justice debate. The focus is its Twitter account, which has been used to generate interest by means of interviews with well-known figures, for example, Jonathan Aitken, which has helped generate an increase in its media and policy maker followers to 170 among a current total of 3,260. There have also been video endorsements on its YouTube channel with people such as Levi Roots.

Nacro is running the Philip Lawrence Awards for the Home Office, which aims to celebrate young people doing great things in their communities around the UK. It consists of a website and social media – Facebook, Twitter and YouTube, which are used to showcase winning projects and as an active community for young people's projects and peer organisations around the UK. Our focus has been on extending the reach and impact of the Awards into local communities by means of local winners' events and local social media.

The online community includes 1820 followers on social media including more than 500 young people and 130 local and national young people's networks

Financial review

The results for the year are shown in the Statement of Financial Activities on page 16.

Income for the year was £50.4m compared with £62m in the previous year.

There is an operating loss of £4m (2011: a surplus of £2.2m). By the end of 2012, a number of services were cut or had reduced funding. This resulted in redundancies and a reduction in staff numbers. Reflecting these changes, the Leadership Team launched the Vision 2015 change programme in the autumn of 2010. In the short term there have been some infrastructure costs and

Nacro report of the Council for the year ended March 2012

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 £835k (2011: an actuarial loss of £1.8m) has been recognised in these financial statements. The retained loss for the year after the movement in the value of the defined benefit pension scheme was £3.2m (2011: a surplus for the year of £0.5m)

Total funds are £94k (2011: £3.3m), after providing for the accumulated pension deficit of £15.1m (2011: £16.2m). There are negative unrestricted funds of £13.6m (2011: £10.5m) after 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 £3.2m (2011: £5.8m) which equates to 3 months (2011: 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 2012 Nacro has free reserves of £1.42m (2011: £5.5m) before taking the pension deficit into account. This approximates to 17 days (2011: 66 days) of its current operational unrestricted costs.

Whilst the Councillors would welcome a group wide level of reserves equivalent to at least 3 months of operational costs they recognise the one-off costs experienced during 2011/2012 and the difficult market environment at the present time. Given present levels of income and a target of 3 months operational costs [equivalent to £6.5m (2011: £7.5m) of free reserves in Nacro and £5.1m (2011: £5.8m) in Nacro Housing], Councillors 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 £15.1m (2011: £16.3m). 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 Nacro provides are commissioned by local authorities or by Government. The current Government's agenda of driving down public spending while, at the same

Nacro report of the Council for the year ended March 2012

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, our Supporting People funded supported 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 the offender management and criminal justices services, provides Nacro with real opportunities to extend its reach, often in partnership with like minded organisations.

Against this backdrop, we 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 sector, in particular through successful engagement with the Government's PbR pilots
- building effective strategic partnerships, such as our partnership with Sodexo Justice Services, where this enables us to extend our reach 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 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 are 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 and experience of what works on the ground.

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 and Single Equality Scheme sets out the requirements of the equality policy and a commitment to this approach is required of all Nacro 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 during this period. The leadership team relies on feedback from staff and has engaged directly with staff through visits, emails, meetings and presentations on a regular basis. A staff survey showed that 96% of staff are committed to helping Nacro achieve its objectives and 89% find their work interesting and challenging. Nacro also received positive high scores in relation to

Nacro report of the Council for the year ended March 2012

staff's enjoyment of their own jobs, as well as in the areas of equality and inclusion. A staff survey action plan has been established to take forward areas where there is room for improvement.

Engaging staff in the Vision 2015 Change Programme is critical to the programme's success and, as the programme develops, staff have been engaged through events, regular updates, local team presentations and encouraged to feed in their suggestions. Throughout this programme, the expertise, experience and ideas of staff have formed the foundations of developing new ways of working across the organisation through a series of work packages. An organisation-wide intranet was launched in September 2011.

Nacro continues to provide information to staff on key policies and procedures as they join the organisation. This is done through our terms and conditions as well as staff induction which gives staff a better understanding of Nacro's aims and activities, of the organisation's responsibilities to staff and their responsibilities to the organisation. It contains references to other sources of material and contacts for all key services. There is a monthly chief executive's bulletin and regular messages from the chief executive highlighting staff successes and long service, as well as providing information on achievements and developments across the organisation.

We have established staff networks for black and minority ethnic staff, lesbian, gay, bisexual and transgender staff, for disabled staff, as well as for staff who are ex-offenders. The networks aim to provide support for their peers and also work with management to contribute their views on equality issues. In addition to the networks, we also provide opportunities for staff to help shape the organisation by taking active roles in working groups.

This report was approved by the Council and authorised for issue on 27 September 2012.



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

Independent auditor's report to the members of Nacro

We have audited the financial statements of Nacro for the year ended 31 March 2012 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 auditors

As explained more fully in the Councillors' Responsibilities Statement (set out on page 5), the Council (who are also the Trustees 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 (APB'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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

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 2012 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.

Independent auditor's report to the members of Nacro

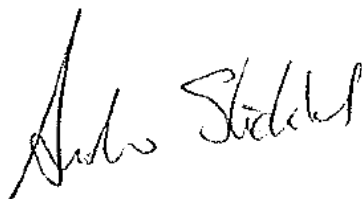
Opinion on other matters prescribed by the Companies Act 2006

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: 27 September 2012

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

Consolidated income and expenditure account / statement of financial activities for the year ended 31 March 2012

	Note	Unrestricted Funds	Restricted Funds	Endowment Funds	Total 2012	Total 2011
		£'000	£'000	£'000	£'000	£'000
Incoming resources						
Incoming resources from generated funds:						
Voluntary income		813	-	-	813	1,194
Investment income		40	29	-	69	27
Incoming resources from charitable activities		24,044	24,525	-	48,569	59,901
Other incoming resources		1,002	-	-	1,002	832
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources	3	25,899	24,554	-	50,453	61,954
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Resources expended						
Costs of generating voluntary income		-	-	-	-	-
Charitable activities	4 / 5	(29,528)	(24,501)	-	(54,029)	(59,173)
Governance costs	6	(252)	(207)	-	(459)	(538)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total resources expended		(29,780)	(24,708)	-	(54,488)	(59,711)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net (deficit)/income for year		(3,881)	(154)	-	(4,035)	2,243
Other recognised gains and losses						
Net investment gain/(loss)	12	-	-	-	-	12
Actuarial gain/(loss) on defined benefit pension scheme	22	835	-	-	835	(1,782)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net movements in funds		(3,046)	(154)	-	(3,200)	473
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances brought forward at 1 April 2011		(10,585)	13,638	241	3,294	2,821
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balances carried forward at 31 March 2012	17	(13,631)	13,484	241	94	3,294
		<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 20 to 37 form part of these financial statements.

Nacro consolidated balance sheet at 31 March 2012

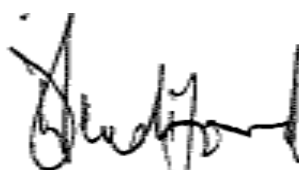
Company number: 203583

	Note	2012		2011	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		9,135		9,415
Investments	12		571		571
			<u>9,706</u>		<u>9,986</u>
Current assets					
Debtors	13	5,808		5,866	
Cash at bank and in hand		10,679		13,081	
		<u>16,487</u>		<u>18,947</u>	
Creditors: amounts falling due within one year	14	(8,823)		(8,059)	
Net current assets			7,664		10,888
Total assets less current liabilities			<u>17,370</u>		<u>20,874</u>
Creditors: amounts falling due after one year	16		(15)		(15)
Provisions for liabilities and charges	15		(2,144)		(1,269)
Net assets before pension deficit					
	18		15,211		19,590
Pension scheme funding deficit	22		(15,117)		(16,296)
			<u>94</u>		<u>3,294</u>
Funds:					
Unrestricted general funds			1,486		5,711
Restricted funds			13,484		13,638
Endowment funds			241		241
Total funds excluding pension reserve			<u>15,211</u>		<u>19,590</u>
Pension Reserve			(15,117)		(16,296)
Total funds	17		<u>94</u>		<u>3,294</u>

The financial statements were approved by the Council and authorised for issue on 27 September 2012.



M Litobarski
Chair



D Sandiford
Vice Chair

The notes on pages 20 to 37 form part of these financial statements.

Company balance sheet at 31 March 2012

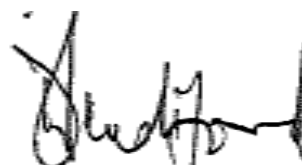
Company number: 203583

	Note	2012		2011	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		59		245
Investments	12		571		571
			<u>630</u>		<u>816</u>
Current assets					
Debtors	13	5,309		5,218	
Cash at bank and in hand		5,345		6,717	
		<u>10,654</u>		<u>11,935</u>	
Creditors: amounts falling due within one year	14	(7,201)		(5,147)	
Net current assets			<u>3,453</u>		<u>6,788</u>
Total assets less current liabilities			<u>4,083</u>		<u>7,604</u>
Creditors: amounts falling due after one year	16		-		-
Provisions for liabilities and charges	15		(1,143)		(748)
Net assets before pension deficit			<u>2,940</u>		<u>6,856</u>
Pension scheme funding deficit	22		(15,117)		(16,296)
			<u>(12,177)</u>		<u>(9,440)</u>
Funds:					
Unrestricted General funds			1,792		5,711
Restricted funds			907		904
Endowment funds			241		241
Total funds excluding pension reserve			<u>2,940</u>		<u>6,856</u>
Pension reserve			(15,117)		(16,296)
			<u>(12,177)</u>		<u>(9,440)</u>

The financial statements were approved by the Council and authorised for issue on 27 September 2012.



M Litobarski
Chair



D Sandiford
Vice Chair

The notes on pages 20 to 37 form part of these financial statements.

Consolidated cash flow statement for the year ended 31 March 2012

Reconciliation of net incoming resources to net cash inflow from operating activities:		2012	2011
		£'000	£'000
Net (outgoing)/incoming resources for the year before other recognised gains and losses		(4,035)	2,243
Depreciation charges		406	525
Loss on disposal of fixed assets		5	88
Disposal of grant		-	135
Income from listed investments		-	(27)
Interest payable		12	12
Difference between pension charge and cash contribution		(365)	(636)
Decrease in debtors		58	1,774
Increase/(decrease) in creditors		1,638	(105)
Net cash inflow from operating activities		<u>(2,281)</u>	<u>4,009</u>
Cash flow statement			
Net cash (outflow) inflow from operating activities		(2,281)	4,009
Returns on investments and servicing of finance	20	17	15
Capital expenditure	10	(126)	(108)
Net proceeds from sale of fixed assets		5	4
Decrease in creditors due after one year		-	(2)
Increase in cash in the year		<u>(2,385)</u>	<u>3,918</u>
Reconciliation of net cash flow to movement in net debt			
(Decrease)/Increase in cash in the year		(2,385)	3,918
Cash (outflow)/inflow from decrease in Net debt financing		(1)	2
Movement in net debt in the year		<u>(2,386)</u>	<u>3,920</u>
Net funds at 1 April 2011		13,065	9,145
Net funds at 31 March 2012	21	<u>10,679</u>	<u>13,065</u>

The notes on pages 18 to 38 form part of these financial statements.

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 £29.9m (2011: £38.1m) of gross income and £2.7m of net outgoing resources (2011 £2.5m 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 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 performance related grants, 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 utilised 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.

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.

Notes forming part of the financial statements for the year ended 31 March 2012

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

Freehold office

The freehold office is held at valuation.

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:

Notes forming part of the financial statements for the year ended 31 March 2012

- Existing housing properties 50 years
- Refurbished properties 75 years
- New build properties 75 years
- 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

Notes forming part of the financial statements for the year ended 31 March 2012

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.

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.

Notes forming part of the financial statements for the year ended 31 March 2012

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

	2012	2011
	£'000	£'000
<i>Voluntary income</i>	813	1,194
<i>Incoming resources from charitable activities</i>		
Unrestricted funds:		
Operations	24,044	30,507
Restricted funds:		
Operations	4,006	5,716
Housing	20,519	23,678
	<u>48,569</u>	<u>59,901</u>
<i>Other incoming resources</i>	1,002	832
<i>Interest and investment income</i>	69	27
Total incoming resources	<u>50,453</u>	<u>61,954</u>

Voluntary income includes a Home Office grant of £349,000 (2011: £980,000) and donations received.

4 Resources expended – charitable activities

	2012	2011
	£'000	£'000
Unrestricted funds:		
Operations	29,528	29,825
Restricted funds:		
Operations	3,859	5,781
Housing	20,642	23,567
	<u>54,029</u>	<u>59,173</u>

Notes forming part of the financial statements for the year ended 31 March 2012

5 Resources expended - charitable activities by nature of service

	Service delivery	Trainee payments	Grant and other costs	Support costs	2012 Total	2011 Total Restated
	£'000	£'000	£'000	£'000	£'000	£'000
Operations	28,033	1,134	2,402	1,807	33,376	35,606
Housing	19,448	-	-	1,205	20,653	23,567
	<u>47,481</u>	<u>1,134</u>	<u>2,402</u>	<u>3,012</u>	<u>54,029</u>	<u>59,173</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	2012 Total	2011 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Operations	275	938	442	152	1,807	3,010
Housing	184	626	294	101	1,205	2,081
	<u>459</u>	<u>1,564</u>	<u>736</u>	<u>253</u>	<u>3,012</u>	<u>5,091</u>

6 Costs of governance

	2012 £'000	2011 £'000
Staff costs	331	384
Trustee costs	7	4
Audit costs (Note 7)	60	57
Other costs	61	93
	<u>459</u>	<u>538</u>

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

7 Net incoming resources

	2012 £'000	2011 £'000
Net incoming resources are stated after charging:		
Auditors' remuneration:		
-Statutory audit	60	57
-Other Services	-	-
Lease costs	3,642	3,319
Interest expense	38	43
Depreciation	406	439
	<u></u>	<u></u>

Notes forming part of the financial statements for the year ended 31 March 2012

8 Staff costs

	2012 £'000	2011 £'000
Wages and salaries	29,418	31,651
Social security	2,553	2,961
Other pension costs	1,385	1,418
Agency Costs	1,398	1,370
	<u>34,754</u>	<u>37,400</u>

The above costs include £868,519 (2011: £310,417) relating to redundancy payments made to employees.

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

	2012 Number	2011 Number
£60,001- £70,000	2	2
£70,001 - £80,000	2	-
£80,001 - £90,000	2	2
£100,000 - £120,000	2	2
	<u> </u>	<u> </u>

Senior staff are eligible to be members of the stakeholder pension scheme. Contributions paid into the scheme on their behalf totalled £10,854 during the year (2011: £9,457)

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

	2012 Number	2011 Number
Operations	651	780
Housing	364	434
Management and administration	114	117
	<u>1,129</u>	<u>1,331</u>

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 14 Council members for £6,441 (2011: £3,714 to 6 members).

Notes forming part of the financial statements for the year ended 31 March 2012

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 2011	260	10,209	570	1,660	539	13,238
Additions	6		100		20	-
126						
Disposals	-	-	-	-	(125)	(125)
Revaluation	-	-	-	-	-	-
At 31 March 2012	266	10,309	570	1,680	414	13,239
<i>Depreciation</i>						
At 1 April 2011	205	1,810	-	1,328	480	3,823
Charge for the year	38	141	-	170	57	406
Eliminated on disposal	-	-	-	-	(125)	(125)
Revaluation	-	-	-	-	-	-
At 31 March 2012	243	1,951	-	1,498	412	4,104
Net book value						
At 31 March 2012	23	8,358	570	182	2	9,135
At 31 March 2011	55	8,399	570	332	59	9,415

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.

	£'000
Historical cost	705
Recognised reduction in value	(135)
Market value as at October 2010	<u>570</u>

Notes forming part of the financial statements for the year ended 31 March 2012

	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 2011	206	-	-	590	539	1,335
Additions	6	-	-	14		20
Disposals	-	-	-	-	(125)	(125)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	212	-	-	604	414	1,230
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At 1 April 2011	178	-	-	432	480	1,090
Charge for the year	29	-	-	120	57	206
Eliminated on disposal	-	-	-	-	(125)	(125)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2012	207	-	-	552	412	1,171
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value						
At 31 March 2012	5	-	-	52	2	59
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2011	28	-	-	158	59	245
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

11 Capital commitments

As at 31 March 2012 and 31 March 2011 there were no capital commitments.

Notes forming part of the financial statements for the year ended 31 March 2012

12 Fixed asset investments

	2012 £'000	2011 £'000
Group		
Market value at 1 April	571	559
Unrealised investment gains/(losses) -	12	
Investment assets in the UK at market value at 31 March	<u>571</u>	<u>571</u>
Historic cost at 31 March	<u>376</u>	<u>376</u>
Historical investment gains at 31 March	<u>195</u>	<u>195</u>

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 2012 are the same as those for the Group.

Notes forming part of the financial statements for the year ended 31 March 2012

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:

	2012	2011
	£'000	£'000
Turnover	20,519	23,812
Operating costs	(20,883)	(23,447)
Operating surplus/(deficit)	(364)	365
Other income/(costs)	18	(25)
Surplus for the year	(346)	340
Total assets less total liabilities	5,492	5,838
Capital and reserves	5,492	5,838

13 Debtors

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade debtors	3,509	3,896	3,423	3,621
Prepayments and accrued income	2,053	1,373	1,518	1,268
Amounts owed by subsidiary undertakings	-	-	274	221
Other debtors	246	597	94	108
	5,808	5,866	5,309	5,218

Notes forming part of the financial statements for the year ended 31 March 2012

14 Creditors: amounts falling due within one year

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank loan	1	1	-	-
Trade creditors	1,139	1,962	838	1,461
Other creditors	576	1,801	375	171
Other taxes and social security	805	848	603	603
Accruals	1,615	883	1,077	883
Deferred grants and grants repayable	4,687	2,564	4,308	2,029
Amounts owed to subsidiary undertakings	-	-	-	-
	<u>8,823</u>	<u>8,059</u>	<u>7,201</u>	<u>5,147</u>
Deferred income and grants repayable:				
Balance at beginning of year	2,564	1,535		
Amount released to incoming resources	(2,302)	(1,535)		
Amount deferred during the year 2012	4,425	2,564		
	<u>4,687</u>	<u>2,564</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 2011	1,060	209	1,269	716	32	748
Charges for the year	358	903	1,261	313	114	427
Utilised in the year	(177)	(209)	(384)	-	(32)	(32)
At 31 March 2012	<u>1,241</u>	<u>903</u>	<u>2,144</u>	<u>1,029</u>	<u>114</u>	<u>1,143</u>
At 31 March 2012 amounts expected to be incurred:						
Within one year	-	-	-	-	-	-
Beyond one year	1,241	903	2,144	1,029	114	1,143
	<u>1,241</u>	<u>903</u>	<u>2,144</u>	<u>1,029</u>	<u>114</u>	<u>1,143</u>

Notes forming part of the financial statements for the year ended 31 March 2012

16 Creditors: amounts falling due after one year

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Loans: amounts payable:				
Between one and two years	1	1	-	-
Between two and five years	6	6	-	-
After five years	8	8	-	-
	<u>15</u>	<u>15</u>	<u>-</u>	<u>-</u>
	<u>15</u>	<u>15</u>	<u>-</u>	<u>-</u>

17 Statement of funds

Movement in funds

	31 March 2011	Incoming Resources	Gains, losses, transfers	31 March 2012
	£'000	£'000	£'000	£'000
Unrestricted funds:				
General funds	5,711	25,555	(29,780)	1,486
Pension reserve	(16,296)	344	-	(15,117)
Total unrestricted funds	<u>(10,585)</u>	<u>25,899</u>	<u>(29,780)</u>	<u>(13,631)</u>
Permanent endowment funds	<u>241</u>	<u>-</u>	<u>-</u>	<u>241</u>
Restricted funds:				
Housing	12,051	20,548	(20,653)	11,946
Other projects	1,587	4,006	(4,055)	1,538
Total restricted funds	<u>13,638</u>	<u>24,554</u>	<u>(24,708)</u>	<u>13,484</u>
Total funds	<u>3,294</u>	<u>50,453</u>	<u>(54,488)</u>	<u>94</u>

Notes forming part of the financial statements for the year ended 31 March 2012

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 2012 are represented by				
Tangible fixed assets	59	9,076	-	9,135
Investments	330	-	241	571
Net current assets	1,713	5,951	-	7,664
Long term creditors	(616)	(1,543)	-	(2,159)
Net assets before pension deficit	<u>1,486</u>	<u>13,484</u>	<u>241</u>	<u>15,211</u>

19 Operating leases

As at 31 March 2012, the group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Office equipment	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Leases expiring:				
Within one year	981	2,402	17	81
Within two to five years	1092	898	167	129
After five years	27	27	-	105
	<u>2,100</u>	<u>3,327</u>	<u>184</u>	<u>315</u>

Notes forming part of the financial statements for the year ended 31 March 2012

20 Returns on investments and servicing of finance

	2012 £'000	2011 £'000
Interest paid	(12)	(12)
Interest	29	27
	<u>17</u>	<u>15</u>

21 Analysis of changes in net funds

	At 1 April 2011 £'000	Cash flow £'000	At 31 March 2012 £'000
Cash in hand, at bank	13,081	(2,386)	10,695
Debt due after one year	(15)	-	(15)
Debt due within one year	(1)	-	(1)
	<u>13,065</u>	<u>(2,386)</u>	<u>10,679</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 2012 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:

	2012 £'000	2011 £'000
At the start of the year	51,436	52,964
Interest cost	2,788	2,950
Actuarial loss	4,082	(2,801)
Benefits paid	<u>(1,740)</u>	<u>(1,677)</u>
At the end of the year	<u>56,566</u>	<u>51,436</u>

Notes forming part of the financial statements for the year ended 31 March 2012

22 Pensions (Continued)

Composition of plan liabilities:	2012 £'000	2011 £'000
Schemes wholly or partly funded	<u>(56,566)</u>	<u>(51,436)</u>
Reconciliation of fair value of plan assets:		
	2012 £'000	2011 £'000
At the start of the year	35,140	37,814
Expected rate of return	1,932	2,381
Actuarial loss	4,917	(4,583)
Contributions by the group	1,200	1,205
Benefits paid	(1,740)	(1,677)
	<u>41,449</u>	<u>35,140</u>
Reconciliation of balance sheet	2012 £'000	2011 £'000
Present value of funded obligations	(56,566)	(51,436)
Fair value of plan assets	41,449	35,140
	<u>(15,117)</u>	<u>(16,296)</u>
The amounts charged to statement of financial activities are:	2012 £'000	2011 £'000
Current service cost	-	-
Past service cost	-	-
Interest cost on scheme liabilities	2,788	2,950
Expected return on assets in scheme	(1,932)	(2,381)
	<u>856</u>	<u>569</u>
Actual return less expected return on pension assets	4,917	(4,583)
Experience (loss)/gains on liabilities	740	-
Changes in assumption underlying the present value of Scheme liabilities	(4,822)	2,801
Total actuarial gain/(loss)	<u>835</u>	<u>(1,782)</u>
Less movement in restriction of surplus	-	-
	<u>835</u>	<u>(1,782)</u>
Net actuarial loss recognised		

Notes forming part of the financial statements for the year ended 31 March 2012

22 Pensions (Continued)

Composition of plan assets	2012	2011
	£'000	£'000
Equities and property	22,259	23,157
Gilts	-	-
Bonds	3,316	2,530
Cash	414	246
Insured annuities	15,460	9,207
	<u>41,449</u>	<u>35,140</u>
Total plan assets	<u> </u>	<u> </u>

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.

	2012	2011
	£'000	£'000
Actual return on plan assets	<u>6,815</u>	<u>(2,202)</u>

Principle actuarial assumptions used at 31 March 2012

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

	31 March 2012	31 March 2011
	2012	2011
	%	%
CPI rate	2.75	2.90
RPI rate	3.25	3.40
Discount rate	4.60	5.50
Expected rate of return on plan assets	5.10	6.40
Rate of increase in pensionable salaries	n/a	n/a
Rate of increase in pensions in payment (5% LPI)	2.75	2.86
Rate of increase in pensions in payment (2.5% LPI)	2.05	2.12
Rate of discretionary pension increases	Nil	Nil
Inflation assumption	2.75	2.90
Mortality Rates		
-before retirement	0.6	0.6
-after retirement	0.5	0.5

Five year history **31 March** **31 March** **31 March** **31 March** **31 March**

Notes forming part of the financial statements for the year ended 31 March 2012

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Present value of the plan liabilities(56,566)(51,436)	(56,566)	(51,436)	(40,149)	(41,205)	
Fair value of the plan assets	41,449	35,140	37,814	28,041	33,355
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Deficit in plan	(15,117)	(16,296)	(15,150)	(12,108)	(7,850)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

22 Pensions (Continued)

Experience adjustments arising on:	31 March 2012 £'000	31 March 2011 £'000
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Plan liabilities

Plan assets	(4,583)	(4,583)
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The group's best estimate of the contributions expected to be paid in the year beginning the 1 April 2013 is £.85M

Movement in deficit during the year:

	31 March 2012 £'000	31 March 2011 £'000
Deficit in scheme at the beginning of year	(16,296)	(15,150)
Movement:		
Current service cost	-	-
Employer contributions (less admin costs)	1,200	1,205
Past service cost	-	-
Other financial income	(856)	(569)
Actuarial loss	835	(1,782)
Deficit in scheme at the end of year	<hr/> (15,117) <hr/>	<hr/> (16,296) <hr/>

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

Notes forming part of the financial statements for the year ended 31 March 2012

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.

Appendix: Sources of funds for the year ended 31 March

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. These include:

	2012 £'000	2011 £'000
Aldwyck Housing Group	-	5
Barclays Spaces for Sport	-	4
Barrow Cadbury Trust	50	38
BBC Children in Need	-	5
Big Lottery Fund – Power of One (Restricted)	49	-
Big Lottery Fund – 2 Gether Project (Restricted)	57	-
Big Lottery Fund– Reaching Communities Grant (Restricted)	49	104
Big Lottery Fund– S.E.E.N. (Restricted)	92	91
Big Lottery Fund- Young People's Fund (Restricted)	-	100
Big Lottery Fund – First Steps (Restricted)	78	-
Big Lottery Fund – Switch (Restricted)	135	-
Big Lottery Fund – 5 Alive (Restricted)	61	-
Birmingham NHS Pact (Restricted)	91	-
Broxbourne Borough Council	-	55
Broxbourne Crime & Disorder Reduction Partnership	-	-
Broxbourne Housing Association	-	5
Cais – Prison Service – TSS (Restricted)	93	-
Cambridgeshire Addiction Action	-	-
Cambs Add Action	-	79
Catch 22	67	123
Children's Fund	-	88
Community Action Increases Awareness	-	-
Community Alcohol Intervention Service	-	113
Crime Concern	-	68
Department of Health (Strategic Partner Program)	175	173
Dorset Youth Opportunity	-	-
Environment Agency	-	-
Essex Development	-	-
European Social Fund – Support into Education (Restricted)	55	-
Financial Services Authority (Restricted)	-	-
Football for Hope	-	20
Football Foundation (Restricted)	35	144
Grant Alive & Living	-	-
Greenham Common Trust	-	78
Heritage Lottery Fund (Restricted)	9	-
Hertfordshire Chamber of Commerce	-	1
Hertfordshire County Council	-	-
Hertfordshire Sports Partnership	-	7
Jack Petchy	-	1
Living Sport	-	-
Luton Youth Offending Service	-	341
Mencap (restricted)	86	48
Metropolitan Housing Trust	-	1
Mid Essex Forum	-	10
Monument Trust	-	40
National Offender Management Service (Restricted)	-	-

Appendix: Sources of funds for the year ended 31 March

NHS Central Lancashire	197	83
NHS North West	6	-
NHS Western Cheshire	36	-
Northants County Council	-	3
North East Essex Trust	-	20
North Stevenage Council	12	12
Northern Rock Foundation – Bridging Gaps (Restricted)	65	-
Northern Rock Foundation – Engage (Restricted)	81	-
Northern Rock Foundation – Switch (Restricted)	38	-
NYC Roamers	-	21
Offender Health (Restricted)	-	-
Paradigm Housing Group	-	5
Parkway Green Housing Trust	-	12
Peterborough City Council	-	104
Princes Trust	-	3
Pupil Learning Centre	-	55
Respect	-	50
Santander Bank	-	-
Sport England	65	76
Sport Relief YMCA	-	57
St. Theresa's Homeless Charity	-	14
Stevenage Borough Council	-	2
Tendring District Council	-	6
Thurrock Council	-	36
V Match Funding	-	96
V Russell Commission	-	40
Vodafone	-	74
Walsall Youth Music	-	12
WCVA ESF (Restricted)	1,473	223
WCVA Future Jobs (Restricted)	110	-
WCVA Gateway (Restricted)	128	-
Welsh Assembly Government (Restricted)	141	141
Zochonis Charitable Trust	-	-