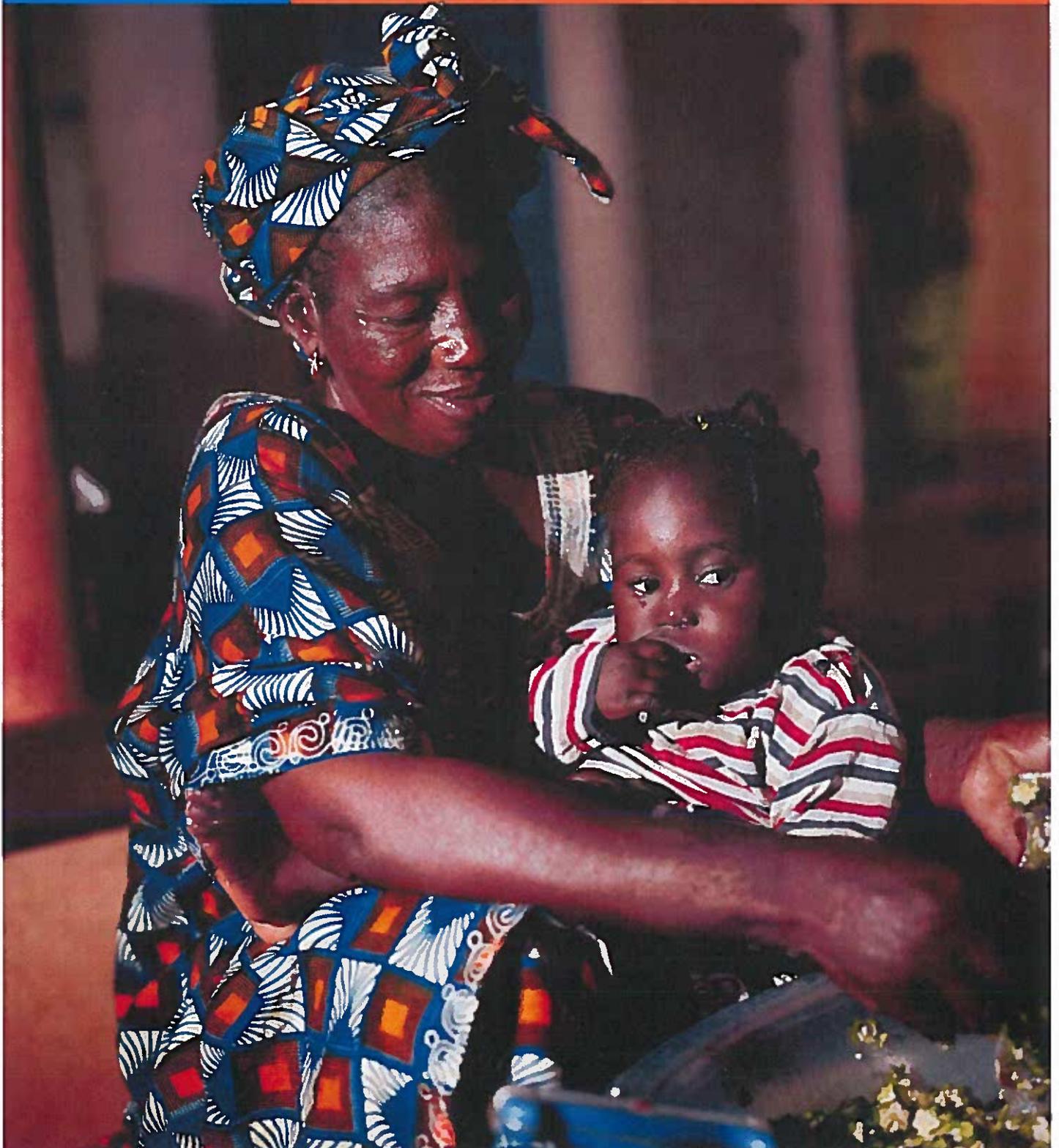


SOS Children's Villages UK Annual Report and Accounts for the year ended 31 December 2012



SOS CHILDREN'S
VILLAGES

A loving home for every child



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Reference and administrative details of the company, its trustees and advisers for the year ended 31 December 2012

Trustees

Mary Cockcroft, Chairman
Michael Riding, Vice Chairman
Michael Brewer
Earl of St Andrews
Ayesha Khan
Graham Budd
Matthew de Villiers
Jeremy Sandbrook

Company registered number
03346676

Charity registered number
1069204

Registered office
Terrington House
13-15 Hills Road
Cambridge
CB2 1NL

Company Secretary
Mr Alistair Barry

Chief Executive Officer
Mr Andrew Cates

Independent auditors
Peters Elworthy & Moore
Chartered Accountants and Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Bankers

Barclays Bank Plc
28 Chesterton Road
Cambridge CB4 3AZ

CAF CASH Ltd
Kings Hill
West Malling
Kent
ME19 4TA

Solicitors

Pinsent Masons LLP
30 Crown Place
Earl Place
London
EC2A 4ES

Patron

The Countess Mountbatten of Burma
CBE CD JP DL

President

Dame Mary Richardson

Trustees' report for the year ended 31 December 2012

SOS Children's Villages International

SOS Children's Villages UK is a member of SOS Children's Villages International, a federation of 133 member associations. Our vision is for all children to grow up with love, respect and security, in families that can give them a solid foundation on which to build their lives. So, we make families for children in need and help those children to shape their own futures, and we help in the development of their communities. We do this by espousing our four core values of having the courage to take action, the commitment to keep our promises, the trust to believe in each other and the accountability to be reliable partners.

Our target group

At the heart of our work is the child at risk: SOS Children's Villages gives long term care for vulnerable children affected by poverty, disease, conflict and natural disasters. Our work in any location begins with our local member association conducting research into the needs of children in that community and identifying the provision that is already available. This Child Rights Situation Analysis (CRSA) informs next steps and sets out our relationships with the local organisations with which SOS Children's Villages forms implementation partnerships.

The way that we work

We want children to grow up with love, respect and security in a supportive and protective family environment so that they can go on to fulfill their potential. At the centre of SOS Children's Villages' programmes are the children who have lost the security of a well-functioning family. What is best for the child guides our work. We focus on each child's care, education and health, and we encourage children to take an active part in the decision making that affects their lives.

Our programmes include schools and medical centres used by the whole community. We give support to struggling families at risk of fragmentation in an effort to reduce instances of child abandonment and neglect. Our community family strengthening programmes include vocational training, adult education, the development of community-based self-help groups, and resilience and emergency relief programmes. SOS Children's Villages currently has projects in 125 countries.

Care

We work with disadvantaged families in order to prevent crises that can lead to family breakdown. We offer various forms of support to strengthen and stabilise them as much as possible so that children can grow up in their own families. Our community programmes build up the skills and capacity of birth families to ensure that children enjoy positive and caring relationships. We build SOS families and support foster families who provide stable and consistent care to children who cannot remain in their biological family. As well as these long-term family-based care systems, we can offer short-term care in times of crisis.

Education

We believe that through quality education, the cycle of exclusion, poverty, domestic violence and family breakdown can be broken. SOS Children's Villages operates nursery schools, day-care centres, schools and vocational training centres, and promotes quality education together with partners such as state schools.

Health

SOS Children's Villages supports communities to develop health services infrastructures they need and our medical centres provide individualised care. We also run medical centres in underdeveloped areas where we specialise in the care of women and children.

Emergencies

In situations of crisis, war and disaster, children in particular require specific protection and care. Wherever we work, we are well-established with a local member association with an existing infrastructure, so when children and families most need urgent assistance, SOS Children's Villages is in a strong position to respond promptly.

Working in partnership

Our goal is to achieve the best result possible for children who are without parental care and to do this with others in order to create synergies and maximise resources.

Partnership with programme participants

SOS Children's Villages believes that children and their families hold within them the potential for their own development. We see ourselves as a supportive partner in the people's own development. Each family is supported to become self-reliant in the care of their children using a structured family development planning process. The programme assesses, together with the family, their individual situation, including the specific development needs of each child. Gaps in the family's ability to care for their children are identified and clear goals are set to filling these gaps.

Implementation partnerships

SOS Children's Villages seeks and enters formal partnership agreements with implementation partners, anchoring our programmes within the community. Such partners can be community-based organisations or structures, self-help groups,

local NGOs (Non-governmental organisations) or local authorities. Over time, it is expected that the implementation partner increases its capacity and eventually takes full responsibility for service delivery and continued development of the programme. We are also developing a community development plan.

Partnerships to complement service provision

Services are provided by the individuals, organisations or institutions that are best placed to do so. SOS Children's Villages may form informal or formal partnerships with these service providers to ensure that children and families who are being supported by the programme have access to a comprehensive range of services.

The development of relevant forums, networks and alliances is supported for knowledge sharing or other forms of cooperation to ensure effective coordination of complementary activities and to avoid parallel structures.

Partnerships with other stakeholders at country level

SOS Children's Villages works together with individuals, groups, organisations and institutions, wherever this contributes to the achievement of programme objectives. Through cooperation with government authorities, communities and other duty bearers, SOS Children's Villages encourages and supports them to meet their obligations towards children and their families.

Funding partnerships

SOS Children's Villages seeks partnerships with other organisations, agencies, institutions, private individuals and corporations, which are able to support programmes with financial and material resources.

International partnerships

SOS Children's Villages has special consultative status with the Economic and Social Council (ECOSOC) of the United Nations (UN). We also work closely with the European Union and the Council of Europe to help improve conditions for children and young people without parental care.

SOS Children's Villages is a full member of the NGO Group for the Convention on the Rights of the Child, a coalition of international NGOs, which works to facilitate the implementation of the United Nations Convention on the Rights of the Child. SOS Children's Villages co-convenes the Working Group on Children without Parental Care, which promotes and supports the implementation of the UN Guidelines for the Alternative Care of Children. We are currently a member of the governing board of the NGO Committee on UNICEF, and SOS Children's Villages International co-chairs the committee's Working Group on Children without Parental Care.

A brighter, independent future for Ruth and her family

Ruth* lives in Nabvutika, a shanty town area on the edge of Chipata. After her husband died, she was left caring for five young grandchildren alone.

In the last rainy season her mudbrick house collapsed. Unable to afford repairs and with little income, she moved the family into a rented one-room shack. The house has no electricity or water, so Ruth has to walk to a communal standpipe. When Rosalia, an SOS social worker, first met Ruth, her husband had just died. Ruth was ill herself and was struggling to see how she could improve the family's situation.

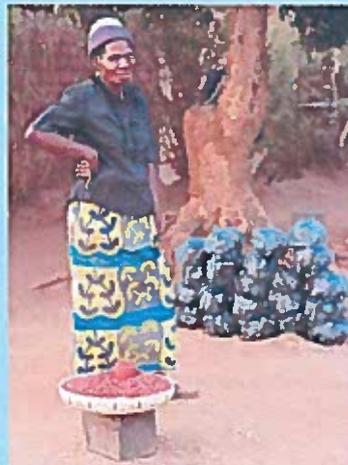
SOS Children's Villages gave Ruth a start-up pack of dried beans, which she began selling to her neighbours. She reinvested the profit into charcoal, a more profitable trade. As

A new SOS Children's Village programme for Chipata

Chipata, in the Eastern Province of Zambia, was identified by SOS Zambia as a location in need of SOS Children's Villages programmes. A Child Rights Situation Analysis by SOS Zambia led to plans being laid for our fourth SOS Children's Village in Zambia. The community family strengthening programme was initiated in the districts of Magazine and Mchini in early 2011, and a community medical bus was launched in late 2011. In October 2012, the new Children's Village was opened.

The community family strengthening programme in Chipata reaches out to families to help them to stay together, improve their standard of living and become self-sufficient in the long-term. Our programme now extends across three shanty town catchment areas - Mchini, Magazine and Nabvutika. In partnership with local organisations, we identify those most in need – primarily families affected by HIV/AIDS.

part of the programme, Rosalia is teaching Ruth and her neighbours basic accounting and marketing to ensure they can continue to run successful businesses. One year after joining the programme, Ruth is in better health, is financially independent and is saving towards rebuilding her home. All her grandchildren now go to school.



We provide practical and emotional support to prevent family breakdown and child abandonment. Initially, we offer healthcare, food parcels and clothing to address the family's immediate needs. We help families repair their existing housing or assist them with finding somewhere better to live. In order to ensure sustainability in the longer-term, we support parents and caregivers to access vocational training or establish small businesses, enabling them to become financially self-sufficient as well as benefiting the local economy. We also help children receive an education by subsidising school fees and providing uniforms to give them the best possible chance in life.

Child sponsorship

SOS Children's Villages UK has developed online marketing of child sponsorship as a key income stream for our work in caring for children across the world. We are proud that, when people sponsor a child through SOS Children's Villages, they can be sure that this child has a long-term and safe home in an SOS family, and that brothers and sisters are never separated. There are numerous reasons why children come to live in SOS families and our expertise in the alternative care of children - those who have lost the care of their parents - is significant. SOS families provide individualised care to promote the development, education and health of each of the 80,000 children and young people in our care. We also work in partnership with local communities to develop infrastructure for all, running nurseries, day-care centres, schools, vocational training centres and medical facilities.

The economic situation in the UK has had an impact on our ability to recruit child sponsors, as it has in the markets in which our European partner organisations work, and it has been necessary to further diversify our work in the UK. Child sponsorship still remains the core route by which regular contributions from

individuals are made to our SOS families. SOS Children's Villages UK currently oversees 10,000 sponsorships.

One of the children whose life has been transformed thanks to child sponsorship is Solyna*. She and her brother used to live with their father in Battambang, the second largest city in Cambodia. When Solyna was six, her father died and she and her brother were left alone. The children moved to SOS Children's Village Battambang and are now part of an SOS family. Solyna and her brother have settled in well. Solyna likes playing and watching cartoons, just like children all over the world. She is a confident and lively girl who loves to sing and put on performances to entertain her family and friends in the Village.



* The names have been changed to respect the privacy of the individuals.



Emergency response: food crisis in the Sahel in 2012

In 2012, Mali faced its third food crisis in just ten years. More than 3.5 million people - out of a total population of 14.5 million - were affected. This critical situation was made worse by the political upheaval in the north of the country. SOS Children's Villages started an emergency food aid programme in Khouloum and Kita, in the region of Kayes, and in Socoura, in the region of Mopti - areas where we had been working for years and which were most affected by the food crisis. Food and other humanitarian help was given to 9,400 people by SOS Children's Villages.

Initially, we gave adults a daily ration of grains (millet is the staple cereal), beans and vegetable oil to give them the necessary energy and capabilities to prepare for the next harvest. Then, SOS Children's Villages tackled malnutrition among children under five, particularly those who were severely affected by hunger, by distributing nutritional milk supplements, attending to their medical needs and water and sanitation, and sharing methods for preventing acute malnutrition. The target population was all children from six months to six years of age and all pregnant and breastfeeding women.

From February to June 2012, SOS Children's Villages Niger carried out an emergency relief programme for famine victims in 21 villages

in the department of Madaoua, in the Tahoua region, in the southwest of the country. The support for 6,000 children and 1,000 adults included food distribution, teaching about balanced nutrition for children and prevention of malnutrition, and provision of medicines against hunger-related diseases and special nutritional products.

With drought, food shortages and high malnutrition among children under five, and low resilience amongst families, we extended our emergency programme until the end of 2012.

Meanwhile, in Chad, our emergency food aid programme for up to 4,500 children and 1,500 adults started in August 2012 in the Western region of Batha. SOS Children's Villages provided food, healthcare and nutrition in partnership with local administrative and traditional authorities, community representatives, technical service providers and other development partners. We fed the most vulnerable in the communities, especially children, women and the elderly. Feeding a family of seven for a month required at least one bag of millet (100 kg), 20 litres of vegetable oil, five kilograms of fish or meat and some other ingredients.

Integrated health centres were set up to treat sick people from the villages, focusing on acute malnutrition cases. The centres were stocked with special food products to fight micronutrient malnutrition, especially among children under five. Local community nutrition surveillance was set up to train pregnant and nursing women to care for their newborns, with priority given to households affected by HIV/AIDS or other chronic diseases.

SOS Children's Villages UK's goals

At SOS Children's Villages UK, our goal is to increase our contribution to the global income of SOS Children's Villages internationally. We are considered to be innovators in the field of technology and online fundraising and will continue to support our partner organisations with expertise when required. We want to grow our number of sponsorships significantly and to further develop our other areas of fundraising, through increasing our income in all areas of major giving and through extending into new markets.

2012 overview against priorities

The major priority for SOS Children's Villages UK in 2012 was to ensure that funds were in place for the new SOS Children's Village programmes in Chipata, Zambia, and that a core base of supporters was in place to provide ongoing funding for these projects. The Chipata Village was opened at a ceremony in Chipata in October 2012 by the Vice-President of Zambia. The Chair of SOS Zambia and the SOS Children's Villages UK's Director of Fundraising both spoke of the importance of the close collaboration between SOS Zambia and SOS UK. Throughout the year, significant work was done to establish long-term relationships between UK supporters and the programmes in Chipata in order to provide stable support for the projects.

2012 saw several changes to SOS Children's Villages UK's structure. At the start of the year, the organisation was made up of three teams: Finance and Sponsorship, Fundraising, and Marketing. A number of staff, mostly in the Marketing Team, had been engaged in the production of the Our Africa website, which had been a priority since 2010. In late 2011 it became clear that the level of unrestricted reserves was falling below target and it became necessary to restructure the organisation, with four roles being made redundant.

2012 also saw challenges to our work in recruiting child sponsors online. Significant work was undertaken by those working on our websites to improve our online sponsor and donor acquisition in order to counter this.

The Fundraising Team continued to focus on increasing income through companies and individuals and to develop a robust system for fundraising from trusts and foundations and institutional partners. This work included the development of a new website focused entirely on our community family strengthening programmes:

www.soscommunityprogrammes.org

As part of our drive to secure long-term income, the legacy programme, launched in 2011, was broadened and the first Legacy Event for legacy pledgers was held in Cambridge.

A further priority was improvement in communications and closer alignment of online and offline channels. Communications and messaging developments began in autumn 2012 with the redesign of the magazine, Family Matters, and will continue in 2013.

In terms of opening new markets, significant progress was made in registering the new company, Hong Kong Friends of SOS Children's Villages, as a charity and developing the website of the new Hong Kong entity. This new charity will launch in 2013.

Structure, governance and management

SOS Children's Villages UK was established in 1968 as an unincorporated charitable trust. In 1997, SOS Children's Villages UK was established as a members limited liability company, and on 1 January 1999 the charitable company took over the assets and liabilities of the unincorporated charitable trust. The company is constituted dated 7 April 1997 and is a registered charity number 1069204.

Method of appointment or election of Trustees

SOS Children's Villages UK is governed by a Board of Trustees, made up currently of eight members. Trustees are appointed for a term of three years, or until the end of the year of their seventieth birthday, whichever is earlier. Trustees may be re-elected. Trustees are invited to attend induction and training courses and we regularly review the composition of the Board to identify potential vacancies and the need for particular skills. New trustees are sought to replace resigning trustees. The Board actively seeks to ensure that they encompass a broad diversity of skills and background.

The Board met four times in 2012 and will continue to meet at least four times per year.

Charitable objects

The objects of the charity are set out in the Memorandum of Association. In summary, these are for the advancement of education, the relief of poverty and the promotion of good health of vulnerable children, particularly but not exclusively, by:

- the establishment and maintenance throughout the world of SOS Children's Villages and
- the education and training of children and young persons from SOS Children's Villages.

Managing risk

An Audit & Risk Committee, including trustee representatives, monitors the integrity of the financial statements of SOS Children's Villages UK and the accounting policies and standards which have been adopted. It also reviews the effectiveness of the SOS CV UK's internal controls and management systems and its register of major risks reporting any concerns to the full board of trustees. This risk register was updated in 2012. Each item is considered according to its perceived potential impact. Risks which have come into focus and were

addressed in 2012 were the balancing of restricted and unrestricted funds, staff costs and risks relating to online donor acquisition.

Public benefit

The Trustees confirm that they have complied with the duty in the Charities Act 2011 to have due regard to the Charity Commission's guidance on public benefit, which addresses the need for all charities' aims to be, demonstrably, for the public benefit.

SOS Children's Villages UK's objectives are to work for the good of children at risk and to be part of a global movement for real change to the lives of vulnerable children and families. Our role in the UK is to raise the profile of the international work of SOS Children's Villages within the UK, in order to make a growing contribution to the work we do in ensuring care and protection for children in need and at risk. Together with our partners and other member associations, we advance:

- the protection of children and their families
- the advancement of education
- the advancement of health and the saving of lives
- the advancement of children's rights
- the care and protection of children in emergency situations.

We work with the poorest of the poor and people facing extreme inequality. SOS Children's Villages is there for all and does not exclude any child on the grounds of race, religion, gender, sexuality or social position.

Financial health

Total income in 2012 was similar to 2011 and reflects a good performance in spite of the difficult fundraising climate. Our unrestricted funds balance has returned to a positive balance and the trustees remain confident that the charity can continue to grow and thereby financially support more of the worldwide work of SOS Children's Villages.

Reserves policy

Our restricted reserves are high because these are mainly being retained for capital project costs, which are called off when the funds are required. We seek to maintain a level of unrestricted reserves adequate to cover not only our ongoing trade debt, but also our commitments to projects overseas and have established a policy of retaining the equivalent of between two and four months forward expenditure in free reserves. Our current unrestricted reserves target is £500k. At 31 December 2012, other unrestricted charitable funds stood at £215,226. As at 31 December 2012, the restricted funds of the charity totaled £2,599,676, which are held for the purposes as set out in note 17.

Plans for the future

SOS Children's Villages UK has a goal to increase significantly its contributions to the international work of the SOS Children's Villages organisation. We have responsibility for certain SOS Children's Villages programmes in The Gambia and Zambia (indefinitely) and Sierra Leone (for three years). Over the last two to three years, we have made significant changes in the structure of our organisation, improving our response rates to sponsors and establishing a clear focus for our fundraising. We entered 2013 with a renewed focus and determination to grow to meet our goal of raising £10m in 2016. In order to do this, we are investing in developing our staff skills and focusing the work that we do in core areas. In 2013, we will further sharpen our focus on raising awareness, not only in the UK, but also in our new focus area of Hong Kong. We will work in close collaboration with colleagues from elsewhere in the SOS Children's Villages International federation to develop sponsorship, global corporate partnerships and online fundraising. We will also grow our work with trusts and foundations and institutional partners, and ensure that all aspects of the work of SOS Children's Villages, including our community family strengthening

programmes, is promoted in the UK and supported by UK funds.

Trustees' responsibilities statement

The Trustees (who are also Directors of SOS Children's Villages UK for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company and charity law requires the Trustees to prepare financial statements for each financial year. 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 the 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
- observe the methods and principles in the Charities SORP
- make judgments 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 charitable company will continue in operation.

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 the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

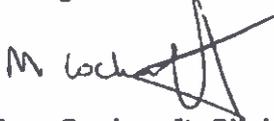
Provision of information to auditors

So far as each of the Trustees is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

In preparing this report, the Trustees have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the Trustees on: 10th June 2013
and signed on their behalf by:



Mary Cockcroft, Chairman

Independent auditors' report to the members of SOS Children's Villages UK

We have audited the financial statements of SOS Children's Villages UK for the year ended 31 December 2012, which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the charitable company'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 charitable company's members those matters we are required to state to them in an Auditors' Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditors

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2012 and of its 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 applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

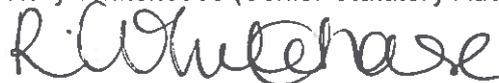
In our opinion, the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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,:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Trustees' Report.

Kelly Whitehouse (Senior Statutory Auditor)



for and on behalf of

Peters Elworthy & Moore

Chartered Accountants and Statutory Auditors
Statutory Auditors
Salisbury House
Station Road
Cambridge
CB1 2LA

Date: 14 June 2013

Statement of financial activities (Incorporating Income and Expenditure Account) for the year ended 31 December 2012

	Note	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Incoming resource					
Incoming resources from generated funds:					
Voluntary income	2	4,230,142	1,843,983	6,074,125	6,102,220
Activities for generating funds	3	98,636	-	98,636	222,584
Investment income	4	-	18,569	18,569	23,535
Total incoming resources		<u>4,328,778</u>	<u>1,862,552</u>	<u>6,191,330</u>	<u>6,348,339</u>
Resources expended					
Costs of generating funds:					
Costs of generating voluntary income	5	-	1,092,418	1,092,418	1,320,064
Fundraising expenses and other costs		-	-	-	70
Charitable activities	8	4,994,146	391,015	5,385,161	5,744,671
Governance costs	7	-	111,936	111,936	93,422
Total resources expended	9	<u>4,994,146</u>	<u>1,595,369</u>	<u>6,589,515</u>	<u>7,158,227</u>
Movement in total funds for the year - net income/(expenditure) for the year		(665,368)	267,183	(398,185)	(809,888)
Total funds at 1 January 2012		<u>3,265,044</u>	<u>(51,957)</u>	<u>3,213,087</u>	<u>4,022,975</u>
Total funds at 31 December 2012		<u><u>2,599,676</u></u>	<u><u>215,226</u></u>	<u><u>2,814,902</u></u>	<u><u>3,213,087</u></u>

The notes on pages 17 to 32 form part of these financial statements.

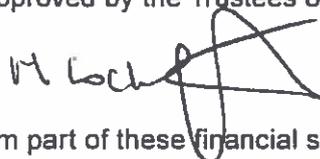
Balance sheet as at 31 December 2012

	Note	£	2012 £	£	2011 £
Tangible assets	12		34,231		46,030
Investments	13		-		-
			<u>34,231</u>		<u>46,030</u>
Current assets					
Debtors	14	402,435		400,815	
Cash at bank and in hand		3,330,904		3,983,216	
		<u>3,733,339</u>		<u>4,384,031</u>	
Creditors: amounts falling due within one year	15	(952,668)		(1,216,974)	
Net current assets			<u>2,780,671</u>		<u>3,167,057</u>
Net assets			<u>2,814,902</u>		<u>3,213,087</u>
Charity funds					
Restricted funds	17		2,599,676		3,265,044
Unrestricted funds	17				
Share capital	16	200		200	
Unrestricted income funds	17	215,026		(52,157)	
		<u>215,226</u>		<u>(51,957)</u>	
Total unrestricted funds			<u>215,226</u>		<u>(51,957)</u>
Shareholders' and Charity's funds			<u>2,814,902</u>		<u>3,213,087</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Trustees on and signed on their behalf by:

Mary Cockcroft, Chairman



10th June 2013

The notes on pages 17 to 32 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, with the exception of investments, which are included at market value, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in March 2005, applicable accounting standards and the Companies Act 2006.

1.2 Company status

The company is a company limited by guarantee. The members of the company are the Trustees named on page 3. In the event of the company being wound up, the liability in respect of the guarantee is limited to £1 per member of the company.

1.3 Group financial statements

The Statement of financial activities (SOFA) and the Balance Sheet do not include the results of the Charity's subsidiary undertaking, SOS Children's Villages UK Trading Limited, as that company has remained dormant since 31 December 2001 and has no other assets other than those relating to its issued share capital of £100. Further details are set out in the notes to the accounts.

1.4 Cash flow

The financial statements do not include a Cash Flow Statement because the charitable company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.5 Fund accounting

General funds are unrestricted funds, which are available for use at the discretion of the Trustees in furtherance of the general objectives of the company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the company for particular purposes. The costs of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income, gains and losses are allocated to the appropriate fund.

1. Accounting policies (continued)

1.6 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the company being notified of an impending distribution or the legacy being received.

Gifts in kind donated for distribution are included at valuation and recognised as income when they are distributed to the projects. Gifts donated for resale are included as income when they are sold. Donated facilities are included at the value to the company where this can be quantified and a third party is bearing the cost. No amounts are included in the financial statements for services donated by volunteers.

Donated services or facilities, which comprise donated services, are included in income at a valuation which is an estimate of the financial cost borne by the donor where such a cost is quantifiable and measurable. No income is recognised where there is no financial cost borne by a third party.

Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Income tax recoverable in relation to investment income is recognised at the time the investment income is receivable.

1.7 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

Fundraising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Governance costs are those incurred in connection with administration of the company and compliance with constitutional and statutory requirements.

1.8 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold land	- not depreciated
Fixtures & fittings	- 20 - 33% reducing balance

1.9 Investments

Investments are stated at market value at the balance sheet date. The Statement of Financial Activities includes the net gains and losses arising on revaluations and disposals throughout the year.

1. Accounting policies (continued)

1.10 Operating leases

Rentals under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Statement of Financial Activities.

1.12 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company is part of a defined benefit pension scheme and the pension charge is based on the latest available full actuarial valuation dated 30 September 2008.

1.13 Sponsorship account

Sponsorship income is remitted to SOS Kinderdorf International in Austria on a six monthly basis. Interest earned and income tax recoverable on these funds are treated as unrestricted income unless otherwise specified by the donor.

1.14 Gifts in kind

An estimated value for gifts of donated medical goods is included in special projects income and direct charitable expenditure. The value is determined by a multiple of freight costs incurred in shipping them to projects.

The value of services donated are included at a value equivalent that the charity would ordinarily incur these services.

Donated assets are capitalised at a value equivalent to market value at the date of donation.

1.15 Irrecoverable VAT

Irrecoverable input VAT is shown within sundry expenditure.

2. Voluntary income

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Gifts and donations	4,124,155	745,319	4,869,474	4,904,967
Legacies	105,987	476,943	582,930	485,952
Income tax recoverable	-	617,495	617,495	699,853
Donated goods and services	-	4,226	4,226	11,448
	<u>4,230,142</u>	<u>1,843,983</u>	<u>6,074,125</u>	<u>6,102,220</u>

3. Fundraising income

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Supporters groups	98,636	-	98,636	222,584
	<u>98,636</u>	<u>-</u>	<u>98,636</u>	<u>222,584</u>

4. Investment income

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Rent receivable	-	925	925	925
Bank interest receivable	-	17,644	17,644	22,610
	<u>-</u>	<u>18,569</u>	<u>18,569</u>	<u>23,535</u>

5. Costs of generating voluntary income

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Fundraising costs	-	65,484	65,484	162,838
Staff travel	-	16,291	16,291	22,659
Rent and rates	-	108,267	108,267	67,810
Insurance	-	4,533	4,533	4,507
Light and heat	-	2,323	2,323	2,438
Telephone and fax	-	2,364	2,364	2,892
Printing, postage and stationery	-	18,338	18,338	26,465
Computer costs	-	62,297	62,297	139,802
Sundry	-	39,470	39,470	66,089
Bank charges	-	11,885	11,885	13,115
Subscriptions and training	-	8,927	8,927	20,257
Professional fees	-	249	249	9,093
Loss/(gain) on foreign exchange	-	30,977	30,977	4,636
Repairs and renewals	-	289	289	460
Projects management	-	75,210	75,210	61,425
Staff costs	-	635,083	635,083	699,264
Depreciation	-	10,431	10,431	16,314
	-	1,092,418	1,092,418	1,320,064

6. Expenditure by charitable activity

Summary by fund type

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Sponsorship and support of orphans and Children's Villages (note 9)	4,994,146	391,015	5,385,161	5,744,671

Summary by expenditure type

	Staff costs 2012 £	Depreciation 2012 £	Other costs 2012 £	Total 2012 £	Total 2011 £
Sponsorship and support of orphans and Children's Villages	129,111	2,137	5,253,913	5,385,161	5,744,671

7. Governance costs

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Auditors' remuneration	-	7,165	7,165	7,855
Projects management	-	104,771	104,771	85,567
	-	111,936	111,936	93,422

8. Charitable activities

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Staff travel	-	3,337	3,337	3,999
Rent and rates	-	22,175	22,175	11,967
Insurance	-	928	928	795
Light and heat	-	476	476	430
Telephone and fax	-	484	484	510
Postage, printing and stationery	-	3,756	3,756	4,670
Computer costs	-	12,760	12,760	24,671
Sundry	-	8,084	8,084	11,663
Bank charges	-	2,434	2,434	2,314
Subscriptions	-	1,828	1,828	3,575
Loss on foreign exchange	-	6,345	6,345	818
Sponsorships	2,088,409	-	2,088,409	2,184,478
Project expenditure	2,905,737	-	2,905,737	3,043,567
Repairs and renewals	-	59	59	81
Loss on disposal of fixed assets	-	-	-	-
Legacy costs	-	6,693	6,693	18,389
Projects management	-	194,200	194,200	158,604
Professional fees	-	52	52	1,605
Our Africa expenses	-	(3,844)	(3,844)	142,671
Impairment of fixed asset investments	-	-	-	-
Wages and salaries	-	113,437	113,437	110,768
National insurance	-	12,634	12,634	12,536
Pension costs	-	3,040	3,040	3,681
Depreciation	-	2,137	2,137	2,879
	<u>4,994,146</u>	<u>391,015</u>	<u>5,385,161</u>	<u>5,744,671</u>

9. Analysis of resources expended by expenditure type

	Staff costs 2012 £	Depreciation 2012 £	Other costs 2012 £	Total 2012 £	Total 2011 £
Costs of generating voluntary income	635,083	10,431	446,904	1,092,418	1,320,064
Cost of goods sold	-	-	-	-	70
	<u>635,083</u>	<u>10,431</u>	<u>446,904</u>	<u>1,092,418</u>	<u>1,320,134</u>
Costs of generating funds	635,083	10,431	446,904	1,092,418	1,320,134
Sponsorship and support orphans and Children Villages	129,111	2,137	5,253,913	5,385,161	5,744,671
Governance	-	-	111,936	111,936	93,422
	<u>129,111</u>	<u>2,137</u>	<u>5,365,849</u>	<u>5,497,097</u>	<u>5,838,093</u>
	<u>764,194</u>	<u>12,568</u>	<u>5,812,753</u>	<u>6,589,515</u>	<u>7,158,227</u>

10. Net income / (Expenditure)

This is stated after charging:

	2012 £	2011 £
Depreciation of tangible fixed assets: - owned by the charity	12,568	19,193
Auditors' remuneration	7,240	7,100
Pension costs	21,383	17,545
	<u>41,191</u>	<u>43,838</u>

During the year, no Trustees received any remuneration (2011 - £NIL).

During the year, no Trustees received any benefits in kind (2011 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2011 - £NIL).

11. Staff costs

Staff costs were as follows:

	2012 £	2011 £
Wages and salaries	672,591	732,371
Social security costs	70,220	76,333
Other pension costs	21,383	17,545
	<u>764,194</u>	<u>826,249</u>

The average monthly number of employees during the year was as follows:

	2012 No.	2011 No.
	<u>23</u>	<u>24</u>

The number of higher paid employees was:

	2012 No.	2011 No.
In the band £80,001 - £90,000	<u>1</u>	<u>1</u>

12. Tangible fixed assets

	Freehold property £	Fixtures & fittings £	Total £
Cost			
At 1 January 2012	21,000	166,893	187,893
Additions	-	769	769
At 31 December 2012	<u>21,000</u>	<u>167,662</u>	<u>188,662</u>
Depreciation			
At 1 January 2012	-	141,863	141,863
Charge for the year	-	12,568	12,568
At 31 December 2012	<u>-</u>	<u>154,431</u>	<u>154,431</u>
Net book value			
At 31 December 2012	<u>21,000</u>	<u>13,231</u>	<u>34,231</u>
At 31 December 2011	<u>21,000</u>	<u>25,030</u>	<u>46,030</u>

13. Fixed asset investments

	Unlisted securities £
Market value	
At 1 January 2012 and 31 December 2012	4,800
Impairment	
At 1 January 2012 and 31 December 2012	4,800
Net book value	
At 31 December 2012	-
At 31 December 2011	-

14. Debtors

	2012 £	2011 £
Other debtors	336,043	270,521
Prepayments and accrued income	12,169	41,288
Tax recoverable	54,223	89,006
	<u>402,435</u>	<u>400,815</u>

15. Creditors: amounts falling due within one year

	2012 £	2011 £
Social security and other taxes	13,274	-
Other creditors	894,412	1,152,303
Accruals and deferred income	44,982	64,671
	<u>952,668</u>	<u>1,216,974</u>

Other creditors include £894,043 (2011 - £1,149,005) in respect of sponsorship income collected for the six month period July - December 2012 which was remitted to SOS Kinderdorf International in Austria in April 2013.

16. Share capital

	2012 £	2011 £
Allotted, called up and fully paid 200 Trust Capital shares of £1 each	200	200

17. Statements of funds

	Brought Forward £	Incoming resources £	Resources Expended £	Transfers in/out £	Carried Forward £
Unrestricted funds					
General Funds	(52,157)	1,862,552	(1,595,369)	-	215,026
Share capital	200	-	-	-	200
	<u>(51,957)</u>	<u>1,862,552</u>	<u>(1,595,369)</u>	<u>-</u>	<u>215,226</u>

17. Statement of funds (continued)

Restricted funds

Large restricted funds are disclosed below. Each fund has arisen in line with specific restrictions placed on funds received by the donor. The majority of restricted funds relate to specific SOS Villages overseas, such that funds are only used in connection with the donors specified Village. Any restricted fund in deficit, is supported for the short term from unrestricted funds, with a view to future restricted donations covering the deficit.

	Brought forward £	Incoming resources £	Resources expended £	Transfers in/out £	Carried forward £
Angola, Benguela	35,538	28,438	(851)	-	63,125
Gambia, Basse	66,431	92,467	(111,176)	-	47,722
Haiti Earthquake	92,248	41,080	-	-	133,328
Malawi	157,429	357	-	-	157,786
Malawi, Mzuzu	56,389	15,560	(106)	-	71,843
Pakistan	245,511	290,538	(383,447)	-	152,602
Pakistan Flood Appeal	128,713	-	-	-	128,713
Palestinian, Bethlehem	101,144	2,888	(100,939)	-	3,093
Somalia, Kenya, Ethiopia - East Africa Emergency Relief	87,054	5,907	-	-	92,961
Somaliland, Hargeisa Primary School	-	59,500	-	-	59,500
Sri Lanka, Jaffna	9,000	77,777	-	-	86,777
Tsunami	128,384	-	(77,003)	-	51,381
Zambia	-	-	(356,692)	356,692	-
Zambia, Chipata	959,023	375,780	(1,021,567)	(300,000)	13,236
Strategy Project fee	81,999	1,038	-	500	83,537
Subsidy fee	-	351,852	-	(64,235)	287,617
HSBC Educational Trust	20,309	640,792	(636,178)	-	24,923
Sponsorship account	315,213	2,009,138	(2,208,192)	-	116,159
Other restricted projects < £50,000	780,659	335,666	(97,995)	7,043	1,025,373
	<u>3,265,044</u>	<u>4,328,778</u>	<u>(4,994,146)</u>	<u>-</u>	<u>2,599,676</u>
Total of funds	<u><u>3,213,087</u></u>	<u><u>6,191,330</u></u>	<u><u>(6,589,515)</u></u>	<u><u>-</u></u>	<u><u>2,814,902</u></u>
Summary of funds					
	Brought forward £	Incoming resources £	Resources expended £	Transfers in/out £	Carried forward £
General funds	(51,957)	1,862,552	(1,595,369)	-	215,226
Restricted funds	3,265,044	4,328,778	(4,994,146)	-	2,599,676
	<u><u>3,213,087</u></u>	<u><u>6,191,330</u></u>	<u><u>(6,589,515)</u></u>	<u><u>-</u></u>	<u><u>2,814,902</u></u>

18. Analysis of net assets between funds

	Restricted funds 2012 £	Unrestricted funds 2012 £	Total funds 2012 £	Total funds 2011 £
Tangible fixed assets	-	34,231	34,231	46,030
Current assets	2,599,676	1,133,663	3,733,339	4,384,031
Creditors due within one year	-	(952,668)	(952,668)	(1,216,974)
	<u>2,599,676</u>	<u>215,226</u>	<u>2,814,902</u>	<u>3,213,087</u>

19. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company. The pension cost charge represents contributions payable by the company and amounted to £21,383 (2011 - £17,545), at the year end date £369 (2011 - £3,298) was outstanding.

The company operates a Defined Benefit Pension Scheme.

The potential liability of the defined benefit pension scheme for the year ending 31 December 2012 has not been recognised based on the advice of a professionally qualified actuary, however is disclosed in note 24.

The contribution made for the year ended 31 December 2012 was £Nil. The agreed contribution rate for future years is Nil%.

20. Operating lease commitments

At 31 December 2012, the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2012 £	Land and buildings 2011 £	Other 2012 £	2011 £
Expiry date: Between two and five years	<u>94,800</u>	<u>94,800</u>	<u>4,008</u>	<u>4,008</u>

21. Other financial commitments

At the year end, the company was committed to expenditure payable within one year totalling £647,236 (2011 - £714,153). All amounts are due to be expended from restricted reserves.

22. Other financial commitments

At 31 December 2012, the company held all 100 ordinary shares of £1 each in the wholly-owned subsidiary, SOS Children's Villages UK Trading Limited, which is registered in the United Kingdom, although these were written down to nil value in the 2002 accounts. The company ceased trading on 31 December 2001 and has remained dormant since that date.

Trading operations are now undertaken by the charitable company.

23. Contingent liabilities

SOS Children's Villages UK participated in The Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted-out of the State scheme. The Plan is a multi-employer pension plan.

SOS Children's Villages UK has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 31 December 2012. As of this date, the estimated employer debt for SOS Children's Villages UK was £12,771.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001, contributions were invested in personal funds, which have a capital guarantee and which are converted to pension on retirement, either within the Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/ investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time, either by way of additional contributions from employers, investment returns or a combination of these.

23. Contingent liabilities (continued)

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

SOS Children's Villages UK paid no contributions during the accounting period. Members made no contributions during the accounting period.

As at the balance sheet date there were no active members of the Plan employed by SOS Children's Villages UK. SOS Children's Villages UK has closed the Plan to new entrants.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Plan is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of the Plan's total assets. Accordingly, due to the nature of the Plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The valuation results at 30 September 2008 were completed in 2009 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £742 million and the Plan's Technical Provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96%.

The financial assumptions underlying the valuation as at 30 September 2008 were as follows:

	% p.a.
Rate of return pre retirement	7.6
Rate of return post retirement	
Active/Deferred	5.1
Pensioners	5.6
Bonuses on accrued benefits	0.0
Rate of price inflation	3.2

23. Contingent liabilities (continued)

In determining the investment return assumptions, the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The preliminary triennial valuation results, as at 30 September 2011, were received in March 2012, but the valuation has not been finalised.

The Scheme Actuary's preliminary results for 30 September 2011 show that the Plan's assets at that date were £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%. SOS Children's Villages UK's share of this deficit is unable to be quantified.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Pensions Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to The Pensions Regulator on 18 December 2009, as is required by legislation.

Following a change in legislation in September 2005, there is a potential debt on the employer that could be levied by the Trustee of the Plan, and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment, with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.