

FINANCIAL STATEMENTS
For the year ended 31 December 2002

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THE DIRECTORS REPORT

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1. Company Information

1.1 Legal Status

Barnardos Republic of Ireland Limited is an Irish company incorporated under the Companies Act, 1963 with effect from 1st April 1989. It is a company limited by guarantee and does not have a share capital. It is governed by a memorandum and articles of association, which were last amended at the AGM 2000 on 3 July 2000.

1.2 Licensing Agreement

Barnardos Republic of Ireland is authorised to use the name Barnardos under licence from Barnardo's United Kingdom.

1.3 Barnardos' Board, Officers and Management

Barnardos is administered by members of the Board who are elected for three-year terms, which are renewable. The Board meets four times each year and has responsibility for the management of all the business of the organisation. The Board members do not receive any remuneration in respect of their services to the charity. Expenses are reimbursed where claimed.

The Board delegates the day-to-day management of Barnardos to an executive management team, which comprises the Chief Executive and three Directors; Director of Children's Services, Director of Finance and Director of Fundraising and Communications.

1.4 The Board Members

Leslie Andrews	
Mary Broughan	Treasurer
David Barnardo	
Niamh Cleary	
David Gamble	
Kenneth Milne	
Olivia O' Leary	Deputy Chairperson
Gemma Rowley	Retired July 2002
Declan Ryan	Chairperson
Shalini Sinha	Joined July 2002

Company Secretary	Niamh Cullen
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1.5 Company Information

Principal Bankers	Allied Irish Bank 7/12 Dame Street Dublin 2
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Solicitors	Beauchamps Solicitors Dollard House Wellington Quay Dublin 2
Auditors	Ernst & Young Chartered Accountants Ernst & Young Building Harcourt Centre Harcourt Street Dublin 2
Insurance Brokers	Willis Corroon Ireland Limited 80 Harcourt Street Dublin 2
Registered Office	Christchurch Square Dublin 8
Company Registration No.	141526
Charity No.	CHY6015

1.6 Executive Management Team

Chief Executive	Owen Keenan
Director of Children's Services	Suzanne Connolly
Director of Finance	Niamh Cullen
Director of Fundraising and Communications	Deirdre Mortell

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For the year ended 31 December 2002

2 Background Information

The members of the Board, who are directors of the charity for the purposes of the Companies Acts, present their report and the financial statements for the year ended 31 December 2002. These documents are prepared in accordance with the Companies Acts and, in the absence of statutory reporting standards for charities in Ireland, voluntarily, in accordance with international best practice as recommended by the Charity Commissioners for England and Wales.

3 Charitable Objectives

The main objects of the charity include –

- (1) the relief and assistance of children, young people and families in need;
- (2) assistance towards the education of children and young people with special needs;

4 Aims and Policies

4.1 Mission

Barnardos is committed to the best interests of children and young people in Ireland, promoting and respecting their rights in all of our work.

4.2 Principal Activities

Barnardos is concerned with the well being of all children in Ireland, working to achieve conditions where all children and young people have the opportunity to realise their full potential. Barnardos provides an expanding range of services

- in response to the needs of vulnerable children, young people and their families in many parts of Ireland, including a wide range of family support services, bereavement counselling, adoption advice, and guardian ad litem services.
- which serve to improve conditions for children in Ireland as a whole. These include information, research, training, consultancy, publishing, advocacy and awareness raising initiatives.

Barnardos' work is funded through a combination of statutory and voluntary funding. A substantial portion of the costs of family support services is funded by a variety of statutory sources, mainly health boards and a number of government departments. Increasingly statutory funding is determined on the basis of negotiated service agreements with the statutory funder, which is a welcome development as it clarifies and makes explicit the respective operational responsibilities, expectations and accountability.

Barnardos also sources independent funding through a range of fundraising activities including the operation of ten charity shops, direct mail campaigns, legacies, donations from companies and individuals, trusts and foundations, and from the organisation of fundraising events. Since becoming an independent organisation in Ireland in 1989, Barnardos has continued to receive financial support from Barnardo's United Kingdom, on an agreed tapering scale, this support will end in March 2008.

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5 Barnardos' Activities in 2002

5.1 Direct Services to Children and Families

The past year has witnessed the tenth successive year of growth in the services provided by Barnardos. The full range of Barnardos' work with, and on behalf of, children and young people and their families in Ireland is described in detail in Barnardos Annual Review 2002-2003 which accompanies this document.

A major part of Barnardos' work is the provision of a wide range of support services to vulnerable families. The aim of these services is to keep these families together and to improve their relationships and functioning. Such services include early childhood development programmes, parenting programmes, after school groups, parent and toddler groups, youth action programmes, breakfast clubs, counselling for parents and children, initiatives aimed at children affected by drug misuse, children who are members of ethnic minorities, or from refugee and asylum-seeking families. The precise nature of the services delivered are determined by local needs and conditions and by requirements of respective funding agencies. Family support services were delivered in the following locations during 2002 -

Eastern Region Eblana Avenue, Dun Laoghaire Tivoli Terrace South, Dun Laoghaire Tivoli Road, Dun Laoghaire	Eastern Region South West Loughlinstown Clondalkin Cherry Orchard Labre Park, Ballyfermot Millbrook, Tallaght Avonbeg Gardens, Tallaght Bawnlea Green, Tallaght	Eastern Region Dublin North Mulhuddart Blanchardstown Dunsink Lane, Finglas
Mid West Region Moyross, Limerick Southill, Thurles, Co. Tipperary Limerick	West & Midlands Region Athlone, Co. Westmeath Edenderry, Co. Offaly Tullamore, Co. Offaly	Southern Region Mahon, Cork Ballybeg, Waterford Carlow

In addition, Barnardos provides a bereavement counselling service, Sólás, for children who have suffered the loss through death of a close relative, carer or friend; the Adoption Advice Service which provides information, counselling and a tracing service, and a Guardian ad Litem service which provides independent reports on children who are the subject of court proceedings. These services are provided at Barnardos' National Office at Christchurch Square, Dublin 8, with Sólás and the Guardian ad Litem services also provided from 18 St Patrick's Hill, Cork.

Barnardos also operates the National Children's Resource Centre (NCRC), which provides a comprehensive library and information service on all aspects of children's lives, provides training programmes, conducts research, publishes extensively, offers consultancy and supports Barnardos' advocacy and campaigning activity. The NCRC is located at the National Office and its expansion in recent years to Cork and Limerick has been continued as planned with the opening of new branches during the year in Athlone and Galway.

5.2 New Service Developments in 2002

As anticipated in last year's report, Barnardos established during 2002 an information and tracing service, Origins, for people who were residents of the former industrial schools and reformatories, with funding from the Department of Education and Science.

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Barnardos has been contracted by the North Eastern and South Eastern Health Boards to provide family welfare conference services in their respective regions, under the provisions of the Children Act, 2001. Covering the entire NEHB region and the Co Wexford area of the SEHB, this service will seek to find effective alternative responses to vulnerable children and young people who might otherwise require institutional placement. These services are fully operational from the beginning of 2003.

Following the completion of a needs assessment of refugee and asylum seeking families and young people in Dun Laoghaire, as reported last year, we have now established a family support service in response to the identified needs at the Old Schoolhouse in Dun Laoghaire with the support of the East Coast Area Health Board. We have also been contracted by the Mid Western Health Board and by the Northern Area Health Board to provide new family support services under the national Springboard initiative in St Mary's Park, Limerick and Finglas, Dublin respectively. With support from a private donor and from the Midland Health Board we have established the support programme for vulnerable young people as anticipated in last year's report and this important service is operational from January 2003.

Barnardos' regional development was further strengthened during 2002 with the opening of a new permanent West and Midlands regional office in Galway and the acquisition of premises at Newlands Cross for Eastern Region South West which will open in the early months of 2003.

5.3 Developing the Quality of Barnardos' Services

The provision of this extensive, diverse and growing portfolio of services provides Barnardos with valuable insights into the current life experiences of our service users throughout the country. We consider that this imposes a profound responsibility on us to ensure that our interventions are as appropriate and effective as possible, and to identify the public policies and conditions that cause or contribute to these needs and to advocate for necessary change.

During 2002 we have continued to work with the Dartington Social Research Unit (UK) as part of a three-year collaboration to refine the relevance and effectiveness of our service responses. This includes an assessment of the compatibility of our services to identified need, and the further development of our assessment and evaluation capacities. In the past year we have also taken significant steps to improve the quality and extent of information to our service users and their opportunities to give feedback on their experience of Barnardos.

In the interests of assuring the appropriateness of our responses to the needs of an increasingly diverse range of service users, Barnardos has concluded the development of a policy on Diversity and Equal Opportunities and has followed this with the establishment of a comprehensive training programme on diversity issues for all staff and for the Board.

5.4 Advocacy and Education

Most of the needs we address exist due to past or current shortcomings in public policy and provision. It is the Board's view that our mission requires us to engage in public education and advocacy in order to focus attention on such deficits in the interests of tackling them. The Board is not satisfied that the economic progress of recent years has translated sufficiently into progress for the children and families using Barnardos services. The effect of this is to limit their opportunity to realise their full potential and thereby their life chances, while imposing more demands on the services of Barnardos and other organisations. This represents a major challenge for our society as a whole and the Board has consequently committed to investing more in advocacy in response. In 2002 Barnardos spent €202k on Education and Advocacy an increase of €158k on last year.

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THE DIRECTORS REPORT CONT'D

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Prior to the May 2002 General Election Barnardos brought its priority policy issues for children and families to the attention all the political parties and obtained all-party commitments to the implementation of the National Children's Strategy. We have continued to pursue these priorities subsequent to the election.

As indicated in The Directors Report for 2001, we launched the first phase, Parents Under Pressure, of a two-year advocacy campaign, Every Child Matters, in March 2002. The second phase, Families Under the Influence, was launched in December 2002. The public awareness aspects of the campaign are supported with research reports and recommendations on each issue and involve extensive contributions to written and broadcast media coverage. The Board wishes to acknowledge the tremendous support it has received from the advertising and marketing industries in terms of expertise and in-kind contributions for this campaign.

In last year's report we welcomed the significant increase in child benefit in Budget 2002 but by year-end the Government had failed to honour its commitment to maintain this level of increase in Budget 2003 in the light of less favourable economic conditions. Yet the Government did keep its promises to other, more secure, sectors of society. This is a worrying indication that those children and families most in need will have to wait longest to have their needs met and casts doubt on the Government's commitment to its own National Strategy for Children. For the past three years Barnardos has collaborated with other organisations in the Open Your Eyes to Child Poverty initiative and this will now move into a new phase as the End Child Poverty Coalition to be launched early in 2003.

The Board continues to have serious concerns, as reported last year, at the inadequacy of the government's procedures for the vetting of paid and volunteer staff working with children. We have continued to collaborate with Barnardos Northern Ireland and with the ISPCC and NSPCC (Northern Ireland), who share our concerns and jointly hosted a major conference on the issue in Dundalk in September 2002. We have separately and together continued to bring our concerns to public and political attention and will continue this campaign to achieve more rigorous and satisfactory procedures.

Barnardos' commitment to policy change is also reflected in its less visible, but no less important, contribution to many official committees and bodies at both national and regional levels, where we have an opportunity to share our experience as a primarily service providing organisation in the interests of formulating relevant and effective responses. We are committed to working collaboratively and constructively with other bodies, both voluntary and statutory, in the interests of improving the lives of children and families in Ireland. We also continued and further developed our professional and public education strategies through publishing books and reports, staging seminars and other training events, disseminating information on a wide range of issues affecting children through leaflets and through the Barnardos website, which was further developed during 2002.

5.5 International

Barnardos has continued to participate in a number of transnational collaborative projects with other child welfare organisations in Europe, supported by the European Union. A new project on family support services was established in 2002 and involves both staff and service users. Several Barnardos personnel were invited to participate in international training and consultancy events during the year, including in Eastern Europe. Barnardos was represented at the United Nations General Assembly Special Session on Children in New York in May 2002. Chief Executive Owen Keenan continued to serve as President of the International Forum for Child Welfare throughout the year. He also represented Barnardos in a further meeting of the chief executives of our sister Barnardos organisations in Australia, New Zealand and the United Kingdom.

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THE DIRECTORS REPORT CONT'D

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6.1 Results for the year

The financial results for 2002 are shown in the Statement of Financial Activities on pages 16. These show a net surplus of €555k for the year. The surplus is mainly due to two exceptional items, the profit on the sale of an asset €297k and Pennies from Heaven income €339k over budget.

6.2 Income Generation

Barnardos raised total income of €11.4m in the year ended 31 December 2002, a record for the organisation and an increase of 29% on 2001. Most major sources of income increased relative to 2001, including statutory funding by 29%, Guardian ad Litem service by 10% and Shops sales by 12%.

6.3 Resource Expended

More information on the services and achievements of the charity are included in the Annual Review. Further copies are available from National and Regional Offices.

Total resources expended by the organisation amounted to €10.8m. Of this total 83% was spent on direct charitable expenditure, 14% (see note 5, page 22) on the cost of generating funds and 3% on management and administration.

Fundraising income increased by 45% in 2002 and costs by less than 1%. Net contribution from fundraising increased by €1,064k to €1,995k or 114%. This is due to increases in income from most income sources, including shops, fundraising and trusts and foundations. A substantial portion of the increase relates to support for 11 projects from the AIB Better Ireland Funds and Pennies from Heaven. The Board is satisfied that this represents a satisfactory return on investment over recent years.

6.4 Changes in Fixed Assets

The movement in fixed assets during the year is set out in Note 10 to the financial statements. During the year, we disposed of a property at Ballymount Road, Dublin this resulted in a surplus of €297k.

6.5 Reserves and Financial Position

Our total reserves at 31 December 2002 amounted to €4.6m of which the unrestricted reserves in the General Fund is €4m.

Reserve Policy

In accordance with recommended best practice, each charity should have a Reserve Policy. This policy is concerned with how much 'free' (or unallocated) reserves a charity retains. Free Reserves do not include fixed assets or Restricted Funds. Restricted funds are funds which must only be used for a purpose specified by the donor. Charities tend to have between 3 and 6 months cover in reserves. This varies depending on the nature of their work.

The Directors of Barnardos have the responsibility for establishing an appropriate Reserve Policy. Having reviewed the reserves of the charity, the following policy has been adopted by the Directors:

To retain only sufficient reserves to ensure the continuity of operations and to absorb periodic setbacks, while committing the maximum amount available for the provision of services to children and families in Ireland.

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For the year ended 31 December 2002

The policy is that the free reserves should be approximately 4 months of

- (a) unrestricted charitable expenditure
- (b) transfer to Restricted Funds and
- (c) one third of the Restricted Charitable Expenditure. This equates to approximately € 1.45m in free reserves.

The free reserves are currently €1.5m, which is in line with our policy. The level and adequacy of the reserves is reviewed annually by the Audit Committee which reports directly to the Board.

6.6 Investment Policy

It is the policy of the Board that all funds not immediately required for operational purposes should be invested in fixed term interest bearing deposits maintained with reputable financial institutions.

7 Policy Developments

Barnardos' significant growth and development over the past ten years has been guided by a succession of strategic plans. The period under review represented the first year of the current three-year corporate plan, ***Making a Difference, 2002 – 2005***. As reported last year, the current plan builds on the achievements of earlier plans and identifies three key themes as the current focus of Barnardos' work

- Children's identity - their sense of self, their confidence and self-esteem. It may relate to their knowledge of their parentage, of their family, ethnic and/or cultural origins.
- Supporting children through transitions – we will seek to identify and support vulnerable children, young people and their families through significant transitions in their lives.
- Promoting children's resilience - why it is that some children survive adversity when others are overcome by it? Barnardos' work over many years has been based on a strengths perspective – this is being developed to focus further on the learning that is to be derived from better understanding of the strengths of those who "survive".

Considerable progress has been made in 2002 in the implementation of *Making a Difference*. This progress is reviewed on a quarterly basis with corrective action being taken where necessary. Progress highlights to date include new service development, increased advocacy, the provision of enhanced information and a complaints policy for service users, the development of policies on child protection, children's participation, diversity and equal opportunities, and support and supervision, income growth, and public awareness.

8 Internal Control and Risk Management

The Board has overall responsibility for the system of internal control for the charity. These controls aim to safeguard Barnardos' assets and to maintain the integrity of accounting procedures. They include clearly documented financial procedures and the delegation of the authority of the Board, through the Chief Executive, to the rest of the organisation.

The Corporate Audit and Inspection Unit of Barnardos UK, provides consultancy on issues such as Risk Management and technical advice on accounting best practice.

The Board considers the management of risk as a key corporate governance priority and is in the process of putting in place, during the course of the current Corporate Plan 2002-2005, the necessary policies and procedures to meet best practice in the area of risk management. The Board participated in training on risk management during 2002 and receives regular reports from management on the status of risk management within the charity. An Action Plan for the Top 10 risks detailing key actions, timeframes and staff responsible is currently being finalised. Attention will be focused on these risks before the exercise is rolled out to all operational levels within the organisation. In addition a crisis communications strategy has been formulated and supported with training for relevant staff and officers as part of this risk management strategy.

The charity operates a comprehensive annual planning and budgeting process. Annual budgets are approved by the Board. Both the Board and management are provided with regular financial reports which compare actual results to the phased budget. During 2003, the organisation will develop a multi-annual budgeting process which will facilitate longer term financial planning.

8.1 Statement of the responsibilities of members of the Board in respect of the financial statements

Irish company law requires the members of the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the members of the Board are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The members of the Board are responsible for keeping proper books of account which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the provisions of the Companies Act, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992. They are also responsible for safeguarding the assets of the company and hence for taking responsible steps for the prevention and detection of fraud and other irregularities.

An Audit Committee, which is a formal subcommittee of the Board has been set up and is chaired by the Treasurer and also includes the Chairperson of the Board.

THE DIRECTORS REPORT CONT'D
For the year ended 31 December 2002

Human Resources

9.1 General

The Board would like to acknowledge the valued contribution made by all Staff, Volunteers and Community Employment staff across the organisation. Human Resource strategies, policies and procedures are constantly being reviewed to ensure that they are aligned with best practice and are best placed to meet the increasing demands of the external and internal environment.

9.2 Staff Recruitment and Retention

The Irish labour market in general has become less competitive in recent months, however the sector in which Barnardos operates remains competitive and recruitment is still proving difficult. The Human Resource department has committed itself to reviewing the organisation's recruitment and selection policy and strategy. Barnardos will continue to strive to be competitive in the labour market place and to attract the best people. We are also committed to examining a number of retention strategies as a means of both competing in the market place and retaining valued staff within the organisation.

9.3 Pay Policy

Our current pay policy in relation to staff remuneration is to aspire to maintaining competitiveness in the labour market place by meeting the levels of pay that the position would be likely to attract in the external environment while at the same time maintaining our independence as a private company. Our nearest competitors in the labour market are in both the private and public sector, which is challenging. We constantly monitor our competitiveness in order to meet these challenges.

9.4 Volunteers

The pilot volunteer programme established in 2001 has proved extremely successful and the Board has decided to continue it. Over the past two years the numbers of people volunteering with the organisation has risen from 90 to 245, which has resulted in a minimum saving of €220k in labour costs. Volunteers actively participate at all levels in the organisation including the Board, children's services, shops and head office internal services. We are committed to ongoing training for volunteers to enable them to carry out their roles effectively and have recently piloted a Child Care Practice Course that has been accredited by FETAC. We have provided a range of courses for staff to enable them to support and manage volunteers.

9.5 Work Life Balance

In addition to its statutory responsibilities the Board is committed to providing progressive conditions of employment for all staff. This includes a commitment to diversity, equal opportunity and the maintenance of the integrity and effectiveness of the organisation's work. Several additional policies in support of work/life balance will be piloted during 2003.

9.6 Equal Opportunities

The Directors confirm that Barnardos' Human Resources policies and procedures are in compliance with the requirements of the Employment Equality Act 1998 and the Equal Status Act 2000. Barnardos is strongly committed to equality for all its stakeholders and to meeting its obligations with regard to recruitment, promotion, training opportunities and through the implementation of our Human Resources policies and procedures generally.

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9.7 Staff Training and Development

The staff training and development model is under discussion and review to ensure Barnardos is providing its staff and volunteers with cutting edge knowledge and best practice to enable them to effectively carry out their roles in the organisation. A staff corporate training plan has been developed to provide a broad range of skills to all sectors of our staff mix, which includes training in the diversity policy, bullying and harassment policy, technology, management development, retail, health and safety, Freedom of Information, service user data base and volunteers development training.

9.8 Health and Safety

Health and safety is one of the key priorities for the HR department. A central health and safety group has been established, representative of all sectors of the organisation. This group, under the direction of the HR department will manage the health and safety agenda. Training for this group and all health representatives has been scheduled for early 2003. A health and safety audit was carried out for the whole organisation in 2002 and the group has set targets for 2003.

9.9 Internal Communications

Staff are involved at all levels in the future development of Barnardos. All staff were consulted in the Internal Services Review and the Corporate plan 2002 – 2005 – *‘Making a Difference’*.

A regular internal newsletter is circulated through the organisation. All contracts of employment of staff includes the requirement to assist the flow of information by sharing information held and seeking information needed. Dedicated time is built into team meetings to facilitate this. Exit questionnaires have been developed to ascertain the reason why employees leave the organisation. This information contributes to our staff retention strategy and future HR policies and practices.

10. Books of Accounts

The directors use the services of a professionally qualified group accountant, who reports to the board and ensures that the requirements of Section 202 of the Companies Act, 1990 are complied with.

Those books and records are maintained at the company’s registered office.

11. Auditors

The auditors, Ernst & Young, have signified their willingness to continue in office under Section 160 of the Companies Act, 1963.

12. Future Growth

The Board’s primary concern is to assure the effectiveness of existing programmes for children, young people and families throughout the country, rather than the pursuit of growth for its own sake. However the establishment of a regional structure over the past four years has undoubtedly increased both organisational capacity and opportunity to support further expansion of services. This is reinforced through the development of new collaborative and funding relationships arising from our significant service development in recent years. In all instances further service growth will be based on a conviction of the contribution that Barnardos can make.

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THE DIRECTORS REPORT CONT'D

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Barnardos has developed proposals for service development in response to identified need in all parts of the country, some of which are currently under consideration by funding agencies. However, there is a serious risk that the slowdown in the economy experienced over the past year, will lead to at least some of these proposed developments being abandoned. If this should happen, it will represent a significant failure to put the interests of vulnerable children first and will bring the Government's commitment to its own National Children's Strategy into question. Barnardos will actively work on all necessary fronts to secure the necessary support to enable such developments to be implemented and will also seek to develop other sources of funding, including through philanthropy. The charity will be seeking to conclude established negotiations with the area health boards in the Eastern Region to finally resolve the longstanding problems of inadequate statutory funding of Barnardos services in the Greater Dublin area. It is immensely frustrating and unacceptable that the health boards in their various configurations have been unable to resolve these funding issues. Consequently Barnardos has had to subsidise the maintenance of established, agreed programmes from its own voluntary resources. However as costs increases, this is becoming ever more difficult to sustain. It also represents a major impediment to our capacity to respond to need and to innovate.

Barnardos will actively contribute to any proposed reform or restructuring of the health boards to ensure that the interests of children and families will be better served by the new arrangements and that their needs are not overlooked.

The Directors of Barnardos are satisfied that progress achieved during 2002 represents a further significant development of the charity's capacity to respond appropriately and with effectiveness to the needs of the children and families using its diverse services throughout the country. Barnardos is now better equipped to influence positive outcomes through its public awareness and lobbying campaigns and we are determined to maintain and further develop this capacity over the coming years, in the interests of children and families in Ireland.

On behalf of the Board

AUDITORS REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BARNARDOS REPUBLIC OF IRELAND LIMITED (a company limited by Guarantee)

We have audited the financial statements for the year ended 31 December 2002 which comprise Statement of Financial Activities, Balance Sheet, Cash Flow Statement, Statement and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 193 of the Companies Act, 1990. Our audit work has been undertaken so that we might state to the 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of members of the Board and auditors

The members of the Board's responsibilities for preparing the Annual Report and the financial statements in accordance with applicable Irish law and accounting standards are set out in the Statement of the Board's Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and Auditing Standards issued by the Auditing Practices Board for use in Ireland and the United Kingdom.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Acts. We also report to you our opinion: whether proper books of account have been kept by the company; whether proper returns adequate for our audit have been received from branches of the company not visited by us; and whether the information given in the Annual Report is consistent with the financial statements. In addition, we state whether we have obtained all the information and explanations necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding remuneration of members of the Board and transactions with the company is not given and, where practicable, include such information in our report.

We read the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

BARNARDOS REPUBLIC OF IRELAND LIMITED
(A company limited by guarantee)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its net income for the year then ended and have been properly prepared in accordance with the provisions of the Companies Acts, 1963 to 2001 and the European Communities (Companies: Group Accounts) Regulations, 1992.

We have obtained all the information and explanations we consider necessary for the purposes of our audit. In our opinion proper books of account have been kept by the company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Annual Report is consistent with the financial statements

Ernst & Young
Chartered Accountants
Registered Auditors
Dublin

Date

BARNARDOS REPUBLIC OF IRELAND LIMITED
(A company limited by guarantee)

STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2002

	Note	2002 Unrestricted Funds €000's	2002 Restricted Funds €000's	2002 Total Funds €000's	2001 Total €000's
INCOMING RESOURCES					
Donations, legacies & similar incoming resources	2	1,299	989	2,287	1,872
Activities in furtherance of the charity's objectives	3	0	6,386	6,386	4,955
Activities for generating funds	4	2,383	0	2,383	1,973
Investment income & interest		42		42	62
Other incoming resources		297		297	2
TOTAL INCOMING RESOURCES		4,021	7,375	11,396	8,864
Less : Cost of generating funds	5	1,479		1,479	1,467
Net incoming resources available for charitable application		2,542	7,375	9,917	7,397
CHARITABLE EXPENDITURE					
Costs of activities in furtherance of the objectives of the charity		767	7,474	8,241	6,408
Support costs		47	705	752	541
Management & administration		23	345	368	292
Total Charitable expenditure	6	837	8,524	9,361	7,241
TOTAL RESOURCES EXPENDED		2,316	8,524	10,840	8,708
Net incoming resources/resources expended before transfers		1,704	(1,149)	556	156
Transfer between funds		(1,295)	1,295	0	0
Net incoming resources/(resources expended) after transfers		410	146	556	156
Total funds brought forward		3,700	309	4,009	3,853
TOTAL FUNDS CARRIED FORWARD		4,110	455	4,565	4,009

All of the above results are derived from continuing activities. The surplus for the year for Companies Act purposes was €556k (2001: €156k). Realised gains on the disposal of fixed asset amounting to €297k are included above.

Approved by the Board on

The Board Members

BARNARDOS REPUBLIC OF IRELAND LIMITED
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BALANCE SHEET
at 31 December 2002

	Note	2002 €000's	2001 €000's
ASSETS EMPLOYED			
FIXED ASSETS			
Tangible assets	10	2,620	2,734
CURRENT ASSETS			
Stock		0	6
Debtors	11	1,180	695
Short term deposit		1,438	1,190
Cash at bank		<u>362</u>	<u>198</u>
		2,980	2,089
CURRENT LIABILITIES			
Creditors (amounts falling due within one year)	12	(1,035)	(814)
NET CURRENT ASSETS			
		<u>1,945</u>	<u>1,275</u>
NET ASSETS			
		<u><u>4,565</u></u>	<u><u>4,009</u></u>
REPRESENTED BY			
General fund	13	4,110	3,700
Restricted income fund	13	<u>455</u>	<u>309</u>
TOTAL FUNDS		<u><u>4,565</u></u>	<u><u>4,009</u></u>

Approved by the Board on

The Board Members

BARNARDOS REPUBLIC OF IRELAND LIMITED
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CASH FLOW STATEMENT
at 31 December 2002

	Note	2002 €000's	2001 €000's
Net cash inflow from operating activities	14	398	1,049
<i>Returns on investment and servicing of finance</i>			
Interest received		42	62
<i>Investing activities</i>			
Cash received from sale of fixed assets		133	
Cash expended on purchase of fixed assets		<u>(161)</u>	<u>(437)</u>
Increase in cash and cash equivalents	15	412	674
		<u><u> </u></u>	<u><u> </u></u>

NOTES TO THE FINANCIAL STATEMENTS
31 December 2002

1 STATEMENT OF ACCOUNTING POLICIES

(a) *Accounting Conventions*

The financial statements are prepared under the historical cost convention in accordance with best practice as recommended by the Charities Commission (UK) and Companies Acts and comply with existing financial reporting standards.

(b) *Income recognition/ Incoming resources*

Funds raised through the operation of shops under the charity's management are taken into account at the time of receipt. To value donated clothing is not deemed practicable for income and expenditure purposes.

Legacies and voluntary donations are recognised as income when received.

(c) *Statutory Grants*

All statutory grants are treated as restricted grants.

Revenue grants are taken into income on an accrual basis and income due but not yet received at the year end is included in debtors on the balance sheet and funds already received in relation to future years but not yet expended are shown in creditors.

Capital grants in respect of buildings and equipment are set-off against fixed assets and amortised over the lives of the relevant assets.

(d) *Expenditure*

Expenditure is analysed between direct costs of activities in furtherance of the activities of the objects of the charity, support costs to these charitable objectives and management and administration.

The cost of generating funds and charitable activities are analysed according to their major components and disclosed separately in the notes to the accounts.

Support costs consist of directly attributable national office costs. These are allocated in proportion to the estimated time spent on each of the charity's activities by staff.

Management and administration costs which are not directly attributable to one activity have been allocated in proportion to the estimated time spent on each of the charity's activities by staff.

(e) *Fixed assets and depreciation*

The full cost of fixtures, fittings and equipment purchased for statutory funded projects are included in expenditure in the year of acquisition up to €10,000 per item. Purchases exceeding €10,000 are capitalised.

Expenditure below €2,000 and not purchased for statutory funded projects is not capitalised.

Depreciation is provided from the first month of use.

NOTES TO THE FINANCIAL STATEMENTS
31 December 2001 continued

Fixed assets and depreciation – continued

Properties are stated in the balance sheet at their market value at 1 April 1989 or subsequent cost. Depreciation of freehold and long leasehold properties has been provided at the rate of 2% per annum on their cost or value. Short leasehold properties are amortised over the period of the lease.

Fixtures, fittings and equipment are stated at cost and depreciated at 10% straight line per annum on their cost.

Motor vehicles are stated at cost and depreciated at 15% straight line per annum on their cost.

Computers are stated at cost and depreciated at 20% straight line per annum on their cost.

(f) *Funds*

All transactions of the organisation have been recorded and reported as income into or expenditure from funds, which are designated as “restricted” or “unrestricted”.

Income is treated as restricted where the donor/funder has specified that it may only be used for a particular purpose. All other income is treated as unrestricted.

Expenditure is treated as being made out of restricted funds to the extent that it meets the criteria specified by the donor/funder. All other expenditure is treated as being from unrestricted funds.

The balance on each restricted fund represents the income held by Barnardos and not yet expended for the particular purposes specified by the donors/funders.

The balance of the unrestricted fund at the end of the year represents the assets held by the organisation for general use in the furtherance of its work.

Transfers from unrestricted funds are made to meet the shortfall on restricted projects.

(g) *Pension costs*

Defined benefits pension costs are recognised on a basis so as to spread these costs over the employees’ working lives with Barnardos as a level percentage of pensionable pay.

Defined contribution pension costs are charged in the period to which they relate.

(h) *Stock*

It is not considered practicable to value stock of unsold donated goods for income and expenditure purposes.

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2 DONATIONS, LEGACIES AND SIMILAR INCOMING RESOURCES include the following

	2002 €000's	2002 €000's	2002 €000's	2001 €000's
<i>Trusts and Foundations</i>	<i>Unrestricted</i>	<i>Restricted</i>	<i>Total</i>	<i>Total</i>
Barnardo's (UK)	638		638	752
Barnardos Children's Trust	145		145	290
Private Donor		95	95	
Irish Youth Foundation			0	2
Lady Arabella Denny Trust	14		14	8
The Musgraves Charitable Trust	9		9	6
The Atlantic Philanthropies		100	100	185
AC Taylor Charitable Trust			0	9
Other trusts	2		2	1
Total Trusts and Foundations	808	195	1,003	1,253
<i>Legacies</i>	23		23	142
<i>Other Donations/Fees</i>				
Guardian ad Litem	267		266	241
National Children's Resource Centre	147		147	164
Other	54	794	848	72
Total Donations	468	794	1,261	477
Total Donations, Legacies & Incoming Resources	1,299	989	2,287	1,872

3 ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTIVES

	2002 €000's	2001 €000's
<i>Statutory Sources</i>	<i>Restricted</i>	<i>Total</i>
South Western Area Health Board	1,091	529
Northern Area Health Board	777	147
East Coast Area Health Board	437	361
Eastern Regional Health Authority		801
Mid-Western Health Board	980	756
Midlands Health Board	819	618
Southern Health Board	347	303
South- Eastern Health Board	475	511
North Eastern Health Board	24	
City of Dublin Vocational Education Committee	59	57
Department of Education and Science	292	111
Department of Social, Community and Family Affairs	109	95
	5,410	4,289
Other Fees and Grants	976	666
	6,386	4,955

BARNARDOS REPUBLIC OF IRELAND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 continued

4 ACTIVITIES FOR GENERATING FUNDS	2002	2001
	Unrestricted	
	€000's	€000's
Fundraising campaigns	1,078	813
Shop sales	<u>1,305</u>	<u>1,160</u>
	<u><u>2,383</u></u>	<u><u>1,973</u></u>

The net result of shop operations is as follows

Sales	1,305	1,160
Operating expenses	(984)	(850)
	<u> </u>	<u> </u>
Net shop contribution	<u><u>321</u></u>	<u><u>310</u></u>

5 COST OF GENERATING FUNDS	2002	2001
	€000's	€000's
Fundraising campaigns	447	557
Shops Overheads	984	850
Communications	48	60
	<u> </u>	<u> </u>
	<u><u>1,479</u></u>	<u><u>1,467</u></u>

BARNARDOS REPUBLIC OF IRELAND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 continued

6. CHARITABLE EXPENDITURE - RESTRICTED

	Family Support	National Children's Resource Centre	Sólás Bereavement Counselling	Adoption Advice Service	Organisational Development	TOTAL Restricted
	€000's	€000's	€000's	€000's	€000's	€000's
Eastern Region Southwest	1,338					1,338
East Coast Region	864					864
Dublin North Region	813					813
West & Midlands Region	946	42				988
Mid West Region	1,068	26				1,094
Southern/South Eastern Region	1,098					1,098
Other	880					880
National services		19	175	75	129	398
Direct activity costs	7,007	88	175	75	129	7,474
Support costs	665	8	15	6	11	705
Management and administration	325	4	7	3	6	345
Total restricted activity costs	7,997	100	197	84	146	8,524

CHARITABLE EXPENDITURE - UNRESTRICTED

	National Children's Resource Centre	Guardian Ad Litem	Education and Advocacy	Volunteer Initiative	TOTAL Unrestricted
	€000's	€000's	€000's	€000's	€000's
Direct activity costs	248	259	202	58	767
Support costs	24	23			47
Management and administration	12	12			23
Total unrestricted activity costs	284	294	202	58	837
Total charitable expenditure					9,361

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 continued

7 STAFF COSTS

The average weekly number of employees, including part-time staff, but not including volunteers, during the year was 254 (2001: 213)

	2002 €000's	2001 €000's
Staff costs comprise:		
Wages and salaries	6,298	4,872
Social welfare costs	643	523
Pension costs	214	120
	<u>7,155</u>	<u>5,515</u>

The number of higher paid employees was :

	2002	2001
€60,000 - €70,000		2
€70,000 - €80,000	1	1
€80,000 - €90,000	1	
€90,000 - €100,000		
€100,000 - €110,000		
€110,000 - €120,000		1
€120,000 - €130,000		
€130,000 - €140,000	1	

The remuneration includes pension and PRSI contributions

8 Board Member Expenses

No member of the Board receives payment other than the reimbursement of expenses claimed

	2002 €000's	2001 €000's
Board Expenses	<u>1</u>	<u>2</u>

**9 NET INCOMING RESOURCES/(RESOURCES EXPENDED)
FOR THE YEAR**

	2002 €000's	2001 €000's
Net surplus for the year is arrived at after charging (crediting):		
Auditors' remuneration	12	7
Depreciation	148	131
Amortisation of government grant	(5)	(5)
Operating leases	341	243
	<u>506</u>	<u>476</u>

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 continued

10 TANGIBLE FIXED ASSETS	Computers €000's	Furniture, fittings and equipment €000's	Motor vehicles €000's	Properties €000's	Total €000's
<i>Cost</i>					
At 1 January 2002	200	381	110	3,567	4,258
Additions	0	103	0	58	161
Disposals	0	0	0	(181)	(181)
At 31 December 2002	200	484	110	3,444	4,238
<i>Depreciation</i>					
At 1 January 2002	100	226	70	787	1,183
Charge for year	40	32	10	66	148
Disposals	0	0	0	(47)	(47)
At 31 December 2002	140	258	80	806	1,284
<i>Capital grants - cost</i>					
At 1 January 2002				352	352
Additions				0	0
At 31 December 2002	0	0	0	352	352
<i>Capital grants - amortisation</i>					
At 1 January 2002				13	13
Charge for year				5	5
At 31 December 2002	0	0	0	18	18
<i>Net book amounts</i>					
At 31 December 2002	60	226	30	2,304	2,620
At 31 December 2001	99	154	40	2,441	2,734
<i>Freehold and leasehold properties</i>				€000's	
Freeholds				603	
Long leaseholds (over 50 years)				1,622	
Short leaseholds (50 years and under)				79	
				<u>2,304</u>	

BARNARDOS REPUBLIC OF IRELAND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 continued

	2002	2001
	€000's	€000's
11 DEBTORS (amounts falling due within one year)		
Statutory sources	809	266
Other debtors	371	429
	<u>1,180</u>	<u>695</u>

	2002	2001
	€000's	€000's
12 CREDITORS (amounts falling due within one year)		
Expense creditors and accruals	330	487
Deferred statutory income	691	297
Barnardos (UK)	<u>14</u>	<u>30</u>
	<u>1,035</u>	<u>814</u>

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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 continued

13a STATEMENT OF MOVEMENT ON FUNDS	General Fund	Restricted Fund
	€000's	€000's
Balance at beginning of year (see note below)	3,700	309
Net incoming resources/resources expended	410	146
Balance at end of year	<u>4,110</u>	<u>455</u>

13b Movement in Funds

The movement on funds classified in accordance with the organisation's accounting policies are as follows:

	Balance at 31/12/01	Income	Expenditure	Transfers	Balance at 31/12/02	Purpose of the Fund
	€000's	€000's	€000's	€000's	€000's	
Restricted Funds						
Regional services	66	5,866	(7,028)	1,099	3	A wide range of family support services are provided in our project country wide
National Services		1,133	(1,305)	172	0	National Services includes National Children's Resource Centre, Sólás Bereavement Counselling, Adoption Advice and Guardian ad Litem Services.
Mulhuddart project	101				101	Future development of service.
Thurles Project	0	100			100	Future development of service.
Waterford		40			40	Future development of service.
Private Donor		95	(10)		85	Future development of service.
Organisational Development	75	100	(146)	24	53	
Mr Walker	22		(12)		10	Provision of services at Cottage Childcare Project.
Ericsson	25		(8)		17	Provision of children's technology at Dun Laoghaire project.
Irish Kids Opportunity Fund	20	40	(14)		46	Direct intervention to provide funds for education/extra curricular activities.
Total Restricted Funds	309	7,374	(8,523)	1,295	455	
Unrestricted Funds						
General Fund	3,700	4,021	(2,316)	(1,295)	4,110	Transfers from Unrestricted Funds are made to meet the shortfall on restricted projects.
Total Unrestricted Funds	3,700	4,021	(2,316)	(1,295)	4,110	
Total Funds	4,009	11,395	(10,839)	0	4,565	

BARNARDOS REPUBLIC OF IRELAND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
31 December 2002 continued

14 RECONCILIATION OF INCOMING RESOURCES TO NET CASH INFLOW FROM OPERATING ACTIVITIES	2002 €000's	2001 €000's
Operating surplus	555	156
Depreciation charges	148	131
Amortisation of government grant	(5)	(5)
Decrease in stock	6	(1)
(Increase) decrease in debtors	(485)	677
Increase in creditors	221	153
Interest earned	(42)	(62)
	<u>398</u>	<u>1,049</u>

15 ANALYSIS OF CHANGE IN CASH AND CASH EQUIVALENTS DURING THE YEAR	2002 €000's	2001 €000's
Balance at beginning of year	1,388	714
Net cash inflow	412	674
	<u>1,800</u>	<u>1,388</u>

BARNARDOS REPUBLIC OF IRELAND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS

31 December 2002 continued

16 PENSION FUND

Disclosures required under SSAP 24

The company operates two pension schemes. The defined benefit pension scheme is for certain employees and its assets are held in a separate trustee administered fund. This scheme is now closed to new members. The second scheme is a defined contribution scheme which commenced during the period ended 31 December 2001. The total pension cost charged in the year was €214k (2001 €120k).

Contributions to the defined benefit scheme are assessed in accordance with the advice of an independent actuary on the basis of triennial valuations using the Projected Unit Method. The most recent actuarial valuation was conducted as at 31 March 2000.

The assumptions which have the most significant effect on the results of this actuarial valuation which is prepared for the purpose of setting contributions, are those relating to the rate of return on investments and the rate of increase in remuneration. It is assumed that the rate of return on investment would, on average, exceed remuneration increases by 2.5%.

The market value of the defined benefit scheme assets as at 31 March 2002 was €5.4 million. The scheme has a surplus on a current funding level basis. After allowing for expected future increases in earnings, the actuarial value of total scheme assets was sufficient to cover 100% of the benefits that had accrued to the members of the scheme

The actuarial report is available to members of the defined benefit scheme.

Disclosures required under FRS 17

The financial assumptions used to calculate the scheme liabilities under the FRS using the Projected Unit Method are as follows:

	Dec-02	Dec-01
	%	%
Inflation rate	2.25	2.50
Discount rate	5.70	6.00
Expected return on assets	6.84	7.00
Expected rate of salary increases	4.25	4.50
Rate of pension increases in payment	2.25	2.50
Rate of pension increases in deferment	2.25	2.50

The expected long-term rate of return on the assets of the scheme are:

	%	%
Equities	8.25	7.50
Bonds	4.50	5.00
Other	4.20	6.00

The net pension asset is analysed as follows:

	Dec-02	Dec-01
	€000s	€000s
Equities	3,589	5,567
Bonds	1,238	970
Other	827	841
Total market value of assets	<u>5,654</u>	<u>7,378</u>
Actuarial Value of schemes liabilities	<u>(6,913)</u>	<u>(6,041)</u>
Deficit/Surplus in the scheme pre and post deferred tax	<u>(1,259)</u>	<u>1,337</u>

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The net assets and reserves of the company incorporating the pension liability/asset are stated as follows:

<i>Net Liability/ Assets</i>	Dec-02 €000s	Dec-01 €000s
Net assets excluding pension liability/asset	4,565	4,009
Pension liability/ asset	<u>(1259)</u>	<u>1,337</u>
Net asset including pension liability/asset	<u>3,306</u>	<u>5,346</u>
 <i>Reserves</i>	 Dec-02 €000s	 Dec-01 €000s
General Fund excluding pension liability/asset	4,110	3,700
Pension liability/asset	<u>(1,259)</u>	<u>1,337</u>
General Fund including pension liability/asset	<u>2,851</u>	<u>5,037</u>

If FRS 17 had been fully adopted, the following amounts would have been recognised in the Statement of Financial Activities

<i>Charged to expenditure</i>	Dec-02 €000s
Current service costs	246
 <i>Credited/ charged to other finance income</i>	
Interest on pension scheme liabilities	360
Expected return on scheme assets	<u>(519)</u>
 <i>Total Statement of Financial Activities charge before deduction of tax</i>	 <u>87</u>

If FRS 17 had been adopted, the following amounts would have been recognised in the Total Recognised Gains and Losses

	Dec-02 €000s
Loss on assets	2,244
Experienced gain on liabilities	307
Loss on changes in demographic and financial assumptions	<u>79</u>
Actuarial loss recognised in STRGL	<u>2,630</u>

BARNARDOS REPUBLIC OF IRELAND LIMITED
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Movements in surplus/deficit during the year	Dec-02 €000s
Surplus in scheme at beginning of year	1,337
Contributions paid	121
Current service cost	(246)
Other financial income	159
Actuarial loss	<u>(2,630)</u>
	<u>(1,259)</u>

History of experience gains and losses

Difference between expected and actual return on assets	
Amount (€000s)	(2,244)
% of scheme assets at end of period	39.69%
Experience loss on scheme liabilities	
Amount (€000s)	(307)
% of scheme assets at end of period	4.44%
Total actuarial loss recognised in STRGL	
Amount (€000s)	(2,630)
% of scheme assets at end of period	38.04%

17 COMMITMENTS

Operating lease commitments payable during the next twelve months amount to €401k and are payable in relation to equipment and property leases which expire as follows:

	Plant & Equipment	Land & Buildings	2002
	€000's	€000's	€000's
Within one year		9	9
Within two to five years	19	60	79
After five years		313	313
	<u>19</u>	<u>382</u>	<u>401</u>