

**Lumos Foundation**

**Annual Report and  
Financial Statements**

31 December 2013

Company Limited by Guarantee  
Registration Number  
05611912 (England and Wales)

Charity Registration Number  
1112575



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## Reference and administrative details of the charity, its trustees and advisors

<b>President</b>	J K Rowling
<b>Trustees</b>	B J Ellis (Treasurer) Dr K Behbehani Sir R Singleton CBE A H Loder L F Smith N L M Blair R L Wilson R Dattani N Crichton D Cohen (From June 2013)
<b>Chief Executive Officer and Company Secretary</b>	G Mulheir
<b>Registered office</b>	12-14 Berry Street London EC1V 0AU
<b>Company registration number</b>	05611912 (England and Wales)
<b>Charity registration number</b>	1112575
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	HSBC Bank plc 8 Victoria Street London SW1H 0NJ
<b>Solicitors</b>	Farrer & Co LLP 66 Lincoln's Inn Fields London WC2A 3LH
<b>Investment managers</b>	Close Brothers 10 Exchange Square Primrose Street London EC2A 2BY

## **Trustees' report Year ended 31 December 2013**

The trustees present their statutory reports with the financial statements of the charitable company for the year ended 31 December 2013.

The reports have been prepared in accordance with Part 8 of the Charities Act 2011 and constitute a Directors Report for the purposes of the Companies Act 2006 and a Strategic Report for the purposes of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The financial statements have been prepared in accordance with the accounting policies set out on pages 28 to 31 of the attached financial statements and comply with the charity's Memorandum and Articles of Association, applicable laws and the requirements of Statement of Recommended Practice on "Accounting and Reporting by Charities" (SORP 2005).

### **The vision and mission of Lumos**

Worldwide, eight million children live in institutions, deprived of the individual love and care they need to develop. More than 90% have living parents, though many institutions are called orphanages. Children are separated from their families because they are poor, or subject to discrimination on the basis of disability or ethnicity. Many suffer lifelong physical and emotional harm – particularly those in institutions as babies, when they most need the nurturing love and care that only families can provide. Children who grow up in institutions are more likely to be involved in prostitution, to have a criminal record, and to commit suicide.

Lumos' vision is a world in which all children have the opportunity to grow up and fulfill their potential in a safe and caring family setting or, where there is no alternative, in specialist placements that meet all their needs. That is their right. Lumos' mission is to end the institutionalisation of children around the world, which denies them that right.

Lumos promotes and supports 'deinstitutionalisation' of children (DI) – removing them from institutions so they can live with their families or foster families, or in small, specialist care facilities for those with the most complex needs. Lumos also promotes 'inclusive education' – supporting vulnerable children in mainstream schools alongside their peers, close to their families and in their communities.

Creating the network of services needed to replace institutions requires large-scale reform of child-care systems. Lumos works with national and local government to provide specialised and professional support for reforms. Lumos trains and equips thousands of professionals in those countries where it works in the health, education, legal and social services skills they need to support children outside institutions.

**The vision and mission of Lumos (continued)**

Most of Lumos' work up to 2013 has been in Central and Eastern Europe, where former Communist nations have a legacy of State institutionalisation of children. Lumos' aim is that there should be no children in European institutions by 2030. There are currently up to one million in the European region. With other organisations, Lumos has worked to influence the European Union to ensure its funding for Member States supports deinstitutionalisation and community services – not building or refurbishing institutions.

A further key aim for Lumos is to ensure the principle established for funding EU Member States funding serves as an example to other major funders globally, to bring an end to the institutionalisation of children around the world.

**Governance, Structure and Management**

***Constitution***

Lumos was incorporated as a charitable company limited by guarantee with no share capital on 3 November 2005 and is based in London. It is registered in England under company number 05611912 and is registered with the Charity Commission under charity number 1112575.

Lumos is governed by its Memorandum and Articles of Association dated 3 November 2005 as amended by Written Resolution dated 16 December 2005 and a special resolution to change the charitable company's name dated 14 February 2010. Lumos' objects as stated in its Memorandum and Articles of Association are as follows:

- ◆ The relief of poverty and sickness, the promotion of education, the promotion of child health and development, and the prevention of cruelty to or maltreatment of children in any part of the world; and
- ◆ Such other exclusively charitable objects as the trustees in their absolute discretion determine.

***Trustees***

The Board of Trustees administers the charitable company. The Board meets at least four times a year and provides strategic direction to the work of Lumos. The trustees make decisions by a majority vote.

Trustees give their time freely, receiving no remuneration or other financial benefit.

**Governance, Structure and Management (continued)**

***Trustees (continued)***

A trustee is a member of the Board of Trustees of Lumos and a director for the purposes of the Companies Act 2006. The trustees who held office during the year were as follows:

Trustee	Appointed/Resigned
J K Rowling (Chair)	Resigned as Chair 27 September 2013
B J Ellis (Treasurer)	
Dr K Behbenani	
Sir R Singleton CBE	
N Blair	Appointed Chair 27 September 2013
R Dattani	
R L Wilson	
L F Smith	
A H Loder	Appointed 21 June 2013
N Crichton	
D Cohen	

***Trustee appointment and training***

All trustees must be members of the charitable company. The maximum number of trustees is twelve, who are recruited according to best practice. Lumos currently has eleven trustees, selected to provide a mix of skills necessary to Lumos. All trustees are given an induction programme and are offered opportunities for appropriate training

During 2013, in addition to Board meetings, Lumos trustees undertook considerable work through the following Committees and other groups:

- ♦ Finance Committee
- ♦ Investment Committee
- ♦ Nominations and Remuneration Committee
- ♦ Programmes sub-group
- ♦ Fundraising sub-group.

At the December 2013 Board meeting J.K. Rowling, the charity's Founder, stood down. She accepted the role of President and committed herself to continuing support for the charity's work. The Trustees wish to place on record their deep appreciation for J.K. Rowling's commitment, inspirational leadership and continuing generosity to Lumos.

## **Governance, Structure and Management (continued)**

### ***Organisational management***

The Chief Executive Officer provides the Board with advice on the strategic direction of the charity and manages operations on behalf of the Board and with the Board's guidance. The CEO is responsible for monitoring all aspects of Lumos' work and regularly reporting progress to the Board. Under the leadership of the CEO, there was significant recruitment to the Programmes, Communications and Fundraising functions.

### ***Statement of trustees' responsibilities***

The trustees (who are also directors of Lumos Foundation for the purposes of company law) are responsible for preparing the trustees' report, the strategic report and financial statements in accordance with applicable law and United Kingdom accounting standards.

Company law requires the trustees to prepare financial statements for each financial year which 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. 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 Statement of Recommended Practice (Accounting and Reporting by Charities) the Charities' SORP;
- ◆ Make judgments and estimates that are reasonable and prudent;
- ◆ State whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ Prepare 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 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.

## **Governance, Structure and Management (continued)**

### ***Statement of trustees' responsibilities (continued)***

Each of the trustees confirms that the trustee:

- ♦ Is aware, there is no relevant audit information of which the charitable company's auditor is unaware; and
- ♦ Has taken all the steps that he/ she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of 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.

### **Public Benefit**

The trustees confirm that they have complied with the duty in the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

## **Strategic Report**

### ***Objectives and activities***

The United Nations Convention on the Rights of the Child clearly outlines a range of children's rights that, taken together, suggest that most children should live with and be cared for by their birth families. Nevertheless, across the world, approximately eight million children live in large residential institutions that cannot meet their needs. Sixty years of research demonstrates the harm caused to children by separating them from families and raising them in large institutions. The negative effects of institutionalisation include developmental delays, chronic health problems, challenging behaviours, and difficulties in forming relationships and integrating into the wider community.

It is commonly believed that many of these children are 'orphaned' or 'abandoned'. Yet true 'orphanhood' and 'abandonment' account for a very small minority of children in institutions. Lumos' research in four countries of almost 3,003 children found that only 2% were actually orphaned and had lost both their parents.



## Strategic Report (continued)

### *Objectives and activities (continued)*

An analysis of the reasons behind institutionalisation demonstrates that a lack of support services in the community to respond to the needs of poor children, and those with disabilities or from an ethnic minority, can result in abuse, neglect or behavioural problems. This results in the separation of children from their families and the placing of large numbers of children in institutions. Therefore, a number of key issues are fundamental to Lumos' work: poverty, disability, ethnicity, behavioural issues and child abuse and neglect. However, despite the similarities across countries relating to these underlying issues, their prominence and how they manifest themselves in practice differ from one country to another. Consequently, Lumos adapts its focus and approach according to the individual country's circumstances. Lumos' envisages its work as a journey.

### *The Lumos journey*

Step 1 - The Global Big Picture – we assess the numbers of children in institutions in regions or countries; we gather evidence about the causes; and we campaign on a multi-national or international level to win the argument for deinstitutionalisation (DI).

Step 2 – Promoting the children's cause in countries where we work – we press the DI argument in principle, at national political level, and work in demonstration areas, seeking long-term sustainable support for necessary reforms of systems, including helping to establish financial mechanisms to transfer funds to community-based care.

Step 3 - Preserving life and preventing further harm – we assess individual children's needs, support intervention in emergencies and stabilize the health of the most vulnerable. We work to prevent further institutionalisation.

Step 4 - Listening, learning and preparing – we give children a voice and enable their participation in policy decisions affecting them. We help prepare children, families and staff for the closure of institutions and the move to community care.

Step 5 - Before the institution doors have closed - we support:

- ◆ Returning of children to biological families
- ◆ Foster care or adoption
- ◆ Specialist medical care for the most vulnerable
- ◆ Inclusive education for all children in mainstream schools .

## **Strategic Report (continued)**

### ***Key considerations***

All NGOs have limited resources and capacity. Lumos' mission is focused and achievable, but requires significant mobilisation of resources to translate our aims into real change for children. With this in mind, we take account of five key considerations in planning and executing all our work:

- ◆ **Impact.** We ensure that everything we do has a direct impact on children in institutions or at risk of institutionalisation. From assessing individual children, to chairing expert groups, to lobbying the European Commission, we ensure that our actions result in positive change for children.
- ◆ **Quality.** We work with senior professionals in a wide range of fields to ensure high quality in all programmes, particularly in the development of services for vulnerable children and their families.
- ◆ **Scale.** Our strategic partnerships influence the efforts of others to ensure resources are directed towards deinstitutionalisation. In this way, examples of good practice are brought to scale, engendering lasting change for thousands of children at local, national and international levels.
- ◆ **Sustainability.** We build exit strategies into all our work. We do not replace the function of the State authorities or local NGOs. Our support and guidance assists local actors to make change happen and to take ownership of that change.
- ◆ **Value for money.** We make every effort to deploy our finances strategically – influencing other donors and supporting governments to find innovative ways to release resources and direct them towards improved services for vulnerable children.

### ***Strategic objectives – 2011-2015***

In order to achieve its purpose, Lumos developed a set of strategic objectives for the five-year period 2011-2015 to include:

#### ***Governance***

- ◆ To ensure that the Board and executive team operate according to the highest standards of governance, accountability, propriety and financial management.

#### ***Advocacy and Campaigning***

- ◆ To develop and implement a comprehensive and proactive strategy for international advocacy and campaigning, ensuring in particular that European Commission funding and influence are used to full effect to influence deinstitutionalisation.

**Strategic Report** (continued)

**Strategic objectives – 2011-2015**

*Fundraising*

- ♦ To put in place and implement a fundraising strategy which will ensure Lumos' sustainability from 2014 onwards.

*Training*

- ♦ To build on and expand Lumos' training capability, including study tours to the UK, to support the European Commission and facilitate the large-scale capacity building required by our country programmes.

*Programmes*

- ♦ To continue and complete our deinstitutionalisation programme in Moldova.
- ♦ To continue to develop and deliver our programmes in the Czech Republic, Bulgaria and Ukraine.
- ♦ To consider and take forward the options for expanding our coverage to include three 'direct, intensive' and three 'indirect, technical assistance' programmes, with particular consideration being given to Hungary, Serbia and Georgia.

*Expert Advice*

- ♦ To set up and make best use of an Expert Advisory Group of professionals and researchers.
- ♦ To continue to play a full and independent role in the European Expert Group (of international NGOs and networks), which provides advice on deinstitutionalisation to the European Commission.

**Risks and challenges**

2013 was a year of considerable expansion of Lumos' activities. Expansion and successes also bring with them their own challenges and risks. Lumos undertakes regular assessment of risk. The following list provides examples of some of the key risks and challenges identified by Lumos during 2013:

- ♦ Child protection. As Lumos' work expands into more countries and as the organisation works with more institutions, it is likely that more child protection cases will appear that need to be addressed.
- ♦ Personnel health and safety. As Lumos' work expands, the organisation is increasingly likely to address situations that may put the health and/ or safety of personnel at risk.

### **Strategic Report (continued)**

#### ***Risks and challenges (continued)***

- ◆ Financial sustainability of the organisation. In 2011, Lumos introduced a fundraising strategy to secure the long-term future of the organisation. In 2013, this strategy raised over £1m for the charity.
- ◆ Continuing political and economic turmoil in all countries, and latterly particularly in Ukraine. All countries where Lumos operates have experienced political instability and fluctuating governmental priorities.

We have strategies in place aimed at mitigating all these risks. In particular Lumos' approach to working on all levels of political engagement (local, national, international) is paying dividends in terms of the stability of the process of DI and in preventing harm to children.

#### ***Lumos' work in 2013 – key facts and figures***

Lumos' programmes, advocacy and campaigning work resulted in the following achievements:

##### ***Achievements at the international level***

- ◆ Lumos co-hosted a conference on deinstitutionalisation at the European Parliament, with Adam Kosa MEP, that commemorated 50 years since the Kennedy law kick-started DI in the US for people with disabilities. This was a sharing of US and European experience in DI and a call to action to work together internationally to end institutionalisation.
- ◆ Advocacy and diplomatic lobbying by Lumos, with other organisations, led to the passing of legal regulations in the European Parliament in November 2013 which meant that Structural Funds granted to EU Member States for social cohesion purposes could no longer be used for building or renovating institutions but had to be spent on alternative family and community-based systems of care. These conditions will influence the use of billions of Euros in EU aid. The period of 'awareness raising' up to the passing of the new regulations had already ensured that €367m in Structural Funds, awarded before November 2013, was spent on dismantling institutions and not building new ones.
- ◆ Lumos engaged with US government departments and joined the Leaders Council on the Global Alliance for Children – an international coalition of government agencies, foundations and expert groups.

**Strategic Report (continued)**

***Lumos' work in 2013 – key facts and figures (continued)***

*Achievements at the national and local level*

- ◆ £1 million was raised at a fundraising event in November 2013 hosted by J.K. Rowling.
- ◆ Advocacy by Lumos led to a decision by the Romanian Government to follow the Bulgarian Government's example – also influenced by Lumos – to agree to fund life-saving shunts for children with hydrocephalus from 2014. The Romanian decision was announced at a Lumos conference in Bulgaria.
- ◆ Lumos hosted a major inclusive education conference held in Moldova.
- ◆ Laloveni children's institution in one of Lumos' demonstration areas in Moldova closed.
- ◆ Lumos carried out a successful strategic review to assess the number of children living in institutions in Ukraine.
- ◆ Lumos supported the creation of the Coalition 2025, an active group of NGOs in Bulgaria working to support the national deinstitutionalisation programme.
- ◆ Lumos provided training and consultancy to state officials in Bulgaria to undertake case conferences for children with disabilities in institutions, to assess each child's needs and where they should be placed; and in preparing children to move out of institutions and into the new services.
- ◆ In the Czech Republic, Lumos helped to ensure the assessment framework established for social workers to better assess children was rolled out across that country.
- ◆ A total of 77 policy makers and senior managers attended eight Lumos study visits throughout the year, including the first 'Advanced Course on Deinstitutionalisation' in August 2013.
- ◆ Lumos, through its Remote Expert Support Services (RESS) team, trained over 6,000 people - including care workers, teachers, psychologists, social workers, health professionals, policy makers and funders – in a range of aspects of family and community-based care systems. This brought the total to 15,713 people trained in four years.

**Strategic Report (continued)**

***Lumos' work in 2013 – key facts and figures (continued)***

*Achievements for individual children*

- ◆ Lumos teams directly prevented 244 children from entering into institutions and influenced thousands more individual cases where institutionalisation was considered.
- ◆ Lumos saved the lives of 459 children suffering from malnutrition and neglect.
- ◆ A total of 413 children and young people took part in Lumos' child participation programmes.
- ◆ 187 children with hydrocephalus received life-saving surgery. A total of 311 children have been saved in two years as a result of Lumos' advocacy work.
- ◆ A total of 472 children with special educational needs were directly supported by Lumos to enter mainstream education in schools in Moldova - contributing to the overall total of more than 3,500 children in Moldova being educated in their communities, alongside their peers.
- ◆ By the end of 2013, Lumos had supported nearly 12,000 children to move from harmful institutions into safe, caring family environments.

***Priorities and Achievements for 2013 – in detail***

Within the context of Lumos' overall five-year strategy, the priority areas of work for 2013 were as follows:

1. A gradual shift of focus in country programmes, to ensure that all programmes are operating at as high a strategic level as possible. Country programmes worked closely with advocacy and campaigning activities to ensure maximum impact of Lumos' work.
  - ◆ Lumos believes a tipping point has been achieved in Central and Eastern Europe in terms of nations accepting the principle of deinstitutionalisation (DI). However, helping countries to complete the complex practical process of closing institutions and transforming care remains a challenge. Rigorous and clear-sighted national financial management is a vital element. Governments may fear that DI will be 'more expensive' and will therefore be reluctant to start closing institutions; equally, they may look on the closure of institutions as a way of saving money. Lumos teams work to help governments understand that DI is about redistribution of the funds spent on institutions. The cost of a family and community-based system will be broadly similar to the bill for running institutions – but with far better prospects for children. There are up-front and one-off costs involved in closures but the new Structural Fund regulations suggest that more EU funds will be available to help cover these. Lumos is supporting governments to ensure they apply for that funding and prioritise DI in their plans for the use of EU funds.

**Strategic Report (continued)**

***Priorities and Achievements for 2013 – in detail (continued)***

- ◆ In Moldova, the Lumos team helped the Government to ensure that money saved from institutions, under the Ministry of Education, was ring-fenced by the Ministry of Finance and transferred to mainstream schools. This meant that from 1 January 2013, 40% of schools had funds to assign support teachers for working with children with special educational needs, including children who have previously been institutionalised. In 2010, there were very few children with special educational needs in Moldovan schools; by the end of 2013 there were around 3,500 children.
  - ◆ In Bulgaria, the Government has received financial assistance from five major EU funding sources. Coordinating these funds is vital; the risk, otherwise, is a fragmented and inefficient use of the money. In 2013, Lumos worked with the authorities in Dobrich and Varna – the two 'demonstration areas' in the east of the country – to carry out strategic reviews. These helped the authorities plan the health, education and social services they would need to replace all residential institutions and to ensure the new systems could be financially sustained in years to come. Lumos also supported the creation of Childhood 2025, an active group of NGOs in Bulgaria working to achieve a DI programme.
  - ◆ Lumos' small Ukraine team worked with local partners and regional authorities to assess the number of children in institutions and the reasons for their institutionalisation. There is a growing acceptance nationally of the case for deinstitutionalisation.
2. A significant increase in advocacy and campaigning activities. Building on successes with the European Commission and UN agencies, Lumos is increasing the capacity of its advocacy and campaigns team in order to exert a broader and deeper influence on international decision-makers and donors.
- ◆ Lumos is a relatively small but highly specialized and expert NGO which has achieved significant impact through its advocacy work, at various levels.
  - ◆ At one end of the spectrum, two Governments have been persuaded to spend relatively small sums to make a major difference to the lives of children with hydrocephalus – a group which has been over-represented in institutions, with poor chances of survival. Hydrocephalus is a life-threatening disability but can be treated by the insertion of 'shunts' – devices with tubes that safely remove accumulated cerebrospinal fluid from the brain. Parents often cannot afford shunts and are persuaded to leave children in institutions on the promise – rarely fulfilled – of 'better care.' Lumos has worked in Bulgaria to persuade the Government to fund shunts. By the end of 2013, Bulgaria had paid for more than 280 such shunts. At a Lumos-hosted conference on children and hydrocephalus - in Sofia, in October 2013 – the Romanian government announced it, too, would provide shunts.

**Strategic Report (continued)**

***Priorities and Achievements for 2013 – in detail (continued)***

- ◆ At a European level, in 2013 we saw the results of four years of advocacy – by a coalition of groups, with Lumos playing a leading role – to ensure that EU Structural Funds for 'social cohesion' purposes in Member States must be used to create family and community-based care, not to build or renovate institutions. The laws underpinning that principle were passed by the European Parliament in November 2013. By that time, however, a long period of awareness-raising on this issue meant that we had already influenced European Commission officials to the extent that more than €350 million in Structural Funding was granted on the basis that it would support DI. Lumos and others will continue their advocacy to ensure that Member States receiving EU funds abide by the pro-DI 'conditions' attached to them. In November 2013, Lumos co-hosted a conference at the European Parliament, with Adam Kosa MEP, which brought together a number of those involved in the advocacy so far.
  - ◆ The EU is the world's largest donor of aid for humanitarian and development purposes and Lumos, in 2014 and beyond, will work with the European Commission and Parliament to ensure the pro-DI principle established for Member States is applied consistently across other categories of nation, outside Member States, which may receive aid funds – in the wider European region and worldwide. The influence of the European principle may reach even further. In 2013, Lumos became a key member of the Global Alliance for Children, whose partners include the US Agency for International Development, the World Bank and large aid foundations in the US, Sweden and Switzerland. Lumos will work to ensure that the spirit of the principle established in the EU influences the decisions of these huge international funders – with the aim of supporting community services as opposed to institutions and so-called orphanages around the world.
3. A significant increase in the provision of training and technical assistance. Lumos is increasing the capacity of the RESS team to meet the increasing needs of country programmes, but also to offer training and technical assistance to a much broader range of stakeholders. This will be supported by a range of publications.
- ◆ The process of moving from large institutions to a broad network of community-based support services is complex and requires specialist skills in a range of areas – from planning the transfer of finances, to assessing children and families, to developing communication campaigns. Lumos expanded its training and technical assistance in 2013, providing assistance to many countries implementing DI programmes from Central and Eastern European nations, to Malaysia, Japan and Haiti, among others.



**Strategic Report (continued)**

***Priorities and Achievements for 2013 – in detail (continued)***

- ◆ Through our innovative RESS team, we have been training and equipping thousands of professionals in the health, education, legal and social services skills they need to support children outside institutions. By the end of 2013, we had organised training for more than 15,000 professionals in Moldova, Bulgaria, the Czech Republic and Ukraine. We ran face-to-face 'study visits' – in the UK, involving professionals in a number of UK local authorities, national government and NGO service providers who gave their time and expertise, and in European countries, where we commissioned specialist consultants to provide expert guidance. Inclusive education and the assurance of quality standards for child protection and foster care were among the subjects. Building on the success of large-scale training of a range of professionals, we have increasingly focused on assisting countries with high-level supervisory and regulatory aspects – ensuring that senior managers have the skills to maintain quality and standards in their reformed systems. Chris Batty, a former Government inspector, worked for us in Eastern European, as did Julia Hayes, a leading educational psychologist, who reviewed progress on a system of inclusive education in Moldova. We also provided training and consultancy to state officials in Bulgaria to undertake case conferences for children with disabilities in institutions, to assess each child's needs and where they should be placed. In the Czech Republic, we helped the Government frame new laws underpinning child protection and continued training in issues arising from the new law.
  - ◆ Increasingly, our RESS team provides tools to enable professionals to continue the reform of their services. In 2013, we launched a project to create 'Virtual Study Visits' packages – films and supporting material produced with the help of UK local authorities and translated for use in countries where we work. Another key achievement was the creation of a 'DI Book' explaining the process of moving from institutions to young children, including those with intellectual disabilities.
4. Increased child participation activity. Building on the excellent progress in 2012, Lumos child participation activity will increase and begin to influence policy-makers in a number of countries, at EU level, as well as Lumos' own planning and implementation of programmes.
- ◆ Turning Words into Action (TWIA) was a Lumos-led, EC funded project in Bulgaria, the Czech Republic and Serbia, bringing children and young people with intellectual disabilities together with policy makers and experts, with the aim of influencing key decisions. In all, 49 children and young people participated in the TWIA groups, learning more about their rights and how to use their own personal experiences to articulate their need for quality healthcare, community living, employment, and life-long training and education opportunities. TWIA ended in 2013, after 18 months. 2013 saw some landmark events and TWIA left a legacy that will strengthen the voices of vulnerable children.

**Strategic Report (continued)**

***Priorities and Achievements for 2013 – in detail (continued)***

- ◆ Children and young people from Serbia and Bulgaria took part in a major international conference on child participation - entitled Children as Actors for Transforming Society (CATS) - in Switzerland at the end of June 2013. TWIA 'self-advocates' from the Czech Republic and Bulgaria also spoke at a Lumos conference in the European Parliament in Brussels. Twelve children, with and without disabilities, from Ialoveni and Floresti in Moldova, participated at the Inclusive Education Conference in Chisinau, the capital, in November, sending a strong message to the politicians about the importance of inclusive education. We made plans to ensure that child participation groups developed under TWIA in Bulgaria and the Czech Republic would get continued support from Lumos, as will Moldovan children, in 2014 and beyond.
- 5. Implementation of the fundraising strategy. The Director of Fundraising led the development of a fundraising team and the implementation of the three key pillars of the fundraising strategy.
  - ◆ J.K. Rowling has agreed that the money Lumos holds in reserves, primarily royalties from the sales of The Tales of Beedle the Bard, will be used to fund Lumos' core costs of administration and fund raising. In this way, 100% of money donated to Lumos or raised through fundraising activities will go directly towards Lumos' programmes.
  - ◆ J.K. Rowling – Lumos founder and Chair of Trustees - hosted a special family fundraising evening at the Warner Bros. Studio Tour – The Making of Harry Potter, which raised over £1 million in aid of Lumos. Sotheby's in London also auctioned the Lumos Maxima bracelet, a bespoke sterling silver charm bracelet based on designs by J.K. Rowling and inspired by her Harry Potter books. The auction raised £20,000 for Lumos.
  - ◆ In 2013, Lumos implemented a three-pillar fund-raising strategy – to focus on:
    - High Net Worth donors (the category which covered the Warner Bros. and Sotheby's events);
    - Trusts and foundations;
    - Digital-based fund-raising to capture those prepared to donate smaller amounts.

**Strategic Report (continued)**

***Priorities and Achievements for 2013 – in detail (continued)***

6. Implementation of the recommendations of the Communications review carried out in 2012. The main recommendations were the recruitment of a Communications Manager and the development of a comprehensive communications strategy to underpin all Lumos' programmatic, advocacy and fundraising work.
  - ◆ Lumos recruited an experienced Head of Communications in June 2013. A Communications Strategy was drafted to reflect two main areas of activity - building a platform for communications activity to take place; and influencing stakeholders and campaign-related activity. Work began in 2013 to recruit a UK-based communications team, focusing on enhancing Lumos' profile as a world-leading expert voice on deinstitutionalisation, and strengthening our digital expertise.
  - ◆ Key achievements in 2013 included the establishment of the Lumos brand; the development of marketing and communications materials; and the introduction of a house style for publications. Development of the website continued and there was communications support for the high profile Warner Bros. fundraising event, as well as for digital fundraising efforts in the latter half of the year.
7. Strengthening human resources.
  - ◆ An external HR consultant was brought in to support the implementation of the staff development strategy. In addition, key policies requiring updating were identified and work began on new staff contracts and staff handbook and guidance.
  - ◆ Child protection training was provided for all UK-based staff and Country Directors, a Head of Professional and Technical Support was recruited and a new management structure was devised, to be implemented in 2014.
8. Strengthening governance. Led by the Nominations and Remuneration Committee, development activities for trustees will be provided and Board performance will be reviewed.
  - ◆ Lumos' Founder, J.K. Rowling, ended an eight-year tenure as Chair of the Board of Trustees and took up the new position of President of Lumos at the end of 2013. Neil Blair took up the post of Chair from 2014. Danny Cohen, Director of Television for the BBC, was appointed to the Lumos Board of Trustees
  - ◆ Two events were held in 2013 with leading charity governance consultants to assist in
    - i. reviewing board performance, and
    - ii. strategic planning

**Strategic Report (continued)**

***Priorities and Achievements for 2013 – in detail (continued)***

9. Expert advice. During 2013, Lumos established groups of external experts in fields related to deinstitutionalisation.
- ♦ During 2013, Lumos continued to play an active part in the European Expert Group on the Transition to Community Care. The Guidelines and Toolkit on Deinstitutionalisation, which the group generated, are now available in 14 different languages.
  - ♦ Lumos' network of experienced practitioners was extended to include experts on Inclusive Education, Intensive Interaction, Emergency Feeding Programmes, Social Services Inspections and Child Participation.
  - ♦ Work with the UN Global Partnership for Children with Disabilities began, connecting Lumos with many other NGOs working in this field.

***Plans for 2014 and beyond***

Many countries in Europe now have DI programmes in place to move from institutional to community-based care. With the precedent set for funding for Member States, through the Structural Fund Regulations, this principle of family based care should now be applicable to other countries who benefit from the EU through humanitarian aid and development purposes (€27bn available between 2014-2020).

This is why Lumos, in 2014 and beyond, will work with the European Commission and Parliament to ensure the principle is applied consistently across three other categories of nation, outside Member States, which may receive aid funds - pre-accession states in various stages of preparation for potential entry into the EU; 'neighbourhood' region states, including former Soviet countries as well as some in the Middle East/North Africa region; and developing countries in Africa, Asia and Latin America.

Whilst we recognise that a tipping point has been reached in Europe (and there is clearly still much to do in order to support countries through the DI process), and also that in many countries in Europe rates of child institutionalisation are stabilising and reducing, the opposite is true in other parts of the world. In order to end the institutionalisation of children worldwide by 2040, Lumos must focus its efforts in 2014 to look globally at this issue, and take our mission and expertise outside Europe.

In December 2013, Lumos was invited to join the Global Alliance for Children – a coalition of philanthropic, governmental and international funders, with expert groups, whose aims include harnessing international aid to support countries to move children out of large institutions and into family and community-based care. Lumos, as a member of the Leaders' Council of the Global Alliance, will work to ensure that the spirit of the principle established in the EU influences the decisions of these huge international funders.

**Strategic Report** (continued)

**Financial Review**

A summary of the year's results can be found on page 24 of the attached accounts.

Lumos' incoming resources totalled £4,475,958 (2012 – £3,759,294). Funds from individual giving amounted to £3,729,502 (2012 – £3,166,196), including Gift Aid. Royalties income amounted to £329,671 (2012 – £269,349). In addition, Lumos received grants totalling £40,234 (2012 – £63,142), and investment income of £374,043 (2012 – £253,853). Foreign exchange gains amounted to £2,508 (2012 – £6,754).

Total outgoing resources increased from the previous year to £3,231,282 (2012 – £3,097,829). Resources expended on charitable activities amounted to £2,620,287 (2012 – £2,741,151), 81.1% (2012 – 88.5%) of total resources expended.

Costs of generating voluntary income, communication and donor communication costs amounted to £476,690 (2012 – £301,429). Investment fees amounted to £97,368 (2012 – £39,984).

Net incoming resources for the year were £1,244,676 (2012 – £661,465). Unrestricted reserves carried forward amount to £13,789,371 (2012 – £11,901,488) and restricted reserves carried forward amount to £299,615 (2012 – £5,987). These reserve balances may seem large in comparison with annual outgoing resources. However, a high level of royalty income was generated on the initial publication of the book and this income is expected to tail off significantly over the remaining period of ownership. Budgeted expenditure for the next 12 months amounts to £4.5 million.

**Risk Policy**

The trustees have considered the major risks to which the charity is exposed and the opportunities available to the charity. The risks identified and subject to mitigation fall into four areas:

- ◆ Strategic;
- ◆ Governance and compliance;
- ◆ Operational; and
- ◆ Financial.

Examples of the risks and the strategies adopted to mitigate them are set out under objectives and activities above.

**Strategic Report** (continued)

**Financial Review** (continued)

*Investment policy*

During the year, the charity invested surplus cash in a portfolio of listed investments, which had a market value of £12.32m at 31 December 2013, and which are held with Close Brothers Asset Management.

The investment strategy is set by the trustees and takes into account income requirements, the risk profile and, in respect to listed investments, the investment managers' views of the market prospects in the medium term. The overall policy with regard to listed investments is to maximise total return through a diversified portfolio, aiming to provide the level of income advised by the trustees and, at the same time, with a view to ensuring that the real capital value of the fund exceeds inflation over any five year period. The investment policy requires the investment manager to take account of the ethical, social and environmental concerns of the trustees as expressed in the policy.

The trustees, or representatives of the trustees, meet with the investment managers regularly to review the performance of the portfolio and the investment strategy.

The trustees are satisfied that the charity's investment objectives are being met.

*Investment powers and restrictions*

Under its Memorandum and Articles of Association, Lumos has the power to invest in ways that the trustees see fit. The trustees, having regard to liquidity requirements have previously operated a policy of keeping available funds in an interest bearing deposit account. As set out above, the trustees have appointed investment managers to manage Lumos' surplus funds.

*Investment performance*

Due to the success of sales of *The Tales of Beedle the Bard* and individual giving, Lumos has a significant reserve of £12.32m held in investment at the end of 2013 (2012 – £9.97m including cash of £2m held for investment). Lumos must draw on this reserve to fund activities whilst the fundraising strategy builds up other sources of income. Nevertheless, it was expedient to invest a significant proportion of Lumos' reserve with a view to increasing income. Lumos's reserve has been invested since January 2011.

*Reserves Policy*

The trustees aim to retain sufficient capital (in the form of long-term investments, fixed assets and bank deposits) to ensure that the charity can continue to meet the needs of both current and future beneficiaries for at least three years.

**Strategic Report** (continued)

**Financial Review** (continued)

*Reserves Policy (continued)*

The policy is reviewed annually and the results of these reviews are used to inform the long-term strategy of the charity and its ability to undertake new initiatives. In addition, the income requirements are used to inform the investment and fundraising policies.

*Trustee indemnity provisions*

Lumos has made qualifying third party indemnity provisions for the benefit of its trustees or other officers that remain in force at the date of this report.

The Trustees' report including the strategic report, is signed for and on behalf of the trustees of Lumos Foundation:



N BLAIR

  
Trustee

B JELLIS

Approved on 19 September 2014

## **Independent auditor's report Year ended 31 December 2013**

### **Independent auditor's report to the members of Lumos Foundation**

We have audited the financial statements of Lumos Foundation for the year ended 31 December 2013, which comprise the statement of financial activities, the balance sheet, the cash flow statement, the principal accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

### **Respective responsibilities of trustees and auditor**

The trustees are also the directors of the charitable company for the purposes of company law. As explained more fully in the statement of trustees' responsibilities set out in the trustees' report, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

### **Scope of the audit of the financial statements**

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 charitable 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;



**Independent auditor's report** Year ended 31 December 2013

**Opinion on financial statements** (continued)

- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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.

We have nothing to report in respect of these matters.



Edward Finch, Senior Statutory Auditor  
for and on behalf of Buzzacott LLP, Statutory Auditor  
130 Wood Street  
London  
EC2V 6DL

26/9/14

**Statement of financial activities** Year ended 31 December 2013

	Notes	Unrestricted funds £	Restricted funds £	2013 Total funds £	2012 Total funds £
<b>Income and expenditure</b>					
<b>Incoming resources</b>					
Incoming resources from generated funds					
Royalty income from published books	1	318,887	—	<b>318,887</b>	260,907
Other royalty income		10,784	—	<b>10,784</b>	8,442
Donations and gift aid	2	3,294,565	434,937	<b>3,729,502</b>	3,166,196
Investment income and interest receivable	3	374,043	—	<b>374,043</b>	253,853
Incoming resources from charitable activities					
Grant income	15	—	40,234	<b>40,234</b>	63,142
Foreign exchange gains		2,508	—	<b>2,508</b>	6,754
<b>Total incoming resources</b>		<b>4,000,787</b>	<b>475,171</b>	<b>4,475,958</b>	<b>3,759,294</b>
<b>Resources expended</b>					
Cost of generating funds					
Costs of generating voluntary income and communication and donor communication costs	4	392,428	84,262	<b>476,690</b>	301,429
Investment management costs		97,368	—	<b>97,368</b>	39,984
Charitable activities	5	2,523,006	97,281	<b>2,620,287</b>	2,741,151
Governance costs	8	36,937	—	<b>36,937</b>	15,265
<b>Total resources expended</b>		<b>3,049,739</b>	<b>181,543</b>	<b>3,231,282</b>	<b>3,097,829</b>
<b>Net incoming resources before revaluations of investment assets</b>					
		951,048	293,628	<b>1,244,676</b>	661,465
<b>Other recognised gains and losses</b>					
Gains on investments	12	936,835	—	<b>936,835</b>	662,833
<b>Net movement in funds</b>		<b>1,887,883</b>	<b>293,628</b>	<b>2,181,511</b>	<b>1,324,298</b>
Total funds brought forward	15	11,901,488	5,987	<b>11,907,475</b>	10,583,177
<b>Total funds carried forward</b>	<b>16</b>	<b>13,789,371</b>	<b>299,615</b>	<b>14,088,986</b>	<b>11,907,475</b>

All of the charity's activities derived from continuing operations during the two financial periods.

The charity has no recognised gains or losses other than those shown above and therefore no separate statement of total recognised gains and losses has been presented.

**Balance sheet 31 December 2013**


	Notes	2013 £	2013 £	2012 £	2012 £
<b>Fixed assets:</b>					
Tangible assets	11		525,382		399,184
Investments	12		12,318,581		7,969,660
			<u>12,843,963</u>		<u>8,368,844</u>
<b>Current assets:</b>					
Debtors	13	798,072		820,841	
Cash at bank and in hand		581,950		2,833,854	
		<u>1,380,022</u>		<u>3,654,695</u>	
<b>Creditors:</b> amounts falling due within one year	14	(134,999)		(116,064)	
<b>Net current assets</b>			1,245,023		3,538,631
<b>Total assets less current liabilities</b>			<u>14,088,986</u>		<u>11,907,475</u>
<b>Funds:</b>					
Unrestricted funds	16		13,789,371		11,901,488
Restricted funds	15		299,615		5,987
<b>Total funds</b>			<u>14,088,986</u>		<u>11,907,475</u>

Approved by the Board of Trustees on 19 September 2014  
and signed on their behalf by:



N BLAIR

Chairman of the Board of Trustees



Trustee

B JELLIS

Date: 19 September 2014

Lumos Foundation

Registered Company Number: 05611912 (England and Wales)

# Cash flow statement 31 December 2013

	Notes	2013 £	2012 £
<b>Cash (outflow) inflow from operating activities</b>	A	<b>977,762</b>	13,894
<b>Returns on investments and servicing of finance</b>	B	<b>351,604</b>	246,105
<b>Capital expenditure and financial investment</b>	B	<b>(3,662,116)</b>	1,447,323
<b>(Decrease) increase in cash</b>	C	<b>(2,332,750)</b>	1,707,322

## Notes to the cash flow statement for the year to 31 December 2013

### **A Adjustment of net incoming resources before other recognised gains and losses to net cash inflow from operating activities**

	2013 £	2012 £
Net incoming resources for the year	1,244,676	661,465
Depreciation charge	45,494	39,518
Interest receivable	(1,378)	(4,051)
Investment income receivable	(372,665)	(249,802)
Exchange gain	(2,508)	(6,754)
(Increase)/decrease in debtors	45,208	(468,828)
Increase/(decrease) in creditors	18,935	42,346
<b>Net cash inflow from operating activities</b>	<b>977,762</b>	13,894

### **B Gross cash flows**

<b>Returns on investments and servicing of finance</b>		
Interest received	1,378	4,051
Investment income received	350,226	242,054
	<b>351,604</b>	246,105
<b>Capital expenditure and financial investments</b>		
Payments to acquire tangible fixed assets	(171,692)	(324,538)
Payments to acquire investments	(8,098,604)	(8,421)
Receipts from the disposal of investments	4,608,180	1,780,282
	<b>(3,662,116)</b>	1,447,323

**Cash flow statement 31 December 2013**

**C Analysis of changes in net funds**

	At 1 January 2013 £	Cash flows £	Exchange gain £	At 31 December 2013 £
Cash at bank and in hand	2,833,854	(2,254,412)	2,508	<b>581,950</b>
Cash held by investment managers	424,124	(78,338)	—	<b>345,786</b>
	<b>3,257,978</b>	<b>(2,332,750)</b>	<b>2,508</b>	<b>927,736</b>

**D Reconciliation of net cash flow to movement in net funds**

	2014 £
Decrease in cash in the year	<b>(2,332,750)</b>
Exchange rate movement	<b>2,508</b>
Change in net funds	<b>(2,330,242)</b>
Net funds at 1 January 2013	<b>3,257,978</b>
Net funds at 31 December 2013	<b>927,736</b>

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, in accordance with the Companies Act 2006 and with the applicable United Kingdom Accounting Standards. The financial statements also follow the recommendations set out in the Statement of Recommended Practice: Accounting and Reporting by Charities – “SORP 2005”

#### **Branches and overseas operations**

The financial statements incorporate the results of all material activities overseas where the charitable company has operational responsibility. The results and net assets of the charitable company's branches in the Republic of Moldova, Bulgaria and the Czech Republic have been consolidated within the financial statements.

#### **Company status**

The charitable company is a company limited by guarantee and has no share capital. In the event of the charitable company being wound up, the liability in respect of the guarantees is limited to £1 per member of the charitable company. The members of the charitable company are the trustees set out on page 1.

#### **Fund accounting**

Unrestricted funds are funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charitable company and which have not been designated for other purposes.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by the donors. The aim and use of each restricted fund is set out in the notes to the financial statements.

#### **Incoming resources**

Incoming resources are included in the Statement of Financial Activities when the charitable company is legally entitled to the income, when it is virtually certain that the incoming resources will be received and when the monetary value of the incoming resources can be measured with sufficient reliability.

#### **Royalty Income**

Royalty income is recognised on an accruals basis in the period to which the earnings relate, provided that notification has taken place prior to the date of approval of the financial statements and the notification clearly states the amounts earned in specific accounting periods. Otherwise royalty income is recognised upon receipt. Royalty income is stated net of value added tax, overseas withholding taxes, returns provisions and bad debt provisions.

**Incoming resources (continued)**

***Donations***

Donations are credited to incoming resources when receivable. Gift aid in respect of donations is accounted for the year in which the related donation is recognised.

***Investment income***

Interest receivable from cash at bank and dividends receivable from the investment portfolio are included in the Statement of Financial Activities in the period in which the charitable company is entitled to receipt.

***Grant income***

Grants are recognised as incoming resources in the Statement of Financial Activities when receivable. Income is deferred only if the grant was subject to donor imposed conditions that specified a future time period when the expenditure of the resources should take place.

Where grants are received for specific purposes, they are credited to restricted funds. Costs up to the value of the grant relating to this restricted income are allocated against the income when the expenditure is incurred. Unspent balances are carried forward to subsequent years within the relevant fund.

**Resources expended**

Expenditure is accounted for on an accruals basis. The majority of costs are directly attributable to the specific activities of the charitable company. The residual support costs have been allocated between costs of generating funds and charitable activities on the basis of time spent by individuals in the relevant departments.

***Costs of generating voluntary income***

These include the direct costs associated with fundraising and publicising the work of the charitable company plus the salary and overhead costs of staff in the UK office who are engaged in fundraising promotional activities.

***Cost of charitable activities***

Resources expended on charitable activities comprise expenditure related to the furtherance of the charitable company's objects and include the direct costs relating to the overseas operations, branches and related projects. They also include an allocation of residual support costs that could not be directly attributed.

**Resources expended (continued)**

***Grants payable***

Grants payable are included in the Statement of Financial Activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all related conditions. Grants approved but not paid at the end of the financial year are accrued for. Grants where the beneficiary has not been informed or has to meet certain conditions before the grant is released are not accrued for.

***Governance costs***

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charitable company and include audit fees, costs linked to the strategic management of the charitable company and other compliance costs.

***Support costs***

Support costs are those incurred in connection with the administration and operation of the charitable company. They do not relate directly to one of the activities described above, but are apportioned between activities based on estimated time spent by staff.

***Pension costs***

Contributions by the charity in respect of the group personal pension scheme are included in the Statement of Financial Activities when they are payable.

***Tangible fixed assets***

The charitable company capitalises all assets with a cost in excess of £150 that are to be held for continuing use. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings	-	30 to 50 years
Office equipment	-	5 to 10 years
Fixtures and fitting	-	5 to 7 years
Computer equipment	-	3 to 5 years
Leasehold improvements	-	over the term of the lease
Motor Vehicles	-	7 years

It is the intention of the charitable company to donate the vehicles, equipment, land and buildings and assets under construction used in overseas operational programmes to the relevant local authorities when the various projects come to an end (note 11).



## **Principal accounting policies 31 December 2013**

### **Investments**

Investments are included on the balance sheet at their market value at the end of the financial period. Investments are continually revalued for accounting purposes and therefore all gains on investments recorded in the Statement of Financial Activities are unrealised.

### **Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the Statement of Financial Activities.

### **Lease commitments**

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

### **Irrecoverable VAT**

Any irrecoverable VAT is charged to the Statement of Financial Activities, or capitalised as part of the cost of the related asset.

Notes to the financial statements 31 December 2013

**1 Royalty income from published books**

	Unrestricted funds £	Restricted funds £	2013 Total funds £	2012 Total funds £
Royalty income net of returns	318,887	—	318,887	260,907

Royalty income by geographical market is as follows:

	Unrestricted funds £	Restricted funds £	2013 Total funds £	2012 Total funds £
United Kingdom	61,364	—	61,364	69,275
Europe	62,810	—	62,810	25,255
Rest of World	194,713	—	194,713	166,377
	318,887	—	318,887	260,907

**2 Donations and gift aid**

	Unrestricted funds £	Restricted funds £	2013 Total funds £	2012 Total funds £
Donations	2,835,166	386,024	3,221,190	2,541,162
Gift aid	459,399	48,913	508,312	625,034
	3,294,565	434,937	3,729,502	3,166,196

**3 Investment income and interest receivable**

	Unrestricted funds £	Restricted funds £	2013 Total funds £	2012 Total funds £
Income from listed investments				
· UK fixed interest	13,420	—	13,420	20,828
· Common investment funds	—	—	—	24,883
· UK equities	199,552	—	199,552	92,228
· UK unit trusts	—	—	—	16,741
· Overseas equities	81,432	—	81,432	80,162
· Overseas fixed interest	58,709	—	58,709	14,960
· Commodities	5,833	—	5,833	—
· Property	13,719	—	13,719	—
	372,665	—	372,665	249,802
Interest receivable				
· Bank interest	1,315	—	1,315	1,892
· Interest on cash held by investment managers	63	—	63	2,159
	1,378	—	1,378	4,051
Total	374,043	—	374,043	253,853

## Notes to the financial statements 31 December 2013

### 4 Cost of generating funds

	Unrestricted funds £	Restricted funds £	2013 Total funds £	2012 Total funds £
<b>Cost of generating voluntary income and communication and donor communication costs</b>				
Fundraising costs	280,652	84,262	364,914	122,949
Donor communication costs	76,821	—	76,821	143,727
Support costs (note 7)	34,955	—	34,955	34,753
	392,428	84,262	476,690	301,429
Investment management fees	97,368	—	97,368	39,984
<b>Total</b>	<b>489,796</b>	<b>84,262</b>	<b>574,058</b>	<b>341,413</b>

### 5 Charitable activities

	Activities undertaken directly £	Grant funding of activities £	Support costs £	2013 Total funds £	2012 Total funds £
<b>Moldova</b>					
Deinstitutionalisation and services development	301,983	—	3,077	305,060	751,603
Quality assurance	66,583	—	3,077	69,660	44,223
Reducing infant mortality	26,200	—	3,077	29,277	37,344
Inclusive education	382,628	—	3,077	385,705	112,730
<b>Czech Republic</b>					
Deinstitutionalisation – National Level Assistance	101,566	—	24,614	126,180	169,281
Deinstitutionalisation – Regional Level Assistance	112,226	—	24,614	136,840	53,025
<b>Bulgaria</b>					
Deinstitutionalisation – National Level Assistance	322,832	—	12,307	335,139	360,510
Deinstitutionalisation – Regional Level Assistance	177,306	—	12,307	189,613	111,640
<b>Montenegro</b>					
Deinstitutionalisation – National Level Assistance	1,116	—	—	1,116	56,156
<b>Ukraine</b>					
Deinstitutionalisation – National Level Assistance	118,012	—	12,307	130,319	104,971
<b>Emergency Child Protection</b>	39,830	—	12,307	52,137	—
<b>Multi-country activities</b>					
Advocacy and campaigning	236,222	9,006	61,535	306,763	351,785
Turning Words Into Action (TWIA) project	69,012	2,919	—	71,931	115,089
Remote expert support services	241,307	60,964	61,535	363,806	339,394
Research and publications	104,434	—	12,307	116,741	133,400
	2,301,257	72,889	246,141	2,620,287	2,741,151

## 6 Grants payable

	Grants to institutions 2013 Total £	Grants to institutions 2012 Total £
CHANGE Project	60,964	97,873
ENIL Project	—	83,147
TWIA Project	2,919	16,315
Inclusion Europe Project	9,006	—
	<b>72,889</b>	<b>197,335</b>

The CHANGE project aims to improve and accelerate the quality of the deinstitutionalisation and reform process for children with learning disabilities across Europe and to empower children with learning disabilities to take part in changing their lives.

The ENIL project aims to develop the Guidelines and the Toolkit for the use of structural funds in Europe. This is a large scale and high impact project in collaboration with the European Expert Group to provide documents to guide decision makers in EU, EC and national governments around the use of funds during transition from institutional to community and family based care. The documents are the result of collaboration across over 50 agencies and are available in 13 different languages to date. The funding covered the project coordinator, working meetings, proof reading, publication and translation.

The TWIA project, funded by the European Commission, aims to ensure that a World Health Organisation Declaration, signed by 53 European countries, for the social inclusion of children with intellectual disabilities across the European region, achieves real impact by demonstrating how it can be used to improve governments' and societies' approaches to caring for children with intellectual disabilities. The project supports young people to become self-advocate and gives them the opportunity to influence and advice on how to implement the declaration in their own countries. It also, for the first time, provides these young people with the opportunity to interact with policy makers and discuss issues around their disabilities as equal partners.

Lumos has agreed to partner Inclusion Europe in its EU-funded project "Hear our Voices" which seeks to promote good practice in the field of child participation for children with intellectual disabilities - working with partners in Spain, Bulgaria and Czech Republic. As well as inputting into the project activities and outputs, Lumos will use this partnership to further disseminate the outputs of the Turning Words into Action Project and build opportunities for the children and young people who were involved in that project. Lumos will contribute a grant to Inclusive Europe Project of €60,000 split over 2 years, respectively 2013 and 2014. The project lasts from January 2013 to November 2014 with most expenditure taking place in 2014.

## Notes to the financial statements 31 December 2013

### 7 Support Costs

	Fundraising and donor communication (note 4) £	Charitable activities (note 5) £	2013 Total funds £	2012 Total funds £
Management and administration staff costs	15,693	110,505	126,198	136,143
Rent and service charges	6,473	45,582	52,055	52,242
Office costs	2,608	18,366	20,974	17,751
Telephone and fax	497	3,499	3,996	4,170
Professional fees	677	4,768	5,445	4,857
Depreciation	5,636	39,683	45,319	39,518
HR Professional services	976	6,872	7,848	7,850
Bank charges	147	1,038	1,185	1,281
IT services	1,911	13,455	15,366	18,223
Management meetings	337	2,373	2,710	1,200
	<b>34,955</b>	<b>246,141</b>	<b>281,096</b>	<b>283,235</b>

The above costs have been apportioned between activities based on an estimate of time spent by staff on them. No allocation is made to governance costs as the amounts would be immaterial.

### 8 Governance costs

	2013 £	2012 £
Legal fees	9,120	780
Audit fees (note 9(a))	16,000	12,500
Other costs	11,817	1,985
	<b>36,937</b>	<b>15,265</b>

### 9 Net income for the year

(a) Net income for the year is stated after charging:

	2013 £	2012 £
Auditor's remuneration		
· Audit services – current year	16,000	12,500
Depreciation of owned fixed assets	45,494	39,518
Operating lease rentals		
· Land and building	83,679	90,612

**9 Net income for the year (continued)**

**(b) Employees**

	<b>2013 No.</b>	<b>2012 No.</b>
Management and administrative staff	11	11
Fundraising and donor communication staff	5	5
Programmes staff	49	44
	<b>65</b>	<b>60</b>

Staff costs relating to the above persons are as follows:

	<b>2013 £</b>	<b>2012 £</b>
Wages and salaries	1,240,011	1,110,354
Social security costs	160,801	145,397
Pension costs	32,331	12,194
	<b>1,433,143</b>	<b>1,267,945</b>

The number of employees who received remuneration in the following ranges were:

	<b>2013 No.</b>	<b>2012 No.</b>
£60,001 - £70,000	—	1
£70,001 - £80,000	1	—
£80,001 - £90,000	—	1
£90,001 - £100,000	1	—
	<b>2</b>	<b>2</b>

Pension costs totalling £9,548 (2012 – £3,826) were paid in respect to the above employees.

None of the trustees, nor any persons connected with them received any remuneration from the charitable company during the year (2012 – nil). Expense incurred by the trustees and reimbursed by the charitable company amounted to £711 (2012 – £496). The expenses related mainly to travel and subsistence costs incurred by trustees and were paid to three trustees (2012 – three trustees). During 2013, no expenses were paid on behalf of trustees in respect of travel costs to overseas projects (2012 – £nil).

**10 Taxation**

Lumos Foundation is a registered charity and, therefore, is not liable to income tax or corporation tax on income and gains derived from its charitable activities as they fall within the various exemptions available to registered charities.

## Notes to the financial statements 31 December 2013

### 11 Tangible fixed assets

	Land and buildings £	Assets under construction £	Leasehold improve- ments £	Furniture, fittings and equipment £	Motor vehicles £	Total £
<b>Cost</b>						
At 1 January 2013	269,894	36,223	23,865	142,979	34,740	507,701
Additions	—	151,877	—	19,815	—	171,692
Transfer	188,100	(188,100)	—	—	—	—
At 31 December 2013	457,994	—	23,865	162,794	34,740	679,393
<b>Depreciation</b>						
At 1 January 2013	—	—	15,819	77,810	14,888	108,517
Charge for the year	5,998	—	5,024	29,509	4,963	45,494
At 31 December 2013	5,998	—	20,843	107,319	19,851	154,011
<b>Net book value</b>						
At 31 December 2013	451,996	—	3,022	55,475	14,889	525,382
At 31 December 2012	269,894	36,223	8,046	65,169	19,852	399,184

Included within fixed assets above are certain vehicles and equipment with a net book value of £42,662 (2012 - £60,762) used in overseas programmes. The charitable company intends to donate these assets to the relevant local authorities when the related projects come to an end. The same is true of the land and buildings and assets under construction.

### 12 Investments

	2013 £	2012 £
<b>Listed investments</b>		
Market value at 1 January 2013	7,545,536	8,654,564
Additions at cost	8,098,604	8,421
Disposals proceeds	(4,608,180)	(1,780,282)
Net investment gains	936,835	662,833
Market value at 31 December 2013	11,972,795	7,545,536
<b>Cash held by investment managers for reinvestment</b>	345,786	424,124
	12,318,581	7,969,660

Listed investments held at 31 December 2013, all of which were dealt in on a recognised stock exchange, comprised the following:

	2013 £	2012 £
UK fixed interest	1,065,845	1,430,675
UK equity	5,752,127	4,066,076
Common investment funds	—	336,394
Overseas fixed interest	2,027,915	666,005
Overseas equity	2,753,950	1,046,386
Commodities	116,250	—
Property	256,708	—
	11,972,975	7,545,536
Cost of listed investments at 31 December 2013	11,090,347	7,331,264

Notes to the financial statements 31 December 2013

**13 Debtors**

	2013 £	2012 £
Other debtors	27,418	58,583
Prepayments	18,126	14,647
Accrued advances and royalty income	207,435	107,773
Accrued Gift Aid	507,850	625,034
Accrued investment income	37,243	14,804
	<b>798,072</b>	<b>820,841</b>

**14 Creditors: amounts falling due within one year**

	2013 £	2012 £
Trade creditors	85,417	79,149
Taxation and social security	3,906	8,770
Accruals	44,535	25,264
Other creditors	1,141	2,881
	<b>134,999</b>	<b>116,064</b>

**15 Restricted funds**

	At 1 January 2013 £	Incoming resources £	Outgoing resources £	At 31 December 2013 £
European Commission grant	—	40,234	40,234	—
Leonardo grant	5,987	—	1,726	4,261
Shunts for Romanian children	—	1,162	1,162	—
Supporting emergency intervention in Bulgaria and Ukraine	—	114,756	34,645	80,111
Reintegrating a child into a family	—	19,514	19,514	—
Helping severely disabled children experience life outside an institution	—	48,203	—	48,203
Contribution to a special education unit for severely disabled children	—	167,040	—	167,040
Gifts in kind received towards a fundraising event	—	84,262	84,262	—
	<b>5,987</b>	<b>475,171</b>	<b>181,543</b>	<b>299,615</b>



## Notes to the financial statements 31 December 2013

### 15 Restricted funds (continued)

The funds are restricted as follows:

- ◆ European Commission grant  
This project empowered children with intellectual disabilities and their families to participate in the development of government policies and local services.
- ◆ Emergency intervention in Bulgaria and Ukraine  
This fund is used in emergencies to save children's lives or prevent harm.
- ◆ Helping severely disabled children experience life outside and institution  
This fund is used to provide specialist therapeutic support and equipment to prepare for life in a family.
- ◆ Contribution to special education unit for severely disabled children  
This fund is used to design, build, equip and train staff for a special education unit.
- ◆ Gifts in kind were received towards the costs of a fundraising event.
- ◆ Other funds  
The Leonardo grant is used to share learning across countries. Shunts were provided for Romanian children with hydrocephalus. The fund to reintegrate children is used to provide services and resources as they rejoin families.

### 16 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	2013 Total funds £	2012 Total funds £
Tangible fixed assets	525,382	—	<b>525,382</b>	399,184
Investments	12,318,581	—	<b>12,318,581</b>	7,969,660
Current assets	1,080,407	299,615	<b>1,380,022</b>	3,654,695
Current liabilities	(134,999)	—	<b>(134,999)</b>	(116,064)
	<b>13,789,371</b>	<b>299,615</b>	<b>14,088,986</b>	<b>11,907,475</b>

Included within investments above are cumulative unrealised gains of £882,628.

## Notes to the financial statements 31 December 2013

### 17 Financial commitments

At 31 December 2013 the charitable company has annual commitments under non-cancellable leases as follows:

	Land and buildings	
	2013 £	2012 £
Within one year	31,008	—
Between two and five years	—	43,776
	<b>31,008</b>	<b>43,776</b>

### 18 Control

Control of the charitable company lies with the Board, who are the members of the charitable company.