



**magic
breakfast**
fuel for learning

Annual Report and Accounts

2017–18



In 2017/18, with the support of our generous funders, we were able to provide 40,300 children in 480 schools a healthy and nutritious breakfast every school day.





Magic Breakfast was established in 2003 in response to headteachers reporting that children were too distracted by hunger to take part in lessons.

Talking to Magic Breakfast's founder, Carmel McConnell MBE, these headteachers advised that they were seeing children in class who were unable to focus, who were irritable, disruptive, reporting stomach aches and headaches and generally lacking in energy – all because they had come to school hungry.

The result was that they were missing out on vital lesson time in the morning, their education was suffering, and their future potential was being lost.

In response, Carmel started buying and delivering breakfast food to schools. When teachers began to report the positive impact that breakfast was having on the children's behaviour and concentration, and more and more schools started requesting her support, she gave up her consultancy career and founded Magic Breakfast.

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Children who have eaten a nutritious breakfast are proven to be more engaged and focussed in lessons

We are so proud of how many children we are able to ensure have a nutritious start to their school day, fueled for learning. In 2017/18 we worked with 480 schools, providing breakfast to 40,300 children every school day; reaching more children than ever before. To achieve this, we partnered with more schools, funders and charities - through which we gained the valuable knowledge, insights and funds that allowed us to expand our reach and strengthen our work.

Through close work with schools to identify and reach children at risk of hunger, we have seen an increase in the number of children being reached by Magic Breakfast.

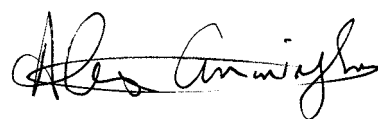
This year the Government recognised the importance of breakfast in the morning for a child's educational attainment and health and this saw Magic Breakfast partner with Family Action to deliver the National School Breakfast Programme (NSBP), funded by the Department for Education. The NSBP, which runs until March 2020, will support 1,770 schools in England's most vulnerable communities with their provision.

Despite this significant investment, allowing us to reach thousands of children, there is still a lot more to be done to ensure no child starts their school day sitting in a class hungry. With over four million children living in poverty, and two-thirds of these children having at least one parent in work, our mission - to end child morning hunger in this country - continues to drive our work.

As part of this mission, Magic Breakfast launched in Scotland in March 2018. Our impact is already apparent, with one Head Teacher remarking that, "Magic Breakfast has given all our children the opportunity to start the school day happy, healthy and fueled for learning."

The achievements contained in this report would not have been possible without so many amazing funders, supporters and individuals - you went above and beyond in 2017/18 to enable us to keep reaching more and more children. As part of the *i* news Christmas Appeal in December 2017 generous readers raised over £150,000 for Magic Breakfast, and shared such thoughtful messages with us, and I would like to thank all those who donated.

It is a privilege to work alongside such an incredible and dedicated team, who achieve so much. I would like to thank them and all of our supporters who are committed to our cause. It is this community that together will solve child hunger in the morning for good.



Alex Cunningham
Chief Executive Officer

When I started delivering free breakfasts to hunger hit schools, 18 years ago, there were two things I didn't realise. First, the scale of child hunger in our classrooms, the sheer heartbreaking volume. Second, that Magic Breakfast would grow to become the leading school breakfast organisation, capable of leading change to solve the problem for good. But I do know that now. And this Annual Report is packed full of reasons why.

Child hunger in our classrooms is a deeply worrying problem, and one that we can choose to prioritise, to solve together as a nation. We can choose to give each vulnerable child access to education, to positive health, to better life chances. Or we can do nothing, and choose to give that child exactly the opposite.

A hungry child cannot concentrate, the most important lessons are taught in the morning. A healthy breakfast, according to teachers, means children are settled and ready to learn. This breakfast can open up four hours of learning. Hard to find a better social return on investment than helping a hungry child find their place in the classroom, so they can find their way in the world.

I believe now is the time to invite the Government, and other social investors, to fully fund healthy breakfasts for school communities hardest hit by poverty. We know the benefits of ending hunger in our classrooms. No more missed learning, for the want of a breakfast. No more disruption to a whole class while teacher finds something to eat for the children who are

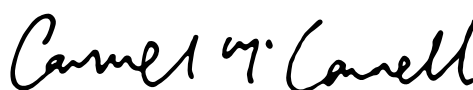
clearly struggling. This year has cemented our resolve to improve life for these most vulnerable children in an immediate and practical way.

What a year it's been. After over a decade in charge, in January 2018 I handed over the internal running of the charity to Alex Cunningham, to focus on external policy and partnerships. I am hugely proud and grateful that Alex and the Senior Management Team have enabled Magic Breakfast to continue to grow and flourish. We knew, as a result of independent research by the Institute for Fiscal Studies and the Education Endowment Foundation, that the Magic Breakfast model drives educational outcomes. We now also know it works at scale. I believe there is, but now want to test whether there is, enough support across the nation to bring about lasting change.

Every single hungry child calls us to act right now, to be their friend in a world where poverty and hunger are the painful new normal. What do you think - is it right for us now to be more ambitious?

Thank you for reading, for being part of the problem being solved. And I hope this Annual Report helps you become as inspired and motivated as we all are at Magic Breakfast.

With optimism and heartfelt thanks,



Carmel McConnell
Founder



A Magic Breakfast could open up an additional four hours of learning each school day.

Our aim

Magic Breakfast's aim is to alleviate child hunger and poverty as a barrier to education through the provision of healthy breakfasts to vulnerable children across the UK.



As many as

1.8m

school age children are **at risk of hunger** in the morning in the UK

19%

of children under 15 live in a family **experiencing food insecurity**

9

children in every **class of 30** are living in poverty in the UK

Hungry children are more likely to be...



In England by the age of 16, there is a

← 26% →

attainment gap between those receiving **free school meals** and wealthier classmates

By the end of secondary school, **economically disadvantaged** students are

J F M A M J J A S O
N D J F M A M J J A

19.3 months behind

the **average in educational attainment** in England

We know that **education** is one of the best routes to **enable social mobility**, which is why

providing a nutritious breakfast to a child who would otherwise be hungry

thus unlocking hours of learning, is so important to increase that child's potential

Provision of a **Magic Breakfast** can lead to

2 months' additional academic progress

for primary pupils over a school year

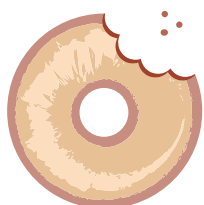


Food aid

The provision of healthy breakfasts to schools where children arrive at school too hungry or malnourished to learn.

40,300 children fed per day

with Magic Breakfast partner schools receiving



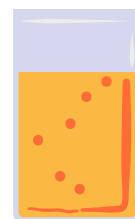
2,665,248
bagels



2,080,971
bowls of cereal



191,378
bowls of porridge



1,482,000
glasses of juice

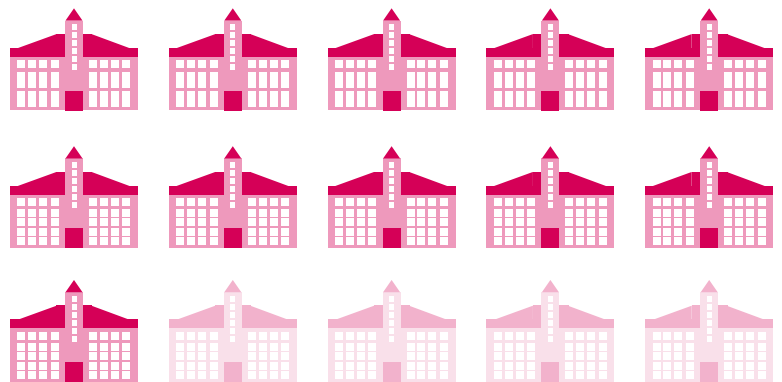
During SATs week **22,824 servings of cereal**, **3,852 servings of porridge** and **16,704 bagels** were delivered so all year 6 pupils in Magic Breakfast partner schools had a chance to **eat a healthy and nutritious breakfast before exams.**



Building capacity

Building capacity within the school communities we work with to ensure that every child in need of a healthy breakfast has access to one and to ensure the long-term sustainability of the breakfast provision within each of our partner schools.

73% of Magic Breakfast partner schools participated in our 2018 survey. The survey provides us with useful data for understanding schools' needs and helps us develop our service.



11 school partners employed by Magic Breakfast and working with schools throughout England and Scotland to set up food aid, and expand and optimise schools' breakfast provision.

This year **we developed an outcomes framework to benchmark the progress of the schools we partner with.** The framework allows us to support schools to provide a high-standard sustainable breakfast provision, where all children in need of a breakfast are being targeted and children are able to access the provision without barrier or stigma.



Making the case for change

We campaign for sustainable long-term funding to support school breakfasts in the most deprived areas, while educating the public at large about the importance of a healthy breakfast.

National School Breakfast Programme presents exciting opportunity for Magic Breakfast

In March 2018, Magic Breakfast partnered with the charity Family Action to deliver the Department for Education's National School Breakfast Programme (NSBP). Over two years the Government will be investing up to £26 million in healthy breakfast provision, supporting over 1,770 schools in disadvantaged areas of England, with a focus on the Department for Education's opportunity areas.

While there will still be many thousands of children going to school each day without breakfast, we are excited to use this opportunity to scale up our model and build the case for a UK-wide free school breakfast initiative, so all children can start the day fueled for learning.

Magic Breakfast is proud to have been successful in this competitive tender process. This is the second Department for Education contract the charity has been awarded, reaffirming the charity as trusted and demonstrating our position as a leader in the fight to end child hunger in the morning. Given this, the charity is aware of the importance of delivering on this contract to maintain our reputation and intend to use the contract to leverage further support for the cause.

The NSBP provides an excellent opportunity to draw attention to the issue through widespread

media coverage and demonstrate to government and influencers the positive outcomes of a large-scale breakfast programme.

As a result of the hard work of everyone involved with the programme, we were pleased with the progress made and how much has been achieved at the end of the 2017/18 school year. By July 2018 we had met the first round of targets, having recruited 178 schools into the Programme. While the coming year will be challenging, as we look to recruit a significant number of schools in a very short timeframe, we are confident that through the hard work of our dedicated team we will be able to meet these targets.

Already the responses from schools to the announcement of the programme have been extremely positive, with teachers that have joined the NSBP stunned that they will now be provided with enough food to feed all children arriving at their school too hungry to learn.

We look forward to reaching more schools as part of the NSBP over the coming year and using this opportunity to make the case for sustainable long-term funding of free school breakfasts for children in the UK at risk of hunger at the start of the school day.



Magic Christmas with *i* news

In December 2017, Magic Breakfast was the chosen charity for the *i* news Christmas Appeal. Thanks to the generosity and compassion of *i* news readers, the appeal raised over £150,000 for the charity. A fantastic campaign across web and print provided national coverage of the charity's work and the issue of child hunger in the morning.

Running for five weeks from 6 December, the appeal highlighted that many children are at risk of arriving at school without breakfast. Articles brought to the attention of readers the importance of a healthy breakfast in the morning for academic attainment, the role of breakfast clubs in supporting a child's social development and the positive impact they

have on health and emotional well-being. Through case studies provided by our schools we were also able to bring attention to the importance of breakfast clubs for families, and the role they play in building connections and reducing financial burden.

Further attention was also garnered through the support of celebrity chefs Jamie Oliver and Prue Leith, who backed the campaign and shared their favourite breakfasts with readers.

This was a hugely successful appeal, bringing national attention to the issue of child hunger in the morning and we cannot thank *i* news readers enough for all their kind words and generous donations.

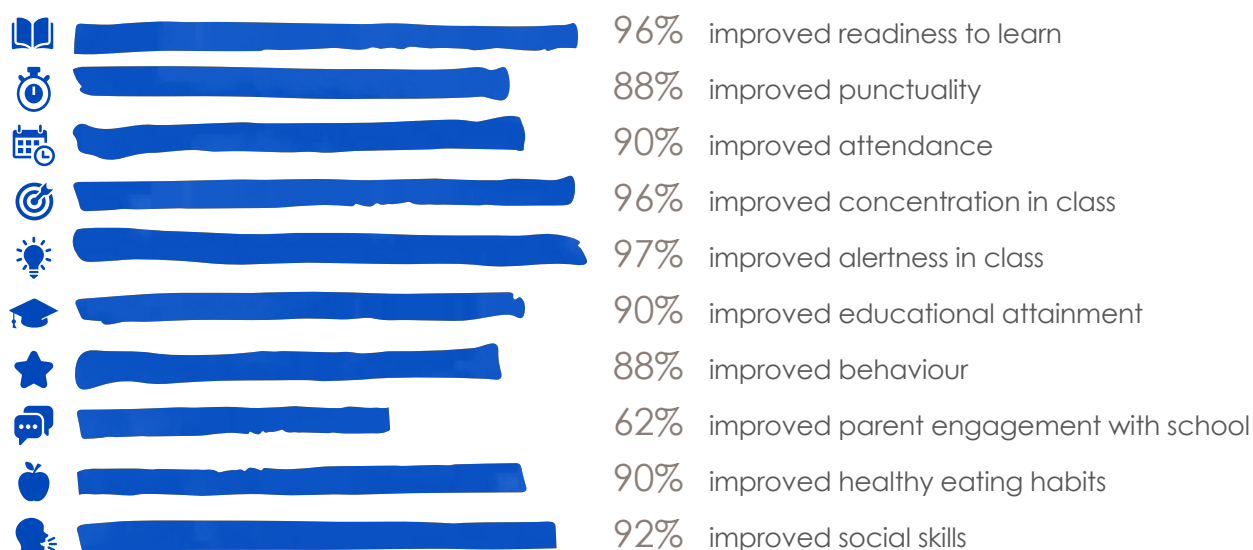
Achievements 2017/18



'Magic Breakfast provides a fantastic service especially as so many families are struggling with financial pressures. We are able to ensure that none of our children have to start the day hungry which means that they are ready to learn and concentrate'

Teacher, Magic Breakfast Partner School

Impact of breakfast provision*

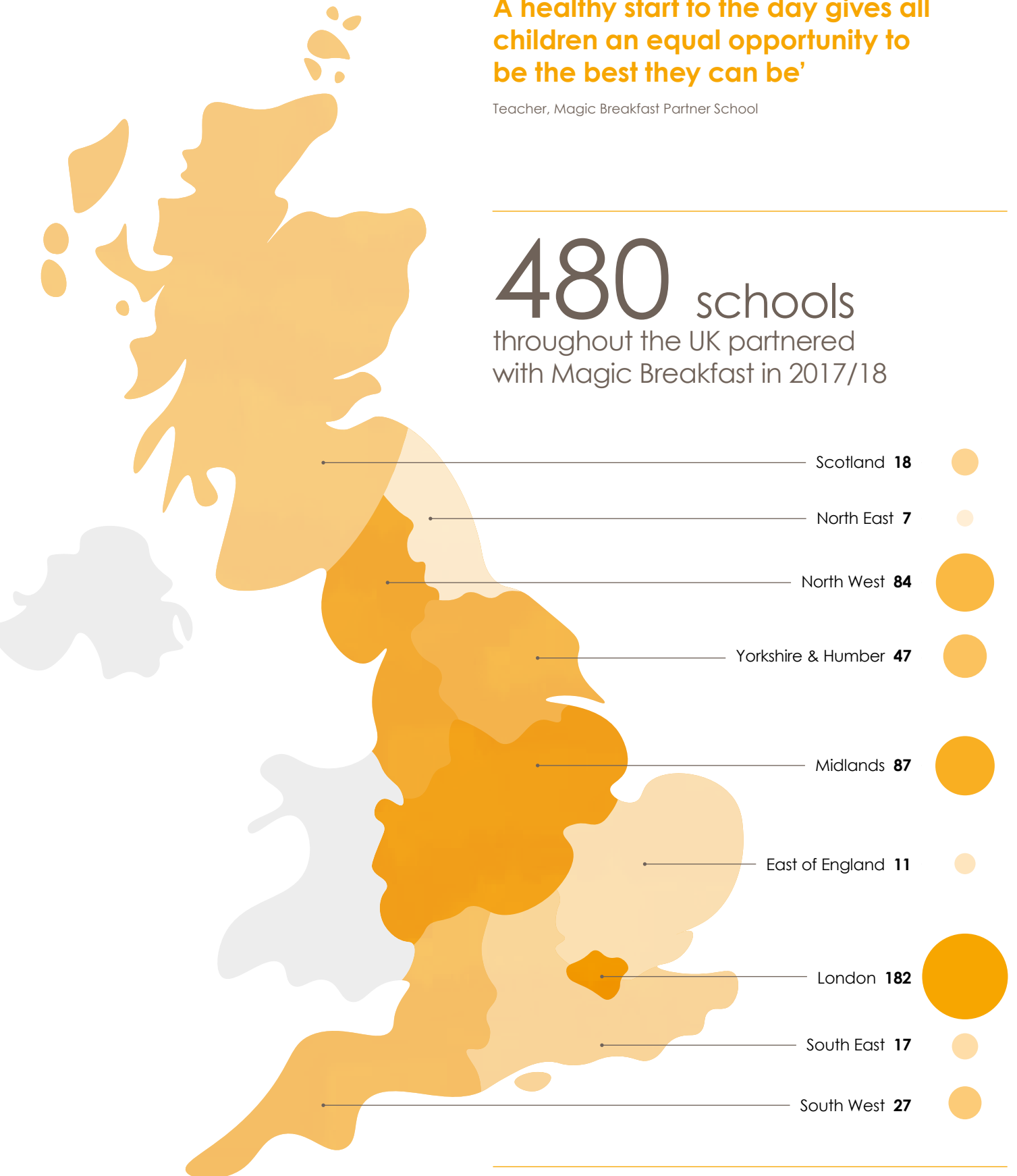


* Reported by Breakfast Club Coordinators in our partner schools

**'Magic Breakfast makes a difference.
A healthy start to the day gives all
children an equal opportunity to
be the best they can be'**

Teacher, Magic Breakfast Partner School

480 schools
throughout the UK partnered
with Magic Breakfast in 2017/18



**'It's great seeing children are happy and
comfortable to ask for breakfast with no
stigma attached to it'**

Teacher, Magic Breakfast Partner School

Magic Breakfast launches in Scotland

Scotland has been a priority area for Magic Breakfast in 2017/18 and we are now reaching over 1,500 children every school day with a healthy and nutritious breakfast. At the beginning of the 2017/18 school year we were working with four schools and offering support to schools in Glasgow, Edinburgh, Inverclyde, North Ayrshire and Fife. We were delighted that by June 2018 food was being delivered to 18 schools and we were able to extend our offer to North Lanarkshire, West Dunbartonshire, East Ayrshire, Renfrewshire and Falkirk.

26% of children in Scotland (230,000 children) are classified as living in relative poverty. In Scottish Magic Breakfast partner schools 38.8% of pupils Primary 4 (aged 7-8) and above are eligible for Free School Meals (FSM).

Alongside these statistics, we know from those in Scotland that there is real need for breakfast in schools to alleviate child poverty and give children the opportunity to reach their potential.

Tracy Freeman, Regional Lead, Scotland notes, 'It is such a simple solution to so many problems. In Scotland we are really trying to close the poverty related attainment gap. This has got to be the first crucial step in helping to achieve that.'

This was echoed by Jamie Petrie, Head Teacher at Broomhouse Primary School, Edinburgh, who said: 'Our partnership with Magic Breakfast has given the pupils at the school an opportunity to start the day ready to achieve and attain. It has allowed us to break down the barriers that hunger brings to children with tough realities. The food and fruit juice is the high quality that our wonderful children deserve so that they are prepared for all the challenges that lay ahead in the school day.'

We look forward to expanding our Scotland provision this coming year, aiming to reach more hungry children with a nutritious breakfast in areas of deprivation.



Samantha's story*

Samantha is a young carer who was arriving late for school without breakfast each day. Her Mum has severe mental health issues and Samantha is often left to care for herself when Mum is unwell, including getting herself ready for school. Most days she had not had breakfast which was impacting on her learning and concentration in class. She also arrived emotional and lethargic, and isolated herself from other children.

The school intervened and found that the family were on benefits and sometimes Mum did not have money for food. Through Magic

Breakfast club the school has been able to provide a free breakfast for Samantha and are encouraging her to come early so she can socialise with other children at the breakfast club.

Since attending breakfast club on a regular basis, Samantha has become sociable with her peers, is more alert and learning better in the classroom. The school's relationship with Mum has improved and Mum is now less financially stressed. Mum has recently committed to attending parenting classes in school, allowing the school to support the family further.

*Name has been changed



Beyond Breakfast: A morning in a Magic Breakfast club

We know from conversations with teachers in our partner schools and our annual survey that breakfast clubs go beyond providing a nutritious start to a child's day, playing an essential role in the school community and child's development.



At breakfast club pupils are given the chance to play before class, so they are settled and ready to start the school day when class begins. This could be organised sport with teachers and volunteers or a game of chess against a classmate.



Parental engagement with the school increases as parents have the opportunity to informally interact with staff when bringing their child to breakfast club.



Pupils are given the responsibility to prepare food and set up the breakfast club providing them with new skills while developing their confidence.

Breakfast club provides an opportunity for children to develop social and life skills such as table manners and to practise conversing with peers and adults.



Children are able to try new foods that they may not be exposed to at home and learn about nutrition.



Students with special needs have the chance to start the day in a calm environment, while students who must travel a long way to attend special schools have the chance to refuel before entering the classroom.



Parents have the opportunity to volunteer, allowing them to spend more time with their children, socialise and gain valuable life skills. Some families experiencing food poverty are invited to eat with the group.



Children are able to interact with pupils from other classes and year groups, giving them the chance to make new friends.



Teachers are able to check in with students in an informal way to further support their learning and emotional needs.

Reflections

With your support Magic Breakfast continues to grow, and 2017/18 was no exception.

We successfully launched in Scotland and will be looking to expand our presence there over the coming year. We also, as part of the NSBP, are now reaching more vulnerable children in England than ever before.

Internally there were several positive changes for Magic Breakfast during the year. The charity reached a size where the formation of a Senior Management Team (SMT) was thought strategically necessary. To this end, two new positions were created and filled, Chief Operating Officer (COO) and Head of Fundraising; these appointments, together with the creation of the SMT, has allowed the charity to become more efficient and effective in its decision making.

With a Head of Fundraising appointed, the fundraising team could be developed further, enabling greater delineation between fundraising areas and allowing us to invest in our supporter relationships, factors crucial to ensuring the charity has a diverse and robust funding pipeline.

We have also taken the NSBP as an opportunity to scale up our model. This has resulted in a strong focus on building capacity within the Magic Breakfast team and developing the infrastructure, systems and frameworks necessary to operate at scale and measure the difference we are making.



Projections



The Department for Education's NSBP contract has provided Magic Breakfast with an opportunity to test how our model works at scale and use this knowledge to build a strong model for a future UK-wide free breakfast initiative. As part of the NSBP we are examining how effective our scale up has been and will continue to learn from this in 2018/19, using these learnings to develop our breakfast delivery model.

In 2018/19, the charity will also place a strong focus on how we can best support schools following the end of the NSBP funding which is currently scheduled to end in March 2020.

Through focusing resources on this, we will be able to come up with the best solution to ending child hunger in the morning.

As the charity has spent a significant amount of time in 2017/18 investing in the organisation's capacity and infrastructure, we will be able to take on more schools in 2018/19. We aim to recruit an additional 30 schools in England and Scotland. This number takes into consideration the number of staff who will be supporting the NSBP in 2018/19 which will limit the capacity of Magic Breakfast to grow the number of schools we directly support.

Environment

As part of reflecting on how best to scale up our model to reach all children in need of a breakfast we must also consider the environment in which we are operating.

Speaking with Head Teachers in partner schools, we recognise that with growing pupil numbers, decreasing or stagnating funding for many schools and reduced resources, this is culminating in challenging environments for schools. The situation is exacerbated by schools seeing a marked increase in families in financial crisis resulting in school staff trying to fill this gap in children's basic needs.

Jason Hollywood, Head Teacher Northwood Community primary school, Kirkby, said:

"Leading a school in an area of high deprivation can be synonymous with some parents/carers struggling to make ends meet, undernourished children, eating poor quality food and much more. Despite receiving a higher-than-most Pupil Premium funding, it still isn't enough to meet the ever-growing needs of our disadvantaged pupils. Budget cuts abound and often we find that the most disadvantaged are subsidising the less disadvantaged."

Acknowledging and understanding these pressures means we can be better placed to meet the needs of our current partner schools and those we start supporting in the future.

Being a charity, we are reliant on our generous donors to support our work and as a result, recognising the challenges faced by the third sector is important for future planning. Some of



the pressures faced by us and other charities at present include: unlocking unrestricted, multi-year funding so we can be more strategic in our planning and the competitiveness for funding as the charity sector fills the gaps left by recent austerity measures.

There are also a number of socio-political and economic circumstances that impact on our work that must also shape our decision making. The impact Brexit is having on Government decision making and spending (as well as wider philanthropy and giving) will continue to be monitored, as will the roll out of Universal Credit and its impact on the families of schools that we work with. We are also aware we need to continue to engage politicians and influencers on all sides of the political spectrum with the need for healthy and nutritious breakfasts in schools if we are to bring about long-term change.



Thank you

To every single person who supported us in 2017/18 – the runners, the bakers, the Zumba shakers – thank you so much. We are incredibly grateful for your efforts to help us make sure that no young person goes to school too malnourished or hungry to learn.

We are incredibly grateful for all our wonderful partners who support us in many different ways. Without you we simply couldn't continue to give thousands of children a healthy start to their school day.

A special, huge thank you to Tesco for their fantastic support over the last four years, donating 7.6 million bowls of cereal to our breakfast clubs!

A Good Dinner
Aspect Capital
Allen & Overy Foundation
Amazon UK
Bagel Nash
Bank of America Merrill Lynch
Bone Daddies
CABWI Awarding Body
Dishoom
Disney
First Response Finance
Foxlow
Hypnos
Igloo Thermo Logistics
Impetus
Knowles
Mark Stolkin Foundation

Masonic Charitable Foundation
Merchant Taylors' Company
Morgan Stanley International Foundation
Pearson
People's Postcode Lottery
Quaker Oats UK
Sodexo Foundation
Spitfire Audio LLP
St. James's Place Charitable Foundation
Tesco
The Armstrong Foundation
The Childhood Trust
The Drapers' Charitable Fund
The Grocers' Charity
The Pat Newman Memorial Trust
Tropicana

#MagicSATS2018

in partnership with D&D restaurants

It is not so easy to concentrate when you are hungry which is why we partnered with D&D restaurants in 2018 for the #MagicSATS2018 campaign.

During SATS week we offer our partner schools additional breakfast food so every child, whether or not they usually have breakfast at school, can start the day fueled and best placed to reach their full potential. The aim of Magic SATS 2018 was to fundraise the cost equivalent to the additional breakfasts needed during SATS and raise awareness around the importance of eating a healthy breakfast before exams.

During the month of April, we asked D&D restaurants to give patrons the option to add the cost of four breakfasts to their bill to give children the extra fuel they needed to ace their SATS exams. Through the incredible efforts of the 30 D&D restaurants who took part in

London and Leeds, we raised over £20,000, enough to purchase more than 90,000 servings of breakfast food.

Tiffany Robinson, Marketing Director D&D London, said, "We are delighted to have partnered with Magic Breakfast in April 2018 and are incredibly pleased to have raised a substantial amount for such a worthwhile cause."

Natalia Ribbe, Restaurant Fundraiser, Magic Breakfast, said: "Not only were we able to provide more children with the fuel they needed to reach their full potential because of the outstanding effort of D&D restaurants, but the partnership worked to raise awareness about Magic Breakfast's mission of no child starting the day too hungry to learn. We are excited about the potential we can unlock through future campaigns."



Statement of public benefit

The Board of Trustees confirm that they have complied with their duty to have due regard to the guidance on public benefit published by the Charity Commission in exercising their powers or duties.

All activities of the charity, in line with the charitable objectives, are focused towards eradicating hunger in the morning and the alleviation of food poverty for school children in this country. The charity actively takes a non-

stigmatising approach in its work to make sure it can be accessed by all who need it.

As described throughout this report, this is achieved through the provision of healthy breakfasts to school breakfast clubs and support to partner schools to help them reach the most vulnerable children, engage the whole school community and put in place a provision that is sustainable for the future.



Trustees and advisers

Trustees

Tamar Kasriel *Chair of Trustees*
Stephen Bethel *(resigned 6 December 2017)*
Phil Davies *(appointed 16 November 2018)*
Nicola Noble
John McIvor
Alexandra Prentice *(resigned 11 December 2018)*
David Reay
Aniela Shuckburgh *(appointed 30 November 2018)*
Paula Smith
Varsha Venugopal *(appointed 4 January 2019)*

Senior management team

Carmel McConnell *Founder*
Alex Cunningham *Chief Executive Officer (CEO)*
Derek Morgan *Chief Operating Officer (COO)*
Emily Wilkie *Head of Fundraising*
Rachael Anderson *Head of Schools*
Sophia Dettmer *Senior Communications Manager*

Company registered number

04977015

Charity registered numbers

1102510 and SC048202

Registered office

One90 High Holborn
London
WC1V 7BH

Principal operating office

Saint Magnus House
3 Lower Thames St
London
EC3R 6HD

Website

magicbreakfast.com

Independent auditors

MHA MacIntyre Hudson
Chartered Accountants
New Bridge Street House
30-34 New Bridge Street
London
EC4V 6BJ

Bankers

The Royal Bank of Scotland
189-191 Camden High Street
London
NW1 7BP

Metro Bank PLC
One Southampton Row
London
WC1B 5HA

Company Information

a. Company status

The charitable company is registered as a charitable company limited by guarantee and is constituted under a Memorandum of Association dated 26/11/2003 with the registered charity numbers 1102510 and SC048202.

The principal activities of the company are to alleviate child poverty through the provision of breakfasts to schools. The charity works in three ways, first provision of healthy breakfast food to schools where children arrive hungry or malnourished, second to support parent education and third to help each school become self-funding for this support long term.

There have been no changes in the charity's objectives or governing document since the last annual report.

who are also directors of the company for company law purposes, are recorded on page 29.

Magic Breakfast is a registered charity as well as a company limited by guarantee with no share capital and trustees have no personal interest in the company.

The Trustee board collectively meets quarterly and regularly within sub-committees to ensure good governance and to provide guidance for the charity. There are four core board sub-committees: Fulfilment of Purpose Committee, Finance and Operations Committee, Fundraising Committee and Policy and Partnerships Committee, whose purpose are set out in their terms of reference. These sub-committees meet between board meetings, and as required, and are made up of at least two trustees and one staff member.

b. Structure, Governance and Management

Structure

Founded in 2001, as a result of research for the Pearson title *Change Activist*, Magic Breakfast is a charitable company dedicated to ensuring every child starts their school day with a healthy breakfast as fuel for learning. The company incorporated in November 2003 and was awarded charitable status in March 2004.

Governance

The decision-making body of the charity is the Board of Trustees, who are responsible for the governance of the charity and ensuring it pursues its charitable purpose. The trustees,

Changes to the Board

During the financial year there was one change to the board with Stephen Bethel resigning in December 2017. There were additional appointments and resignations subsequent to the financial year end as detailed on page 29.

Day to day management

The trustees delegate the day-to-day management of the charity to the CEO and Founder of the charity, who provide the strategic direction and work with the Senior Management Team (SMT), made up of the COO, Head of Fundraising, Senior Communications Manager and Head of Schools. This team oversee the day-to-day operation activities of the charity.

Staffing

At year end there were 30 employees working for Magic Breakfast, in both full and part time positions. This is a small change compared with the previous year, when 29 staff were employed by the charity at year end. However, changes to the composition of the team did occur during the year. This included growth in the fundraising team which has grown to allow the charity to raise more funds to meet its aim of no child being too hungry to learn. There was also growth in the school partnership team to ensure that schools continue to receive full wrap-around support.

Magic Breakfast is very lucky to have in place a dynamic and passionate team, who strive for a collaborative, efficient and transparent working environment.

c. Method of appointment or election of Board of Trustees

The management of the charitable company is the responsibility of the Magic Breakfast Board of Trustees who are elected and co-opted under the terms of the Articles of Association. Reviews are held periodically to identify any expertise gaps and appointments are made, where required, to strengthen the board.

When an appointment to the board is required, a role profile is drawn up that highlights the skills needed. To advertise the role, the board will circulate the profile within their relevant networks, alongside a public advertisement

placed in appropriate channels. Interviews are then held with shortlisted applicants by the chair of the trustees and another member of the board.

Prospective trustees are reviewed by existing board members through a series of one-to-one interviews with members of the board and based on their recommendations, are then invited to observe a board meeting. Following this, on the provision that the board are satisfied and the applicant still wishes to become a trustee, they will be appointed.

d. Policies adopted for the induction and training of Board of Trustees

The charity provides guidance to all newly appointed trustees on the responsibilities and requirements of the role. To make the board as effective as possible, induction processes, training and review are in place; this includes trustee training, breakfast club visits, meetings with key staff and an annual performance and development review.

e. Magic Outcomes

Magic Breakfast wholly owns Magic Outcomes, an award winning social enterprise. Magic Outcomes works with business partners, offering professional leadership development courses based in Magic Breakfast partner schools. Magic Outcomes did not trade during the year under review.

Financial review

In the financial year 2017/18, the charity made a surplus of £603,151 (2017: surplus £221,088) and saw an increase in the income raised from £2,574,059 to £3,466,814. Together with the accumulate surplus from previous years, Magic Breakfast has an accumulated surplus on unrestricted funds of £2,000,487 (2017: £1,458,924).

A significant contributor to this surplus was the Department for Education NSBP contract, where the charity was awarded £353,349 for its partnership in the delivery of this project. As the tender process took longer than expected, the contract was not awarded until March 2018. This resulted in an extended set up period leading to the accumulation of funds.

This surplus was also the result of the *i* news Christmas Appeal which raised £157,600 for the charity. As the charity had not participated in such an appeal before, it was unknown what the success would be and became one of the year's fundraising highlights. The charity also had a strong year securing corporate and restaurant partnerships, exceeding the budget, which contributed to this surplus.

Expenditure increased in 2017/18 as the charity prepared to scale up its model. This year, the charity actioned its plans to put in place a senior management team to ensure the charity could make effective and efficient decisions that would allow it to achieve its aim of removing hunger as a barrier to learning. Alongside this the charity strengthened its infrastructure and governance as part of its preparations to expand and take on new schools.

The decision to build a surplus in 2017/18 was the result of known increased cost for the charity in the 2018/19 financial year. Through partnering with Family Action to deliver the NSBP which will support over 1.770 schools,

this provided an opportunity for the charity to test its model at scale. The funding for this is currently scheduled to end in March 2020, and there is uncertainty around continued Government funding for the Programme. Given this, the charity agreed that building a surplus would enable them to explore more options to ensure they reach all those in need of a healthy and nutritious breakfast.

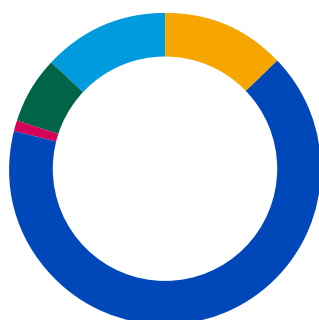
By building a surplus, we have been able to accommodate changes to funding without passing the impact onto our supported schools. For example, since 2014 Tesco had provided cereal for the charity as a gift in kind, however, in July 2018 this partnership came to an end. As a result, the charity will take on the cost of purchasing cereal in 2018/19. Through incorporating this change into our surplus funds we are able to maintain a strong position to continue tackling child hunger in the morning in the coming year and beyond.

Restricted funds carried forward as at 31 August 2018 amount to £61,588 (2017: £nil). These funds will be spent in accordance with our supporters' wishes and within the funding period agreed.

a. Fundraising activities and income generation

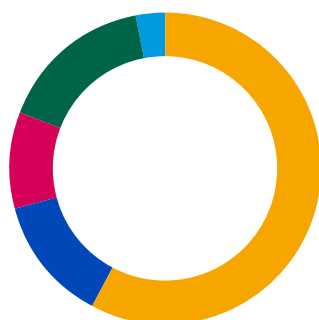
During the year, Magic Breakfast's income increased from £2,574,059 in 2016/17 to £3,466,814 in 2017/18, reflecting good growth in the charity's income. While a significant proportion of this was a result of a strong corporate income stream, grants and community fundraising continued to be a robust source of income for the charity. In 2018/19 the charity will work to build on all these income streams, with a focus on strengthening relationships with already

Expenditure Breakdown (£2,863,663)



Fundraising 13%
Food aid 66%
Building capacity 1%
Making the case for change 7%
Support and governance 13%

Income Breakdown (£3,466,814)



Donations and other 58%
Grant income 13%
Contract income 10%
Donated goods and services 16%
Membership fees 3%

existing donors and ensuring diversity so that there is no over-reliance on any one donor. The charity also received a significant level of funding through the Department for Education contract and this will continue in the 2018/19 financial year.

The most notable difference in income received during 2017/18, to that of previous years, is a substantial increase in corporate and campaign donations. This is a result of continued support from corporate partners Bank of America Merrill Lynch and Amazon UK alongside new, smaller corporate partners as the need to diversify is recognised. Additionally, due to the success of the *i* news Christmas

Appeal, we had a strong year in our events and campaigns income stream. The NSBP contract with Family Action and funded by the Department for Education, has grown our contract income which did not make up a significant part of the 2016/17 accounts.

The breakdown of income and expenditure for the year 2017/18 can be seen above. It should be noted that the charity has undergone changes to its bookkeeping system since 2016/17 and as a result, the income and expenditure breakdowns cannot be compared like-for-like with previous years. However, these changes allow us to be more accurate in our allocations.

As a result of these adjustments to our bookkeeping, and the recruitment of new schools for the NSBP, our spending on food aid has significantly increased compared with previous years, resulting in a reduction in spending on sustainability.

During 2017/18, the charity paid due regard to its fundraising practices in line with the guidelines set out by the Fundraising Regulator's Fundraising Code of Practice and the General Data Protection Regulation (GDPR). The charity does not engage commercial or professional fundraisers to raise funds on its behalf and direct marketing is only undertaken where prior consent has been obtained and complies with the GDPR. To strengthen our compliance, we are also formalising participatory agreements where commercial participatory agreements exist.

There were no complaints made against the charity regarding fundraising practices.

b. Reserves and Investment

Reserves Policy

The Board of Trustees aims to maintain a level of unrestricted reserves which equates to six months of future running costs at the year end.

The target for reserves held was £1,546,080.

The charity has adopted the policy to hold six months reserves to mitigate cash flow risks and allow for any remedial actions to be adopted in a timely manner should cash levels begin to drop significantly. When a significant change in income/expenditure is known and provides a potential risk to future cash flow, the charity may choose to build up a level of reserves above six months to allow these changes to be absorbed.

At the year end, the charity held £2,062,075 the equivalent to eight months of future running costs. This surplus of financial reserves has been built as cereal will no longer be a gift in kind in 2018/19, resulting in increased costs for the charity. Also, through building a surplus, the charity is able to explore more options as we scale up and invest in our infrastructure as part of our plans to reach more schools.

Material Investment Policy

Due to the nature of Magic Breakfast's charitable work, it had been considered that the most appropriate policy is to hold surplus funds in a bank deposit, with the exception of £34,009 allotted as shares in the subsidiary organisation, Magic Outcomes.

c. Risk Control

Principal risks and uncertainties

The Board of Trustees fully accepts its responsibilities for ensuring that the major risks to which the charity is exposed are identified, particularly those related to the operations and finances of the charitable company. The Board of Trustees also fully accepts its responsibilities to ensure there are systems and procedures in place to mitigate those risks. Major risks are those that have a high probability of occurring and would, if they occurred, have a severe impact on operational performance and/or achievement of the charity's objectives.

The charity has a risk management policy in place which outlines its approach to risk management and processes. To support the identification, management and mitigation of risks in a timely manner, the SMT formally review the risk register monthly; a report is then sent to the Finance and Operations (F&O) sub-committee for review and the main Trustee Board.

With the principal risks being financial, financial performance is monitored against an annual budget and monthly management information on the charity's financial position is produced to inform any decisions that will impact the charity's financial position. This management information is reviewed by the F&O sub-committee. In addition, forecasting is undertaken and updated throughout the year to reflect changes which impact on the income and expenditure.

Part of monitoring our financial risk includes ensuring we have a robust and prudent fundraising pipeline, to preempt expected change in funders over time. With the appointment of a Head of Fundraising in

2018, we are better able to ensure continuity and mitigate this risk through regularly reporting collated by the Head of Fundraising and reported back to the Fundraising sub-committee.

The NSBP, commencing in March 2018, comes with notable risk for the charity. Specifically, tight milestone deadlines and aggressive targets, and as a result we are ensuring there is strong leadership, co-ordination and close monitoring in place in order to pre-empt and mitigate risks, maintain our reputation and deliver on the contract.

We also consider a significant risk to be continuity and security of food supply. With a change in cereal suppliers at the end of this financial year and the roll-out of the NSBP to 1,770 schools from March 2018, the demand for food is being monitored closely. This is to ensure we can continue to meet the need of our schools and continuity plans are in place should circumstances with a supplier change.

The Board of Trustees are satisfied that systems and procedures are in place to mitigate our exposure to the major risks.

d. Related Parties and Trustee expenses

The Charity has considered the disclosure requirements of the Charities SORP for related party relationships and considers its key management personnel to be the Trustees and SMT.

For the financial year 2017/18 the charity received unrestricted donations of £5000 from Trustees and their related parties. Related party disclosures are included in note 22 of the accounts.

e. Key management personnel remuneration

The charity performs salary benchmarking every two to three years to ensure staff and key management personnel salaries are in line with the rest of the sector. This is carried out by the human resources function of the charity. The results of this benchmarking process and any recommended changes are provided to the F&O sub-committee.

Where the changes are significant or include key management personnel, the F&O sub-committee will make recommendations to the full board. In this instance, changes will only be made upon approval from the full board and will be minuted at the board meeting.

As outlined on page 53, the key management personnel are considered to be Trustees and the SMT. Trustees are not remunerated for their roles as Trustees but key management personnel that make up the SMT received a salary for these roles.

This year there was significant growth in the SMT, with the team expanding to six staff in 2018 (2017: 2). This increase is reflected in the increase in key management personnel. These changes were approved by the board who were also involved in the hiring and remuneration process, where appropriate.

f. Going concern

After making appropriate enquires, the Trustees have a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies, in note 1 to these accounts.

Trustees' responsibilities statement

The trustees (who are also directors of Magic Breakfast for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- Select suitable accounting policies and the apply them consistently;
- Observe the methods and principles in the Charities SORP 2015 (FRS 102);
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company

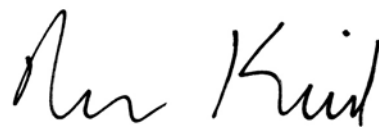
and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- There is no relevant audit information of which the charitable company's auditor is unaware; and
- The trustees have taken all step that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

This report was approved by the Trustees on 5 March 2019 and signed on their behalf by:



Tamar Kasriel
Chair

Date: 14th May 2019

Independent auditors report to the trustees of Magic Breakfast

Opinion

We have audited the financial statements of Magic Breakfast (the 'Charity') for the year ended 31 August 2018 set out on pages 42 to 58. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 August 2018 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Executive Committee's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Executive Committee not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Executive Committee are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the companies act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in Executive Committees' Report for which the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Executive Committees' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Executive Committees' Report.

We have nothing to report in respect of the following matters in relation to which Companies Act 2006 and requirements of the Companies Act 2006 and the Charities Accounts (Scotland) regulations 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 Executive Committee's remunerations specified by law not made; or
- we have not received all the information and explanations we require for our audit; or
- the Executive Committee were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Executive Committees' Report and from the requirement to prepare a Strategic report.

Responsibilities of trustees

As explained more fully in the Trustees' responsibilities statement, the Executive Committee (who are also the directors of the Charity for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

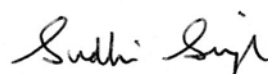
We have been appointed as auditor under section 44(1)(C) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under these Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members, as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Singh FCA (Senior Statutory Auditor)
for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants and Statutory Auditor
New Bridge Street House
30–34 New Bridge Street
London, EC4V 6BJ

Date: 24 May 2019

MHA MacIntyre Hudson are eligible to act as auditors in terms of section 1212 of the Companies Act 2006.

**STATEMENT OF FINANCIAL ACTIVITIES INCORPORATING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
INCOME FROM:					
Donations and grants	2	2,511,228	600,629	3,111,857	2,550,227
Charitable activities	3	353,349	-	353,349	23,820
Investments	4	1,608	-	1,608	12
TOTAL INCOME		2,866,185	600,629	3,466,814	2,574,059
EXPENDITURE ON:					
Raising funds	5	469,811	-	469,811	269,398
Charitable activities	7	1,854,811	539,041	2,393,852	2,083,573
TOTAL EXPENDITURE		2,324,622	539,041	2,863,663	2,352,971
NET INCOME BEFORE OTHER RECOGNISED GAINS AND LOSSES		541,563	61,588	603,151	221,088
NET MOVEMENT IN FUNDS		541,563	61,588	603,151	221,088
RECONCILIATION OF FUNDS:					
Total funds brought forward	17	1,458,924	-	1,458,924	1,237,836
TOTAL FUNDS CARRIED FORWARD		2,000,487	61,588	2,062,075	1,458,924

All income and expenditure derive from continuing activities.

The Statement of Financial Activities includes all gains and losses recognised during the year.

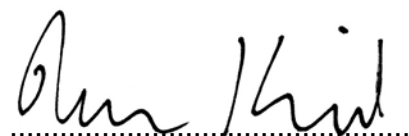
The notes on pages 45 to 58 form part of these financial statements.

BALANCE SHEET
AS AT 31 AUGUST 2018

	Note	£	2018 £	£	2017 £
FIXED ASSETS					
Intangible assets	12		-		-
Investments	13		34,009		38,001
			34,009		38,001
CURRENT ASSETS					
Stock	14	38,442		13,830	
Debtors	15	469,877		374,879	
Cash at bank and in hand		1,673,917		1,143,840	
		2,182,236		1,532,549	
CREDITORS: amounts falling due within one year	16	(154,170)		(111,626)	
NET CURRENT ASSETS			2,028,066		1,420,923
NET ASSETS			2,062,075		1,458,924
CHARITY FUNDS					
Restricted funds	17		61,588		-
Unrestricted funds	17		2,000,487		1,458,924
TOTAL FUNDS			2,062,075		1,458,924

The Charity's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved and authorised for issue by the Trustees on 5 March 2019 and signed on their behalf, by:



Tamar Kasriel, Chair

14 May 2019

The notes on pages 45 to 58 form part of these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 £	2017 £
Cash flows from operating activities			
Net cash provided by operating activities	19	<u>528,469</u>	<u>39,732</u>
Cash flows from investing activities:			
Interest from investments	4	<u>1,608</u>	<u>12</u>
Net cash provided by investing activities		<u>1,608</u>	<u>12</u>
Change in cash and cash equivalents in the year		530,077	39,744
Cash and cash equivalents brought forward		<u>1,143,840</u>	<u>1,104,096</u>
Cash and cash equivalents carried forward	20	<u><u>1,673,917</u></u>	<u><u>1,143,840</u></u>

The notes on pages 45 to 58 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES

1.1 General information and basis of preparation

Magic Breakfast is a charitable company registered with the Charity Commission (Charity Registered Numbers 1102510 and SC048202) and Registrar of Companies (Company Registration Number 04977015) in England and Wales. The address of the registered office is given in the Charity information on page 29 of these financial statements. The nature of the Charity's operations and principal activities are detailed in the Trustees' Report.

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Magic Breakfast meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy. The financial statements are presented in sterling which is the functional currency of the Charity and rounded to the nearest pound.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

1.2 Company status

The Charity is a company limited by guarantee. The members of the company are the Trustees named on page 29. In the event of the Charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the Charity.

1.3 Funds

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

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Charity for particular purposes. The costs of raising and administering such funds are charged against the specific fund.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)**1.4 Income recognition**

All income is recognised once the Charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

For donations to be recognised the Charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the Charity and it is probable that they will be fulfilled.

Donated services or facilities are recognised when the Charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use of the Charity of the item is probable and that economic benefit can be measured reliably.

On receipt, donated professional services, donated facilities and donated breakfast ingredients are recognised on the basis of the value of the gift to the Charity which is the amount the Charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the Bank.

1.5 Expenditure recognition

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. Expenditure is categorised under the following headings:

- Costs of raising funds includes costs incurred seeking voluntary contributions through donations and the running of fundraising events during the year;
- Expenditure on charitable activities includes all costs incurred on furthering the objects of the Charity; and
- Other expenditure represents those items not falling into the categories above.

Irrecoverable VAT is charged as an expense against the activity for which expenditure arose.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

1. ACCOUNTING POLICIES (continued)**1.6 Support costs allocation**

Support costs are those that assist the work of the Charity but do not directly represent charitable activities and include office costs, governance costs, administrative payroll costs. They are incurred directly in support of expenditure on the objects of the Charity and include project management carried out at Headquarters. Where support costs cannot be directly attributed to particular headings they have been allocated expenditure on raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Governance costs are those incurred in connection with the running of the Charity and compliance with constitutional and statutory requirements.

The analysis of Governance costs is included in Note 9.

Costs of raising funds are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities.

The analysis of these costs is included in Note 8.

1.7 Intangible fixed assets and amortisation

Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated. Provision is made for any impairment.

Amortisation is provided on intangible fixed assets at rates calculated to write off the cost of each asset, less their estimated residual value, over their expected useful lives on the following bases:

Software	- 33.3% straight line
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1.8 Investments

Investments in subsidiaries are measured at cost less impairment.

1.9 Stock

Stock represents donated and purchased breakfast ingredients and is recorded at fair value less impairment.

1.10 Debtors and creditors receivable / payable within one year

Debtors are recognised when the Charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

Creditors are recognised when the Charity has a present legal or constructive obligation resulting from a past event and the settlement is expected to result in an outflow of economic benefits.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. ACCOUNTING POLICIES (continued)

1.11 Financial instruments

The Charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. The financial assets and financial liabilities of the Charity are as follows:

Debtors – trade and other debtors (including accrued income) are basic financial instruments and are debt instruments measured at amortised cost as detailed in Note 15. Prepayments are not financial instruments.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Liabilities – trade creditors, accruals and other creditors will be classified as financial instruments, and are measured at amortised cost as detailed in Note 16. Taxation and social security are not included in the financial instruments disclosure. Deferred income is not deemed to be a financial liability, as in the cash settlement has already taken place and there is simply an obligation to deliver charitable services rather than cash or another financial instrument.

1.12 Tax

The Charity is an exempt Charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. It therefore does not suffer tax on income or gains applied for charitable purposes.

1.13 Going concern

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the Charity to be able to continue as a going concern.

1.14 Employee benefits

The Charity operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

1.15 Judgements and key sources of estimation uncertainty

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

- Allocation of support costs
- Amortisation rates for intangible fixed assets
- Income recognition of grants
- Gifts in kind valuation

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. INCOME FROM DONATIONS AND GRANTS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Donations	1,446,683	549,829	1,996,512	1,392,979
Membership income	123,750	-	123,750	174,650
Grants	395,000	50,800	445,800	505,000
Donated goods and services	541,905	-	541,905	477,598
Other	3,890	-	3,890	-
	<u>2,511,228</u>	<u>600,629</u>	<u>3,111,857</u>	<u>2,550,227</u>
Total 2018	<u>2,511,228</u>	<u>600,629</u>	<u>3,111,857</u>	<u>2,550,227</u>
	<u>2,135,227</u>	<u>415,000</u>	<u>2,550,227</u>	
Total 2017	<u>2,135,227</u>	<u>415,000</u>	<u>2,550,227</u>	

3. INCOME FROM CHARITABLE ACTIVITIES

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Contract Income (Department for Education)	353,349	-	353,349	23,820
	<u>353,349</u>	<u>-</u>	<u>353,349</u>	<u>23,820</u>
Total 2017	<u>23,820</u>	<u>-</u>	<u>23,820</u>	

The contract income is received from the Department of Education through Family Action.

There are no unfulfilled conditions or other contingencies attached to the government grants above.

4. INCOME FROM INVESTMENTS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Bank interest receivable	1,608	-	1,608	12
	<u>1,608</u>	<u>-</u>	<u>1,608</u>	<u>12</u>
Total 2017	<u>12</u>	<u>-</u>	<u>12</u>	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

5. EXPENDITURE ON RAISING FUNDS

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £	Total funds 2017 £
Direct costs	361,240	-	361,240	213,727
Support costs	108,571	-	108,571	55,671
Total 2018	<u>469,811</u>	<u>-</u>	<u>469,811</u>	<u>269,398</u>
Total 2017	<u>269,398</u>	<u>-</u>	<u>269,398</u>	

In 2017 all expenditure on raising funds was from unrestricted funds.

Direct costs are analysed further in Note 7.

Support costs are analysed further in Note 8.

6. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Activities undertaken directly 2018 £	Support costs 2018 £	Total 2018 £	Total 2017 £
Food Aid	1,886,573	171,110	2,057,683	1,055,046
Sustainability	38,826	13,100	51,926	329,064
Making the Case for Change	203,744	80,499	284,243	232,702
DfE Contract	-	-	-	466,761
Total 2018	<u>2,129,143</u>	<u>264,709</u>	<u>2,393,852</u>	<u>2,083,573</u>
Total 2017	<u>1,913,678</u>	<u>169,895</u>	<u>2,083,573</u>	

In 2017, of the total expenditure on charitable activities of £2,083,573, £1,668,573 was from unrestricted funds and £415,000 was from restricted funds.

Direct costs are analysed further in Note 7.

Support costs are analysed further in Note 8.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. TOTAL DIRECT COSTS

	2018	2017
	£	£
Staff costs	757,888	646,462
Other staff costs	15,933	(178)
Direct food costs	1,480,035	1,371,265
Contractors and consultants	13,257	24,496
Administration costs	64,554	36,914
Premises costs	69,284	-
Publicity, marketing and fundraising	89,415	47,028
School events costs	17	1,278
School liaison costs	-	140
	<hr/>	<hr/>
Total	2,490,383	2,127,405
	<hr/>	<hr/>

In 2018, of the total expenditure on direct costs, £361,240 (2017 - £213,727) is allocated to Expenditure on Raising Funds and £2,129,143 (2017 - £1,913,678) is allocated to Expenditure on Charitable Activities.

8. TOTAL SUPPORT COSTS

	2018	2017
	£	£
Staff costs	127,688	79,378
Other staff costs	72,899	17,514
Direct food costs	863	240
Contractors and consultants	12,775	6,343
Administration costs	44,524	51,468
Premises costs	25,197	24,967
Legal and professional fees	49,506	17,388
Publicity, marketing and fundraising	523	6,723
School events costs	2,352	1,977
Governance costs	32,961	19,279
School liaison costs	-	289
Impairment of fixed asset investments	3,992	-
	<hr/>	<hr/>
Total	373,280	225,566
	<hr/>	<hr/>

In 2018, of the total expenditure on support costs, £108,571 (2017 - £55,671) is allocated to Expenditure on Raising Funds and £264,709 (2017 - £169,895) is allocated to Expenditure on Charitable Activities.

Included within support staff costs above are £17,955 of Governance staff costs which are not included within the balance of governance costs.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

9. GOVERNANCE COSTS

	2018	2017
	£	£
Auditors' remuneration - Audit of the financial statements	10,300	10,000
Auditors' remuneration - Other services	10,340	4,698
Auditors' remuneration - Under accrual of prior year audit and accounts fee	-	4,379
Trustee meetings	148	-
Professional fees	1,410	-
Other governance expenses	163	202
	<hr/>	<hr/>
Total	22,361	19,279
	<hr/>	<hr/>

Total governance costs for the year were £40,316 and comprise £22,361 of expenses as per the above table together with £17,955 of governance staff costs which are included within Support staff costs.

10. NET INCOME/(EXPENDITURE)

This is stated after charging:

	2018	2017
	£	£
Auditors' remuneration - Audit of the financial statements	10,300	10,000
Auditors' remuneration - Other services	10,340	4,698
Operating lease rentals	75,129	12,480
	<hr/>	<hr/>

During the year, no Trustees received any remuneration (2017 - £NIL).

During the year, no Trustees received any benefits in kind (2017 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2017 - £NIL).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

11. STAFF COSTS

Staff costs were as follows:

	2018	2017
	£	£
Wages and salaries	785,249	655,683
Social security costs	75,207	60,624
Pension costs	25,120	9,533
	<u>885,576</u>	<u>725,840</u>

The average number of persons employed by the Charity during the year was as follows:

	2018	2017
	No.	No.
Food Aid	12	4
Sustainability	1	10
Making the Case for Change	2	2
Fundraising	6	5
Support	6	5
Governance	1	1
Publicity and Marketing	2	2
	<u>30</u>	<u>29</u>

No employee received remuneration amounting to more than £60,000 in either year.

The total amount of employee benefits received by Key Management Personnel, including employers national insurance, is £210,446 (2017 - £104,830). The Charity considers its Key Management Personnel to comprise the Trustees and the members of the Senior Management Team listed in the Reference and Administrative details on Page 29.

The Trustees of the Charity, other than detailed in Note 22 did not receive any remuneration in the year.

12. INTANGIBLE FIXED ASSETS - WEBSITE

	Software
	£
Cost	
At 1 September 2017 and 31 August 2018	<u>28,000</u>
Amortisation	
At 1 September 2017 and 31 August 2018	<u>28,000</u>
Carrying amount	
At 1 September 2017 and 31 August 2018	<u>-</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

13. FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 September 2017	38,001
Impairment	(3,992)
	<hr/>
At 31 August 2018	34,009
	<hr/> <hr/>

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Holding
Magic Outcomes Limited - £1 ordinary shares	100%

The aggregate of the share capital and reserves as at 31 August 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Magic Outcomes Limited - £1 ordinary shares	34,009	(103)
	<hr/> <hr/>	<hr/> <hr/>

The charity owns 100% of the issued share capital of Magic Outcomes Limited, a company limited by shares and registered in England and Wales (company registration number 04621084). Magic Outcomes Limited did not trade during the period, no income was received and a small level of administration expenses were incurred in the year. The investment has not been consolidated and group accounts have not been prepared because the subsidiary is considered immaterial to the accounts of the charity.

14. STOCK

	2018 £	2017 £
Undistributed breakfast ingredients	38,442	13,830
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

15. DEBTORS

	2018	2017
	£	£
Trade debtors	454,967	186,837
Other debtors	14,910	10,400
Grants receivable	-	177,642
	<u>469,877</u>	<u>374,879</u>
	<u>469,877</u>	<u>374,879</u>

16. CREDITORS: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	47,808	2,323
Amounts owed to group undertakings	-	28,504
Other taxation and social security	90,465	63,830
Other creditors	4,127	3,969
Accruals	11,770	13,000
	<u>154,170</u>	<u>111,626</u>
	<u>154,170</u>	<u>111,626</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

17. STATEMENT OF FUNDS

STATEMENT OF FUNDS - CURRENT YEAR

	Balance at 1 September 2017 £	Income £	Expenditure £	Balance at 31 August 2018 £
Unrestricted funds				
General funds	<u>1,458,924</u>	<u>2,866,185</u>	<u>(2,324,622)</u>	<u>2,000,487</u>
Restricted funds				
Morgan Stanley	-	38,800	(29,704)	9,096
Bank of America Merrill Lynch	-	25,333	(12,000)	13,333
Amazon	-	423,500	(423,500)	-
St James' Place	-	28,402	(25,972)	2,430
Masonic	-	28,402	(20,778)	7,624
Drapers	-	9,300	(5,195)	4,105
Sodexo	-	9,892	(9,892)	-
News Corp	-	25,000	-	25,000
Worshipful Company of Merchant Taylors	-	12,000	(12,000)	-
	<u>-</u>	<u>600,629</u>	<u>(539,041)</u>	<u>61,588</u>
Total funds	<u>1,458,924</u>	<u>3,466,814</u>	<u>(2,863,663)</u>	<u>2,062,075</u>

The General fund is an unrestricted fund which is available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity and which have not been designated for other purposes.

Food Aid is funding for activity that directly contributes to the provision and delivery of nutritious breakfast food reaching any child that is hungry. This includes supporting schools to set up their provision, nutritional advice and guidance and the delivery of the food.

STATEMENT OF FUNDS - PRIOR YEAR

	Balance at 1 September 2016 £	Income £	Expenditure £	Balance at 31 August 2017 £
General Funds	<u>1,237,836</u>	<u>2,159,059</u>	<u>(1,937,971)</u>	<u>1,458,924</u>
Restricted funds				
Food Aid	<u>-</u>	<u>415,000</u>	<u>(415,000)</u>	<u>-</u>
Total of funds	<u>1,237,836</u>	<u>2,574,059</u>	<u>(2,352,971)</u>	<u>1,458,924</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

18. ANALYSIS OF NET ASSETS BETWEEN FUNDS

ANALYSIS OF NET ASSETS BETWEEN FUNDS - CURRENT YEAR

	Unrestricted funds 2018 £	Restricted funds 2018 £	Total funds 2018 £
Fixed asset investments	34,009	-	34,009
Current assets	2,120,648	61,588	2,182,236
Creditors due within one year	(154,170)	-	(154,170)
	<u>2,000,487</u>	<u>61,588</u>	<u>2,062,075</u>

ANALYSIS OF NET ASSETS BETWEEN FUNDS - PRIOR YEAR

	Unrestricted funds 2017 £	Restricted funds 2017 £	Total funds 2017 £
Fixed asset investments	38,001	-	38,001
Current assets	1,532,549	-	1,532,549
Creditors due within one year	(111,626)	-	(111,626)
	<u>1,458,924</u>	<u>-</u>	<u>1,458,924</u>

19. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2018 £	2017 £
Net income for the year (as per Statement of Financial Activities)	603,151	221,088
Adjustment for:		
Impairment of investments	3,992	-
Interest from investments	(1,608)	(12)
Increase in stocks	(24,612)	(10,837)
Increase in debtors	(94,730)	(185,248)
Increase in creditors	42,276	14,741
Net cash provided by operating activities	<u>528,469</u>	<u>39,732</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

20. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2018	2017
	£	£
Cash in hand	1,673,917	1,143,840
Total	1,673,917	1,143,840

21. OPERATING LEASE COMMITMENTS

At 31 August 2018 the total of the Charity's future minimum lease payments under non-cancellable operating leases was:

	2018	2017
	£	£
Amounts payable:		
Within 1 year	84,960	52,000

22. RELATED PARTY TRANSACTIONS

Other than Trustee and Key Management Personnel transactions detailed in Note 11, there were no related party transactions during the period.

During the year the Charity received an unrestricted donation of £5,000 (2017 - £5,000) from Trustees and their related parties.



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magic breakfast

fuel for learning

Company registered charity: 04977015
Registered charity number England: 1102510
Registered charity number Scotland: SC048202