

## **CARE International UK**

### Trustees' Report and Consolidated Financial Statements For the year ended 30 June 2006

Registered company number: 1911651 (England and Wales)

Registered charity number: 292506

## Charity details

### Registered office

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### Website address

[www.careinternational.org.uk](http://www.careinternational.org.uk)

### Registered company number

1911651 (England and Wales)

### Registered charity number

292506

## Advisors

### Auditors

Buzzacott  
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London  
EC4A 1AG

### Bankers

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London  
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5 Appold Street  
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Care International UK  
Trustees' Report and Consolidated Financial Statements for the year ended 30 June 2006

## Chairman's Statement

The year ended 30<sup>th</sup> June 2006 was a significant one in a number of respects. Through the year, CARE International touched the lives of over 48 million people around the world. For the first time, the turnover of CARE international UK exceeded £50 million, making a valuable contribution to the reduction of suffering at the time of emergencies, and building on long-term sustainability.

The rehabilitation of communities shattered by the Boxing Day 2004 tsunami continued steadily throughout the year. Across the region, CARE International reached 600,000 people, offering new homes, jobs, health care, water and sanitation, psychological support and new opportunities as we sought to 'build back better'. Our first phase response had been immediate and effective. The second phase in the financial year ending 30<sup>th</sup> June 2006 was equally impactful, though in a different way as the emphasis of the effort shifted from immediate rehabilitation and emergency relief to reconstruction and redevelopment. CARE International worked thoughtfully with local communities in all tsunami affected countries to ensure that livelihoods and communities were rebuilt in a way which empowered local people, and provided for an ongoing and sustainable solution. In some places this meant directly replacing the means to earn a living, for example through the provision of replacement fishing equipment. In others, we gave additional support to help ensure the sustainability of incomes by promoting other businesses and skills to reduce dependence on the sea as the only means of livelihood.

Our emergency response was tested to the limit in other areas too, and we responded effectively to the South Asian earthquake, Hurricane Stan in Central America and the drought in Niger, as well as to ongoing chronic food shortages in East Africa.

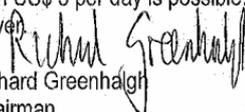
CARE International also continues to strengthen our work to create longer-term solutions, providing communities with the facilities to rebuild their lives and to restore their dignity.

Our work under the DfID-funded Partnership Programme Agreement (PPA) continues to provide important learning in addressing the root causes of poverty and has strengthened understanding across our sector, in particular in areas such as urban poverty, conflict, private sector partnerships, HIV and AIDS, civil society and rights-based approaches.

Financially, the board is delighted to have achieved the target of six months net free reserves to secure our financial commitment to our work. The efficiency and effectiveness of marketing, fundraising and support services have further developed, attested by the fact that of every £1 we received in the year, 92p was spent in furtherance of our charitable activities.

We are most grateful to all our volunteers, staff, funders, donors, supporters and corporate and private partners whose generosity continues to help us to make a difference.

Despite all the suffering and difficulties of our world, there remains a deep reservoir of goodwill, and therein a hope that the betterment of the lives of the two-thirds of the world's population living on less than US\$ 5 per day is possible. Our commitment to the battle against the injustice of world poverty will not waver.

  
Richard Greenhalgh  
Chairman

## Trustees' Biographies

The members of CARE International UK's board are:

**Richard Greenhalgh (chair)** Chairman of Unilever UK since 1998 and non-executive chairman of the National College for School Leadership, Richard is also president of the British Quality Foundation. He is a board member of the International Chamber of Commerce, BESO and London Business School, member of CBI Presidents Committee and Council for Industry and Higher Education. He has also been chairman of Templeton College, University of Oxford, from 2004.

**Andy Bearpark** A career civil servant, Andy has primarily worked at the Department for International Development and its predecessor, the Overseas Development Administration. He worked closely with CARE while head of information and emergency aid from 1991 to 1997 at DFID. Since then he has worked for the UN on reconstruction in Sarajevo and Kosovo and for DFID in Iraq. He earlier had a spell as a private secretary to the then Prime Minister Margaret Thatcher.

**Dr Alison Fielding** Alison is chief operating officer for Techtran and a director of its parent company IP2IPO, an intellectual property company specialising in commercialising university technology. She previously worked for the Axiomlab Group as investment manager, McKinsey and Co as engagement manager and started her career at Zeneca plc (formerly ICI).

**Martin Hayman** Martin was formerly general counsel and company secretary at Cadbury Schweppes Plc and Standard Chartered Plc. Martin has been trustee of Institute of Business Ethics and chair of Mediation UK. He is now a director of Financial Objects PLC, special adviser to Standard Chartered Bank Africa on its anti-malaria programme and is involved in the establishment of the Coalition against Malaria advocacy group.

**Bill Lawes CA** Widely experienced in international banking, Bill recently retired as managing director of JP Morgan Chase. He was formerly with ANZ Bank (including Grindlays Bank) and Deloitte & Touche.

**Rajan Pandhare** Rajan has over 18 years of information technology sector experience in USA, UK and India. He has successfully lead software services firms and also founded two technology companies. He has been Director of the business to business ventures of a global oil and gas exploration firm and Head of Sales, Marketing and Product Management for a leading European Business Process Outsourcing company. Over the last two years, Rajan has been part of former President Clinton's HIV/AIDS Initiative activities across Africa as a senior advisor.

**Michael Rogerson FCA** Michael has worked for Grant Thornton, chartered accountants, for 31 years. He is currently head of the firm's charity and not-for-profit group which has more than 400 charities as clients. He is a past chairman of the London Regional Council of the CBI. His charitable work has included 15 years as a marriage counsellor and ten years working with ex-prisoners.

**Sangita Shah** Sangita is a director of Commonwealth Business Council Consulting. She was previously a director of the Leading Edge Strategy Company and worked for Ernst and Young, Mars and at Unilever where she undertook a number of assignments to Africa. She is also president of the Chartered Institute of Journalists, the world's oldest journalistic association.

**Andrew Shingleton** was formerly with McCann Erickson Advertising Worldwide as vice president and worldwide account director at Nestle Foods.

**Richard Street** An adviser to international organisations on the creation of youth employment for poverty alleviation, Richard has worked in business, civil society and governments in more than 50 countries. After a career in industry, he was chief executive officer of the Prince's Youth Business Trust. From 1999 to 2004, he was founder and executive director of Youth Business International, a network of youth business programmes helping disadvantaged young people become entrepreneurs.

**Dr Fiona Thompson ACA** Fiona is a freelance consultant focussing on investment issues for development, including liberalisation of local markets, state restructuring and government-business relations. During her career she has lived in India, Brazil and South Africa and her work has included advice, strategic support and analysis for multinationals, governments and state-owned entities. She previously worked for over ten years at the auditing firm Arthur Andersen and is currently a Research Associate at the University of London.

**Bowen Wells** Formerly Member of Parliament for Hertford and Stortford, the Secretary of All Party Overseas Development Group and chairman of the Select Committee on International Development.

**David Wright** Formerly with Department for International Development as chief enterprise development adviser and head of the Enterprise Development department, he was responsible for advice to Ministers and top management on all matters relating to enterprise development, for the overall direction and supervision of enterprise development advisers, and representing DFID internationally including influencing the work of multilateral development institutions.

## Trustees' Report

The members of the Board, who are Directors of the charity for the purposes of company law and Trustees for the purposes of charity law (hereinafter "the Trustees"), submit their annual report and the audited financial statements for the year ended 30 June 2006. The members of the Board who served during the year are those listed on page 9.

The financial statements have been prepared in accordance with the accounting policies set out on pages 28 and 29 of the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice (SORP), issued by the Charity Commission on 4 March 2005.

## Structure, Governance and Management

### Company Status

The charity is a company limited by guarantee and was established on 7 May 1985, and a registered charity. It is governed by a memorandum and articles of association, last amended on June 29, 2006. Its objects are to relieve poverty and sickness, to promote the preservation and protection of health and to advance education among the world's poor.

### Structure of CARE International

CARE International, of which CARE International UK is a member, is a global humanitarian organisation, working with over 48 million disadvantaged people each year in more than 70 of the world's poorest countries. Our goal is to promote sustainable development by securing positive and lasting change.

CARE International (CI) comprises a confederation of twelve<sup>1</sup> member organisations, separate national bodies which work within the principles and guidelines of the CARE International confederation. Each is represented on the CARE International Board. They receive income from a range of donors, including national governments, international bodies, corporate donors, trusts and foundations, and thousands of individuals. All income, apart from that applied towards administrative and marketing development costs, is directed towards anti-poverty programmes in the countries where CARE International works collectively to alleviate poverty and the causes thereof. The CARE International Secretariat based in Geneva provides coordination and administrative support to the confederation.

Together, the members implement programmes using the resources of Country Offices in more than 70 countries. Each Country Office is administered by one "lead" member (primarily, CARE Australia, CARE Canada and CARE USA) on behalf of the membership. At the same time, individual members such as CARE International UK remain accountable for the direction and success of projects for which they have obtained funding and support. In the view of the Board and of the management, CARE International UK continues to be an operational charity rather than a grant making body.

### Structure of CARE International UK

The governing body of the charity is the Board. The Board meets formally four times a year, with significant other ongoing involvement. In addition there are a number of board committees:

- Finance and Audit Committee
- Programme Committee
- Marketing and Fundraising Committee
- Nominations and Remuneration Committee

These committees comprise members of the Board and other individuals with relevant experience. All committees operate under specific terms of reference which delegate certain functions from the Board.

Potential candidates for both Board and Committee are recruited through an open and transparent process, including by advertisement in the national press as well as full display on the CARE International UK web site. The Nominations and Remuneration Committee selects potential new members of the Board who then need to be approved by the full Board before appointment. Members of the Board serve for a three-year period and may be re-elected. There is a formal induction process for

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<sup>1</sup> Australia, Austria, Canada, Denmark, France, Germany, Japan, Netherlands, Norway, Thailand, UK, USA.

new Board and Committee members, comprising various meetings and presentations with executive staff.

Under the Memorandum and Articles of Association, Members of the company are the Board members who as Trustees provide the guarantee for the limited liability status. Overall responsibility for the organisation remains with the Board. For the avoidance of doubt in this report, the terms "Board Member" and "Trustee" are synonymous.

CARE International is a non-sectarian and non-political organisation.

## Board of Trustees

	Changes during year	Board	Finance & Audit Committee	Programme Committee	Marketing & Fundraising Committee	Nominations & Remuneration Committee
Richard Greenhalgh <sup>^</sup> <i>[Chairman]</i>		✓*				✓*
Andy Bearpark		✓		✓		
John Burns FCIB	Retired 20/10/05	✓	✓			
Robert Carefull FCA	Retired 20/10/05	✓	✓			
Alison Fielding		✓	✓		✓	
Martin Hayman		✓		✓*	✓	✓
Bill Lawes		✓	✓*			✓
Sir Gulam Noon MBE	Retired 21/06/06	✓			✓	
Rajan Pandhare		✓		✓		
Michael Rogerson		✓	✓			
Sangita Shah		✓			✓	
Amanda Rowlatt	Retired 01/08/05	✓		✓		✓
Andrew Shingleton		✓			✓*	✓
Richard Street		✓			✓*	
Fiona Thompson	Appointed 01/08/06	✓	✓			
Bowen Wells <sup>-</sup>		✓		✓		
David Wright		✓		✓		

\* Committee Chair

<sup>^</sup> CI Board Member

<sup>-</sup> CI General Assembly Member

## Senior Management Team

Geoffrey Dennis	Chief Executive
Raja Jarrah	Director of Programmes
Carol Monoyios	Director of Marketing (Commenced 15/8/05)
Tim Morris	Director of Finance and Corporate Services
Lucy Stoner	Director of Human Resources

## Statement of Trustees' responsibilities

The charity's Trustees are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and 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 charity and of the incoming resources and application of resources of the charity, including its income and expenditure, for that period. In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity, and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation on other jurisdictions.

The Trustees confirm that, in so far as each of them is aware, there is no relevant audit information of which the charity's auditors are unaware. Each of them has taken all steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information, and to establish that the charity's auditors are aware of this information.

## Internal Controls

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of control, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985.

The systems of internal control are designed to provide assurance against material misstatement or loss. They include:

- a strategic plan and a business plan, an annual operating plan and an annual budget all approved by the Board;
- regular consideration by the Board of financial results and variance from budgets;
- segregation of duties; and
- identification and management of risk.

As part of this process, Trustees continue to review the adequacy of the charity's internal controls. Included in this control process is the work of the internal audit function, which carries out a number of risk-based audits of projects.

## Risk Management

Evidencing CARE International UK's commitment to the Risk Management process, the position of Head of Internal Audit and Risk Management reports through the Chief Executive to the Finance and Audit Committee and the Board. The role ensures that a formal process to assess business risks and implement appropriate risk management strategies is carried out on a regular basis. Various types of risks faced by the charity are identified and prioritised in terms of their potential impact and likelihood of occurrence. Means of mitigation are addressed. In line with best practice, the overall 'Risk Register' is regularly monitored and is subject to formal review every three months.

The Head of Internal Audit and Risk Management is sufficiently independent, with unrestricted access to the Board. The Board believes that the charity's internal financial controls conform to best practice and guidelines issued by the Charity Commission.

### **Equal Opportunities Policy**

CARE International UK strives to be an equal opportunities employer and applies objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability. Selection criteria and procedures are in place to ensure that individuals are selected, promoted and treated on the basis of their relevant merits and abilities.

### **Auditors**

At the Annual General Meeting of the company, a resolution to reappoint Buzzacott as auditors for the coming year is proposed in accordance with section 385 of the Companies Act 1985.

## Objectives and Activities

### Objects

The objects of Care International UK are to relieve poverty and sickness, to promote the preservation and protection of health and to advance education among the world's poor.

### Our Vision

CARE International seeks a world of hope, tolerance and social justice, where poverty has been overcome and people live in dignity and security.

CARE International will be a global force and partner of choice within a worldwide movement dedicated to ending poverty. We will be known everywhere for our unshakeable commitment to the dignity of people.

### Our Mission

CARE International's mission is to serve individuals and families in the poorest communities in the world. Drawing strength from our global diversity, resources and experience, we promote innovative solutions and are advocates for global responsibility. We facilitate lasting change by:

- Strengthening capacity for self-help
- Providing economic opportunity
- Delivering relief in emergencies
- Influencing policy decisions at all levels
- Addressing discrimination in all its forms

Guided by the aspirations of local communities, we pursue our mission with both excellence and compassion because the people we serve deserve nothing less.

CARE International UK fully embraces the CARE International mission and vision.

### Activities

CARE International UK's comparative advantage lies in our membership of CARE International, one of the largest NGO's in the world, which gives us access to over 70 country offices.

Through the CARE International network of Country Offices, we continue to provide high quality programme delivery and project management with funding from various sources, including the British Government's Department for International Development (DfID), the European Community Humanitarian Office (ECHO) and the European Union (EU) and a range of private funders. Geographically, we operate in all major areas of need in the developing world. The most significant amounts of our programme expenditure were in Asia (£22.5 million) and Africa (£17.0 million).

Drawing on the accumulated experience of working alongside partners and communities across the globe, we are placing increasing importance on capturing and sharing useful lessons from our practice.

We aim to continually improve the fundraising, communications and support services required to achieve these goals.

We have traditionally described the main areas of our work as "Programme Delivery" and "Knowledge Management". However, this year we have chosen to express our work in a way that better reflects our

intended impact on world poverty. As a starting point we have taken an analysis of poverty as the lens through which we classify our work.

In our work, we seek to identify and address the reasons that people are poor, rather than simply alleviate the symptoms of their poverty. In any situation, the causes of poverty operate at many levels. Some are directly linked and intuitively obvious (for example, people may be hungry because there is a shortage of food); others are deeper and require a more sophisticated analysis (for example, food may be scarce for particular groups of people because the pattern of land holding deprives them of the ability to produce food). A balanced response to poverty in any situation requires us to address needs at all levels – in the above example, finding ways to make more food available while at the same time addressing the issue of access to land.

Determining how we act in any particular context is a question of judgement based on the resources available, what other agencies are doing, and the immediacy of the need. Thus CARE International's overall portfolio of activities spans a spectrum of approaches.

An individual CARE International project will rarely fit neatly into any one of these categories; in any case, the boundaries between them are not hard and fast. Each project makes a contribution to our overall effort. By analysing the way the project has been designed and implemented, we are able to allocate a proportion of its results to each of the categories, and thus provide an aggregate picture of how CARE is spending its funds.

We have found it useful to divide our efforts into the following categories, and these are also reflected in the financial statements:

### **1. Improving the Human Condition**

CARE International's projects aim to improve living conditions of people, including access to food, water, shelter, income, health and education, through a combination of self-help initiatives and outside resources. Examples might include microfinance schemes, community-run water management committees, and farmer field schools. In summary, this part of our work is about providing the goods and services people need to meet their basic needs.

### **2. Improving the Social Position**

People are often poor because of the position they occupy in society. Marginalised or socially excluded people do not have fair access to the resources that are available to others. Women and children are often in this situation; and the poorest people are those who suffer multiple discrimination (such as an HIV positive woman from a marginalised ethnic group). The CARE International confederation places particular emphasis on empowering marginalised people to have more influence in the communities where they live, and works hard to improve the status of such people.

### **3. Improving the Enabling Environment**

Poverty is often caused, exacerbated or maintained by factors outside people's immediate control. This can be because of government policies; or armed conflict; or social and cultural norms. Failing to address these bigger issues can undermine the good work done at project level. Thus an increasing aspect of our work is to seek to influence the policies, attitudes and behaviours that perpetuate poverty in societies where we work. In other words, this part of our work looks at how we can affect the context which keeps poor people poor.

We know that our vision will only be realised if deep structural changes occur at national and global level. Within the limited resources available, CARE International UK is an active member of various lobbying groups, and we continue to see our advocacy work as a vital part of the battle against global poverty. We will continue to advocate on behalf of those who have no voice of their own, making development agencies and other actors within our sector more effective

#### **4. Disaster Response and Emergency Work**

A core part of our mandate includes saving lives and relieving immediate suffering in times of emergency and crisis, responding immediately to natural and man-made disasters. By their very nature, crises overwhelm the capacities of local societies to cope, and outside help is needed. Wherever possible we respond with an eye to the longer term needs, so that our emergency response makes people less vulnerable to disasters in future.

CARE International provides emergency assistance to survivors of natural disasters, wars and conflicts to enable people to rebuild their lives in the aftermath. We remain with communities after the initial relief efforts are completed and support initiatives to enable people to face the future with renewed confidence.

CARE International UK remains committed to our role as a member of the UK Disasters Emergency Committee<sup>2</sup> (DEC).

#### **5. Improving Development Practice**

CARE International is a large agency with a global reach and a long history. This gives us both the opportunity and the responsibility to learn from our experience of what works best. We take this responsibility seriously, and dedicate a significant part of our effort to learning from practice, and sharing that with other agencies to improve the effectiveness of the sector as a whole.

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<sup>2</sup> The DEC is a consortium of 13 major UK development agencies collaborating to coordinate a 'joined-up' UK response to major emergencies.

## Achievements and Performance

### Objectives

Last year, we identified the following priorities:

- provide £35 million overseas for development related programme work
- continue to provide appropriate emergency response around the world as needed
- further develop our corporate partnerships through greater Corporate Social Responsibility (CSR) engagement
- continue to monitor our external funding environment
- help strengthen the governance of CARE International, especially in areas of sharpening the decision making process and ensuring greater diversity and representation at CARE International board.

And, to enable these goals, we said we would

- train, motivate and lead staff effectively
- develop our brand positioning and a robust communications strategy
- seek to increase our unrestricted marketing income to £3.6 million
- review the impact of having staff in regions
- increase IT harmonisation across European CARE members
- improve our programme database

### Progress against these goals

In line with our business plan, CARE International UK has made good progress this year.

The year to June 2006 was immensely challenging, and CARE International UK was involved in a wide range of CARE International's activities, as a truly global and multi-functional agency. The breadth of our work is illustrated in notes 4 and 5 to the Financial Statements, showing a breakdown of our work by function and by region respectively.

Particularly noteworthy during the year to June 2006 was our work in response to the ongoing hunger and displacement of millions in Darfur, to the south Asian earthquake centred in Pakistan, and to the ongoing rehabilitation work following the tsunami. Longer-term development highlights include, for example, strategically significant programmes in Sierra Leone (ENCISS), looking at civil society reconstruction and in the Middle East (EMPOWERS), securing long-term community access to clean water.

We share with DfID a number of key focus areas including civil society and governance, corporate sector engagement, urban poverty, HIV & AIDS and conflict. We continue to see these issues in the context of a Rights-Based approach.

The following provides an indication by category of our activities.

#### 1. Improving the human condition

In the financial year to June 2006, we spent £8.4 million on our work towards providing the goods and services people need to meet basic human needs.

A good example of our work in urban poverty is the CRISP project (Credit for the Informal Sector Project). CRISP is a micro-finance scheme that provides loans to small entrepreneurs in peri-urban areas in Zimbabwe and the cash needed for some of life's necessities. The informal economy is a vital source of income for the many poor households, and businesses such as petty trading, manufacture of household goods and backyard food production have had a direct impact on the household income of those involved in the scheme, as well as providing jobs for others. By the end of the project 20,000 loans had been made, with excellent repayment rates. Furthermore, by implementing this scheme through an existing commercial bank, it has been possible to ensure that the project continues to operate under its own momentum after it came to an end in March 2006.

## **2. Improving the Social Position**

On seeking to improve the status of people, we spent £4.7 million in the financial year ended 30 June 2006.

Women are marginalised in many walks of life in many societies, making them invariably amongst the poorest people in the world. Increasing women's status also improves their ability to make an income, to protect themselves from abuse, and contributes to the health and welfare of future generations. In Bangladesh, our HIV & AIDS programme sought to halt the spread of the pandemic through, for example, increased condom use and control of sexually transmitted infections. It quickly became clear, however, that this in turn also required addressing the harassment and discrimination experienced by sex workers, one of the most vulnerable groups. By working on women's individual self-esteem as well as their collective organisation, significant advances in reducing HIV infection have been possible in the project areas. During 2005 this successful experience significantly influenced the content of the country's national HIV & AIDS policy.

## **3. Improving the Enabling Environment**

Affecting the context which keeps poor people poor, we have implemented a number of successful initiatives. We have spent £8.7 million on Improving the Enabling Environment in the last 12 months.

For example, the war in Darfur/Sudan has had a devastating effect on the economy and people of the country for decades. Although peace between the main warring parties was formally declared in 2005, the situation is still unstable and progress on reconstruction and development remains painfully slow. The NGO Advocacy Initiative allowed CARE International and other prominent NGO partners to join forces to promote peace and reconciliation. It seeks to ensure that the voice of ordinary Sudanese people is heard in the implementation of the peace accords and that the political commitment is reflected in activities on the ground. Without this, individual development projects will have limited impact.

## **4. Disaster Response and Emergency Work**

In the financial year to June 2006, we spent £22.7 million in disaster areas, of which £10.8 million was related to the tsunami and another £1.8 million to the south Asian Earthquake. In addition we worked in Niger, Southern and West Africa and East Africa where drought and food shortages remain a concern.

In total we received emergency income of £22 million, primarily through our continuing active and committed membership of the DEC. Altogether in the year to June 2006, DEC funds totalled £16.1 million.

On 8 October 2005 an earthquake of magnitude 7.6 hit Northern Pakistan and Kashmir. Much of the area affected was extremely remote and emergency operations had to deal with very difficult rescue operations, working fast to secure shelter for survivors before the onset of winter.

Over 86,000 people were killed in the disaster, and many more were left homeless. Immediately after the earthquake CARE International provided relief to thousands of people. We also provided 6,000 tents to more than 75,000 people and have since trained the local community to rebuild their homes with earthquake resistant designs and provided health services as they returned to their villages. In total, CARE International has provided well over 40,000 people with basic health facilities and is building and equipping 21 new schools in the earthquake affected regions. We planted some 340,000 trees to secure land and help stop landslides after the earthquake.

In the tsunami affected countries, we continued to play a key role in the relief and rehabilitation efforts to rebuild affected areas. Through both our emergency relief and our longer term commitment to thoughtful, sustainable, community-based reconstruction, CARE International continues to work across all tsunami affected countries: India, Indonesia, Sri Lanka, Somalia and Thailand.

Of the DEC tsunami appeal total of around £380 million, CARE International UK's entitlement is of the order of £35 million. Of this we have received £11.6 million in the financial year ended 30 June 2006.

Post-tsunami reconstruction work cannot be completed quickly if we are to provide lasting, sustainable solutions. CARE International is planning an enduring response throughout the reconstruction phase until sustainable livelihoods can be fully re-established. CARE has long-term plans in place to utilise its allocation of DEC funds and spend effectively and wisely.

We supply emergency and relief effort through the CARE International global emergency team. In order to continue to focus on conflict and disaster situations, we have strengthened our emergency capability through our support for the Central Emergencies Group at the CARE International Secretariat in Geneva, as well as strengthening our partnership with other organisations.

## **5. Improving Development Practice**

### **Making development agencies more effective**

CARE International UK has a strong knowledge management group. As is normal practice in the industry, insights and understandings are quickly and widely shared.

As an organisation we would like to be more proactive on a number of advocacy issues, but we need to be realistic about the limited resources available. We can and do seek to cooperate with our sector peers. One example of such knowledge sharing was a joint initiative with Action Aid on the subject of making INGO's more effective, which was well-received by DfID.

One example with regard to improving effectiveness and best practice: setting up funds to give relatively small grants to community groups is a common technique used by development agencies to reach the poor. However, there is a great deal of variation in the ways that these funds are structured and managed. During 2005 we completed research into how effective various types of local funds are, and have produced recommendations on how their impact on poverty can be increased. CARE International UK intends to use these findings to influence donor funding mechanisms in the future, and is currently engaged in discussions with DfID, for example, on the design of its forthcoming Governance and Transparency Fund.

As part of a consortium of non-government organisations (NGO's), commercial and academic organisations working in partnership, CARE International UK continues to play an active role in the innovative Water and Sanitation for the Urban Poor (WSUP) agreement with DfID. This will develop ways to provide clean water into urban slum areas. The first pilots are moving ahead, albeit somewhat less quickly than we had hoped.

## 6. Internal enablers

Enabling goals are essential to support the achievement of our overall objectives. In this regard, in the financial year to June 2006, we:

- invested in further improving the performance and effectiveness of our staff through a management training programme
- developed and implemented a communications strategy to ensure that our key messages were presented with impact and consistency. The essential message of our global work is 'defending dignity, fighting poverty'.
- continued to improve our back office efficiency and effectiveness e.g. by renewing our programme database to support and inform organisational activities.
- as part of our ongoing commitment to CARE International, continued to support CARE International colleagues across Europe to provide Information Technology (IT) solutions on a cost recovery basis to provide quality links, to improve security and enable economies of scale.
- In addition CARE International UK, at Chairman and Chief Executive level, contributed extensively to the development of a new CARE International strategic plan, due for confederation acceptance and sign-off in 2007.

## 7. External factors

The Board continues to monitor our operating environment, and in this regard a number of major issues continue to concern us. Amongst these, so that we can better resource our work, there is clearly a need for a higher profile in the UK. We plan to further address this issue in the financial year to 2007.

We continue to monitor funding patterns of our institutional donors, especially with regard to the issues of Decentralisation and Direct Budgetary Support. The tsunami operations will continue to be closely monitored as a priority, this ongoing rehabilitation programme will continue to represent a very significant part of our work. We are conscious of the increasing number of projects which require matched funding, and therefore require Unrestricted income.

## Financial Review

The charity's total income for the year was £50.7 million (2005: £40.7million), a 25% increase on the previous year.

A key distinction in the charity sector is that between Restricted income, given for a purpose specified by the donor, and Unrestricted income, which may be used by the charity for its general purposes to fulfil its charitable objects.

To enable our country offices to improve the lives of our beneficiaries, we spent £46.7 million on charitable activities (2005: £37.9 million), a 23% increase in our work of providing high quality programmatic support overseas across more than 80 different projects. Total expenditure for the year was £49.4 million (2005: £40.2 million).

The unrestricted surplus of £0.7 million (2005: £0.8 million), reflects an increase in donor marketing income and Challenge events, and strong cost control. The prior year figures included a one-off grant from CARE USA of £0.6 million.

The restricted surplus for the year of £0.7 million (2005: -£0.3 million), results from timing differences on monies sent to, and spent by, overseas projects.

Restricted income continued to come largely from institutional sources, primarily DfID and the European Union. We received £1.8 million from DfID for the knowledge management part of our Partnership Programme Agreement, an important strategic element of our work, to understand better some of the root causes of poverty.

The DEC Tsunami appeal to the general public in the UK raised around £380 million, of which CARE International UK will be allocated around £35 million. For the 12 months to June 2006, we had received £16.1 million from the DEC, for a variety of projects across the region.

CARE Challenge events raise funds by hosting outdoor activities for individuals, teams and companies. The CARE Challenge Series is widely acknowledged as a market leader. The team raised £1.2 million in financial year 2006, an increase of 29% on the previous year. The events provide for high-quality access and involvement of key donors to promote awareness of CARE International UK and our work, whilst raising funds.

We raised £2.5 million from individual donors to whom we extend our grateful thanks for their continuing support (2005: £2.4 million). We continued to invest in face-to-face fundraising as this form of fundraising still delivers the best return on investment. The Board remains aware that this particular form of recruitment may be nearing saturation. We are continually testing other ways of recruiting donors.

In the financial year ended 2006, of the total income received, CARE International UK spent 92% on charitable i.e. programme-related activity.

## Reserves

Unrestricted reserves are defined as undesignated, unrestricted funds and represent funds that are available to help us to meet our objectives. Net free reserves are defined as undesignated, unrestricted funds less the net book value of tangible fixed assets.

The trustees reviewed the reserves policy in July 2005. This review covered the nature of our income and expenditure streams, the reasons for keeping reserves and the appropriate reserve levels needed by CARE International UK. Due to the uncertainty of our long-term income streams, this exercise confirmed our view that it continues to be appropriate to carry net free reserves equivalent to up to 6 months of unrestricted expenditures.

Our unrestricted reserves at 30 June 2006 were £2.1 million (2005: £1.4 million). Net free reserves were £1.7 million (2005: £1.0 million), and have therefore reached the desired 6 month cover of unrestricted expenditure. Such reserves would also provide cover in the unlikely event of restricted funding shortfalls.

The Board is by no means complacent but is nonetheless encouraged by this outcome, which places the organisation on a more stable financial footing enabling us to focus even more closely on our key goals in the coming years.

At the year-end, our restricted reserves were £9.7 million (2005: £9.0 million). These represent committed funds en-route to their final destination in the communities in which CARE International UK works. This money is available to the charity only for the activities for which the funding was originally intended. In the highly unlikely event of any such funds not being used for their intended purposes in their entirety, any balances would be returnable to the original funders.

## Trading Subsidiary

The charity's wholly-owned trading subsidiary carries out non-charitable trading activities for the charity. During the year, the company's main activity related to the provision of IT Services to other parts of CARE in Europe. These activities have provided a small surplus this year of £23k (2004: -£6k).

## Plans for Future Periods

### Goals

Over the next 12 months we aim to continue to implement and deliver our strategic plan to fight poverty and defend dignity. We will continue to listen to the voice of the poor to provide lasting, field-led solutions, enabling local communities to drive the agenda for reform rather than merely participate in it.

At the heart of what we do is our responsibility to seek new resources for CARE Country Office programmes. We plan programme expenditure of at least £40 million next year channelled through the CARE International confederation.

Our plans for the financial year to 30 June 2007 include:

Category	Planned spend (£millions)
Improving the Human Condition	8
Improving the Social Position	6
Improving the Enabling Environment	8
Saving lives and relieving immediate suffering in times of emergency & crisis	16
Making development agencies more effective	2

CARE International UK will provide financial and other resources to strengthen the capacity of the CI Central Emergency Group (CEG), based in Geneva under a new Emergency Response Director. The work of CEG covers preparedness, immediate relief and more lasting rehabilitation. CARE International UK's contribution will be substantial and will include the provision of a Housing and Shelter specialist and water and sanitation expertise.

DEC membership is a key element of our response capability and we will seek to be proactive and respected members. We will continue to spend DEC and other resource wisely and effectively.

As part of CARE International based in the UK, we have a responsibility to bring our concerns and insights to the attention of the British Government and public. We will identify key topical issues on which to focus our advocacy during the year, particularly in relation to the way international aid is delivered. Trying to broker linkages and alliances to global movements that further CARE International's programmatic and advocacy goals remains a key target. We will continue to develop a strong advocacy capacity that brings our field experience to bear on international decision-making, taking a lead in driving the CARE confederation to capture learning from experience and incorporate it into practice. At the heart of our strategic intent is the recognition that in order to have a significant impact we must effect change in the policies that perpetuate poverty and injustice worldwide. Without addressing policy concerns, we would only succeed in alleviating the symptoms of poverty without understanding and addressing its root causes.

**Care International UK**  
**Trustees' Report and Consolidated Financial Statements for the year ended 30 June 2006**

CARE International UK has a detailed workplan for the next financial year 2006/7 with a number of agreed, measurable commitments. These include the following:

- Restricted programme income is forecast at around £45 million, including the tsunami three year emergency and rehabilitation activity, which should largely be completed by the end of this financial year.
- We plan to further develop our private income, including our direct marketing, legacies marketing and Challenge events, and to increase corporate and trust income, and in so doing to target Unrestricted income of £6 million for the financial year.
- Having achieved a sensible and business-like level of reserves we intend to keep to this figure.
- We recognise that there will be significant levels of income needed to match-fund our European Community (EC) contracts, but will aim to reach these levels.
- We aim to develop at least eight long-term sustainable partnerships with major corporate donors to build and develop genuine pro-poor partnerships.
- CARE International UK still suffers from a low-profile, and we will continue to address this issue throughout the year. We have just launched a serious campaign targeted at redirecting government, institutional, and private funding to prevention and longer-term sustainable development, thereby avoiding the need to spend such a high proportion of government and institutional funding on emergency situations. The campaign called "Living on the Edge" was launched in September/October 2006.
- Within the CARE International Strategic Plan we have identified a number of specific areas that CARE International UK will help develop, including skill areas such as HIV/Aids, conflict resolution, and urban issues. We are also developing an emergency response unit in London, primarily targeted at assisting with shelter and reconstruction. This will be coordinated with the Central Emergency Response Unit in Geneva who have overall management control of emergency operations and up-front assessments.

In summary, we will continue to promote lasting change in poor communities around the world. Again this year, CARE International expects to touch the lives of around 48 million people on the planet. We will continue to concentrate on the deep-seated causes of poverty.

We look forward to these challenges, and indeed a world where there is no longer a requirement for organisations like ours to exist at all.

By order of the Board

  
Richard Greenhalgh  
Chairman

2 November 2006

## Report of the Independent Auditors to the Members of CARE International UK

We have audited the Financial Statements on pages 25 to 38 which have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and the accounting policies set out on pages 28 and 29.

This report is made solely to the charitable company's members, as a body in accordance with Section 235 of the Companies Act 1985. 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective Responsibilities of Board and Auditors

As described on pages 9 and 10 the Board, members of which are trustees for the purposes of charity law and the directors of CARE International UK for the purposes of company law, are responsible for the preparation of the Trustees' Report and Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding remuneration of members of the Board and transactions between them and the charitable company is not disclosed.

We report to you whether in our opinion the information given in the Trustees' Report on pages 7 to 22 is consistent with the Financial Statements. We read the other information contained in the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### Basis of Opinion

We conducted our audit in accordance with International Standard on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgements made by the Board in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

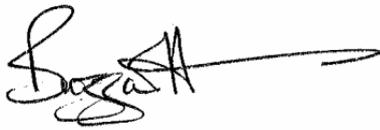
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity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

Care International UK  
Trustees' Report and Consolidated Financial Statements for the year ended 30 June 2006

## Opinion

In our opinion:

- the Financial Statements give a true and fair view of the charitable company's and group's state of affairs as at 30th June 2006 and of their incoming resources and application of resources, including their income and expenditure, in the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Trustees' Report is consistent with the Financial Statements.



2 November 2006

Buzzacott  
Chartered Accountants and Registered Auditors  
12 New Fetter Lane  
London  
EC4A 1AG

## Consolidated Statement of Financial Activities (incorporating an Income and Expenditure Account) For the year ended 30 June 2006

Income and expenditure		2006	2006	2006	2005
	Notes	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000	Total funds £'000
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
<i>Voluntary income</i>		<b>2,407</b>	<b>1,069</b>	<b>3,476</b>	3,512
Donations and sponsorships	2	2,338	1,064	3,402	3,452
Legacies		69	5	74	60
<i>Activities for generating funds</i>		<b>1,405</b>	<b>69</b>	<b>1,474</b>	1,065
Fundraising events		1,179	29	1,208	933
Rental income		77	-	77	76
Trading income	18	36	-	36	10
Investment income		113	40	153	46
<b>Incoming resources from charitable activities</b>	2	<b>1,752</b>	<b>43,924</b>	<b>45,676</b>	36,079
Other income		122	-	122	25
<b>Total incoming resources</b>		<b>5,686</b>	<b>45,062</b>	<b>50,748</b>	40,681
<b>Cost of generating funds</b>					
Fundraising costs	3	2,494	30	2,524	2,149
Trading cost		36	-	36	5
<b>Total cost of generating funds</b>		<b>2,530</b>	<b>30</b>	<b>2,560</b>	2,154
<b>Net income available for charitable activities</b>		<b>3,156</b>	<b>45,032</b>	<b>48,188</b>	38,527
<b>Charitable activities</b>					
	4,5				
Improving the human condition		414	7,969	8,383	10,514
Improving the social position		231	4,462	4,693	5,936
Improving the enabling environment		428	8,257	8,685	8,357
Disaster response and emergency work		1,119	21,577	22,696	10,428
Improving development practice		109	2,107	2,216	2,671
<b>Total charitable activity costs</b>		<b>2,301</b>	<b>44,372</b>	<b>46,673</b>	37,906
<b>Governance</b>	6	<b>170</b>	<b>-</b>	<b>170</b>	150
<b>Total resources expended</b>		<b>5,001</b>	<b>44,402</b>	<b>49,403</b>	40,210
<b>Net incoming resources and net income for the year</b>		<b>685</b>	<b>660</b>	<b>1,345</b>	471
Total funds brought forward		1,440	9,006	10,446	9,975
<b>Totals funds carried forward</b>		<b>2,125</b>	<b>9,666</b>	<b>11,791</b>	10,446

There are no recognised gains or losses for the year other than those shown above.

There is no material difference between the net income / (expenditure) for the year as stated above and that calculated on a historical cost basis.

The results for the year shown above all derive from continuing operations.

CARE International UK  
Trustees' Report and Consolidated Financial Statements for the year ended 30 June 2006

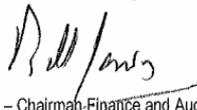
**Consolidated and Charity Balance Sheet**  
**As at 30 June**

	Notes	Group 2006 £'000	Group 2005 £'000	Charity 2006 £'000	Charity 2005 £'000
<b>Fixed Assets</b>					
Intangible assets	9	50	100	50	100
Tangible assets	10	388	445	388	445
Investments	11	30	30	30	30
		<b>468</b>	<b>575</b>	<b>468</b>	<b>575</b>
<b>Current assets</b>					
Debtors	12	10,741	10,024	10,785	10,030
Cash at bank and in hand-general funds		1,132	1,114	1,086	1,107
Cash at bank and in hand-overseas projects		5,461	4,416	5,461	4,416
		<b>17,334</b>	<b>15,554</b>	<b>17,332</b>	<b>15,553</b>
Creditors: amounts falling due within one year	13	(6,011)	(5,433)	(6,009)	(5,432)
<b>Net current assets</b>		<b>11,323</b>	<b>10,121</b>	<b>11,323</b>	<b>10,121</b>
<b>Total assets less current liabilities</b>		<b>11,791</b>	<b>10,696</b>	<b>11,791</b>	<b>10,696</b>
Creditors: amounts falling due after more than one year	14	-	(250)	-	(250)
<b>Net assets</b>		<b>11,791</b>	<b>10,446</b>	<b>11,791</b>	<b>10,446</b>
<b>Represented by</b>					
Restricted funds	15	9,666	9,006	9,666	9,006
Unrestricted funds	15	2,125	1,440	2,125	1,440
		<b>11,791</b>	<b>10,446</b>	<b>11,791</b>	<b>10,446</b>

Signed on behalf of the Board of Trustees by



Richard Greenhalgh – Chairman



Bill Lawes – Chairman Finance and Audit Committee

2 November 2006

The accompanying notes form an integral part of this Balance Sheet.

## Consolidated Statement of Cash Flows For the year ended 30 June 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow from operating activity	19a	1,304	2,341
Returns on investment and servicing of finance	19b	143	39
Capital expenditure and financial investment	19c	(80)	(145)
		<u>1,367</u>	<u>2,235</u>
Financing	19d	(304)	(60)
Increase in cash in the year		<u><u>1,063</u></u>	<u><u>2,175</u></u>

### Reconciliation of net cash flow to movement in net funds

Increase in cash in the year		1,063	2,175
Loan from Care USA		263	(6)
Foreign exchange (loss) on loan		(13)	(1)
Cash outflow from repayment of finance leases		41	60
Movement in net funds in the year		<u>1,354</u>	<u>2,228</u>
Net funds at the beginning of the year		5,239	3,011
Net funds at the end of the year	19e	<u><u>6,593</u></u>	<u><u>5,239</u></u>

**Notes to the accounts**  
**For the year ended 30 June 2006**

**1 Accounting policies**

**a) Basis of preparation**

The financial statements are prepared under the historical cost convention, with the exception of investments which are included at market value.

The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities", published in March 2005 and applicable UK accounting standards.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis. No separate SOFA has been presented for the charity alone as permitted by Section 230 of the Companies Act 1985.

**b) Incoming resources**

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. The following specific policies apply to categories of income:

For legacies, entitlement is the earlier of the charity being notified of the impending distribution or the legacy being received.

All contributions are considered unrestricted unless specifically restricted by the donor, or raised in an appeal for a specific purpose. Both restricted and unrestricted contributions are recognised as income when receivable. Credit is normally taken for contributions to core costs when funds are transmitted to overseas offices.

Income is only deferred when the charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Grants receivable from the Disasters Emergency Committee (DEC), Department for International Development (DfID), European Union (EU) and European Community Humanitarian Office (ECHO) represent both funds received in the year and funds requested at the year end. Funds committed by them but not requested at the year end are not included as they are only receivable when conditions are met. Grants payable on performance and their related reimbursables, are accounted for as the Charity earns the right to consideration. Where income is received in advance of performance its recognition is deferred and included in creditors. Where entitlement occurs before income is received the income is accrued.

Investment income is recognised on a receivable basis.

**c) Contributions in kind**

Agricultural commodities and medicines received at no cost from the EU for distribution under contracts related to special relief programmes are recorded at an ascribed amount representing the valuation at the date of distribution.

Other contributions/donations in kind are recorded at fair values on the date of contribution. No amounts are included in the financial statements for services donated by volunteers.

**d) Resources expended**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category. The direct costs of the Charity's work have been allocated to the new charitable activities categories in the SOFA. This has been done by analysing the way in which each project has been designed and implemented and then allocating a proportion of its cost to each of the relevant categories. Where costs cannot be directly attributed to particular headings, where practicable, they have been allocated to activities on a basis consistent with use of the resources. Central overhead costs are allocated to charitable and fund raising activities on the basis of their proportionate share of central support services.

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

Governance costs are the costs associated with the governance arrangement of the Charity which relate to the provision of the governance infrastructure of the Charity as opposed to those costs associated with fund raising or charitable activity. Included within this category are costs associated with the strategic as opposed to day-to-day management of the Charity's activities.

**Notes to the accounts**  
**For the year ended 30 June 2006**

**d) Resources expended (continued)**

Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

Irrecoverable VAT is not separately analysed and is charged to the statement of financial activities when the expenditure to which it relates is incurred and is allocated as part of the expenditure to which it relates

**e) Intangible assets**

Intangible fixed assets represent the cost of purchasing the Challenge team, which has been capitalised and is being amortised over a period of 5 years which is the Board's estimate of the minimum useful economic life of the asset subject to impairment reviews.

**f) Property and equipment**

Non-programme expenditure of more than £1,000 per item for buildings, equipment and leasehold improvements is capitalised at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

- ◆ Leasehold improvements over the remaining life of the lease
- ◆ IT equipment 3 years
- ◆ Other equipment 7 years

**g) Finance and Operating leases**

Rentals paid under operating leases are charged to the SOFA on a straight-line basis over the term of the lease.

Assets purchased under finance leases are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges. Finance charges are written-off to the SOFA over the period of the lease at a constant proportion of the balance of capital repayments outstanding.

**h) Fund accounting**

Unrestricted funds comprise funds available for use at the discretion of the Board in furtherance of the general objectives of the charity.

Restricted funds are funds subject to specific restrictions imposed by donors or by the purpose of the appeal under which they were raised.

**i) Investments**

Investments held as cash deposits denominated in foreign currency are translated into UK sterling at the rate of exchange prevailing at the balance sheet date. Differences arising on currency translation are expressed as movements in the market value of investments.

**j) Foreign currencies**

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

**k) Pensions**

Contributions to the defined contribution pension scheme are recognised in the SOFA when they are payable. The money purchase nature of the scheme assures there will be no funding deficit or surplus accruing to the charity in the future. The pension scheme is independently administered and the assets of the scheme are held separately from those of the Charity.

The Charity also participates in the Pensions Trust Growth Plan, a multi-employer pension scheme where it is not possible to separately identify the assets and liabilities of participating employers. This is a money purchase arrangement but it has some historical guarantees.

Accordingly these financial statements include pension costs payable on a defined contribution basis in accordance with Financial Reporting Standard 17, Retirement Benefits. The current overall position of the fund and the assumptions made are provided in note 22.

Notes to the accounts  
For the year ended 30 June 2006

2 Consolidated incoming resources

	Unrestricted 2006 £'000	Restricted 2006 £'000	Total 2006 £'000	Total 2005 £'000
Donations and sponsorship				
Individuals	2,138	397	2,535	2,389
Charitable foundations	149	289	438	654
Corporate donors	51	378	429	409
<b>Total</b>	<b>2,338</b>	<b>1,064</b>	<b>3,402</b>	<b>3,452</b>

From charitable activities

Department for international development (DfID)	461	17,190	17,651	18,347
DfID partnership programme agreement (PPA)	220	3,089	3,309	1,780
EU	383	5,590	5,973	2,783
ECHO	188	2,154	2,342	8,970
Disasters Emergency Committee (DEC)	504	15,620	16,124	3,573
Big Lottery fund	3	188	191	66
Other	(7)	93	86	560
<b>Total</b>	<b>1,752</b>	<b>43,924</b>	<b>45,676</b>	<b>36,079</b>

3 Fundraising costs

	Unrestricted 2006 £'000	Restricted 2006 £'000	Total 2006 £'000	Total 2005 £'000
Individuals	1,562	28	1,590	1,310
Charitable foundations	97	-	97	95
Corporate donors	107	-	107	82
Fundraising events	642	2	644	582
Support Costs	86	-	86	80
<b>Total</b>	<b>2,494</b>	<b>30</b>	<b>2,524</b>	<b>2,419</b>

4 Charitable activities

	Improving the human condition £'000	Improving the social position £'000	Improving the enabling environment £'000	Disaster response & emergency work £'000	Improving development practice £'000	Total 2006 £'000	Total 2005 £'000
Agriculture & Natural Resources	2,522	808	793	485	131	4,739	6,302
Education	57	55	76	(4)	49	233	427
Emergency	191	525	199	20,667	2	21,584	7,848
Small Business and Microfinance	1,146	825	570	-	30	2,571	3,896
Governance	1,380	1,076	4,669	7	27	7,159	7,422
Health	245	359	576	332	110	1,622	3,195
Multi-Sector projects	1,627	534	646	(133)	1,313	3,987	2,883
Urban	204	62	65	-	75	406	227
Water Supply & Sanitation	150	167	376	203	190	1,086	2,148
Other projects	447	51	287	20	180	985	1,444
Support Costs	414	231	428	1,119	109	2,301	2,114
<b>Total</b>	<b>8,383</b>	<b>4,693</b>	<b>8,685</b>	<b>22,696</b>	<b>2,216</b>	<b>46,673</b>	<b>37,906</b>

Negative amounts arose as a result of foreign exchange adjustments on projects funded mainly by DEC and ECHO.

Notes to the accounts  
For the year ended 30 June 2006

5 Expenditure incurred in the following geographic areas

	Improving the human condition	Improving the social position	Improving the enabling environment	Disaster response & emergency work	Improving development practice	Total 2006	Total 2005
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Asia	3,627	2,125	3,886	12,808	92	22,538	17,763
East & Central Africa	1,393	512	522	5,264	63	7,754	5,341
South & West Africa	2,137	1,386	2,140	3,306	308	9,277	8,357
Latin America	267	25	148	187	2	629	260
Europe & Middle East	424	303	721	(1)	245	1,692	2,617
PPA & other	121	111	840	13	1,397	2,482	1,454
Support Costs	414	231	428	1,119	109	2,301	2,114
<b>Total</b>	<b>8,383</b>	<b>4,693</b>	<b>8,685</b>	<b>22,696</b>	<b>2,216</b>	<b>46,673</b>	<b>37,906</b>

6 Governance costs

	Total 2006	Total 2005
	£'000	£'000
Internal Audit	64	60
External Audit	38	32
Trustees' Expenses	15	10
Trustees' Indemnity Insurance	3	3
Apportionment of directors' costs	42	38
Company secretarial	8	7
<b>Total</b>	<b>170</b>	<b>150</b>

External auditors' remuneration for other services was £8k (2005-£2k) which is included in support costs (note 7).

7 Support costs

	Management	Office costs	Finance & IT	Human Resources	Direct Support Costs	Total 2006	Total 2005
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost of generating funds							
Fundraising costs	18	31	28	9	-	86	80
Charitable activities							
Improving the human condition	60	102	91	30	131	414	586
Improving the social position	33	57	51	17	73	231	331
Improving the enabling environment	61	105	95	31	136	428	461
Disaster response & emergency work	160	275	247	82	355	1,119	581
Development practice	15	27	24	8	35	109	149
<b>Total</b>	<b>347</b>	<b>597</b>	<b>536</b>	<b>177</b>	<b>730</b>	<b>2,387</b>	<b>2,164</b>

Notes to the accounts  
For the year ended 30 June 2006

**8 Staff costs**

	2006 £'000	2005 £'000
Wages & Salaries	2,386	1,846
Social security costs	220	192
Pension costs	101	65
Other staff costs	157	137
	<u>2,864</u>	<u>2,240</u>

The average number of UK employees was:

	2006 Number	2005 Number
Programme and Programme Support	31	25
Marketing	31	29
Management and Administration	18	15
	<u>80</u>	<u>69</u>

In addition to full-time permanent staff, CARE International UK employed a small number of temporary staff at a cost of £25,545 (2005-£45,086) specialist consultants, and made use of local staff in overseas offices where CARE International UK projects are implemented

The number of employees whose emoluments in the year, as defined for taxation purposes, amounted to over £60k was as follows:

	2006 Number	2005 Number
£70,001- £80,000	-	1
£80,001- £90,000	1	-

Employer contributions are made to a money purchase scheme in respect of one higher paid employee (2005 - one) and during the year amounted to £6,313 (2005 - £937).

None of the members of the Board received any remuneration (2005 - £nil). Expenses reimbursed to members for travel undertaken on the charity's behalf amounted to £9,655 for 4 members (2005 - £5,936 for 3 members).

The charity paid £2,599 (2005- £2,599) for Trustees' Indemnity Insurance cover of £2million (2005 - £2 million).

**9 Intangible fixed assets**

**Group and Charity**

	Total £'000
Cost	<u>250</u>
Amortisation	
At 1 July 2005	150
Charge for the year	50
At 30 June 2006	<u>200</u>
Net Book value	
At 30 June 2006	<u>50</u>
At 30 June 2005	<u>100</u>

Intangible fixed assets represent the cost of acquiring the challenge Events Team amortised over 5 years.

**Notes to the accounts**  
**For the year ended 30 June 2006**

**10 Tangible fixed assets**

Group and charity	Leasehold improvements £'000	Office equipment £'000	IT equipment £'000	Total £'000
<b>Cost</b>				
At 1 July 2005	268	199	332	799
Additions	24	-	56	80
Disposals	-	-	-	-
At 30 June 2006	<u>292</u>	<u>199</u>	<u>388</u>	<u>879</u>
<b>Depreciation</b>				
At 1 July 2005	65	92	197	354
Charge for the year	35	22	80	137
Disposals	-	-	-	-
At 30 June 2006	<u>100</u>	<u>114</u>	<u>277</u>	<u>491</u>
<b>Net book values</b>				
At 30 June 2006	<u>192</u>	<u>85</u>	<u>111</u>	<u>388</u>
At 30 June 2005	<u>203</u>	<u>107</u>	<u>135</u>	<u>445</u>

**11 Investments**

**Group and Charity**

	2006 £'000	2005 £'000
Market Value at 1 July 2005	30	31
Exchange (loss) on revaluing investment	-	(1)
Market Value at 30 June 2006	<u>30</u>	<u>30</u>
Cost at 30 June 2005	<u>30</u>	<u>30</u>

Market Value at 30 June 2006 represents Unlisted investment – cash investment in CARE International Revolving Fund (see b) below).

**a) Subsidiary Company**

Investments held by the charity include an additional £2 (2005- £2) investment in the subsidiary company at cost.

The charity's investment is in 100% of the issued share capital of CI Enterprises Limited, which is registered in England and Wales- 2306212. The company's principal activity is to generate funds for the charity. A summary of the subsidiary's results and its position at 30 June 2006 is given in note 18.

**b) CARE International**

During the year, the charity continued to participate in the Revolving Fund established with other members of the CARE International Confederation, maintaining its investment of EURO 45,500. The Fund, which is administered by the CARE International Secretariat in Geneva, is used to provide short-term interest-bearing loans to finance projects.

**Notes to the accounts**  
**For the year ended 30 June 2006**

**12 Debtors**

	Group 2006 £'000	Group 2005 £'000	Charity 2006 £'000	Charity 2005 £'000
Due from donors	4,051	5,130	4,051	5,130
Due from other CARE offices	297	44	297	44
Sundry debtors	46	89	46	88
Due from subsidiary undertaking	-	-	44	8
Prepayments and accrued income	81	62	81	61
Project balances held overseas in CARE country office	6,266	4,699	6,266	4,699
<b>Total</b>	<b>10,741</b>	<b>10,024</b>	<b>10,785</b>	<b>10,030</b>

Project balances held overseas represent monies not yet expended by CARE offices overseas. Likewise, a programme creditor in respect of CARE office is where money has been expended in advance of funding.

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

	Group 2006 £'000	Group 2005 £'000	Charity 2006 £'000	Charity 2005 £'000
Programme creditors and other CARE offices	4,884	4,407	4,884	4,407
Suppliers	330	90	330	90
Short-term borrowings from CARE International Revolving Fund	356	439	356	439
Taxation and social security	78	55	78	55
Sundry creditors	10	10	10	11
Obligations under finance leases	-	41	-	41
Accruals	180	194	178	192
Deferred income	173	197	173	197
<b>Total</b>	<b>6,011</b>	<b>5,433</b>	<b>6,009</b>	<b>5,432</b>

Short term borrowings from CARE International Revolving Fund are for short term financing of programme costs pending receipt of funds from donors. These borrowings are short term in nature and unsecured and the interest rate remains at 3% pa.

**14 Creditors: amounts falling due after more than one year**

Group and Charity	2006 £'000	2005 £'000
Loan from CARE USA	-	250

Notes to the accounts  
For the year ended 30 June 2006

15 Consolidated statements of funds

	1 July 2005 £'000	Income £'000	Expenditure £'000	30 June 2006 £'000
<b>Restricted funds</b>				
Asia	4,193	22,420	(22,538)	4,075
East and Central Africa	834	7,995	(7,754)	1,075
Europe and Middle East	491	1,679	(1,692)	478
Latin America	144	675	(629)	190
South and West Africa	1,104	9,063	(9,277)	890
PPA and Other	2,240	3,230	(2,512)	2,958
<b>Total restricted funds</b>	<b>9,006</b>	<b>45,062</b>	<b>(44,402)</b>	<b>9,666</b>
<b>Unrestricted funds</b>				
General funds	1,440	5,686	(5,001)	2,125
<b>Total unrestricted funds</b>	<b>1,440</b>	<b>5,686</b>	<b>(5,001)</b>	<b>2,125</b>
<b>Total funds</b>	<b>10,446</b>	<b>50,748</b>	<b>(49,403)</b>	<b>11,791</b>

Deficit funds may occur when expenditure is made on a project that is expected to be reimbursed by a funder where at the end of the financial year, not all the conditions have been met that would justify this income being recognised within the accounts. This results in an excess of expenditure over income on some project funds. The trustees consider that the likelihood of reimbursement is of sufficient level to justify the carrying of these deficit funds at the year end.

At the year end the following projects had a deficit which was over £100k:

Donor	Project	Amount £'000
ECHO	Unity State Emergency	122
ECHO	Secure Project – Tsunami	249
		<b>371</b>
DEC	Acer Baser	572
DEC	Tsunami Emergency	103
		<b>675</b>
Various donors	Other	<b>996</b>
<b>Total</b>		<b>2,042</b>

After the balance sheet date £1,671k was recovered from donors. Funds from ECHO for the Unity State Emergency and Secure Project-Tsunami projects are expected by the end of the calendar year.

16 Analysis of net assets between funds

	Fixed Asset £'000	Current Assets £'000	Current Liabilities £'000	Long-term Liabilities £'000	Total £'000
Restricted funds	3	15,102	(5,439)	-	9,666
Unrestricted funds	465	2,232	(572)	-	2,125
	<b>468</b>	<b>17,334</b>	<b>(6,011)</b>	<b>-</b>	<b>11,791</b>

Notes to the accounts  
For the year ended 30 June 2006

17 Commitments

	Leasehold Premises		Equipment	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Leases expiring				
- within one year	-	14	12	12
- within two to five years	-	-	19	31
- over five years	270	270	-	-
<b>Total</b>	<b>270</b>	<b>284</b>	<b>31</b>	<b>43</b>

18 Subsidiary company

The charity owns the whole of the issued ordinary share capital of CI Enterprises Ltd, a company registered in England and Wales. The subsidiary is used for non-primary purpose trading activities. The company's main activities during the year were the provision of IT support to two European CARE offices.

All activities have been consolidated on a line by line basis in the SOFA.

CI Enterprises Ltd

	2006 £'000	2005 £'000
Total Trading income	36	10
Cost of sales	(11)	(2)
Gross Profit	25	8
Administrative expenses	(2)	(1)
Profit before charitable donation and taxation	23	7
Charitable donations	(23)	(2)
Net profit /(loss)	-	5
The aggregate of the assets and liabilities was	2006 £'000	2005 £'000
Assets	46	9
Liabilities	(46)	(9)
Funds	-	-

Notes to the accounts  
For the year ended 30 June 2006

19 Notes to the consolidated cash flow statement

**a) Reconciliation of net incoming resources to net cash inflow/  
(outflow) from operating activities**

	2006 £'000	2005 £'000
Net incoming resources for year	1,345	471
Foreign exchange loss on loan	13	7
Loss on disposals of fixed assets	-	6
Interest receivable	(153)	(63)
Interest payable	10	24
Operating surplus	<u>1,215</u>	<u>445</u>
Depreciation charges	137	128
Amortisation	50	50
(Increase) / Decrease in debtors	(717)	286
Increase in creditors	619	1,432
Net cash flow from operating activities	<u>1,304</u>	<u>2,341</u>

**b) Returns on investment and servicing of finance**

	2006 £'000	2005 £'000
Interest received	153	63
Interest paid	(7)	-
Interest element of finance lease payment	(3)	(24)
Net cash inflow/(outflow)	<u>143</u>	<u>39</u>

**c) Capital expenditure and financial investment**

	2006 £'000	2005 £'000
Purchase of tangible fixed assets	(80)	(145)
Net cash outflow	<u>(80)</u>	<u>(145)</u>

**d) Financing**

	2006 £'000	2005 £'000
Repayment of loan from CARE USA due after one year	(263)	-
Capital element of finance lease payments	(41)	(60)
Net cash (outflow)	<u>(304)</u>	<u>(60)</u>

**e) Analysis of net funds**

	At 30 June 2005 £'000	Cash flow £'000	Other flow £'000	Foreign Exchange £'000	At 30 June 2006 £'000
Cash at bank and in hand	5,530	1,063	-	-	6,593
Creditors due after one year	(250)	263	-	(13)	-
Finance leases	(41)	41	-	-	-
<b>Total</b>	<u>5,239</u>	<u>1,367</u>	<u>-</u>	<u>(13)</u>	<u>6,593</u>

**Notes to the accounts**  
**For the year ended 30 June 2006**

**20 Related party transactions**

CARE International UK's Chief Executive is a Director of the Disasters Emergency Committee (DEC). The charity is a member of the DEC and in the year paid a subscription of £36,869 (2005 - £37,775). The charity also receives funds from DEC appeals and amounts received in the year were £16,123,737 for the tsunami, Asia earthquake and Sudan emergencies (2005 - £3,573,416). At the year end no amounts were owed by the DEC to the charity (2005 - £nil) or by the charity to the DEC (2005 - £nil).

A former Director of CARE International UK, Amanda Rowlatt, currently works for DfID. She resigned from CARE International UK when she joined DfID (on August 1 2005).

**21 Taxation**

Care International UK is a registered charity and is not liable therefore to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities. Irrecoverable VAT is charged to its associated expenditure.

**22 Pension costs**

The Charity participates in a defined contribution scheme (Unitised Ethical Plan) and a multi-employer defined benefit scheme (Growth Plan) both administered by The Pensions Trust. Contributions to the multi-employer scheme paid into The Pensions Trust Growth Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001, contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either with the Growth Plan or by the purchase of an annuity.

Following a change in legislation in September 2005, there is technically a potential liability due from Care International UK that could be levied by the Trustees of the Plan, which would apply to employers with pre-October 2001 liabilities in the Plan. If Plan liabilities exceed assets, there would be a buy-out debt if an employer withdraws from the Plan. The leaving employer's share of the buy-out debt is the proportion of the Plan's pre-October 2001 liability attributable to employment with the leaving employer compared with the total amount of the Plan's pre October 2001 liabilities (relation to employment with all the currently participating employers). Given the number of factors to be considered in determining the liabilities, the debt can fluctuate over time.

The Pensions Trust has advised that an employer will only be deemed to have withdrawn if it has no active members remaining in the Plan and no eligible employees to whom to offer membership to the Plan. The Pensions Trust estimates that the debt for Care International UK on withdrawing from the plan would be £550k based on the financial position of the Plan at 30 September 2005. In the opinion of the Board, the possibility of the debt crystallising is unlikely for the Charity.

The Charity continues to offer membership of the Plan to its employees and contributions to both schemes for the year were £101k (2005-£65k). The employer's and employee's rates are 7.5% and 4% respectively.