

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS
(A Company Limited by Guarantee)

Auditors' Report

Independent Auditors' Report to the members of the Catholic Institute for International Relations (CIIR)

We have audited the financial statements of CIIR for the year ended 31 March 2005 which are set out on pages 3 to 13. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

CIIR Audit Report

This report is made solely to the members of the Company, as a body, in accordance with section 235 of the Companies Act 1985 and for no other purpose. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for that purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As described in the Statement of Directors' Responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and UK Auditing Standards.

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 Directors' Report is not consistent with the financial statements, if the Company 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 directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Institute's affairs as at 31 March 2005, as well as of the incoming resources and application of resources, including its income and expenditure, and cash flow for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Appleby & Wood
Registered Auditors
3 The Office Village
London E15 4EA

27 June 2005

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS

BOARD OF TRUSTEES

DIRECTORS

Helena Molyneux, Chair
Timothy Chambers, Treasurer
Jane Leek, Vice Chair
Max Figueiredo
Sue Lucas
Phil King
Rick Davies
Rosemary Read
Brenda Lipson
Dennis Sewell

Graham Young (term of office ended 20th September 2004)

SENIOR STAFF

Christine Allen, Executive Director
James Collins, Director of Finance and Administration
Nick Sireau, Director of Communications
Roderick MacLeod, International Programmes Director (appointed 4th April 2005)
Mary Garvey, Programmes Director (resigned 3rd September 2004)

AUDITORS

Appleby & Wood
Registered Auditors
3 The Office Village
London E15 4EA

BANKERS

Royal Bank of Scotland
40 Islington High Street
London N1 8XJ

REGISTERED OFFICE

Unit 3 Canonbury Yard
190a New North Road
London N1 7BJ

SOLICITORS

Nabarro Nathanson
Lacon House
Theobald's Road
London WC1 8RW

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS
(A Company Limited by Guarantee)

STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2005

	Note	Unrestricted Funds £	Restricted Funds £	Total Funds 2005	Total Funds 2004 £
Income and Expenditure					
Incoming Resources					
Voluntary Income (Programme Funding)					
Grants, donations, earmarked projects and sponsorship	12	-	2,190,325	2,190,325	1,899,739
Block grant from Department for International Development	3	2,430,000	-	2,430,000	2,370,000
Legacies		50,500	-	50,500	-
Subscriptions and donations		31,505	-	31,505	31,303
Sundry receipts		92,007	-	92,007	100,886
Activities for Generating Funds					
Sales of publications		2,789	-	2,789	2,666
Investment Income					
Interest received		44,364	-	44,364	31,232
Total Incoming Resources		<u>2,651,165</u>	<u>2,190,325</u>	<u>4,841,490</u>	<u>4,435,826</u>
Resources Expended					
Costs of Generating Funds					
Fundraising and publicity	4	118,270	-	118,270	111,652
Charitable Activities					
Costs of activities in furtherance of the charity's objectives	5,12	1,876,245	1,938,248	3,814,493	3,781,536
Governance costs	6	619,112	-	619,112	559,794
Total Resources Expended		<u>2,613,627</u>	<u>1,938,248</u>	<u>4,551,875</u>	<u>4,452,982</u>
Net Incoming/(Outgoing) Resources for the year	12	37,538	252,077	289,615	(17,156)
Balance brought forward at 1 April		650,452	396,833	1,047,285	1,064,441
Balance Carried Forward at 31 March		<u>687,990</u>	<u>648,910</u>	<u>1,336,900</u>	<u>1,047,285</u>

The notes on pages 8 to 13 form part of these Financial Statements.

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS
(A Company Limited by Guarantee)

**SUMMARY INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005**

	2005	2004
	£	£
Total income of continuing operations	4,841,490	4,435,826
Total expenditure of continuing operations	(4,551,875)	(4,452,982)
Net income/(expenditure) for the year	<u>289,615</u>	<u>(17,156)</u>

Total income comprises £2,651,165 for unrestricted funds and £2,190,325 for restricted funds.
A detailed analysis of income by source is provided in the Statement of Financial Activities on page 3.

Turnover of non-charitable trading activities amounted to nil.

Detailed analysis of the expenditure is provided in the Statement of Financial Activities and in the notes to these Financial Statements.

The net income for the year ended 31 March 2005 is £289,615 (£37,538 to unrestricted reserves and £252,077 to restricted reserves) to comply with accounting policies detailed in SORP 2005. Please see note 12 for more information.

The Summary Income and Expenditure Account is derived from the Statement of Financial Activities on page 3 which, together with the notes to the accounts on pages 8 to 13, provides full information on the movements during the year of all funds.

The notes on pages 8 to 13 form part of these Financial Statements.

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS
(A Company Limited by Guarantee)

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES
FOR THE YEAR ENDED 31 MARCH 2005

	2005	2004
	£	£
Net incoming/(outgoing) resources for the year	289,615	(17,156)
Total incoming/(outgoing) resources recognised since the last annual report	<u>289,615</u>	<u>(17,156)</u>

The notes on pages 8 to 13 form part of these financial statements

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS
(A Company Limited by Guarantee)

BALANCE SHEET AS AT 31 MARCH 2005

		2005		2004	
	Note	£	£	£	£
Fixed assets	8		6,654		11,112
Current assets					
Stocks		6,336		6,638	
Debtors	9	154,765		180,598	
Cash at bank and in hand	10	1,476,425		1,229,904	
		1,637,526		1,417,140	
Creditors falling due within one year					
Liability for earmarked projects		38,564		43,756	
Other creditors	11	234,264		292,689	
		272,828		336,445	
Net current assets			1,364,698		1,080,695
Total assets less current liabilities			1,371,352		1,091,807
Creditors falling due after more than one year					
Provisions			(34,452)		(44,522)
			1,336,900		1,047,285
Income Funds					
Unrestricted charitable funds			687,990		650,452
Restricted funds	12		648,910		396,833
	13		1,336,900		1,047,285

The notes on pages 8 to 13 form part of these Financial Statements.

Approved by the Board of Trustees on 27 June 2005

Helena Molyneux	Board of Trustees Chair
Timothy Chambers	Treasurer
James Collins	Company Secretary

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS
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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2005

	2005		2004	
	£	£	£	£
Net cash inflow from operating activities		202,807		107,074
Returns on investments and servicing of finance				
Interest received	44,364		31,232	
Net cash inflow from returns on investments and servicing of finance		44,364		31,232
Investing activities				
Purchase of fixed assets	(650)		(5,287)	
Net cash (outflow) from investing activities		(650)		(5,287)
Increase in cash		246,521		133,019

Notes to the cash flow statement	2005		2004	
	£	£	£	£
1. Reconciliation of incoming/(outgoing) resources to net cash inflow from operating activities				
Net incoming/(outgoing) resources for the year	289,615		(17,156)	
Interest received	(44,364)		(31,232)	
Operating surplus/(deficit)		245,251		(48,388)
Depreciation charges		5,108		4,598
Decrease in provisions		(10,070)		12,110
Decrease in debtors and stocks		26,135		166,731
Decrease in creditors		(63,617)		(27,977)
Net cash inflow from operating activities		202,807		107,074

2. Analysis of changes in net funds

	2005	2004	Change in
	£	£	year £
Cash at bank and in hand	25,047	31,630	(6,583)
Balances held overseas	161,092	157,043	4,049
Short term deposits	1,290,286	1,041,231	249,055
	1,476,425	1,229,904	246,521

CATHOLIC INSTITUTE FOR INTERNATIONAL RELATIONS
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NOTES TO THE FINANCIAL STATEMENTS

1. Incorporation

The Institute was incorporated as a Company limited by guarantee on 1 April 1987, and these Financial Statements have therefore been prepared in accordance with the Companies Act 1985. The assets and liabilities of the Institute were taken over by the Company as from 1 April 1987.

2. Accounting policies

a) Basis of accounting: the Financial Statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards and with the requirements of Statement of Recommended Practice 2005, 'Accounting and Reporting by Charities'.

b) Income: grants, donations and sponsorships are accounted for on a receivable basis. Note that this accounting policy changed in the year ended 31 March 2004. Previously, income specifically allocated to projects not utilised at the year end has been carried forward as a creditor. From 2004 onwards, this has been treated as Restricted Reserves (see note 12 to these Financial Statements).

c) Depreciation: depreciation is provided on the straight-line method to write off the cost of fixed assets over their estimated useful life. The following annual rates of depreciation are used:

Computer/electronic equipment	33%
Other office equipment	15%

Equipment and vehicles held by the overseas offices have been funded by grant and no value is therefore shown.

d) Foreign currencies: foreign currency transactions are translated into sterling at the rates of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

e) Publications stock has been valued at the lower of cost and net realisable value.

f) Expenditure is charged in the year in which it is incurred and provision is made for all committed expenditure. Expenditure is allocated to its appropriate categories on a direct basis or where apportionment takes place on an appropriate basis.

3. Department for International Development block grant

This is the fourth year of our Partnership Programme Agreement between CIIR and the Department for International Development (DFID). This funding is for CIIR's contribution to work on increasing the participation of the poor in decision making and promoting the involvement of faith groups in tackling poverty. It includes elements for communications, advocacy, monitoring and management as well as development worker and associated costs. Although CIIR and DFID have agreed work and outcomes, and monitoring is in place for effective reporting against these, this funding is classified as unrestricted income.

4. Fundraising and publicity

	2005 £	2004 £
Salaries (UK salaries, social security costs & pensions)	89,470	91,841
Research	1,084	800
Travel	4,428	2,500
Meetings	611	900
Stationery	545	400
Postage	3,705	3,000
Design and printing	3,745	3,816
Advertising	794	650
Other expenses	3,016	600
Fundraising initiatives	10,872	7,145
	118,270	111,652

5. Costs of activities in furtherance of the charity's objectives

Total direct charitable expenditure of £3,814,493 as shown on page 3, is expended as follows:

	2005 £		2004 £
Programme delivery			
Local allowances and subsistence	196,222		217,167
Training, allowances and materials	169,048		160,794
Vehicles and transport equipment	60,299		75,989
Construction	2,350		10,122
Monitoring and evaluation	65,034		66,005
Observer mission	23,485		6,760
Direct partner support	388,759		427,613
Salaries (UK office, social security costs & pensions)	222,093		218,093
Conferences/workshops/seminars	187,907		181,789
Consultancies and technical assessment	41,045		32,782
Travel	79,506		81,693
Advocacy capacity partner development	154,532		134,976
Publications	48,805		57,027
	<u>1,639,085</u>		<u>1,670,810</u>
Development workers			
Pre-departure grant	13,253		12,023
Travel	66,863		74,097
Equipment grants	4,267		2,340
Insurance, social security and medical expenses	87,902		97,077
Training	58,569		48,663
Overseas local costs	716,353		727,498
Accommodation	183,700		158,517
	<u>1,130,907</u>		<u>1,120,215</u>
Programme support			
Recruitment and selection	54,335		50,199
Programme administration	473,767		420,151
Salaries (UK office, social security costs & pensions)	230,040		257,300
Publications	8,216		10,198
Travel	45,073		40,287
Conferences and meetings	15,041		32,421
Consultancies	24,009		21,913
	<u>850,481</u>		<u>832,469</u>
Communications			
Salaries (UK salaries, social security costs & pensions)	145,082		118,018
Electronic media	8,397		-
Publications	17,225		14,443
Postage and stationery	8,536		7,039
Other expenses	7,894		9,036
Travel	6,886		6,923
Organisation plan, catalogue and leaflets	-		2,583
	<u>194,020</u>		<u>158,042</u>
	<u>3,814,493</u>		<u>3,781,536</u>

6. Governance Costs	2005	2004
	£	£
Salaries (UK salaries, social security costs & pensions)	329,732	307,880
Office repairs and maintenance	35,206	15,102
Depreciation	5,108	4,598
Insurance	14,593	15,555
Travel	10,001	9,638
Telephone, fax and e-mail	23,210	25,948
Postage, printing and stationery	22,657	23,664
Audit fees	12,350	12,000
Professional fees	11,150	7,952
Rent, rates and heating	83,484	83,535
Training	2,963	3,609
Other expenses	7,679	5,379
Provision for dilapidations	6,000	1,250
Publications	1,000	1,475
Meetings	6,600	5,901
House maintenance and consumables	8,000	13,965
Computer maintenance and development	25,847	19,844
Corporate identity	10,000	-
Annual General Meeting	3,532	2,499
	<u>619,112</u>	<u>559,794</u>

£6,500 of equipment was purchased in the UK during the year which was grant funded and therefore not capitalised.

£3,400 was paid to Board of Trustees members to cover overseas internal monitoring visits and general travel expenses.

£20,000 was expended on refurbishment of the UK offices.

7. Information regarding employees	2005	2004
	£	£
UK employee costs during the year		
Salaries	884,957	859,979
Social security costs	91,794	87,814
Pensions	39,666	45,339
	<u>1,016,417</u>	<u>993,132</u>

	2005	2004
	Number	Number
Number of persons employed		
UK	33	34
Overseas country representatives	10	10
Local staff employed in country	<u>31</u>	<u>31</u>
	<u>74</u>	<u>75</u>
Development workers employed by projects	<u>81</u>	<u>82</u>

No employee earned £50,000 or more in the year

8. Fixed assets	Office improvements, furniture & equipment	Total
	2005	2005
	£	£
Cost		
At beginning of year	18,724	18,724
Additions	650	650
Disposals	(3,480)	(3,480)
At end of year	<u>15,894</u>	<u>15,894</u>
Depreciation		
At beginning of year	7,612	7,612
Disposals	(3,480)	(3,480)
Charge for year	5,108	5,108
At end of year	<u>9,240</u>	<u>9,240</u>
Net book value at 31 March 2005	<u>6,654</u>	<u>6,654</u>
Net book value at 31 March 2004	<u>11,112</u>	<u>11,112</u>
9. Debtors	2005	2004
	£	£
Grants receivable	135,135	155,282
Other debtors	2,956	5,982
Pre-payments	16,674	19,334
	<u>154,765</u>	<u>180,598</u>
10. Cash at bank and in hand	2005	2004
	£	£
Cash on current accounts and in hand	25,047	31,630
Balances held overseas	161,092	157,043
Short term deposits	1,290,286	1,041,231
	<u>1,476,425</u>	<u>1,229,904</u>
11. Other creditors: amounts falling due within one year	2005	2004
	£	£
Accruals	193,328	270,017
Other creditors	40,936	22,672
	<u>234,264</u>	<u>292,689</u>

12. Restricted funds

The income funds of the Charity include restricted funds comprising the following balances of donations and grants, unexpended at 31 March 2005 and held on trust to be applied for specific purposes thereafter:

	Brought forward at 31 March 2004	Incoming resources 2004/05	Grants receivable 2004/05	Expended in year 2004/05	Carried forward at 31 March 2005
	£	£	£	£	£
European Commission	10,948	288,466	-	(194,966)	104,448
DFID - Bangkok	16,815	256,088	-	(211,442)	61,461
CAFOD	30,669	148,590	-	(138,334)	40,925
Cordaid	-	50,115	-	(44,078)	6,037
Comic Relief	30,736	162,286	125,026	(299,322)	18,726
Big Lottery Fund Andes (IG/1/001071978)	21,440	221,445	-	(178,216)	64,669
Big Lottery Fund Central America (IE/1/010012266)	119,301	275,394	-	(295,019)	99,676
Big Lottery Fund Somalia/Somaliland (ID/1/000265384)	23,046	92,947	7,033	(123,026)	-
Development Cooperation Ireland (DCI)	-	327,877	-	(189,991)	137,886
Social Fund for Development (World Bank)	-	50,951	-	(48,725)	2,226
Others	143,878	181,031	3,076	(215,129)	112,856
	<u>396,833</u>	<u>2,055,190</u>	<u>135,135</u>	<u>(1,938,248)</u>	<u>648,910</u>
		<u>2,055,190</u>	<u>135,135</u>		
Total restricted funding during year			<u>2,190,325</u>		

The increase in Restricted Income Funding is largely due to funding that has been secured in advance of the work commencing. The increase at 31 March 2005 amounting to £252,077 (to £648,910 in 2005, from £396,833 in 2004) is shown in the Statement of Financial Activities on page 3 of these Financial Statements as net Incoming Restricted Funds for the year. The Board of Trustees are happy with the delivery of expenditure over planned work in the year to March 2005 and a new work plan has been approved to factor in the restricted income carry-forward.

13. Reserves

Reserves at 31 March were as follows:

	2005	2004
	£	£
Unrestricted charitable funds	687,990	650,452
Restricted funds	648,910	396,833
Total reserves	<u>1,336,900</u>	<u>1,047,285</u>

CIIR maintains reserves to safeguard its programmes of work and its employees in the event of sudden and unexpected losses of income and/or increases of expenditure. Current levels of unrestricted reserves are sufficient to cover CIIR's operations for a period of eight weeks.

The Board's directive to CIIR's management acknowledges that a balance should be maintained between building reserves and supporting CIIR's operations. The Board has been pleased to see the steady increase in unrestricted reserves over the past three years, but maintains its view that this replenishment of reserves must continue in future years to further the Institute's ability to safeguard its activities.

The Board continues to review CIIR's level of unrestricted reserves on an annual basis. Its current target is for them to be increased to cover CIIR's operations for between two and three months.

14. Pensions

CIIR operates a contributory pension scheme open to all UK employees. This defined contribution scheme is administered by Friends Provident who are independent of CIIR's finances. Employees who have completed a three-month probation period are offered the opportunity to join the Group Personal Pension Plan; alternatively they may choose a personal pension of their own. CIIR contributes 7 per cent of each employee's salary and the employee contributes a minimum of 3 per cent of salary to the scheme. Employer contributions charged to the Statement of Financial Activities were £39,666 in 2004/5 (£45,339 in 2003/04).

15. Analysis of net assets between funds

	Unrestricted Reserves £	Restricted Reserves £	Total £
Tangible fixed assets	6,654	-	6,654
Current assets	988,616	648,910	1,637,526
Current liabilities	(272,828)	-	(240,628)
Long term liabilities	(34,452)	-	(66,652)
Net assets at 31st March 2005	<u>687,990</u>	<u>648,910</u>	<u>1,336,900</u>

Acknowledgements

CIIR wishes to thank the individuals and organisations that made donations to its work in 2004/2005.

The following agencies and individuals donated more than £1,000 in the year 2004/2005

Bethlehem Fathers
Canadian Catholic Organisation for Development and Peace
Caritas Aotearoa New Zealand
Corcoran, Sam and Helen
Davies, Revd Canon P
Dominican Generalate
Haskins, C and G
Mangar International Ltd
Misereor
Oxfam
Penarth CIIR Support Group
Society of the Sacred Heart
St Edmund's Presbytery
Tolkien Trust, The
Trafford, Dermot H De
Walsh, John
Wild Rose Trust
William, Margaret
Wimsa
Wooding, Philip

The following agencies donated more than £20,000 in the year 2004/2005

Big Lottery Fund (Community Fund)
Catholic Agency for Overseas Development (CAFOD)
Catholic Organisation for Relief and Development (Cordaid)
Christian Aid
Comic Relief
Department for International Development (DFID)
Department for International Development (DFID) Bangkok
Development Cooperation Ireland (DCI)
European Commission (EC)
Fund for International Development (OPEC)
Isle of Man
Missio
Social Fund for Development (World Bank)
Trocaire

Statements of Directors' responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the Directors 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 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 Company will continue in business.

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

DRAFT Trustees' Report

For the financial year ending March 2005

a. About CIIR

CIIR is:

- An international development organisation that works in countries around the world to tackle poverty and the causes of poverty through sharing skills and policy advocacy, summed up by the phrase: *changing minds - changing lives*;
- Committed to tackling poverty and exclusion especially of women, marginalised and excluded groups, and to bringing about lasting change in policy and practice that results in sustainable development;
- Dedicated to long-term, respectful and close working relationships with partners;
- Working with people of all faiths and none, offering a progressive Catholic perspective independent of church structures;
- An organisation with members concerned and active on issues of justice, peace and the integrity of creation.

b. What do we seek and why?

CIIR is striving for a just world where people can have life in all its fullness, where human rights are respected, where all have their basic needs met and exert control over their lives.

CIIR's values are based on a framework inspired by a combination of Gospel values and Catholic Social Teaching alongside secular development thinking. CIIR is committed to working with people of all faiths and none in a spirit of tolerance and respect.

CIIR's work is rooted in a belief in the importance of human dignity. In tackling poverty and its causes we seek the empowerment and full development of the human person within the context of the development process. CIIR believes that tackling poverty and bringing about sustainable development requires addressing injustice and the unequal power relations that exist in our world.

The Memorandum & Articles of Association include the charitable objects of tackling poverty, sickness and distress around the world; to provide public education and research on the nature, causes and effects of poverty; to provide any Christian or moral consideration of these issues; to promote a greater understanding of the contribution of faith-based groups to development and international affairs and to encourage faith reflection by Catholics and others on development issues, fostering tolerance and respect between different faith groups working together to tackle poverty, inequity, sickness and distress.

c. How do we work?

CIIR works by building up the capacity of those in need (through development workers sharing their skills) alongside advocacy for change in policy and practice.

Development workers bring skills that are not readily available to partners to enable and empower them to make a difference locally. CIIR does this with civil society around the world – local organisations, networks and umbrella bodies. Through placing skilled development workers, we seek to build their capacity and engage in a shared task of seeking change. Occasionally we work with governments, usually by providing advice and information on the best means to tackle poverty. CIIR does not work with individuals, nor make grants.

CIIR is independent of official church structures, but values its catholic heritage and brings an analysis and perspective that is rooted in Catholic Social Teaching (and particularly concepts such as dignity of the human person and the preferential option for the poor). CIIR works with people of all faiths and none. CIIR is also known as International Cooperation for Development in some of the countries where we work.

CIIR has development worker programmes in twelve countries, with offices in eleven. There are also partners in some countries where advocacy work takes place, for instance in West Papua. In South East Asia, CIIR has been working with the SEACA capacity building network across eight countries. This five-year project was due to end in March 2005, but has been extended by six months to ensure a full handover.

d. Objectives and achievements

2004/05 was the last year of a three-year organisational plan. This plan highlighted six areas of programme work within which CIIR would work to reduce poverty and improve the living conditions of people who are poor and marginalised and to strengthen the ability of civil society organisations to tackle poverty and injustice.

Two of the programmes, in Somaliland and Dominican Republic/Haiti, underwent an independent evaluation this year. The consultant reported that both programmes were innovative, strategic and responsive to the needs of the countries. He commented on the importance and effectiveness of building the capacity of local organisations to tackle poverty in a sustainable way. He also highlighted various ways in which the programme activity related to various Millennium Development Goals especially in relation to tackling poverty and improving the environment.

It is this more coordinated, and programmatic approach, that enables the development workers to be more effective. CIIR seeks to build on this more fully in the coming years in terms of better organisational and partner learning. Furthermore, we will continue to ensure our advocacy work is more integrated with partner experience.

In the programme area of sustainable environment, clear progress has been made in Central America in improving the ability of local small-scale farmers to produce food in a way that is sustainable and does not create dependence on expensive or imported pesticides and provides income and food for local families. This work has also fed into northern focused advocacy work to ensure small-scale farmers can continue to have food security in the face of increasing control of seeds from multinational corporations.

In Zimbabwe, ICD continues to work with Jairos Jiri, a service organisation for people with disability (PWDs). Jairos Jiri is the largest disability organisation in the country and addresses a range of issues faced by PWDs, including support for community-based rehabilitation projects, economic empowerment, social welfare and PWDs' rights. In the last year, a development worker worked with local people to set up and organise training for about 20 advocacy committees. The communities are now increasingly taking ownership of the committees, initiating their own fundraising and advocacy campaigns without depending on Jairos Jiri for support.

CIIR had 81 development workers in place during the year. It was disappointing that this was one less than the previous year, but this was due to timings and variance in funding as well as other pressures. CIIR remains on target for future growth in 2005/06 as outlined in the new strategic plan. This is evidenced by the increased restricted funds in the balance sheet that will be utilised in the forthcoming year.

CIIR does not make grants, but from time to time, development workers will have a small budget that they work with, or there will be joint projects with partners that include an element of funding that the partner utilises usually with the DW support. In such cases the monies will be allocated within a previously agreed project framework.

CIIR believes that policy analysis and advocating for change in policy is necessary to bring about sustainable development. CIIR/ICD supports partners in local advocacy and engages its members and supporters to be informed and to take action to tackle the causes of poverty. As part of this, CIIR has joined with many other organisations in the **MAKEPOVERTYHISTORY** coalition and is working with faith groups and organisations in ensuring that Christian people (and others) are aware of the moral imperative to tackle poverty enshrined in religious teachings.

Informing and educating people about poverty and its causes, especially among the Catholic community, is an important part of CIIR's mandate. CIIR's publications have been well received this year, and a particular highlight has been the improved website. In line with the organisation's values, CIIR was concerned that this be accessible and it was shortlisted for a disability access award. This part of CIIR's work was also successful in getting a grant from AOL to develop support for partners in setting up their own websites. The Communications team is one part of the organisation that makes a significant use of volunteers to the extent of the equivalent of just over one full time person a week, which for CIIR is a considerable asset.

Further details of how CIIR has contributed to these objectives can be found in the annual review and on the website.

Within the 2002–2005 plan, CIIR set itself some internal objectives. A restructuring of the programme team in London took place in 2005 which sought to free up resources to spend overseas and to establish staff roles to improve organisational learning and increase effectiveness on funding. This was successful although costs associated with redundancies were incurred. Most of these costs were absorbed within the existing salary budget, and using some contingencies that had been made. The net costs can be seen in the additional expenditure under programme administration.

An organisation-wide Performance and Development Review process was implemented (with full training) to ensure that we were able to improve our organisational effectiveness and provide effective training and development to employees. All CIIR staff work to clear objectives, in line with the strategic plan and departmental plans. CIIR also successfully completed its objectives in relation to the reserves replenishment target after the deficit of 2001.

During 2005 CIIR undertook a thorough strategic review and drew up a new strategic framework, along with separate plans for its activities in the regions, communications, IT and fundraising.

e. CIIR's structure

During 2005 the management structure was revised. CIIR's Senior Management Team is made up of the Directors of the three main areas of the organisation: Programmes, Communications, and Finance and Administration under the Executive Director. This provides balance and an effective organisational overview. The SMT reports directly to the Board and works closely with relevant committees of the Board.

CIIR's senior staff work to clear delegated authorities from the Board of Trustees. The Director of Finance has worked closely with the Treasurer throughout the year, and in reporting to the Finance and Audit Committee in particular. The Chair of the Board has met with the Executive Director on a regular basis throughout the year to offer on-going support and guidance as well as performance reviews.

In addition to the London staff, CIIR has staff in offices in eleven countries, who report to the relevant Regional Manager based in the UK. Regional Managers report to the Programmes Director.

CIIR pays all the costs of development workers although they are usually based with the partner organisation. A tri-partite agreement (between the DW, the partner and CIIR/ICD) ensures clarity of roles and expectations although responsibility for day-to-day management usually lies with the partner. CIIR is involved in regular reviews and the development workers provide reports to CIIR.

f. CIIR's governance

The Board of Trustees has the main governance role in CIIR. There are three sub-committees: Finance and Audit, Nominations and Remuneration Committee and a Branding working group. All committees have terms of reference and report back to the main Board at meetings.

Members of the Board are expected to attend four meetings a year and participate in a committee or engage with CIIR's work in another way. An awayday is held annually which this year considered the strategic plan and the future direction of programme work. The Board were very closely involved in the

development of the organisation's strategic plan for 2005–2010 which is in line with the role of the Board in establishing strategic direction. Attendance at Board meetings during the year was very high.

Membership of the Board is open to anyone, although the Chair has to be held by a Catholic. The process of recruitment is open and rigorous, following a written procedure. All recruitment is overseen by the Nominations Committee that regularly undertakes audits of the skills balance in the Board. Any new members to the Board are ratified by the membership at an AGM.

As well as Board recruitment, the Nominations Committee also takes responsibility for offering advice on HR issues and any matters relating to the senior team. The Finance and Audit Committee is responsible for overseeing the financial security of CIIR including fundraising.

This year CIIR has built on its earlier work done with stakeholders on renewing CIIR's vision and values. Analysis in the strategic planning process demonstrated that the organisation needed more effective marketing, including serious questions as to whether our names, CIIR and ICD, were a help or a hindrance. A working group, reporting to the Board and including three Board members was set up to oversee the process. From working with volunteers and pro-bono advisors CIIR has undertaken a professional review at minimal cost. The process is going to be completed in 2005/06 and will continue to be professional, and the Board is grateful to those who have given their expertise in this process.

CIIR completed its work to revise its Memorandum & Articles. The sub-group was wound up when the final governance documents were accepted by the membership at the AGM in 2004. The final resolution for acceptance, with Charity Commission approval, will be presented to the membership in 2005.

CIIR's work to form a company in Ireland – CIIR Ireland – came to a conclusion when the legal registration was finalised in May 2004. The company is independent, trading under the CIIR name although it is not a subsidiary. There is a clear relationship to the UK Company as the Board of Trustees in the UK currently make up the majority of members of the Irish company. The company has similar aims to CIIR, and works to offer financial support CIIR's programme activity overseas. In addition to raising money from Irish sources, the company also aims to raise awareness and inform and educate people in Ireland on development issues. During the year to come, a Memorandum of Understanding will be drawn up between the two companies.

g. Risk management

CIIR undertakes risk assessments on a regular basis, including annual consideration by the Trustees. In the year, the strategic planning considered a SWOT (Strengths, Weaknesses, Opportunities, Threats) analysis of the organisation on a number of levels. The F&A committee considered a range of risks as part of the budget planning process. An assessment of the organisational risks will be undertaken by the Finance Director and a full risk assessment (including programme activity) will be undertaken in late 2005.

h. Financial review

Income in this financial year was up by £405,664 on 2003/04. Of this funding £252,077 was received during the year for activities commencing after 31 March 2005, and therefore has been allocated to reserves as a restricted fund. Expenditure during the year increased by £98,893, resulting in a surplus transferred to Unrestricted Reserves of £37,538.

A major financial achievement was the successful renegotiation of the Partnership Programme Agreement with DFID. CIIR's strategic partnership was renewed for a further six years, with three years' funding allocated at this point, and increased by 15 per cent from the previous year.

The majority of CIIR's funding (79 per cent) is from public sources. This presents a challenge not only in the administration and management of constant grant maintenance and reporting, but also in terms of the restrictions placed upon it. Our target is to increase the income from private and unrestricted sources over the next five years. Under our Director of Communications, CIIR has begun to explore the possibilities of Direct Marketing and how to increase the giving from major donors. Within the

programmes side, CIIR created a new Programmes Funding team (as part of the restructuring) to ensure this plan of growth can be met.

The organisation has continued to be rigorous in chasing up debtors and cash flow has continued to improve considerably. This has contributed to an improvement in the level of interest receivable as well as greater organisational security.

During the year, as highlighted elsewhere in this report, our restructuring resulted in redundancy and other associated costs. These costs were planned to be kept to a minimum, with most costs absorbed within the salary budget. The net additional costs can be seen under programmes administration (page 9).

i. Reserves policy

As is outlined in the Financial Statements, the Trustees' policy is that CIIR has a level of unrestricted reserves of between 8–12 weeks running costs. Although the total level of reserves may at first look high, this is split between unrestricted and restricted reserves; only unrestricted reserves are available to use freely as the organisation chooses. At the moment, although CIIR has reached its target of replenishing reserves after the deficit recorded in 2001, the levels of unrestricted reserves are at the lower end of the stated policy.

Given that CIIR seeks a small yet sustained growth, we aim to continue to increase reserves progressing to the desired level of two to three months. the level of reserves will be reviewed by the Board on an annual basis.

j. Plans for future periods

As mentioned, CIIR has completed a strategic planning process during 2004/05. This process was a full and participatory one, drawing on input from various stakeholders including members, partners, development workers and board members as well as staff. The new strategic plan includes development plans for programme, communications and fundraising as well as for the organisation as a whole. Each section has identified objectives and action plans have been drawn up for the year to come. CIIR seeks a realistic but nonetheless challenging amount of growth but still wants to remain a medium sized and flexible organisation.

The Trustees have been very active during the last year, engaging fully in the strategic planning process and ensuring CIIR continues to be effective in its mission.