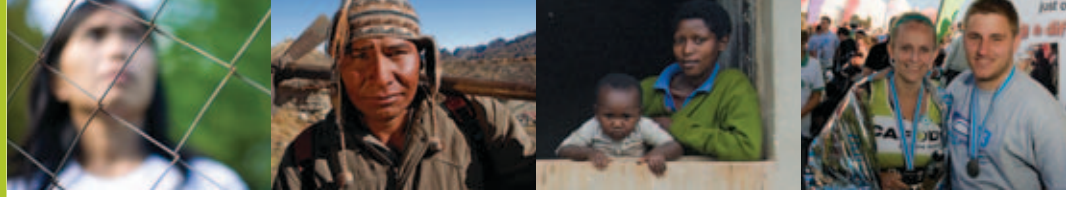


Report of the Trustees and Financial Statements

For the year ended 31 March 2011

CAFOD
Just one world

Contents

- Report of the Trustees: pages 1 – 26
  - Letter from the Chair
  - Overview
  - Objectives and activities
  - Achievements and performance
  - Aims
  - Financial review
  - CAFOD's priorities for 2011/2012
  - Structure, governance and management
- Report of the independent auditors: page 27 – 28
- Group statement of financial activities: page 29
- Group balance sheet: page 30
- Group cash flow statement: page 31
- Notes to the financial statement: pages 32 – 45
- Organisational details: page 46

Letter from the Chair

I am proud to present to you CAFOD's Trustees' Report and Financial Statements for 2010/11.

In June 2010, CAFOD embarked on our new strategy, called Just One World, which sets the direction for our work over the next decade. It sums up the approach to our mission in three key themes: change, faith identity and partnership. Together with the Catholic community in England and Wales and our partners around the world, CAFOD strives to bring about real, lasting change in the lives of the world's poorest and most disadvantaged people. Underpinning this is our faith identity, which inspires all our work and helps CAFOD to reach the remotest areas through a Church network that spans the globe.

Through the stories and examples that follow in this report, I invite you to assess the progress we have made over the last 12 months against the four Just One World aims, reported more fully below and summarised as:

> Aim 1: **Increasing power and influence of women and men in the poorest and most disadvantaged communities ...**

> Aim 2: **Promoting sustainable development to enable access to essential services and resources for the poorest and most disadvantaged ...**

> Aim 3: **Achieving peace, security and recovery from crises for the poorest and most disadvantaged...**

> Aim 4: **Building our partnerships in the Catholic community in England and Wales ...**

The year 2010/11 was a record one for CAFOD in terms of the support we contributed to vulnerable communities across 46 countries. More than £24 million was dedicated to our long-term development work around the globe (a 10 per cent increase on last year), while £19 million was spent on disaster relief (most notably in Haiti and Pakistan). Our commitment to help some of the poorest people around the world is all encompassing. We act before a crisis by working with communities to reduce the risks of disaster. We act quickly during an emergency to help those in urgent need. And equally importantly, we continue to act for the long haul – helping communities to recover and rebuild their lives following a major crisis.

> *We act before a crisis by working with communities to reduce the risks of disaster. We act quickly during an emergency to help those in urgent need. And equally importantly, we continue to act for the long haul.*

CAFOD believes that accountability, to our partners and our supporters, is vitally important.

Making this work possible, 2010/11 also saw an increase in income for CAFOD. Thanks to the huge generosity of the Catholic community in England and Wales, we raised £34 million from supporters. We also saw a welcome growth in funds from institutional donors including the UK's Department for International Development and the European Union. While our increased income has been a huge achievement, we are conscious of the need to balance our continuing ambition with a note of caution against a backdrop of continued economic uncertainty.

In this context, we welcome the UK Government's commitment to retain its 0.7 per cent development aid target and to enshrine it in law. Given the pressure to renege on this promise, and to move aid more closely towards foreign security concerns, we will continue to urge the Government to focus attention on the poorest and most disadvantaged. In working for the aims we set out in Just One World, we have seen a closer alignment across all of CAFOD's work, most notably in our international and advocacy programmes, where we're working alongside communities in the global South, as well as mobilising supporters in the North, to influence lasting change.

CAFOD believes that accountability, to our partners and our supporters, is vitally important. Greater transparency and regular reviews of our work allow us to learn and improve. We introduced a new Evaluation Policy in 2010, and summaries of independent evaluations of our major programmes are now posted on our website.

In September 2010, CAFOD launched a scheme for partners to feed back any worries or complaints they may have about our work. We also strive to ensure that the local people who are part of our programmes on the ground feel able to raise any concerns and this includes a strengthened policy and procedures on safeguarding children.

As the official agency for overseas development of the Bishops' Conference, CAFOD was proud to be involved in the preparations of Pope Benedict XVI's historic state visit to the United Kingdom in September 2010. We contributed to the programme for the 80,000-strong vigil in Hyde Park on the theme of 'The heart that sees, the heart that serves and the heart that seeks justice'. We were also delighted to play a part in the 'Big Assembly', which brought together 3,500 school children in Twickenham and thousands of others via an internet link into schools up and down the country. Pope Benedict inspired pupils to aim high, to become saints and to strive to be people who "come to the aid of the poor and the hungry … to comfort the sorrowful, and to be kind and generous".

It is through the kindness and generosity of our supporters, our staff and our partners on the ground that CAFOD's work is possible. I saw this with my own eyes on a recent trip to the West African country of

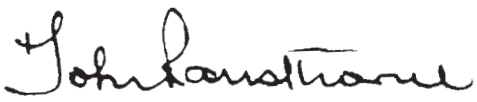
Liberia. I visited a project helping thousands of refugees from the Côte d'Ivoire who had fled from post-election violence. I was struck by the way Liberian families, many living in desperate poverty themselves, had opened their hearts and their homes to the refugees. The relationship between Ivoirians and Liberians is a great sign of hope for the future. And we are proud of our partners who are making this work possible: they are strong, effective and well rooted in the needs of local people. The problems are still huge but it is heartening that change is taking place. Here and around the globe, the needs are immense, and CAFOD continues to play a crucial role in tackling poverty.

Later this year, I will be stepping down as Chair. It has been an enormous privilege these last twelve years to accompany the organisation through a period of change as well as growth and to witness first-hand the incredible work done in the name of the Catholic community of England and Wales. I take this opportunity to thank my fellow trustees and CAFOD staff for their outstanding support and contribution to the inspirational work of CAFOD. I'd also like to wish my successor, Bishop John Arnold, well as he takes over as Chair later this year.

Over the past 50 years, we have helped to transform thousands of lives. But the needs are immense and we look forward to continuing that vital work.

Looking forward, 2012 marks CAFOD's 50th anniversary. Over the past 50 years, we have helped to transform thousands of lives. But the needs are immense and we look forward to continuing that vital work, hand in hand with the staff, friends, supporters and partners across the world.

May God continue to bless you and CAFOD's work.



Rt. Rev. John Rawsthorne
Bishop of Hallam

Overview

This map shows the countries in which grants were made to CAFOD's overseas partners for development programmes and emergency relief during the year April 2010 to March 2011.

CAFOD's support reaches straight to the grass roots and gets to the people for whom it's sent. Thank you to the Catholic community in England and Wales, who give so generously and lovingly to people living in poverty.

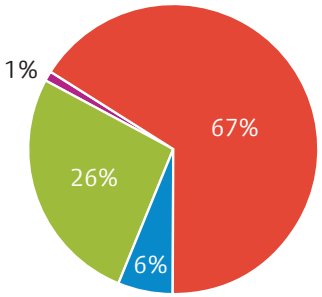
Sister Medhin Tesfay, The Daughters of Charity, Ethiopia

CAFOD Offices

Bolivia
Democratic Republic of Congo (Kinshasa & Goma)
Ethiopia
Kenya
Mozambique
Nicaragua
Niger
Nigeria
Rwanda
Sierra Leone
Sudan (Khartoum and Juba)
Zimbabwe

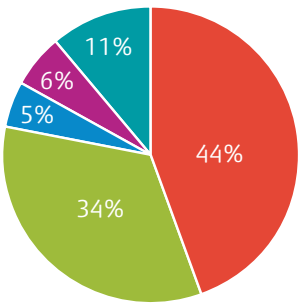
CAFOD staff based with partners

Indonesia
The Philippines
Sri Lanka



Income – in 2010/11 we raised £56m

Catholic community in England and Wales	£37m
Caritas (other catholic agencies)	£3m
Government and other grants	£15m
Interest and other	£1m



Expenditure – in 2010/11 we spent £55m

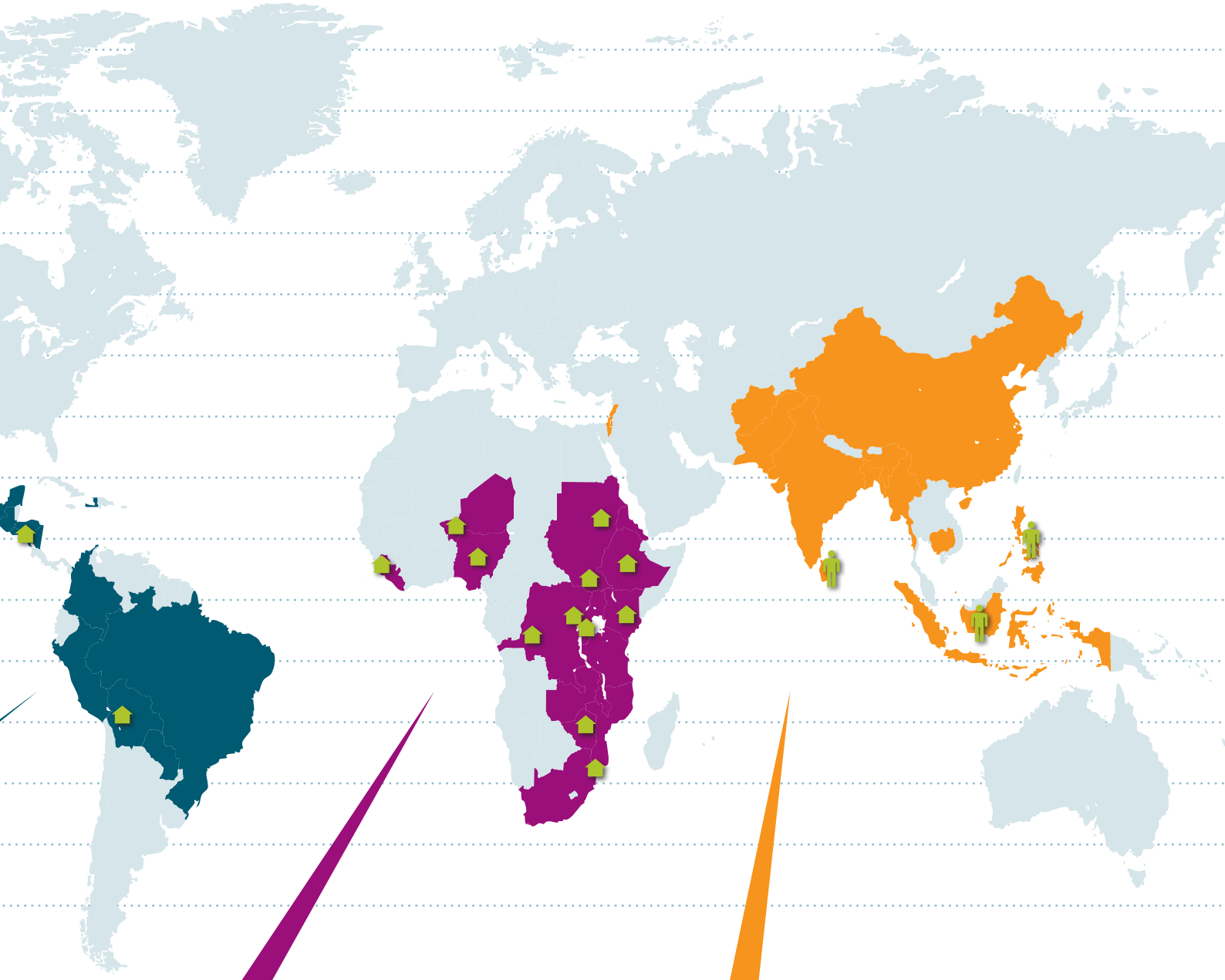
International development	£24m
Disaster relief	£19m
Development education	£3m
Advocacy and campaigning	£3m
Generating funds & governance	£6m

2% of our grants went to UK and global partners to help raise understanding of the causes of poverty and social injustice.

LATIN AMERICA & CARIBBEAN

We worked in Bolivia, Brazil, Colombia, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Paraguay and Peru.

23% of our grants were made to partners in this region in 2010/11.



AFRICA

We worked in Burundi, Congo (DRC), Eritrea, Ethiopia, Kenya, Liberia, Malawi, Mozambique, Niger, Nigeria, Rwanda, Sierra Leone, South Africa, Sudan, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

59% of our grants were made to partners in this region in 2010/11.

ASIA & MIDDLE EAST

We worked in Afghanistan, Bangladesh, Burma, Cambodia, China, East Timor, India, Indonesia, Israel, Lebanon, Pakistan, Philippines, Sri Lanka, West Bank and Gaza.

16% of our grants were made to partners in this region in 2010/11.

Objectives and activities

Mission

CAFOD is the official aid agency of the Catholic Church in England and Wales and part of the global Caritas family. Together with our partners and the global Caritas family, we:

- Work with poor and disadvantaged communities in the global South to overcome poverty and bring about sustainable development and well-being.
- Protect lives and relieve suffering during emergencies; reduce the risks to vulnerable communities as a result of conflict and natural disasters.
- Raise awareness and understanding of the causes of poverty and injustice to inspire a commitment to lasting change.
- Challenge those with power to adopt policies and behaviour that promote social justice and end poverty.

To fulfil this four-fold mission we raise funds and mobilise action from the Catholic community and beyond.

Activities

In fulfilling our mission, we work in more than 60 countries worldwide. The majority of our work is done in partnership – with local communities in the global South, with sister agencies across the world, and with the Catholic community in England and Wales. Together with our partners, we strive to reduce the impact of poverty, to address and challenge its root causes, and to empower people to bring about change for themselves.

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Achievements and performance

Introduction

Underpinning all our work to achieve the four aims of our strategy, Just one World, is a sharpened focus on: working with the poorest and most disadvantaged; supporting women and girls; and increasing our accountability to ensure the impact and effective delivery of our work.

> Aim 1: **Increasing power and influence of women and men in the poorest and most disadvantaged communities ...**

> Aim 2: **Promoting sustainable development to enable access to essential services and resources for the poorest and most disadvantaged ...**

> Aim 3: **Achieving peace, security and recovery from crises for the poorest and most disadvantaged...**

> Aim 4: **Building our partnerships in the Catholic community in England and Wales ...**

> Aim 1

Increasing power and influence ...

so that women and men in the poorest and most disadvantaged communities are able to influence the systems, decisions and resources affecting them, living under governments, institutions and global structures that are just and accountable.

What have we achieved this year?

Working with the poorest and most disadvantaged can often mean giving a voice to marginalised communities, those without wealth or power whose voices would otherwise go unheard. Using information and communications technologies, CAFOD helps to give marginalised people a medium to make their views heard. For example, providing photography training in central Cambodia to indigenous tribes whose livelihoods are threatened by illegal logging has enabled communities to document their culture and communicate the issues that are important to them.

We understand that a major cause of poverty has been, and continues to be, unequal relations, structures and policies around the world. We strive to challenge these inequalities through our work in the UK and overseas. As an important part of our advocacy mission, CAFOD accompaniers work directly with our partner organisations on the ground to help them influence change.

Sierra Leone

Influencing change on the ground

A good example of this principle of accompanying partners can be found in our work in Sierra Leone.

Ravaged by civil war from 1991 to 2001, Sierra Leone remains one of the poorest countries in the world. It is ranked the twelfth lowest country on the Human Development Index.

CAFOD is working with the Network Movement for Justice and Development (NMJD) in the east of Sierra Leone to improve the lives of marginalised young people, particularly those with physical disabilities.

People with disabilities in Sierra Leone are often ostracised and their day-to-day lives can be very difficult. Many polio victims run away from their villages because they are associated with witchcraft or are simply a subject of ridicule, according to Ekundayo Scotland, the Head of the Association of Persons with Polio in Kenema District.

Disabled people in Sierra Leone have traditionally struggled to overcome this stigma and to make their voices heard in decision-making that affects their lives. Ekundayo told us that he was turned away on one occasion when he went to speak to the local authorities in Kenema City because officials mistook him for a beggar.

As part of a five-year programme funded by Comic Relief, CAFOD is supporting NMJD and the Associations of the Blind and Disabled People to help them plan and implement a successful strategy for influencing the Sierra Leonean government. The goal is to encourage officials to listen to and address the needs of these marginalised groups in their policy and practice.

For several years, our partners in Sierra Leone have been calling for a National Disability Bill to put the interests of people with disabilities on the national agenda.

With support from CAFOD and NMJD, communities affected by disabilities in Kenema District organised meetings to engage decision-makers in their local and district councils. They also met with the district representatives from the Ministry of Labour and Employment, and Youth and Sport, as well as organising rallies and campaigns to raise public awareness about the national disabled rights movement.

Following years of advocacy work, in March 2011 the government ushered in a new era of rights and opportunities for disabled people by enacting the National Disability Bill.

CAFOD will continue to support our partner organisations in monitoring the impact of this new bill. Over the coming year, our partners will be gathering evidence that they will share with the government to ensure that the bill is successful in bringing about positive change in the lives of disabled people in Sierra Leone.

Influencing the UK government: what follows the Millennium Development Goals?

For better or worse, the Millennium Development Goals (MDGs) have offered an organisational framework for international aid over the last ten years, presenting a series of tangible goals for tackling poverty around the world. But what will happen after 2015, when the deadline for achieving these goals runs out? As part of the 'Beyond 2015' coalition, CAFOD has been working on this issue and trying to encourage the UK government to focus on the post-2015 landscape too.

So far, the main voices responding to these pivotal questions have been established experts from powerful countries in the North. In response to this, we asked 104 representatives from civil society organisations in 27 developing countries around the world to give us their perspectives. A joint piece of research called 100 voices released in March 2011 by CAFOD and the Institute of Development Studies (IDS) – has made sure that the voices of people directly involved in fighting poverty in the South are heard.

Until recently, the UK government has been reluctant to engage with any planning beyond the MDGs, believing it will be a distraction from achieving the goals before the target date of 2015. But in May 2011 there was a significant shift in policy in a statement from the Department for International Development (DFID), which said: "We are also confident that engaging with, and helping to shape, emerging ideas for a post-MDG framework will not distract from our extensive efforts to help accelerate progress towards the MDGs over the next four years."

There is strong evidence to suggest that CAFOD, and our 'Beyond 2015' coalition, have both been influential in this policy shift.

Influencing the UK government:
to implement the Bribery Act

Faced with the threat of reduced resources, the fledgling Bribery Act was in danger of losing credibility and the necessary power in the fight against corruption. CAFOD was at the heart of the response to this threat through our parliamentary work, direct lobbying and through the media. In response to this pressure, there are very positive signs that the government will keep the investigation and prosecution powers under the Serious Fraud Office together and ensure the SFO's work doesn't get swallowed by other competing issues. These were both critical in ensuring a strong implementation of the Act.

Liberia

After many years of campaigning by our partner, Don Bosco Homes, the Liberian government introduced a youth attorney to represent children's cases. It also introduced a protection section for women and children within the National Liberian Police and separate facilities for children in Monrovia's central prison. Children going through the criminal justice system in Liberia are now better represented and their welfare has also improved.

Sri Lanka

In Sri Lanka, more than 8,000 people protested on 17 November 2010 against potentially devastating tourism plans to dredge the Negombo Lagoon. Fishing is the main source of income for thousands of local families. The government did not consult them before work began, which is likely to lead to a huge reduction in fish stock. As part of the protest, villagers blocked a major road, and hundreds of fishing boats entered the lagoon to prevent the project from going ahead. CAFOD partner NAFSO (National Fisheries Solidarity Movement) was heavily involved in the peaceful protest, as were local priests and nuns. The government initially threatened to use the navy to disperse protesters. But eventually they backed down and agreed to suspend the project temporarily. One fisherman told us: "This is a great victory for us, the fishing people of Negombo. We are grateful for the strength given by our local Catholic priests and sisters for this cause. We still hope to gain maximum support to reach a permanent solution through the mediation of Cardinal Malcolm Ranjith."

Brazil

CAFOD partners in Brazil were praised by Pope Benedict XVI for their campaign towards a less corrupt political system. For the past two years, our partners have worked with other organisations to collect 1.6 million signatures from Brazilian voters in support of the Ficha Limpa Law, which would exclude convicted criminals from politics.

> Aim 2

Promoting sustainable development ...

so that women and men in the poorest and most disadvantaged communities have access to the essential services and resources they need to live sustainably, with dignity.

What have we achieved this year?

In the aftermath of the global financial collapse of 2008 and with international negotiations on climate change making slow progress, it is more important than ever for CAFOD to ensure that our work is both financially and ecologically sustainable.

With this in mind, CAFOD's policy team launched the report *Thinking small* in February 2011. The report makes the case for a central role for small-holder farmers and businesses to help developing countries emerge from the economic crisis. The report points out that small businesses provided stability within families and communities during a time of economic uncertainty. While success tends to be measured in terms of economic growth, *Thinking small* focuses on smaller and more sustainable livelihoods that are often overlooked in favour of larger businesses and transnational corporations.

Much of the research for the report was drawn from interviews with partners around the world who are helping people to run small businesses to make money to support their families.

Sustainable development on the ground

In Ethiopia, the Sustainable Community-Managed Rural Development Project is a good example of this kind of work. Together with the European Commission, and our Irish and Scottish sister organisations, Trócaire and the Scottish International Aid Fund (SCIAF), we are working with the Relief Society of Tigray (REST) in northern Ethiopia. The area is particularly vulnerable to drought and this leads to intense food shortages. REST is working with community organisations to build check dams, which help to control the flow of water – preventing erosion and improving the quality of the water by filtering out sediment and pollutants.

This work has also helped to strengthen local community organisations. REST has been able to work with these organisations to provide training in financial management, family health and dealing with HIV and AIDS. The Office of Agriculture and Rural Development has seen the positive impacts of the project and is working with the Department for Water, Mines and Energy to build other new water harvesting structures. Some local farmers are also starting to create check dams for themselves so that they can become more self-sufficient.

Ethiopia

Mehari Weldu lives with his wife Azemera and their four children in the Duranbesa watershed in northern Ethiopia. He enrolled in the REST programme four years ago and is one of more than 34,000 people to benefit from the project so far. He told us:

"We were dependent on emergency food aid during times of drought – hunger times. Yet even that food aid often arrived too late, and sometimes we were not sure if we would get any support. To feed our families we had to sell all our assets – our sheep, cattle, ploughs or any other assets we had in the house.

But since we started to work with REST's Sustainable Community-Managed Rural Development Project, life is becoming more manageable for us.

My wife and I work on irrigation and other building areas of the project, which have enabled us to make an extra income and a saving. This means that we will have enough resources available and can easily cover some of our family's needs.

In addition to the extra work, my work with REST's Sustainable Community-Managed Development Project as a watershed committee head has improved my reputation in my local community. I have recently been approached by the local government to become a member of the administrative body in our area farmers' association.

We also hope that REST's new techniques such as constructing check dams and irrigation canals will transform our lives and we look forward to producing twice as much from the same plot of land. We hope that we will be able to provide everything we need and will not have to ask the government for food aid anymore!"

We will not be asking the government for food aid anymore!

Mehari Weldu

Nigeria

In November 2010, CAFOD partners that provide primary healthcare to rural communities in Northern Nigeria bought six solar power lights and nine solar vaccine refrigerators. These are extremely important in an area where there is a very unreliable electricity supply.

Brazil

Our partner Hutukara works with indigenous people in the Amazon rainforest to learn sustainable farming techniques, such as bee-keeping.

Sometimes I felt like I wasn't an important part of the world, I felt like my life was worth little. Today, I feel 100 per cent new. I've had so much training and support.

Bella Cuellar Cellan

In Colombia, our partner AIPODE (Caritas Colombia) works with 512 vulnerable families in the southern towns of Neiva, Garzón and Florencia. The beneficiaries include people displaced by violence and also vulnerable members of their host communities. They provide people with vocational training and materials to start a business and ongoing support and advice in helping the business grow. The aim is that these enterprises, based on people's existing experience and expertise, will enable them to earn a good income and become more self reliant. As well as the material benefit, AIPODE provides counselling and legal advice, which has led to a significant improvement in the participants' self esteem and their families becoming more confident.

Colombia

Bella Cuellar Cellan lives in Florencia, Colombia. She is partially sighted and struggled with her previous job as a cleaner because she could not see the cobwebs and dust. With the support of AIPODE, she and three friends were able to start a plastic bag-making cooperative.

"As a person with sight problems, I was finding it hard to get decent employment because of discrimination.

I sat down with my friends and we talked about opening a plastic bag-making business. It seemed like a good idea because plastic is an easy material for us to work with – it doesn't break when you drop it!

To start, we all contributed 200,000 pesos (about £70) for materials then we began struggling very hard to make our dream a reality. We didn't earn any salary for three months. We walked through the streets of Florencia with our bags, trying to sell them to shops, pedestrians – anyone. I had to guide my three companions because they are completely blind, I am the only one who can see a little. It was difficult for them to control their temper if they came across an obstacle – and there are many hazards on the streets here, big holes, cracked paving, you name it.

The AIPODE project gave us so much training and they helped us generate business clients. The training, the raw materials, the resources, the machinery, the ventilators, the filter, the sealer, the cutters – all of this came from the project. They stayed with us for three years, giving encouragement and support just when we needed it. Even now, all we need to do is call and someone is at our door the same day.

My life has changed in every single way. Because of the extra money I earn, we have improved our house, our food, our clothes – our happiness! I feel moments of real joy when I think about my business. I used to be very sad, my family needed so much that I couldn't provide but now I can give my children a little bit more (Bella earns 300,000 pesos or approximately £100 a month).

I also changed as a person. I used to have very low self-esteem, I didn't like to go out and be seen. I have experienced prejudice because of my disability and my colour. Sometimes I felt like I wasn't an important part of the world, I felt like my life was worth little. Today, I feel 100 per cent new. I've had so much training and support. I've got a lot to be thankful for. Thanks to the business, I've even returned to school."

> The cooperative is currently looking into sourcing bio-degradable plastic in order to cut the ecological impact of their bags.

> Aim 3

Achieving peace, security and recovery ...

so that women and men in the poorest and most disadvantaged communities live in a safe and secure environment and are able to minimise, survive and recover from crises.

What have we achieved this year?

The past year has been a busy one for CAFOD's humanitarian department. There have been a number of public and then more hidden humanitarian crises that continue to grow in size and complexity. The re-structuring of CAFOD's humanitarian activities has allowed us to respond more flexibly to global crises as they arise.

Achieving recovery on the ground

Haiti: January 2011 marked the first anniversary of the earthquake in Haiti and focused a lot of media attention on the efficiency of non-governmental organisations (NGOs) in responding to the disaster. In the immediate aftermath of the earthquake, CAFOD worked alongside our partners (Catholic Relief Services (CRS), Caritas Haiti and Caritas Swiss) to build emergency shelters and ensure clean water and adequate sanitation. The scale of the earthquake, which led to a collapse in the country's infrastructure, has meant slow progress. There have been a number of additional challenges: October 2010 saw the beginning of a major cholera outbreak; in November 2010, Hurricane Tomas caused widespread damage; and, in the capital Port-au-Prince, administrative and political problems affecting land rights has made it hard to plan permanent re-housing projects.

The sheer number of people displaced by the earthquake makes the issue of shelter an important one. The time it takes to build high-quality homes means that more than one million people are still living in camps. Alongside our ongoing emergency response, we are supporting work to help people rebuild their communities and homes. We are working with CRS to provide water and sanitation services in the communities where they are building transitional shelters. These are relatively cheap to construct, resistant to earthquakes and hurricanes and have a planned life of three to five years. Outside Port-au-Prince, where land rights issues are less acute, we are working with partners to build new permanent houses for families who lost their homes in the disaster.

CAFOD's partners in Haiti are:

- Providing 44,500 people with clean water and sanitation facilities, including latrines and showers.
- Planning to build new homes for 1,700 families (100 have already been started).
- Training more than 28,000 children, teachers and parents how to protect themselves from future disasters.
- Training people in safe hygiene practices to try to prevent the spread of disease.

Pakistan: CAFOD is supporting several international agencies and local partners in Pakistan (including CRS, Trócaire and Caritas Pakistan) in their emergency relief and early recovery work with flood-affected communities. One week after the floods began in July 2010, CAFOD disbursed funding from the Consortium of British Humanitarian Agencies (a new inter-agency network that we currently chair). The funds were distributed through CRS for emergency relief to remote villages in the north of Pakistan. In the first six months, CAFOD supported 130,000 people through food packages, emergency shelter, transitional shelter, hygiene kits and training, as well as cash-for-work and health services.

Since February 2011, we have been supporting our partners to make sure 140,000 more people have access to water, sanitation and hygiene. We have also provided seeds, tools and fertilisers so that people can start to grow their own food again; have offered payments so that houses and community facilities can be repaired; and are helping communities prepare for future disasters. Through our smaller partners, we are helping women to rebuild their livelihoods, for example, by providing livestock such as goats.

Achieving peace and security on the ground

Sudan: This has been a very important year for Sudan. In January 2011, a referendum on southern independence voted in favour of division. CAFOD has offices in both the North and South of Sudan, and is therefore well placed to monitor and react to the situation on the ground. We have been working with the Sudanese Bishops' Conference to call for a peaceful referendum and transition of power when a new state is created in South Sudan in July 2011. The UK government is one of three national governments that is charged with ensuring that the North and South both comply with the terms of the Comprehensive Peace Agreement.

Since February 2011, we have been supporting our partners to make sure 140,000 more people have access to water, sanitation and hygiene.

In the run-up to the referendum, there were fears of civil unrest and violence. We worked with our Catholic partners to prepare for every eventuality, twinning with local dioceses, and putting emergency food aid and household survival kits in place. We also worked with partners to provide support for the thousands of southerners who returned from Northern Sudan in the run-up to the election.

In the UK, we launched the Sudan Peace campaign – asking the Catholic community in England and Wales to pray for Sudan in solidarity with the Sudanese Bishops' Conference's 101 days of prayer for peace. The referendum took place peacefully and preparations are underway for the secession in July. However, a number of complex

areas such as citizenship, borders and sharing of natural resources remain unresolved. We are continuing to ask our supporters to pray for a peaceful transition of power. We are encouraging supporters to write to their MPs, asking them to urge the UK government to do its duty in ensuring these issues are agreed and a good infrastructure is in place in South Sudan before the new state is declared.

Eritrea

In May 2010, CAFOD received £2.3 million from DFID to support the Eritrean Catholic Secretariat to help hungry families in four of the six regions of Eritrea that have been affected by drought. As well as working through the Catholic Church's existing network of 33 health facilities, the dioceses have also established village-based distribution sites so they can reach those communities that are most in need. The 11-month project provided more than 15,000 malnourished children and pregnant and nursing mothers with nourishing supplementary food every month. The locally produced food supplement, known as DMK, is made from a blend of peanut, chick pea and wheat. It is high in protein and energy to rebuild their body reserves.

Sri Lanka

In January 2011, CAFOD contributed £50,000 to the Caritas International Emergency Appeal. This allowed Caritas Sri Lanka to provide emergency relief supplies to 8,000 families affected by floods in six different dioceses of Sri Lanka. Assistance included drinking water, food and items such as bed sheets, towels, sleeping mats, plastic wash basins and hygiene kits.

Liberia

Intense fighting broke out in Côte d'Ivoire in April 2011, following disputed presidential elections. More than 100,000 refugees poured into neighbouring Liberia and were welcomed by Liberian families, whose own resources were already thinly stretched. CAFOD has been working with local partner organisations in Liberia to provide emergency food aid, sleeping mats, blankets and cooking utensils. We are also supplying seeds to help families to grow more food over the coming months, as well as building latrines and wells, and launching projects that will help to protect children who have been forced to flee their homes.

> Aim 4

Building our partnerships in the Catholic community ...

so that Catholics in England and Wales are inspired to challenge global poverty through prayer, action and giving, so transforming their own lives.

What have we achieved this year?

As the official Catholic agency for overseas development, CAFOD was proud to be involved in the preparations for Pope Benedict XVI's first state visit to the United Kingdom in September 2010. We worked alongside the Bishops' Conference to celebrate the contribution of the Catholic community in England and Wales to society in Britain and its commitment to working for justice and peace as part of the global Church.

A prominent public moment came during a prayer vigil in Hyde Park, when 80,000 people 'stood up for poverty'. We sent a clear message to world leaders gathering at the UN to make good the promises on the Millennium Development Goals. Cardinal Turkson, President of the Pontifical Council for Justice and Peace, took this message from the Catholic community with him to New York the following week.

> *You begin to feel compassion for people in difficulties and you are eager to do something to help them. You want to come to the aid of the poor and the hungry, you want to comfort the sorrowful, you want to be kind and generous. And once these things begin to matter to you, you are well on the way to becoming saints.*
>
> ***Pope Benedict XVI, The Big Assembly, September 2011***

Building our partnerships on the ground

The Big Assembly

CAFOD also worked alongside Catholic Education Services and St Mary's University College in Twickenham to prepare a gathering of 3,500 schoolchildren and young people. They met with Pope Benedict on 17 September as part of The Big Assembly. Drawing on the richness of our experience with communities around the world, we contributed audio visual material on the theme of 'living life to the full'. The images were seen by those gathered in Twickenham and also via the internet by tens of thousands of young people in schools across the UK. These and other global justice resources linked to the Papal visit on our website resulted in a surge in the number of visitors to our web pages.

Connect2

With the aim of building bridges between Catholics in England and Wales and communities overseas, CAFOD launched a new initiative in 2010 called 'Connect2', which creates strong links between parish and school communities in England and Wales and communities in Cambodia, Bangladesh, El Salvador, Brazil, Ethiopia and Rwanda. The initiative captures the essence of what CAFOD is about: relationships of mutual respect and solidarity as part of one global family.

We have seen a steady growth in involvement in Connect2 over the last year with around 280 parishes engaged. Through an exchange of stories and photographs, supporters have begun to establish an authentic picture of life in the communities we work with. Our supporters are gaining a deeper understanding of the issues we are tackling and what part they can play to help bring about change. Our partners and communities in the six focus countries have also begun to know the faces and stories of the people in England and Wales who support their work.

“

There's so much that is positive about our faith... one of the strongest messages is that of valuing being part of a community that's so inclusive. It's like being part of a huge family which looks out for others.

Sixth form student from St Thomas More School, Bedford, who attended The Big Assembly

Connect2 and schools

Holy Cross RC High School in Chorley recently signed up to Connect2: Rwanda. The students decided to record and sell a CD full of original songs, written by the young people themselves, to raise money for schools in Rwanda. They sent their CD to the community of Musha, Rwanda, along with letters, photos and messages of support.

Liverpool

The CAFOD Shop in Crosby is a strong partnership which has grown from strength to strength since 1993. We are fortunate to have a team of dedicated volunteers there. Earlier this year, we were delighted to mark their wonderful achievement of surpassing the half a million pound mark in the total contribution raised for CAFOD's charitable work since the shop first opened its doors.

Sheffield

Sixth-form students from the Notre Dame School in Sheffield invited Deputy Prime Minister Nick Clegg to take part in a special assembly in the run-up to October's Comprehensive Spending Review. They wanted him to hear their strong concerns about poverty and the impact of climate change on developing countries. Speaking at the event, Mr Clegg said: "It's inspiring to see the great work the kids have done to support CAFOD's Act on Poverty campaign. I'm proud to see children in Sheffield spreading the word about poverty and engaging with big issues like equality, injustice and the impact of climate change around the world."

Financial review

Income and expenditure

This year, we raised £55.9m – the most income ever and a hugely encouraging result given the difficult economic conditions. This impressive figure reflects both the strength of support from the Catholic community of England and Wales, and success in our strategy of raising increasing amounts of programme funding from government, institutions and Caritas International.

Income	07/08 £m	08/09 £m	09/10 £m	10/11 £m
Directly from CAFOD supporters	29.7	29.5	32.1	**33.6**
Through the Disasters Emergency Committee	3.9	2.3	0.6	**3.9**
Supporter income	**33.6**	**31.8**	**32.7**	**37.5**
From the Caritas network	**4.2**	**2.8**	**4.2**	**3.2**
Government and other grants	**8.4**	**9.9**	**11.6**	**14.9**
Trading, profit on the sale of property and interest earned	**1.7**	**3.2**	**0.6**	**0.3**
Total incoming resources	**47.9**	**47.7**	**49.1**	**55.9**

Two thirds of our total income for the year came from supporters, who donated £37.5m either directly or through the Disasters Emergency Committee (DEC), the umbrella organisation of 13 leading UK aid agencies which appeal for funding collectively during major humanitarian crises.

Supporter funding included some £3m received in response to our appeal for those affected by the Pakistan floods, which, with additional funding from the DEC, has enabled CAFOD to launch a major humanitarian response.

The remaining one third of our income came mostly from government, other institutions and Caritas sister agencies. These are areas of funding we have been working hard to expand in order to increase the size of individual programmes and the impact they have. Funding in this area has grown to £18.1m last year, including £2.7m received as in-kind donations such as food aid, agricultural tools and household utensils.

This increase in incoming resources enabled us to grow our international programme in particular, and in 2010/11 our total expenditure exceeded £55m for the first time. We were able to reduce our expenditure on generating funds and governance to just 11 per cent of our total spend, leaving 89 per cent available for our charitable activities. We spent £43.4m on our international programme (including giving £33.6m of grants to our partners) and £5.8m on our education policy and campaigning programme.

Spending	07/08 £m	08/09 £m	09/10 £m	10/11 £m
Cost of generating funds and governance	**5.4**	**6.2**	**6.4**	**6.0**
Grants to our partners	26.7	28.1	25.1	**33.6**
Programme management and accompaniment	6.2	7.1	7.4	**7.8**
Support costs	1.6	2.1	1.9	**2.0**
International programme	**34.5**	**37.3**	**34.4**	**43.4**
Education policy & campaigning programme	**5.6**	**6.2**	**6.0**	**5.8**
Total resources expended	**45.5**	**49.7**	**46.8**	**55.2**

Our income has held up remarkably well since the beginning of the global recession. However, we remain aware of the growing economic pressures on individuals and public finances and the potential for this to impact on the level of our funding. We are continuing to work hard to secure the resources needed to develop our charitable programmes.

A summary of our income and expenditure is shown on pages 18 and 19 in the format required by the Charity Commission's Statement of Recommended Practice (SORP), Accounting and Reporting by Charities, and these financial statements comply with this SORP, the charity's trust deed and applicable laws.

	At 31/03/2011 £m	At 31/03/2010 £m
Designated funds		
Stabilisation fund (held in cash)	**3.4**	**3.3**
Stabilisation fund (held in fixed assets)	**5.4**	**5.4**
Fixed asset fund	**6.1**	**6.2**
Programme fund	**5.5**	**1.0**
	20.4	**15.9**
Free reserves		
General reserves	**1.5**	**3.1**
Restricted funds		
General and development funds	**0.8**	**0.2**
Emergency appeal funds	**6.3**	**7.0**
Caritas and other Catholic agencies	**0.9**	**0.8**
Government and institutional grants	**(2.5)**	**(0.4)**
	5.5	**7.6**
Permanent endowment	**0.4**	**0.4**
Total funds and reserves	**27.8**	**27.0**

Financial position and reserves policy

The trustees review CAFOD's reserves policy each year. They ensure a balance between spending on the immediate needs of our charitable programmes and setting aside a reserve to protect CAFOD and our work by providing time to adjust to changing financial circumstances. The level of CAFOD's reserves and details of the other individual funds CAFOD holds is provided in Notes 11 and 12 to the financial statements. These funds and reserves are invested in accordance with our investment policy.

At 31 March 2011, CAFOD held total funds and reserves of £27.8m.

The restricted emergency appeal funds in hand at 31st March include a balance of £3.3m, due to be spent on our Haiti response, and £2m due to be spent on our Pakistan floods response.

The designated funds represent unrestricted monies that the trustees have designated for specific purposes. These are the stabilisation fund (held to limit any potential disruption associated with financial risks CAFOD faces from its operation), the fixed asset fund (held to finance assets that enable CAFOD to operate efficiently) and a programme fund (temporarily held against specific programme commitments budgeted for in the coming years).

When we completed the construction of Romero House, our new head office, at a cost of just under £11m, around half was funded from selling the previous head office and the remainder from using cash already held as the stabilisation fund. The trustees have agreed to hold some of this stabilisation fund in property on the understanding that if CAFOD ever needs to use these funds then it will take out a loan mortgaged on the new offices to release the necessary cash. CAFOD's bankers have signified their willingness, in principle, to provide such a loan.

The free reserves (£1.4m as at 31st March 2011) represent unrestricted funds over and above those set aside for designated purposes. The trustees will allocate these free reserves to our programmes and partners over the coming period.

The restricted emergency appeal funds in hand at 31st March include a balance of £3.3m, due to be spent on our Haiti response, and £2m due to be spent on our Pakistan floods response.

The restricted funds from governmental and institutional grants are in deficit at the year end because we have pre-financed programme work ahead of grants, contractually due, being received.

Investment policy

As detailed in CAFOD's reserves policy, we hold restricted funds that are in the process of being expended, usually within the coming year, and designated funds and reserves that may need to be called upon at any time.

Accordingly, the objective of our investment policy is to maintain high liquidity while ensuring maximum security by avoiding risk to capital. This is to comply with our ethical standards and to achieve the best possible return within these limiting parameters.

To meet this objective, we invest in sterling deposits with financial institutions that hold a high security rating, ordinarily spreading the total invested across fixed terms from overnight to 12 months, and limiting the amount invested with any one financial institution. In

response to the increased risks highlighted by the credit crunch, we have limited deposits to UK domiciled banks and deposited for shorter periods to enable us to react more quickly to the fluctuating financial environment.

As well as sterling deposits, CAFOD maintains balances in sterling, US dollars and euros for transactional purposes, to cover ongoing expenditure. These transactional balances are held on instant access either in accounts with the Royal Bank of Scotland, or in a shared investment fund managed by the Royal Bank of Scotland, depending on the daily interest rates available.

We have a permanent endowment fund, on which the capital is held in perpetuity and from which the interest is applied to CAFOD's work. To maintain the capital value of this fund, meet its ethical standards and achieve the best possible return, this fund is mainly invested in an ethical UK common investment fund. Part of this fund was received in UK government Treasury Stock which the trustees have decided to hold until redemption.

CAFOD's investment policy is reviewed by the Finances Committee, acting as an investment sub-committee and assisted by Coutts Bank acting as investment advisers, and approved by the trustees annually. The Finances Committee, reporting to the trustees, monitor investment performance and compliance with investment policy quarterly. The trustees have confirmed the Finance Committee's opinion that the objectives of CAFOD's investment policy were met during the year.

CAFOD's priorities for 2011/12

We will continue to prioritise the four aims of Just One World (referred to in the above report). In doing so, we will strengthen our international programmes on the ground and integrate them ever more closely with our advocacy programmes and our work in partnership with the Catholic community in England and Wales. In support of the priorities highlighted below, we will continue to build the skills of our staff, and invest in the IT, finance systems and infrastructure necessary to carry out our work effectively.

Below are some of the specific focus areas for the coming year, together with examples of the change we are seeking:

We will work to ensure secure livelihoods for poor and particularly vulnerable people:

including support for small and medium enterprises to deliver long-term, sustainable economic activity to reduce poverty. Using evidence from our work, we will engage with policy-makers both nationally and internationally.

The change we seek:

- *over the next three years, at least 350,000 people in communities supported by our partners will report improved livelihoods in terms of food, income or other assets.*

We will campaign on climate justice in the run up to the UN Climate Change Conference in Durban in December 2011:

to ensure the UK government takes the lead in committing public funds and to ensure sufficient amounts go to help the poorest and most vulnerable people adapt and become more resilient to the impact of a changing climate.

The change we seek:

- *UN Green Climate Fund is established and significant funds are committed to it.*
- *10,000 CAFOD supporters take action, both on and offline, in parishes as well as individually.*

We will seek to redress the decline in public support for action on global poverty and press the UK government to deliver its commitments on overseas aid:

to ensure it focuses on the poorest and most disadvantaged; it is transparent and accountable; and it engages in a process to follow the Millennium Development Goals, which run out in 2015.

The change we seek:

- *a growth in active CAFOD campaigners from 10,328 to 11,000.*
- *a growth in the number of MP correspondents from 521 to 600, with 55 per cent of constituencies covered in England and Wales.*
- *a 10 per cent increase in proactive coverage for CAFOD in national print and broadcast media.*
- *a 15 per cent increase in regional/ local print and broadcast media.*

We will respond with immediacy to a given emergency:

The change we seek:

- *within 72 hours our humanitarian staff will be working alongside partners.*
- *our portfolio of staff capable of scaling up and transferring quickly to respond to emergency needs will have grown.*

We will develop a supporter relationship strategy:

to bring CAFOD supporters closer to the heart our work and to increase the number of ways they can be involved. As a result, they will be able to take greater personal action in terms of choosing how to 'give, act and pray' to tackle global poverty.

The change we seek:

- *our internal systems and database will be updated; they will be more flexible to adapt to the differing needs and ways of interacting with individuals and communities who support our work.*
- *we will invite and incorporate the feedback from local listening groups in 21 dioceses of England and Wales.*

We will strive to continue to grow the financial support:

for our charitable programmes with the poorest and most disadvantaged. The need remains immense and we are unable to fund all the work we would like to do. In the next year, we will aim both to continue and to increase institutional funding, as well as to maximise income from supporters with a particular focus on regular giving, legacies, major donors and Lent as a seasonal campaign.

We will work to enhance and dramatically strengthen our humanitarian funding relationship:

with the Department for International Development (DFID) and the European Commission's Humanitarian Office (ECHO). Also through our role chairing in the two major humanitarian networks: the Consortium of British Humanitarian Agencies (CBHA) and the Humanitarian Accountability Partnership (HAP).

The change we seek:

- *DFID and ECHO recognise CAFOD as known humanitarian actors with clear areas of focus and an ability to respond in a timely and effective manner.*
- *increased funding from DFID and ECHO.*

We will engage with schools and the wider school community:

with teachers, pupils and parents – as an important part of building partnerships in the Catholic community.

The change we seek:

- *50,000 pupils (14-16 years) access CAFOD's Faith in Action component of the RE GCSE (through the resource), which will be updated, re-designed and moved online.*
- *20 per cent increase in visits to the website by youth leaders/ gatekeepers and young people.*
- *at least 700 Catholic primary schools reaching over 200,000 pupils are effectively incorporating active global learning in their curriculum by 2015.*

We will help to build an holistic response to HIV:

people living with HIV in developing countries continue to face severe challenges, despite ongoing advances in the availability of anti-retroviral treatment. The Catholic Church provides more than 25 per cent of the support to people affected by HIV worldwide. We will continue to develop our work with Church partners in the area of healthcare, psycho-social support, recognition of rights and creating more secure livelihoods for people living with HIV.

The change we seek:

- *over the next three years, at least 160,000 people living with HIV who are supported by CAFOD partners will report that their lives have improved.*

We will develop young leadership:

to explore the most effective and sustainable ways of influencing young people to become involved with overseas development issues. We will build on the success of the 'Step into the Gap' pilot programme for young people (11-25 years) and expand it further. We will play a leading role in the national Catholic youth event planned for March 2012 for 10,000 young people.

The change we seek:

- *the initiatives highlighted above will lead to 350 young activists raising awareness to influence the action and lifestyle of young people in the choices they make; in turn, they will reach out to a further 200,000 people or peers.*

We will work in:

conjunction with Caritas Internationalis and other Caritas agencies to strengthen the capacity of key partners to respond to emergencies.

The change we seek:

- *the expertise of our key partners is called upon to respond to other emergencies within their region.*
- *our partners receive increased funding from institutional donors.*

We will work to increase the resilience of poor communities that are vulnerable to climate change:

by supporting partners to include disaster risk reduction strategies in their work to improve people's livelihoods in areas that are under threat.

The change we seek:

- *400 communities threatened by climate change and other environmental hazards are able to demonstrate increased resilience to these threats.*

We will engage with the private sector:

to bring greater transparency and accountability to the sector, enabling, through information, communities to hold governments and business to account.

The change we seek:

- *a new UN framework to establish the principle of a global body on business and human rights.*
- *transnational corporations in the extractive industries are required to report on a country-by-country basis.*

Structure, governance and management

Registration and constitution

CAFOD, the Catholic Agency for Overseas Development, is a registered charity (number 285776) under the Charities Act 1993. It is governed by a trust deed dated 29 September 1982 and deeds of variation dated 28 September 1984, 11 October 2000, 21 February 2009 and 12 March 2009.

CAFOD is the official overseas aid agency of the Catholic Church in England and Wales. It has its origins in the action of Catholic women's organisations that held the first 'Family Fast Day' in 1960. Subsequently, in 1962, CAFOD was formally established by the Bishops of England and Wales to address the concern of the Catholic community about the needs and problems of developing countries.

Trust deed

The objectives set out within the trust deed are standard charitable objectives to allow CAFOD to undertake the full range of charitable activities. These objectives are: the relief of poverty throughout the world, the advancement of education throughout the world, the advancement of the Christian religion throughout the world, the relief and prevention of sickness, disease and physical or mental disability throughout the world, and such other charitable purposes anywhere in the world as are for the benefit of the United Kingdom community.

Board of trustees

CAFOD is governed by four foundation trustees and a wider group of trustees, who form CAFOD's board of trustees (and who together are referred to as "the trustees" below).

Foundation trustees are appointed by the existing foundation trustees, with their appointment ratified by the standing committee of the Bishops' Conference of England and Wales. The foundation trustees hold a limited number of reserved powers, including the appointment of other trustees and the power to amend CAFOD's trust deed. All other powers, including the establishment of specialist committees (including a finances committee, a human resources committee and an international programmes committee) and general responsibility for the running of CAFOD, are vested with the full board of trustees.

The board of trustees meets formally four times a year, together with the corporate leadership team. One of these quarterly meetings takes place over a residential weekend, to allow time for a deeper understanding of CAFOD's programme of work. Trustees have an induction programme and some chair specialist committees and involve themselves with the work of different sections, international regional teams and diocesan offices. This is to ensure that, collectively, they have the overview necessary for the proper governance of CAFOD.

Decision making

The board of trustees is the custodian of CAFOD's vision, mission and values; they approve strategy, structure, corporate plans and budgets and ensure the organisation is effective and accountable. The trustees appoint the director of CAFOD and have delegated to the director and management of CAFOD the responsibility for the approval of grants to partners. Grants are made within agreed strategies and programmes of work on the basis of proposals that are subject to formal appraisal, approval, monitoring and evaluation.

Risk management

As an annual process, the trustees formally identify the major risks to which the charity is exposed, assess the likelihood of these risks crystallising and the probable level of impact. To ensure the controls on which they rely upon are effective, the trustees have mandated the CAFOD finances committee to oversee a risk-based internal audit function. Following on from this process, the trustees believe they have established systems to mitigate all significant risks.

Public benefit reporting

The trustees have taken account of the statutory reporting duty introduced in 2009 to illustrate how in practice the activities of CAFOD meet the legal public benefit requirement. In this respect, the trustees have noted and paid due regard to all the Charity Commission's statutory guidance that is relevant to our mission. They have highlighted in this report examples of CAFOD's activities which illustrate how our work fulfils its mission and the significant benefits it brings to:

- individuals and communities in poverty overseas, irrespective of their race, religion or creed
- teachers, youth workers, students and pupils involved in teaching and learning about global poverty and injustice and its causes
- the Catholic community in England and Wales in expressing its faith in action in response to global poverty and injustice issues.

The trustees give their time voluntarily and receive no private benefits from CAFOD.

Trustees' responsibilities in respect of the financial statements

The trustees are responsible for preparing the Report of the Trustees and accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities in England and Wales requires the trustees to prepare accounts for each financial year which give a true

and fair view of the state of affairs of the charity and the group, and of the incoming resources and application of resources of the group for that period. In preparing these accounts, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities) (the Charities' SORP);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the 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 accounts comply with the Charities Act 1993, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the trust deed. They are also responsible for safeguarding the assets of the charity and the group, 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 financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

CAFOD's trustees are grateful to the dedicated services of its staff and many volunteers. Without their generous commitment, it would be impossible for CAFOD to carry out its programme of work and achieve its goals.

Approved by the trustees on 5th July 2011 and signed on their behalf by:

The Rt. Rev. John Rawsthorne, Bishop of Hallam – Trustee

5th July 2011

Report of the independent auditors to the trustees of CAFOD

We have audited the financial statements of CAFOD for the year ended 31 March 2011, which comprise the group statement of financial activities, the group balance sheet, the group cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the trustees, as a body, in accordance with Section 43 of the Charities Act 1993 and with regulations made under Section 44 of that act. Our audit work has been undertaken so that we might state to the trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out in the Report of the Trustees, the trustees are responsible for the preparation of financial statements which give a true and fair view.

We have been appointed as auditors under section 43 of the Charities Act 1993 and report in accordance with regulations made under section 44 of that act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

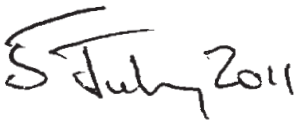
- give a true and fair view of the state of the group and charitable parent's affairs as at 31 March 2011 and of the group's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 requires us to report to you if, in our opinion:

- the information given in the Report of the Trustees is inconsistent in any material respect with the financial statements; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Statutory Auditor
Buzzacott LLP
130 Wood Street
London
EC2V 6DL



Buzzacott LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Group statement of financial activities for the year ended 31st March 2011

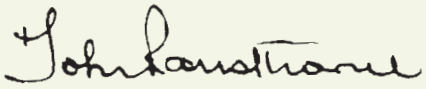
	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000	Total 2010 £000
Incoming resources from generated funds					
Voluntary income:					
General donations		**18,497**	**4,380**	**22,877**	20,694
Emergency appeal donations		**–**	**8,288**	**8,288**	7,004
Legacies		**6,311**	**24**	**6,335**	5,003
DFID Partnership Programme Agreement		**4,540**	**–**	**4,540**	4,430
Caritas and other Catholic agencies	1	**–**	**3,191**	**3,191**	4,212
Activities for generating income:					
Trading and other income		**105**	**–**	**105**	265
Investment income:					
Interest earned		**175**	**60**	**235**	318
Incoming resources from charitable activities					
Government and institutional programme grants	1	**–**	**10,348**	**10,348**	7,129
Total incoming resources		**29,628**	**26,291**	**55,919**	49,055
Cost of generating funds					
Fundraising trading costs	2	**85**	**–**	**85**	105
Costs of generating voluntary income	2	**5,265**	**72**	**5,337**	5,858
Charitable activities					
International development	2	**11,641**	**12,938**	**24,579**	22,355
Disaster relief	2	**3,618**	**15,242**	**18,860**	12,094
Development education	2	**2,660**	**40**	**2,700**	2,806
Advocacy and campaigning	2	**3,003**	**60**	**3,063**	3,225
Governance costs	2	**562**	**–**	**562**	393
Total resources expended		**26,834**	**28,352**	**55,186**	46,836
Net incoming / (outgoing) resources		**2,794**	**(2,061)**	**733**	2,219
Unrealised investment gains		**–**	**8**	**8**	14
Net movement in funds		**2,794**	**(2,053)**	**741**	2,233
Funds at the start of the year		**19,058**	**7,978**	**27,036**	24,803
Funds at the end of the year		**21,852**	**5,925**	**27,777**	27,036

CAFOD did not change any of its principal activities during the above financial periods and there were no gains and losses other than those included above. Restricted funds above include permanent endowment funds; see note 12. All of the charity's activities were derived from continuing operations during the above two financial periods.

Group balance sheet as at 31st March 2011

	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2011 £000	Total 2010 £000
Fixed assets					
Tangible assets	7	**11,527**	**–**	**11,527**	11,640
Investments	7	**–**	**387**	**387**	379
Total fixed assets		**11,527**	**387**	**11,914**	12,019
Current assets					
Stock		**35**	**–**	**35**	39
Debtors and prepayments	8	**907**	**1,686**	**2,593**	5,460
Bank and short term deposits	9	**12,074**	**9,413**	**21,487**	17,309
Total current assets		**13,016**	**11,099**	**24,115**	22,808
Creditors					
Amounts falling due within one year	10	**(2,691)**	**(5,561)**	**(8,252)**	(7,791)
Net current assets		**10,325**	**5,538**	**15,863**	15,017
Net assets		**21,852**	**5,925**	**27,777**	27,036
REPRESENTED BY:					
Unrestricted designated funds & reserves					
Designated stabilisation fund (in cash)	11	**3,374**	**–**	**3,374**	3,276
Designated stabilisation fund (in fixed assets)	11	**5,460**	**–**	**5,460**	5,460
Designated fixed asset fund	11	**6,067**	**–**	**6,067**	6,180
Designated programme fund	11	**5,500**	**–**	**5,500**	1,000
General reserves	11	**1,451**	**–**	**1,451**	3,142
Restricted funds					
General donation funds	12	**–**	**829**	**829**	169
Emergency appeal funds	12	**–**	**6,346**	**6,346**	7,072
Caritas and other Catholic agencies	12	**–**	**940**	**940**	786
Government and institutional grants	12	**–**	**(2,577)**	**(2,577)**	(428)
Permanent endowment	12	**–**	**387**	**387**	379
Total funds and reserves		**21,852**	**5,925**	**27,777**	**27,036**

The financial statements were approved by the trustees on 5th July 2011 and signed on their behalf by:



The Rt. Rev. John Rawsthorne
Bishop of Hallam

Charles Reeve-Tucker FCA
Hon. treasurer

Group cash flow statement for the year ended 31st March 2011

	Notes	2011 £000	2010 £000
Cash inflow / (outflow) from operating activities	A	**4,162**	(1,776)
Returns on investments			
Interest received and investment income		**194**	471
Capital expenditure and financial investment	B	**(178)**	(5,850)
		4,178	(7,155)
Management of liquid resources			
(Decrease) / increase in short term deposits	C	**(4,000)**	10,000
Increase in cash at bank and in hand	C	**178**	**2,845**

Notes to the group cash flow statement for the year ended 31st March 2011

A. Reconciliation of net incoming resources to net cash inflow / (outflow) from operating activities

	2011 £000	2010 £000
Net incoming resources per Statement of Financial Activities (page 29)	**733**	2,219
Depreciation charge	**273**	210
Net loss / (profit) on disposal of tangible fixed assets	**18**	(137)
Interest receivable and investment income	**(235)**	(318)
Decrease / (increase) in stock	**4**	(5)
Decrease / (increase) in debtors	**2,908**	(1,981)
Increase / (decrease) in creditors	**461**	(1,764)
Cash inflow / (outflow) from operating activities	**4,162**	**(1,776)**

B. Cash flows: capital expenditure and financial investment

Payments to acquire tangible fixed assets	**(180)**	(7,144)
Receipts from sales of tangible fixed assets	**2**	1,294
Net cash outflow from investing activities	**(178)**	**(5,850)**

C. Analysis of changes in cash and short term deposits

	At 1/04/10 £000	Cash flows £000	At 31/03/11 £000
Cash at bank and in hand	**9,309**	**178**	**9,487**
Short term deposits	**8,000**	**4,000**	**12,000**
Total	**17,309**	**4,178**	**21,487**

Notes to the financial statement 31st March 2011

(a) Basis of accounting:

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Charities Act 1993. Applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) have been followed in the preparation of these financial statements.

(b) Basis of consolidation:

The group financial statements consolidate the financial statements of the charity and of its subsidiary undertaking, the CAFOD Trading Company Limited (see note 13). The results of the subsidiary are consolidated on a line by line basis. No separate balance sheet or statement of financial activities for the charity has been prepared, as the trustees do not consider that the inclusion of this information would be material to the understanding of these financial statements.

(c) Income:

All general and development income is treated as unrestricted income and is available for expenditure approved by the Board; unless the donor has specified the purpose or region in which the donation is to be spent, in which case it is treated as restricted income. Restricted income includes all monies received as a result of an emergency appeal. All categories of income are credited to the Statement of Financial Activities in the period in which they are receivable. For income from governments and other institutional donors this is the later of the date stipulated on the schedule of disbursements agreed with the donor, and when CAFOD has met the necessary conditions for disbursement. Income restricted for expenditure in future periods is deferred. Legacies are included in the Statement of Financial Activities when CAFOD is advised by the personal representative(s) of an estate that payment will be made or property transferred and the amount involved can be quantified.

Income in kind – food aid and agricultural tools for which CAFOD accepts responsibility for distribution – is included in 'Incoming Resources from charitable activities' at its market value when it is received within partner programmes, and as resources expended under 'Charitable activities' at the same value and time.

(d) Resources expended:

Expenditure is included in the Statement of Financial Activities when incurred and includes any attributable VAT which cannot be recovered. Resources expended comprise the following:

Grants payable:

These are charged to the Statement of Financial Activities when they have been approved. Programme grants approved but not disbursed at the balance sheet date, are carried forward as programme creditors in the balance sheet.

Activity and support costs:

Activity costs include the costs of the trading company and the costs of all teams in CAFOD, other than Finance, Facilities, IT and Organisational Development and Personnel, which represent support costs. They are classified under the expenditure activity headings on the basis of the contribution the teams make to each activity. Support costs are apportioned on the basis of the number of staff included within each activity.

The expenditure activity headings are:

Costs of generating funds – Fundraising trading costs, the costs incurred in trading activities;
Costs of generating funds – Costs of generating voluntary income, the costs incurred in attracting voluntary income;

Charitable activities – international development, work with poor and disadvantaged communities in the global south to overcome poverty and bring about sustainable development and well-being;
Charitable activities – disaster relief, work to protect lives and relieve suffering during emergencies and reduce the risks to vulnerable communities as a result of conflict and natural disasters;
Charitable activities – development education, work to raise understanding of the causes of poverty and injustice to inspire a commitment to lasting change;
Charitable activities – advocacy and campaigning, work to challenge those with power to adopt policies and behaviour that promote social justice and end poverty;
Governance costs, which includes costs incurred on the governance of CAFOD's assets and is primarily associated with its constitutional and statutory requirements.

(e) Foreign currency translation:

Transactions in foreign currencies are translated at the rate of exchange ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange on that date.

(f) Pensions:

CAFOD operates four contributory money purchase pension schemes. Scheme funds are independent of CAFOD's finances and are administered by separate trustees for two schemes and by CAFOD trustees for two schemes. CAFOD's contributions are charged in the Statement of Financial Activities in the period in which they are made.

(g) Fixed assets:

Assets costing £1,500 or more are capitalised. Depreciation on assets is charged from the date of first usage and provided on the straight line method at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold land and buildings (subject to annual impairment review)	1% on cost
Computers, office furniture & equipment	25% on cost
Motor vehicles	25% on cost

(h) Investments:

Investments are included on the balance sheet at their market value at the end of the financial period. Realised and unrealised gains and losses are credited, or debited, to the Statement of Financial Activities in the period in which they arise.

(i) Stock:

The cost of publications and other promotional and educational material is written off in the period in which it is incurred. Stock held by the trading company for sale is shown at the lower of cost and net realisable value.

(j) Fund accounting:

Designated funds comprise funds held in certain tangible fixed assets or set aside out of unrestricted funds for specific future purposes.

General reserves represent those monies that are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objectives.

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to conditions imposed by donors.

Endowment funds comprise monies that must be held indefinitely as capital. Income therefrom is credited to general funds and applied for general purposes unless under the terms of the endowment such income must be used for specific purposes in which case it is credited to restricted funds.

Notes to the financial statements 31st March 2011

1. Incoming resources

	2011 £000	2010 £000
Contributions from Caritas and other Catholic agencies were from:		
Caritas Australia	**485**	51
Caritas Austria	**288**	130
Caritas Belgium	**21**	13
Caritas Denmark (refund)	**(168)**	1,033
Caritas Germany	**53**	21
Caritas Italy	**130**	203
Caritas Japan	**32**	31
Caritas Korea	**39**	59
Caritas Luxembourg	**225**	88
Caritas New Zealand	**123**	100
Caritas Spain	**388**	309
Caritas Switzerland	**229**	46
Catholic Relief Services	**109**	–
Cordaid	**136**	156
Development & Peace	**409**	517
Scottish Catholic International Aid Fund	**237**	255
Sécours Catholique	**102**	404
Trócaire	**339**	684
Others	**14**	112
Caritas and other Catholic agencies	**3,191**	4,212
Government and institutional grants were from:		
Governmental		
UK Government (DFID)	**3,244**	1,524
UK Government (DFID Governance and Transparency Fund)	**1,088**	1,400
UK Government (DFID in kind)	**1,035**	–
European Union	**1,453**	1,586
Government of Isle of Man	**40**	82
Government of Jersey	**58**	130
United Nations agencies	**57**	198
United Nations agencies (in kind)	**1,459**	–
Non-governmental		
Big Lottery Fund (grant for Ethiopia programme)	**148**	154
Canadian Foodgrains Bank	**42**	–
Canadian Foodgrains Bank (in kind)	**240**	219
Comic Relief	**1,253**	1,384
Norwegian Church Aid	**71**	186
Others	**160**	266
Other institutional grants for programmes	**10,348**	7,129

2. Total resources expended

	Grants payable £000	Activity costs £000	Support costs £000	Total 2011 £000	Total 2010 £000
Cost of generating funds					
Fundraising trading costs	–	85	–	85	105
Cost of generating voluntary income	–	4,508	829	5,337	5,858
Charitable activities					
International development	17,731	5,457	1,391	24,579	22,355
Disaster relief	15,905	2,351	604	18,860	12,094
Development education	133	2,106	461	2,700	2,806
Advocacy and campaigning	137	2,409	517	3,063	3,225
Governance costs	–	502	60	562	393
Total resources expended	33,906	17,418	3,862	55,186	46,836

Support costs are allocated on the basis of the number of staff included under each activity.

3. Grants payable in the furtherance of the charity's objectives

Grants represent funds made available to partner programmes and either transferred to the partners on paid against goods and services on behalf of partners.

Analysis by region	2011 no. of grants	2011 £000	2010 no. of grants	2010 £000
Africa	302	20,083	288	16,375
Latin America and Caribbean	134	7,721	132	3,773
Asia and Middle East	139	5,440	145	4,393
Global, policy and education	72	662	90	876
Total grants	647	33,906	655	25,417

A list of grants over £50,000 is available from: Director of Finance and Services, CAFOD, Romero House, 55 Westminster Bridge Road, London, SE1 7JB.

3. Grants payable in the furtherance of the charity's objectives (continued)

Analysis by sector	2011 no. of grants	2011 £000	2010 no. of grants	2010 £000
Conflict resolution	**62**	**2,702**	67	2,419
Economic advocacy	**58**	**1,193**	81	1,692
Education	**63**	**877**	80	1,047
Disaster relief	**111**	**15,905**	100	9,308
Health	**38**	**755**	48	873
HIV/AIDS	**83**	**2,750**	81	2,450
Human rights	**108**	**2,728**	51	1,896
Sustainable livelihoods	**124**	**6,996**	147	5,732
Total grants	**647**	**33,906**	655	25,417

Africa grants	2011 no. of grants	2011 £000	2010 £000
Angola	**–**	**–**	74
Benin	**1**	**43**	–
Burundi	**4**	**114**	25
Chad	**–**	**–**	55
Democratic Republic of Congo	**24**	**1,003**	2,306
Eritrea	**3**	**2,136**	846
Ethiopia	**26**	**1,144**	980
General East Africa	**3**	**95**	114
General South Africa	**–**	**–**	160
General Southern Africa	**5**	**111**	–
Kenya	**33**	**1,357**	1,630
Liberia	**6**	**671**	408
Malawi	**4**	**160**	132
Mozambique	**17**	**530**	504
Niger	**7**	**203**	45
Nigeria	**25**	**304**	212
Rwanda	**11**	**251**	446
Sierra Leone	**6**	**475**	485
South Africa	**6**	**88**	100
Sudan	**33**	**5,082**	3,127
Swaziland	**1**	**30**	50
Tanzania	**4**	**265**	436
Uganda	**9**	**368**	593
Zambia	**19**	**830**	734
Zimbabwe	**50**	**4,653**	2,739
Multi-Country	**5**	**170**	174
Africa grants	**302**	**20,083**	16,375

3. Grants payable in the furtherance of the charity's objectives (continued)

Latin America and Caribbean grants	2011 no. of grants	2011 £000	2010 £000
Bolivia	12	269	322
Brazil	30	984	965
Chile	–	–	50
Colombia	13	434	577
El Salvador	6	191	234
Guatemala	9	203	145
Guyana	–	–	20
Haiti	14	4,617	392
Honduras	5	121	103
Mexico	4	96	115
Nicaragua	5	151	207
Paraguay	3	66	88
Peru	13	267	236
Multi-country	20	322	318
Latin America and Caribbean grants	**134**	**7,721**	3,771

Asia and Middle East grants	2011 no. of grants	2011 £000	2010 £000
Afghanistan	4	146	78
Bangladesh	15	372	513
Burma	15	272	338
Cambodia	9	376	421
China (People's Republic)	1	15	19
East Timor	11	269	251
India	–	–	20
Indonesia	21	745	753
Israel	3	64	61
Kyrgyzstan	1	25	–
Lebanon	2	173	67
Pakistan	12	2,062	369
Philippines	11	176	443
Samoa	–	–	10
Sri Lanka	19	427	525
Thailand	1	25	25
West Bank and Gaza	7	163	330
Multi-country	7	130	170
Asia and Middle East grants	**139**	**5,440**	4,393

4. Activity and support costs

	Activity costs £000	Support costs £000	Total 2011 £000	Total 2010 £000
Staff costs (note 5)	**12,016**	**2,034**	**14,050**	14,018
Premises, IT and utilities	**701**	**931**	**1,632**	1,936
Travel costs	**1,438**	**70**	**1,508**	1,442
Professional fees and outsourcing	**1,088**	**239**	**1,327**	1,347
Materials production and distribution	**1,100**	**6**	**1,106**	1,217
Advertising and promotion	**384**	**18**	**402**	523
Services for international partners	**467**	**–**	**467**	313
Irrecoverable VAT	**–**	**366**	**366**	196
Bank charges	**108**	**6**	**114**	138
Depreciation and disposal of assets	**–**	**162**	**162**	127
Trading	**55**	**30**	**85**	105
UK audit fee	**29**	**–**	**29**	30
Other audit fees	**32**	**–**	**32**	27
Activity and support costs	**17,418**	**3,862**	**21,280**	21,419

5. Particulars of employees

	2011 full-time equivalent nos.	2011 average headcount nos.	2010 full-time equivalent nos.	2010 average headcount nos.
Generating funds	**83**	**92**	86	95
International development	**143**	**146**	141	145
Disaster relief	**62**	**64**	61	62
Development education	**48**	**52**	50	55
Advocacy and campaigning	**53**	**59**	55	60
Governance costs	**6**	**6**	6	6
Number of employees	**395**	**419**	399	423

	2011 £000	2010 £000
Salaries	**11,104**	11,086
Employer's social security costs	**1,005**	1,019
Employer's pension contributions	**822**	832
Agency staff	**109**	123
Other employee related costs	**1,010**	958
Staff costs	**14,050**	14,018

5. Particulars of employees (continued)

In addition to these employees, CAFOD relied on the services of almost 2,000 parish-based volunteers and some 200 volunteers engaged in work outside their parishes. CAFOD also recruited and employed an average of 12 international relief staff (2010: 13) at a cost of £380,747 (2009: £402,513) who were seconded to partners' relief operations. The costs of these staff are included in grants payable analysed in note 3 above.

The trustees do not receive any remuneration for their services. CAFOD paid the cost of travel for nine trustees (2010 – 10 trustees) to attend quarterly board meetings and for the accommodation of all trustees at the annual residential board meeting, and also paid the costs for two trustees to visit CAFOD programmes during the year (2010: two). Together, this cost a total of £8,765 (2010: £5,961).

In the year, the Director of CAFOD received remuneration of £85,425 (2010: £80,074) plus an employer's contribution towards a money purchase pension scheme of £8,542 (2010: £8,007). The Director also incurred expenses of £10,446 largely on travel to international programmes and meetings in the UK, Europe and North America. Four other employees received remuneration of between £60,000 and £70,000 (2010: 3) plus an average employer's contribution towards a money purchase pension scheme of £7,649 (2010: £8,099).

Employer's pension contributions include £43,486 (2010: £47,265) paid to pension schemes, the trustees of which are the same as the Foundation Trustees of CAFOD.

6. Taxation

CAFOD is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities. All of its income falls within the various exemptions available to registered charities.

7. Fixed assets

a) Tangible fixed assets

	Leasehold land and buildings £000	Office equipment £000	Motor vehicles £000	Total average £000
Cost				
At 1st April 2010	11,388	676	476	**12,540**
Additions	–	19	161	**180**
Disposals	–	(139)	(59)	**(198)**
At 31st March 2011	**11,388**	**556**	**578**	**12,522**
Depreciation				
At 1st April 2010	69	516	315	**900**
Charge for the period	104	60	109	**273**
On disposals	–	(137)	(41)	**(178)**
At 31st March 2011	**173**	**439**	**383**	**995**
Written down values				
At 31st March 2011	**11,215**	**117**	**195**	**11,527**
At 1st April 2010	11,319	160	161	11,640

As at 31st March 2011, CAFOD had no capital commitments (2010: nil). Leasehold land and buildings includes Romero House (value at 31st March 2011: £10.8m) which is used as CAFOD's head office and the Stableyard (value at 31st March 2011: £0.4m) which is currently being marketed for sale.

7. Fixed assets (continued)

b) Investments

The permanent endowment fund has been invested in 7¾ Per Cent Treasury Stock, 2012 – 2015 at a historic cost as at 31st March 2011 of £26,861 (2010: £26,861) and CCLA Charities Ethical Investment Fund Income Units at a historic cost at 31st March 2011 of £422,163 (2010: £422,163). The movement on investments during the period was:

	2011 £000
Market value brought forward	**379**
Unrealised gain	**8**
Market value carried forward	**387**

CAFOD also owns the entire £3 share capital of The CAFOD Trading Company Limited (company registration no. 989846), details of which are included in note 13 below.

8. Debtors and prepayments

	2011 £000	2010 £000
Interest receivable	**60**	19
Taxation recoverable	**650**	2,418
Accrued income	**1,686**	1,488
Prepayments	**48**	35
Property sales revenue receivable	**–**	1,300
Other debtors	**149**	200
Debtors and prepayments	**2,593**	5,460

9. Bank and short term deposits

	2011 £000	2010 £000
Cash at bank and in hand	**9,487**	9,309
Short term deposits	**12,000**	8,000
Bank and short term deposits	**21,487**	17,309

10. Creditors falling due within one year

	2011 £000	2010 £000
Programme creditors	**7,084**	6,085
Other creditors and accruals	**1,115**	1,353
Interest free loans from supporters	**53**	353
Creditors due within one year	**8,252**	7,791

Programme creditors represent grants approved that are yet to be paid to partners. Some grants for partners are approved in principle for two or three years. Second and third year grants represent planned future commitments, but are not recognised as a liability when they are approved, as payment is conditional upon satisfactory progress. As at 31st March 2011 planned future commitments under formal multi-year funding cycle approvals amounted to £8.6m (2010: £8.5m).

11. Unrestricted reserves and funds

	Balance at 1st Apr 10 £000	Incoming resources £000	Transfers £000	Resources expended £000	Balance at 31st Mar 11 £000
Designated funds					
Stabilisation fund (in cash)	3,276	–	98	–	**3,374**
Stabilisation fund (in fixed assets)	5,460	–	–	–	**5,460**
Fixed asset fund	6,180	–	(113)	–	**6,067**
Programme fund	1,000	–	4,500	–	**5,500**
Free reserves					
General reserves	3,142	29,628	(4,485)	(26,834)	**1,451**
	19,058	29,628	–	(26,834)	**21,852**

Designated stabilisation fund: The trustees have established a stabilisation fund to limit the risk of disruption to CAFOD's charitable programme associated with the financial risks the organisation faces. Alongside the potential risks associated with the assets that CAFOD holds, and with potential unforeseen costs, the trustees consider the main financial risk to be an unexpected downturn in budgeted general income. To cope with any unexpected downturn in budgeted general income without damaging the long-term programme commitments (detailed in note 10) that CAFOD makes to its partners, CAFOD would need at least two years to adjust these programmes. Based upon a possible shortfall of 15 per cent in the budgeted general income and the need for two years to adjust programmes, the trustees have established the level of the stabilisation fund at 30 per cent of the budgeted general income for the coming year. As at 31st March 2011, the trustees were able to fund this requirement fully and therefore set aside £8.8 million in the programme stabilisation fund.

When we completed the construction of Romero House, our new head office, at a cost of just under £11m, around half was funded from selling the previous head office and the remainder from using cash already held as the stabilisation fund. The trustees have agreed to hold some of this stabilisation fund in property on the understanding that if CAFOD ever needs to use these funds, then it will take out a loan mortgaged on the new offices to release the necessary cash. CAFOD's bankers have signified their willingness in principle to provide such a loan.

Designated fixed assets fund: The fund for fixed assets represents the net book value at the balance sheet date of unrestricted tangible fixed assets, other than those covered by the stabilisation fund, as explained above. This fund is not therefore available for current expenditure, as the assets are used in the day to day operation of the charity.

Designated programme fund: The fund represents available funds which the trustees have designated for expenditure on specific programme activities within the detailed budget for the coming year.

General reserves: General reserves are those free, unrestricted funds in hand, over and above those set aside for designated purposes. These are held either because more general income has been received than was expected, or because budgeted expenditure has not been incurred. The trustees have established a policy to spend any general reserves on CAFOD's programme and partners promptly, taking the opportunity to meet existing needs or invest for the future, while ensuring that any further commitments which the expenditure generates are sustainable.

12. Restricted reserves and funds

	Balance at 1st Apr 10 £000	Incoming resources £000	Unrealised gain £000	Resources expended £000	Balance at 31st Mar 11 £000
Restricted funds					
Restricted funds					
General donations	169	4,380	–	(3,720)	**829**
Emergency appeal donations	7,072	8,288	–	(9,014)	**6,346**
Legacies	–	24	–	(24)	**–**
Caritas / Catholic agencies	786	3,191	–	(3,037)	**940**
Government and institutions	(428)	10,348	–	(12,497)	**(2,577)**
Interest	–	60	–	(60)	**–**
Permanent endowment					
Sr. Laura Tanti Foundation	379	–	8	–	**387**
	7,978	26,291	8	(28,352)	**5,925**

The balances on the restricted funds represent those amounts received from donors for specified purposes or regions that had not been expended at the balance sheet date. As at 31st March 2011, the balances held were for the following purposes:

	2011 £000	2010 £000
Africa programme	**149**	1,989
Asia and Middle East programme	**2,608**	1,422
Latin America programme	**2,660**	4,138
General programme	**121**	50
Permanent endowment	**387**	379
Total restricted and permanent endowment funds	**5,925**	7,978

For programme grants from governments and institutions, the timing of receiving funds and spending on programmes activities varies, with some programmes in surplus (with grants received in advance of being spent) and some in deficit (with funds received after being spent). The balance of funds from governments and institutions at 31st March 2011 is shown net with:

	2011 £000	2010 £000
Programme grants in surplus	**546**	969
Programme grants in deficit		
Eritrea programme	**(993)**	(439)
Civil society (Kenya/Zimbabwe)	**(494)**	–
Other programmes	**(1,636)**	(958)
Government and institutional grants	**(2,577)**	(428)

The permanent endowment relates to the Sister Laura Tanti Foundation for which CAFOD has received cumulative donations of £421,255 (2009: £421,255) held under trust deeds. The trustees of CAFOD hold this amount and its income in trust and will apply the income for the benefit of the poor as stipulated.

13. Analysis of net assets between funds of the charity and trading company

	Unrestricted funds £000	Restricted funds £000	Permanent endowment funds **£000**	**2011 Total charity £000**	**2011 Trading company £000**	**2010 Total group £000**
Fund balances at 31st March 2011 are represented by:						
Tangible fixed assets	11,527	–	–	**11,527**	**–**	**11,527**
Investments	–	–	387	**387**	**–**	**387**
Net current assets	10,237	5,538	–	**15,775**	**88**	**15,863**
Total net assets	21,764	5,538	387	**27,689**	**88**	**27,777**

CAFOD, the charity, owns the entire £3 share capital of The CAFOD Trading Company Limited (company registration no. 989846), the principal activity of which is to carry out commercial activities for the benefit of the charity.

In addition to the above, there was £88,350 (2010: £72,709) owing from the CAFOD Trading Company to the charity as at 31st March 2011.

The turnover of the CAFOD Trading Company for the year was £87,742 (2010: £112,346). All the profits of the company, which would otherwise be liable to corporation tax, are payable under Gift Aid to the charity, CAFOD. The gross payment for the year therefore amounted to £2,115 (2010: £6,779). This payment is considered to be a charitable contribution.

14. Handling funds and accounting services for other agencies

During the year, CAFOD provided accounting and payroll support to the Trade Justice Movement, a coalition of organisations, including churches and charities, which are campaigning together for new international trade rules that will ensure that the poor get a better deal from trade. The Trade Justice Movement is incorporated as a company limited by guarantee and has its own bank account, on which CAFOD employees act as signatories. During the year, CAFOD received a total of £34,056 (2010: £45,364) on behalf of the Trade Justice Movement, holding a balance of £9,782 (2010:£12,607) at the year end. This bank account is separate from CAFOD's own bank accounts and has not been consolidated in CAFOD's financial statements.

CAFOD also provides accounting and company secretarial support to Crosby Support Limited, (company registration no. 2949213) formed by CAFOD supporters to operate a shop in Waterloo, Liverpool. The shop acts as a focal point for CAFOD supporters in the Liverpool area to meet and participate actively in CAFOD's charitable aims, vision and values locally. Since it began in 1993, Crosby Support Limited has donated £500,314 to CAFOD. Crosby Support Limited has its registered office at CAFOD's head office, Romero House.

15. Pension costs

The charity operates four contributory money purchase pension schemes. Scheme funds are independent of the charity and are administered by CAFOD foundation trustees for two schemes and separate trustees for the remaining two schemes. For these schemes, CAFOD paid contributions at the basic rate of 10 per cent during the year and members paid contributions at a basic rate of five per cent during the year. For members with more than 10 years service, CAFOD paid 12.5 per cent and also matched any additional members' contributions up to a maximum of 17.5 per cent in total.

15. Pension costs (continued)

One of the schemes that CAFOD participates in is the Pensions Trust's Growth Plan, a multi-employer pension plan, which is funded and is not contracted out of the state scheme. As at the balance sheet date, there were 83 active members of the growth plan employed by CAFOD, and CAFOD intends to continue offering membership of this growth plan to its employees along with the Pension Trust's Flexible Retirement Plan.

Contributions paid into the 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 within the growth plan, or by the purchase of an annuity.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The growth plan is a multi-employer scheme where the scheme assets are co-mingled for investment purposes, and benefits are paid from the total scheme assets. Accordingly, due to the nature of the plan, the accounting charge for the period under FRS17 represents the employer contribution payable.

The trustee of the plan commissions an actuarial valuation every three years. The valuation results at 30th September 2008 have now been completed and have been formalised. The valuation of the plan was performed by a professionally qualified actuary using the Projected Unit Method. The market value of the plan's assets at the valuation date was £742 million and the plan's technical provisions (i.e. past service liabilities) were £771 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £29 million, equivalent to a funding level of 96 per cent.

The financial assumptions underlying the valuation as at 30th September 2008 were as follows:

Investment return pre-retirement	7.6% pa
Investment return post-retirement: Actives / Deferreds	5.1% pa
Investment return post-retirement: Pensioners	5.6% pa
Bonuses on accrued benefits	0.0% pa
Rate of price inflation	3.2% pa

In determining the investment return assumptions, the trustee considered advice from the scheme actuary relating to the probability of achieving particular levels of investment return. The trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60 per cent expectation that the return will be in excess of that assumed, and a 40 per cent chance that the return will be lower than that assumed over the next ten years.

The scheme actuary has prepared a funding position update as at 30th September 2010. The market value of the plan's assets at that date was £780 million and the plan's technical provisions (i.e. past service liabilities) were £825 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £45 million, equivalent to a funding level of 95 per cent.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

In view of the small funding deficit and the level of prudence implicit in the assumptions used to calculate the plan liabilities, the plan's trustee has prepared a recovery plan on the basis that no additional contributions from participating employers are required at this point in time. In reaching this decision, the plan's trustee has taken actuarial advice and has been advised that the shortfall of £29 million (as at 30th September 2008) will be

cleared within ten years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50 per cent expectation that the return will be in excess of that assumed and a 50 per cent expectation that the return will be lower than that assumed over the next ten years. These "best estimate" assumptions are 8.4 per cent per annum pre retirement, 5.1 per cent per annum post retirement (actives and deferreds) and 5.6 per cent per annum post retirement (pensioners).

A copy of the recovery plan must be sent to The Pensions Regulator. The regulator has the power under part three of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example, the regulator could require that the trustee strengthens the actuarial assumptions (which would increase the plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2008 valuation was forwarded to the pensions regulator on 18th December 2009.

The next full actuarial valuation will be carried out as at 30th September 2011.

Following a change in legislation in September 2005, there is a potential debt on the employer that could be levied by the plan's trustee. The plan's trustee's current policy is that it only applies to employers with pre October 2001 liabilities in the plan. The debt is only due in the event of the employer ceasing to participate in the plan or the plan winding up.

The debt for the plan as a whole is calculated by comparing the liabilities for the plan (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the plan. If the liabilities exceed assets, there is a buy-out debt.

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 to the total amount of the plan's pre-October 2001 liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total plan liabilities, plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

CAFOD has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the plan based on the financial position of the plan as at 30th September 2010. As of this date, the estimated employer debt for CAFOD was £1,112,932 (30th September 2009: £1,070,339). In the opinion of the trustees, as the charity intends to continue offering membership of the plan and as they are unaware of any intention for the plan to be wound up, the debt is unlikely to crystallise in the foreseeable future.

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Catherine Newman QC
Mary Ney

Trustees

Charles Reeve-Tucker FCA (Honorary Treasurer)

Robert Archer
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Victoria Santer
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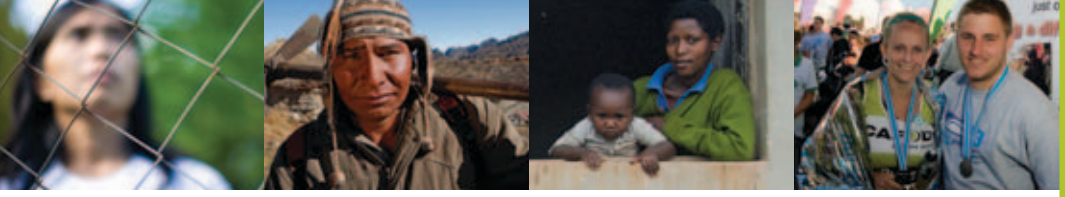
Corporate Leadership

Chris Bain – Director
Tom O'Connor – Communities & Supporters
Geoff O'Donoghue – International Programme
Noreen Lockhart – Planning, Governance & Accountability
James Steel – Finance & Services
Neil Thorns – Advocacy Programme
Jacquie Heany – Organisational Development & People

Principal professional advisers

Auditors: Buzzacott LLP, Wood Street, London
Solicitors: Linklaters, Silk Street, London
Bankers: Royal Bank of Scotland, Cavendish Square, London
Bankers: Co-operative Bank, Balloon Street, Manchester



CAFOD
Just one world

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