



Report of the Trustees and Financial Statements

for the year ended 31st March 2010

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Organisational details

Principal and registered address

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Patron

His Eminence, Cardinal Cormac Murphy-O'Connor

Foundation Trustees

Right Reverend John Rawsthorne (Chair)
Right Reverend Kieran Conry
Catherine Newman QC (from 31/03/10)
Mary Ney
Nicholas Warren (to 25/06/09)

Trustees

Charles Reeve-Tucker FCA (Honorary Treasurer)

Robert Archer
Right Reverend John Arnold (from 10/12/09)
Jenny Cosgrave
Clare Gardner
Dominic Jermey OBE
Mark McGreevy
Mary McHugh (to 27/09/10)
Margaret Mwaniki (from 27/09/10)
Fr James O'Keefe
Fr Timothy Radcliffe OP
Victoria Santer
Fr Frank Turner SJ

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
Barbara Wilson - Organisational Development & Personnel

Principal professional advisers

Auditors: Buzzacott LLP, New Fetter Lane, London

Solicitors: Linklaters, Silk Street, London

Bankers: Royal Bank of Scotland, Cavendish Square, London

Bankers: Co-operative Bank, Balloon Street, Manchester

Letter from the Chair

In a year of economic uncertainty worldwide, I am immensely proud of what CAFOD has achieved.

During times of recession, the poor are hardest hit. This year, shielding the most vulnerable communities we work with has been a priority. As trustees, we took stock of CAFOD's financial position and made difficult but crucial decisions to reduce our core costs by 6 per cent for next year onwards without compromising our international programmes. This meant making some posts redundant and a number of staff reducing their hours. I would like to pay tribute to our staff for making this possible.

2010 marks the 50th anniversary of the very first Fast Day from which CAFOD grew. Now one of the best known events in the Catholic calendar, Fast Day has become a phenomenal success. From the first collection in 1960 which raised £6,673 - way beyond the £500 target - to the present, Fast Day has raised over £65 million. Put simply, the generosity of the Catholic community in England and Wales has enabled us to support life-changing work across 70 countries in Africa, Asia and Latin America.

Fast Day was initiated by Catholic women's organisations. Our pioneers were so committed and inspired by their faith that they were motivated to take on the enormous challenge of eradicating global poverty. These principles and their vision remain at the heart of our work today, so it felt right that in our 50th anniversary year, CAFOD should return to the simple, basic message at Lent to 'Give it up!' – a call to go without so that others may simply have.

Advocacy - taking action to bring about change - has become a vital part of our work. Across the world, united with our partners, we are calling for the same action, with the same voice. At 'The Wave' demonstration in London, I was one individual in a sea of others calling for effective actions to be taken on climate change. The day proved, once again, that we are most powerful when we come together. Advocating for justice, for real and lasting change, does not only reach the ears of those in power, it gives us a sense of empowerment at a time when people feel powerless. It also builds a community which overcomes geographical, political and social boundaries.

Much has been said about people growing weary of giving but each time there is an emergency, the Catholic community proves that theory wrong! Haiti was no exception. Parish and school communities, alongside many individual donors, raised an extraordinary £5 million in response to the earthquake which shattered the lives of hundreds of thousands of people. This widespread generosity is both heart-warming and a tangible sign of global solidarity.

When the Haiti earthquake struck in January, we were well equipped to respond. Our expertise draws on lessons learnt from past emergencies, such as more robust systems and procedures to work collaboratively with our sister agencies in the international Caritas network.

Having seen our emergency work in action, I can vouch for the difference CAFOD makes. In August 2009 I visited Sri Lanka and was greeted with the horrifying sight of 300,000 people behind barbed wire, all internally displaced by war. Our partner, Caritas Sri Lanka, was working in the camps, meeting immediate needs as well as actively calling for justice and peace across the country. It is this kind of comprehensive approach that makes CAFOD stand out.

While in Sri Lanka, I took part in the final celebrations of rebuilding work after the 2004 tsunami. How wonderful to be part of a success story like that, even at a time when we were responding to another crisis in the same country. It brought home to me that CAFOD really does stay for the long-term.

For CAFOD, accountability means acting on the needs, concerns and views of our supporters, donors, partners and the communities we work with. We listen to what they tell us and answer to them for the decisions and actions we take. By placing our partners and the communities they serve at the centre of our work, we strive to improve the quality and effectiveness of our international programmes. At its heart, being accountable is about how we relate to people - women, men and children - with dignity and respect.

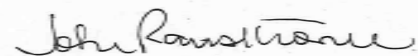
In June 2009 we were awarded the 'People in Aid' kitemark in recognition of our high-quality management and support of volunteers and staff. A strong workforce means our work to fight poverty has greater impact.

In September 2009 we achieved full certification from the Humanitarian Accountability Partnership (HAP) for our international work. Our commitment to meeting high standards of accountability and quality management ensures our international programmes are well respected and received.

In June 2010 we launched 'Just one world', our vision for change and agenda for action for the coming decade which ensures the poorest people are at the heart of our work. It roots us in our faith identity, challenges us to act for positive and lasting change, and reaffirms our core way of working in partnership.

In my role as CAFOD Chair working with staff both in England and Wales and on international visits I am always hugely impressed by their professionalism, hard work and commitment. We are also fortunate to have such a dedicated and able group of trustees. I would particularly like to thank Mary McHugh and Nick Warren who have retired from the Board after many years guiding CAFOD through a period of very significant growth and development. I am delighted to welcome to the Board Catherine Newman QC, who brings a depth of legal expertise, and Margaret Mwaniki, Regional Representative of Caritas Africa and CAFOD's first trustee from the global South.

With my very great thanks to the staff, trustees, volunteers, supporters and partners who make CAFOD's work possible.



*Rt. Rev. John Rawsthorne,
Bishop of Hallam*

Objectives and activities

Mission

CAFOD is the international development 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 fulfilment of 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.

Achievements and performance

1. Working with local partners... to promote sustainable development

We work to ensure that women and men in disadvantaged communities are able to access the resources and services they need to support themselves and their families in ways that are sustainable.

What have we achieved this year?

Funding of £2.4 million from DFID has secured the ongoing development of our largest programme in Zimbabwe. As the country struggles with the continuing problem of malnutrition, we have provided food rations for over 100,000 people, including over 75,000 school children who have received daily school meals.

Our work in Zimbabwe tells the story of how CAFOD works in emergencies: we stay alongside those affected for the longer haul. The Zimbabwe livelihoods programme started as emergency relief work to reduce extreme poverty in seven districts by providing seeds, tools and agricultural training, improved water and sanitation facilities, and health and hygiene education. Today, the programme is helping thousands of people to move on with their lives.

Improvements in water, sanitation and hygiene have benefited over 12,500 people, resulting in a drop in recorded cases of cholera and other waterborne diseases in the dioceses of Masvingo, Chinhoyi, Gokwe, Gweru, Harare, Bulawayo, Mutare and Hwange.

We provided essential drugs for 41 hospitals, ensuring treatment for over 100,000 patients. Our health and nutritional support work has triggered an overall reduction in the number of cases of preventable illness and improved recovery rates in Chirumanzu, Kwekwe, Bikita, Gutu, Masvingo, Zaka, Bulilima, Mangwe, Chimanimani and Nyanga districts.

We distributed maize seed to 56,000 households which resulted in a 34 per cent increase in crop yield. Training on staggered crop planting over the seasons meant the arrival of dry spells did not jeopardise the entire harvest.

“Blessed to be a mother”

Both Monica and her husband Morrison are HIV positive. They live in Zimbabwe where up to one in seven of the population is HIV positive. Left untreated, around 30 per cent of HIV positive mothers will pass the virus to their children.

During her pregnancy, Monica sought advice from a CAFOD-funded HIV support group. Specialist staff taught Monica how to protect her baby from HIV during labour and childbirth.

Monica was also given the drug Neverapin. A single dose given to a mother during labour, and to a baby after delivery, can dramatically reduce transmission rates. Monica carried the drug with her from her seventh month of pregnancy. “Just in case I gave birth early,” she explains.

The couple's daughter, Tadiwanashe, tested negative for HIV at eighteen months – the age when a baby stops carrying its mother's antibodies. Monica was delighted. “Having a healthy daughter is the best gift I could have wished for,” she says.

Around the world

- **Colombia:** 25 small businesses were established for 254 displaced and vulnerable families.
- **Peru:** 48 small businesses were set up as a result of 153 young people receiving business training.
- **Sri Lanka:** 30 small businesses were set up for 49 women and their families living in underprivileged rural communities.

2. Working with global and local partners... to respond to emergencies

In emergency situations we provide immediate humanitarian relief and long-term rehabilitation programmes so people can rebuild their lives. We are part of the global Caritas network, a federation of Catholic relief and development organisations in 154 countries, and we coordinate a number of humanitarian responses on behalf of Caritas International. CAFOD is also a member of the Disasters Emergency Committee (DEC) in the UK.

What have we achieved this year?

Humanitarian income from institutional donors has increased by over 100 per cent. In part, we see this as recognition of our expertise in specific fields of work as well as our local partner relationships and our ability to work with the Caritas network.

In the last year, we have made significant progress in ensuring our emergency responses are better coordinated and therefore more effective on the ground.

We have improved our internal procedures and can now draw on a pool of specialist staff across the world to respond quickly to rapid onset emergencies. To make sure funds get where they are needed fast, we have developed our online donations processing and introduced same day banking.

Our accountable, clear and cost-effective procurement and logistics systems have strengthened CAFOD's reputation. We have improved procurement arrangements to manage effectively the chain of supplies in an emergency. Our 'supply chain manual' for programme staff and partners ensures simple guidelines for procurement and logistics are implemented and managed more efficiently and cost effectively. As a result, the European Commission's Humanitarian Office (ECHO) allows us to implement our own internal systems, which in turn benefits our partners.

Haiti

On 12 January 2010, a major earthquake, measuring 7.0 on the Richter scale, hit Haiti, killing an estimated 200,000 people and causing massive destruction.

Through strong links with our US sister agency, Catholic Relief Services (CRS), which has worked alongside Caritas Haiti for many years, CAFOD was in a good position to respond to the crisis.

Within days of the earthquake hitting, we deployed humanitarian staff from Africa and the UK to Haiti to support Caritas Haiti's relief operation. Our staff on the ground are providing specialist knowledge on water and sanitation, human resources and security.

We have so far given £1.3 million to the CRS water and sanitation work for the displaced population in the capital, Port-au-Prince, setting up latrines and washing facilities, distributing hygiene kits and educating hygiene promoters.

We worked with Caritas Switzerland to deliver shelter kits including kitchen utensils, tools for rebuilding and jerry cans to 1,350 families and other sister agencies on the ground, in collaboration with local church networks. We also provided 1,020 families with tents.

CAFOD has spent around £2 million to date. Income from our emergency appeal will enable us to support the people of Haiti for years to come.

"Haiti will live again"

"The house was falling. I cried out to God," remembers Carmen, whose home in Haiti's capital, Port-au-Prince, was destroyed in the earthquake. Today, Carmen and her family live in temporary housing and rely on our partners for shelter materials, food and basic toiletries. "We really need the supplies we have been given," says Carmen. "It's all we have." It will take time to help people get their lives back in Haiti. As well as meeting immediate needs, our partners are installing pumps so people like Carmen have access to clean water. It's this support that gives Carmen faith in the future. "As long as I am alive, I will always have hope. Haiti will live again."

Around the world

- **Eritrea:** Our £2.3 million, DFID-funded emergency nutrition programme will provide supplementary food to 20,000 malnourished children and pregnant and breastfeeding mothers.
- **Southern Sudan:** Our €2 million programme reaches 5,000 households (around 25,000 people), affected by civil war. Two CAFOD humanitarian staff members are based in the diocese of Tombora Yambio to add expertise and support local partners.
- **Indonesia:** We spent £260,000 responding to the earthquake which hit Indonesia in September 2009. Our local partners provided emergency shelter and hygiene and tool kits, reaching 2,000 households (around 12,000 people).

3. Working with local partners... to reduce risk from natural disaster or conflict

We work alongside communities affected by conflict, natural disaster or climatic changes to help them reduce the risks they face and become more resilient. Together with our partners we are developing expertise in disaster risk reduction (DRR) and climate change adaptation (CCA), ensuring our work on the ground also considers the potential hazards communities may face.

What have we achieved this year?

In northern Kenya, our partners are helping pastoralist communities to develop early warning systems so they know the best time to sell livestock before drought hits. We are also funding new water sources and rehabilitating existing ones to reduce further risk.

In Maralal diocese, our partners have provided decent sanitation for 3,000 people displaced by conflict. Before our help, Longewan camp had no toilet or bathing facilities. The place was littered with human and animal waste and diarrhoea was widespread. The lack of sanitary facilities was a security threat to women and girls in particular who risked attack when they went into the bush. Toilet and bathroom units funded by CAFOD have improved health, hygiene and security at the camp.

In Marsabit, our local partner used a ‘cash-for-work’ approach to mobilise pastoralists to reclaim a silted oasis. The oasis, which was rehabilitated by 91 men, is now being used by over 30,000 animals. Insecurity in the area prevented women travelling a long distance to join the work. However, women reported that the cash the men received paid for food during extreme drought.

“I dream of being a doctor”

In Kitui, in the east of Kenya, 14-year-old Mwende lives alone. Her grandmother died last year, now Mwende must rely on the kindness of others to provide her with food, clothes and books for school. That help doesn’t always come. Kitui is in the midst of severe drought. Successive failed rains have caused crops to fail and hundreds of thousands of families don’t have enough food.

Faced with such severe drought and so many in need, our partners are helping the most vulnerable – orphans like Mwende, and people living with HIV or AIDS. Mwende and others have received emergency food rations of maize, beans and oil. The nutritious mix ensures those who are sick don’t become weak and succumb to illness, and those who are orphaned, like Mwende, can continue to go to school. Mwende has managed to do exceptionally well in school. “I love science and maths. I wish I could do medicine in the future,” she says.

Around the world

- **Nicaragua:** We fund drip irrigation systems so farmers can feed their crops exactly the right amounts of water. This reduces soil erosion and vulnerability to heavy rainfall.
- **Bangladesh:** In a country at serious risk of floods and cyclones, we are strengthening infrastructure so community buildings such as cyclone shelters and schools can withstand natural disaster.
- **Uganda:** We are helping communities to preserve grazing land for use during prolonged droughts. We are also helping families to preserve land near their homes for weak livestock during periods of acute shortage of pasture.

4. Working with local partners... to change unfair policies and practice

We challenge those with power to adopt policies and behaviour that promote social justice and end poverty. This means supporting people to bring about change in their own communities.

What have we achieved this year?

Three million people in Sao Paulo, Brazil, live in precarious conditions including slums known as ‘favelas’. Over 600,000 homes do not have proper sewerage systems. To date, the government has failed to implement public and housing policies to help low income families improve their living conditions. Secure housing is essential to guarantee access to education, work and health facilities for homeless families and people living in favelas and tenements.

Our urban programme, jointly funded with the European Community, pressures the Brazilian government to fulfil legal obligations under its sustainable housing policy. This programme strengthens community organisation and increases the involvement of women and young people so they can secure a decent place to live.

We worked with local partners to develop a strategy and plan a housing campaign. We also helped our partners reach a clear and cohesive position on policy. Evidence of housing injustice is strengthening our partners’ advocacy at local, regional and national levels. The results have been impressive:

- 2,761 families were supported by government projects, including housing, emergency benefits and improvements like roads and lighting in favelas
- 100 homeless families received permanent housing from the government
- Over 500 families received housing benefit

“I used to live in a shack, now I have a brick house”

Maria lives in Divinea, a favela in Sao Paulo. Many homes here were built precariously into the hillside and were at risk of landslides. Thanks to the work of our partners in highlighting this danger to the authorities, the most vulnerable homes were replaced by the government with solid new apartment blocks.

“I used to live in a wooden shack. Now I have a small brick house in the centre of the community,” says Maria. “We lobbied the government for decent housing – and look at the result.”

But Maria says the fight continues. “Many people still live as I used to, without basic services or a sewage system.” CAFOD and our partners will stay in Sao Paulo for as long as it takes, giving a voice to families desperate for decent housing.

Around the world

- **Brazil:** Following campaigns by CAFOD partners and others, the government passed an anti-corruption law to prevent people with criminal records standing as candidates in elections. Brazil's next general election will take place in October 2010.
- **Indonesia:** Our partner, Down to Earth, organised workshops to raise awareness among Indonesian activists and indigenous people and lobbied decision makers for climate justice, as well as protesting against international failure to take action to combat climate change.
- **Democratic Republic of Congo:** We are advocating for strong regulations in the extractive industries to prevent them being used to finance further conflict.

5. Working with partners in the UK... to change unfair policies and practice

A core part of our mission is to challenge those with power to adopt policies and behaviour that promote social justice and end poverty. This year, we have made significant progress towards this goal through collaborative action with other leading international non-governmental organisations (NGOs) and with the committed action of supporters from the Catholic community in England and Wales, as we all press for change.

International aid commitments

The 2010 election marked a significant historical point on international development aid. All three main political parties made manifesto commitments to give 0.7 per cent of gross national income to international aid, and to bring in legislation to ensure this is legally binding rather than a whim of a government. Since the election, the coalition government has reconfirmed its commitment to the legislation and protected DFID's budgets from recent cuts.

An end to bribery?

The fight against corruption took a giant leap forward when the Bribery Bill was passed this year. Bribery by multinational companies occurs in many developing countries: the World Bank estimates that \$1 trillion in bribes is paid each year. From our work on extractive industries such as gold mining, we know that corruption undermines transparency and effective governance, discourages foreign investment, wastes public money and poses a risk to the delivery of essential services. The new Bribery Act will modernise the UK's outdated laws and make it easier to prosecute British companies for bribery overseas. CAFOD, along with a group of UK NGOs, closely followed the progress of the Bribery Bill through parliament. We analysed draft legislation, drafted an MP briefing, and met with parliamentarians of all parties, urging them to support the bill and ensure it was passed in its strongest possible form. It is critical this new act is implemented as soon as possible. Over the coming months, we will lobby to ensure sufficient resources are available to enforce the new act.

Climate Justice

In December 2009, the latest Climate Summit was held in Copenhagen, which resulted in the Copenhagen Accord. The accord invited countries to make pledges on their emissions reduction targets. This was noted at the UN, which means it is not legally binding. This was a disappointing result for CAFOD, but we were pleased to see the UK government push for a second commitment period to the Kyoto Protocol.

Our supporters pressured the government through campaign actions, and 'The Wave' demonstration brought thousands of people together to call for change prior to the Climate Summit. In Copenhagen, we launched campaign actions and lobbied the then Secretary of State for Energy and Climate Change, the Prime Minister's special advisors, the European Union and other rich country delegations.

We have maintained this public pressure through campaigning and have presented concrete recommendations to the government to move international negotiations forward, with particular emphasis on the need to change the position on Kyoto.

6. Working with international partners... to raise awareness in the UK

We raise awareness and understanding of the causes of poverty and injustice to inspire a commitment to lasting change. This links closely with our invitation to parishes, schools, young people and individuals - to pray, act and give.

From Nairobi to Northampton

In July 2009, more than 2,000 young people and 350 youth leaders and teachers from the UK met two inspirational young people from Kenya: Kepha Ngito and the late Alice Ahenda.

Kepha and Alice shared their experience of promoting peace and reconciliation in Nairobi's slums through CAFOD-funded peace projects. During a three-week tour of England, they motivated young people to take action for global peace. "There's no one else. There's no other time. It's up to us to act," Kepha told them.

During the tour, CAFOD hosted live web chats so young people in Liverpool and Northampton could share experiences with young people from Nairobi.

In an act of solidarity, young people from the UK raised money, and took part in our climate justice campaign. One young leader at the CAFOD-hosted 'Great generation' day, said "I'm going to find a way to inspire others with what has inspired me today. We ARE a great generation, we CAN change the world."

Alice's sudden death from a car accident three months after her visit saddened all who knew her. One tribute summed up the feelings of many: "Alice epitomised CAFOD's call for people to aspire not to have more but to be more - it was a joy to know Alice".

7. What have we learnt in the last year?

An ongoing aspect of our work is to review practice and monitor and evaluate our programmes with a view to continually improving and learning.

Pakistan

In 2009, we completed our £4.8m relief and rehabilitation programme in Pakistan, following the earthquake in October 2005 which left 79,000 people dead, 3 million homeless and caused damage to homes, infrastructure and livelihoods costing US\$5 billion. Throughout the four-year programme, CAFOD was the main 'facilitating partner' on behalf of Caritas International, working closely with Caritas Pakistan. We also worked in partnership with Islamic Relief.

While there were review points along the way, the end of the work was an opportunity to take stock, evaluate, and capture the lessons learned in order to continually improve our emergency response work.

The CAFOD and Caritas Pakistan response to the earthquake in Pakistan was ambitious, complex and demanding. The challenging security environment made progress difficult. Using community mobilisation skills, Caritas Pakistan gained communities' trust and was able to manage security in a potentially hostile region of the country. This was one of the great successes of the programme.

There were also areas of work which produced important lessons for CAFOD and Caritas Pakistan, and which served to improve our work. In the programme which covered livelihoods, water, health and construction, we understood more clearly that emergency response work needs to integrate gender, disaster risk reduction and HIV from the outset.

The programme demanded a complex mix of expertise and management skills. This human resource was difficult to secure within the region - especially so soon after the Asia tsunami response. We learned that a more detailed assessment of the capacity and competences of our local partner and CAFOD could have helped as the programme moved from relief to the recovery.

After a full evaluation of the programme, we have developed more robust systems and ways of working (see page 4 for further details) to ensure an effective, co-ordinated humanitarian response.

Financial review

Income and expenditure

This year, we raised £49.1m – 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.

	05/06	06/07	07/08	08/09	09/10
Income	£m	£m	£m	£m	£m
Directly from CAFOD supporters	27.2	26.0	29.7	29.5	32.1
Through the Disasters Emergency Committee	10.5	13.4	3.9	2.3	0.6
<i>Supporter income</i>	<i>37.7</i>	<i>39.4</i>	<i>33.6</i>	<i>31.8</i>	<i>32.7</i>
From the Caritas network	4.6	3.7	4.2	2.8	4.2
Government and other grants	7.5	7.6	8.4	9.9	11.6
Trading and interest earned	1.3	1.4	1.7	1.4	0.5
Profit on the sale of property	0.0	0.0	0.0	1.8	0.1
Total incoming resources	51.0	52.1	47.9	47.7	49.1

Two thirds of our total income for the year came from supporters, who donated £32.7m 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 £5m received in response to our appeal for those affected by the Haiti earthquake – our second largest emergency appeal ever, only exceeded by the Asia tsunami response. This funding for Haiti will be increased further by an additional £3m collected by the DEC which we will receive and utilise over the coming two years.

The remaining one third of our income came mostly from government, other institutions and Caritas sister agencies; 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 from £12.1m in 2005/06 to £15.8m last year. This includes £4.43m received under the programme partnership agreement with DFID that is contracted to contribute a further £4.54m for 2010/11 but is then due to be renegotiated.

Although our income has held up remarkably well since the beginning of the credit crunch, 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.

To ensure we are in good shape for the coming years, during 2009/10 the trustees undertook a review and identified savings in CAFOD staff posts and activity costs to be implemented from April 2010. Whilst this regretfully involved making some redundancies, the trustees believe this was necessary to protect our budgets for international partner grants.

Our total expenditure in 2009/10 was £46.8m. This is less than our income mainly because we received £4.7m for our Haiti appeal in the last months of the financial year. This amount will be spent over a three year programme to meet immediate needs and fund longer term work to rebuild infrastructure and livelihoods.

Spending	05/06	06/07	07/08	08/09	09/10
	£m	£m	£m	£m	£m
Cost of generating funds	4.3	4.6	5.0	5.8	6.0
<i>International grants</i>	37.0	35.8	26.7	28.1	25.1
<i>Activity costs</i>	4.0	5.6	6.2	7.1	7.4
<i>Support costs</i>	1.2	1.5	1.6	2.1	1.9
International programme	42.2	42.9	34.5	37.3	34.4
<i>Policy & UK education grants</i>	0.4	0.4	0.3	0.3	0.3
<i>Activity costs</i>	3.4	3.9	4.3	4.7	4.7
<i>Support costs</i>	0.9	0.9	1.0	1.2	1.0
Education policy & campaigning programme	4.7	5.2	5.6	6.2	6.0
Governance	0.3	0.4	0.4	0.4	0.4
Total resources expended	51.5	53.1	45.5	49.7	46.8

Of this total expenditure, 74 per cent was spent on our international programme, 13 per cent on our education, policy and campaigning programme, and 13 per cent went to generating funds and governing the charity. Within our international programme, we spent £25.1m on grants to partners - less than previous years as expenditure on the Asia tsunami programme is reduced and large scale spending on Haiti is only just beginning.

A summary of our income and expenditure is shown on page 16 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.

Financial position and reserves policy

The trustees review CAFOD's reserves policy each year, ensuring 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 according to our investment policy.

At 31 March 2010, CAFOD held total funds and reserves of £27m.

	At 31/03/2010 £m	At 31/03/2009 £m
Designated funds		
Stabilisation fund (held in cash)	3.3	8.7
Stabilisation fund (held in fixed assets)	5.4	0.0
Fixed asset fund	6.2	5.9
Programme fund	1.0	3.4
	15.9	18.0
Free reserves		
General reserves	3.1	0.9
Restricted funds		
General and development funds	0.2	0.1
Emergency appeal funds	7.0	4.9
Caritas and other Catholic agencies	0.8	0.2
Government and institutional grants	(0.4)	0.4
	7.6	5.6
Permanent endowment	0.4	0.3
Total funds and reserves	27.0	24.8

The designated funds represent unrestricted monies that the trustees have designated for specific purposes; being the stabilisation fund (£8.7m 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 commitment budgeted for in the coming year).

During the current year, we completed the construction of Romero House, our new office building. In May 2010, CAFOD moved from its home for the last 25 years in Stockwell to this new headquarters, developed in partnership with the Archdiocese of Southwark at a site next to St George's Cathedral. This development was completed on time and on budget at a cost of just under £11m, and achieved an excellent rating for environmental performance. Around half its cost came from selling the Stockwell properties (so far raising £4.5m and expected to total over £5m) and the remainder from using cash already held as the stabilisation fund. The trustees have agreed to hold some of this fund in property on the understanding that if CAFOD ever needs to utilise 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.

At 31 March 2010, CAFOD also held 'free' general reserves of £3.1m, an increase on the level at the same point last year because our income for 2009/10 was more than expected. These general reserves represent unrestricted funds over and above those set aside for designated purposes and the trustees will allocate these free reserves to our programmes and partners over the coming period.

Although we have continued to spend down the remaining donations we received for the crisis in Darfur, the Asia tsunami and the south Asia earthquake, the overall level of appeal funds in hand has increased because of the exceptional response to the Haiti earthquake

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 whilst ensuring maximum security by avoiding risk to capital, meeting our ethical standards and achieving the highest 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 individual financial institution. In response to the increased risks from the credit crunch, we have limited deposits to UK domiciled banks and deposited for shorter periods to enable us to react more quickly to issues with particular banks.

As well as sterling deposits, CAFOD maintains modest balances in US Dollars and Euros to cover the forecast expenditure on grants to partners in those currencies, usually for between one to three months

ahead. These balances are from institutional donor funding received in those currencies, supplemented by bulk currency purchases.

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 highest possible return, this fund is mainly invested in an ethical UK common investment fund. Part of this fund was given 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 quarterly and the trustees have confirmed their opinion that the objectives of CAFOD's investment policy were met during the year.

CAFOD's priorities for 2010-2011

In May 2010, the trustees approved CAFOD's new strategic framework for the coming decade: 'Just One World: our vision for change, our agenda for action'. Alongside the changes we are aiming for over the next ten years, the framework addresses priorities for our work in the coming three years and identifies specific and measurable indicators against each of the priorities. These are the areas we believe need particular investment if we are to deliver on our four aims:

- **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.
- **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.
- **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.
- **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.

In 2010/11 we will implement the first year of 'Just One World'. Summary highlights are outlined below.

In our international programmes, we will strive to:

Increase our focus on equality for the poorest and most disadvantaged

- From 2010/11, all country, programme and thematic evaluations will explicitly assess the extent to which the poorest and most disadvantaged groups are empowered and supported by any CAFOD supported programme.
- By 2011, we aim to publish in the public domain all evaluations of programmes spending £500K or more (subject to issues of security and the protection of third party data).

Increase our focus on support and equality for women and girls

- By March 2011, 30 per cent of programmes supported by us will identify the numbers of women, girls, men and boys as primary beneficiaries in order to track progress of our support to women and girls; this will increase to 100 per cent by 2013.

Increase positive social change through our work with the Catholic Church and communities

- By March 2011, we will have developed a long term strategy for our engagement with Caritas and CIDSE networks.

Ensure and demonstrate the effective delivery and impact of our core international work

- By April 2011, all our strategic partners will have developed plans for achieving minimum standards of accountability and minimum standards of safeguarding children.

- Between 2010 and 2013, we will achieve a year-on-year increase in the number of programmes drawing down institutional grants as part of resourcing their work.

Ensure a well-coordinated, effective response in humanitarian programmes

- By March 2011, we aim to increase speed of decision-making to ensure a more rapid, immediate emergency response on the ground.
- By March 2011, we will have harnessed our learning from responding to the Haiti earthquake and further developed our capacity to rapidly redeploy expertise and staff from around the world as soon as need arises.
- By March 2011, we will have bolstered our support to partners who are vulnerable to disasters and pre-empted situations of potential drought and conflict by scaling up more quickly to prepare for disasters.

Within the Catholic community in England and Wales, we will strive to:

Build stronger partnerships and increase levels of engagement with CAFOD's work (praying, acting and giving) with supporters individually and through their communities

- By March 2011, we aim to have increased support from parishes – spanning those already highly engaged to those less regularly involved with our work.

Increase the engagement of young people and their communities with our work

- Between 2010 to 2013, we will be on track for our three year projection of increasing support from Catholic schools so 300 will have deepened their engagement with our work, 1,200 will maintain their current level of engagement, and strategies for engaging the remaining 1,000 will be in place.
- We will continue to ensure that CAFOD's brand recognition is maintained among young Catholics (under 25s) at a level of 60 to 65 per cent.

Develop our supporter base in 2010/11. Focus on the five areas identified in our new fundraising strategy, 'Weathering the Storm':

- Develop Lent into a flagship fundraising season for CAFOD.
- Increase our income from legacies.
- Take forward the new challenge fund initiative with its focus on wealthy individuals.
- Increase the amount of regular giving through innovative new products and promotional activity.
- Invest in a wider range of fundraising events both centrally and in the dioceses.

In our advocacy programmes, we will strive to:

Develop and apply our research and analysis of the causes of poverty and drivers of change, focusing on climate and the environment, the private sector, governance and fair markets

- We will undertake and publish research on the Millennium Development Goals.

Increase our influence at a national, regional and international level in order to bring about effective change

- By 2011, each area of our advocacy work will detail how we will use the strength of European and international networks, especially CIDSE and Caritas, and how we will engage with them
- By 2011, we will aim for 20,000 campaign actions to have been taken: 10,000 in response to 'Act on poverty', 10,000 on either of our Climate justice or private sector campaigns
- By 2011, we will develop a network of 500 CAFOD campaign supporters who are regularly lobbying MPs in over half the constituencies in England and Wales on our advocacy issues
- By 2011, we will have been a lead agency with Stop Climate Chaos in delivering the largest lobby of parliament in history.

In our internal support services, we will strive to:

- Build the skills, competence and confidence needed for staff to achieve the aims of the new strategic framework in ways that join up all parts of CAFOD and make us accountable.
- Develop our systems for supporter relations to meet our ambitions for deepening and widening our support base.
- Increase our capacity for enabling supporters to link their donations to specific parts of our ongoing work.
- Prioritise investment in systems development initiatives based on improved understanding of the cost and benefit of our support services.

- Have reporting mechanisms in place that monitor, understand and demonstrate the qualitative and quantitative outcomes and impact of our work.

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 and 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 development agency of the Catholic Church in England and Wales. It has 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, human resources committee and 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 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 that 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 that 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, and 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

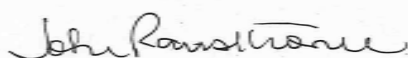
Charity law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity at the year end, and of its incoming resources and resources expended during that year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice, "Accounting and Reporting by Charities" have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume the charity will continue in operation.

The trustees are responsible for keeping proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the charity and which enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The trustees are responsible for ensuring the maintenance and integrity of any audited information published on the charity's website or by other electronic means.

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 13th July 2010 and signed on their behalf by:



The Right Reverend John Rawsthorne - Trustee
13th July 2010

We have audited the financial statements of CAFOD for the year ended 31 March 2010, which comprise the group statement of financial activities, the group balance sheet, the group cash flow statement, the principal accounting policies and the related notes. The accounts have been prepared under the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 auditors

The trustees' responsibilities for preparing the trustees' annual report and the financial statements in accordance with applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of trustees' responsibilities contained within the report of the trustees.

We have been appointed as auditors under Section 43 of the Charities Act 1993 and report in accordance with regulations made under that Act. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). We report to you our opinion as to whether the financial statements give a true and fair view and are prepared in accordance with the Charities Act 1993. We also report to you if, in our opinion, the information given in the report of the trustees is not consistent with those financial statements, if the charity has not kept sufficient accounting records, if the charity's financial statements are not in agreement with these accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the annual report, and consider whether it is consistent with the audited financial statements. The other information comprises only the report of the trustees. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to other information.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the group and charitable parent as at 31 March 2010 and of the group's incoming resources and application of resources for the year then ended; and
- the financial statements have been prepared in accordance with the Charities Act 1993.



Buzzacott LLP
Chartered Accountants and Statutory Auditors
12 New Fetter Lane, London, EC4A 1AG



**Group Statement of Financial Activities
for the year ended 31st March 2010**




	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2010 £000	Total 2009 £000
Incoming resources from generated funds					
Voluntary income:					
General donations		17,301	3,393	20,694	18,495
Emergency appeal donations		-	7,004	7,004	6,631
Legacies		4,879	124	5,003	6,658
DFID Partnership Programme Agreement		4,430	-	4,430	4,210
Caritas and other Catholic agencies	1	-	4,212	4,212	2,853
Activities for generating income:					
Trading and other income		130	-	130	122
Investment income:					
Interest earned		233	85	318	1,260
Incoming resources from charitable activities					
Government and institutional programme grants	1	-	7,129	7,129	5,676
Other incoming resources					
Profit on the sale of property	7	135	-	135	1,768
Total incoming resources		27,108	21,947	49,055	47,673
Cost of generating funds					
Fundraising trading costs	2	105	-	105	92
Costs of generating voluntary income	2	5,770	88	5,858	5,708
Charitable activities					
International development	2	11,372	10,983	22,355	18,342
Disaster relief	2	3,377	8,717	12,094	19,012
Development education	2	2,776	30	2,806	2,850
Advocacy and campaigning	2	3,185	40	3,225	3,193
Governance costs	2	393	-	393	482
Total resources expended		26,978	19,858	46,836	49,679
Net incoming / (outgoing) resources		130	2,089	2,219	(2,006)
Unrealised investment gains / (losses)		-	14	14	(159)
Net movement in funds		130	2,103	2,233	(2,165)
Funds at the start of the year		18,928	5,875	24,803	26,968
Funds at the end of the year		19,058	7,978	27,036	24,803

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.

	Notes	Unrestricted Funds £000	Restricted Funds £000	Total 2010 £000	Total 2009 £000
Fixed assets					
Tangible assets	7	11,640	-	11,640	5,863
Investments	7	-	379	379	317
Total Fixed Assets		11,640	379	12,019	6,180
Current assets					
Stock		39	-	39	34
Debtors and Prepayments	8	3,972	1,488	5,460	3,680
Bank and short term deposits	9	6,992	10,317	17,309	24,464
Total Current Assets		11,003	11,805	22,808	28,178
Creditors					
Amounts falling due within one year	10	(3,585)	(4,206)	(7,791)	(9,555)
Net current assets		7,418	7,599	15,017	18,623
Net Assets		19,058	7,978	27,036	24,803
REPRESENTED BY:					
Unrestricted designated funds & reserves					
Designated Stabilisation fund (in cash)	11	3,276	-	3,276	8,700
Designated Stabilisation fund (in fixed assets)	11	5,460	-	5,460	-
Designated Fixed asset fund	11	6,180	-	6,180	5,863
Designated Programme fund	11	1,000	-	1,000	3,459
General reserves	11	3,142	-	3,142	906
Restricted funds					
General donation funds	12	-	169	169	111
Emergency appeal funds	12	-	7,072	7,072	4,854
Caritas and other Catholic agencies	12	-	786	786	239
Government and institutional grants	12	-	(428)	(428)	354
Permanent endowment	12	-	379	379	317
Total funds and reserves		19,058	7,978	27,036	24,803

The financial statements were approved by the Trustees on 13th July 2010 and signed on their behalf by:



The Right Reverend John Rawsthorne
Trustee



Charles Reeve-Tucker FCA
Honorary Treasurer

Group cash flow statement for the year ended 31st March 2010



	Notes	2010 £000	2009 £000
Cash (outflow) from operating activities	A	(1,776)	(6,146)
Returns on investments			
Interest received and investment income		471	1,377
Capital expenditure and financial investment	B	(5,850)	(1,514)
		(7,155)	(6,283)
Management of liquid resources			
Decrease in short term deposits	C	10,000	4,013
Increase / (decrease) in cash at bank and in hand	C	2,845	(2,270)

Notes to the group cash flow statement for the year ended 31st March 2010

A. Reconciliation of net movement in funds to net cash inflow / (outflow) from operating activities

	2010 £000	2009 £000
Net movement in funds per Statement of Financial Activities (page 16)	2,233	(2,165)
Depreciation charge	210	353
Net (profit) on disposal of tangible fixed assets	(137)	(1,604)
Unrealised (gain) loss on investments	(14)	159
Interest receivable and investment income	(318)	(1,260)
(Increase) in stock	(5)	(1)
(Increase) in debtors	(1,981)	(570)
(Decrease) in creditors	(1,764)	(1,058)
Cash (outflow) from operating activities	(1,776)	(6,146)

B. Cash flows: capital expenditure and financial investment

Payments to acquire tangible fixed assets	(7,144)	(4,209)
Receipts from sales of tangible fixed assets	1,294	2,695
Net cash outflow from investing activities	(5,850)	(1,514)

C. Analysis of changes in cash and short term deposits

	At 1/04/09 £000	Cash flows £000	At 31/03/10 £000
Cash at bank and in hand	6,464	2,845	9,309
Short term deposits	18,000	(10,000)	8,000
Total	24,464	7,155	17,309

Applicable United Kingdom Accounting Standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) have been followed in the preparation of these financial statements.

The results of The CAFOD Trading Company Limited are consolidated within the financial statements. 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. The assets and liabilities of the charity and trading company are shown separately in Note 13.

The principal accounting policies adopted are as follows:

(a) 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.

(b) Resources expended:

All expenditure is accounted for on an accruals basis.

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.

Resources expended: Operating and support costs:

Operating 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; 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; and

Governance costs, which includes costs incurred on the governance of CAFOD's assets and is primarily associated with its constitutional and statutory requirements.

(c) 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.

(d) 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.

(e) 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:

Freehold and leasehold buildings	2% on cost
Computers, office furniture & equipment	25% on cost
Motor vehicles	25% on cost

(f) 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.

(g) 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.

(h) Fund accounting:

Designated funds comprise monies held in 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 objects.

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.

1. Incoming resources

	2010	2009
	£000	£000
Contributions from Caritas and other Catholic agencies were from:		
Caritas Australia	51	163
Caritas Austria	130	102
Caritas Belgium	13	31
Caritas Denmark	1,033	(31)
Caritas Finland	18	-
Caritas Germany	21	89
Caritas Internationalis	50	-
Caritas Italy	203	116
Caritas Japan	31	42
Caritas Korea	59	25
Caritas Luxembourg	88	280
Caritas New Zealand	100	79
Caritas Spain	309	276
Caritas Switzerland	46	207
Cordaid	156	389
Development & Peace	517	201
Scottish Catholic International Aid Fund	255	19
Sécours Catholique	404	310
Trócaire	684	555
Others	44	-
Caritas and other Catholic agencies	4,212	2,853

Government and institutional grants were from:

Governmental		
UK Government (DFID)	1,524	1,394
UK Government (DFID Governance and Transparency Fund)	1,400	413
European Union	1,586	2,640
Government of Isle of Man	82	43
Government of Guernsey	-	20
Government of Jersey	130	22
United Nations agencies	198	43
Non-governmental		
Big Lottery Fund (grant for Cambodia programme)	-	71
Big Lottery Fund (grant for Ethiopia programme)	154	126
Canadian Foodgrains Bank (gift in kind)	219	-
Christian Aid	71	-
Comic Relief	1,384	789
Euronaid	51	-
Norwegian Church Aid	186	24
Others	144	91
Other institutional grants for programmes	7,129	5,676

2. Total resources expended

Total resources expended were:

	Grants payable	Activity Costs	Support costs	Total 2010	Total 2009
	£000	£000	£000	£000	£000
Fundraising trading costs	-	65	40	105	92
Cost of generating voluntary income	-	5,014	844	5,858	5,708
International development	15,778	5,187	1,390	22,355	18,342
Disaster relief	9,308	2,190	596	12,094	19,012
Development education	138	2,173	495	2,806	2,850
Advocacy and campaigning	193	2,489	543	3,225	3,193
Governance costs	-	334	59	393	482
Total Resources Expended	25,417	17,452	3,967	46,836	49,679

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 and in kind contributions (goods, services and seconded staff) made to partners' programmes. 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.

	2010 no. of grants	2010 £000	2009 no. of grants	2009 £000
Conflict Resolution	67	2,419	52	1,190
Education	80	1,047	95	1,389
Economic Advocacy	81	1,692	76	1,651
Disaster relief	100	9,308	116	13,027
Health	48	873	58	969
HIV/AIDS	81	2,450	80	2,261
Human Rights	51	1,896	46	1,351
Sustainable Livelihoods	147	5,732	154	6,652
Total Grants	655	25,417	677	28,490

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

	2010 no. of grants	2010 £000	2009 no. of grants	2009 £000
Africa	288	16,375	292	16,861
Latin America	132	3,773	151	4,117
Asia and Middle East	145	4,393	134	6,275
Global, policy and education	90	876	100	1,237
Total Grants	655	25,417	677	28,490

	2010 no. of grants	2010 £000	2009 £000
Angola	3	74	50
Burundi	1	25	33
Chad	1	55	150
Congo (DRC)	27	2,306	2,759
Eritrea	3	846	264
Ethiopia	24	980	991
Kenya	36	1,630	2,386
Liberia	3	408	41
Malawi	4	132	132
Mozambique	14	504	628
Niger	1	45	94
Nigeria	28	212	255
Rwanda	9	446	136
Sierra Leone	9	485	185
South Africa	7	100	134
Sudan	23	3,127	3,496
Swaziland	2	50	50
Tanzania	7	436	265
Uganda	14	593	346
Zambia	18	734	653
Zimbabwe	40	2,739	3,518
General East Africa	3	114	58
General Southern Africa	5	160	68
Multi-country	6	174	169
Africa Grants	288	16,375	16,861

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

	2010 no. of grants	2010 £000	2009 £000
Bolivia	14	322	345
Brazil	33	965	1,028
Chile	1	50	-
Colombia	15	577	687
Cuba	-	-	10
El Salvador	7	234	269
Guatemala	6	145	159
Guyana	1	20	13
Haiti	4	392	71
Honduras	4	103	182
Mexico	5	115	124
Nicaragua	6	207	444
Paraguay	5	88	92
Peru	13	236	272
Multi-country	18	319	421
Latin America Grants	132	3,773	4,117
	2010 no. of grants	2010 £000	2009 £000
Afghanistan	3	78	150
Bangladesh	17	513	947
Burma	18	338	371
Cambodia	11	421	541
China	1	19	58
East Timor	13	251	200
India	1	20	89
Indonesia	20	753	423
Israel	3	61	45
Lebanon	5	67	68
Pakistan	5	369	551
Philippines	12	443	291
Sri Lanka	18	525	1,856
Samoa	1	10	-
Thailand	1	25	25
West Bank and Gaza	8	330	487
Multi-country	8	170	173
Asia and Middle East Grants	145	4393	6,275

4. Activity and Support Costs

	Activity Costs £000	Support costs £000	Total 2010 £000	Total 2009 £000
Staff costs (note 5)	11,916	2,102	14,018	13,269
Premises, IT and utilities	772	1,164	1,936	1,581
Travel costs	1,374	68	1,442	1,461
Professional fees and outsourcing	1,157	190	1,347	1,396
Materials production and distribution	1,213	4	1,217	1,293
Advertising and promotion	503	20	523	603
Services for international partners	313	-	313	605
Irrecoverable VAT	-	196	196	310
Bank charges	82	56	138	113
Depreciation & disposal of assets	-	127	127	396
Trading	65	40	105	92
UK audit fee	30	-	30	38
Other audit fees	27	-	27	32
Operating and support costs	17,452	3,967	21,419	21,189

5. Particulars of employees

	2010 Full-time equivalent nos.	2010 Average headcount Nos	2009 Full-time equivalent nos.	2009 Average headcount nos.
Generating funds	86	95	81	88
International Development	141	145	133	140
Disaster Relief	61	62	55	58
Development Education	50	55	49	53
Advocacy and campaigning	55	60	52	57
Governance costs	6	6	6	5
Number of employees	399	423	376	401

	2010 £000	2009 £000
Salaries	11,086	10,412
Employer's social security costs	1,019	979
Employer's pension contributions	832	810
Agency staff	123	126
Other employee related costs	958	942
Staff costs	14,018	13,269

5. Particulars of employees (continued)

In addition to these employees CAFOD recruited and employed an average of 13 international relief staff (2009: 14) at a cost of £402,513 (2009: £445,131) 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 10 Trustees (2009 – 8 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 (2009 – no visits). Together, this cost a total of £5,961 (2009 - £3,270).

In the year, the Director of CAFOD received remuneration of £80,074 (2009: £76,892) plus an employer's contribution towards a money purchase pension scheme of £8,007 (2009: £7,689). Three other employees received remuneration of between £60,000 and £70,000 (2009: 3) plus an average employer's contribution towards a money purchase pension scheme of £8,099.

In addition, in this period CAFOD relied on the services of almost 2,000 parish-based volunteers and some 200 volunteers engaged in work outside their parishes.

Employer's pension contributions include £47,265 (2009: £54,162) 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, as all its income falls within the various exemptions available to registered charities.

7. Fixed assets

a) Tangible fixed assets

	Freehold land and buildings £000	Leasehold land and buildings £000	Building under construction £000	Office equipment £000	Motor vehicles £000	Total £000
Cost						
At 1 st April 2009	1,511	2,065	2,322	644	450	6,992
Additions	-	-	7,001	94	49	7,144
Transfer	-	9,323	(9,323)	-	-	-
Disposals	(1,511)	-	-	(62)	(23)	(1,596)
At 31st March 2010	-	11,388	-	676	476	12,540
Depreciation						
At 1 st April 2009	333	59	-	485	252	1,129
On disposals	(358)	-	-	(62)	(19)	(439)
Charge for the period	25	10	-	93	82	210
At 31st March 2010	-	69	-	516	315	900
Written down values						
At 31st March 2010	-	11,319	-	160	161	11,640
At 1 st April 2009	1,178	2,006	2,322	159	198	5,863

As at 31st March 2010, CAFOD had no capital commitments (2009 - £6.8m in relation to the construction of Romero House).

7. Fixed assets (continued)

b) Investments

The permanent endowment fund has been invested in 7 ¾ Per Cent Treasury Stock, 2012 – 2015 at a historic cost as at 31st March 2010 of £26,861 (2009: £26,861) and CCLA Charities Ethical Investment Fund Income Units (previously held in the Friends Provident Exempt Ethical UK Equity unit trust) at a historic cost at 31st March 2010 of £422,163 (2009: £422,163). The movement on investments during the period was:

	2010	2009
	£000	£000
Market value brought forward	317	476
Interest allocated	48	-
Unrealised gain / (loss)	14	(159)
Market Value carried forward	379	317

8. Debtors and prepayments

	2010	2009
	£000	£000
Interest receivable	19	220
Taxation recoverable	2,418	1,909
Accrued income	1,488	1,025
Prepayments	35	369
Property sales revenue receivable	1,300	-
Other debtors	200	157
	5,460	3,680

9. Bank and short term deposits

	2010	2009
	£000	£000
Cash at bank and in hand	9,309	6,464
Short term deposits	8,000	18,000
	17,309	24,464

10. Creditors falling due within one year

	2010	2009
	£000	£000
Programme creditors	6,085	8,190
Other creditors and accruals	1,353	1,012
Interest free loans from supporters	353	353
	7,791	9,555

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 2010 planned future commitments under formal multi-year funding cycle approvals amounted to £8.5m (2009 - £7.2m).

11. **Unrestricted reserves and funds**

	Balance at 1st Apr 09 £000	Incoming resources £000	Transfers £000	Resources expended £000	Balance at 31 st Mar 10 £000
Designated Funds					
Stabilisation fund (in cash)	8,700	-	(5,424)	-	3,276
Stabilisation fund (in fixed assets)	-	-	5,460	-	5,460
Fixed asset fund	5,863	135	182	-	6,180
Programme fund	3,459	1,000	-	(3,459)	1,000
Free Reserves					
General reserves	906	25,973	(218)	(23,519)	3,142
	18,928	27,108	-	(26,978)	19,058

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% 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% of the budgeted general income for the coming year. As at 31st March 2010, the Trustees were able to fund this requirement fully and therefore set aside £8.7 million in the Programme stabilisation fund.

During the current year, CAFOD completed the construction its new head office in London at a total cost of just under £11m. Around half of this cost has been met from the sale of CAFOD head office and the Trustees agreed to fund the other half by investing cash already set aside in the Stabilisation fund. The Trustees have agreed to hold some of this fund in property on the understanding that if CAFOD ever needs to utilise 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 fixed assets, other than those covered by the Stabilisation Reserve, 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 budgeted 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, whilst ensuring that any further commitments which the expenditure generates are sustainable.

12. Restricted reserves and funds

	Balance at 1st Apr 09 £000	Incoming resources £000	Unrealised Gain £000	Resources expended £000	Balance at 31 st Mar 10 £000
Restricted Funds					
General donations	111	3,393	-	(3,335)	169
Emergency appeal donations	4,854	7,004	-	(4,786)	7,072
Legacies	-	124	-	(124)	-
Caritas / Catholic agencies	239	4,254	-	(3,707)	786
Programme grants	354	7,087	-	(7,869)	(428)
Interest	-	37	-	(37)	
Permanent endowment					
Sr. Laura Tanti Foundation	317	48	14	-	379
	5,875	21,947	14	(19,858)	7,978

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 2010 the balances held were for the following purposes:

	2010 £000	2009 £000
Africa Programme	1,989	3,076
Asia and Middle East Programme	1,422	2,765
Latin America Programme	4,138	(339)
General Programme	50	56
Permanent endowment	379	317
Total restricted and permanent endowment funds	7,978	5,875

CAFOD regularly pre-finances programme costs that will be covered by government and other institutional programme grants, approving and paying out funds to local partners, in advance of receiving funds from the donor. As a result negative balances arise on particular restricted funds.

For programme grants from governments and institutions, the timing of receiving funds and spending on programmes activities varies, sometimes with grants received in advance of being spent - these programme grants are in surplus - and other times funds received in after being spent - these programme grants are in deficit. The balance of funds at 31st March 2010 is shown net:

	2010 £000	2009 £000
Programme grants in surplus	969	1,205
Programme grants in deficit	(1,397)	(851)
Government and institutional grants	(428)	354

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. Charity and trading company

The assets and liabilities of the charity, CAFOD, and the consolidated subsidiary, The CAFOD Trading Company, are:

	2010 Charity £000	2010 Trading £000	2010 Group £000
Tangible fixed assets	11,640	-	11,640
Investments	379	-	379
Stock	-	39	39
Debtors and prepayments	5,427	33	5,460
Bank and short term	17,307	2	17,309
Creditors	(7,789)	(2)	(7,791)
Net assets	26,964	72	27,036

In addition to the above, there was £72,709 (2009: £75,709) owed from The CAFOD Trading Company to the Charity as at 31st March 2010. The turnover of The CAFOD Trading Company for the year was £112,346 (2009: £100,165).

14. Handling funds for other agencies

CAFOD has acted as Facilitating Agency on behalf of Caritas Internationalis, the Lutheran World Federation, the New Sudan Council of Churches, the Sudan Council of Churches and the World Council of Churches, in respect of the Church Ecumenical Action in Sudan (CEAS) for over a decade, receiving and holding donor funds in CEAS bank accounts in London and making payments and transferring funds to Nairobi as requested by CEAS. Following the peace agreement in Southern Sudan it was agreed that CEAS has completed its work and would be closed. During the year CAFOD received a further \$26,399 on behalf of this and transferred this and the balance of \$78,888 held at April 2009 to CEAS's bank account in Nairobi and closed CEAS's bank accounts in London. These bank accounts are separate from CAFOD's own bank accounts and were not consolidated in CAFOD's financial statements.

In addition, 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 £45,364 (2009: £95,645) on behalf of the Trade Justice Movement, holding a balance of £12,607 (2009: £45,671) 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, a company (number 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 £465,314 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% during the year and members paid contributions at a basic rate of 5% during the year. For members with more than 10 years service, CAFOD paid 12.5% and also matched any additional members' contributions up to a maximum of 17.5% in total.

15. Pension Costs (continued)

One of the schemes that CAFOD participates in is the Pensions Trust's Growth Plan, a multiemployer pension plan, which is funded and is not contracted out of the state scheme. As at the balance sheet date there were 88 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 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%.

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% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30th September 2009. The market value of the Plan's assets at that date was £765 million and the Plan's Technical Provisions (i.e. past service liabilities) were £820 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £55 million, equivalent to a funding level of 93%.

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 10 years if the investment returns from assets are in line with the "best estimate" assumptions. "Best estimate" means that there is a 50% expectation that the return will be in excess of that assumed and a 50% expectation that the return will be lower than that assumed over the next 10 years. These "best estimate" assumptions are 8.4% per annum pre retirement, 5.1% per annum post retirement (actives and deferreds) and 5.6% per annum post retirement (pensioners).

15. Pension Costs (continued)

A copy of the recovery plan must be sent to The Pensions Regulator. The Regulator has the power under Part 3 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 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 2009. As of this date the estimated employer debt for CAFOD was £1,070,339 (30th September 2008 - £958,513). In the opinion of the trustees, as the charity intends to continue offering membership of the Plan, the debt is unlikely to crystallise in the foreseeable future.