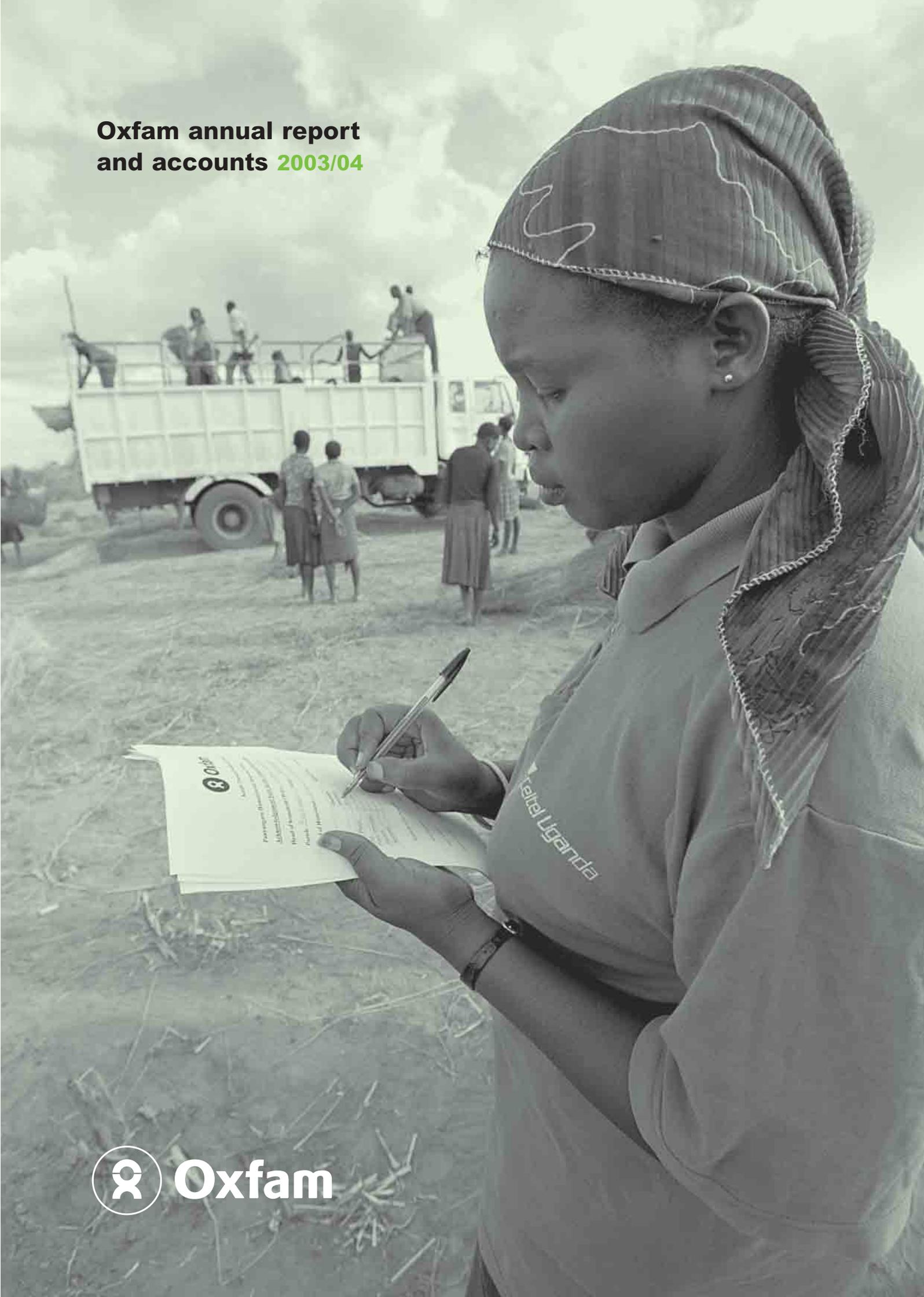


Oxfam annual report
and accounts 2003/04



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A company registered in England, number 612172, and limited by guarantee.
Registered Charity No. 202918.
Oxfam (also known as Oxfam GB) is a member of Oxfam International.

Oxfam Council of Trustees as at 30 April 2004 and 15 July 2004

| | | |
|--|--------------------------------|-----------------|
| Rosemary Thorp (<i>Chair</i>) ^{2,3} | Sir Richard Jolly | Hugo Slim |
| Dino Adriano (<i>Vice-Chair</i>) ² | Scarlett MccGwire ³ | Richard Taylor |
| Frank Kirwan (<i>Treasurer</i>) ^{1,2} | Norman Sanson ^{2,3} | Stan Thekaekara |
| Jackie Gunn ¹ | Angela Sealey ¹ | Shriti Vadera |

Matthew Sparrow retired from Council at the AGM 28 November 2003.
Richard Taylor was appointed to Council at the AGM 28 November 2003.

The following, who are not trustees, hold honorary positions:

Amartya Sen (*Adviser to Oxfam International*)

Robin Langdon-Davies (*Association Member Emeritus*)

Michael Rowntree (*Chair Emeritus*)

Michael Behr held the position of Trustee Emeritus until his death on 3 June 2003.

Oxfam Association as at 30 April 2004 (Refer to Trustees' Report: Organisation and Corporate Governance)

The following, who are not trustees, are members of the Association of Oxfam:

| | | | |
|---------------------------------|------------------------------|--------------------------|--------------------------------------|
| Charles Abugre | Brian Coutanche ¹ | Geoff Foster | David Sunderland |
| Kieran Battles | Bruce Crowther | David Gait | Selvavinayagam Vireswer ³ |
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| Lord Bhatia | Jenny Drury ³ | Alex Jacobs ¹ | Peter Winters |
| Terry Brenig-Jones ³ | Patrick Elliott | Catherine Royce | |

Principal Professional Advisers

Oxfam's principal professional advisers include the following:

Principal Clearing Bankers: The Royal Bank of Scotland Group, London

Auditors: PricewaterhouseCoopers LLP, London

Principal Solicitors: Blake Laphorn Linnell, Oxford. Bates, Wells and Braithwaite, London

Corporate Management Team

Oxfam's Corporate Management Team comprises:

| | |
|--|-------------------------------------|
| The Director (<i>Chief Executive</i>): | Barbara Stocking, CBE |
| Campaigns and Policy: | Justin Forsyth |
| Finance: | Ian Barry |
| Human Resources: | Jane Cotton |
| International: | Jasmine Whitbread |
| Marketing: | John Whitaker (Resigned April 2004) |
| Trading: | Chris Coe |
| Company Secretary: | Joss Saunders |

¹ Member of Trustee Audit & Finance Group

² Member of Remuneration Committee

³ Member of Recruitment and Development Group

Oxfam Mission: Oxfam works with others to overcome poverty and suffering

Oxfam's Beliefs about Poverty and Suffering

- The lives of all human beings are of equal value.
- In a world rich in resources, poverty is an injustice which must be overcome.
- Poverty makes people more vulnerable to conflict and natural calamity; much of this suffering can be prevented, and must be relieved.
- People's vulnerability to poverty and suffering is increased by unequal power relations based on, for example, gender, race, class, caste and disability; women, who make up a majority of the world's poor, are especially disadvantaged.
- Working together we can build a just and safer world, in which people take control over their own lives and enjoy their basic rights.
- To overcome poverty and suffering involves changing unjust policies and practices, nationally and internationally, as well as working closely with people in poverty.

Oxfam's Culture

Reflects a passionate commitment to overcoming the injustice of poverty and suffering. We seek to be:

- Making a difference
- Collaborative
- Accountable
- Cost-effective
- Innovative

Oxfam's Approach

Oxfam's global programme includes three types of intervention – humanitarian response, development work, and campaigning. All our work comes from a rights-based approach. To overcome poverty and suffering we work to ensure that the rights of women and men are fulfilled and protected.

Our programme is focused within five aims:

- Right to a sustainable livelihood
- Right to basic social services
- Right to life and security
- Right to be heard
- Right to equity: gender and diversity

We may focus on a specific aim, but we know that poverty is experienced through a range of issues and will not be eliminated by addressing just one of them. The causes of poverty are often national or global. Our work with poor communities informs our understanding of poverty, and our campaigning work – which seeks to secure lasting change. Whenever we can find or foster appropriate partners, we work with and through them – to support self-reliance not dependency.

We believe that with a programme spread across the world Oxfam has a greater understanding of the many causes of poverty, and we can achieve greater impact. We work in more than 70 countries – in eight regions. Each region is managed by a Regional Director. Oxfam (also known as Oxfam GB) is a member of Oxfam International (OI) – a global confederation of 12 independent Oxfams.

The money to fund Oxfam's work is raised throughout Britain and overseas. In Britain, over 550,000 donors make regular monthly donations, and we receive further funds in response to advertisements, mailings, and other appeals. More than 20,000 volunteers help to run the shops (which make money for Oxfam), and assist with campaigning and other activities. Oxfam also receives money for specific programmes from the UK government, as well as from other governments and institutions including the UN and EU.



Bus taking workers to work in Choloma Free Trade Zone, near San Pedro Sula, Honduras. Oxfam has been working in partnership with CODEMUH (Collective of Honduran Women) since 1994 addressing labour rights of women workers, domestic violence, gender, and self-esteem, and reproductive and occupational health.



Mauritania: Khadidjetou Mint Mohamedva – vet auxiliary – trained by Oxfam to be a veterinary assistant. The training included how to inject animals, how to use medicines and vitamins for animals and how to identify diseases like diarrhoea and heart problems.

Chair's Introduction

It has been a privilege to chair Oxfam through another intensely challenging but rewarding year. Challenging, because in my role at the hub of Oxfam, I appreciate at first hand some of the tensions and difficulties that our staff face on a daily basis, making decisions on behalf of Oxfam. Balancing the needs of the immediate against the long term, or deciding whether to speak out publicly on an issue if the safety of our partners and staff could be compromised, are just two examples of some of the sensitivities that must be weighed up when decisions need to be taken. I appreciate the patience that staff have shown, especially when speeding things up, and speaking out passionately on an issue, instinctively seem the right thing to do.

Such tensions were evident as we tried to keep public attention focused on the daily insecurity faced by so many people all over the world who are largely ignored by the international community, while major, headline-dominating events were occurring, particularly of course in the Middle East. In an Oxfam report, "Beyond the Headlines", we set out the challenges facing Oxfam and other decision-makers of keeping the issue of day-to-day, relentless poverty and insecurity, on the world agenda. We also launched the Control Arms campaign with Amnesty International and the International Action Network on Small Arms (IANSA), to work towards an Arms Trade Treaty to get control over the small arms which cause so much insecurity in so many countries.

Of course, we ourselves continued to operate in difficult environments in both development and humanitarian work – in the Democratic Republic of Congo (DRC), Haiti, Liberia, Northern Uganda and Sudan, for example. The ability of our staff to cope and to deliver never ceases to impress me, especially as we are often talking about local staff whose families are themselves at risk.

We have continued to play our part in Israel and the Palestinian Territories, where the year ended with violence

escalating and even less hope of peace. In addition to humanitarian and programme work there, we have been engaging with many people from Muslim and Jewish backgrounds in the UK to try to improve dialogue and to help understanding of what is happening to ordinary people in the Middle East. This has been a particular commitment of our director, and I want to acknowledge the leadership she has given here.

Internationally, of course, the world has focused on Iraq. We too have had to think hard about what we could do there. We began this year with the intention of improving water and sanitation for people in suburban and rural areas. But, as the security issues became more difficult, we had first to withdraw our international staff – and then, reluctantly, at the end of the year decide to stop any work for the time being. Despite the presence of big contractors, there is plenty of need for better water and sanitation for people living in poverty. So we will continue to review the situation.

On a more positive note, the results of some of our campaigning activities are showing through. Of course, it is relatively easy to get attention for the launch of a new report or campaign but it is the difference it makes to people's lives that matters. Our Cut the Cost campaign launched three years ago has, with pressures from many others, resulted in the average cost of antiretroviral treatment for people with HIV/AIDS reducing from US\$12,000 to US\$200 per year in developing countries. However, this treatment still remains out of reach for people living in poverty until better basic health services are in place.

We are also beginning to shape our programmes to deal more explicitly with the consequences of HIV/AIDS in communities. For example, we are changing our livelihoods programmes to help women who are looking after orphans to continue to grow crops but to do so nearer to their homes and with less effort.



One of two Oxfam-installed waterpoints on Banduka Street, Shinyanga town, Tanzania.



The People's Action Movement, Chennai, Tamil Nadu, India: Malini, a volunteer educator, tells her women's group about STDs and HIV/AIDS.

Coffee farmers have benefited from a massive increase in Fair Trade coffee purchase across the world – in part as a result of the worldwide coffee campaign that we launched in autumn 2002. By working with small, local producers – such as our partners in Café La Centrale – we were able to link our long-term development work with our global campaigning. More generally in the UK and beyond, people are beginning to understand how unfair the trade rules are for people living in poverty. As we ended the year, nearly five million people across the world had signed up to the Big Noise petition – making it clear that they want to “Make Trade Fair”.

We have done a great deal of work to strengthen our management and our programme quality internationally. For example, in our livelihoods work, programmes are now looking at whole chains of production from land rights, good agricultural practice, to access and power in markets (whether local or global). Our education programmes are also developing strongly: for example, our work in getting pastoralist children into school, and our work in training teachers. More widely, we continue to review on a regular basis where we can be most effective. To better focus our resources, we are withdrawing from a number of countries. This year we withdrew from Burundi, where overall our programme and management was not strong enough, despite some good work, to make significant impact. In Ecuador we were able to hand over to another Oxfam, Intermón. We are entering relatively few countries, but started programme work in Russia this year.

Turning to more internal changes, Trustees and management together took a major decision this year to move our Oxford headquarters from Summertown (where they are spread over nine buildings and 16 floors) to Cowley, East Oxford. The move will happen in 2005, but we have needed to work on the planning process this year. Current leases are falling due on several of our Summertown buildings, and major renovation work would be called for were we to stay. Moving to a purpose-built office will also enable us to achieve further improvements in productivity and cost effectiveness, for example by locating teams together to gain synergies.

We have worked hard to make sure that every penny we spend in Oxford really can be justified, and this has meant reshaping a number of teams. We also recognised that we need to improve the way we relate to our supporters. We want to encourage them all to do more, whether that is through giving money, time or by campaigning. To do so, we need to understand what they want of us, and to inspire them by our work and by the way we treat them. We face considerable competition in fundraising, so although we are still growing we know we need to do better. Meanwhile, our shops are going from strength to strength: we opened 15

new shops this year – mainly bookshops plus furniture shops, and our first university campus shop.

John Whitaker, Oxfam's Marketing Director for the last 12 years, left Oxfam at the end of April 2004. Our ability to undertake much of our work today is thanks to John. Under his leadership, Oxfam's fundraisers dramatically increased our fundraising: their innovative £2 a month approach – launched in the early 1990s – has achieved a 20-fold increase in the number of committed supporters. John made a major contribution to the organisation, not just in marketing, and he has been an influential representative of Oxfam with many allies and networks in which we operate.

With Edward Fox settled into his post as Director of Fundraising and Supporter Marketing, and Julia McKechnie taking up the Director of Corporate Marketing role, we decided not to appoint a new Marketing Director.

On the trustee front, we said goodbye to Matthew Sparrow, who has been a superb spokesperson for youth on Council, as well as an inspiration through his marathon running for Oxfam and his development education work, in his own school and beyond. Richard Taylor joined us, with a strong record in campaigning and a useful professional background in IT.

We care a lot about public trust and confidence in charities, not least because of the very high level of public trust in Oxfam – a level that we do not take for granted and must earn every day. This trust is demonstrated in the financial support we receive from the public, governments and institutional organisations. *Third Sector* magazine voted Oxfam the UK's Most Admired Charity, and the Centre for Global Development's *Foreign Policy* magazine gave an award to Oxfam International for the *Make Trade Fair* campaign.

The tremendous contribution that Oxfam gets from volunteers is another hugely important element of support. Everyone who works with Oxfam is encouraged to feel part of a worldwide movement of people who are working together to overcome poverty and suffering. The whole organisation joins me in saying how grateful we are to all of them.

Looking Forward

Our plans and challenges for the forthcoming year are then:

- To be more ambitious in our field programmes. We now have many strong programmes working well with partners and with real community participation. We want a number of them to develop change strategies for bigger impact. In particular, we have selected a number of countries including Ethiopia, Honduras, and India to make a step change in the impact of their livelihoods programmes.
- We will continue our campaigning on agricultural trade

- especially against subsidies for cotton and sugar, and for women's labour rights.
- We will seek to grow our income from a mix of sources. We plan to grow shop income, including from the launch of new shops. We will raise funds from regular donors, knowing that we must deliver better what our supporters want, and we will also launch new fundraising activities. Restricted income – for example, the funds that we receive from governments and organisations for specific programmes – will also grow through improved planning and management of these funds and relations with donor institutions.
- We will strive to find more creative and cost-effective ways to measure the impact of what we do, and use this to give our donors greater confidence in us.
- We need to strengthen our people management and our financial management partly through developing our managers.

If I can add a challenge specific to trustees, it is to continue to seek to be better informed and thoughtful, so that we can support management with insights and feedback while doing all we can to assure ourselves constantly of the quality of Oxfam's work.

Finally, the year ahead is the one of preparation for 2005, a year of real opportunity to end poverty in the world. In 2005, progress towards the Millennium Development Goals for delivery by 2015 will be assessed at a High Level UN meeting. Meanwhile, the UK will chair the G8 and the EU in the second half of the year. We are planning major mobilisations with other NGOs in the UK, and across the world with other affiliates in Oxfam International and other actors. 2005 could be a breakthrough year but it will need everyone's determination and support.

Oxfam's planning and reporting systems

Oxfam operates a planning cycle where the starting point for a single year is the three-year Strategic Plan [www.oxfam.org.uk/about_us]. An Annual Plan is then put together for each year. This comprises the key objectives for the whole organisation (corporate objectives), and the annual budget. Oxfam's Council of Trustees approves both the Strategic Plan and the Annual Plan. Through our financial reporting system we compare results to the budget on a monthly basis, and undertake revised forecasts during the year.

We believe that we owe it to all of our supporters to report fully not just on Oxfam's achievements, but to be open and honest about where we have not succeeded and the challenges we face. The full Director's Annual Report to Council says how we think we have done against the objectives we set ourselves – for our programme, for securing the resources we need, and for developing Oxfam. These objectives do not cover all our work and this is particularly true for our programme work given the extent of our activities around the world. But the objectives emphasise the areas we are trying to progress across Oxfam as a whole for the year. The full Director's Annual Report to Council is available publicly [www.oxfam.org.uk/about_us].

Separately, (and again as a publicly available report), our Programme Impact Report looks over a longer time period and by using case studies helps our learning [www.oxfam.org.uk/about_us]. We recognise that impact in development work often takes several years to achieve and is not the same as asking "did we do what we said we would do?" in any single year.

The following section, the Director's Report, draws on both these two reports to give an overview of Oxfam's objectives, achievements and performance for the year.



Hajmel village, northern Albania. Pashka is a member of the Oxfam-supported Hajmel women's group, which is involved in a sheep-rearing project.



View of the interior of the Oxfam Bookshop in Marylebone High Street, London.

Director's Report

Oxfam's Programme

Oxfam is committed to a rights based approach to development. For example, we believe people have a right to basic services such as health and education. Our work is about helping people achieve these rights and our five programme aims are based on them. Our main areas of focus and programme spend are people's livelihoods and their right to life and security but of course people's right to be heard and right to equity, especially gender equity, need to be integrated into all our work.

AIM 1 Right to a Sustainable Livelihood

This aim is that people living in poverty have food and income security in a way that is sustainable – for their future and the environment.

This year, under this aim, we planned to develop around six new programmes in line with our new livelihood

Case Study: Conversion to organic rice farming in Thailand

Rice farmers are seeing the benefits of converting to organic farming, but also the obstacles still to be overcome in Thailand's export-oriented economy. Oxfam has supported the Khao Kwan Foundation (KKF) which gives direct technical support to enable women and men farmers to convert to organic farming, and also helps them train others. KKF is a founding member of the Alternative Agriculture Network through which it spreads knowledge and information to its 10,000 member households.

Farmers who have converted to organic farming say that they particularly value the better health that their families are now enjoying and the reduction in medical expenses that this has brought. When they were using chemicals in their farming, common complaints were skin problems, respiratory diseases, and severe headaches. After several harvests without using chemicals, it is estimated that the profit from their crop increases by more than 70 per cent. The farmers are also branching out in their farming activities as their income increases, with some farmers developing fishponds or raising pigs or poultry.

Farmers in non-irrigated farming areas in the North-East have been able to certify as organic farmers. However, shifts in government agricultural policy and in consumer demands in Thailand are needed if farmers across the country are to reap the full benefits possible from converting to non-chemical farming. Oxfam will continue to work with its partners to press for government policies that are more supportive of poor farmers and sustainable agriculture methods across the country.

strategy which is concerned not only with people's assets (such as land, fishing rights or credit) but also their access to markets and their ability to have power in these markets. In practice, most regions took the opportunity to review and reshape their livelihoods programmes.

By supporting producers in the development of trading organisations, and demonstrating to companies the viability of trading fairly with small producers, Oxfam and its partners are helping create the conditions for sustainable change. Oxfam's support to coffee farmers in Central America and the Caribbean, people in remote communities in Albania, pastoralists in the Sahel, farmers in the highlands of Malawi, woodcarvers in Kenya, and rice farmers in Thailand is helping them gain access to local, national, or international markets. Some producers have gained the confidence to campaign with others for change, and their influence is growing. For instance, a coffee farmer in Haiti felt that, as a result of Oxfam's coffee campaign, "*...for the first time, the Government is taking some notice of us.*"

Specific examples from Thailand and Albania are described in the two boxes.

Case study: Entering new markets and changing perceptions and policies in Albania

Oxfam is seeking to help about 20,000 people from isolated communities in mountainous and lowland areas which have been neglected for years by the government. We are helping them to start new initiatives with marketable products such as honey, milk, and wine as well as to increase the profitability of their existing activities.

Holding two national agricultural fairs in the capital, Tirana, enabled more than 280 small-scale producers to test their products with consumers, identify how to improve their marketing, and make contacts with agri-businesses, wholesalers, and restaurant owners. They were able to share this knowledge with others in their associations and some went home seeing the need to start an association in their own area. Producers were able to sell in two days what they would normally sell in two or three months.

Oxfam's support to rural forums in the programme areas has enabled producers to enter directly into negotiation with local and national government about policies that affect their lives. This has been particularly effective in the Shkodra area, where the forum has become the main advocacy network for the whole northern region of Albania. Decision-makers are increasingly consulting the forum.

Oxfam is becoming increasingly effective in linking changes in people's lives (achieved through our programme at the local level) with strategic change in policies and practice and with ideas and beliefs – in order to achieve large scale, long term impact. This is why our *Make Trade Fair* campaign is so vital. We have a long way to go to achieve our ambitious objectives but there has been progress this year on a number of fronts. All progress has been achieved through alliance with others. For example:

- **Trade Rules** – our work helped governments in developing countries to achieve a unified and powerful voice at the World Trade Organisation and supported their case for changing the rules on global trade. Fierce resistance was encountered to the proposal for more radical cuts in agricultural subsidies, but a potential breakthrough was achieved on cotton, and we saw significant press coverage in support of our positions on sugar and Common Agricultural Policy reform.
- **Coffee crisis action plan** – while we did not get governments and international institutions to agree an action plan to resolve the crisis in coffee prices, we significantly influenced company behaviour, resulting in an estimated US\$9m increase in income to poor farmers.

- **Women workers** – we successfully launched campaigns in 20 countries to press for national government protection of women workers and changes in company behaviour.

We learnt from our livelihoods programme this year that we need to focus on a few programmes or countries to seek to have much greater impact there (while continuing our programmes in other countries). We have already started planning with Ethiopia and India and in the next year work will develop with Honduras and one other country.

We learnt too that we need to skill-up ourselves and our partners to work more effectively with people to enhance their access to and power in markets. We also need to understand better the role of the private sector in development so that we harness the skills and resources of small and large businesses at a local level. We can then, more effectively, challenge the sector to work with us – to achieve greater impact on poverty. To this end Oxfam has already developed a joint research programme with a major international corporation to understand how their investment in Indonesia affects people living in poverty.



Oxfam partner organisation Women on Farms works with women who work in the wine and fruit sectors in the Western Cape of South Africa, to campaign for better living and working conditions.

AIM 2 Right to Basic Social Services

Health

This year we built on our *Cut the Cost* campaign to improve access to medicines for people who live in poverty, particularly anti-retroviral treatment for HIV/AIDS. This supported our programmes in Thailand, Malawi, South Africa, India, Uganda, and campaign actions in Malaysia. As a result of these campaigns, and significant shifts in the pharmaceutical sector (for example, making agreements with governments to sell their products at much reduced prices, allowing generic production of some drugs), the average cost of treatment in developing countries has reduced from \$12,000 per year per person to \$200.

Specifically this year we sought to learn from new work integrating HIV/AIDS into livelihoods and humanitarian work. Learning was shared between four Regions – Southern Africa; Horn, East, Central Africa; South Asia and East Asia. However, this was constrained by staffing gaps. We did limited but crucial HIV/AIDS programming on prevention, treatment and care work linked to national level policy work. An example of home-based care in Malawi is described in the box.

Case study: Home-based care for people affected by HIV/AIDS in Malawi.

Oxfam has provided training and mentoring to volunteers, helping people in their own communities who are affected by HIV/AIDS. Practical support is also provided in the form of food, household items, and care items. About 900 families are benefiting. The emotional as well as the practical support provided by the volunteers is appreciated. For example, three times a week, a volunteer visits Martha Njova, who is 13 years old and cares for her two younger sisters. Martha says: *"She [the volunteer] helps me with drawing water, making porridge, and cultivating our garden. She gives us soap, food, counselling, and encouragement, and advises us not to stop going to school but to continue our education. She advises us about HIV/AIDS and many other things. Before she came we were struggling because both our parents are dead and we had no-one to help us, but now we have help. Nowadays I am stronger and can do more work in our house... and the advice she gives me really helps."*

Other initiatives are being taken by some of the care groups. For instance, in Mbelezi, volunteers used some of the seeds they were given during the food crisis to plant a communal garden and give the crops to orphans and households where there are no adults.



Twalabuka community school, Zambia. Amy Changwe, and Sara Situmbeko sitting at their desk. Before Oxfam became involved, there was no school building and children used logs for chairs. Now, with Oxfam funding, the school has two classrooms, an office for the teacher, and classroom furniture.

Education

This has been a particular emphasis in our programmes in two countries in West Africa, Southern Africa, and the Horn of Africa and also in Viet Nam, Cambodia, Pakistan, and Brazil. We focused on improving financing and access to education, especially for girls, with an increasing emphasis on quality of education. All programmes are strengthening their analysis of gender issues in this work. The box below describes some of our education work in Kenya.

Campaigning is, in all cases, built into education programming and we have made progress towards the changes we want to see:

- **Financial commitment** – Through work as part of the Global Campaign for Education (GCE), £208 million over three years has been pledged for the Fast Track Initiative. The UK government has now stated explicit support for the scheme.
- **One million children** – The GCE organised, with our support, the world's biggest lobby where more than one million children around the world called for primary education – especially for girls. The GCE is still not a permanent, independent organisation, but is moving forward on staffing and a funding strategy.
- **National level policies** – Programmes in Brazil, Indonesia, and Zambia all made significant impacts on national level policies regarding access to education.

While global enrolment rates are increasing, and we are beginning to see more girls in school, the completion rates in primary education are falling. There are many reasons

for this – one of them is education quality, and this needs addressing as we go forward in our development and advocacy work.

Case study: Access to quality education for marginalised children in Kenya

In the Kibera slum in Nairobi, over 2,000 children are benefiting from going to the five early childhood development centres and two primary schools developed by Oxfam's programme with partners.

In Thika town, 500 girls have enrolled in rehabilitation centres for street children and 400 girls who formerly lived on the streets are going to public schools in Mombasa and Nairobi. Nearly 200 graduates of the programme are now employed and most of them are now supporting their families.

In the pastoralist areas supported by Oxfam's programme, school enrolment has increased by 25 per cent between 2002 and 2004. Classrooms have been built or improved, new teachers trained, and others trained as resource teachers to assist their colleagues. Thirty inspectors have been trained in new methods and practices in inspection.

The need for birth certificates, age restrictions in government schools, a standardised curriculum, and negative attitudes of officials towards marginalised groups, are four of the many factors that have prevented children from the target groups from going to school in the past. Demonstration of viable solutions, direct campaigning by local people, and campaigning within the Elimu Yetu Coalition are helping to change the situation.



Education lobby outside the Houses of Parliament.

AIM 3 Right to Life and Security

For this Aim, the focus of our work is on public health (specifically water and sanitation, hygiene promotion, food and nutrition), and on ensuring that humanitarian response work takes account of gender issues. We also demand the protection of civilians in conflict, and work to improve the quality of humanitarian assistance provided by agencies and other organisations.

This year, we responded to a range of conflicts (see box on Kitgum) and natural disasters (see box on Dominican Republic) across the world: in Bangladesh, Dominican Republic, Haiti, India, Iran, Liberia, Sudan, and Sri Lanka. This was in addition to our ongoing humanitarian response work in Afghanistan, Angola, Colombia, Democratic Republic of Congo (DRC), Philippines, Sierra Leone, and most countries in the Horn, East and Central Africa region. We continued to attempt to respond to humanitarian needs in Iraq but, like others, we were severely constrained by the lack of security. Late in the year, we decided to close our programme there for the time being.

Progress against other objectives included:

- **Management review of large programmes** – We reviewed our large operational programmes in Angola, Afghanistan, DRC, North and South Sudan against our guidelines for professional management, and took steps to address shortfalls. This management attention is already showing results in Afghanistan. Much is now in place for DRC, while North and South Sudan and Angola still need further action.

- **Preparedness plans for quick, effective humanitarian response** – All regions made progress in implementing and strengthening their preparedness plans. The formation of the Oxfam International (OI) Humanitarian Consortium (a group of 5 OI affiliates who work to lead Oxfam International’s humanitarian and conflict reduction work) is intended to support this, and needs continued attention in the future.
- **Staff conduct** – We participated in the pilot of the inter-agency peer-review process. The International Committee of the Red Cross (ICRC) and Save the Children Fund (SCF) reviewed our procedures and practice concerning appropriate staff behaviour. The review highlighted that we need to improve our procedures and practice on child protection, for example, ensuring the proper training and vetting of staff who work with children in any of our programmes. Almost all staff have now signed the Oxfam Staff Code of Conduct – which sets out behavioural expectations of Oxfam staff. Signing the Code is a requirement for new staff and is encouraged for all others, but all staff need to abide by the code.

As part of the Conflict campaign we have:

- **Launched** the *Control Arms* campaign (in October 2003) jointly with Amnesty International and the International Action Network on Small Arms (IANSA) in 64 countries. Eight governments have so far pledged support for an Arms Trade Treaty, and there has been progress with the UK Government. Popular mobilisation is growing globally, and there have been some really positive examples, notably in Cambodia and West Africa.



Launch of the Control Arms campaign in Trafalgar Square, London.

- **Argued for effective international community action on conflicts** – for example, we:
 - tried (with the launch of our “Beyond the Headlines” report) to get the international community to focus on the daily insecurity faced by millions of people in developing countries, but the current context of fear of terrorism means this is difficult to do.
 - worked with colleagues in Oxfam International to press – successfully – for a stronger peace-keeping presence in DRC to protect people facing violence
 - argued for increased aid to DRC and Liberia with high-level lobbying in New York (informed by our programme work on the ground in these countries).
 - influenced the language of UN Security Council resolutions on how to ensure better protection of civilians in conflict situations.
 - but we had no success on influencing the targeting of aid to the areas of most need – we think it is moving in the wrong direction with further ‘politicisation’ of aid.

Case Study: Responding to chronic conflict in Kitgum, northern Uganda

In the Kitgum District of northern Uganda, Oxfam has found ways of providing humanitarian assistance to about 120,000 people, despite the high level of insecurity in this 18-year conflict. Strategies have been devised to reach people in camps that are inaccessible to NGO staff because of the activities of the Lord’s Resistance Army. This has involved working with local contractors and agreeing with community members and District officials that they will monitor activities. More than 15,000 children have been abducted by rebels in the last year and, because of this, many rural families send their children to sleep in town.

Oxfam has provided night shelters, water and sanitation facilities, and hygiene education for people coming into town at night. The programme has been sensitive to the risks that women and girls faced with both sexes sleeping together in open places, and consulted with women and men to find appropriate solutions. As a result, segregated areas in shelters, complete with sanitary facilities, have been provided for women and girls. The programme has also involved women in non-traditional roles. For example, an all-female construction team of carpenters, masons, and labourers was recruited to construct night shelters. Their work has been quite visible and this is beginning to challenge perceptions about what women can do – the local technical college is now targeting women in its advertisements for technical courses. Oxfam’s advocacy has also helped bring international attention to this long-neglected conflict.

By the end of the year we were becoming increasingly concerned at the lack of ‘humanitarian space’ in which agencies like ourselves operate. We have to be impartial, and to be seen to be so, to operate effectively and safely. We are concerned at the way military forces are operating, including (but not only) in countries where western coalition forces have taken action. It is increasingly difficult for people to understand the difference between aid workers and the military and this threatens our ability to operate and the safety of our staff and partners. We need to continue to advocate and explain our need for impartial humanitarian space, to decision makers and the wider public, but we also need clearer plans on how we can help deliver humanitarian relief (through partners) in countries where we may no longer be able to have a presence.

Case Study: Responding after floods in the Dominican Republic

Oxfam’s Humanitarian Department collaborated with another Oxfam, Intermón, (the lead Oxfam in the Dominican Republic) when sudden flooding hit the north of the country in November 2003. Oxfam GB supported Intermón to make a rapid assessment. This led to a programme to meet immediate public health needs. Activities then followed to create more permanent solutions and infrastructure when people returned to their homes. New latrines were constructed, flooded ones were replaced, a water storage and distribution system was installed for about 100 families, and drainage work was carried out. Health promotion activities, especially with children, were undertaken in most communities. An innovative element of the programme was the testing of new family water-purification units. About 40,000 people benefited directly.

AIM 4 Right to be Heard

We work towards achieving people’s right to be heard as an integral part of our programming. Under this specific Aim, however, we are focused on promoting policy-making that considers the needs of people who live in poverty – and includes their active participation – often using national poverty reduction strategies as a way to achieve this.

In more than 20 countries we worked on these issues this year with local partners, for example in: Honduras, Haiti, Nicaragua, English-speaking Caribbean, Guatemala, Peru, Bolivia, Brazil, Malawi, Zambia, Uganda, Georgia, Yemen, Albania and Bosnia, Viet Nam (see box), Nepal, Scotland and Wales. This work, over a number of years, is having a direct impact on national governments’ policies. For example, in

Malawi and Zambia our work helped achieve a change of stance by the governments, the World Bank and the International Monetary Fund concerning the liberalisation of agricultural marketing boards.

This year, we also continued to develop, implement and learn from our Pan-Africa work, which focused on trying to secure a better deal for Africa in the world:

- **Building relationships for the future** – We strengthened relations with some Presidents and Trade Ministers, and several key players in the Africa Union (AU) and the New Economic Partnership for African Development (NEPAD).
- **Capacity building** – We worked to strengthen the capacity of a number of partners and allies to influence the G8, the AU and NEPAD.
- **G8 action plan** – We were unable to achieve our objective to get the G8 to deliver an effective action plan for Africa, but there was some movement on financing for education.

Case Study: Viet Nam and the national Comprehensive Poverty Reduction and Growth Strategy

In Viet Nam, the national Comprehensive Poverty Reduction and Growth Strategy (CPRGS) has now entered the phase of implementation at the local level. During implementation of the CPRGS, Oxfam is continuing to help strengthen participation in planning and independent monitoring of local budgets. As a result, local organisations in Tra Vinh province consulted communities over the provincial action plans, and their staff have acquired the skills needed to communicate and advocate about critical issues for poor women and men. More 'bottom-up' planning is happening, there is more consideration of gender in planning, and the need to provide separate data for women and men is accepted. At a national level, Oxfam is supporting VUSTA (Viet Nam Union of Science and Technology Associations) to do independent monitoring of the CPRGS.

AIM 5 Right to Equity (Gender and Diversity)

Under this Aim, our objectives for the year included making progress towards more and higher quality integration of gender issues into all aspects of our work – i.e. recognising/seeking to change the balance of power between women and men in all Oxfam's programmes (development, humanitarian and campaigning). There have been many cases of demonstrable progress. For example, the West India livelihoods programme, the Northern Uganda humanitarian response work with displaced people, and the labour campaign all have gender equality at the heart of their design and implementation.

However, progress overall is patchy. Counter examples of where we have not properly integrated gender issues are also to be found – for example in some of our Ethiopia livelihoods programme and some of our humanitarian response work in DRC.

A separate detailed report of progress against our organisation-wide plan to integrate gender into all our work is being commissioned. Recommendations from this report will be built into future plans.

Much work has gone into developing and implementing a sustained campaign to tackle Violence Against Women in South Asia (see box on India). This builds on longstanding campaigning work and is linking well with work in several regions on domestic violence and the trafficking of women. Following some difficulties in building a widely owned campaign, we decided to delay the national launch in India until November 2004. Nevertheless, we ended this year well-placed to stage a series of events across several countries in the year ahead.

Case Study: In Orissa and Jharkhand, in India

Oxfam's Violence Against Women programme works with partners to seek to challenge practices, ideas, and beliefs that perpetuate domestic violence against women. This is done through workshops, seminars, and cultural events, and by working with young people in schools and colleges and existing programmes such as the National Service Schemes. The provision of economic support and counselling to deal with trauma is helping women regain the capacity to lead a full and dignified life.

In Khairachatar, a small village in Jharkhand, where dowry was identified as a reason for domestic violence, 12 couples have since succeeded in getting married without a dowry. Larger numbers of women and men are joining in village-level activities and events, indicating both the greater mobility that women and girls are achieving and increasing support from men. Persistent interaction with local government and the police has led to domestic violence now becoming a visible crime and one which is seen to require urgency in how cases are treated. This is sending an important message to the community that violence against women is not acceptable.

Developing the Organisation

We need to continue to develop our internal capabilities, our capacity to work with others and to mobilise popular support if we are to have greater impact through our programmes.

We need to develop a truly Global Campaigning Force – able to influence media and lobby targets and work with allies all around the world. This year, we have shown this is possible with the Big Noise, our global petition, a part of our *Make Trade Fair* campaign. The year ended with 5 million signatures collected so far largely actioned through partners and allies in developing countries.

Alliances are at the heart of our campaigning work, in the UK and around the world. In *Make Trade Fair* we have provided support for the Global Alliance on Coffee and Commodities, and have built an alliance with the Global Trades Unions, and the Clean Clothes Campaign – along with a longer-term commitment to the work of 14 national-level partners around the world. The *Control Arms* campaign is wholly in alliance with Amnesty International and IANSA, and we continue to campaign on education within the framework of the Global Campaign for Education. Working

with alliances has increased our impact enormously but there have been tensions and transaction costs. As we move forward, we are looking at how we can work with alliances as effectively as possible.

Our most important alliance is with Oxfam International. Oxfam GB works within a global confederation of twelve independent Oxfams – Oxfam International (OI). The challenge this year has been to lower transaction costs (so that working effectively together requires less time and energy). This has been tackled partly through establishing a simpler coordination structure and partly by clearer priority setting.

As the biggest Oxfam and the one with the most policy and advocacy strength, the challenge for Oxfam GB is to bring the expertise and resources into the Oxfam International confederation in a way that builds consensus with the other members. We have to be prepared to compromise, but not to the extent of jeopardising Oxfam GB's key principles.

We have also made internal changes this year to support our programme quality and learning better. For example, we placed emphasis on our programme policy team providing information and support as people demand it, and facilitating



Rural development in Rajasthan, India, where Oxfam partner, UMBVS, is digging ponds as part of their drought relief programme. The women's task is to carry kundas (metal bowls) full of soil away.

learning across programmes (by the staff and partners doing the work sharing much more with each other). We introduced a new system, Oxfam Programme Accountability and Learning (OPAL), for designing, managing and sharing learning across our programmes. The system is in place, the challenge now is to use it well to solve problems in programme delivery and to improve quality and accountability.

Finally, we have taken some major steps forward this year to improve our people management and also through our “Getting Things Done” work to simplify business processes, restructuring where necessary. This latter work is not only to make our processes simpler for staff but also through the efficiencies it has achieved to make sure that we use as much of our donor money as possible on directly overcoming poverty and suffering.

Our Resources

We have recognised that we need to get much better at relating to our supporters in Great Britain. This year we started our “Inspiring Action” programme, which is about ensuring that supporters feel inspired by their contact with Oxfam and are willing to do more in the fight to overcome poverty and suffering (for example by offering time, money or campaigning).

Although we are still growing our income, we want to do better, so that we can further grow our programme. In January 2004, a new strategy for GB-based individual supporters was approved. It details how we will achieve this growth by looking at things more from the supporters’ point of view and by seeking opportunities to broaden support – for example, introducing fundraising and campaigning actions through our shops, and introducing new fundraising ‘products’.

This year, our unrestricted Fundraising income grew by 5% to £71.7 million, however this was £7.0 million below target. This caused planning difficulties across the organisation. Many other charities experienced similar challenges. Tried and tested marketing techniques performed less well than they had done historically, and fundraising innovations did not fill the gap. We recruited 10,000 fewer supporters than we had targeted, and supporter lapse rates were higher than expected, although these did stabilise across the course of the year. All round, this was a challenging year for raising unrestricted income.

Unrestricted income from our shops, including shop-donations, grew by 8% to £17.6 million – £1.0 million (6%) ahead of plan. This was achieved by the real growth in shop sales, principally because of strong growth in books (+9%) and new products (+2%). Although as expected, there was a slight decline in

sales of clothing. Our new products range was the most profitable one we have had for over a decade, and provides a platform for more growth next year. Within this range there was again good growth in sales of Fair Trade food.

We opened 15 shops, eight of which were pilot shops in new formats. These included our first shop in a university, our first shop in a hospital, and our largest ever shop selling furniture (at ten times the size of the average Oxfam shop). Development of our people and increased performance management was the key to success in our shops this year, together with the spreading of knowledge and best practice by and among volunteers across the network.

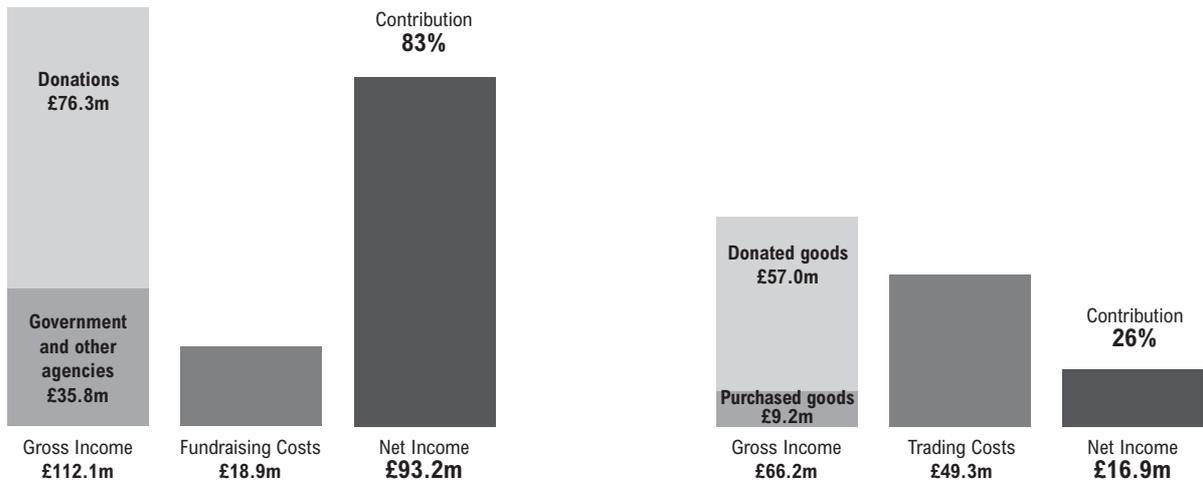
Income received from governments, multilateral agencies and institutions (excluding food aid) decreased by 7% to £35.8 million. The decline was due to a number of factors, for example: changes in donor priorities towards the Middle East because of the Iraq war; under expenditure on some existing contracts; and the cancellation of a few projects because of security.

This year, in addition to targets for growth of our income, we sought to achieve a ‘step-up’ in our performance at management and reporting on restricted funds. By July 2003, we had developed, and then implemented throughout the year, an organisation-wide action plan to tackle this. Good progress was made on many fronts and this will remain one of our principal objectives for the future.

2003/04

FUNDRAISING

TRADING



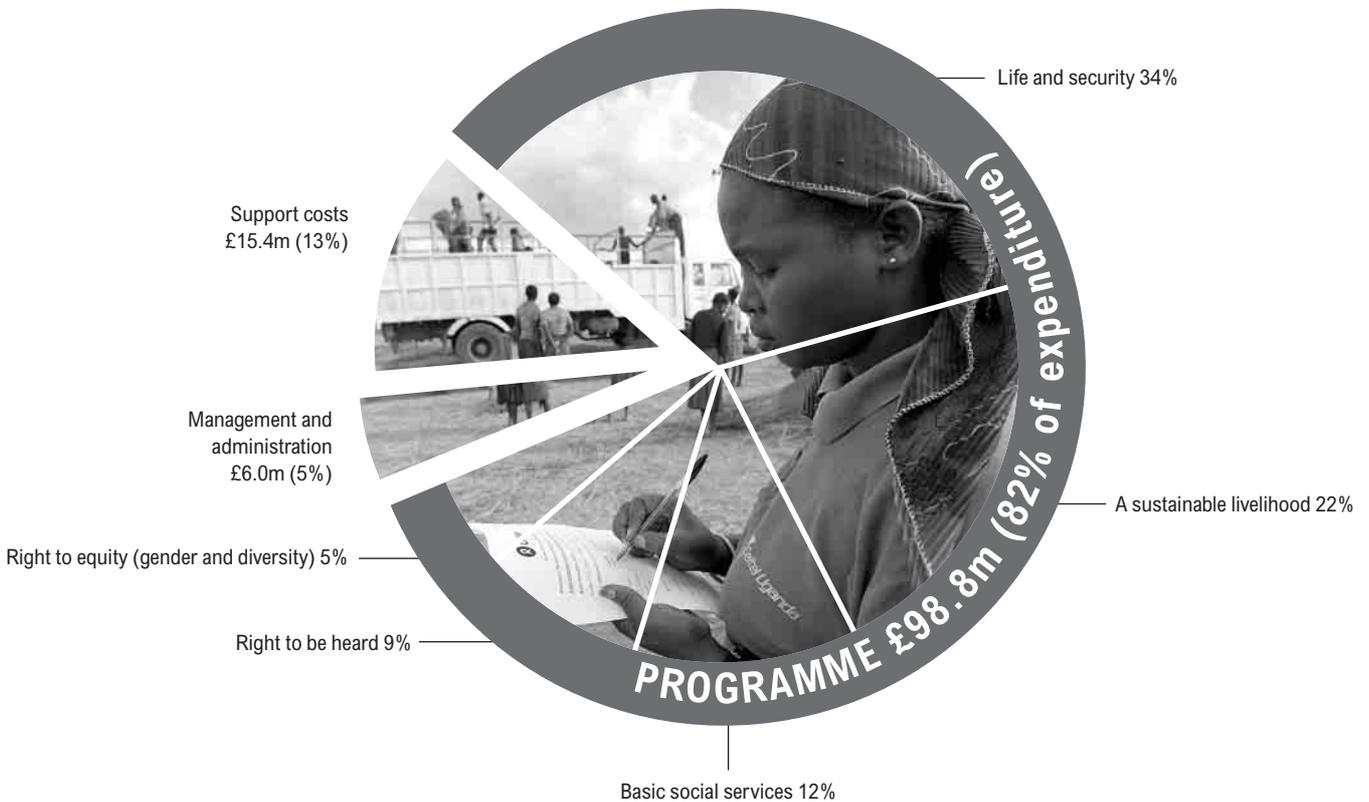
Total Net Income £117.5m

(inc. a total of £7.4m gifts in kind and miscellaneous income)

Transfer from reserves £2.7m

£120.2m

Expenditure £120.2m



Finance Summary

We have changed the way that we present the financial results for the year. This is to bring greater clarity to the different activities of Oxfam's operations, to present an analysis of charitable expenditure more consistent with that adopted by similar organisations, and to present a clearer picture of trends in both income and expenditure.

Oxfam's income derives principally from two quite different activities – trading and fundraising. Approximately one-third of total income comes from trading, of which virtually all is unrestricted funding, and two-thirds comes from fundraising, which is split approximately 60:40 between unrestricted and restricted funding. The costs associated with these activities are dissimilar leading to different levels of net income available for spending on our charitable programmes. This information is presented as a five year analysis in the table below.

| | 1999/00 | 2000/01 | 2001/02 | 2002/03 | 2003/04 |
|---|--------------|--------------|--------------|--------------|--------------|
| | £m | £m | £m | £m | £m |
| Trading sales | 57.9 | 61.6 | 65.1 | 64.7 | 66.2 |
| Trading costs | (48.7) | (55.5) | (54.6) | (49.0) | (49.3) |
| Trading net income | 9.2 | 6.1 | 10.5 | 15.7 | 16.9 |
| Trading margin | 16% | 10% | 16% | 24% | 26% |
| Fundraising income | 102.0 | 105.1 | 105.0 | 114.1 | 112.1 |
| Fundraising costs | (13.8) | (15.0) | (19.9) | (18.1) | (18.9) |
| Fundraising net income | 88.2 | 90.1 | 85.1 | 96.0 | 93.2 |
| Fundraising net margin | 86% | 86% | 81% | 84% | 83% |
| Net income from Trading and Fundraising | 97.4 | 96.2 | 95.6 | 111.7 | 110.1 |
| Gifts in kind | 2.4 | 18.3 | 16.0 | 7.1 | 4.5 |
| Miscellaneous income | 2.1 | 2.3 | 3.3 | 3.1 | 2.9 |
| Total Net income in year | 101.9 | 116.8 | 114.9 | 121.9 | 117.5 |
| Increase (decrease) in reserves | (2.0) | (8.9) | 2.7 | 6.8 | (2.7) |
| Total Charitable Expenditure in the year | 103.9 | 125.7 | 112.2 | 115.1 | 120.2 |

Further details of Oxfam's income performance are included in *Director's Report – Our Resources*.

Trading sales increased by £1.5 million (+2%) which was slightly ahead of our budget objective. Cost increases were restrained in the year, and there were no major restructurings or implementation of change costs. As a result net trading income grew by 8% to £16.9 million which is £1.0 million (6%) ahead of plan. Trading profit margin grew

to 26% of sales and compares well with the other leading charity retailers.

Fundraising income fell in the year to £112.1 million (-2%), with the decline in restricted income more than offsetting the growth in unrestricted income. Total fundraising costs amounted to £18.9 million – an increase of 4% on last year. As a result, net fundraising income fell by 3% to £93.2m, which is £18.0 million (16%) below plan.

A detailed analysis of this income is shown in the Consolidated Statement of Financial Activities ("SOFA") and Note 2 to the accounts. The SOFA shows the split of income between trading activities, restricted and unrestricted funds. However, because of donor contract terms, nearly all the costs incurred in fundraising for restricted and unrestricted funds have to be reported against the unrestricted fund balance. We therefore present the results for fundraising in total.

Gifts in kind (largely food aid) can fluctuate significantly, reflecting the scale and nature of our emergency response in any year. Miscellaneous income, consisting mainly of investment income, can likewise fluctuate depending on interest rates and other external factors.

The SOFA shows the analysis of charitable expenditure between cost of activities in furtherance of the charity's objects ("operational programmes" – where Oxfam's own overseas staff deliver the programme) and grants payable in furtherance of the charity's objects ("non-operational programmes" – where Oxfam makes grants to local organisations, and monitors how they deliver the programme). The distinction depends very much on local conditions. Where there are strong, reliable local partner organisations we work with, and give grants to, them in order to achieve our objectives. However, in many areas we can only work most effectively if we employ significant numbers of our own staff and resources.

Overall in the year our programme expenditure increased by 5% from £94.5 million to £98.8 million. Unrestricted expenditure grew by 2% to £50.5 million and restricted expenditure by 7% to £48.3 million. While this overall growth was a healthy increase it was considerably less than our plans. There were three main reasons for this: we held back on restricted funding so that we were better able to manage these funds; our unrestricted income did not increase as much as planned; and finally Gifts in Kind (largely food aid) of £4.5 million were much less than budgeted (because of the volume and nature of our emergency response this year).

A further analysis of expenditure by charitable aim is shown in Note 3a and in 'Where the money comes from and where it goes'. We have extended this analysis from that shown in previous years to include all expenditure in furtherance of the charity's objectives as defined in the SOFA. The allocation of expenditure across the strategic aims of Oxfam, described in the earlier section of this report, has not changed significantly during the year.

We have changed the definition of support and management and administration costs this year to try to be more consistent with the analyses shown by other organisations. A full explanation of this is shown in Note 3 to the Accounts. The table below shows the proportion of charitable expenditure that is spent on each charitable aim, support costs, and management and administration. We do not have historical information analysed in this way, but will add to this in future years in order to show five-year trends in this cost information, as we have done for income.

| | 2002/03 | 2003/04 |
|--|----------------|----------------|
| A sustainable livelihood | 23% | 22% |
| Right to basic social services | 12% | 12% |
| Life and security | 35% | 34% |
| Right to be heard | 8% | 9% |
| Right to equity (gender and diversity) | 4% | 5% |
| Total | 82% | 82% |
| Support costs | 14% | 13% |
| Managing and administering the charity | 4% | 5% |
| Total Charitable Expenditure | 100% | 100% |
| | | |
| Total Charitable Expenditure | £115.1m | £120.2m |

Reserves Policy

The Council of Trustees has established a general reserves policy to protect the organisation and its charitable programme by providing time to adjust to changing financial circumstances. This limits the risk of disruption to the programme in the event of the downturn in some of Oxfam's various sources of income, or an unexpected need for additional expenditure. The policy also provides parameters for future strategic plans, and contributes towards decision-making. Oxfam's reserves policy establishes an appropriate target range for the level of general reserves. This is based on a risk assessment of the probability and likely impact on Oxfam's charitable programme that might be caused by a decline in income, an inability to meet financial obligations, or an inability to reduce expenditure in the immediate short-term. The policy ensures a balance between spending the maximum amount of income raised as soon as possible after receipt, while maintaining the minimum level of reserves to ensure uninterrupted operation. The target range is reviewed annually to reassess the risks and reflect changes

in Oxfam's income, financial obligations, and expenditure. We comment on this year's reserves performance below.

General Reserves (unrestricted)

General reserves are not restricted or designated for use on a particular programme or for some other defined or designated purpose. There was a £1.8 million surplus of unrestricted income over expenditure in 2003/04. This compared with a £0.2 million surplus in 2002/03. However, a combination of the increase in the prior year's unspent unrestricted operational grant balances, a new designated fund for pension contributions and excess depreciation over capital expenditure required £3.8 million to be released from general reserves into designated funds. General reserves were £24.8 million at 30 April 2004. This lies just below the lower end of the target range for general reserves of £25-29 million. General reserves are represented by net current assets, and are equivalent to approximately three months' unrestricted expenditure at 2003/04 levels.

The actuarial valuation of Oxfam's pension scheme at 30 April 2004, for the purposes of FRS17, showed a funding deficit of £16.8 million (2003: £25.1 million) see Note 21d. FRS17 does not currently require deficits to be set off against general reserves but, allowing for such a set off, Oxfam would still be reporting positive general reserves. The cash flow required to meet the £16.8 million deficit relates to future pension contributions. Therefore, this deficit is expected to arise over the long term rather than in the immediate future, and the amount of the deficit is subject to considerable variability because it depends on a range of demographic and financial assumptions, which are likely to change over time. The defined benefit pension scheme was closed to new members during 2002/03 and in 2003/04 we made a one-off top-up contribution to this scheme of £4.5 million. The trustees regularly monitor the pension scheme funding deficit to ensure that general reserves provide adequate cover against the future liability.

Designated Funds (unrestricted)

Designated funds are those unrestricted funds that have been allocated by the trustees for particular purposes.

The Designated Fund for Fixed Assets of £16.4 million (2003: £17.0 million) represents resources invested in the charity's fixed assets that are, therefore, not available for other purposes. The designated fund for pension contributions of £4.1 million represents pension scheme contributions, which will be charged to the SOFA in 2005/06 when FRS17 is implemented in full. Other Designated Funds of £1.5 million (2003: £1.4 million) represent funds set aside by trustees to cover specific operational programmes (not funded by restricted income), which have not been completed by the year end.

The amount transferred from general reserves to designated funds in the year was £3.8 million, £4.1 million to the designated fund for pension contributions and £0.3 million from the designated fund for fixed assets.

Restricted Funds

These funds are tied to particular purposes, which arise because of restrictions on their use required by the donor at the time of receipt, or because the funds were collected in a public appeal to raise money for a particular purpose. They are not available for use in other Oxfam work. At the year end unspent restricted funds were £9.0 million (2003: £13.8 million).

Endowment Funds

Endowment funds of £2.9 million (2003: £2.6 million) represent monies received from donors where there is some restriction on the use of the capital (see Note 16).

Financial Position

The Council of Trustees considers that there are sufficient reserves held at the year end to allow the organisation to manage any disruption in the event of a downturn in future income, and that there is a reasonable expectation that Oxfam has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Council of Trustees continues to adopt the 'going concern' basis in preparing the accounts.

Investment Policy

Oxfam has fairly limited investments, essentially just to cover the approximately three months' operating expenditure referred to above. Our objective therefore is to maintain high liquidity while ensuring maximum security, meeting our ethical standards and achieving the highest possible return. To meet this objective, Oxfam invests in fixed-term or call deposits with a high security rating and either fixed interest rates or a fixed relationship to base rate. Equity investments are held only to support Oxfam's advocacy and lobbying activities, or to further Oxfam's objectives, or when a donor has specified they should be held for a specified time period.

During the year, the average return earned by the charity's investments was 3.6%, in line with an average base rate of 3.6%.

Accounting policies are outlined in Note 1 to the accounts. They are reviewed annually by Trustees, as are the reserves and investment policies.

Auditors

A resolution proposing the re-appointment of PricewaterhouseCoopers LLP as Oxfam's auditors will be submitted at the Annual General Meeting.



Oxfam vehicle at Camp Aero, Bunia, Democratic Republic of Congo.

Organisation, Governance and Accountability

Oxfam is a registered charity (registration number 202918), and is constituted as a company registered in England and limited by guarantee (registration number 612172). Its objects and powers are set out in its Memorandum and Articles of Association.

Oxfam has a wholly-owned subsidiary, Oxfam Activities Limited, which raises funds by means of trading activities. Oxfam Activities Limited made a profit of £1.2 million (2002/03: £1.1 million), before interest on working capital of £0.1 million (2002/03: £0.2 million) paid to Oxfam. Its results are consolidated in the trading results for Oxfam.

Oxfam Activities Limited has a 10% (2002/03: 25%) interest in Cafédirect plc (a company registered in Scotland with registration number 141496), which promotes Fair Trade primarily through the marketing and distribution of tea and coffee. During the year Cafédirect issued new shares that are being traded on a 'matched bargain facility' called Ethex operated by Triodos Bank.

Oxfam (also known as Oxfam GB) is a member of Oxfam International, a separate legal entity registered in the Netherlands as a charitable foundation (registration number 41159611). Oxfam International encourages and co-ordinates joint activities with eleven other affiliated international agencies, each separately constituted under the appropriate national regulations. Oxfam GB received grants from, and made grants, to members of this group. During the year, Oxfam received income of £6.1 million (2002/03: £7.0 million) from the other members of Oxfam International and made grants of £2.6 million (2002/03: £2.4 million) to them.

The directors of Oxfam GB are the Trustees, collectively known as Oxfam's Council. This Council, by which Oxfam is governed, comprises a minimum of ten and a maximum of twelve trustees. The trustees serve an initial term of three years that can be extended up to a maximum of eight years. The Chair, Vice-Chair, and Treasurer may also serve until the end of their term as Officers.

The members of the company are known as the Association. This Association comprises all the trustees plus a number of other members up to a maximum membership of 32. Members are appointed by Council, and ratified by the Association. New trustees are appointed by the Association on the recommendation of Council (the Council being the governing body of Oxfam). Members of the Association have guaranteed the liabilities of the company up to £1.00 each.

Anyone involved with Oxfam can submit applications and nominations for trusteeship and for membership of the Association. Submissions should be sent to a group of trustees and other Association members known as the Recruitment and Development Group. This group considers applications and nominations in the light of specific criteria and the need created by retirements. Trustee appointments are based on the need for Council as a whole to have the skills and experience to determine the policies of Oxfam, and to monitor the implementation of those policies.

Oxfam is managed by a Corporate Management Team (CMT) that reports to Council. The members of CMT are not directors for the purposes of company law.

The Trustee Audit and Finance Group (TAFG), Oxfam's Audit Committee, meets regularly with the external auditors, both with and without the presence of management, agrees the external audit plan, reviews the external auditor's management letter, and monitors implementation of actions required as a result. TAFG also has the responsibility of ensuring that the audit, risk management, and control processes within Oxfam are effective and has actively considered how Oxfam should apply the Turnbull guidance on internal control and the Smith guidance on Audit Committees. TAFG undertakes a detailed review of the draft annual plan, the risk register and the annual accounts prior to their submission to Council. It is chaired by the Treasurer, approves the annual internal audit plan and oversees the work programme of Internal Audit and the control implications of Internal Audit reports.

One further committee that carries out specific functions on behalf of the Council is the Remuneration Committee. This committee monitors the implementation of Oxfam's rewards policy (ie the remuneration and benefits for Oxfam staff). It also specifically determines Oxfam's policy on the remuneration and benefits for CMT. The Chair of Oxfam chairs the Remuneration Committee.

The names of the members of CMT, Council and the Association, and the committees that they have served on, are given in the Corporate Directory.

Trustees are also involved in a number of other Oxfam committees, working groups, areas where a duty cannot legally be delegated, and areas where there are specific issues around Oxfam's reputation. Committees include the Pension Committee and the Oxfam Activities Limited Board, both of which have at least one trustee member.

Trustees and their Statutory Responsibilities

Company Law requires the trustees to be responsible for the preparation of accounts for each financial year, which give a

true and fair view of the state of affairs, and the results of the charity and the group for that period. In preparing those accounts, the trustees are required to select suitable accounting policies and then apply them consistently; make judgements and estimates that are reasonable and prudent; state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and prepare the accounts on the 'going concern' basis, unless it is inappropriate to presume that the charity will continue to operate.

The trustees are responsible for ensuring that proper accounting records are kept. These must disclose, with reasonable accuracy at any time, the financial position of the charity, and enable the trustees to ensure that the accounts comply with the Companies Act 1985. The trustees 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.

In preparing these accounts, trustees have sought to follow best practice in accounting by charities, as laid down in the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities", other current statutory requirements, and the requirements of Oxfam's Memorandum and Articles. Any departures from the SORP are disclosed in the relevant notes to the accounts. There were no material departures from the SORP.

Risk Management

The Council of Trustees has overall responsibility for Oxfam's system of internal control. Such a system of control can provide only reasonable and not absolute assurance against inappropriate or ineffective use of resources, or against the risk of errors or fraud. These risks are further heightened, given the difficult nature of communications, institutional, and financial infrastructure in some parts of the world where Oxfam operates. There is clear delegation of authority from Council through the Director and CMT to the rest of the organisation.

As part of the annual business planning process, the major strategic and operational risks that Oxfam faces – and the ways in which they are being monitored, managed, and mitigated – were assessed by CMT, and considered by Council. Additionally, CMT continues to assess the risks (as identified in the risk register) which Oxfam faces regularly during the year.

The Internal Audit department carries out a programme of regular cyclical audits. The audits undertaken are prioritised using a risk-based approach. The Head of Internal Audit submits regular reports to TAFG. These processes ensure that the controls are reviewed on an ongoing basis by staff and skilled volunteers who act on behalf of the Trustees. TAFG

monitors the implementation of high-priority internal audit recommendations, and conducts an annual review of the effectiveness of the system of internal controls. Action plans are developed by management to counter weakness in controls. Progress against these plans is regularly reported back to TAFG.

Council is satisfied that systems are in place to monitor, manage, and mitigate Oxfam's exposure to major risks. It considers that maintaining Oxfam's general reserves at the levels stated above, implementing initiatives to reduce staff turnover, and the reviewing of key systems and processes carried out through an internal audit programme provides Oxfam with adequate risk assurance and sufficient resources in the event of adverse conditions. It also recognises that the nature of some of Oxfam's work requires active acceptance and management of some risks when undertaking activities in order to achieve the objectives of the charity.

Legitimacy

Non-governmental organisations (NGOs) are sometimes challenged about their legitimacy to speak out on issues such as world poverty. At Oxfam, we believe that we have a sound basis for this.

For more than 60 years, Oxfam GB has worked with people living in poverty. Our work has expanded: today, we work in more than 70 developing countries. In all of these countries, we employ local people who understand the real issues that affect poor communities. This practical development and humanitarian work gives us vast experience, respected by the international community, governments around the world, other charities, and by poor communities themselves. We continue to work with more than 3,000 local groups in the developing world, on a day-to-day basis. We hear the real concerns of people who live in poverty and although we don't claim to speak for them we often help them to get across the issues that are important to them.

As well as the practical work that we carry out, Oxfam also carries out advocacy and policy work. This aims to increase the likelihood that governments and international organisations understand and work towards improving the lives of millions of poor people. Members of the public who campaign for Oxfam help us to get across our messages to these institutions, and increase public awareness of our work. These campaigners are among the many in the UK who support Oxfam. We also have over 550,000 people who commit to regular monthly giving to support Oxfam's work.

Accountability

Oxfam believes that being open and accountable is a principle that should be present in all of our work. We want to be accountable for whatever we do and whatever we say.

We continue to improve our accountability by using a variety of means to different groups of people: people living in poverty whom we serve, donors and supporters, our partners and allies, and the wider public.

We strive to be accountable for doing what we say we are going to do, and for making a difference in the most cost-effective way possible.

A core value of Oxfam is to involve people in designing the programmes through which we want to help people to help themselves to find ways to overcome poverty. We aim to do this even in emergency situations, because we believe it is the way to make programmes most effective. We are beginning to clarify how people with whom we work can make a complaint and know that it will be acted upon, to involve people in monitoring what is delivered to them, and in assessing impact. However, in emergency situations it is not appropriate that each of the separate agencies should set up its individual complaints system. Oxfam staff plan to work with local managers (for example, those who work in camps providing temporary shelter) or co-ordinating groups to ensure that a complaints system is available to people. We will also work internationally with the UN and other aid agencies so that it is accepted that a complaints mechanism is always in place.

In our humanitarian work we have already committed ourselves to the Red Cross/NGO Code of Conduct. We have our own, more detailed, code of conduct that governs staff behaviour. We also aim to deliver to explicit standards, such as the Sphere Standards for humanitarian action. We are a member of the Humanitarian Accountability Partnership – International with other aid agencies, all of whom seek to be more accountable to the people they serve. Finally, we are taking part in a pilot peer review programme with other aid agencies, in which to date one aspect of Oxfams humanitarian code of conduct has been reviewed by the International Committee of the Red Cross and Save The Children.

We seek to be open and transparent with all donors and supporters about what we are doing, and the cost-effectiveness and outcome of our work. We are currently reviewing and revising our reporting channels and products, so that our target groups receive more of the information that they do want to receive from us, and fewer communications that they don't want us to send. We are committed to putting our reports, evaluations and learning in the public domain.

In much of our long-term development work, and some of our humanitarian work, we work through local partner agencies. We will continue to improve our accountability to

them and working relationship with them by being explicit about what we can deliver, being clear what is expected of these agencies, and seeking feedback from them. This feedback is built into the way we review our programmes, and plan and implement future ones. At an organisational level, partner feedback is also achieved in part by our stakeholder survey, which we undertake every two years. In alternate years, we also hold Oxfam's Assembly, to which a number of partner agencies are invited. These Assemblies are both to give us feedback and to provide an opportunity to help shape future direction.

Beyond these direct contractual partnerships, we also work with many other groups who can be affected by what we say and what we do. These include the other members of the Oxfam International family, other agencies in the humanitarian and development sector, especially in the UK, and other allies and partners in developing countries who may be particularly affected by local advocacy and campaigning work – especially if our message might be different from their own.

Apart from seeking to maintain our own behaviour and actions to very high standards, we also seek to be very sensitive about our public and private advocacy and campaigning work. In developing countries in particular, we seek to agree messages early in campaigns and be respectful of partners' roles and relationships – for example, by making sure that we do not take their place in lobbying their governments.

Oxfam will often make public statements that, in effect, are calling for support from the wider public. In these circumstances, we ensure that what we say is based on our mission to overcome poverty and suffering, as well as on our experience and research.

When we call for public support, the public is entitled to know what eventually *did* happen – together with the reasons for the outcome. We are committed to providing that feedback on our website and, where possible, through the wider media, so that the public can make more informed judgements about us and about what we say. We have a programme of work to make our public policy positions more easily accessible on our website. This will be completed in 2004.

In our advocacy work, we may challenge others – for example governments, institutions, and companies. If concerns are raised that our claims are inaccurate or unfounded, we will investigate and respond appropriately.

Finally, and very importantly, we are accountable to the Charity Commission and its regulations in their approval for

Oxfam to operate as a charity in Great Britain. We also aim adhere to local legislation and regulations in all countries where we operate.

Corporate Social Responsibility

Our work has focused on two main areas:

- Ethical Purchasing – Oxfam’s ethical purchasing policy, covering labour and environment standards, continued to be communicated to new and existing suppliers. Seventy-five new suppliers completed a supplier questionnaire and their replies were risk rated with improvements agreed where appropriate. Eight one day assessments of suppliers were carried out, four in China and four in the UK, including suppliers of Christmas cards and gifts for sale in Oxfam shops, call centre services, air travel and t-shirts. We are working with Arlington Securities Plc, developers of our new Oxford offices, to use ethical purchasing assessments through their supply chains for the building.
- ‘Oxfam Green’ – raising awareness, particularly of GB-based staff, of ways to improve impact on the environment, internal campaigns focused on reducing use of paper and switching off lights, computers and electrical appliances. We achieved dramatic increases in recycling of aluminium, glass, plastic and paper by Oxford-based staff and volunteers. We developed and implemented a Green Travel Plan for staff, volunteers and visitors to our Oxford offices. And we changed our electricity supplier: our new contract ensures that the money Oxfam pays for its electricity is invested in renewable energy sources.

Staff and Volunteers

Oxfam has well-established arrangements for consulting and involving staff in its work. Management and staff bodies negotiate terms and conditions of employment through the Staff Associations in countries outside the UK, and through the Oxfam Negotiating Committee in the UK. In Oxford, the Chair and Director hold regular “have your say” meetings to enable staff and volunteers to question them. And Oxfam has an electronic ‘Graffiti Wall’ so that all staff can raise questions and comment on issues of interest. There are also

many other formal and informal opportunities for consultation. All managers are expected to hold regular meetings with their staff, to provide an opportunity for communication of information and discussion of events as they develop.

To keep staff and volunteers informed, Oxfam produces a fortnightly newsletter called VOX, a monthly letter from the Director, a monthly International Division bulletin, and a bi-monthly magazine called “Shoptalk”. Oxfam also maintains an intranet site, and holds regular Forums throughout the UK.

Diversity and Disability

Oxfam has a strong commitment to developing the diversity of its staff and volunteers through equal opportunity policies, training, targets and practical action. This includes encouraging applications from disabled people, developing their skills, and taking every reasonable measure to adapt our premises and working conditions to enable disabled people to work or volunteer with Oxfam.

Volunteers

More than 20,000 volunteers work in Oxfam shops, and thousands of others contribute their time to Oxfam in a variety of ways. Most make a regular commitment, ranging from a few hours to a full working week. Some use their professional expertise, while others give their time and energy in work that is not related to their everyday jobs. Some volunteers may be retired, or not in paid employment. Oxfam tries to apply the principles of involvement and equality to its many volunteers.

Approved by the Council of Trustees and signed on its behalf by:



Rosemary Thorp (Chair of Oxfam)
7 September 2004

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of the Association of Oxfam

We have audited the financial statements which comprise the statement of financial activities, the income and expenditure account, the balance sheets, the cash flow statement and the related notes.

Respective responsibilities of directors and auditors

The trustees are also directors of Oxfam for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of trustees' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation

of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group at 30th April 2004 and of the net outgoing resources, including the income and expenditure, and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
7 September 2004

The Financial Statements are published on the Oxfam website, www.oxfam.org.uk, the maintenance and integrity of which is the responsibility of Oxfam. The work we carry out as auditors does not involve consideration of the maintenance and integrity of the website and accordingly we accept no responsibility for any changes that may have occurred to the financial statements following their initial presentation on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

| Notes | Unrestricted Trading Activities £ m | Unrestricted Funds £ m | Restricted Funds £ m | Endowment Funds £ m | Totals 2004 £ m | Totals 2003 Restated £ m |
|---------------------------------------|--|---------------------------|-------------------------|------------------------|--------------------|-----------------------------|
| Incoming resources | | | | | | |
| 2a | – | 71.7 | 4.3 | 0.3 | 76.3 | 75.6 |
| | <i>Activities in furtherance of the charity's objects:</i> | | | | | |
| 2b | – | – | 40.3 | – | 40.3 | 45.6 |
| | <i>Activities for generating funds</i> | | | | | |
| 2c | 66.2 | – | – | – | 66.2 | 64.7 |
| 2d | – | 2.8 | 0.1 | – | 2.9 | 3.1 |
| | 66.2 | 74.5 | 44.7 | 0.3 | 185.7 | 189.0 |
| Less: Cost of generating funds | | | | | | |
| 2c | 49.3 | – | – | – | 49.3 | 49.0 |
| 2e | – | 18.8 | 0.1 | – | 18.9 | 18.1 |
| | 16.9 | 55.7 | 44.6 | 0.3 | 117.5 | 121.9 |
| | Transfer of trading contribution (16.9) | 16.9 | – | – | – | – |
| | – | 72.6 | 44.6 | 0.3 | 117.5 | 121.9 |
| Charitable expenditure | | | | | | |
| 3b,3d | – | 13.4 | 8.9 | – | 22.3 | 20.1 |
| 3c,3d | – | 37.1 | 34.9 | – | 72.0 | 67.3 |
| 2b,3a | – | – | 4.5 | – | 4.5 | 7.1 |
| 3e | – | 14.3 | 1.1 | – | 15.4 | 16.3 |
| 3f | – | 6.0 | – | – | 6.0 | 4.3 |
| 3a | – | 70.8 | 49.4 | – | 120.2 | 115.1 |
| | – | 138.9 | 49.5 | – | 188.4 | 182.2 |
| | – | 1.8 | (4.8) | 0.3 | (2.7) | 6.8 |
| 9 | – | 0.1 | – | – | 0.1 | 0.4 |
| | <i>(Loss)/gain on investments:</i> | | | | | |
| 9 | – | (0.3) | – | – | (0.3) | 0.1 |
| | – | 1.6 | (4.8) | 0.3 | (2.9) | 7.3 |
| | – | 45.2 | 13.8 | 2.6 | 61.6 | 54.3 |
| | – | 46.8 | 9.0 | 2.9 | 58.7 | 61.6 |

Total unrestricted resources for the year amounted to £140.7 million (2002/03 £136.1million)

A Statement of Total Recognised Gains and Losses is not required as all gains and losses are included in the Statement of Financial Activities. All activities are continuing.

SUMMARY INCOME AND EXPENDITURE ACCOUNT

| Oxfam Group | | 2004 | 2003 |
|--------------------|--|--------------|-------------------------|
| Notes | | £ m | Restated £ m |
| | Income | | |
| 2a | Donations, legacies & similar incoming resources | 76.0 | 74.6 |
| 2b | Resources from Government and other public authorities | 40.3 | 45.6 |
| 2c | Trading sales | 66.2 | 64.7 |
| 2d | Investment income and other incoming resources | 2.9 | 3.1 |
| | Total realised income | 185.4 | 188.0 |
| | Less: | | |
| 2c | Trading costs | (49.3) | (49.0) |
| 2e | Fundraising costs | (18.9) | (18.1) |
| 3a | Charitable expenditure | (120.2) | (115.1) |
| 7 | Surplus of income over expenditure | (3.0) | 5.8 |
| 9 | Share of retained profit in associated company | 0.1 | 0.4 |
| | Transfers (to)/from other funds: | | |
| 17 | Transfer (to)/from Restricted funds | 4.8 | (5.6) |
| 18 | Transfer (to)/from Designated funds – Fixed assets | 0.3 | (1.2) |
| | Transfer (to)/from Designated funds – Pension | (4.1) | – |
| | Transfer (to)/from Designated funds – Other | (0.1) | (1.0) |
| 18 | General Reserves at 30 April 2003 | 26.8 | 28.4 |
| 18 | General Reserves at 30 April 2004 | 24.8 | 26.8 |

An income and expenditure account is an alternative summary of the information contained in the Statement of Financial Activities. As recommended in the Charity SORP, this statement excludes gifts of capital that are not currently available for revenue expenditure (see Note 16 on Endowment Funds) and unrealised revaluations of investment assets. The income and expenditure account is included in the accounts in order to comply with the Companies Act 1985.

Oxfam uses the exemption conferred by section 230 of the Companies Act 1985 in not preparing a separate Income and Expenditure Account for Oxfam that excludes its wholly owned subsidiaries. The net income for Oxfam excluding its wholly owned subsidiaries for the year ended 30 April 2004 was £(4.0) million (2002/03: £4.7 million).

BALANCE SHEET

| Notes | Oxfam | | Oxfam Group | |
|-------|--|-------------|--------------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| | Fixed assets | | | |
| 8 | 16.0 | 16.7 | 16.1 | 16.8 |
| 9 | 5.5 | 5.2 | 3.3 | 3.2 |
| | 21.5 | 21.9 | 19.4 | 20.0 |
| | Current Assets | | | |
| 10 | 1.8 | 2.5 | 3.1 | 3.0 |
| 11 | 16.0 | 14.8 | 16.8 | 15.4 |
| 12 | 40.2 | 43.2 | 40.3 | 43.2 |
| | 58.0 | 60.5 | 60.2 | 61.6 |
| 13 | (14.6) | (18.0) | (14.7) | (16.8) |
| | Net Current Assets | 42.5 | 45.5 | 44.8 |
| | 64.9 | 64.4 | 64.9 | 64.8 |
| | Total assets less current liabilities | | | |
| 14 | (6.2) | (3.2) | (6.2) | (3.2) |
| | Net Assets | 61.2 | 58.7 | 61.6 |
| | Charitable Funds | | | |
| 16 | 2.9 | 2.6 | 2.9 | 2.6 |
| 17 | 9.0 | 13.8 | 9.0 | 13.8 |
| 18 | 16.4 | 17.0 | 16.4 | 17.0 |
| 18 | 4.1 | – | 4.1 | – |
| 18 | 1.5 | 1.0 | 1.5 | 1.4 |
| 18 | 24.8 | 26.8 | 24.8 | 26.8 |
| | 58.7 | 61.2 | 58.7 | 61.6 |

Approved by the Council of Trustees and signed on its behalf by:



Rosemary Thorp (Chair of Oxfam)
7 September 2004

CONSOLIDATED CASH FLOW STATEMENT

| | 2004 £ m | 2004 £ m | 2003 £ m | 2003 £ m |
|--|-------------|-------------|-------------|-------------|
| Net cash (outflow)/inflow from operating activities | | (0.8) | | 9.4 |
| Returns on investments and servicing of finance | | | | |
| Deposit interest received | 1.3 | | 1.3 | |
| Investment income (on endowment investments) | 0.1 | | 0.1 | |
| | | 1.4 | | 1.4 |
| Capital expenditure and financial investment | | | | |
| Payments to acquire tangible fixed assets – additions | (3.4) | | (5.3) | |
| Receipts from sales of tangible fixed assets | 0.4 | | 0.2 | |
| Net increase in endowment investments | (0.3) | | (1.0) | |
| | | (3.3) | | (6.1) |
| Net cash (outflow)/inflow before management of liquid resources and financing | | (2.7) | | 4.7 |
| Financing | | | | |
| Capital element of finance leases | – | | (0.1) | |
| Additions to endowments | 0.3 | | 1.0 | |
| | | 0.3 | | 0.9 |
| (Decrease)/increase in cash in the year | | (2.4) | | 5.6 |

Reconciliation of (deficit)/surplus of income to net cash inflow from operating activities

| | 2004 £ m | 2003 £ m |
|---|-------------|-------------|
| Net (outflow)/inflow before revaluations and investment asset disposals | (2.7) | 6.8 |
| Increase in endowment funds | (0.3) | (1.0) |
| Deposit interest and investment income receivable | (1.3) | (1.4) |
| Depreciation charge | 3.9 | 3.8 |
| (Profit)/loss on disposal of fixed assets | (0.2) | 0.1 |
| Increase in stocks | (0.1) | (0.2) |
| Increase in debtors | (1.5) | (3.4) |
| Increase in creditors | 1.4 | 4.7 |
| Net cash (outflow)/inflow from operating activities | (0.8) | 9.4 |

Analysis of net funds

| | At 1 May 2003 £ m | Cashflow movement £ m | At 30 April 2004 £ m |
|----------------------------|-------------------------|-----------------------------|----------------------------|
| Cash at bank and in hand | 20.2 | (3.9) | 16.3 |
| Cash on short term deposit | 23.0 | 1.0 | 24.0 |
| Overdrafts (see Note 13) | (1.6) | 0.5 | (1.1) |
| Net funds | 41.6 | (2.4) | 39.2 |

Reconciliation of net cash flow to movement in net funds

| | 2004 £ m |
|-----------------------------------|-------------|
| Decrease in cash | (2.4) |
| Net funds at 1 May 2003 | 41.6 |
| Net funds at 30 April 2004 | 39.2 |

1 ACCOUNTING POLICIES

a. Accounting conventions

The accounts are prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in compliance with "Accounting and Reporting by Charities: Statement of Recommended Practice" ("the SORP"), and applicable accounting standards.

The charity has adjusted the formats from those prescribed by the Companies Act 1985, to include headings that are relevant to its activities, to enable it to show a true and fair view. No separate Statement of Financial Activities ("SOFA") is presented for the charity itself as permitted by section 230 of the Companies Act 1985 and paragraph 304 of the SORP.

b. Basis of consolidation

The accounts of Oxfam's trading subsidiary company, Oxfam Activities Limited, are consolidated with the accounts of Oxfam on a line-by-line basis.

A dormant subsidiary, "On the Line Ltd" and three micro credit schemes are excluded from consolidation on the grounds of immateriality.

To comply with overseas local legislation, Oxfam has established 100% owned subsidiaries and other overseas legal entities in a number of countries. These are fully controlled by Oxfam and their accounts are included within the accounts of Oxfam.

c. Fund accounting

General funds are unrestricted funds that are available for use at the trustees' discretion in furtherance of the objectives of the charity.

Designated funds are set aside at the discretion of the trustees for specific purposes. They would otherwise form part of the other unrestricted funds.

Restricted and endowment funds are subject to specific restrictions imposed by the donor or by the nature of the appeal.

d. Incoming resources

Income, including donations, legacies and investment income is recognised in the period in which Oxfam is entitled to receipt and where the amount can be measured with reasonable certainty.

Gifts in Kind – Food aid, for which Oxfam accepts full responsibility for distribution, is included in 'Resources from government and other public authorities' at its market value when it is distributed, and under 'Charitable expenditure' at the same value and time.

Gifts in Kind – Properties, investments, and other fixed assets donated to the charity are included as donation income at market value at the time of receipt.

Income from 'Gift Aid' tax reclaims is recognised for any 'Gift Aid' certificates received up to a month after the year-end, in relation to donations made prior to the year-end

In many cases costs are incurred on projects before the relevant restricted income is received. Therefore, unless contrary to a donor's wishes, income generated from restricted funds is treated as unrestricted to cover the prefinancing costs incurred.

e. Costs of generating funds

Costs of generating funds comprise the costs incurred in commercial trading activities and fundraising. Trading costs cover all the costs of our shops and other trading activities including the costs of goods sold. Fundraising costs includes the costs of advertising, producing publications, printing and mailing fundraising material, staff costs in these areas, and an appropriate allocation of central overhead costs.

f. Charitable expenditure

Grants payable in furtherance of the charity's objects are recognised as expenditure when payment is made to the partner organisation. Standard partner contracts are typically for a year's duration. The value of these contracts, which are still to be paid, are included in the Balance Sheet as current liabilities.

Costs of activities in furtherance of the charity's objects are accounted for as they are incurred. These activities include campaigning, advocacy and capacity building together with humanitarian aid and development programme expenditure, which are delivered directly by Oxfam staff and costs associated with the local management of Oxfam's programme. Any unrestricted expenditure that is required to complete an approved project is provided for under designated funds.

Support costs represent the costs of providing direct support to Oxfam's programme by staff based in regional centres and in the UK. This policy has been restated during the year. See Note 3e for further details.

Managing and administering the charity expenditure represents the salaries, direct expenditure, and overhead costs incurred by central finance, human resources, communications, and internal audit departments in managing the charity's assets, organisational administration, and compliance with constitutional and

statutory requirements. This policy has been restated during the year. See Note 3f for further details.

g. Allocation and apportionment

Buildings costs are allocated on the basis of floor area used.

In-house printing and warehousing and are allocated to user departments on the basis of units of output.

Information systems costs are allocated on the basis of computer numbers.

The cost of the Director's office is allocated on the basis of employee numbers.

Irrecoverable VAT is attributed to the principal areas in which it is incurred namely fundraising income and campaigns

h. Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised and included at cost, including any incidental expenses of acquisition.

Depreciation is provided on all tangible fixed assets at rates calculated to write-off the cost by equal annual instalments over their expected useful economic lives as follows:

| | |
|---|----------|
| Freehold land | Nil |
| Freehold buildings | 50 years |
| Warehouse fittings and equipment | 10 years |
| Computer infrastructure | 10 years |
| Leasehold assets | 5 years |
| Furniture, fixtures, and equipment in GB | 5 years |
| Motor vehicles | 4 years |
| Computer equipment | 3 years |
| Furniture, fixtures, and equipment overseas | 3 years |

Vehicles and equipment used in programmes overseas are considered to have a useful economic life of one year or less. They are not capitalised but are charged in full to charitable expenditure when purchased.

Oxfam has taken the decision to move its Oxford-based offices from their current location to a purpose built building in Cowley, East Oxford. Where appropriate, provision has been made for impairment in the value of tangible fixed assets.

i. Fixed asset investments

Fixed asset investments include freehold properties that Oxfam are required to retain until conditions specified by the donor have been met. The consequence of these conditions is that it is unlikely that Oxfam will be able to realise its investment in the foreseeable future. Included in

this are properties where the proceeds, once realised, will be used for charitable purposes, rather than reinvestment. These fall within the definition of current asset investments given in the SORP. However, due to the specific circumstances relating to these properties the trustees consider it appropriate to classify them as fixed asset investments.

Investment property and listed investments are included in the Balance Sheet at market value. Unlisted investments are included at cost as an approximation to market value unless there is specific evidence to the contrary. Investments in subsidiaries are included in the charity's accounts at cost.

j. Stocks

Bought-in goods are valued at the lower of cost and net realisable value. Unsold donated items are not included in closing stock since their cost is nil and their value is uncertain until sold.

k. Provisions

In general, provisions for future liabilities are recognised when Oxfam has a legal or constructive financial obligation, that can be reliably estimated and for which there is an expectation that payment will be made. However, provision is not made in the accounts for future liabilities in respect of future period grant allocations in compliance with the SORP.

l. Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange prevailing at the time of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date or, if appropriate, at a forward contract rate. Foreign exchange gains and losses are included in the SOFA for the period in which they were incurred.

m. Pension scheme

Oxfam operates defined benefit and defined contribution pension schemes.

The defined benefit scheme provides benefits based on final pensionable pay. The expected cost of providing these benefits, as calculated periodically by professionally qualified actuaries, is charged to the SOFA. The charge spreads the cost of pensions over employees' working lives with Oxfam, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll costs.

The cost of providing pensions to employees who are members of defined contribution schemes is charged to the SOFA as contributions are made.

The accounts have been prepared according to SSAP24 under the 'projected unit' actuarial method. In addition the accounts disclose information in accordance with the transitional requirements of FRS17.

n. Micro credit schemes

Oxfam provides funds under micro credit schemes either direct to individual members of local communities or via local community groups. Oxfam generally retains a

responsibility for managing these schemes until such time as it is possible to transfer the management responsibility to the local community. The cost of Oxfam's contributions to these schemes is included in charitable expenditure.

o. Operating leases

Rentals payable under operating leases are charged to the SOFA as incurred over the term of the lease.

2 INCOME

a. Donations, legacies, and similar incoming resources

| | 2004 £ m | 2004 £ m | 2004 £ m | 2004 £ m | 2003 £ m |
|--|--------------|-------------|-------------|-------------|-------------------|
| | Unrestricted | Restricted | Endowments | Total | Total Restated |
| Committed giving | 55.7 | – | – | 55.7 | 51.7 |
| Legacies | 10.0 | – | – | 10.0 | 10.3 |
| Public donations, appeals and fundraising events | 6.0 | 3.1 | 0.3 | 9.4 | 11.5 |
| Disasters Emergency Committee (DEC) appeals | – | 1.2 | – | 1.2 | 2.1 |
| | 71.7 | 4.3 | 0.3 | 76.3 | 75.6 |

Income from the UK government – Department for International Development relating to the Partnership Programme Agreement has been re-analysed from "Donations, legacies and similar incoming resources" to "Resources from governments, other public authorities and non government organisations". This re-analysis brings Oxfam into line with similar organisations to enable better comparison. The new analysis has no impact on overall income.

At 30 April 2004, in addition to legacy income that has been included in the accounts, Oxfam expected to benefit from a number of legacies from estates for which the administration had yet to be finalised. Oxfam's future income from these legacies is estimated at £2.0 million (2002/03: £2.0 million).

b. Resources for specific programmes from governments, other public authorities and non government organisations

| | 2004 £ m | 2003 £ m Restated |
|---|-------------|-------------------------|
| UK government: Department for International Development | | |
| – Partnership Programme Agreement | 6.8 | 6.7 |
| – Resources for specific programmes | 6.9 | 6.2 |
| European Union | 9.2 | 9.5 |
| UNHCR | 0.7 | 1.8 |
| Other UN agencies | 0.9 | 0.3 |
| Members of Oxfam International (Note 3b) | 6.1 | 7.0 |
| Non-UK governments | 3.3 | 4.2 |
| Other international agencies | 1.3 | 2.2 |
| Community Fund | 0.6 | 0.5 |
| Other UK agencies | – | 0.1 |
| Cash subtotal | 35.8 | 38.5 |
| World Food Programme Gifts in Kind – Food Aid and other | 2.8 | 6.4 |
| Euroaid Gifts in Kind – Food Aid | 0.8 | 0.4 |
| European Union Gifts in Kind – Food Aid | 0.2 | 0.2 |
| Other donors Gifts in Kind – Food Aid and other | 0.7 | 0.1 |
| | 40.3 | 45.6 |

c. Activities for generating funds: Trading income

| | 2004 Oxfam £ m | 2004 OAL £ m | 2004 Total £ m | 2003 Oxfam £ m | 2003 OAL £ m | 2003 Total £ m |
|---|----------------------|--------------------|----------------------|----------------------|--------------------|----------------------|
| Turnover from donated goods | 53.2 | 3.8 | 57.0 | 51.1 | 4.0 | 55.1 |
| Turnover from purchased goods | – | 9.2 | 9.2 | 3.9 | 5.7 | 9.6 |
| Total trading sales | 53.2 | 13.0 | 66.2 | 55.0 | 9.7 | 64.7 |
| Trading expenses | 37.4 | 11.9 | 49.3 | 40.4 | 8.6 | 49.0 |
| Net trading income | 15.8 | 1.1 | 16.9 | 14.6 | 1.1 | 15.7 |
| <i>In addition, the following amounts, included within donations, were collected through the shops:</i> | | | | | | |
| Unrestricted donations | 0.7 | – | 0.7 | 0.6 | – | 0.6 |
| Restricted donations | 0.5 | – | 0.5 | 0.9 | – | 0.9 |
| Net income including donations | 17.0 | 1.1 | 18.1 | 16.1 | 1.1 | 17.2 |

Trading income represents income from the sale of donated and bought-in goods through the charity's shops, recycling operations, and licensing income.

Following the Trustees' decision to implement the proposals of Oxfam's Fair Trade Review – specifically that the Trading division should stop purchasing goods direct from producers as a programme activity and instead purchase goods direct from UK suppliers – it was decided that the sale and purchase of Fair Trade goods should be treated as a commercial activity. The sales, related costs, assets and liabilities are therefore being reported within Oxfam Activities Limited.

d. Investment income and other incoming resources

| | 2004 £ m | 2003 £ m |
|---|-------------|-------------|
| Deposit interest – unrestricted | 1.1 | 1.2 |
| Deposit interest – restricted | 0.1 | 0.1 |
| Sale of printed material | 0.6 | 0.6 |
| Profit/(loss) on disposal of fixed assets | 0.2 | (0.1) |
| Interest on endowments | 0.1 | 0.1 |
| Nursery fees | 0.2 | 0.2 |
| Sale of humanitarian equipment | 0.3 | 0.5 |
| Miscellaneous overseas income | 0.2 | 0.2 |
| Others | 0.1 | 0.3 |
| | 2.9 | 3.1 |

e. Fundraising costs

Fundraising costs represent costs to raise both restricted and unrestricted income, excluding trading sales.

This is analysed as follows:

| | 2004 £ m | 2003 £ m |
|-------------------|-------------|-------------|
| Staff costs | 5.2 | 4.5 |
| Irrecoverable VAT | 1.3 | 1.2 |
| Other costs | 12.4 | 12.4 |
| | 18.9 | 18.1 |

3 CHARITABLE EXPENDITURE

a. Charitable expenditure – functional analysis

Oxfam’s relief and development programme can be analysed as shown below. Many programmes achieve aims in more than one of these categories, but are analysed for these purposes under the principal aim only.

| | 2004 | 2003 |
|--|-----------------|-------------|
| | £ m | £ m |
| | Restated | |
| A sustainable livelihood | 26.2 | 27.1 |
| Right to basic social services | 14.3 | 13.3 |
| Life and security | 40.7 | 39.9 |
| Right to be heard | 10.9 | 9.4 |
| Right to equity (gender & diversity) | 6.7 | 4.8 |
| Total costs of activities and grants in furtherance of the charity’s objects | 98.8 | 94.5 |
| Support costs | 15.4 | 16.3 |
| Managing and administering the charity | 6.0 | 4.3 |
| Total charitable expenditure | 120.2 | 115.1 |

Campaigning and advocacy (formerly called “Information, campaigning and education”) expenditure has been re-analysed above to allocate it by aim. In addition, the accounting policy relating to “campaigning and advocacy” has been changed during the year. This results in a net decrease of £0.2 million in the restated prior year “campaigning and advocacy” expenditure arising from a £1.3 million increase in costs of “managing and administering the charity” and a £1.1 million decrease in expenditure by aim.

Costs of activities and grants in furtherance of the charity’s objects can also be analysed as follows:

| | 2004 | 2003 |
|--|-----------------|-------------|
| | £ m | £ m |
| | Restated | |
| Humanitarian | 33.9 | 31.9 |
| Gifts in kind (mainly food aid) | 4.5 | 7.1 |
| Total humanitarian | 38.4 | 39.0 |
| Development | 50.4 | 47.4 |
| Campaigning and advocacy | 10.0 | 8.1 |
| Total costs of activities and grants in furtherance of the charity’s objects | 98.8 | 94.5 |

b. Grants payable in furtherance of the charity’s objects

Much of Oxfam’s development programme is carried out through grants to local organisations that support long-term, sustainable benefits for a community. Grants are also made to fund immediate emergency relief provision in times of crisis, catastrophe, or natural disaster. Oxfam’s grant making policy ensures that its expenditure meets its charitable objectives and aims. Oxfam reviews potential grants against the following criteria: fits into at least one of Oxfam’s five strategic aims; complies with UK charity law and, for humanitarian projects, complies with Red Cross and NGO Code of Conduct and Sphere Standards; is the best technical solution in the circumstances; will be implemented cost-effectively; meets Oxfam’s procedural, accountability, and reporting requirements; and meets donors’ expectations and reporting requirements.

Oxfam’s standard partner agreement allows for all grants to partners to be audited to ensure that the grant has been spent in line with the above criteria.

A change to the wording of the accounting policy has been made this year. This is to improve the description of our ongoing accounting practice. There has been no change in the practical application of the accounting policy.

The top 50 financial grant recipients in 2003/04 are listed below.

| Name of Institution | No of grants | £'000 | Geographic Region |
|--|---------------------|--------------|--------------------------|
| 1) Organismo Cristiano de Desarrollo Integral | 4 | 294 | CAMEXCA |
| 2) Caribbean Policy Development Centre | 2 | 166 | CAMEXCA |
| 3) Support To Communities | 3 | 161 | MEEECIS |
| 4) Centro Hondureno de Promocion para el Desarrollo Comunitario | 2 | 160 | CAMEXCA |
| 5) People and Planet | 1 | 150 | Campaigning |
| 6) Asociacion Servicios Educativos Rurales | 2 | 144 | South America |
| 7) Cearah Periferia Centro de Estudios etc s Assentamentos | 3 | 131 | South America |
| 8) Centro de Assessoria e Apoio aos Trabalhadores e ONGs Alternativas | 2 | 128 | South America |
| 9) Organismo de Desarrollo Etnico Comunitario | 3 | 125 | South America |
| 10) Programme Initiatives du NORD | 1 | 116 | West Africa |
| 11) Rural Volunteers Centre | 3 | 116 | South Asia |
| 12) Horn of Africa Voluntary youth Committee | 1 | 115 | HECA |
| 13) The Welfare Foundation | 3 | 108 | MEEECIS |
| 14) Lifeline-Rape Crisis | 2 | 107 | Southern Africa |
| 15) Reach Out Project | 1 | 107 | Humanitarian |
| 16) Urmul Marusthali Bunkar Vikas South Americaiti | 3 | 107 | South Asia |
| 17) Cohesion Foundation | 2 | 105 | South Asia |
| 18) Recocarno | 2 | 105 | CAMEXCA |
| 19) Church of Central Africa Presbyterian | 1 | 100 | Southern Africa |
| 20) CARE Peru | 1 | 97 | South America |
| 21) Women for Change | 1 | 95 | Southern Africa |
| 22) Women and Law in Southern Africa | 2 | 92 | Southern Africa |
| 23) TASSAGHT | 5 | 89 | West Africa |
| 24) Asociacion para el Desarrollo Andino Sostenible Qullana | 1 | 87 | South America |
| 25) Healthy World, Barda | 1 | 83 | MEEECIS |
| 26) Navrachna South Americaaj Sevi Sansthan | 4 | 83 | South Asia |
| 27) Maldhari Rural Action Group | 2 | 83 | South Asia |
| 28) Projects Office- Balntyre Synod | 2 | 82 | Southern Africa |
| 29) Weaving Project (Negev) | 1 | 82 | South America |
| 30) Women's Agenda for Change | 1 | 76 | East Asia |
| 31) Coordinadora de Mujeres Campensinas de La Paz | 2 | 75 | CAMEXCA |
| 32) Small Holders Milk Producers Ass. | 1 | 74 | Southern Africa |
| 33) Union des Groupements de Koulouck | 1 | 74 | West Africa |
| 34) Centro Regional de Estudios Andinos Bartolome de las Casas | 1 | 74 | South America |
| 35) Winfa | 3 | 72 | CAMEXCA |
| 36) Adalah Legal Center | 1 | 71 | MEEECIS |
| 37) Centros de Estudios y Prevencion de Desastres | 2 | 70 | South America |
| 38) Local community Water and Sanitation System and Health Promotion Association | 1 | 69 | HECA |
| 39) Social Development Fund | 1 | 69 | Humanitarian |
| 40) Market Access Promotion Network | 1 | 69 | West Africa |
| 41) Structure Locale pour le Développement de l'Affole | 3 | 68 | West Africa |
| 42) Centro de Desarrollo Agropecuario | 1 | 67 | South America |
| 43) Zambia National Education Coalition | 1 | 65 | Southern Africa |
| 44) Aarthik Anusandhan Kendra | 4 | 65 | South Asia |
| 45) Organizasyon Gwoupman Kominote Pawas Sakreke | 1 | 64 | CAMEXCA |
| 46) Centro Peruano de Estudios Sociales | 1 | 63 | South America |
| 47) Associacao Brasileira de Organizacoes nao Governamentais | 3 | 63 | South America |
| 48) Perinatal HIV Prevention Trial | 1 | 62 | East Asia |
| 49) Asociacion de Organismos No Gubernamentales | 3 | 62 | CAMEXCA |
| 50) Working Group on Weapons Reduction | 1 | 60 | East Asia |
| | | 4,850 | |

The grants made by Oxfam GB to other Oxfams in 2003/04 are listed below.

| | No of grants | £'000 | Geographic region |
|--|--------------|--------------|-----------------------------|
| Oxfam America | 9 | 915 | Various |
| Novib (Oxfam Netherlands) | 9 | 466 | Various |
| Intermon Oxfam (Spain) | 9 | 429 | Various |
| Oxfam Canada | 3 | 296 | CAMEXCA, Southern Africa |
| Oxfam Quebec | 3 | 168 | West Africa |
| Oxfam-in-Belgium | 5 | 91 | CAMEXCA, East Asia |
| Oxfam Community Aid Abroad (Australia) | 4 | 84 | CAMEXCA, East Asia |
| Oxfam New Zealand | 3 | 94 | East Asia, HECA |
| Oxfam Hong Kong | 1 | 76 | East Asia |
| | | <u>2,619</u> | |

Key to geographic regions:

CAMEXCA – Central America, Mexico, and the Caribbean. HECA – Horn, East, and Central Africa. MEEECIS – Middle East, Eastern Europe, and Commonwealth of Independent States

| | £'000 |
|--|---------------|
| Total value of largest grants | 4,850 |
| Total value of grants to other Oxfams | 2,619 |
| Other grants | 14,826 |
| Total grants payable in furtherance of the charity's objects | <u>22,295</u> |
| Total number of grants made | 884 |

The values of grants received by Oxfam GB from other Oxfams in 2003/04 are listed below.

| | £'000 |
|--|--------------|
| Novib (Oxfam Netherlands) | 2,667 |
| Oxfam America | 837 |
| Oxfam Ireland | 701 |
| Intermón Oxfam (Spain) | 504 |
| Oxfam Hong Kong | 404 |
| Oxfam Canada | 327 |
| Oxfam Community Aid Abroad (Australia) | 332 |
| Oxfam Quebec | 174 |
| Oxfam New Zealand | 122 |
| Oxfam Germany | (34)* |
| Oxfam-in-Belgium | 71 |
| Oxfam Japan | 8 |
| Total | <u>6,113</u> |

*Oxfam repaid £34,000 to Oxfam Germany in the current year. The funds were received in the prior year.

The grants made to, and received by Oxfam GB from the other Oxfam's are not related. They are determined by operational decisions based on the strategy or capacity of Oxfam affiliates in particular areas.

c. Costs of activities in furtherance of the charity's objects

Oxfam's own overseas staff are involved in delivery of the programme through the provision of specialist services (e.g. to address the water and sanitation needs of refugees) and also through training and networking for local organisations. The accounting policies relating to items that are included in "costs of activities in furtherance of the charity's objects" and

“support costs” have been changed during the year. The former now includes all the in-country costs associated with programme delivery and the monitoring of grants made to partner organisations e.g. direct programme costs, logistics, finance, human resources and programme management. The changes result in a more accurate reflection of the true costs of our activities and the support of those activities. The prior year comparative figures have been restated accordingly, see Note 3e.

d. Campaigning and advocacy

Oxfam’s campaigning and advocacy programme (previously called “information, campaigning and education”) has two key objectives in furtherance of Oxfam’s purposes. The first is to inform the British public about our international experience of work with poor people. We carry out research and analysis of the issues raised by our work. This is a contribution to public debate and policy-making in Britain and the European Union, in the interests of alleviating poverty and suffering worldwide. The second is to campaign for changes for the benefit of poor people.

e. Support costs

The accounting policy relating to the definition of support costs has been changed during the year. Support costs now include support to the programme from Oxford and the costs associated with supporting programme delivery at a regional level e.g. finance, human resources and senior programme management. The changes bring Oxfam’s accounting policy into line with that of similar organisations to enable better comparison. The changes also result in a more accurate allocation of the costs of our activities and the support of those activities. The prior year comparative figures have been restated accordingly. This restatement has resulted in £18.0 million of prior year “Support costs” being reclassified as “Costs of activities in furtherance of the charity’s objects”. Support costs are analysed as follows:

| | 2004 £ m | 2003 £ m Restated |
|------------------------------------|-------------|-------------------------|
| Regional support | 7.2 | 6.3 |
| Central support | 7.1 | 9.7 |
| Exchange rate differences (Note 7) | 0.3 | (0.1) |
| Systems implementation (OPAL**) | 0.6 | – |
| Other | 0.2 | 0.4 |
| | 15.4 | 16.3 |

Support costs have reduced in the current year, compared with last year. Oxfam's regional management centres are now fully operational and need less central support. As a result, Oxford based services have reduced in capacity. This has been partially offset by system implementation costs and foreign exchange differences.

**See Director's Report – Developing the Organisation.

f. Managing and administering the charity

The accounting policy relating to “Managing and administering the charity” has been changed during the year. The costs of managing Oxfam’s intranet and other internal communication costs are now included in management and administration. The changes bring Oxfam’s accounting policy into line with that of similar organisations to enable better comparison. The changes also result in a more accurate reflection of the costs of managing and administering the charity. The prior year comparative figures have been restated accordingly. Management and administration expenditure is analysed as follows:

| | 2004 £ m | 2003 £ m Restated |
|------------------------------------|-------------|-------------------------|
| Central finance | 1.6 | 1.4 |
| Central human resources | 0.9 | 1.0 |
| Internal audit | 0.5 | 0.5 |
| Communications | 1.5 | 1.3 |
| Exchange rate differences (Note 7) | 0.3 | 0.1 |
| Oxford office relocation | 1.2 | – |
| | 6.0 | 4.3 |

This increase in the cost of managing and administering the charity is largely due to one off foreign exchange losses, costs associated with the Oxford office relocation and investment in improving internal communications.

4 EMPLOYEES

The head count number of employees and full-time equivalent (FTE) for the year was:

| | 2004 Head count | 2003 Head count Restated | 2004 FTE | 2003 FTE Restated |
|--------------------------------------|--------------------|--------------------------------|-------------|-------------------------|
| GB contracted employees | | | | |
| Trading Division | 910 | 940 | 727 | 745 |
| Marketing Division | 242 | 242 | 230 | 230 |
| Corporate Functions | 156 | 157 | 142 | 143 |
| Campaigns and Policy | 172 | 167 | 160 | 155 |
| Programme Headquarters | 198 | 197 | 189 | 187 |
| Programme Overseas | 87 | 80 | 86 | 80 |
| | 1,765 | 1,783 | 1,534 | 1,540 |
| Overseas contracted employees | 2,204 | 2,144 | N/A | N/A |
| | 3,969 | 3,927 | N/A | N/A |

N/A - The number of employees based overseas on local contracts is only expressed in terms of head count since a full-time equivalent is not available.

The Campaigns and Policy division was formed on 1 May 2003. To form the division, 94 staff were drawn from the Marketing division (FTE 89), and 73 staff were drawn from the International division (FTE 66). The prior year comparatives for these divisions have been restated to allow comparison.

Oxfam operates employment policies that encourage a range of working patterns including job sharing and part-time working. These result in a significantly lower number of employees when based on full-time equivalents rather than on head count.

5 STAFF COSTS

| | 2004 £ m | 2003 £ m |
|---------------------------------|-------------|-------------|
| GB contracted salaries | 35.5 | 34.5 |
| National Insurance | 2.9 | 2.6 |
| Pension Scheme | 3.2 | 2.2 |
| GB contracted staff costs | 41.6 | 39.3 |
| Overseas contracted staff costs | 22.1 | N/A |
| Total staff costs | 63.7 | N/A |

N/A - Due to improvements in information systems costs of overseas contracted staff are reported for the current year. Prior year comparatives are not available.

Staff costs are allocated according to the functions of each staff member and, therefore, form part of trading costs, fundraising costs, and charitable expenditure, as appropriate. Salaries includes the cost of redundancies arising from changes following reviews of some of Oxfam's operations.

In addition, a great amount of time, the value of which is impossible to reflect in these accounts, is donated by more than 20,000 volunteers throughout Britain.

The number of higher paid staff with emoluments falling in the following ranges were:

| | 2004 UK based | 2004 Overseas based | 2004 Total | 2003 UK based |
|--------------------|------------------|------------------------|---------------|------------------|
| £50,000 to £59,999 | 4 | 5 | 9 | 3 |
| £60,000 to £69,999 | 3 | 1 | 4 | 4 |
| £70,000 to £79,999 | 4 | - | 4 | 1 |
| £80,000 to £89,999 | 1 | - | 1 | - |

Retirement benefits are accruing under defined benefit schemes for eleven (2002/03: seven) higher paid employees. In addition, Oxfam paid £27,000 (2002/03: £7,000) into a defined contribution pension scheme for four (2002/03: one) higher paid employees.

In previous years only GB contracted employees have been shown in this analysis of higher paid employees. However the figures for the current year show the breakdown for both GB and overseas contracted employees. They are shown separately to enable comparison with the prior year. Emoluments include salary and taxable benefits in kind. For overseas contracted employees this includes accommodation, education and medical costs in the locations where our staff work.

6 TRUSTEES EXPENSES

Members of Oxfam's Council of Trustees receive no remuneration for their services. Directly incurred expenses of the trustees borne by the charity in 2003/04 totalled £21,000 (2002/03: £21,000) paid to nine (2002/03: six) trustees. The most significant element of trustees' expenses are the costs of visits to overseas programmes.

7 DEFICIT FOR THE FINANCIAL YEAR IS STATED AFTER CHARGING/(CREDITING)

| | 2004 £ m | 2003 £ m |
|---|-------------|-------------|
| Depreciation of tangible fixed assets | 3.9 | 3.8 |
| Hire of vehicles and equipment | 1.3 | 0.8 |
| Property rental | 15.0 | 14.6 |
| Auditors' remuneration – statutory audit (GB) | 0.1 | 0.1 |
| Auditors' remuneration – audit (overseas) | – | 0.1 |
| Rental income | (0.7) | (0.6) |
| Exchange rate differences | 1.4 | 0.8 |
| Income from endowment capital | (0.1) | (0.1) |
| Irrecoverable VAT | 1.5 | 1.4 |

The reported exchange rate loss was £1.4 million (2002/03: loss £0.8m). This reported loss consists of three elements;

- i) Gains and losses due to Oxfam using standardised monthly internal exchange rates compared with actual currency transaction rates. Where these standardised rates differ from actual rates, the difference is reported as an exchange gain or loss. This reported loss has no impact on the level of resources available for programmes.
- ii) The actual exchange gains/losses related to receiving income predominantly in Sterling and Euros and incurring charitable expenditure in currencies related to the US Dollar during a period in which the US Dollar has fluctuated.
- iii) Fluctuation in the sterling value of assets and liabilities, mainly foreign currency bank account balances, held during the year.

8 TANGIBLE FIXED ASSETS

Oxfam

| | Freehold property £ m | Leasehold property £ m | Furniture Fixtures Equipment £ m | Motor vehicles £ m | Total £ m |
|-----------------------|-----------------------------|------------------------------|---|--------------------------|--------------|
| Cost | | | | | |
| At 1 May 2003 | 10.7 | 22.4 | 20.2 | 2.6 | 55.9 |
| Additions | – | 0.3 | 2.6 | 0.5 | 3.4 |
| Disposals | (0.3) | (2.3) | (2.8) | (0.3) | (5.7) |
| At 30 April 2004 | 10.4 | 20.4 | 20.0 | 2.8 | 53.6 |
| Depreciation | | | | | |
| At 1 May 2003 | 2.8 | 21.5 | 13.0 | 1.9 | 39.2 |
| Charge for the year | 0.2 | 0.5 | 2.8 | 0.4 | 3.9 |
| Disposals | (0.1) | (2.3) | (2.8) | (0.3) | (5.5) |
| At 30 April 2004 | 2.9 | 19.7 | 13.0 | 2.0 | 37.6 |
| Net Book Value | | | | | |
| At 30 April 2004 | 7.5 | 0.7 | 7.0 | 0.8 | 16.0 |
| At 30 April 2003 | 7.9 | 0.9 | 7.2 | 0.7 | 16.7 |

Oxfam Group

| | Freehold property £ m | Leasehold property £ m | Furniture Fixtures Equipment £ m | Motor vehicles £ m | Total £ m |
|-----------------------|-----------------------------|------------------------------|---|--------------------------|--------------|
| Cost | | | | | |
| At 1 May 2003 | 10.7 | 22.5 | 20.6 | 3.2 | 57.0 |
| Additions | – | 0.3 | 2.6 | 0.5 | 3.4 |
| Disposals | (0.3) | (2.3) | (2.8) | (0.3) | (5.7) |
| At 30 April 2004 | 10.4 | 20.5 | 20.4 | 3.4 | 54.7 |
| Depreciation | | | | | |
| At 1 May 2003 | 2.8 | 21.6 | 13.4 | 2.4 | 40.2 |
| Charge for the year | 0.2 | 0.5 | 2.8 | 0.4 | 3.9 |
| Disposals | (0.1) | (2.3) | (2.8) | (0.3) | (5.5) |
| At 30 April 2004 | 2.9 | 19.8 | 13.4 | 2.5 | 38.6 |
| Net Book Value | | | | | |
| At 30 April 2004 | 7.5 | 0.7 | 7.0 | 0.9 | 16.1 |
| At 30 April 2003 | 7.9 | 0.9 | 7.2 | 0.8 | 16.8 |

The book value of land (which is not depreciated) included in freehold properties is £1.7 million (2003: £1.8 million). The net book value of leases over 50 years, grouped with the freeholds, is £0.1 million (2003: £0.1 million).

All tangible fixed assets are held for charitable use.

9 FIXED ASSET INVESTMENTS

Oxfam

| | Freehold property £ m | Cash £ m | Quoted £ m | Unquoted £ m | Total £ m |
|----------------------|-----------------------------|-------------|---------------|-----------------|--------------|
| Market Value: | | | | | |
| At 1 May 2003 | 0.2 | 2.5 | – | 2.5* | 5.2 |
| Additions | – | – | 0.3 | – | 0.3 |
| At 30 April 2004 | 0.2 | 2.5 | 0.3 | 2.5 | 5.5 |

Oxfam Group

| | Freehold property £ m | Cash £ m | Quoted £ m | Unquoted £ m | Total £ m |
|----------------------|-----------------------------|-------------|---------------|-----------------|--------------|
| Market Value: | | | | | |
| At 1 May 2003 | 0.2 | 2.5 | – | 0.5** | 3.2 |
| Additions | – | – | 0.3 | – | 0.3 |
| Disposals | – | – | – | (0.3) | (0.3) |
| Unrealised gain | – | – | – | 0.1 | 0.1 |
| At 30 April 2004 | 0.2 | 2.5 | 0.3 | 0.3 | 3.3 |

*This includes a loan of £2.5 million to Oxfam Activities Limited, which is incorporated in England and Wales. The loan is secured by a fixed and floating charge. Interest was charged on the outstanding balance of the loan at 5.75% during the year. Terms regarding interest are agreed between the parties, and repayment is due in three equal annual instalments following the issue of a repayment notice.

**This comprises 903,000 ordinary 25p shares in Cafédirect plc a company registered in Scotland, which represent a 10 per cent interest in the company. The principal activity of the company is the promotion of Fair Trade through the marketing and distribution of coffee and tea. During the year Oxfam's share of Cafédirect plc reduced from 25% to 10% due to new shares issued by Cafédirect plc, resulting in Cafédirect plc no longer being classified as an associate.

Freehold investment properties with an original cost of £0.1 million are included in the Balance Sheet at market value of £0.2 million. Investment properties have been valued by surveyors, all of whom are Associates of the Royal Institute of Chartered Surveyors and are employees of Oxfam. The valuation of assets was on an open market basis, in accordance with guidelines issued by the Royal Institute of Chartered Surveyors.

Oxfam holds 410,000 shares in Compass Finance Group Plc. At 30 April 2004 the market value of this holding was £287,000, representing just over 5% of the total value of Oxfam's investments.

At 30 April 2004, Oxfam had an interest in the following subsidiary undertakings:

| Organisation name | Country of Registration | Nature of business | Class of share capital held | Portion held by parent company |
|----------------------------|-------------------------|---|-----------------------------|--------------------------------|
| Oxfam Activities Limited | United Kingdom | Raises funds through trading activities | Ordinary | 100% |
| Living on the Line Limited | United Kingdom | Dormant | Ordinary | 100% |

In order to operate in some countries Oxfam is required by local legislation to establish 100% controlled, locally registered organisations. These are listed below. The accounts of these organisations are included within the accounts of Oxfam.

| Organisation Name | Country of Registration | Nature of Business |
|--|-------------------------|--------------------|
| Oxfam UKI Inc | Barbados | As per Oxfam |
| Associacao Recife -Oxford para Coeracao ao Desenvolvimento | Brazil | As per Oxfam |
| Sociedad De Desarrollo Oxfam Limitada | Chile | As per Oxfam |
| Oxfam (India) Trust | India | As per Oxfam |
| Oxfam Great Britain | South Africa | As per Oxfam |

Micro credit schemes

In order to operate micro credit schemes in some countries Oxfam is required by local legislation to establish registered organisations. The net assets of these subsidiaries are immaterial in total and therefore have not been consolidated. The payments to these entities have been treated in accordance with the accounting policy.

| Organisation Name | Country of Registration | Nature of Business | Class of share capital held | Portion held by parent company |
|---------------------------------------|-------------------------|--------------------------------|-----------------------------|--------------------------------|
| Finance for Development Limited | Azerbaijan Republic | Operating micro credit schemes | Ordinary | 100% |
| Horizon Fund | Armenia | Operating micro credit schemes | – | – |
| Small Business Development Foundation | Georgia | Operating micro credit schemes | – | – |

10 STOCKS

| | Oxfam | | Oxfam Group | |
|-----------------------|-------------|-------------|-------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| Oxfam trading stocks | 0.0 | 0.4 | 1.3 | 0.9 |
| Humanitarian supplies | 1.2 | 1.5 | 1.2 | 1.5 |
| Other stocks | 0.6 | 0.6 | 0.6 | 0.6 |
| | 1.8 | 2.5 | 3.1 | 3.0 |

11 DEBTORS

| | Oxfam | | Oxfam Group | |
|---------------------------------------|-------------|-------------|-------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| Tax recoverable | 3.1 | 5.8 | 3.1 | 5.8 |
| Amounts due from institutional donors | 3.9 | 2.9 | 3.9 | 2.9 |
| Other debtors | 1.4 | 1.6 | 2.3 | 2.1 |
| Prepayments | 7.4 | 4.3 | 7.3 | 4.4 |
| Accrued Income | 0.2 | 0.2 | 0.2 | 0.2 |
| | 16.0 | 14.8 | 16.8 | 15.4 |

Prepayments include a £4.5 million prepayment to the Pension Trust in respect of Oxfam's defined benefit pension scheme. See note 19d for further details.

12 CASH AT BANK AND IN HAND

| | Oxfam | | Oxfam Group | |
|-----------------------------|-------------|-------------|-------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| Cash on short term deposit* | 24.0 | 23.0 | 24.0 | 23.0 |
| Cash and bank balances** | 16.2 | 20.2 | 16.3 | 20.2 |
| | 40.2 | 43.2 | 40.3 | 43.2 |

*This money is held on interest-earning deposit to be readily available to meet current liabilities.

**Interest is also received from some of the bank accounts included in this amount.

13 CREDITORS – Amounts falling due within one year

| | Oxfam | | Oxfam Group | |
|-----------------------------------|-------------|-------------|-------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| Bank overdraft* | 1.1 | 1.6 | 1.1 | 1.6 |
| Grants to partners (unrestricted) | 1.7 | 2.0 | 1.7 | 2.0 |
| Grants to partners (restricted) | 2.0 | 1.2 | 2.0 | 1.2 |
| Amount due to subsidiaries | 0.6 | 1.8 | – | – |
| Trade creditors | 4.3 | 5.0 | 4.8 | 5.3 |
| Accruals | 3.8 | 5.3 | 4.0 | 5.6 |
| Other tax and social security | 0.8 | 0.9 | 0.8 | 0.9 |
| Interest-free loans | 0.3 | 0.2 | 0.3 | 0.2 |
| | 14.6 | 18.0 | 14.7 | 16.8 |

*Overdrafts arise on some overseas bank accounts and certain UK accounts as a result of Oxfam's banking arrangements. For interest purposes, UK overdrafts are offset against Oxfam's UK cash balances.

14 PROVISIONS FOR LIABILITIES AND CHARGES

| | Oxfam & Oxfam Group | | | |
|----------------------|------------------------|----------------------|--------------|--------------|
| | End of Contract £ m | Dilapidations £ m | Other £ m | Total £ m |
| At 1 May 2003 | 2.8 | 0.4 | – | 3.2 |
| Movement in the year | 0.9 | 1.0 | 1.1 | 3.0 |
| At 30 April 2004 | 3.7 | 1.4 | 1.1 | 6.2 |

The end of contract provision is an arrangement for staff on non-UK contracts, where a lump sum is paid at the end of their contract in lieu of Oxfam paying monthly amounts into a pension scheme.

The provision for dilapidations is to cover the probable future costs of restoring properties to their required condition at the end of their lease.

Other provisions includes a provision for onerous leases to cover the probable future costs of property leases for Oxford offices that extend beyond the date of the planned relocation.

15 CONTINGENT LIABILITIES

Loan Guarantees

As at 30 April 2004 one loan guarantee issued to Consorzio Etimes S.C.A.R.L with a maximum potential liability of £0.3 million was outstanding. The guarantee will expire on 31 December 2004 and was issued at the request of Central de Cooperativas Cafetaleras de Honduras ("Café la Central"). The loan guarantee enabled "Café la Central" to expand a sales contract with a long standing buyer and all parties are confident that the loan will be repaid in full.

16 ENDOWMENT FUNDS

| | At 1 May 2003 £ m | Received in year £ m | At 30 April 2004 £ m |
|--|----------------------|-------------------------|-------------------------|
| Permanent endowment funds | | | |
| The Mary & Henry Makinson Spink Memorial Fund | 1.4 | – | 1.4 |
| The Ellen & Ronald Carr-Webb Memorial Trust Fund | 1.1 | – | 1.1 |
| Other permanent endowment funds | 0.1 | – | 0.1 |
| Expendable endowment funds | | | |
| | – | 0.3 | 0.3 |
| | 2.6 | 0.3 | 2.9 |

Income generated by The Mary & Henry Makinson Spink Memorial Fund and most of the Other Endowment Funds is used for the unrestricted purposes of Oxfam. Income generated by The Ellen & Ronald Carr-Webb Memorial Trust Fund and £0.1 million of the Other Endowment Funds is required to be used for restricted purposes.

Endowment funds received during the year were gifts of shares in quoted companies. The gifts were made on the condition that Oxfam can use the capital when certain conditions have been met. The income from these funds is unrestricted.

17 RESTRICTED FUNDS

| | At 1 May 2003 £ m | Income £ m | Expenditure £ m | At 30 April 2004 £ m |
|---|----------------------|---------------|--------------------|-------------------------|
| EMERGENCY FUNDS | | | | |
| Southern Africa | 0.9 | 0.1 | (0.6) | 0.4 |
| Iraq | 0.1 | – | (0.1) | – |
| Gujarat (India) earthquake | 0.6 | – | (0.1) | 0.5 |
| Afghanistan | 0.9 | – | (0.5) | 0.4 |
| Iran Earthquake | – | 0.2 | – | 0.2 |
| Africa | – | 0.4 | (0.2) | 0.2 |
| General catastrophe | 0.9 | 0.8 | (1.2) | 0.5 |
| Ethiopia | 0.3 | 0.1 | (0.3) | 0.1 |
| Mauritania | – | 0.2 | (0.2) | – |
| Mozambique Floods | 0.7 | – | (0.3) | 0.4 |
| CONTRACTS/REGIONAL FUNDS | | | | |
| Horn, East, and Central Africa | 2.2 | 7.7 | (9.1) | 0.8 |
| Southern Africa | 2.9 | 7.8 | (8.1) | 2.6 |
| West Africa | 0.4 | 2.4 | (3.0) | (0.2) |
| East Asia | (0.1) | 1.6 | (1.2) | 0.3 |
| South Asia | 1.9 | 4.0 | (4.4) | 1.5 |
| Middle East, Eastern Europe, and Commonwealth of Independent States | 1.4 | 3.3 | (4.1) | 0.6 |
| South America | (0.1) | 2.2 | (2.5) | (0.4) |
| Central America, Mexico, and the Caribbean | 0.5 | 1.7 | (1.2) | 1.0 |
| GB Programme | 0.3 | 0.5 | (0.7) | 0.1 |
| Food Aid | – | 4.5 | (4.5) | – |
| Partnership Programme Agreement | – | 6.8 | (6.8) | – |
| Other income | – | 0.4 | (0.4) | – |
| | 13.8 | 44.7 | (49.5) | 9.0 |

The balances at 1 May 2003 have been reanalysed to distinguish the “Mozambique floods” fund from the “General catastrophe fund”.

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

The definition of restricted funds can be found in the Accounting Policies, Note 1c.

18 UNRESTRICTED FUNDS

Movements on group unrestricted funds are as follows:

| | General reserves | Designated fund fixed assets | Designated fund pension | Designated fund other | Total |
|--------------------------------|------------------|------------------------------|-------------------------|-----------------------|-------|
| | £ m | £ m | £ m | £ m | £ m |
| 1 May 2003 | 26.8 | 17.0 | – | 1.4 | 45.2 |
| Surplus/(deficit) for the year | 1.8 | (0.3) | – | 0.1 | 1.6 |
| Transfers between funds | (3.8) | (0.3) | 4.1 | – | – |
| 30 April 2004 | 24.8 | 16.4 | 4.1 | 1.5 | 46.8 |

The movement in designated funds other is analysed as follows:

| | At 1 May 2003 | Surplus for the year | Transfers between funds | At 30 April 2004 |
|---|---------------|----------------------|-------------------------|------------------|
| | £ m | £ m | £ m | £ m |
| Incomplete operational programmes | 0.9 | – | 0.5 | 1.4 |
| Seoul peace prize | 0.1 | – | – | 0.1 |
| Share of retained profit in associated company/ transfer to designated fund fixed assets | 0.4 | 0.1 | (0.5) | – |
| | 1.4 | 0.1 | – | 1.5 |

The designated fund for fixed assets represents resources invested in the charity’s tangible fixed assets and certain fixed asset investments. The fund is therefore not readily available for other purposes.

Other designated funds include an amount that is set aside by trustees to cover operational programmes (not funded by restricted income) where grants have been allocated during the year, but not paid out by the year-end.

Also included in this category is the disposal of part of Oxfam’s interest in Cafédirect Plc due to an issue of new shares by Cafédirect plc. This results in Cafédirect no longer being classed as an associate and the interest in the profit after tax being transferred to the designated fund for fixed assets.

The designated fund for pension contributions represents a lump sum contribution made during the year, which in accordance with the accounting standard, will be charged to the SOFA in future years.

19 COMMITMENTS

a. Capital

At 30 April the following capital expenditure had been authorised and contracted for:

| | Oxfam | | Oxfam Group | |
|-----------------|--------------|-------------|--------------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| Within one year | 0.1 | – | 0.1 | – |

b. Financial

At 30 April Oxfam had committed the following amount in grants to international projects which will form part of the grants allocated in future years:

| | Oxfam | | Oxfam Group | |
|----------------------------|--------------|-------------|--------------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| Within one year | – | – | – | – |
| Between two and five years | 2.7 | 5.6 | 2.7 | 5.6 |
| | 2.7 | 5.6 | 2.7 | 5.6 |

c. Operating leases

At 30 April there were the following annual commitments under non-cancellable operating leases:

| | Oxfam | | Oxfam Group | |
|--|--------------|-------------|--------------------|-------------|
| | 2004 £ m | 2003 £ m | 2004 £ m | 2003 £ m |
| i) Land and Buildings | | | | |
| Operating leases which expire: | | | | |
| Within one year | 2.7 | 2.2 | 2.7 | 2.2 |
| In the second to fifth years inclusive | 6.5 | 5.8 | 6.5 | 5.8 |
| After five years | 5.4 | 5.9 | 5.5 | 6.0 |
| | 14.6 | 13.9 | 14.7 | 14.0 |
| ii) Vehicles | | | | |
| Operating leases which expire: | | | | |
| In the second to fifth year inclusive | 0.2 | 0.3 | 0.3 | 0.3 |

d. Pension scheme commitments

Oxfam operates defined benefit and defined contribution pension schemes for the benefit of its employees.

i) Defined benefit pension scheme

The assets of the pension scheme are held separately from those of Oxfam and are administered by The Pensions Trust. The pension cost is determined on the advice of independent qualified actuaries. The scheme was closed to new members on 31 January 2003. As a result, under the projected unit method of valuation, the current service cost increases as the members of the scheme approach retirement.

The scheme is funded and the employer's contribution is 13.7% of pensionable pay. The employee's contribution is 5.0% of pensionable pay. The pension costs for this scheme for the year were £3.2 million (2002/03: £2.2million). Contributions paid during the year were £7.3 million (2002/03: £2.1 million), including a one-off contribution of £4.5 million (see Note 5).

These accounts reflect the valuation under SSAP 24. In addition the accounts disclose information in accordance with the transitional requirements of FRS 17.

Defined benefit pension scheme SSAP 24 reporting

A full actuarial valuation was carried out at 30 September 2001 and updated at 30 April 2003. For the purpose of calculating pension costs under SSAP 24 the 'projected unit' actuarial method has been adopted. Actuarial assumptions were as follows

| Financial assumptions | April 2003 funding review | September 2001 valuation |
|--|--------------------------------------|-------------------------------------|
| | % | % |
| Rate of return on future contributions | 6.6 | 6.6 |
| Rate of return on accumulated assets | 7.0 | 6.5 |
| Rate of increase on salaries | 4.5 | 4.5 |
| Rate of increase of pensions (deferred and in payment)* | 2.5 | 2.5 |
| Rate of price inflation | 2.5 | 2.5 |
| Rate used to discount scheme liabilities** | 7.0 | 6.5 |

*Pensions accrued before 1 January 2000 receive 5% fixed increases in deferment and payment.

** Under the SSAP 24 valuation the discount rate used for liabilities is the rate of return on accumulated assets.

The value of the scheme and funding level was as follows

| | April 2003 funding review | September 2001 valuation |
|-------------------------------|--------------------------------------|-------------------------------------|
| | £ m | £ m |
| Market value of scheme assets | 31.0 | 33.2 |
| Value of liabilities | 43.4 | 41.0 |
| Surplus / (deficit) | (12.4) | (7.8) |
| Funding level (%) | 71% | 81% |

Defined benefit pension scheme FRS 17 disclosures

The valuation of the scheme for the purposes of FRS 17 disclosure was based on the following assumptions:

| | April 2004 | April 2003 |
|--|-------------------|-------------------|
| | % | % |
| Rate of increase in salaries | 4.50 | 4.50 |
| Rate of increase of pensions (deferred and in payment) | 2.50 | 2.50 |
| Rate of inflation | 2.50 | 2.50 |
| Rate used to discount scheme liabilities* | 5.85 | 5.65 |

*Under FRS 17 the rate used to discount scheme liabilities is based on corporate bond yields.

Scheme assets and expectation of return

| | Expected rate of return at 2004 | April 2004 | Expected rate of return at 2003 | April 2003 |
|-------------------------------------|--|-----------------------|--|-----------------------|
| | % | £ m | % | £ m |
| Equities | 8.00 | 32.4 | 8.80 | 23.3 |
| Government Bonds | 5.00 | 10.6 | 4.60 | 7.6 |
| Cash | 4.00 | 0.5 | 3.75 | - |
| Total fair value of assets | 7.22 | 43.5 | 7.77 | 30.9 |
| Present value of scheme liabilities | | (60.3) | | (56.0) |
| Net pension liability | | (16.8) | | (25.1) |

Analysis of general reserves that would have arisen if FRS 17 had been fully implemented

| | 30 April 2004 £ m | 30 April 2003 £ m |
|---|----------------------|----------------------|
| General reserves excluding pension liability | 24.8 | 26.8 |
| Pension liability | (16.8) | (25.1) |
| General reserves including pension liability | 8.0 | 1.7 |

This calculation of the present value of scheme liabilities and the resulting net general reserves has been made according to the requirements of FRS 17. This is not the only method of making such a calculation or necessarily the most appropriate.

If the pension costs had been recognised in accordance with FRS 17, the following components of the pensions charge would have been recognised in the statement of financial activities ended 30 April 2004.

Analysis of amounts that would have been charged to statement of financial activities

| | 2004 £ m | 2003 £ m |
|---|-------------|-------------|
| Current service cost | 2.1 | 1.7 |
| Interest cost on scheme liabilities | 3.2 | 3.0 |
| Expected return on assets in the scheme | (2.7) | (2.7) |
| Net finance charge | 0.5 | 0.3 |
| Actual return less expected return on pension scheme assets | (1.9) | 9.6 |
| Experience gains on liabilities | (0.1) | (1.4) |
| Changes in assumptions underlying the present value of scheme liabilities | (1.7) | 1.8 |
| Total actuarial (gain)/loss recognised | (3.7) | 10.0 |

The movement in the charity's share of the scheme's surplus/(deficit) during the year is made up as follows

| | 2004 £ m | 2003 £ m |
|--------------------------------------|-------------|-------------|
| Deficit at the beginning of the year | (25.1) | (15.4) |
| Current service cost | (2.1) | (1.7) |
| Contributions | 7.2 | 2.3 |
| Pension finance charge | (0.5) | (0.3) |
| Actuarial gain/(loss) | 3.7 | (10.0) |
| Deficit at the end of the year | (16.8) | (25.1) |

History of experience gains and losses

| | 2004 | 2003 |
|--|------|---------|
| Difference between the expected and actual return on scheme assets (£ m) | 1.9 | (9.6) |
| As % of scheme assets | 4.3% | (31.1%) |
| Experience gains and losses on scheme liabilities (£ m) | 0.1 | 1.4 |
| As % of liabilities | 0.1% | 2.5% |
| Total amount that would have been recognised in the SOFA (£ m) | 3.7 | (10.0) |
| As % of liabilities | 6.1% | (18.0%) |

ii) Defined contribution pension scheme

For employees not in the defined benefit scheme Oxfam operates a Stakeholder Pension Scheme. This is a unit-linked money purchase scheme from Norwich Union. From 1 January 2003 Oxfam contributed double the employee contributions up to a maximum of 10% of pensionable pay. Oxfam contributed £71,000 (2002/03: £9,000) to this pension scheme in relation to the year ending 30 April 2004.

iii) Alternative pension arrangements

When staff are not eligible to join the Stakeholder Pension Scheme or the Oxfam Pension Scheme, Oxfam offers alternative arrangements as appropriate.

20 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS

| | Unrestricted Funds £ m | Restricted Funds £ m | Endowment Funds £ m | Total Funds £ m |
|---|------------------------------|----------------------------|---------------------------|-----------------------|
| Fund balances at 30 April 2004 are represented by: | | | | |
| Tangible fixed assets | 16.1 | – | – | 16.1 |
| Investment assets | 0.4 | – | 2.9 | 3.3 |
| Current assets | 49.2 | 11.0 | – | 60.2 |
| Current and long term liabilities | (18.9) | (2.0) | – | (20.9) |
| Total net assets at 30 April 2004 | 46.8 | 9.0 | 2.9 | 58.7 |

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The European Union



Department for International Development



The United Nations



Community Fund

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Front cover:

Oxfam's Sunday Naburio keeping records during the distribution of
210 bundles of roofing grass in Lokomori village, Karamoja, Uganda.

Credit: Crispin Hughes/Oxfam

Chair: Rosemary Thorp

Vice Chair: Dino Adriano

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Director: Barbara Stocking

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