

# Annual Report & Accounts

May 2005 – April 2006



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Registered Charity No. 202918.  
Oxfam (also known as Oxfam GB) is a member of Oxfam International.

### Oxfam Council of Trustees as at 30 April 2006 and 22 September 2006

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Rosemary Thorp ( <i>Chair</i> ) <sup>2,3</sup>	Gareth Davies <sup>1</sup>	Adebayo Olukoshi
Angela Sealey ( <i>Vice-Chair</i> ) <sup>2,3</sup>	Jackie Gunn <sup>1</sup>	Norman Sanson <sup>1,2</sup>
Frank Kirwan ( <i>Treasurer</i> ) <sup>1,2</sup>	John Gaventa	Richard Taylor
Maureen Connelly <sup>3</sup>	Sir Richard Jolly	Stan Thekaekara

Scarlett MccGwire and Shriti Vadera retired from Council at the AGM on 30 September 2005  
Maureen Connelly and Gareth Davies were appointed at the AGM on 30 September 2005

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

Amartya Sen (*Advisor to Oxfam International*),  
Michael Rowntree (*Chair Emeritus*)

### Oxfam Association as at 30 April 2006 (Refer to Trustees' Report: Organisation, Governance and Accountability)

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

Kieran Battles	Bruce Crowther	Patrick Elliott	Alex Jacobs <sup>1</sup>	David Sunderland
Maggie Baxter	Terry Brenig-Jones <sup>3</sup>	Geoff Foster	John Richards	Selvavinayagam Vireswer <sup>3</sup>
Lord Bhatia	Sally Denham	David Gait	Catherine Royce	Martin Whiteside
Naaz Coker	Jenny Drury <sup>3</sup>	Shirlene Goldsbrough	Robin Stafford	Peter Winters

### Principal Professional Advisers

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Oxfam's principal professional advisers include the following:

Principal Clearing Bankers:	The Royal Bank of Scotland Group, 9th Floor, 280 Bishopsgate London. EC2M 4RB
Auditors:	PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London. SE1 9SY
Principal Solicitors:	Blake Laphorn Linnell, Seacourt Tower, West Way, Oxford. OX2 0FB Weil, Gotshal & Manges, One South Place, London. EC2M 2WG

### Corporate Management Team

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Oxfam's Corporate Management Team (CMT) comprises:

The Director ( <i>Chief Executive</i> ):	Barbara Stocking, CBE.
Trading:	Chris Coe (resigned 13 April 06); Barney Tallack (acting Director 14 April 06 – 6 June 06); David McCullough (appointed 7 June 06).
Fundraising:	Edward Fox.
Human Resources:	Jane Cotton.
International:	Jasmine Whitbread (resigned 28 October 05); Caroline Nursey (acting Director 29 October 05 – February 06); Penny Lawrence (appointed 1 March 06).
Finance:	John Shaw (appointed 16 May 05); Alan Todd (acting Director to 15 May 06).
Campaigns and Policy:	Phil Bloomer (appointed 1 June 05); Becky Buell (acting Director May 05).
Company Secretary:	Joss Saunders.

<sup>1</sup>Member of Trustee Audit & Finance Group;

<sup>2</sup>Member of Remuneration Committee;

<sup>3</sup>Member of Recruitment and Development Group

## Our purpose: Oxfam works with others to overcome poverty and suffering<sup>1</sup>

### Who we are

We are an independent organisation, registered as a charity, affiliated to Oxfam International, with partners, volunteers, supporters and staff of many nationalities – part of a global movement to build a just and safer world.

### What we do

We are a catalyst for overcoming poverty. To achieve the greatest impact, we work on three interlinking fronts:

- saving lives by responding swiftly to provide support and protection during emergencies;
- developing programmes and solutions that empower people to work their way out of poverty;
- campaigning to achieve lasting change.

### Our beliefs

We have five fundamental beliefs that underpin our work:

- All human lives are of equal value. Everyone has fundamental rights – these must be recognised and upheld at all times;
- Poverty makes people more vulnerable to conflict and natural disasters. Much of this suffering is unnecessary and must be relieved. We must work with others to respond with the most appropriate and effective solutions;
- 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 the majority of the world's poor people, are especially disadvantaged. Unequal power relations must be addressed wherever they occur;
- In a world rich in resources, poverty is a morally indefensible injustice, which must and can be overcome. Poverty, vulnerability and suffering are not pre-ordained events. All too often, poverty is the result of decisions taken, intentionally or unintentionally, by those in power. Unjust policies and practices, nationally and internationally, must be challenged and removed;
- With the right resources, support, and training, people living in poverty can solve their own problems. We all have a personal responsibility to work together to overcome poverty and suffering.

### Our Approach

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 so we work at all levels from global to local, including with international governments and global institutions as well as with local communities and individuals.

We are committed to the principle that whenever possible we should work with or through partners - to support self-reliance not dependency. This is true in all areas of our work. However in our work during emergencies, because of the extreme and urgent nature of these situations, we tend to work more directly, providing humanitarian assistance through the work of our own staff (eg to provide water and sanitation to refugees).

With our programme work spread across the world, we think Oxfam has a greater understanding of the main causes of poverty and suffering, and hence we can achieve greater impact. We work in more than 70 countries in eight regions.

Oxfam (also known as Oxfam GB) is a member of Oxfam International (OI) – a global confederation of 12 independent Oxfams.

#### Oxfam reports include:

##### Annual Review

The story of Oxfam's work during a year, told by staff, volunteers, partners, and people who are working their way out of poverty. Published November.

##### Forward Look

The three-year Strategic Plan covering 2006/7 – 2008/9.

##### Programme Impact Report (most recent 2005)

Case studies of Oxfam's work around the world with poor communities, partners, and allies.

All available as a PDF at [www.oxfam.org.uk/about\\_us/index](http://www.oxfam.org.uk/about_us/index) or as a printed document from 0870 333 2700.

<sup>1</sup> The full statement of the charity's objects can be found as a PDF at [www.oxfam.org.uk/objects](http://www.oxfam.org.uk/objects)

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## Chair's Report – after five years

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As the outgoing chair I hope I may be permitted the luxury of reflection on growth and challenges during my five years in the hot seat. I have four areas of growth and two challenges I want to mention, and 800 words, so I need to be economical.

My first thought, however, is that the emotional roller-coaster nature of the job has grown. The world is shaken by disasters, which leave you shuddering – yet the organisation responds so amazingly that you rejoice at the same time. The size and frequency of disasters, their depth and length – as in Darfur or Kenya – have all increased, but so have the response capacity and level of professionalism of the organisation. Over and over again I hardly know whether to laugh or cry.

Turning to areas of change and growth, one that is very dear to my heart is our work in the field alongside marginal and excluded people. At the time I became chair, I was concerned that some country programmes had been weakened by the move to set up strong regional management centres at the same time as we adopted a much stronger thematic focus. Somehow, without meaning to, we seemed to be saying that strong country programmes were no longer important. The parallel remarkable growth in advocacy and campaigning also made it more likely that country programmes would feel marginalised – or worse, instrumentalised. Today, led brilliantly by Jasmine, Barbara (and now Penny Lawrence, our new International Director, whom we warmly welcome) and their staff, the importance of country programmes is being recognised and individuals within those teams are gaining strength and confidence.

A second area of complete transformation in these five years has been trading. The trading director, Chris Coe, led a process of empowerment of shop teams, which was a joy to watch and it has transformed the shops. We know his successor, David McCullough, will cherish what has been achieved, and we wish him well.

A third area of progress is Oxfam International. At the start of my five years it felt too often that OI was a worry or concern in Oxfam GB. Developing a confederation of twelve Oxfams is complex – but huge strides have been made in reducing transaction costs and in coming to greater clarity

about the advantages of having an international confederation of this kind. We have begun to learn how to move sensibly to align ourselves to reduce overlap and the risks of divergent views. The last two Board meetings I have attended have left me optimistic and even excited by the potential of this increasingly global organisation.

A fourth area of growth has been around work in the UK. When I became chair we were still nervous about the new small programme in the UK, not quite sure whether we were right to do it. Now, it seems, we have really understood that our identity is bound up with the challenge to poverty and injustice on a global basis, including in our midst. As international migration – forced and voluntary – increases and diaspora grow, the importance of working here in solidarity with marginal and excluded people is every day more obvious.

The challenges that remain? Numerous, of course. In each of the areas above there is still so much more to do. The particular challenge I would highlight is, naturally enough, the consequence of success: as we get more efficient, we have to take even more care to live out our radical view of power and power sharing. We need constantly to hand over, to step aside, as we work with partners and in alliances. As we get better at doing things and the problems and degree of emergency get worse, it gets harder and harder to do that, and the temptation gets greater to stay in control, to do it our way.

The second area of challenge is that of capturing the moment of increased awareness that was – magnificently – Make Poverty History, the great achievement of this last year. How can we take the awareness created through the Tsunami and the campaigning of this year, and build it into solid depth of understanding and support? The exciting *I'm In* campaign is our first response, and is going well. Many of you are already 'in', but if you're not see below for the web site address to come on in.

In conclusion, I hope it is obvious that I have loved the job, and found it a great privilege to walk beside such committed and inspiring staff and volunteers. Thank you, all of you, including all our donors. I hand the chair on with great confidence to my successor, John Gaventa.

### **Oxfam's planning & reporting systems**

Oxfam operates a planning cycle where the starting point for a single year is the three-year Strategic Plan [see *Forward Look* on [www.oxfam.org.uk/about\\_us](http://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 (called corporate objectives), and the annual budget. Oxfam's Council of Trustees approves both the Strategic 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 report quarterly on progress against the corporate objectives.

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 Director's Report (the next section of this report) says how we think we have done against the objectives we set ourselves for 2005/06. This covers our programme, developing Oxfam and raising the income we need. The Director's Report also includes a summary of objectives for the following year, 2006/07 (see *The Year Ahead* section).

These objectives do not cover all of our work. This is particularly true for our programme work, given the extent of our activities around the world. But the objectives set out the priorities that Oxfam's Corporate Management Team are trying to progress across Oxfam as a whole.

We recognise that impact in development work often takes a number of years to achieve: it is not the same as asking, "did we do what we said we would do?" in any single year. In 2005/06, we have been reflecting on our current monitoring and evaluation practice, and testing out ways in which we can strengthen this and obtain a better assessment of programme impact. The Programme Impact Reports prepared in previous years can be found on our website [[www.oxfam.org.uk/about\\_us](http://www.oxfam.org.uk/about_us)]. In 2005/06, a consultant has been commissioned to prepare a Programme Learning Report for us by reviewing a selection of evaluations and other programme reports completed during the past three years. This will explore factors that are helping and hindering us in achieving programme results. It will also be available on our website [[www.oxfam.org.uk/about\\_us](http://www.oxfam.org.uk/about_us)].

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## Director's Report

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### Programme Overview

Oxfam staff and supporters will remember 2005 as one of our biggest years in terms of activity and profile: a year of significant suffering for the hundreds of thousands of people who lost their homes and livelihoods in natural disasters, and for the millions who were denied their basic rights on a daily basis. But it will also be remembered as a year of great excitement about the commitment to reversing the trends of poverty and inequality in the world.

In our humanitarian, development and campaigning work, 2005/06 was a year of significant achievement. We began with ambitious plans to achieve global change through the *Make Poverty History/Global Call to Action Against Poverty* campaign; to implement significant programmes to increase our impact in our livelihoods and HIV/AIDS work; and to strengthen the capacity and quality of our global humanitarian response. Oxfam's total expenditure on charitable activities grew by 45 per cent to £217.8m. Restricted expenditure on charitable activities<sup>2</sup> saw the largest area of growth, increasing by 70 per cent to £134.5m, due to our responses to humanitarian crises such as the South Asia earthquake; food crises in East Africa and the Sahel and Southern Africa; and the ongoing Tsunami response. Unrestricted expenditure on charitable activities increased by 17 per cent to £83.3m.

2005/06 began with an exceptional level of humanitarian work already underway, especially in Sudan and the Tsunami-affected countries. As this was stabilising, we responded to food crises across Africa and a major earthquake in South Asia as well as numerous lower profile 'natural' disasters (floods, hurricanes, cyclones etc) around the world. This was alongside continuing work responding to the needs of people affected by acute and chronic conflicts such as those in Democratic Republic of Congo (DRC) and northern Uganda. As a result we have operated at near maximum stretch in our humanitarian work throughout the year. Careful attention was needed to ensure that our work remained of high quality and that smaller crises weren't ignored.

In 2005/06 we aimed to improve the strategic focus of some of our longer-term development programmes through better analysis of the country level context, particularly in key countries such as Indonesia, South Africa and Nigeria. We have made progress here and in other key countries, but this has been slower than hoped.

We worked to increase Oxfam's impact on poverty by improving the quality of our work, including through developing the skills and confidence of our programme staff, and developing a new evaluation and learning system. This process will deliver a new system in 06/07, enabling us to build learning more effectively into organisational direction, and to achieve greater internal and external accountability.

Significant progress was made in building capacity to achieve greater impact on HIV/AIDS, through programme development in Southern Africa and India; establishing the Global Centre of Learning on HIV/AIDS; and by laying the groundwork for a new global HIV/AIDS Strategy. We reviewed our HIV/AIDS workplace policy, which became fully operative in all Regions bar two, which are due to move forward during 2006/07.

The following section is a programme report against annual objectives by each of Oxfam's five Aims. In each of these Aims, we have agreed measures to monitor progress against our objectives which we report on to Oxfam's governing Council, quarterly. Our work this year comprises 223 individual programmes (compared to 170 last year) in around 75 countries in Oxfam's eight Regions of operation<sup>3</sup> and in the UK.

The relationship between the expenditure on these Aims and the expenditure on our three main charitable activities (humanitarian, development and campaigning and advocacy work) is expressed in the table set out in Note 3c of the accounts. The proportions that we intended to spend on each aim (according to our objectives) have been adjusted to reflect the introduction of the new accounting requirements and now represent a percentage of total expenditure on charitable activities.

### Programme by Aim

#### **AIM 1 Right to a Sustainable Livelihood**

The primary focus of our work in this area is to ensure the rights of people to have food and income security that is sustainable – for their future, and for the environment. Our priority is to work, with others, to shift power imbalances in local, national and international markets, which are a fundamental cause of poverty for millions of people. This involves building the capacity of poor farmers and workers

<sup>3</sup> Oxfam's regions are: East Asia; South Asia; Southern Africa; West Africa; Horn, East and Central Africa (HECA); South America; Central America, Mexico and Caribbean (CAMEXCA); Middle East, Eastern Europe and the Commonwealth of Independent States (MEEECIS).

<sup>2</sup> Restricted funds are tied to particular purposes as specified by the donor – see Restricted Funds section in Finance Summary

to participate in markets, and campaigning to change trade rules in favour of poor people.

For this year, the key objectives were to:

- scale up agriculture programmes in India, Ethiopia and Honduras;
- continue *Make Trade Fair* campaigning;
- ensure a long-term livelihoods response to the Tsunami.

We delivered 69 programmes across all regions where Aim 1 was the principal aim. Seventeen per cent of total expenditure on charitable activities was apportioned against this aim (as shown in Note 3c of the Accounts). This is a slightly lower proportion than was anticipated (20 per cent) because of the increase in overall programme spend (due to the level of humanitarian response) and slower-than-planned development in new programme areas. Nevertheless, this has increased by around 50 per cent compared to the previous year (from £25.6m to £38.1m in 05/06).

We made some progress **scaling up our agriculture/ livelihoods programmes** in Honduras, with slower progress in Ethiopia (due to security and internal management issues) and India. Designing and getting this work underway has been slower than planned. We have learnt that we must have greater clarity about what is expected, and help staff more with the skills and support to develop programmes on this scale.

Our portfolio of **agriculture-related programming** was complemented with new or expanded programmes in the Middle East, Albania, Brazil and Tajikistan. Important new proposals were also developed in Colombia, Indonesia and Nigeria. These and many other agriculture-related programmes are now combining policy, advocacy, campaigning and other strategies with direct support to farmers so that they have greater access to and power in markets. Although the increased impact of this way of working is rarely immediately visible, we believe it will lead to greater sustainability of the changes we are helping to bring about.

Through the **Make Trade Fair Campaign**, we have made progress through sustained lobbying, quality media work and popular campaigning. Around the world, 18 million people signed the Big Noise petition to *Make Trade Fair*, which was presented to global leaders at the World Trade Organisation ministerial meeting in December 2005. The meeting's outcome was disappointing and campaign pressure has been sustained in 2006 to try to ensure a better deal for developing countries at the WTO negotiations. Oxfam and allies were more successful in putting sustainability on the agenda of the second World Coffee Conference in Brazil, in September 2005.

Progress on **ensuring a long-term livelihoods response to the Tsunami** developed in different ways during the year. The Sri Lanka programme used cash grants and cash-for-work to enable people to recover their livelihoods. Careful planning for the long-term allowed us to focus on the underlying causes of poverty in several livelihoods sectors, with a strong emphasis on market access and ensuring that women's needs were met. In Aceh, recovery continued to be the main focus, with cash-based interventions and material assistance to revive fishery, agriculture, livestock, trading and small enterprises. Managing a programme of this size and nature in this context had its challenges and for a short period we suspended part of our work in Aceh to investigate allegations of fraud. The findings identified that losses of £13,000 had occurred (of which £12,000 was recovered) and that management controls needed strengthening. More widely, learning from the investigation was applied through systems, resourcing and staff training across the Aceh programme.

Work on land rights was also key in our post-Tsunami response. In Sri Lanka and India, Oxfam successfully challenged the Coastal Regulation Zones in achieving joint titling – getting women's names on both housing and land titles. In Aceh, we are alone among INGOs in working on land and property rights advocacy. This includes assisting community adjudication processes, advising on policy guidelines for resettlement, and helping communities requiring relocation to identify suitable land.

Steady progress is reflected in work on '**complementary livelihoods**' which integrates long-term development and humanitarian assistance. A pilot project in Southern Africa led us to early awareness of acute food insecurity in Zambia, Zimbabwe and Malawi, and to detailed assessments and planning. We were therefore much better placed than in 2002 to plan a timely and appropriate response, including piloting cash as an alternative to food aid.

July 2005 saw the launch of the second publication of the UK Working Group on **Climate Change, Africa – Up in Smoke?** – to which Oxfam contributed. In September 2005, Oxfam joined the campaigning network *Stop Climate Chaos* the growing movement to generate public support to ensure political action on climate change. We will continue to strengthen our engagement with this movement in order to tackle the threat that climate change makes to poor people's livelihoods.

## **AIM 2 Right to Basic Social Services**

Our aim is to ensure people's right to basic social services such as education, health care and water – in particular, ensuring quality basic education for girls and supporting

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the prevention and treatment of HIV/AIDS, and care for people suffering from the disease.

This year, the key objectives were to:

- continue to implement the campaign on the Millennium Development Goals, particularly through *Make Poverty History* and the *Global Call to Action against Poverty (GCAP)*;
- develop and implement clear programme policy and practice on basic services (including the role of institutions focusing on education);
- increase the scale and impact of HIV/AIDS programmes.

We delivered 26 programmes where Aim 2 was the principal aim. Nine per cent of total expenditure on charitable activities was apportioned against this aim, broadly in line with plans. Actual expenditure increased by 23 per cent compared to the previous year (from £16.2m to £20.0m in 05/06).

2005 was a key year for building the movement to end poverty (*Make Poverty History/GCAP*), to hold political leaders to account for **implementing the Millennium Development Goals (MDGs)** and to help shift attitudes in the north away from charity to justice. Oxfam took part in the movement that led 35 million people to act against poverty across 85 countries during the year. As a result, in May 05, EU development ministers agreed to boost aid spending to 0.7 per cent of gross national income by 2015, and the G8 summit at Gleneagles saw leaders announce an aid increase of \$48 billion by 2010. The rest of the year focused on urging political leaders to turn their promises into investments in public services – particularly health and education – that would make a real difference to the lives of poor people. G7 finance ministers agreed to 100 per cent debt cancellation for the world's poorest countries, involving 18 Highly Indebted Poor Countries. One result was the introduction of free health care for rural people by Zambia's government.

Five million people took part in the *Global Campaign for Education (GCE)* week of action in 2005, and in 2006 over 110 countries participated actively in the GCE campaign. A boost for the world's poorest children came in April 2006 with the UK government's announcement of \$15 billion in funding over ten years to ensure free education for all. Global commitment to improved basic services was strengthened with the move by governments to achieve universal access to HIV prevention, treatment and care by 2010, and a commitment to getting every child into school by 2015. The US government announced a doubling of aid to Africa with specific commitments on education, malaria, and women's justice and empowerment.

With additional money flowing to national governments through increased aid and debt relief, and learning from recent evaluations of our own work, **we began a refocus of our work on basic services** to achieve greater impact. Following research, two days of analysis and a wider consultation across the organisation, new programme and public policy positions were developed. A new strategic framework for Basic Social Services brings all this together and sets the overall direction for our future work.

Strong and supportive working relationships with government have borne fruit in **education work** in Vietnam where local, regional and national governments are scaling up new approaches to teaching and learning. Capacity building and partnering with local government has produced good quality support to schools in Niger, Mozambique and Tanzania. In the Philippines, despite the chronic conflict, parents and students have increased their demand for education. 'Budget monitoring' training has strengthened the ability of communities and local partners to hold governments to account over education in Niger, Mali, Burkina Faso, Ghana and Kenya. Our national advocacy on education was further strengthened by our ongoing partnership with the Commonwealth Education Fund.

On HIV/AIDS several new programmes were initiated in Southern Africa: in Malawi on HIV/AIDS and livelihoods; in Mozambique addressing the vulnerability of poor people (especially women) in relation to livelihoods, cultural practices and the health system; and in Zambia addressing home-based care and the prevention of HIV/AIDS. All programmes in Southern Africa integrate a response to people with or affected by HIV/AIDS into overall programme design and implementation, including Oxfam's humanitarian response to the food crisis. This process was greatly supported through the development of HIV analysis at country level and the completion of the Regional HIV/AIDS Strategy.

Our India team has produced a four-year HIV/AIDS plan focusing on strong evidenced-based advocacy on access to integrated prevention and treatment programmes, gender and sexual rights, and workplace programmes. Our new global HIV/AIDS team, based in South Africa, has supported learning and programme development through building best practice for our global programme and strengthening working relations with external organisations.

### **AIM 3 Right to Life and Security**

We aim to ensure the right to humanitarian protection and assistance for people caught in conflict and disaster. Oxfam specialises in public health (water and sanitation, hygiene promotion, food and nutrition), and ensuring that

humanitarian response work takes account of gender. We also demand the protection of civilians in conflict, and we work to improve the quality of humanitarian assistance generally.

The objectives for the year were to:

- ensure timely and effective responses to humanitarian crises;
- ensure a good operational response to the Tsunami;
- continue the *Control Arms* Campaign;
- prepare to play our full role in changing the way the world responds to humanitarian crises.

We delivered 81 humanitarian programmes where Aim 3 was the principal aim. Fifty per cent of total expenditure on charitable activities was apportioned against this aim. This is greater than was planned (43 per cent), and a 61 per cent increase over the previous year due to the size and scope of our humanitarian responses (from £67.1m to £107.9m in 05/06).

Overall, this year the timelines of our responses has improved. One of the biggest challenges we have faced in the past is in responding to chronic crises which grow into acute ones. However, in Southern and East Africa learning from our previous experiences has enabled significantly improved responses. We have better famine early warning information and have demonstrated that we can be more flexible in mixing different kinds of assistance (and hence increase programme effectiveness), eg, through cash and livestock support as well as food aid to meet people's needs.

Challenges remain, and in some other areas, eg the Sahel, we are still working to improve awareness of the issues (such as the challenges of adapting our programme to the varying nature of the needs, and influencing donors to provide funds over the long-term).

We have also responded to rapid onset natural disasters. Following the earthquake in South Asia we delivered assistance to over 500,000 people, (eg water, sanitation and public health plus temporary shelter) commencing within 48 hours. At the same time as responding to this significant crisis, we continued to respond to the needs of those affected by floods and hurricanes in Central America.

Oxfam was also among the lead agencies to respond to the East Africa food crisis, attracting a high level of public attention to it through significant media coverage.

Ongoing programmes in Sudan and Chad have met the water and sanitation needs of some 650,000 people caught in the Darfur conflict. Continuing work in both northern Uganda and DRC – where significant humanitarian needs are often overlooked – has sought to meet basic water and

sanitation needs and also to enhance the safety of local populations.

We have focused during the year on continual improvement in the way we seek to fulfil our role as a leading global humanitarian actor. This included a work programme within Oxfam – the **Humanitarian Investment Plan** – which focused on the revision and development of internal procedures, systems and practical tools, to ensure that Oxfam continues to be one of the fastest and most effective agencies responding to human suffering. This quest for ongoing improvement also resulted in the development of the ambitious plan for 50 per cent growth over the next three years in our capacity to deliver water, sanitation and public health services to meet humanitarian need. In addition, this year we have collaborated with six other major international NGOs within a project funded by the Bill and Melinda Gates Foundation to develop our collective capacity for humanitarian response in areas such as Human Resources, monitoring and evaluation.

In coming years, staffing and programme developments will take place in most Regions as well as in the central Humanitarian team, with 29 extra Humanitarian Support Personnel in the next year. The Logistics Education and Development Initiative has helped address weaknesses in our logistics operation. A new logistics strategy, regional training workshops and a new staffing structure will all contribute to necessary improvements in our logistics capacity around the world.

During the year, **our response to the Tsunami** increasingly shifted from humanitarian to development-oriented responses as appropriate (see Aim 1 section of this report), with a total spend of £32.2m. In particular Oxfam's water and sanitation response was judged to be outstanding by the Disasters Emergency Committee in their evaluation report, and we tested some creative new ways of ensuring that we are accountable to those we seek to assist, for example distributing leaflets and holding meetings to make sure people knew their rights with respect to receiving help to rebuild their homes.

The **Control Arms campaign** – led by Oxfam, Amnesty International, and the International Action Network on Small Arms – made important gains this year, including increased campaigns activities in southern countries. Public statements of support for an Arms Trade Treaty (ATT) were achieved from 45 governments across all continents, and the Million Faces petition reached its target with one million supporters from 160 countries. This has resulted in many countries increasing their support for an ATT, with several taking positions similar to Oxfam's for the UN Review Conference in June 06.

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A major breakthrough was achieved at the 2005 UN Summit: world leaders acknowledged their collective responsibility to protect civilians from genocide, war crimes, crimes against humanity and ethnic cleansing (with the possibility of enforcement action where the national government is manifestly failing).

Work on protection of civilians this year also included an Oxfam-led report describing protection failures in northern Uganda. This achieved unprecedented publicity in Uganda, with a strong government reaction and good coverage internationally.

#### **AIM 4 Right to be Heard**

We work towards achieving people's right to be heard as an integral part of all our programming. Under this specific Aim we focus on helping people and communities to have greater influence and control over the decisions affecting their lives, and on promoting policy-making that considers the needs of people living in poverty. Our work on national poverty reduction strategies is key to achieving both these objectives.

For this year, the objectives were to:

- consolidate and share learning on civil society engagement in policy making;
- further develop advocacy and programme work on good governance, including what we say on corruption;
- take forward the Pan-Africa strategy.

Within this Aim, we delivered 26 programmes across most regions where Aim 4 was the principal aim. Seven per cent of total expenditure on charitable activities was apportioned against this aim. While this is less than the target of 10 per cent (due to the significant increase in our total programme this year) it represents an 18 per cent increase in expenditure over the previous year (from £12.4m to £14.6m in 05/06).

Against the specific objective to consolidate and share learning on **civil society engagement in policy making**, we made little progress this year due to competing priorities. However, much active engagement work continued in our programme delivery. Ten country programmes continued active engagement with Poverty Reduction Strategy Papers (PRSP): Albania, Mozambique, Nigeria, Armenia, Georgia, Yemen, Cambodia, Vietnam, Honduras and Nicaragua – with good results in a number of cases. For example, in Mozambique, Oxfam partners and other NGOs successfully lobbied for improvements in girls' education and teachers' salaries and working conditions, which were then included in the second national PRSP. Effective work on participatory policy-making was carried out, with Oxfam's support: in the

UK on social inclusion; in Chile on the reform of the pensions system; and in Bolivia as part of trade negotiations.

Work on '**participatory budgeting**' has been a key focus during the year, with activities in 18 countries as a key building block for stronger government accountability to poor communities. In Armenia, the participatory budget hearings conducted in three provinces increased the involvement of 12 communities in the decision-making process. Oxfam partners in Nicaragua presented to the government quarterly reports on public expenditure, focusing on livelihoods, health and education. In Yemen, Oxfam's support resulted in a manual on citizenship rights and awareness-raising within the community.

During the year we continued to support initiatives to **tackle corruption**. In Vietnam and Cambodia, partners worked closely with national governments on development plans and anti-corruption law. We developed our own position on corruption which will be placed on Oxfam's website, and started work on scoping northern and southern dimensions of institutionalised corruption. This work will continue next year.

**The Pan-Africa programme** achieved a significant increase in coalition-based campaigning in Africa in 2005, with impact on national governments, the African Union Commission and G8 countries. Working within the *Global Call to Action Against Poverty (GCAP)* in 17 countries, activities led to lobbying and media work in three global summits, innovative continental-wide FM radio programmes, African celebrity 'click' adverts, SMS text messaging and web-based petitions. These actions have resulted in significant steps forward on debt and aid, and the increasing confidence and assertiveness of African coalitions in making their voices heard. Eighteen months of intense campaigning led by Oxfam partner, Solidarity for African Women's Rights Coalition, achieved the ratification of the African Union Protocol on Women's Rights.

#### **AIM 5 Right to Equity (Gender and Diversity)**

This Aim focuses on achieving equal rights for women and men, based on our understanding that poverty affects women and men differently, and that the majority of people living in poverty and suffering are women. We work towards this (gender mainstreaming) as an integral part of all our Aims.

Our objectives for the year were to:

- continue to improve at building gender analysis and action into all our work;
- continue work and learning on reducing violence against women;

We delivered 21 programmes where Aim 5 was the principal aim. Seven per cent of total expenditure on charitable activities was apportioned against this aim, in line with our plans. This represents a 46 per cent increase in expenditure over the previous year (from £10.9m to £15.9m).

All our work should respond effectively to the specific needs of men and women. This year the more widespread use of tools and practices **to integrate gender analysis and action into all our work** is improving the quality of our programmes. In West Africa, HECA region, Southern Africa and East Asia, we contributed to progress in girls' education and labour rights for women workers. In northern Uganda, Oxfam's challenging of gender stereotypes led to communities and organisations recognising the value of women's participation in humanitarian response work, and resulted in the advocacy report *Women Under Fire* about the impact of conflict on women.

A key focus for the year was to build women's capacity to lead and to organise the defence of their rights. In Nicaragua, for example, the programme on micro-finance for Caribbean women is enabling local women to set up and manage their own micro businesses. Challenges still remain, however, to ensure sufficient resourcing of work on gender and women's rights at all levels; staff recruitment and retention difficulties put at risk gains made and our ability to meet objectives.

The **WE CAN campaign** (South Asia Regional Campaign to End Violence Against Women<sup>4</sup>) achieved significant momentum, with over 500 organisations in the Alliance. Over 300,000 individual change-makers from different walks of life have joined the campaign. They are working in practical ways in their own communities and peer groups to change themselves and influence others to challenge the acceptability of domestic violence in South Asia. Campaign events have raised the awareness of hundreds of thousands of people about the prevalence and causes of domestic violence and honour killings. Internally, learning from *WE CAN* is being shared with other programmes in the UK and CAMEXCA, with a view to possible programme links. A recent internal review of the campaign concluded: "*WE CAN* is empowering people: in many cases, creating a sense of energy and power to take action on an issue of fundamental importance, while at the same time providing tools and a way forward. It is giving individuals the opportunity and means of making different choices in their own lives as well as the courage to try to influence others."

<sup>4</sup> In India, Pakistan, Bangladesh, Nepal, Afghanistan and Sri Lanka.

## Developing Oxfam

### Developing Oxfam's future strategy

This year we had as an objective: to develop our own future strategy, interlinked with the development of the new Oxfam International Strategic Plan. New Strategic Plans for both Oxfam International (OI) and Oxfam GB will be in place by January 07 – so this year has been a key 'lead-up period'.

Clarifying how the two strategy development processes would connect and interact was an important early step. The processes included specific consultation periods for OI; groups of staff working on focus areas (eg within basic services and gender); and Council discussions on key strategic issues for Oxfam GB (such as China, urban/rural poverty, and the focus of our work within each Aim). Overall this year, Council has been more closely involved with planning work than previously, helped by a small planning sub-group.

### Improving our humanitarian capacity

The Humanitarian Investment Plan was successfully launched during the year to position Oxfam to play its full role as a leading humanitarian agency. Our objective this year was to improve the speed and effectiveness of our humanitarian response. The ambitious plan included procedures for calling (categorising) and managing emergencies, which were effectively tested and revised during the South Asia earthquake response; the development of day-to-day procedures for use in the first phase of emergencies; clarifying quality standards; communications activities; and work on logistics and HR. Many of the outputs will be collated as tools in the new Emergency Response Manual. Further work will continue next year on implementing other aspects of the Investment Plan and completing work on building policy and advocacy capacity in humanitarian response.

### Building a global campaigning force

Our objective this year was to continue to invest in building Oxfam as a Global Campaigning Force and in alliances and partners in campaigning. Overall we have increased our capacity to mobilise popular support, influence media, lobby targets and work with campaign allies around the world, responding to a more globalised decision-making and media environment.

The Big Noise, Oxfam's global petition calling for fairer rules on international trade, ended the year with 18 million signatures, up from five million at the end of the previous year. The vast majority of signatories came from the south and focused on issues of national concern, such as textiles in Bangladesh; cotton in West Africa; women's labour rights in Colombia; and coffee in Ethiopia. We worked with others in

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the Global Campaign for Education (GCE) to organise the annual (and now massive) Global Week of Action in April 2006, with millions of children and citizens from 110 countries taking part.

During 2005, *Global Call to Action Against Poverty* activities took place in over 80 countries with a total participation of 35 million people. While our active engagement in these and other alliances has significantly increased our impact, there have been tensions and high transaction costs. These included tensions within the UK (in the MPH alliance) where there were different views on the balance to take between criticism and encouragement in relation to the UK government's position. We will build learning from this into our future work with alliances at both national and global levels.

We continue to work with governments in developing countries across our campaigns issues. Oxfam GB has also contributed to strengthening the influencing capacity of Oxfam International affiliates in France, Germany, the US and Japan, and OI advocacy activities in Brussels and Geneva. We need to increase the engagement between our country-level and global-level campaigning and advocacy in coming years – our country teams can still feel that the global campaigning is remote and separate from their own work.

### **Developing private sector work**

A number of initiatives moved Oxfam forward in clarifying our view about the role of the private sector in poverty reduction (our objective this year). The publication of *Exploring the Links Between International Business and Poverty Reduction: A Case Study of Unilever in Indonesia* marked the culmination of a two-year joint research project between Oxfam and Unilever. This innovative project challenged a number of assumptions about the impact of business on poverty. In particular, it highlighted the importance of assessing and understanding a company's impact across its entire value chain, from its macroeconomic impacts through to sourcing, production and manufacturing, distribution, sales and consumption. The initiative has stimulated significant interest in both business and development communities, particularly in introducing the concept of a 'poverty footprint', which Oxfam will continue to develop and promote.

We have continued to be influential on corporate social responsibility within certain sectors. Our lobbying of the coffee industry, retail companies (garments and fresh produce) and the pharmaceutical sector both directly as well as through campaigning and media work – has contributed to progressing company attitudes and behaviour. We have also participated in multi-stakeholder initiatives including

the Ethical Trading Initiative (which addresses labour standards in supply-chains), the Sustainable Food Lab (a collaborative which seeks to develop sustainable food systems) and the Palm Oil Round Table (on sustainable Palm Oil).

We have contributed to debates around private sector development and the impacts on poverty reduction. In March 2006 we made a submission to the International Development Select Committee on this topic and were invited to give oral evidence.

Finally, we conducted a review of our private sector engagements across the organisation and invested in developing a 10-year vision and plan for engaging the private sector to achieve our mandate. As a result of a series of internal and external consultations, we have been able to set out our position on the role of the private sector in poverty reduction (which is available on our website); to define our strategic focus for the next decade; and to identify the resources needed to deliver it. This plan will be implemented from August 2006 onwards.

### **Programme information**

This year we sought to develop the use of the Oxfam Programme, Accountability and Learning system (OPAL) as a key programme management and information tool. Several significant enhancements were made during the year, including links with other financial management and expenditure systems. The ability to track and monitor expenditure to project level, linked to donor contracts, significantly improved our ability to manage donor funds. Other changes have increased the role of OPAL as part of our performance management and programme delivery monitoring systems. Future challenges include ensuring that all staff are able to use the system to maximum benefit (especially in large-scale emergencies and in some Regions) and providing more effective and better targeted management information for the International Division as well as the wider organisation.

### **Improving communications**

This year our objective on communications was to increase the coherence and impact of Oxfam's external communications. We focused on embedding our revised and simplified brand structure, *Be that Change*, and increasing emphasis on our Oxfam identity throughout all external communications. Research on our brand has demonstrated that we have made real progress in the UK (undoubtedly assisted by our humanitarian response to well-publicised disasters and *Make Poverty History*) in terms of people believing our work is of crucial importance and seeing the difference we make.

Our website has continued to gain significance as a key communications channel with a monthly average of around 350,000 users and ongoing improvements to content.

We are still challenging ourselves on the cost-effectiveness and impact of our external communications and have made some adjustments accordingly. This will continue in coming years as new communications technologies develop and audiences' use of communications changes.

We are also developing ways of improving internal communications, encouraging increased two-way dialogue. However, further work remains to improve the cascading of information across the organisation.

### **Improving people management and development**

Good management and development of Oxfam's people (staff and volunteers) is key to our effectiveness in overcoming poverty and suffering. This year our objective was: to continue to strengthen people management and development (including leadership and management, retention of staff, and diversity)

We have made further investments in management training. Our 'Being an Oxfam Manager' course has run nine times around the world for 160 participants, 84 per cent of whom were international staff. 'Pick Up and Go' training packs, designed for flexible delivery by any manager, have been widely used in five Regions. A new Management and Leadership Programme for senior high-potential managers was launched and we have increased the use of coaching for skills development.

100 per cent of GB staff and 85 per cent of international staff had performance reviews, compared with targets of 100 per cent and 95 per cent respectively.

Retention of GB-based staff improved. Turnover of GB staff on open-ended contracts was 14.7 per cent compared with a target of 15 per cent. For the International Division, the turnover figure was 19.3 per cent, well above the 15 per cent target. This reflected some significant end-of-year staffing reductions, particularly in Sudan; the figure to end March was 13.9 per cent. Turnover in our senior global posts was 24 per cent, which is too high. Work on this will include further emphasis on career and succession planning. We have seen some good examples of key senior posts being filled internally, including cross-divisional moves.

A survey of all Oxfam staff and volunteers gave very encouraging results about positive attitudes and experiences in working for Oxfam, and provides a benchmark for further improvements.

In terms of the GB-based workforce, we saw some progress on the representation of disabled staff. The gender mix is very healthy: over 50 per cent of senior staff (levels A and B), and three of the seven CMT members, are women. But representation of ethnic minority staff in the GB-based total workforce and senior posts saw a decrease, after several years of positive progress. We need to continue to work to make Oxfam an attractive employer for staff from ethnic minorities, and to encourage greater movement of staff from developing countries into jobs in the UK. In the latter part of the year, a major consultation on diversity was launched with our international staff, which will help to shape this work in the future.

### **Relocating our Oxford offices**

In August 2005, Oxfam's Oxford-based offices were relocated from nine separate buildings in north Oxford to one modern open-plan building in Cowley. Our objective was to achieve a modern, efficient working environment through this relocation. The project was completed on time and within budget and initial teething problems were quickly resolved. The new building has transformed the way we work, with much better communication, flexible team working and increased productivity. It has enabled the expansion of Oxfam's work during 2005/06 without significant increases in staffing. The building is also far more welcoming for visitors, including staff and partners from overseas.

### **Raising income**

#### **From supporters and the public**

The year will understandably be remembered as the year of *Make Poverty History*. Oxfam's supporters were central to spreading the message of the broad-based coalition which did so much to put the situation of poor people onto political and personal agendas. As 2005 ended, we invested in a programme of activity known as *I'm In*, intent on maintaining people's energy and enthusiasm to end poverty. For those who want to show their ongoing commitment, Oxfam is a natural partner.

Financially it was an extraordinary year too. Our income objective in Supporter Marketing this year was to raise £85.3m through engagement with individual members of the public (excluding emergencies). In reality, we continued to secure income from a mix of sources and exceeded the objectives we set for the year.

With donations from over 880,000 supporters we significantly exceeded our target and raised £100m to fund Oxfam's work. Particular growth has been experienced in our restricted income, which has been fuelled by the huge success of our alternative gift catalogue Oxfam Unwrapped, raising net income in total of £13m (including through the

shops). As well as buying such gifts for family and friends at Christmas there is a growing trend to recognise people's birthdays, anniversaries and weddings in the same way. The responses to both our West Africa Food Crisis Appeal and the South Asia Earthquake Appeal were also tremendous; Oxfam supporters generously gave a further £14m to help fund our humanitarian work.

In addition, Oxfam also received a total of £36.9m from the Disasters Emergency Committee (DEC) including over £10m from DEC appeals for Sudan, West Africa and Pakistan, as well as ongoing Tsunami funding. This level of funding reflects the extraordinary level of generosity of the British public in responding to DEC appeals.

Supporters' commitment to our ongoing work has also grown. We are very grateful for the donations that are made by over 500,000 loyal supporters on a monthly basis. They have ensured that the bedrock of our programme can go from strength to strength. The fact that so many of them have elected to Gift Aid their donations is also a great benefit; tax recovered from HM Revenue and Customs, on behalf of our supporters, is now a sizeable proportion of our overall income. Keeping our regular support base at that level is a challenge, as more people wish to give to specific projects rather than make unrestricted gifts.

## From institutions

Our objective for the year was to achieve income from institutional donors (excluding food aid and Tsunami funds) of £57.4m. We achieved £70.1m, which represented unprecedented growth in institutional and government funding, not only for humanitarian work but also for longer-term development programmes. This includes non-Tsunami DEC funds. In addition, income for our Tsunami programme totalled £23.8m.

We were successful in raising £8m from ECHO (the humanitarian funding arm of the EU) and in receiving a significant number of EU multi-year development programme contracts in an increasingly competitive donor environment. The British Government's Department for International Development (DFID) continued to be a significant humanitarian and development partner to Oxfam, contributing a total of £20.7m to our work during the year through our ongoing Programme Partnership Agreement and specific programme contracts.

We explored a number of new funding mechanisms and opportunities and were successful in receiving funding for civil society capacity building in Nicaragua from a multi-donor consortia, alongside funds for the Trade campaign from a major foundation.

## From Trading

The objective for the year was to achieve sales from Trading of £69.8 m making a total contribution to Oxfam of £21.6m (excluding restricted donations). We planned to do this through better performance across the existing shops, the opening of 40 new shops (and closing of 20), and by establishing new sources of Trading income for future years. In these terms, it has been a very successful year, thanks to the hard work of shop teams and the support of Oxfam customers. The total Trading contribution (excluding restricted donations) rose to £24.1m this year (thirteen per cent), including £3.9m net income from Oxfam Unwrapped.

Sales on the key product areas all showed growth, including:

- Donated sales – up three per cent despite a tough year for other high street retailers;
- New product sales – up 10 per cent, with the Christmas card range and Fairtrade food particularly successful;
- Oxfam Unwrapped – increasing fivefold to reach sales of £4.1m through our shops.

Work has continued on new ventures to secure income growth in the long term. The new businesses launched during the year included two on-line sales sites, which provided important learning for our new e-commerce strategy. In the year ahead we will launch a new community fundraising initiative.

The year was significant for the development of our people. We recruited some highly capable shop managers, provided structured development for existing shop and area managers, and saw several shop managers recruited to area manager positions for the first time in many years. We have also been better able to harness the skills and knowledge of our volunteers (eg their specialist knowledge in different product areas).

## The Year Ahead

In 2006/07 we need to continue to strengthen our UK and global campaigning work following the step change through *Make Poverty History*. With our *I'm In* campaign, we will seek to maintain and develop the commitment to ending poverty expressed by people in the UK.

Commitments to greater aid and debt relief by G8 countries mean that there is the possibility of poor people in developing countries having the health, education, and water and sanitation services they need. We will set out our position on these essential services in September 06 and begin a significant step change in support for budget monitoring in these countries, to achieve greater accountability from governments for delivery.

In our livelihoods work we need to continue our work to have greater impact in specific countries. We also need to ensure that our post-Tsunami livelihoods response is properly delivered.

We want to continue to strengthen our ability to respond quickly and effectively to humanitarian crises, and we intend to increase our capacity for delivery of water, sanitation and public health programmes by up to 50 per cent over the next three years.

Oxfam International and Oxfam GB strategic planning will also provide an opportunity to redirect our programme and campaigning, building on our experience and on relevance in the current context. Next year, we will seek to make a more significant contribution on climate change as it affects poor people.

Oxfam's objectives for 2006/07 – the priority areas that we are trying to progress across Oxfam as a whole (as explained in the earlier section on Oxfam's Planning and Reporting Systems) – are summarised below.

### Programme delivery objectives 2006/07

Overall, we plan to deliver charitable activity expenditure of £200m.

**Aim 1 Sustainable Livelihoods** (~22 per cent of charitable activities):

- Further scale-up agriculture/livelihoods programme in India, Ethiopia, and Honduras;
- Continue the **Make Trade Fair Campaign**, making significant changes in global trade policies and practices to benefit poor people;
- Begin to implement our new **private sector strategy**;
- Ensure delivery of our **long-term livelihoods response to Tsunami**.

**Aim 2 Basic Services** (at least 9 per cent of charitable activities):

- Increase accountability of governments to poor people to deliver basic services, such as health and education;
- Ensure that more girls as well as boys have access to, and achieve, **good quality education**;
- Increase scale and impact of programmes on **HIV/AIDS**, particularly in Southern Africa.

**Aim 3 Life and Security** (~44 per cent of charitable activities):

- Deliver **fast and effective** responses to emergencies;
- **Campaigning work** to ensure the international community delivers;
  - professional, equitable, and rapid **humanitarian assistance** in response to suffering;
  - enhanced **protection of civilians in conflict**;
  - **control of arms**.

**Aim 4 Right to be Heard** (~9 per cent of charitable activities on specific programmes):

- Work towards achieving women and men's right to be heard as an **integral part of all our programmes** under other aims;
- Deliver specific programmes including work to increase the effectiveness of the **Global Campaign for Action against Poverty**.

**Aim 5 Right to Equity (gender and diversity)** (~6 per cent of charitable activities on specific programmes):

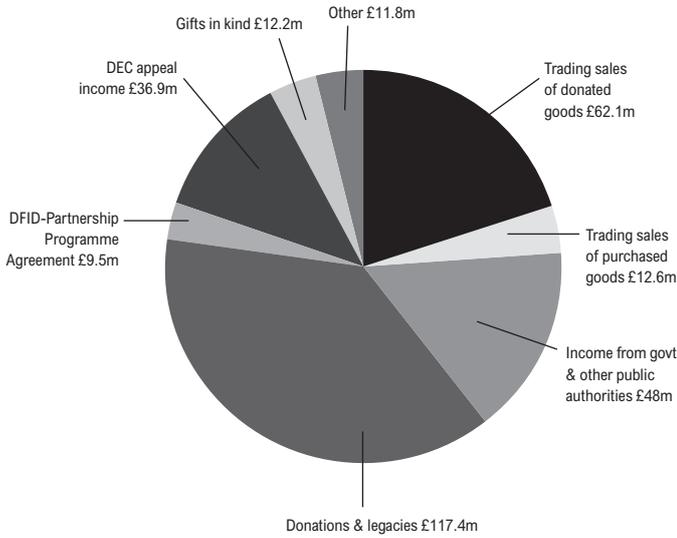
- Continue to improve Oxfam's **integration of gender issues** into all our programme and campaign work;
- In South Asia, work with others to **reduce violence against women**.

### Securing Resources and Developing Oxfam

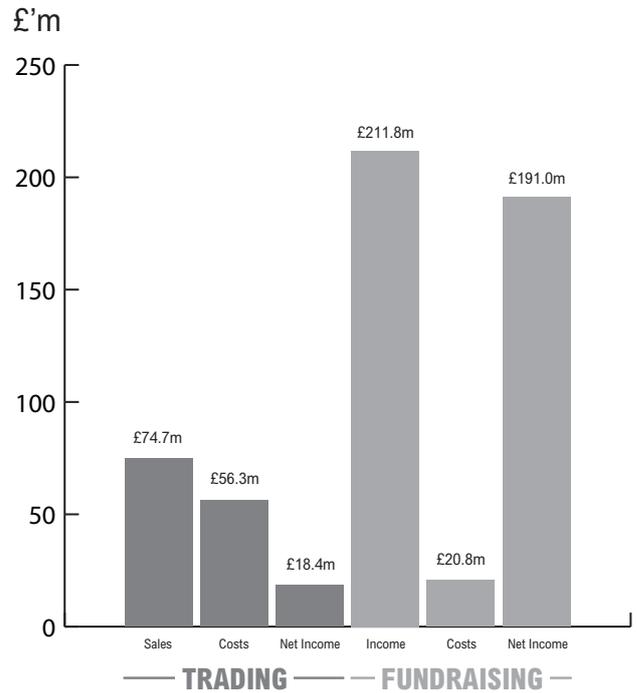
To have greater impact through our programme, we need to continue to increase our underlying income and support, along with improving the quality of our work and Oxfam's internal capability (eg our people's skills, knowledge, systems). Our objectives for 2006/07 in these areas are:

- Develop the Oxfam International and Oxfam GB **forward strategy**;
- Increase and improve our **humanitarian capacity**;
- **Increasing our impact** – strengthen programme quality and management;
- **Delivering total income of £277million**. Main income streams are:
  - a) £105m from supporters and the public;
  - b) £90m from Institutions;
  - c) £78m income from Trading;
- Continue to **improve people management and development**;
- Continue to **improve cost-effectiveness and control in the International Division**;
- **Increase the UK public's commitment to and action on overcoming poverty and suffering**, through the *I'm in* campaign;
- **Increase the impact of communications** with greater focus on key messages and key audiences.

**Total Income £310.5m**



**Trading & Fundraising Net Income**



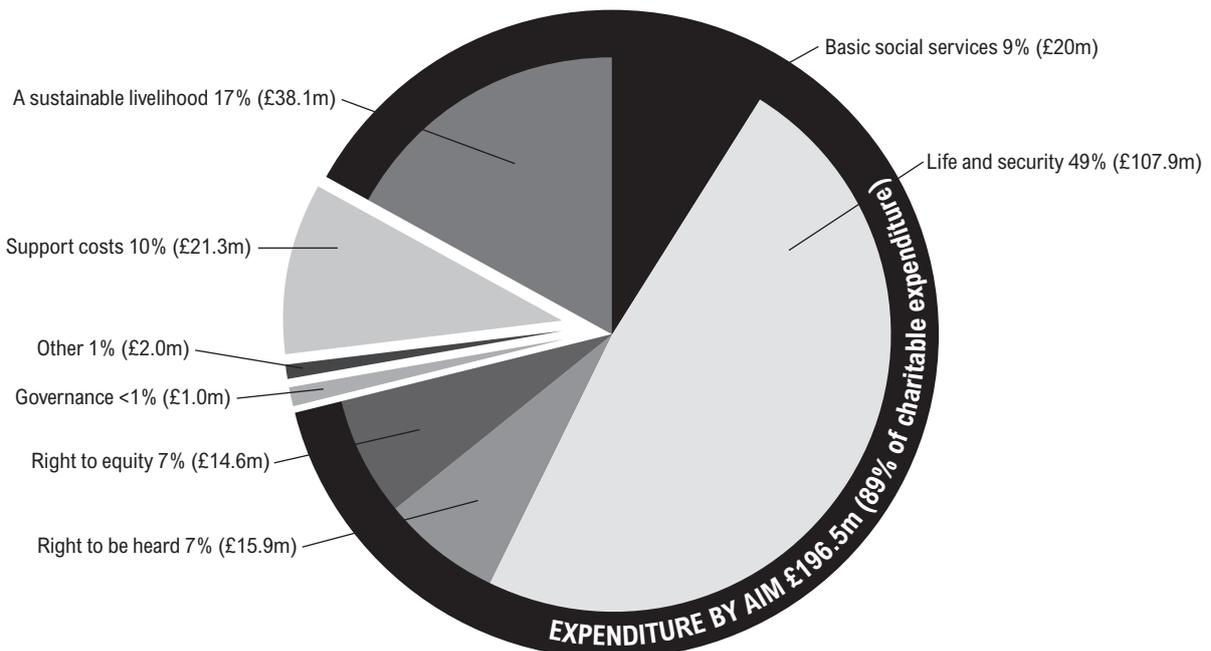
Trading & Fundraising Net Income £209.4m

Gifts in kind £ 12.2m

Other Net Income £ 11.7m

**Total Net Income available for charitable application £233.3m**

**Charitable Expenditure £220.8m**



## Finance Summary

Oxfam's total income increased by £57.2m to £310.5m during 2005/06. It derives principally from two different activities: trading and fundraising. The financial impact of humanitarian crises continues to influence both the proportions of our income raised from trading and fundraising, and the percentage of fundraising income that is unrestricted or restricted to particular projects. Although total trading income has increased in recent years (eg by 4 per cent this year), trading income as a proportion of total income has been decreasing and at the end of April 2006 represented 24 per cent of overall income (compared to an average of approximately one-third of total income over the last five years). Furthermore, the ratio of unrestricted to restricted fundraising income has changed to a 39:61 split in 2005/06 compared to 45:55 in 2004/05 and an average split of 51:49 over the last five years. This change reflects the 24 per cent growth in restricted income from public donations, appeals and fundraising events and the receipt of £36.9m from the Disasters Emergency Committee (compared to £10.0m in 2004/05) mainly to fund Oxfam's Tsunami work.

There has also been a significant increase (£6.5m) in other incoming resources during the year. This income includes the profit of £3.1m from the sale of Oxfam's buildings in North Oxford following its move to a new building in Cowley, and a VAT refund of £2.9m from HM Revenue and Customs as a result of the recent favourable High Court ruling on residual VAT on fundraising costs.

The costs associated with trading and fundraising 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. The introduction of new legislation (the Financial Reporting Standard 17 'Retirement benefits' and the new 'Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) (Revised 2005)' during 2005/06 has resulted in changes to the way that we treat and classify income and expenditure and led to a restatement of the 2004/05 accounts. While the table below shows income and expenditure for 2004/05 and 2005/06 according to the new legislative requirements, it has not been practical to restate the data for the three years to the end of April 2004. However, although not strictly comparable in every respect, the table does give a good indication of the financial trends over time (eg the change in 'net income from Trading and Fundraising' for 2004/05 was only an increase of £0.2m).

	2001/02	2002/03	2003/04	2004/05*	2005/06
	£m	£m	£m	£m	£m
Trading sales	65.1	64.7	66.2	71.5	74.7
Trading costs	(54.6)	(49.0)	(49.3)	(52.5)	(56.3)
Trading net income	10.5	15.7	16.9	19.0	18.4
Trading profit margin	16%	24%	26%	27%	24%
Fundraising income	105.0	114.1	112.1	172.7	211.8
Fundraising costs	(19.9)	(18.1)	(18.9)	(18.6)	(20.8)
Fundraising net income	85.1	96.0	93.2	154.1	191.0
Fundraising net margin	81%	84%	83%	89%	90%
Net income from Trading and Fundraising	95.6	111.7	110.1	173.1	209.4
Gifts in kind	16.0	7.1	4.5	5.0	12.2
Net miscellaneous income**	3.3	3.1	2.9	3.9	11.7
<b>Total Net Income in year</b>	<b>114.9</b>	<b>121.9</b>	<b>117.5</b>	<b>182.0</b>	<b>233.3</b>
Increase(decrease) in funds	2.7	6.8	(2.7)	30.1	12.5
<b>Total Charitable Expenditure in the year</b>	<b>£112.2</b>	<b>£115.1</b>	<b>£120.2</b>	<b>£151.9</b>	<b>£220.8</b>

\* Restated – further details given in note 8.

\*\* This represents 'Other Incoming Resources' plus Primary Purpose Trading income plus Investment Income less investments management costs.

Further details of Oxfam's income performance are included in *Director's Report – Section 3: Raising Income*.

Trading sales increased by £3.2m (+4per cent) this year which was particularly encouraging given the high level of sales last year following the Tsunami. Cost pressures experienced across the retail industry – in particular on rent, utility and fuel costs – have meant that net Trading income declined slightly from £19.0m to £18.4m. However, other income (Oxfam Unwrapped sales and donations) raised in our shops increased in 2005/06 by 31 per cent to £7.6m, which meant that the overall contribution from our shops continues to grow.

Fundraised income increased from £172.7m to £211.8m (+23per cent). Restricted income accounted for £34.4m of the growth which was primarily driven by an increase in DEC income for emergencies: £15.7m additional DEC income for the Asian Tsunami, £6.6m DEC income for the South Asia earthquake and £3.3m DEC income for the West African food crisis. The growth in restricted income also reflects a £9.8m rise in income from Oxfam Unwrapped following the success of the Christmas 2005 catalogue. Fundraised net income excluding emergencies is £139.2m and the net margin is 86per cent. Overall, fundraised unrestricted income increased by an encouraging £4.7m (+6per cent).

Gifts in kind can fluctuate significantly, reflecting the scale and nature of our emergency response in any year. This

year's gifts in kind of £12.2m mainly represent food aid for Kenya (£5.3m) and Malawi (£4.7m).

Other Incoming Resources, previously known as 'Miscellaneous income', includes investment income as well as other 'one-off' sources of income such as the profit on the sale of fixed assets and the large fundraising VAT refund (as discussed above).

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 and 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.

The SOFA shows the analysis of charitable expenditure between charitable activities (development, humanitarian, campaigning and advocacy), governance costs and other resources expended. The significant increase in income for 2005/06, in particular for emergencies, has driven the increase in programme activity, staffing levels and hence charitable expenditure, which rose by £68.9m (45 per cent) to £220.8m. Unrestricted programme expenditure accounted for £12.3m of the growth (+17 per cent on 2004/05) and restricted programme accounted for £55.4m (+70 per cent on 2004/05). The new charitable activity classifications, introduced in accordance with the new SORP 2005, show that the greatest area of growth (£46.4m) was in humanitarian spend; an additional £7.8m was spent on our humanitarian Tsunami work this year, £17.1m on the South Asia earthquake response and £6.5m and £8.0m respectively on the West Africa and Southern Africa food crisis. Expenditure on development activities also grew by £19.2m driven by our focus on long term rehabilitation work in Tsunami affected areas. A further analysis of charitable activity expenditure, showing the operational activities undertaken by Oxfam and those undertaken by partners through grants from Oxfam, is given in Note 3c. This note also includes an analysis of support costs across the different charitable activities.

The allocation of expenditure across the strategic aims of Oxfam, described in the earlier section of this report, has changed as a result of the continuing high levels of emergencies work, with spend on Life and Security increasing from 44 per cent in 2004/05 to 49 per cent in 2005/06. The relationship between our strategic aims and our charitable activities is also shown in Note 3c. The table below shows the proportion of charitable expenditure spent on each charitable aim. As a result of the implementation of the new SORP 2005, there have been changes to the

classification of charitable expenditure and the 2004/05 figures have been restated accordingly as explained in the notes to the accounts. It has not been practical to restate the 2002/03 and 2003/04 figures which are therefore indicative given that direct comparison is not possible.

	2002/03	2003/04	2004/05	2005/06
A sustainable livelihood	23%	22%	17%	17%
Right to basic social services	12%	12%	11%	9%
Life and security	35%	34%	44%	49%
Right to be heard	8%	9%	8%	7%
Right to equity (gender and diversity)	4%	5%	7%	7%
<b>Total</b>	<b>82%</b>	<b>82%</b>	<b>87%</b>	<b>89%</b>
Other charitable expenditure*	18%	18%	13%	11%
<b>Total Charitable Expenditure</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
	<b>£115.1m</b>	<b>£120.2m</b>	<b>£151.9m</b>	<b>£220.8m</b>

\* 'Other Charitable Expenditure' in 2004/05 and 2005/06 includes support costs, governance costs and other resources expended. In 2002/03 and 2003/04, 'Other Charitable Expenditure' included support costs and management and administration costs.

Despite the high levels of programme expenditure, both unrestricted and restricted fund balances have increased. Furthermore, our cash balances have also increased and had reached £73.6m at the end of April 2006. As explained below, we plan to utilise our reserves and hence cash balances over the medium-term. The cash is securely held in interest-bearing bank accounts in accordance with our investment policy and is being released as programme expenditure as required.

## 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 a 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 reserves policy and the target range are reviewed annually to reassess the risks and reflect changes

in Oxfam's income, financial obligations and expenditure. This year, the risks surrounding the pension liability have been taken into consideration when calculating the target range. Since Oxfam is confident that it can meet the required pension contributions from projected future income without significantly impacting on its planned level of charitable activity, it continues to calculate its 'free' or general reserves without setting aside designated reserves to cover the pension liability. 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. General reserves increased by £8.1m during 2005/06, with the balance of general reserves reaching £47.4m at the end of April 2006. This is significantly above the target range for general reserves of £30-34m. The increase is due to the impact of significant one-off factors that occurred during the year. These include:

- Receipts from the sale of Oxfam's former buildings (£3.1m);
- The VAT refund from HM Revenue and Customs (£2.9m);
- Investment income £1.1m higher than budgeted, which resulted from the large cash balance held during the year.

Furthermore, the general reserves brought forward into 2005/06 increased by £6.6m from those stated in our 2004/05 accounts. This was primarily driven by two key factors:

- As a consequence of the implementation of a new system, a detailed managerial review was undertaken in 2005/06 of the restricted fund balances for donor contracts ending before 1 May 2005. This review identified expenditure which had incorrectly been classified as unrestricted in the accounting records, but which had been correctly identified as restricted in the reports to donors. This resulted in a net reallocation of expenditure from unrestricted to restricted and hence a prior period adjustment, which transferred £3.6m of restricted funds into general reserves;
- The change in accounting treatment of grants payable to partners, in line with the guidance in the new SORP, reduces our liability for grant payments due at the end of April 2006 and has released an additional £2.2m into general reserves as a prior period adjustment.

The high level of general reserves held at the end of the year allows us to release more funds to be spent on programme activities in the coming years. Given the one-off nature of the factors in 2005/06 which resulted in this high level of reserves, we plan to reduce general reserves to within our target range by increased programme spend over the next

three years, rather than planning for a peak of programme expenditure in 2006/07. General reserves are represented by net current assets, and are equivalent to approximately three and a half months' unrestricted expenditure at 2005/06 levels.

## Pension Reserves (unrestricted)

As required by legislative changes, Oxfam has adopted FRS17, the Accounting Standard on Retirement Benefits, for the first time for the year ended 30 April 2006. The valuation of Oxfam's pension scheme at 30 April 2006, for the purposes of FRS17, showed a funding deficit of £23.3 m (2004/05: £22.1m). (See Note 21d.) This deficit represents the difference between the liabilities of the pension fund and the value of its underlying assets; it does not represent an immediate cash commitment, as the cash flow required to meet the £23.3m deficit relates to future pension contributions. Therefore, this liability is expected to arise over the long-term rather than in the immediate future. The valuation of the pension schemes assets under FRS17 is different from the triennial actuarial valuation which determines the pension contributions required to reduce the deficit. Current financial projections indicate that Oxfam will be able to make these contributions as they fall due. FRS17 requires a pension reserve to be established to meet the pension deficit. The defined benefit pension scheme was closed to new members during 2002/03.

## 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 £14.8m (2005: £15.9m) represents resources invested in the charity's fixed assets (excluding investments), that are, therefore, not available for other purposes. Other Designated Funds of £4.5m (2004/05: £3.8m) represent funds set aside by the Trustees to cover specific operational programmes (not funded by restricted income), which have not been completed by the year-end. The net amount transferred from general reserves to designated funds in the year was £0.1m, £0.8m transferred to the designated fund for uncompleted programmes and £0.7m transferred from the designated fund for fixed assets into general reserves.

## Restricted Funds

These funds are tied to particular purposes, as specified by the donor or as identified at the time of a public appeal. They are not available for use in other Oxfam work. At the year-end, unspent restricted funds were £29.1m (2004/05: £25.6m). Large restricted funds remain for our on-going humanitarian work, with balances of £4.2m for the Asian Tsunami, £2.7m for the South Asia earthquake and £2.4m for the West Africa food crisis. There is also a large restricted fund balance of £11.6m for *Oxfam Unwrapped*, which arose as

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the result of the success of the Christmas catalogue. We plan to spend the majority of these funds before the end of April 2007, in line with our policy to have spent all the income from our Christmas catalogue by the end of the following accounting year (see Note 19). The restricted fund balance includes total deficit balances of £11.8m. These deficit balances have arisen on project funds where total expenditure has exceeded income; it is expected that the expenditure will be reimbursed by a government or other agency in the following accounting year (see Note 19 for further details).

### **Endowment Funds**

Endowment funds of £2.6m (2004/05: £2.8m) represent monies received from donors where there is some restriction on the use of the capital (see Note 18).

### **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 4.68 per cent, in line with an average base rate of 4.56 per cent.

**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.

## 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 several subsidiaries only two of which were consolidated into Oxfam's group accounts; these subsidiaries were Oxfam Activities Ltd and Progreso Cafés Ltd. Oxfam also has two dormant subsidiaries and several micro-credit schemes which were not consolidated (see Note 10 for further details).

Oxfam has a wholly-owned subsidiary, Oxfam Activities Limited, which raises funds by means of trading activities. Its principal operations are a) the purchase of goods from commercial suppliers to be sold at a profit mainly through Oxfam shops, and b) the recycling of donated goods at a textile recycling plant in Huddersfield (known as Oxfam Wastesaver). Overall, Oxfam Activities Limited's performance this year exceeded expectations. It made a profit of £2.1m (2004/05: £1.9m), before interest on working capital of £0.2m (2004/05: £0.2 m) paid to Oxfam; this represents a 10% growth in profit. Its results are consolidated in the trading results for Oxfam.

Oxfam Activities Ltd has a 50 per cent interest (2004/05 : 50 per cent) in Progreso Cafés Ltd (a company registered in the United Kingdom number 5125426) and a 'special share' in Coffee Producers Company Ltd (a company registered in the United Kingdom number 5144719). Two Progreso Cafés were started in 2004/05 to promote and sell fairly traded coffee. This is a joint venture with coffee producers. The results for Progreso in the year were a loss of £29,959 compared to a loss of £79,977 last year; the cafes are expected to break even during 2006/07.

Oxfam Activities Limited has a 10 per cent (2004/05 : 10 per cent) 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. Cafédirect shares are traded on a 'matched bargain facility' called Ethex operated by Brewin Dolphin.

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 £12.3m (2004/05 : £11.8m) from the other members of Oxfam International and made grants of £3.8m (2004/05 : £3.6m) to them.

Oxfam GB is a member of the Oxfam International Tsunami Fund (OITF) which was established during 2004/05 as a common fund to co-ordinate and manage the funds from Oxfam International members, where the donations they received were in excess of their planned programme expenditure. Oxfam GB has not received any funds from or contributed any funds directly to the OITF but has received some funds from other affiliates. The majority of its planned three-year programme is funded by donations from the DEC and its own public appeal. The opportunity has also been taken to co-ordinate and manage the response to the Tsunami across all Oxfam International members. Oxfam GB has played a key role in this.

Oxfam is a member of the Disasters Emergency Committee (DEC), an umbrella organisation representing 13 leading UK agencies. It aims to maximize income from the public in respect of a humanitarian disaster and co-ordinate an effective humanitarian response.

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.

A sub-committee of Council, the Recruitment and Development Group (RADG), is responsible for the recruitment and training of Trustees and Association members. Anyone involved with or interested in Oxfam can submit an application or nomination for Trusteeship or for membership of the Association. Each year the Recruitment and Development Group issues an advertisement which is widely publicised in Oxfam publications. Short listed applicants are interviewed by the selection panel. In 2005 the RADG also used the services of an executive search group to find potential trustees with specific skills.

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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. Each new Trustee is linked with a serving Trustee, and provided with a structured induction programme over the first year. As part of their on-going training, Council has seminars on key areas, such as risk and accountability. The annual review of board performance includes input from the Chair's formal discussions with individual Trustees.

Oxfam's Trustees are responsible for everything that Oxfam does. However, to ensure Oxfam is managed efficiently and effectively the Trustees have delegated a range of day-to-day decision making powers to management, that is, to the Corporate Management Team (CMT) of Oxfam, which reports directly to Council. In conjunction with this Trustees have established appropriate controls and reporting mechanisms to ensure the CMT operates within the powers delegated to it. The levels and content of delegation of authority is reviewed by the Trustees every three years. The last review took place in 2004; the next will be in 2007. The Trustees have reserved to themselves certain powers which only they can exercise. These include those statutory powers which cannot be delegated, such as policies on investment and reserves, and decisions linked to major policy or programme initiatives, strategic planning and changes to organisational structure.

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. The group 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 Report and 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. 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.

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. The members of CMT are not directors for the purposes of company law.

## **Trustees and their Statutory Responsibilities**

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

The Trustees are responsible for preparing financial statements for each financial year which give a true and fair view (in accordance with United Kingdom Generally Accepted Accounting Practice) of the state of affairs of the charity and group, and of the surplus or deficit of the charity and group for that period. In preparing those financial statements, the trustees are required to:

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

The Trustees confirm that they have complied with the above requirements in preparing the financial statements.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and the group, and enable them to ensure that the financial statements comply with the Companies Act 1985, the Statement of Recommended Practice 'Accounting and Reporting by Charities 2005', other current statutory requirements and the governing document. They are also responsible for safeguarding the assets of the charity and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each Trustee confirms that

- a) in so far as the Trustee is aware, there is no relevant audit information of which Oxfam's auditors are unaware;
- b) the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that Oxfam GB's auditors are aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## 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 Audits across all operations and activities. The audits undertaken are prioritised using a risk-based approach and cover all the major risk areas as identified by CMT and Council. The Head of Internal Audit submits regular reports to the audit committee. 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 reports annually to Council on the control environment. 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. Council also recognises that in order to achieve the objectives of the charity, the nature of some of Oxfam's work requires acceptance of some risks which are outside Oxfam's control, ie, risk which cannot be eliminated or fully managed, but where that happens there is active and clear monitoring of the risk.

## Legitimacy

Non-governmental organisations (NGOs) are sometimes challenged about their legitimacy to speak out on issues such as world poverty. Oxfam is working continuously to develop and improve its accountability (a vital part of legitimacy) so that it fully supports our vision and mission, and ensures that our work has the greatest impact.

Oxfam has worked with poor people in developing countries for more than 60 years. Currently, we are working with more than 1,000 partner organisations in more than 70 countries. We employ local people who understand the issues that keep local communities trapped in poverty. Our development and humanitarian work is respected by the international community, southern and northern governments, our partner organisations, allies, and other agencies.

Oxfam also carries out important advocacy and policy work, to make sure that governments and international organisations understand the needs of poor people, and work towards improving their lives. Members of the public who campaign for Oxfam help us to convey these messages and to increase public awareness of our work. These campaigners are among the many in the UK who support Oxfam. We also have over 500,000 supporters in the UK who contribute to Oxfam's work through monthly giving.

Oxfam is an independent charity, and as such does not align itself to any governments.

## Accountability

Oxfam needs to be accountable to a range of key stakeholders to achieve our organisational mission and to ensure that our work has the greatest impact. We are working towards improved transparency and information-sharing; more stakeholder participation in decision-making; and better evaluation and complaint mechanisms. Key stakeholders include the individuals and communities with whom we work; partners and allies; donors and supporters; staff, volunteers and the wider public; and

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regulatory bodies in the UK and in countries where we operate.

## How we are planning to improve our accountability

Described below are the ways we make ourselves accountable, or plan to do so, with each of our different stakeholder groups.

### 1. People living in poverty and suffering

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 and suffering. We also want to involve them in monitoring what is delivered and in assessing impact. For example, during 2005/06 we conducted a series of pilots in Southern Africa and Tsunami-affected countries to improve our accountability to the people we serve, and these practical lessons from the pilots will inform our future humanitarian work. If there are problems, we want people to be able to make a complaint and to know that it will be acted upon. We also publish information about our work, including many evaluations, on our website.

We have a plan to improve our accountability to the people living in poverty with whom we work. This includes:

- working to ensure that Oxfam meets HAPI standards (Humanitarian Accountability Programme International);
- being involved in the Steering Committee for Humanitarian Response (SCHR) Peer Review, which is aimed at strengthening measures to prevent the sexual exploitation of beneficiaries and will in future take on new topics for peer review;
- working towards delivering the Sphere Standards for humanitarian action;
- developing similar mechanisms for our long-term development work.

### 2. Donors and Supporters

Oxfam aims to be open and transparent with donors and supporters. We produce a variety of reports, including the Annual Report and Accounts and the Annual Review, as well as other materials such as newsletters and email

messages. Our Supporter Charter, which is publicly displayed in every Oxfam shop, clearly defines our commitment of care to the supporter, and provides a unified approach to the quality of customer care across the organisation. We also run a series of nationwide roadshows, known as *Oxfam Live*, in the spring of each year, which are open to anyone interested in Oxfam's work. The most comprehensive and current source of information is our website.

Accountability to our institutional donors involves delivering regular reports to a timetable prescribed by, or negotiated with, the donor. We strive to keep fundraising and administrative costs low.

### 3. Partners and Allies

In most of our long-term development work and some of our humanitarian work, we work with local partner agencies. Beyond these partnerships, we also work with many other groups who may be affected by what we say and do. These include:

- other agencies in the humanitarian and development sector, especially in the UK;
- other allies and partners in developing countries which may be particularly affected by local advocacy and campaigning work, especially if we have different messages to theirs;
- the other members of the Oxfam International family. These Oxfams may be more strongly affected by what we say and do as they carry the same brand name.

Apart from maintaining our own behaviour and actions at a high standard, we also seek to be sensitive about our public and private advocacy and campaigning work. In developing countries in particular, we try to agree messages early in campaigns and to be respectful of partners' roles and relationships – eg, we make sure we do not take their place in lobbying their governments.

The Oxfam Assembly, held every two years, brings groups of stakeholders together, not only to give us feedback, but also to provide an opportunity to help shape future direction.

## Grant-making policies

Last year, we spent £40.6 million in grants to partner organisations. The average grant per project and per partner was just over £22,800.

Before making a grant, Oxfam staff aim to ensure that appraisals are completed for the project(s) and the proposed partner organisation(s). Appraisals include ensuring that:

- roles and responsibilities are clear;
- there is a coherent and well justified project design;
- the partner's mission, values, credibility and accountability are compatible with our own;
- the partner has the management and professional competence and capacity to deliver the programme on time, on budget, and to agreed professional standards;
- we have agreed with them what support they need to ensure the project is implemented effectively and how that support will be provided.

We have a grant management system, which sets out the conditions of the grant, including reporting requirements and when and how disbursement will happen. Grants are usually distributed in separate tranches to ensure that agreed timings and results are being met and managed.

Oxfam staff aim to undertake monitoring and evaluation activities throughout the period of the grant. The nature of these activities will depend on the size and importance of the grant and the perceived level of risk. Monitoring and evaluation activities may include:

- support visits to the partner;
- visits to beneficiaries with and without the partner;
- formal evaluation processes such as impact reporting by Oxfam or a third party;
- auditing of the project and/or the partner;
- project closure reports.

Information about the partner and the project (eg budgets, agreed activities, contracts) is stored on our online management information system. We discontinue grants where necessary.

## 4. The Wider Public and those we Challenge

Oxfam often makes public statements that call for support from the wider public. In these circumstances, we ensure that what we say is based on our mandate to overcome poverty and suffering and that it is based on our experience and research.

In order to make more informed judgements about Oxfam and about what we say, the public is entitled to know whether or not what we suggested did happen or may happen, and to know the reasons. We are committed to providing that feedback on our website and where possible, through the wider media.

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

## 5. Staff and Managers

We are committed to an open and accountable management system in which staff are properly line-managed. We also have human resources policies, to which staff with grievances, or those wishing to disclose information about malpractice, have recourse.

Every two years, all Oxfam staff and a sample of our 20,000 volunteers are encouraged to participate in a confidential survey. This is an opportunity for staff and volunteers to air their views about Oxfam, knowing that they will be heard. The results of the survey are used to guide and inform future decisions.

## 6. Legal Status

Finally, and importantly, we are accountable to the Charity Commission and to the Office of the Scottish Charity Regulators and their regulations, as is necessary for us to operate as a charity in Great Britain. We are also accountable to the host governments in countries where we operate.

## Corporate Social Responsibility

Oxfam continued to implement Oxfam's Ethical Purchasing Policy, covering labour and environmental standards, which was adopted in 1997.

During the year, potential new suppliers completed Supplier Questionnaires which were then ethically risk-rated by trained staff, with high risk suppliers referred to the Purchasing Strategy Manager for approval. Labour and Environmental Assessments were then carried out with five suppliers: crackers (homeworkers, UK), t-shirts (two manufacturers in Turkey) and calendars and diaries (UK).

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More items sourced by New Products for re-sale were Fairtrade goods, bringing total Fairtrade sales to its highest point for ten years. The exceptions are toys (which have to satisfy strict UK Trading Standards requirements) and printed paper products. Most suppliers had been ethically checked out before 2005, but during 2005/06 additional assessments took place with two UK manufacturers of calendars and diaries and corrective action plans were put in place. A follow-up visit to the cracker supplier also resulted in Oxfam increasing the amount paid to guarantee every homeworker receives more than the minimum wage.

The steps taken in 2004/05 to assess and improve standards at the two Chinese factories making wristbands were continued in 2005/06. Follow-up visits in the Autumn by the ethical sourcing consultants showed a dramatic reduction in overtime worked together with an increase in pay (18-30 per cent), as a result of improved productivity and HR management.

The launch of the campaign 'Oxfam Green Skies' in November 2004 resulted in a 5 per cent reduction in air travel during 2005/06. Reductions were also made in paper usage and in vehicle carbon emissions in the UK, and recycling from our Oxford offices increased.

In August 2005, Oxfam moved into a new building in Cowley, Oxford. Energy consumption was a major element in the design of the building. Features such as automatic lighting control and heat recovery from the ventilation system contributed to the building achieving a 'Very Good' BREEAM environmental assessment awarded by the Building Research Establishment.

### **Communicating with 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 Directors hold regular 'Have your Say' meetings to enable staff and volunteers to question them. And Oxfam has an electronic 'Have your Say' 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 quarterly magazine called Voices, 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 annual Oxfam Live events in 16 locations in 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 on 22 September 2006 and signed on its behalf by:



Rosemary Thorp  
Chair of Oxfam

10 October 2006

## INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of Oxfam for the year ended 30 April 2006 which comprise the statement of financial activities, the balance sheets, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies therein.

### Respective responsibilities of directors and auditors

The trustees are also directors of Oxfam for the purpose of Company Law. As described in the Trustees and their Statutory Responsibilities the trustees are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) 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 whether the Trustees' Report is consistent with the financial statements. We also report to you, if in our opinion, 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 Trustees' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

We read other information contained in the Trustees' Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with

the financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs at 30 April 2006 and of its net incoming resources, including its income and expenditure, and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
- the information given in the Trustees' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

13 October 2006

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

Notes	Unrestricted Trading Funds £m	Unrestricted Funds £m	Restricted Funds £m	Endowment Funds £m	Totals 2006 £m	Totals 2005 restated (note 8) £m
<b>Incoming resources</b>						
<b>Incoming resources from generating funds</b>						
2a		83.1	92.9	—	176.0	127.9
2b	74.7	—	—	—	74.7	71.5
2c		2.7	0.3	—	3.0	2.5
<b>Incoming resources from charitable activities</b>						
2d		—	48.0	—	48.0	49.7
2d		1.7	—	—	1.7	1.1
2e		7.0	0.1	—	7.1	0.6
<b>Total incoming resources</b>						
	74.7	94.5	141.3	—	310.5	253.3
<b>Costs of generating funds</b>						
3a		17.4	3.4	—	20.8	18.6
2b	56.3	—	—	—	56.3	52.5
3b		0.1	—	—	0.1	0.2
<b>Net incoming resources available for charitable application</b>						
	18.4	77.0	137.9	—	233.3	182.0
	(18.4)	18.3	0.1	—	—	—
<b>Net incoming resources available for charitable application</b>						
	—	95.3	138.0	—	233.3	182.0
<b>Charitable activities</b>						
3c		47.4	43.9	—	91.3	72.1
3c		22.3	89.8	—	112.1	65.7
3c		13.6	0.8	—	14.4	12.3
3d		1.0	—	—	1.0	1.0
3e		2.0	—	—	2.0	0.8
<b>Total charitable expenditure</b>						
		86.3	134.5	—	220.8	151.9
<b>Total resources expended</b>						
		160.1	137.9	—	298.0	223.2
<b>Net incoming resources before transfers</b>						
		9.0	3.5	—	12.5	30.1
18		0.2	—	(0.2)	—	—
<b>Net incoming/(outgoing) resources before other recognised gains and losses</b>						
		9.2	3.5	(0.2)	12.5	30.1
<b>Other recognised gains/losses</b>						
10		—	—	—	—	(0.1)
21		(2.6)	—	—	(2.6)	(5.5)
<b>Net movement in funds</b>						
		6.6	3.5	(0.2)	9.9	24.5
<b>Reconciliation of funds</b>						
		57.3	26.5	2.8	86.6	58.7
8		(20.4)	(0.9)	—	(21.3)	(17.9)
<b>Total funds at 30 April 2005 as restated</b>						
		36.9	25.6	2.8	65.3	40.8
<b>Total funds at 30 April 2006</b>						
		43.5	29.1	2.6	75.2	65.3

Total unrestricted incoming resources for the year amounted to £169.2 million (2004/05 £153.6million)

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**

<b>Oxfam Group</b>	<b>2006</b>	<b>2005 restated</b>
<b>Notes</b>	<b>£ m</b>	<b>£ m</b>
<b>Income</b>		
2a Voluntary income	176.0	127.9
2b Activities for generating funds	74.7	71.5
2c Investment income	3.0	2.5
2d Resources from government, other public authorities	48.0	49.7
2d Primary purpose trading	1.7	1.1
2e Other income	7.1	0.6
<b>Total realised income</b>	<b>310.5</b>	<b>253.3</b>
<b>Total expenditure</b>		
3a Fundraising costs	20.8	18.6
2b Trading costs	56.3	52.5
3b Investment management costs	0.1	0.2
3c Charitable activities	217.8	150.1
3d Governance	1.0	1.0
3e Other expenditure	2.0	0.8
<b>Total expenditure</b>	<b>298.0</b>	<b>223.2</b>
<b>7 Surplus of income over expenditure before realised gains and losses</b>	<b>12.5</b>	<b>30.1</b>
Realised loss on disposal of investment	(0.1)	—
<b>Surplus of income over expenditure</b>	<b>12.4</b>	<b>30.1</b>
<b>Transfers (to)/from other funds:</b>		
18 Transfer (to)/from Endowment funds	0.2	—
19 Transfer (to)/from Restricted funds	(3.5)	(16.6)
20 Transfer (to)/from Designated funds - Fixed assets	1.2	0.3
20 Transfer (to)/from Designated funds - Other	(0.8)	(2.3)
20 Transfer (to)/from Pension reserve	(1.4)	(0.2)
<b>20 General reserves at 30 April 2005 as previously stated</b>	<b>32.7</b>	<b>24.8</b>
20 Prior period adjustment	6.6	3.2
<b>20 General reserves at 30 April 2006</b>	<b>47.4</b>	<b>39.3</b>

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 18 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 2006 was £12.4 million (2004/05: £30.1 million)

## BALANCE SHEETS AT 30 APRIL

Notes	2006	Oxfam	2006	Oxfam Group
	£m	2005 restated £m	£m	2005 restated £m
<b>Fixed assets</b>				
9 Tangible assets	17.1	15.5	17.4	15.8
10 Investments:				
10a Investments	4.4	5.4	2.8	2.9
10b Programme related investments	—	—	0.1	0.1
	21.5	20.9	20.3	18.8
<b>Current assets</b>				
11 Stocks	1.6	1.2	3.3	2.1
12 Debtors	25.5	15.5	25.9	15.8
13 Cash at bank and in hand	73.8	70.3	73.6	70.4
	100.9	87.0	102.8	88.3
14 Creditors: amounts falling due within one year	(14.0)	(13.8)	(14.6)	(12.9)
<b>Net current assets</b>	86.9	73.2	88.2	75.4
Total assets less current liabilities	108.4	94.1	108.5	94.2
15 Creditors: amounts falling due after more than one year	(2.0)	—	(2.1)	(0.1)
16 Provisions for liabilities and charges	(7.9)	(6.7)	(7.9)	(6.7)
<b>Net assets before pension scheme liabilities</b>	98.5	87.4	98.5	87.4
21 Defined benefit pension scheme liability	(23.3)	(22.1)	(23.3)	(22.1)
<b>Net assets</b>	75.2	65.3	75.2	65.3
<b>Charitable funds</b>				
20 Designated fund - fixed assets	14.6	15.7	14.8	15.9
20 Designated fund - other	4.5	3.7	4.5	3.7
20 General reserves	47.8	39.7	47.4	39.3
<b>Charitable unrestricted funds excluding pension reserves</b>	66.9	59.1	66.7	58.9
20 Pension reserves	(23.3)	(22.1)	(23.3)	(22.1)
<b>Total charitable unrestricted funds</b>	43.6	37.0	43.4	36.8
18 Endowment funds	2.6	2.8	2.6	2.8
19 Restricted funds	29.0	25.5	29.1	25.6
<b>Total Charitable funds</b>	75.2	65.3	75.1	65.2
20 Funds retained within a non-charitable subsidiary	—	—	0.1	0.1
<b>Total funds</b>	75.2	65.3	75.2	65.3

Approved by the Council of Trustees on 22 September 2006 and signed on its behalf by:



Rosemary Thorp  
Chair of Oxfam

10 October 2006

**CONSOLIDATED CASH FLOW STATEMENT**

	2006		2005 restated	
	£ m	£ m	£ m	£ m
<b>Net cash inflow from operating activities</b>		2.8		32.8
<b>Returns on investments and servicing of finance</b>				
Deposit interest received	2.8		2.1	
Investment income (on endowment investments)	0.1		0.1	
		2.9		2.2
<b>Capital expenditure and financial investment</b>				
Payments to acquire tangible fixed assets — additions	(7.6)		(4.3)	
Receipts from sales of tangible fixed assets	5.0		0.4	
Receipts from sales of investments	0.1		—	
		(2.5)		(3.9)
<b>Net cash inflow before management of liquid resources and financing</b>		3.2		31.1
<b>Management of liquid resources</b>				
Cash withdrawn from short term deposit	79.0		69.0	
Cash invested on short term deposit	(87.5)		(84.5)	
		(8.5)		(15.5)
<b>(Decrease)/increase in cash in the year</b>		(5.3)		15.6

**Notes**

**a Reconciliation of net incoming resources to net cash inflow from operating activities**

	2006 £ m	2005 restated £ m
Net incoming resources before revaluations and investment asset disposals	12.5	30.1
Deposit interest and investment income receivable	(3.0)	(2.5)
Depreciation charge	4.5	4.3
Profit on disposal of fixed assets	(3.5)	(0.1)
(Increase)/decrease in stocks	(1.2)	1.0
Increase in debtors	(10.0)	(3.3)
Increase in creditors and provisions	4.9	3.5
FRS17 difference between pension contributions and current service costs	(1.4)	(0.2)
Net cash inflow from operating activities	2.8	32.8

**b Analysis of net funds**

	At 1 May 2005 £ m	Cashflow movement £ m	At 30 April 2006 £ m
Cash at bank and in hand	30.9	(5.3)	25.6
Cash on short term deposit	39.5	8.5	48.0
Debt due after one year	(0.1)	—	(0.1)
Net funds	70.3	3.2	73.5

**c Reconciliation of net cash flow to movement in net funds**

	2006 £ m
Decrease in cash	(5.3)
Cash used to increase liquid resources*	8.5
Net funds at 1 May 2005	70.3
Net funds at 30 April 2006	73.5

\*Liquid resources comprise monies held on short term Money Market accounts.

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# 1 ACCOUNTING POLICIES

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## 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 (Revised 2005)” (“the SORP”), and applicable accounting standards.

Where applicable, comparative results have been restated to comply with SORP 2005 and FRS17 – Retirement Benefits. Details are included in note 8.

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 397 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.

Oxfam has a 50% interest in Progreso Cafés Limited which owns two fair trade cafes. The accounts of Progreso Cafés Limited have been consolidated on a line by line basis.

Oxfam also holds a special non-redeemable £1 share in Coffee Producers Company Limited. This company exists to allow coffee producers co-operatives to hold an interest in Progreso Cafés Limited. The special share provides Oxfam with super voting rights and the consent of the special shareholder is required to appoint directors and change the nature of the business of Coffee Producers Company Limited.

Coffee Producers Company Limited, “On the Line Trust Ltd” (which remains dormant) and three micro credit schemes are excluded from consolidation on the grounds of materiality. “Living on the Line Limited” remained dormant to 3 May 2005, when it was dissolved.

Oxfam Activities Limited holds a 25% shareholding (one £1 ordinary share) in The Guardian Share Company Limited. This company is equally owned by the four founders of Cafédirect and has a right to nominate a director to the Cafédirect Board. The consent of the Guardian Share Company is also required for the appointment of the Chair of the Board and for any changes to Cafédirect’s Gold Standard. The accounts of this associate company have not been included on the grounds of materiality.

Oxfam’s membership of the Board of Oxfam International Tsunami Fund (OITF) was reduced on 15 May 2005 from 33% to less than 10% by only having one member of the board out of a total of twelve, as intended on the creation of the

Fund. OITF is not considered an associate and has not been consolidated.

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.

As explained in Note 1a above, the introduction of FRS17 – Retirements Benefits has led to the establishment of a pension reserve within unrestricted funds to meet the pension deficit.

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

A final review of the allocation of expenditure is performed after a project or contract has been completed, which can give rise to a transfer between funds.

## 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.

Grants from governments and other agencies have been included as incoming resources from charitable activities where these amount to a contract for services but as voluntary income where the money is given in response to an appeal.

Income received in the year has been deferred in respect of specific fundraising events taking place after the year end. In addition the income relating to certain fixed assets held under leasehold agreements has been deferred and is being released to the Statement of Financial Activities over the period up to the break clause of the relevant lease of these assets.

Recognition of legacy income is dependent on the type of legacy, with pecuniary legacies recognised when notification is received and residuary legacies when the final accounts under the will are received. Reversionary legacies are not recognised during the lifetime of the original beneficiary under the will.

Gifts in Kind – Food aid, for which Oxfam accepts full responsibility for distribution, is included in ‘Voluntary income’ at its market value when it is distributed, and under ‘Charitable activities’ at the same value and time.

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

Donated services and facilities are included as ‘Voluntary income’ at their estimated value to the charity when received, and under the appropriate expenditure heading depending on the nature of service or facility provided, at the same value and time.

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.

Income from endowments is either restricted or unrestricted depending on the conditions attached to the endowment when provided.

**e. Costs of generating funds**

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

**f. Charitable expenditure**

Charitable expenditure is reported as a functional analysis of the work undertaken by the charity, being humanitarian, development and campaigning & advocacy. Under these headings are included grants payable and costs of activities performed directly by the charity together with associated support costs.

Grants payable in furtherance of the charity’s objects are recognised as expenditure when payment is due to the partner organisation in accordance with the terms of the contract. Standard partner contracts are typically for a year’s duration, but can span several years. The contracts contain conditions, the fulfilment of which is under the control of Oxfam. For contracts in place at the year-end which include payments to be made in future years, these payments are disclosed in note 21 to the accounts as commitments.

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.

**g. Governance costs**

Governance costs represent the salaries, direct expenditure, and overhead costs incurred by directorate, central finance, legal, corporate communications, and internal audit departments in the strategic planning processes of the charity and compliance with constitutional and statutory requirements.

**h. Allocation and apportionment**

Costs to be recharged to specific activities or departments within the charity are apportioned on the following basis:

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

In-house printing and warehousing 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 and central finance, human resources and legal departments are allocated on the basis of employee numbers after an appropriate proportion has been allocated to Governance costs.

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

Support costs represent the costs of providing direct support to Oxfam’s programme by staff based in regional centres and in the UK as well as central costs previously included in management and administration which include central finance, central human resources and corporate communications.

**i. 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 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

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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.

Where appropriate, provision has been made for impairment in the value of tangible fixed assets.

### **j. 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.

Programme related investments, which are investments made directly in pursuit of Oxfam's charitable purposes, and include Cafédirect and micro credit schemes, are included in the Balance Sheet at the amount invested less impairment.

Realised gains on the disposal of programme related investments are included in 'Other incoming resources' in the Statement of Financial Activities. Gains or losses arising on disposal or revaluation of other investments are credited or charged to the Statement of Financial Activities under 'Gains and losses on investment assets'.

### **k. 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.

Goods in-transit to overseas projects are removed from stock and included in programme expenditure when released from the warehouse.

### **l. 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.

### **m. 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.

### **n. Pension scheme**

Oxfam operates defined benefit and defined contribution pension schemes.

#### **Defined benefit scheme**

The pension liabilities and assets are recorded in line with FRS17, with a valuation undertaken by an independent actuary. FRS17 measures the value of pension assets and liabilities at the Balance Sheet date, determines the benefits accrued in the year and the interest on assets and liabilities. The value of benefits accrued is used to determine the pension charge in the Statement of Financial Activities and the expected return on scheme assets and interest cost on scheme liabilities are allocated across the appropriate incoming/outgoing resource categories. The change in value of assets and liabilities arising from asset valuation, changes in benefits, actuarial assumptions, or change in the level of deficit attributable to members is recognised in the Statement of Financial Activities within actuarial gains/losses on defined benefit pension schemes. The resulting pension liability or asset is shown on the Balance Sheet.

#### **Defined contribution scheme**

Pension contributions are charged to the Statement of Financial Activities as incurred.

### **o. 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. Under SORP 2005, these micro credit schemes are treated as programme related investments. Programme related investments are included in the balance sheet at the amount invested less any impairment. Impairments are charged to charitable expenditure in the Statement of Financial Activities. Details on micro credit schemes which are locally registered organisations are given in note 10 to the accounts.

### **p. Operating leases**

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

## 2 INCOMING RESOURCES

### a. Voluntary income

	2006 Unrestricted £ m	2006 Restricted £ m	2006 Endowments £ m	2006 Total £ m	2005 Total £ m
Committed giving	58.1	0.2	—	58.3	58.6
Legacies	9.9	—	—	9.9	10.5
Public donations, appeals, and fundraising events	14.5	34.1	—	48.6	36.6
Disasters Emergency Committee (DEC) appeals	—	36.9	—	36.9	10.0
UK government: Department for International Development — Partnership Programme Agreement	—	9.5	—	9.5	7.2
Gifts in kind	—	12.2	—	12.2	5.0
Donated goods and services	0.6	—	—	0.6	—
	83.1	92.9	—	176.0	127.9

At 30 April 2006, 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 £3.8 million (20004/05: £3.9 million). Accrued legacy income included within the accounts amounts to £0.3m (2004/05: £nil).

### b. Activities for generating funds: Trading income

	2006 Oxfam £ m	2006 OAL £ m	2006 Total £ m	2005 Total restated £ m
Turnover from donated goods	57.9	4.2	62.1	60.1
Turnover from purchased goods	—	12.6	12.6	11.4
<b>Total trading sales</b>	57.9	16.8	74.7	71.5
Direct trading expenses — donated goods	41.4	3.2	44.6	41.8
Direct trading expenses — purchased goods	—	11.5	11.5	10.4
Support costs	0.2	—	0.2	0.3
<b>Net trading income</b>	16.3	2.1	18.4	19.0
<i>In addition, the following other amounts were collected through the shops:</i>				
Oxfam Unwrapped net income	3.9	—	3.9	0.8
<b>Net trading income including Oxfam Unwrapped</b>	20.2	2.1	22.3	19.8
Unrestricted donations	1.8	—	1.8	1.5
Restricted donations	1.7	—	1.7	3.5
<b>Total net trading income</b>	23.7	2.1	25.8	24.8

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

### c. Investment income

	2006 £ m	2005 £ m
Deposit interest — unrestricted	2.6	2.1
Deposit interest — restricted	0.3	0.3
Interest on endowments — unrestricted	0.1	0.1
	3.0	2.5

## d. Incoming resources from charitable activities

### i. Income from government and other public authorities

	2006 £ m	2005 £ m
UK government: DFID		
Resources for specific programmes	11.2	13.0
European Union	15.9	15.5
UNHCR	0.9	1.4
Other UN agencies	2.3	1.8
Members of Oxfam International (Note 3c)	12.4	11.8
Non-UK governments	1.5	3.4
Other international agencies	0.9	1.5
Community Fund	0.5	0.7
Other UK agencies	2.4	0.6
Cash sub-total	48.0	49.7

### ii. Primary purpose trading

	2006 £ m	2005 £ m
<b>Income</b>		
Progreso Caf s Limited	0.6	0.2
Sale of humanitarian equipment	0.4	0.4
Sale of printed material	0.4	0.4
Sale of campaigning merchandise	0.3	0.1
	1.7	1.1
<b>Costs included within charitable activities</b>		
Progreso Caf s Limited	(0.6)	(0.3)
Humanitarian equipment	(0.3)	(0.3)
Printed materials	(0.2)	(0.3)
Campaigning merchandise	(0.2)	(0.1)
	(1.3)	(1.0)
<b>Net income from primary purpose trading</b>	0.4	0.1

## e. Other incoming resources

	2006 £ m	2005 £ m
Profit on disposal of fixed assets	3.5	0.1
Nursery fees	0.2	0.2
Miscellaneous overseas income	0.3	0.2
Other *	3.1	0.1
	7.1	0.6

\* This includes £2.9m VAT refund.

### **3 RESOURCES EXPENDED**

#### **a. Costs of generating voluntary income**

Costs of generating voluntary income represents fundraising costs to raise both restricted and unrestricted income, excluding trading sales. This is analysed as follows:

	<b>2006</b>	<b>2005</b>
	<b>£ m</b>	<b>£ m</b>
Committed giving	6.8	6.4
Legacies	0.3	0.4
Public donations, appeals, and fundraising events and Disasters Emergency Committee (DEC) appeals	5.5	3.2
Income from government and other public authorities	0.9	1.4
Irrecoverable VAT	1.3	1.1
Support costs	0.2	0.2
Other	5.8	5.9
	<b>20.8</b>	<b>18.6</b>

#### **b. Investment management costs**

	<b>2006</b>	<b>2005</b>
	<b>£ m</b>	<b>£ m</b>
Staff costs	0.1	0.2

#### **c. Charitable activities**

##### **i. Functional analysis**

Expenditure on charitable activities can be analysed by the three main areas of activity as follows:

	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2006</b>	<b>2005</b>
	<b>Activities</b>	<b>Grant</b>	<b>Support</b>	<b>Total</b>	<b>Total</b>
	<b>undertaken</b>	<b>funding of</b>	<b>costs*</b>	<b>£ m</b>	<b>restated</b>
	<b>directly</b>	<b>activities</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
Humanitarian	79.7	10.5	9.7	99.9	60.7
Gifts in Kind (mainly Food Aid)	12.2	—	—	12.2	5.0
Total humanitarian	91.9	10.5	9.7	112.1	65.7
Development	53.9	27.8	9.6	91.3	72.1
Campaigning and advocacy	10.1	2.3	2.0	14.4	12.3
	<b>155.9</b>	<b>40.6</b>	<b>21.3</b>	<b>217.8</b>	<b>150.1</b>

\*It is not appropriate to split support costs between activities undertaken directly and grant making activities due to the dual role played by programme support functions.

Oxfam's relief and development programme can also 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:

	Humanitarian £ m	Development £ m	Campaigning and advocacy £ m	2006 Total £ m	2005 Total restated £ m
A sustainable livelihood	—	35.2	2.9	38.1	25.6
Right to basic social services	—	16.5	3.5	20.0	16.2
Life and security	102.4	2.8	2.7	107.9	67.1
Right to be heard	—	13.0	1.6	14.6	12.4
Right to equity (gender & diversity)	—	14.2	1.7	15.9	10.9
Total costs of activities and grants	102.4	81.7	12.4	196.5	132.2
Support costs	9.7	9.6	2.0	21.3	17.9
Total charitable activities	112.1	91.3	14.4	217.8	150.1

## ii. Grants payable

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.

The top 50 financial grant recipients in 2005/06 are listed below.

<b>Name of Institution</b>	<b>No of grants</b>	<b>£'000</b>	<b>Geographic Region</b>
1) Muslim Aid	3	1,743	Global
2) Shillale Rehabilitation & Ecological Concern	11	989	HECA
3) Merlin	4	869	HECA
4) Action Against Hunger UK	2	547	HECA
5) Groupement des Artisans Ruraux de Intadeni	9	444	West Africa
6) Tassaght	10	423	West Africa
7) Association pour le Développement Endogène du Sahel	10	413	West Africa
8) Horn of Africa Voluntary Youth Committee	17	412	HECA
9) Social Welfare Organisation Ampara District	7	407	South Asia
10) WatSan Village Councils	5	378	MEEECIS
11) East People Org for Welfare and Economic Reform	1	333	South Asia
12) Financial Fund Development	3	305	MEEECIS
13) Associação Programa Um Milhão de Cisternas	5	290	South America
14) Sungi Development Foundation	8	273	South Asia
15) Financial Fund Microloan	3	265	MEEECIS
16) Social Welfare Society Akkaraipattu	1	246	South Asia
17) Doaba Foundation	13	227	South Asia
18) Missão Criança	3	225	South America
19) União Dos Camponeses e Associações da Zona Norte de Niassa	5	213	Southern Africa
20) Small Business Development Foundation	2	212	MEEECIS
21) Society For Education, Village Action and Improvement	5	207	South Asia
22) Action for Development	2	200	HECA
23) Wajir South Development Association	5	192	HECA
24) Corporación Centro Regional de Derechos Humanos y Justicia de Género, HUMANAS	4	183	South America
25) Centro de Assessoria e Apoio aos Trabalhadores e Instituições não Governamentais Alternativas	2	182	South America
26) Community Enterprise Forum International	3	178	South Asia
27) Projects Office - Blantyre Synod	2	172	Southern Africa
28) Association pour la Renaissance de l'Élevage au Niger	7	156	West Africa
29) Young Sheedi Welfare Organization	4	150	South Asia
30) Quilon Social Service Society	1	148	South Asia
31) Organismo Cristiano de Desarrollo Integral	7	148	CAMEXCA
32) Asociación de Organismos No Gubernamentales	6	145	CAMEXCA
33) The Covenant Centre for Development	3	139	South Asia
34) Bac Ai District People's Committee	2	137	East Asia
35) People and Planet	2	133	Global
36) The Windward Island Farmers Association	5	133	CAMEXCA
37) Afar Pastoralist Development Association	2	132	HECA
38) RECOCARNO	3	131	CAMEXCA
39) Centre de Promotion Socio-Sanitaire	1	130	HECA
40) Yemen Women Union	3	130	MEEECIS
41) Support To Communities	3	127	MEEECIS
42) Presencing Research Institute	1	125	Southern Africa
43) Africa Inland Church of Tanzania, Diocese of Shinyanga	4	125	HECA
44) Acciōn Mística Cristiana	1	119	CAMEXCA
45) Aran — Humanitarian Regional Development Organisation, Barda	5	118	MEEECIS
46) Ahmedabad Women's Action Group	3	117	South Asia
47) Caribbean Policy Development Centre	4	115	CAMEXCA
48) Sarvodaya	7	113	South Asia
49) Partnership for Development in Kampuchea	1	112	East Asia
50) Kibera Slums Education Programme	1	112	HECA
		<u>13,523</u>	

The grants made by Oxfam GB to other Oxfams in 2005/06 are listed below.

Name of Other Oxfam	No of grants	£'000	Geographic region
Oxfam America	9	1,114	CAMEXCA, East Asia, HECA, Global
Oxfam Australia	3	69	East Asia, South Asia
Oxfam-in-Belgium	6	109	CAMEXCA, East Asia, MEEECIS
Oxfam Canada	3	150	CAMEXCA, HECA
Oxfam Germany	1	170	Global
Oxfam Hong Kong	1	121	East Asia
Intermon Oxfam (Spain)	19	704	CAMEXCA, South America, West Africa, Global
Oxfam International	7	679	West Africa, Global
Oxfam Ireland	1	34	HECA
Oxfam New Zealand	1	60	East Asia
Novib (Oxfam Netherlands)	5	321	East Asia, MEEECIS, Global
Oxfam Quebec	9	239	East Asia, West Africa
Grand Total		<u>3,770</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. Global - the grants apply to more than one region.

	£'000
Total value of largest grants	13,523
Total value of grants to other Oxfams	3,770
Other grants	<u>23,363</u>
Total grants payable in furtherance of the charity's objects	<u>40,656</u>
Total number of grants made	1,782

iii. The values of grants received by Oxfam GB from other Oxfams in 2005/06 are listed below.

	£'000
Oxfam America	854
Oxfam Australia	1,050
Oxfam-in-Belgium	19
Oxfam Canada	1,052
Oxfam Germany	104
Oxfam Hong Kong	1,555
Intermon Oxfam (Spain)	520
Oxfam Ireland	2,368
Oxfam New Zealand	141
NOVIB (Oxfam Netherlands)	4,239
Oxfam Quebec	365
Total	<u>12,267</u>

The grants made to, and received by, Oxfam GB from the other Oxfams are separately determined by operational decisions based on the strategy or capacity of Oxfam affiliates in particular areas.

#### iv. Costs of activities

Oxfam's own overseas staff are involved in the delivery of the programme through the provision of specialist services (e.g. to address the water and sanitation needs of refugees) and through training and networking for local organisations. Included in 'Charitable activities' are all the in-country costs associated with programme delivery and monitoring of grants made to partner organisations e.g. direct programme costs, logistics, finance, human resources and programme management. This provides an accurate reflection of the true costs of our activities and support to those activities.

**v. Campaigning and advocacy**

Oxfam's campaigning and advocacy programme 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. This includes highlighting the issues we have identified and sharing the lessons learnt. 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.

**vi. Support costs**

Support costs 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. Support costs also now include the central costs, previously stated within management and administration, which include central finance, human resources and corporate communications. Support costs are analysed as follows:

	Trading £m	Fundraising £m	Humanitarian £m	Development £m	Campaigning & advocacy £m	2006 Total £m	2005 Total £m
Regional programme support	—	—	4.4	4.0	0.2	8.6	6.8
Central programme costs	—	—	4.0	4.5	1.7	10.2	8.7
Exchange rate differences	—	—	0.2	0.1	—	0.3	0.3
Systems implementation	—	—	—	—	—	—	0.2
Central finance	0.1	—	0.2	0.2	—	0.5	0.4
Central human resources	0.1	—	0.6	0.6	—	1.3	1.1
Corporate communications	—	0.2	0.3	0.2	0.1	0.8	0.9
<b>Total support costs</b>	<b>0.2</b>	<b>0.2</b>	<b>9.7</b>	<b>9.6</b>	<b>2.0</b>	<b>21.7</b>	<b>18.4</b>
Unrestricted	0.2	0.2	8.3	8.9	2.0	19.6	15.8
Restricted	—	—	1.4	0.7	—	2.1	2.6
	<b>0.2</b>	<b>0.2</b>	<b>9.7</b>	<b>9.6</b>	<b>2.0</b>	<b>21.7</b>	<b>18.4</b>

Support costs have increased in the current year, compared with last year. This partly reflects the significant increase in programme expenditure during the year, particularly humanitarian responses and the costs relating to supporting these programmes but also reflects the inclusion of new support costs arising from the introduction of SORP 2005.

The basis of allocation of support costs is detailed in the Accounting Policies under note 1h.

**d. Governance costs (see note 1g)**

	2006 £ m	2005 £ m
Finance, trustees & legal costs	0.2	0.2
Audit fee	0.1	0.1
Internal audit	0.5	0.5
Directors costs	0.1	0.1
Communications	0.1	0.1
	<b>1.0</b>	<b>1.0</b>

## e. Other resources expended

	<b>2006</b>	<b>2005</b>
	<b>£ m</b>	<b>£ m</b>
Head office relocation costs	1.5	0.6
Other	0.5	0.2
	<b>2.0</b>	<b>0.8</b>

## 4 EMPLOYEES

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

	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>Head</b>	<b>Head</b>	<b>FTE</b>	<b>FTE</b>
<b>GB Payroll</b>	<b>count</b>	<b>count</b>		
Trading Division	977	925	781	738
Marketing Division	179	187	170	177
Corporate Functions	186	162	168	147
Campaigns and Policy	189	173	176	161
Programme Headquarters	204	188	194	177
Programme Overseas*	339	268	339	267
	<b>2,074</b>	<b>1,903</b>	<b>1,828</b>	<b>1,667</b>
<b>Overseas Payroll*</b>	<b>4,129</b>	<b>2,597</b>	<b>N/A</b>	<b>N/A</b>
	<b>6,203</b>	<b>4,500</b>	<b>N/A</b>	<b>N/A</b>

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 increase in Overseas employees is due to Oxfam's continuing response during 2005/06 to the Asian Tsunami and the increase in staff required to respond appropriately to the other humanitarian crises arising in the year (e.g. the South Asia earthquake).

Oxfam's employment policies 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

	<b>2006</b>	<b>2005</b>
	<b>£ m</b>	<b>£ m</b>
GB Payroll		
Salaries	42.3	37.6
National Insurance	3.3	3.1
Pension scheme	2.3	2.4
GB payroll staff costs	47.9	43.1
Overseas payroll staff costs	35.7	24.6
Total staff costs	<b>83.6</b>	<b>67.7</b>

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.

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 table below shows the number of higher paid staff with emoluments falling in the following ranges. Emoluments include salary and taxable benefits in kind and other payments to employees. The total emoluments of the Director (Chief Executive) were £90,505. For key members of staff working in our International Programme, emoluments include accommodation, education and medical costs, which allows us to be appropriately competitive in recruiting and retaining such staff in a global job market. Salaries for these staff are determined on a net (after tax) basis and high rates of income tax in certain countries result in high levels of gross salary.

	<b>2006 Total</b>	<b>2005 Total</b>
£60,000 to £69,999	12	12
£70,000 to £79,999	5	2
£80,000 to £89,999	1	1
£90,000 to £99,999	2	1
£100,000 to £109,999	—	1*

\* This includes a one-off payment.

Retirement benefits are accruing under defined benefit schemes for 10 (2004/05: 10) higher paid employees. In addition, Oxfam paid £51,997 (2004/05: £93,711) into a defined contribution pension scheme for 10 (2004/05: 7) higher paid employees.

## **6 TRUSTEES' EXPENSES**

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Members of Oxfam's Council of Trustees receive no remuneration for their services. Directly incurred expenses of the trustees borne by the charity in 2005/06, paid to 14 (2004/05: 13), were:

	<b>2006 £ '000</b>	<b>2005 £ '000</b>
Total trustees expenses	26	21

The most significant element of trustees' expenses are costs of visits to overseas programmes.

## **7 SURPLUS FOR THE FINANCIAL YEAR is stated after charging/(crediting):**

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	<b>2006 £ m</b>	<b>2005 £ m</b>
Depreciation of tangible fixed assets	4.5	4.3
Hire of vehicles and equipment	3.3	3.1
Property rental	16.3	15.6
Auditors remuneration — statutory audit (GB)	0.1	0.1
Auditors remuneration — audit (overseas)	0.1	0.1
Auditors remuneration — non-audit services	0.1	—
Rental income	(1.0)	(0.8)
Exchange rate differences	(0.5)	0.8
Income from endowment capital	—	(0.1)
Irrecoverable VAT	1.6	1.4

The reported exchange rate gain was £0.5m (2004/05: loss £0.8m). This reported gain 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 PRIOR PERIOD ADJUSTMENTS

The introduction of SORP 2005 and the full implementation of FRS17 has resulted in prior period adjustments to reserves. Details of the adjustments made are given below.

	Unrestricted funds movement £ m	Restricted funds movement £ m	Total funds movement £ m
FRS17 pension adjustments (8a)	(21.4)	—	(21.4)
Grants to partners creditor adjustment (8b)	1.7	2.0	3.7
Restricted fund balances transfer (8c)	2.0	(2.0)	—
Programme related investments adjustment (8d)	(0.2)	—	(0.2)
<b>1 May 2004 prior period adjustment</b>	<b>(17.9)</b>	<b>—</b>	<b>(17.9)</b>
<b>Adjustments to 2004/05 SOFA:</b>			
Reversal of the previous pensions policy (SSAP24) (8a)	3.7	—	3.7
Adoption of new pensions policy (FRS17):			
Current service cost	(1.8)	—	(1.8)
Finance costs	(0.4)	—	(0.4)
Actuarial loss on pension scheme (8a)	(5.5)	—	(5.5)
Grants to partners creditor adjustment (8b)	0.5	0.7	1.2
Restricted fund balances transfer (8c)	1.6	(1.6)	—
Programme related investments adjustment (8d)	(0.6)	—	(0.6)
<b>1 May 2005 prior period adjustment</b>	<b>(20.4)</b>	<b>(0.9)</b>	<b>(21.3)</b>

### 8a FRS17 pension adjustments

During the year the full provisions of FRS17 have been implemented, resulting in the inclusion of the defined benefit pension scheme liability in the balance sheet, the actuarial loss in the SOFA as an unrealised loss and the set up of a new unrestricted pension reserve. Previous amounts included in 2005 for pension scheme prepayments, creditors and designated pension fund balances have been removed.

### 8b Grants to partners creditor adjustment

In application of the accounting policy for 2004/05, Oxfam routinely accrued for a full year's liability for multi-year contracts. In line with the extended guidance in the new SORP, Oxfam has reviewed the treatment of multi-year grants and considers that, as it is able to exit contracts within one year if the recipient has not satisfied the conditions, it is no longer necessary to accrue the additional year's liability. The prior period figures have been restated to reflect this change.

### 8c Restricted fund balances transfer

Oxfam has a significant level of restricted income and consequently a large number of individual funds to which expenditure is allocated. In the normal course of business, a final review of the allocation of expenditure is performed after a project has been completed. This can give rise to a transfer between funds. As part of the implementation of a new system in November 2005, Oxfam have performed a significant review of these individual funds. This review has led to a net reallocation of expenditure from unrestricted to restricted. Due to the scale of this adjustment, it has been processed as a prior period adjustment.

### 8d Programme related investments

Under SORP 2005, the investment in Cafédirect plc has been categorised as a programme related investment and therefore the carrying value has been restated from market value to the cost of the investment of £55,500. At 30th April 2005 the market value was £903,000 (30 April 2004: £251,678).

## 9 TANGIBLE FIXED ASSETS

### Oxfam

	Freehold property £ m	Leasehold property £ m	Furniture fixtures equipment £ m	Motor vehicles £ m	Total £ m
<b>Cost</b>					
At 1 May 2005	10.3	18.6	22.2	3.2	54.3
Additions	—	0.2	7.0	0.4	7.6
Disposals	(2.2)	(2.7)	(2.8)	(0.1)	(7.8)
At 30 April 2006	8.1	16.1	26.4	3.5	54.1
<b>Depreciation</b>					
At 1 May 2005	3.0	18.5	15.1	2.2	38.8
Charge for the year	0.2	0.1	3.7	0.4	4.4
Disposals	(0.7)	(2.7)	(2.7)	(0.1)	(6.2)
At 30 April 2006	2.5	15.9	16.1	2.5	37.0
<b>Net Book Value</b>					
At 30 April 2006	5.6	0.2	10.3	1.0	17.1
At 30 April 2005	7.3	0.1	7.1	1.0	15.5

### Oxfam Group

	Freehold property £ m	Leasehold property £ m	Furniture fixtures equipment £ m	Motor vehicles £ m	Total £ m
<b>Cost</b>					
At 1 May 2005	10.3	18.9	22.7	3.7	55.6
Additions	—	0.2	7.0	0.4	7.6
Disposals	(2.2)	(2.7)	(2.8)	(0.1)	(7.8)
At 30 April 2006	8.1	16.4	26.9	4.0	55.4
<b>Depreciation</b>					
At 1 May 2005	3.0	18.6	15.5	2.7	39.8
Charge for the year	0.2	0.1	3.7	0.5	4.5
Disposals	(0.7)	(2.7)	(2.8)	(0.1)	(6.3)
At 30 April 2006	2.5	16.0	16.4	3.1	38.0
<b>Net Book Value</b>					
At 30 April 2006	5.6	0.4	10.5	0.9	17.4
At 30 April 2005	7.3	0.3	7.2	1.0	15.8

The book value of land (which is not depreciated) included in freehold properties is £1.6 million (2005: £1.7 million). The net book value of leases over 50 years, grouped with the freeholds, is £0.1 million (2005: £0.1 million).

All tangible fixed assets are held for charitable use.

## 10 FIXED ASSET INVESTMENTS

### Oxfam

	Investments				Total £ m	Programme related investments	Fixed asset investments
	Freehold Property £ m	Cash £ m	Quoted £ m	Unquoted** £ m		Unquoted £ m	Total £ m
Market Value:							
At 1 May 2005	0.2	2.5	0.2	2.5	5.4	—	5.4
Revaluation	0.1	—	—	—	0.1	—	0.1
Disposals			(0.2)	(0.9)	(1.1)	—	(1.1)
At 30 April 2006	0.3	2.5	—	1.6	4.4	—	4.4

### Oxfam Group

	Investments				Total £ m	Programme related investments	Fixed asset investments
	Freehold Property £ m	Cash £ m	Quoted £ m	Unquoted £ m		Unquoted £ m	Total £ m
Market Value:							
At 1 May 2005 (restated *)	0.2	2.5	0.2	—	2.9	0.1	3.0
Revaluation	0.1	—	—	—	0.1	—	0.1
Disposals			(0.2)	—	(0.2)	—	(0.2)
At 30 April 2006	0.3	2.5	—	—	2.8	0.1	2.9

\* see note 10b.

### 10a Investments

\*\* This includes a loan of £1.6 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 2% above LIBOR. Terms regarding interest are agreed between the parties, and repayment is due in three equal instalments following the issue of a repayment notice.

Freehold investment properties with an original cost of £0.1 million are included in the Balance Sheet at market value of £0.3 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 the guidelines issued by the Royal Institute of Chartered Surveyors.

At 30 April 2006, 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	Minority interest	Consolidation
Oxfam Activities Limited	United Kingdom	Raises funds through trading activities	Ordinary	100%	0%	Yes
On the Line Trust Limited	United Kingdom	Dormant	Ordinary	100%	0%	No (not material)
Progreso Caf s Ltd	United Kingdom	Fair Trade cafes	Ordinary	50%	50%	Yes
Coffee Producers Company Ltd	United Kingdom	Dormant	Special share	OGB have control of activities but no right to the assets	100%	No (not material)

All the subsidiaries have a 30th April financial year end with the exception of the Coffee Producers Company Ltd which has a 30th June year end.

The aggregate total amount invested in all Oxfam's subsidiaries is £1.7m (2004/05: £2.6m).

Their financial results for the year were:

	<b>Oxfam Activities Ltd</b>		<b>Progreso Cafés Ltd</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
Income	16.8	15.6	0.6	0.2
Expenditure	(14.7)	(13.6)	(0.6)	(0.3)
Trading profit/(loss)	2.1	2.0	—	(0.1)
Loan interest paid to Oxfam	(0.2)	(0.2)	—	—
Profit gift aided to Oxfam	(1.9)	(1.7)	—	—
Profit/(loss) for the year	—	0.1	—	(0.1)
Net Assets at 30 April 2006	0.1	0.1	(0.1)	(0.1)

On the Line Trust Limited and Coffee Producers Company Limited were dormant for both 2005 and 2006 and have no net assets.

The Minority Interest of Progreso Cafés Limited for the Statement of Financial Activities was £14,980 and for the balance sheet was £44,468.

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.

<b>Organisation name</b>	<b>Country of registration</b>	<b>Nature of business</b>
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

## **10b Programme related investments**

### **Cafédirect plc**

This comprises 903,000 ordinary shares of 25p each 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. Under SORP 2005, this investment is categorised as a programme related investment and therefore the carrying value at 30th April 2005 has been restated from the market value of £903,000 to its cost of £55,000.

### **The Guardian Share Company Limited**

Oxfam Activities Limited holds a 25% shareholding (one £1 ordinary share) in The Guardian Share Company Limited. This company, which is jointly owned by the founding members of Cafédirect (including OAL Ltd) aims to promote fair trade through Cafédirect plc and, through its holding of one 25p special share in Cafédirect plc, aims to promote the application of the objects of Cafédirect plc.

### **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, after considering impairment, are immaterial in total and therefore have not been consolidated. The payments to these entities have been treated in accordance with the accounting policy.

<b>Organisation name</b>	<b>Country of registration</b>	<b>Nature of business</b>	<b>Class of share capital held</b>	<b>Portion held by parent company</b>
Finance for Development Limited	Azerbaijan Republic	Operating micro credit schemes	Ordinary	100%
New Horizon LLC	Armenia	Operating micro credit schemes	—	—
Small Business Development Foundation	Georgia	Operating micro credit schemes	—	—

## 11 STOCKS

	Oxfam		Oxfam Group	
	2006 £ m	2005 £ m	2006 £ m	2005 £ m
Oxfam trading stocks	—	—	1.7	0.9
Humanitarian supplies	1.2	0.9	1.2	0.9
Other stocks	0.4	0.3	0.4	0.3
	1.6	1.2	3.3	2.1

## 12 DEBTORS

	Oxfam		Oxfam Group	
	2006 £ m	2005 restated* £ m	2006 £ m	2005 restated* £ m
Tax recoverable	9.5	7.1	9.5	7.1
Amounts due from institutional donors	7.1	3.4	7.1	3.4
Other debtors	4.2	1.5	4.5	1.9
Prepayments	3.8	2.9	3.9	3.0
Accrued income	0.9	0.6	0.9	0.4
	25.5	15.5	25.9	15.8

\* In accordance with the full implementation of the provisions of FRS17 during 2006, pension prepayments at 30 April 2005 have been removed.

## 13 CASH AT BANK AND IN HAND

	Oxfam		Oxfam Group	
	2006 £ m	2005 £ m	2006 £ m	2005 £ m
Cash on short term deposit	48.0	39.5	48.0	39.5
Cash and bank balances	25.8	30.8	25.6	30.9
	73.8	70.3	73.6	70.4

## 14 CREDITORS - Amounts falling due within one year

	Oxfam		Oxfam Group	
	2006 £ m	2005 restated* £ m	2006 £ m	2005 restated* £ m
Amount due to subsidiaries	0.1	1.5	—	—
Trade creditors	6.1	5.3	6.8	5.7
Accruals	5.4	5.7	5.4	5.9
Deferred income **	1.0	—	1.0	—
Other tax and social security	1.2	1.0	1.2	1.0
Interest-free loans	0.2	0.3	0.2	0.3
	14.0	13.8	14.6	12.9

\* Grants due to partners in the following year have been treated as commitments falling due within one year rather than year-end creditors. 2005 comparatives have been restated accordingly (see note 8 for further details).

\*\* The deferred income has arisen during the year.

**15 CREDITORS - Amounts falling due after more than one year**

	Oxfam		Oxfam Group	
	2006 £ m	2005 £ m	2006 £ m	2005 £ m
Loans *	—	—	0.1	0.1
Deferred income **	2.0	—	2.0	—
	2.0	—	2.1	0.1

\* There is no security on the loan and no interest is payable.

\*\* The deferred income has arisen during the year.

**16 PROVISIONS FOR LIABILITIES AND CHARGES**

	Oxfam & Oxfam Group			
	End of Contract £ m	Dilapidations £ m	Other £ m	Total £ m
At 1 May 2005	3.8	1.5	1.4	6.7
Movement in the year	2.1	(0.6)	(0.3)	1.2
At 30 April 2006	5.9	0.9	1.1	7.9

The end of contract provision is a two-fold arrangement for staff on non-UK contracts. The first element is gratuity, where a lump sum is paid at the end of their contract in lieu of Oxfam paying monthly amounts into a pension scheme. The second element is loyalty, which is paid specifically to staff on fixed term contracts as an incentive to complete the full period of service.

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.

**17 CONTINGENT LIABILITIES**

The following contingent liabilities existed at 30 April: one legal case against Oxfam GB in Pakistan (£366,000); two legal cases against Oxfam (India) Trust (£58,000); one legal case in the DRC (£25,000) and a potential tax liability in South Africa (£5,000).

Furthermore, members of Oxfam's defined benefit scheme are entitled to join a Growth Plan into which they can pay additional voluntary contributions to fund additional benefits. Oxfam does not make employer contributions into the Plan but under new government regulations which came into force in September 2005 there is a potential employer liability on withdrawal from the plan or in the event of the Plan winding up when it is not fully funded on a buy-out basis. The amount of employer liability on withdrawal for Oxfam as at 30th September 2005 has been calculated as £1,031,587. However, Oxfam has no intention of withdrawing from the Plan and at this moment in time the trustees of the Plan have no intention of winding it up; it is therefore unlikely that the liability will crystallise in the foreseeable future.

## 18 ENDOWMENT FUNDS

	At 1 May 2005 £ m	Transfers in year* £ m	At 30 April 2006 £ m
<b>Permanent endowment funds</b>			
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
<b>Expendable endowment funds</b>	0.2	(0.2)	—
	2.8	(0.2)	2.6

Income generated by The Mary & Henry Makinson Spink Memorial Fund is used for unrestricted purposes. Income generated by The Ellen & Ronald Carr-Webb Memorial Trust Fund is required to be used for restricted purposes. The income from the other permanent endowment funds is mainly restricted.

The expendable endowment funds are represented by shares given to Oxfam on the condition the shares will not be sold for a given period. The income from these funds is unrestricted.

\* Transfers from endowment funds to general reserves represent shares given to Oxfam whose preconditions for realisation expired during the year.

## 19 RESTRICTED FUNDS

	At 1 May 2005 as previously stated £ m	Prior period adjustment £ m	At 1 May 2005 as restated £ m	Income £ m	Expenditure £ m	At 30 April 2006 £ m
<b>REGIONAL FUNDS</b>						
CAMEXCA	0.7	(0.3)	0.4	3.6	(3.0)	1.0
HECA	1.4	(2.4)	(1.0)	23.3	(20.5)	1.8
West Africa	(0.9)	1.9	1.0	8.4	(9.8)	(0.4)
Humanitarian	—	0.3	0.3	0.7	(1.0)	—
MEEECIS	0.7	0.3	1.0	2.7	(3.4)	0.3
Southern Africa	1.3	(2.0)	(0.7)	7.6	(6.8)	0.1
South Asia	1.9	1.0	2.9	25.4	(27.6)	0.7
UKPP	0.2	(0.1)	0.1	0.3	(0.4)	—
South America	0.3	0.1	0.4	2.0	(1.6)	0.8
East Asia	0.5	(0.2)	0.3	16.0	(13.8)	2.5
Goods in Kind	—	—	—	12.2	(12.2)	—
Oxfam Unwrapped	3.5	0.1	3.6	13.9	(5.9)	11.6
Other Funds	0.5	0.6	1.1	1.1	(1.4)	0.8
DFID - Partnership Programme Agreement	0.2	—	0.2	9.5	(9.5)	0.2
<b>APPEALS</b>						
Asian Tsunami	9.0	0.1	9.1	0.1	(8.3)	0.9
Darfur/Chad	5.3	(0.1)	5.2	0.2	(4.2)	1.2
South Asia earthquake	—	—	—	8.2	(5.1)	3.1
West Africa Food Crisis	—	—	—	4.0	(1.4)	2.6
Southern Africa Food Crisis	—	0.3	0.3	0.7	(1.0)	—
Horn and East Africa Crisis	—	—	—	1.0	(0.4)	0.6
Other Appeal Funds	1.9	(0.5)	1.4	0.5	(0.6)	1.3
	26.5	(0.9)	25.6	141.4	(137.9)	29.1

For the following appeals, the income and expenditure can be found within both the Appeals and Regional Funds sections as shown above.

## OXFAM: ACCOUNTS FOR THE YEAR ENDING 30 APRIL 2006

The total Asian Tsunami income and expenditure for the year can be analysed as follows:

	At 1 May 2005	Prior period adjustment	At 1 May 2005 as restated	Income	Expenditure	At 30 April 2006
	£ m	£ m	£ m	£ m	£ m	£ m
Emergency Appeal Fund	9.0	0.1	9.1	0.1	(8.3)	0.9
East Asia	0.2	(0.1)	0.1	13.2	(11.2)	2.1
South Asia	3.4	—	3.4	9.9	(11.8)	1.5
MEEECIS *	—	—	—	0.6	(0.9)	(0.3)
Total	12.6	—	12.6	23.8	(32.2)	4.2

\* These funds were spent in Somalia, Indonesia and Sri Lanka but managed by the MEEECIS region as part of their relationship with our partner Muslim Aid.

The total Darfur/Chad fund balances can be analysed as follows:

	At 1 May 2005	Prior period adjustment	At 1 May 2005 as restated	Income	Expenditure	At 30 April 2006
	£ m	£ m	£ m	£ m	£ m	£ m
Emergency Appeal Fund	5.3	(0.1)	5.2	0.2	(4.2)	1.2
HECA	(2.4)	—	(2.4)	7.3	(6.4)	(1.5)
West Africa	0.1	—	0.1	1.9	(2.4)	(0.4)
Total	3.0	(0.1)	2.9	9.4	(13.0)	(0.7)

The total South Asia earthquake balances can be analysed as follows:

	At 1 May 2005	Prior period adjustment	At 1 May 2005 as restated	Income	Expenditure	At 30 April 2006
	£ m	£ m	£ m	£ m	£ m	£ m
Emergency Appeal Fund	—	—	—	8.2	(5.1)	3.1
South Asia	—	—	—	11.6	(12.0)	(0.4)
Total	—	—	—	19.8	(17.1)	2.7

The total West Africa Food Crisis appeal balances can be analysed as follows:

	At 1 May 2005	Prior period adjustment	At 1 May 2005 as restated	Income	Expenditure	At 30 April 2006
	£ m	£ m	£ m	£ m	£ m	£ m
Emergency Appeal Fund	—	—	—	4.0	(1.4)	2.6
West Africa	—	—	—	4.9	(5.1)	(0.2)
Total	—	—	—	8.9	(6.5)	2.4

The total Southern African Food Crisis appeal balances can be analysed as follows:

	At 1 May 2005	Prior period adjustment	At 1 May 2005 as restated	Income	Expenditure	At 30 April 2006
	£ m	£ m	£ m	£ m	£ m	£ m
Emergency Appeal Fund	0.2	0.1	0.3	0.7	(1.0)	—
Southern Africa	(0.1)	—	(0.1)	7.6	(7.0)	0.5
Total	0.1	0.1	0.2	8.3	(8.0)	0.5

Fund balances may be negative 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 total deficit fund balances amounted to £11.8m. 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.

## 20 UNRESTRICTED FUNDS

Movements on unrestricted funds are as follows:

Oxfam	General reserves	Designated fund fixed assets**	Designated fund pension	Designated fund other	Pension reserve	Total
	£ m	£ m	£ m	£ m	£ m	£ m
At 1 May 2005 as previously stated	33.1	15.7	4.1	3.7	—	56.6
Prior period adjustment *	6.6	—	(4.1)	—	(22.1)	(19.6)
At 1 May 2005 restated	39.7	15.7	—	3.7	(22.1)	37.0
Surplus/(deficit) for the year	11.3	(0.4)	—	—	(1.9)	9.0
Gains and losses	—	—	—	—	(2.6)	(2.6)
Transfers between funds	(3.2)	(0.7)	—	0.8	3.3	0.2
At 30 April 2006	47.8	14.6	—	4.5	(23.3)	43.6

Oxfam Group	General reserves	Designated fund fixed assets **	Designated fund pension	Designated fund other	Pension reserve	Funds held in non-charitable subsidiary	Total
	£ m	£ m	£ m	£ m	£ m	£ m	£ m
At 1 May 2005 as previously stated	32.7	16.7	4.1	3.8	—	—	57.3
Prior period adjustment *	6.6	(0.8)	(4.1)	(0.1)	(22.1)	0.1	(20.4)
At 1 May 2005 restated	39.3	15.9	—	3.7	(22.1)	0.1	36.9
Surplus/(deficit) for the year	11.3	(0.4)	—	—	(1.9)	—	9.0
Gains and losses	—	—	—	—	(2.6)	—	(2.6)
Transfers between funds	(3.2)	(0.7)	—	0.8	3.3	—	0.2
At 30 April 2006	47.4	14.8	—	4.5	(23.3)	0.1	43.5

\* See note 8.

\*\* Included in the designated fund fixed assets is a revaluation reserve of £0.1m.

The movement in 'Designated fund other' is analysed as follows:

	At 1 May 2005 £ m	2005 Revision £ m	Surplus for the year £ m	Transfers between funds £ m	At 30 April 2006 £ m
Incomplete operational programmes	3.6	—	—	0.8	4.4
Seoul peace prize	0.1	—	—	—	0.1
<b>Oxfam</b>	3.7	—	—	0.8	4.5
Retained Profit in OAL	0.1	(0.1)	—	—	—
<b>Oxfam Group</b>	3.8	(0.1)	—	0.8	4.5

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.

The revision to the accounts for the year to 30 April 2005 represents the requirement to include funds retained by subsidiary undertakings in a separate fund.

Transfers to/(from) the fixed asset designated fund represent capital additions less disposal proceeds. Transfers to other designated funds represent additional incomplete operational programmes at 30 April 2006 compared with 30 April 2005. Transfers to the pension reserve represent contributions paid into the scheme during the year.

## 21 COMMITMENTS

### a. Capital

At 30 April 2006 there were no capital commitments (30 April 2005: £nil).

### 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	
	2006 £ m	2005 restated £ m	2006 £ m	2005 restated £ m
Within one year	10.0	4.9	10.0	4.9
Between two and five years	1.7	3.0	1.7	3.0
	<u>11.7</u>	<u>7.9</u>	<u>11.7</u>	<u>7.9</u>

### c. Operating leases

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

	Oxfam		Oxfam Group	
	2006 £ m	2005 £ m	2006 £ m	2005 £ m
<b>i) Land and Buildings</b>				
Operating leases which expire:				
Within one year	3.4	2.7	3.4	2.7
In the second to fifth years inclusive	8.4	6.2	8.4	6.9
After five years	5.2	6.1	5.2	6.1
	<u>17.0</u>	<u>15.0</u>	<u>17.0</u>	<u>15.7</u>
<b>ii) Vehicles</b>				
Operating leases which expire:				
Within one year	—	—	—	—
In the second to fifth year inclusive	0.1	0.2	0.1	0.3
	<u>0.1</u>	<u>0.2</u>	<u>0.1</u>	<u>0.3</u>

### 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. A full actuarial valuation was carried out at 30th September 2004 and updated to 30 April 2006 by a qualified independent actuary.

The scheme was closed to new members on 31 January 2003. As a result, the current service cost increases as the members of the scheme approach retirement. The scheme is funded and the employer's contribution is 9.8% of pensionable pay (2004/05: 13.7%). The employee's contribution is 5.0% of pensionable pay. The pension costs for this scheme for the year were £1.9 million (2004/05: £2.2m). Contributions paid by Oxfam GB during the year were £3.2 million (2004/05: £2.4 million). In addition, Oxfam Ireland and Oxfam International paid £0.1m of contributions into the scheme for their employees.

As required by FRS17, the defined benefit liabilities have been measured using the projected unit method. The tables below state the FRS17 actuarial assumptions upon which the valuation of the scheme was based.

## Financial assumptions

	April 2006 %	April 2005 %	April 2004 %
Rate of increase in salaries	4.30	4.00	4.50
Rate of increase of pensions (deferred and in payment)	2.80	2.50	2.50
Rate of inflation	2.80	2.50	2.50
Rate used to discount scheme liabilities*	5.10	5.30	5.85

\*Under FRS17 the rate used to discount scheme liabilities is based on corporate bond yields.

## Scheme assets and expectation of return

	April 2006 £ m	April 2005 £ m	April 2004 £ m
Equities	41.1	36.0	32.4
Government Bonds	20.2	12.3	10.6
Cash	0.4	0.4	0.5
Total fair value of assets	61.7	48.7	43.5
Present value of scheme liabilities	(85.0)	(70.8)	(60.3)
Net pension liability	(23.3)	(22.1)	(16.8)

	Expected rate of return at 2006 %	Expected rate of return at 2005 %	Expected rate of return at 2004 %
Equities	8.00	8.00	8.00
Government Bonds	4.50	5.00	5.00
Cash	4.50	4.25	4.00
<b>Total</b>	<b>6.83</b>	<b>7.21</b>	<b>7.22</b>

## Analysis of amounts charged to statement of financial activities

	2006 £ m	2005 £ m
Current service cost	1.7	1.8
Interest cost on scheme liabilities	3.8	3.6
Expected return on assets in the scheme	(3.6)	(3.2)
Net finance charge	0.2	0.4
Actual return less expected return on pension scheme assets	6.5	(0.1)
Experience gains on liabilities	0.1	1.0
Changes in assumptions underlying the present value of scheme liabilities	(9.2)	(6.4)
Total actuarial loss recognised	(2.6)	(5.5)

## The movement in the charity's share of the scheme's deficit during the year is made up as follows:

	2006 £ m	2005 £ m
Deficit at the beginning of the year	(22.1)	(16.8)
Current service cost	(1.7)	(1.8)
Contributions	3.3	2.4
Pension finance charge	(0.2)	(0.4)
Actuarial loss	(2.6)	(5.5)
Deficit at the end of the year	(23.3)	(22.1)

**History of experience gains and losses**

	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Difference between the expected and actual return on scheme assets (£m)	6.5	(0.1)	1.9	(9.6)
As % of scheme assets	10.6%	(0.3%)	4.3%	(31.1%)
Experience gains on scheme liabilities (£m)	0.1	1.0	0.1	1.4
As % of liabilities	0.1%	1.5%	0.1%	2.5%
Total amount that has been recognised in the SOFA (£m)	(2.6)	(5.5)	3.7	(10.1)
As % of liabilities	(3.1%)	(7.8%)	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 £475,639 (2004/05: £172,276) to this pension scheme in relation to the year ending 30 April 2006.

**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.

**22 ANALYSIS OF GROUP NET ASSETS BETWEEN FUNDS**

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Endowment funds</b>	<b>Total funds</b>
	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>	<b>£ m</b>
Fund balances at 30 April 2006 are represented by:				
Tangible fixed assets	17.4	—	—	17.4
Investment assets	0.3	—	2.6	2.9
Current assets	73.7	29.1	—	102.8
Current and long term liabilities and provisions	(24.6)	—	—	(24.6)
Pension liability	(23.3)	—	—	(23.3)
<b>Total net assets at 30 April 2006</b>	<b>43.5</b>	<b>29.1</b>	<b>2.6</b>	<b>75.2</b>

**23 RELATED PARTY TRANSACTIONS**

During the year, Ruth Mayne, the wife of Phil Bloomer who is a member of the Corporate Management Team, undertook consultancy work for Oxfam giving advice and support for the West Africa Food Crisis. Ruth Mayne also wrote two reports; one on the West Africa Food Crisis and another on Africa and Food Security. In line with Oxfam's standard consultancy terms and conditions, she received £7,560 in 2005/06 in respect of this work and was due an additional £3,600 at 30th April 2006 . There were no other related party transactions.

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The European Commission



ECHO



Department for  
International Development



The United Nations



The Big Lottery Fund



Disasters Emergency  
Committee



Comic Relief

Oxfam acknowledges funding from the Big Lottery Fund of £234,170 for The Million Cisterns Program in Brazil (spend £187,000), £63,270 for the Zambezia Education Program in Southern Africa (spend £91,000) and £167,989 for the UK Poverty Programme (spend £245,000). Oxfam received funding from the Commonwealth Education Fund (CEF) for £171,441 for support to the Global Campaign for Education in Southern Africa (spend £136,000) and £22,832 for the School Improvement Program in India (spend £49,000).

The Office of the United Nations High Commissioner for Refugees (UNHCR), United Nations World Food Program (WFP), Food and Agriculture Organisation of the United Nations (FAO), United Nations Office for the Coordination of Humanitarian Affairs (UNOCHA), United Nations Children's Fund (UNICEF), Canadian International Development Agency (CIDA), Development Cooperation Ireland (DCI), Swiss Development Cooperation (SDC), Danish International Development Agency (DANIDA), Swedish International Development Cooperation Agency (SIDA), German Ministry of Foreign Affairs, Norwegian Agency for Development Cooperation (NORAD), KfW Cooperation Financiere Allemande, World Bank, The Government of Luxembourg, Australian Agency for International Development (AusAID), Foreign and Commonwealth Office (FCO), Department for Work and Pensions.

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A boy plays with a hoop in Maira camp, northern Pakistan, after the devastating earthquake in October 2005. Oxfam supported more than 900,000 people in the region and provided people living in camps with clean water and sanitation facilities.

Photo: Dan Chung/Guardian Newspapers LTD

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