

**Food for the Hungry UK
Financial Statements
Year Ended 31st December 2005**

Company Number 2394988

Charity Number 328273

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Year Ended 31 December 2005**

Registered Company Number 2394988

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Directors
Mr B Wilson
Mr R L Hoag
Mr R Plumptre
Mrs M Findlay (resigned 12 December 2005)
Mrs R L Duke
Mrs G P Kelly
Mr S P Herbert

Secretary Mr S P Herbert

Registered Office
Nigel Wordingham Ltd
De Vere House
90 St Faiths Lane
Norwich
NR1 1NE

Accountant
Nigel Wordingham Ltd
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90 St Faiths Lane
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Bankers
Barclays Bank plc
Bank Plain
Norwich

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Food for the Hungry UK
Directors' and Trustees' Report for the year ended
31st December 2005

The directors present their report and accounts for the year ended 31st December 2005. They would like to take this opportunity to thank all the supporters of FH/UK for their prayers and generous gifts of time and money and to the staff sacrificially sharing their lives with the needy.

1. Legal Registration:

Food for the Hungry UK (FH/UK) is a Registered Charity No 328273. It is constituted as a company (No 2393988) limited by guarantee with no shares, being governed by a memorandum and articles of association.

Food for the Hungry UK (FH/UK) is an organisation of Christian motivation, working to address the physical and spiritual hungers of the poorest people in the world. It does so as part of a family of twelve autonomous national Food for the Hungry organisations. These collaborate and channel their support through a single implementing arm, Food for the Hungry International (FHI) that has Field Offices in over 25 of the poorest countries.

FH/UK has a Board of Non-Executive Directors (Trustees) that meet a minimum of three times a year, one of those meetings being the Annual General Meeting. All directors of the company are also trustees of the charity, and there are no other trustees. The Board has the power to appoint additional trustees as it considers fit. The number of trustees is not subject to any maximum, but may not be less than three. New Terms of Reference for the Board have been written and approved.

The experience and skill base of the Trustees contains the following:- Board membership for up to 16 years including two ex-members of the FHI main Board, FHI Field Office experience, FHI Financial Management, preparing and leading teams to the Field, organisational development, planning and management. All trustees are required to complete an "Introduction to FHI" course within their first year.

An Operations Management Committee exists to provide support to the Executive, including organisational and strategic development, and consideration of detailed matters for approval by the full Board. This Committee, which meets quarterly, consists of 2 or 3 members of the Board of Directors, and has no delegated powers.

As at 31st December 2005 there was one salaried employee, Mr Doug Wakeling, being the Executive Officer assisted by his wife Jackie on a part-time voluntary basis. Both work from home, involving no cost to FH/UK for rent. Mr Simon Herbert (Company Secretary) and other part-time and occasional volunteers give further unpaid support.

The responsibility of the Executive Officer and staff is to execute the strategic plan of the Board of Directors. Their principal activity is to stimulate UK support in the form of funds, people and prayer for the operation of FHI's international relief and development activities.

Food for the Hungry UK's Council of Reference consists of well-known Christians willing to be identified with, and to add credibility to, the organisation. They do not have official duties, but may be called upon to offer specific help in appropriate circumstances.

Risk management policy: a comprehensive review of risks is undertaken quarterly by the Operations Management Committee and documented in a Risk Register. This also identifies key risks to be managed with resultant Mitigation Action Plan.

Association with Food for the Hungry International (FHI)

FHI is a not-for-profit association incorporated in Geneva, Switzerland, which maintains programmes in over 25 of the world's poorest countries. International field staff number about 1700, most of whom are locally employed. FH/UK, together with FHI and each of the other nationally based organisations, has signed an International Covenant of common vision, principles and systems for working together.

Mr Bryan Wilson, a member of the FH/UK Board, is currently also appointed to serve on the Board of FHI with his term due to expire in February 2006

Mr Randy Hoag, the President of FHI serves on the FH/UK Board.

The Executive Officer of FH/UK serves as a member of FHI's Strategic Partnership Team (SPT). This international team of ten senior executives meets three times a year with the FHI President to make strategy and programme decisions regarding FHI.

Mrs Wakeling serves on an international Human Resources Development Council, meeting once a year and corresponding by email to develop professional HRD systems and accountability.

2. Objects and Activities:

Centred in and motivated by Christ, the international covenant of Food for the Hungry organisations is committed to working with poor people to overcome both physical and spiritual hunger and poverty worldwide. The primary emphasis is on long-term development among the extremely poor, recognising their dignity, creativity and ability to solve their own problems.

The focus of FHI's work is its "Vision of a Community," in which the community and its people are advancing towards their God-given potential by:

- Being equipped to progress beyond the meeting of their basic needs, and
- Having a growing group of Christians:
 - Loving God and one another
 - Manifesting the fruit of the Spirit
 - Reaching out to serve others

In support of this vision, FH/UK seeks to share the love of Christ by raising funds for FHI work overseas and recruiting and sending appropriate people to assist where most needed. Most of these overseas staff members were recruited and are employed by FH/UK, for secondment to FHI in their country of service. Such staff raise financial support to cover their employment costs from churches and from families and friends, with the assistance and facilitation of FH/UK. Other staff are hired directly by, and are salaried employees of, FHI in Field Offices and Support functions.

FH/UK continues to facilitate work teams to FHI fields. Teams number 6 – 12 people, and are generally for 2 – 4 weeks duration. Team members are responsible to raise funds to cover the costs of these trips, plus a contribution towards the cost of the work project.

Food for the Hungry UK also seeks to inform people in the UK about the causes of physical and spiritual hunger and poverty, about appropriate Christian responses and to share its vision of community.

FHI conducts its programmes without discrimination by politics, religion, race, disability or gender.

FH/UK maintains contact with other British Non-Governmental Development Organisations (NGDOs) by membership of BOND (the British Overseas NGOs in Development). We are also members of the Evangelical Alliance, Global Connections and the Jubilee Debt Campaign. The Executive Officer is a personal member of Global Connections and People in Aid. He is also a qualified member of ICASA's Charity Secretaries Group, the Institute of Fundraising and the Institute of Administrative Management.

Main specific objectives for the year included continued support of overseas staff, the Child Development Programme in Uganda and Rwanda and the Family and Community Transformation Programme in Bangladesh, together with the launch of a community sponsorship project in Kenya and growth in supporter numbers, income and overseas staff.

3. Achievements and performance:

Fund Raising:

Income increased over 60% in 2005 to total £209,090 (2004: £129,589). FH/UK's mailing list increased slightly over the year from just over 900 to 1100 names. The number of supporters giving to FH/UK by standing order rose significantly to 369, contributing an average of over £6,800 per month, supplemented by Gift Aid.

Field activities:

The year began with the relief effort in the aftermath of the Asian Tsunami already in full-swing. Despite blanket coverage by the Disasters Emergency Committee, £23,000 was given directly to FH/UK and used for the relief and development work of FHI in the worst affected regions.

Support for Child sponsorships continued to increase during the year, with a new total of 50 sponsored children from the Makhai centre in Uganda, 28 from Gikomero in Rwanda and one each from Mexabaj, Guatemala and Outfall, Bangladesh. This has brought real blessings to Makhai and Gikomero, as evidenced by the happy, smiling faces of children now able to grow strongly and do well at school. 60% of the people of Makhai are now above the poverty line, 75% are said to be Christians and the school is well equipped and well staffed. Such a different community to five years before when the school had failed, AIDS and health issues (especially child health) were rampant, alcoholism and under-age marriage were rife. Local officials find it incredible that they have achieved so much with only local resources, vitally backed by child sponsorship to turn their situation around. These communities are being transformed as they work towards achieving their Vision.

Highfield Church in Southampton has courageously taken ownership for the sponsorship of Nkunga village, located on the foothills of Mount Kenya. Nkunga has many extreme needs due to low rainfall and poor land with low crop yields, poor school attendance due to poverty or family pressure, no clean water, high levels of abuse and HIV/AIDS infection rates and large numbers of orphans (40%). Our vision is for holistic transformation of this devastated community and its people, restoring

broken relationships and building their capacity for change, equipping the churches, the community leaders and the families, so that they can progress towards their God-given potential to meet the needs of the children and then the wider community, especially those most vulnerable, people with HIV/AIDS, families hosting orphans, single parents, the elderly and sick. Highfield Church has generously pledged support at £19,000 per annum for the duration of the project, estimated at 7-10 years.

During the year we facilitated the funding of a borehole project in a school in a slum area of Nairobi, Kenya. This borehole was contracted to FH/Kenya and one person in UK took responsibility for raising the necessary funding.

Overseas and FHI Staff

John Marsden is FHI's Country Director in Bangladesh, and his wife, **Kate**, is Co-ordinator for International Staff there, also taking responsibility for developing and overseeing staff training. John is directly employed by FHI. They lead a large team of Bangla staff working in five regions of the country, with health, child education and a Human Resources Development programme (now renamed Family and Community Transformation Programme) that addresses wider social, emotional, mental and spiritual development through teaching of literacy, numeracy, legal rights, health and leadership skills in adult groups.

Peyara Begum lost her straw house three times due to flooding; her family often went hungry and became sick. She felt hopeless and cheated by powerful people who could read and write. Now she is a leader in her village and is trusted by her neighbours with managing a large group savings fund. She can now read, write and do accounts. Yet FHI has never given goods or loans to Peyara, but simply helped her and others to help one another out of poverty and injustice. The FHI value based Family and Community Transformation programme has taught them how to transform their own lives with confidence, skills and Biblical values. This costs around a \$1 a day to run a group of 12-15 families.

Despite the wonderful progress on the ground, there is a serious funding shortfall for this project in Bangladesh and now greater efforts are being made to recruit more supporters in the UK.

Naomi Hall is seconded to FHI/Kenya, and is Team Leader for the Mt Kenya Region. Her team is working in community mobilisation, with a focus on women's groups, orphans and those infected and affected by HIV/AIDS. This is achieved through building Godly church and community leadership and offering wider training as appropriate.

Daniel and Barbara Zeidan with their two children are seconded to FHI/Bolivia. Daniel is assisting the Country Director in La Paz with coordination of the country's large projects and communication with the various international donors. One aspect of this important work is to tackle the deeply rooted belief that women are worth less than men, which leads to violence, child malnutrition and infant mortality, risk during food shortages and lack of voice. FHI embodies gender strategy in all of its programmes, focusing on promoting education, income generation, leadership participation for women and teaching on the issue of domestic violence.

Mel Parslow is a social worker seconded to FHI/Guatemala, working in poor and remote communities to address physical and spiritual hungers. She happily reports: *"...communities really are being changed; the comparison between new communities and ones where FHI has worked for a while is very evident. Higher standards and more hope!"*

Martin and Trish Robertson, formerly seconded to FHI/Romania to work with FAF (Family Aid Foundation), a church partner in Cluj-Napoca are now working directly with that organisation and their contract with FH/UK has amicably ended. This followed a review of FHI's involvement in Romania, leading to rationalisation and subsequent closure of all ministries there.

Roman and Lorna Zischka with three children were also seconded to FHI/Romania, and are currently in a process of handing over their pioneering work with alcoholics to national staff.

New recruits: In addition, one couple and one single lady have been accepted as candidates for overseas assignment. They are all currently in training at Redcliffe College, Gloucester.

Rachel Poulton, a qualified social worker and children's nurse with previous experience with FHI in major relief situations, worked for one month to assist in the aftermath of the Asia Tsunami of 26th December 2004 and was able to provide important leadership to FHI's work in Thailand and Aceh, Indonesia.

Costs for seconded international staff (Robertsons, Zischkas, Zeidans, Naomi Hall and Mel Parslow) were covered by designated income. This designated income covers their personal allowance plus a 10% contribution to UK administration and in all cases is sufficient to also provide a fund for contingencies and furlough/homecoming costs.

Recruitment

Opportunities for overseas service with FHI continue to be shown on the FH/UK website, and this is updated monthly. The website of Christian Vocations also carries a short description of all vacancies and is most fruitful. We publish an overview of Food for the Hungry in Christian Vocations publication "Mission Matters" and we have a short organisational description in the World Service Enquiry guide, published by Christians Abroad.

Work Teams

The present focus for short term overseas work teams is based on church groups rather than recruiting individuals from around the country.

One such team of 10 young people, mainly from Highfield Church Southampton, were recruited, prepared and facilitated to work alongside FHI and local people in Makhai in Mbale district, Uganda, for 3½ weeks in August. The team worked alongside local people, helping to build teacher accommodation at the local school and sharing their faith. One team member explained how the Vision of FHI is really working, *"I learned how it is possible to facilitate change in communities that are open to God's leading, how the community really took responsibility and ownership"*. Another was amazed to hear them *"talk about all that God had done in Makhai just in the last four years....it was a privilege to be part of that"*.

Other Activities:

The Executive Officer attended two Strategic Partnership Team meetings, one in Los Angeles in May preceded by a meeting in Bangkok, Thailand in January. This was followed by a visit to the Tsunami-affected coast to view the relief work of the "We Love Thailand" coalition, of which FHI was a leading member and where the FHI

Vision of Community principles were being applied to the reconstruction of those devastated communities.

Simon Herbert, Gill Kelly and Bryan Wilson attended a Board Congress in Thailand in November for members of boards of all FHI member organisations. This was a truly inspiring time. Mrs Kelly and Mr Wilson were able to visit FHI work in Philippines afterwards

4. Future plans - agenda for 2006

There has been tremendous progress in 2005, but still much to be done, with an estimated 24,000 people dying every day from hunger or hunger related disease. We must continue together in this struggle using the gifts God has given us.

FH/UK is well aligned with FHI's focus of developing appropriate people to carry the Vision of a Community into the most needy places. New overseas staff bring new individual and church supporters with them, and these committed supporters continue to be our main source of income. We continue to be approached by the most excellent and appropriate people seeking long-term opportunities overseas and we also continue to facilitate teams for short-term opportunities overseas.

We will also continue to facilitate church teams for short-term programmes in field locations as a way both to encourage poor communities and to encourage growth in support in the UK for biblical development overseas.

Sponsorship of the Child Development Programme (CDP) remains a critical element of our strategy in supporting those most vulnerable and transforming impoverished communities. We will also encourage and facilitate more UK church communities to link and support FHI work in specific communities.

Our strategy will continue to be reviewed early in 2006 by the Board and management committee with the aim of ever expanding our capacity to fulfil all that God is calling us to do and linking those most impoverished and most vulnerable with the love, resources and support of their brothers and sisters, individuals and Churches, across the UK.

For this reason, it has been decided to strengthen the capacity of the executive team in 2006 to provide strategic leadership as well as a continuing strong focus on our core activities of raising overseas staff and work teams.

5. Financial Review:

Income from individual giving and churches totalled £207,347, being 61.9% higher than in 2004 (£128,064). No institutional grants were received in the year.

Most of this income was restricted for overseas projects. Unrestricted reserves increased by £12,842 to £59,020 during the year. The directors of the company consider these results for the year to be very satisfactory. FH/UK reserves are still within the parameters set by the trustees, and there is every reason to be confident for the future.

The results of the company for the year ended 31st December 2005 are set out in the attached financial statements drafted in accordance with the Companies Acts.

6. Risk Management:

As previously stated a comprehensive risk management process is in place. Key risks identified include:

- a) Small numbers of Board members (currently five). An expansion programme for the Board is underway
- b) Vulnerability to loss of one key staff member, in part covered by the appointment of an interim CEO.
- c) Overseas staff support depends on the same key staff member.

Employers Liability, Public Liability and Legal Expenses have been insured under a Charity Connect policy with Ansvar.

7. Reserves Policy;

Generally, the trustees do not hold large reserves. Historically the trustees have considered it prudent to retain a reserve to enable the charity to operate for 1 – 2 years on regular but lower levels of income. Given the stability of FH/UK cash flows, this policy is being reviewed to determine appropriate levels of reserves and how funds released can be effectively employed to achieve the vision.

8. Investment Policy:

There are no investments of the company, other than savings and deposit accounts that provide ready access to the funds. The policy of the company is:

- 1) Monies must not be invested in any instruments where ethical or reputational issues are contrary to the values of FH UK/FHI
- 2) The principal or capital amounts invested must not be at risk.

9. Statement of Responsibilities of Trustees/Directors:

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Small Company Rules

Advantage has been taken in the preparation of this report of the special exemptions applicable to small companies and in accordance with the Financial Reporting Standard for Smaller Entities.

Approval

This report was approved by the Board of Directors on..... 2006 and signed on its behalf.

-----Director

-----Director

Independent Auditor's report to the members of Food for the Hungry UK

We have audited the financial statements of Food for the Hungry UK for the year ended 31 December 2005 which comprise of pages 12 to 18. These financial statements have been prepared in accordance with the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, to the fullest extent permitted by law, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Respective responsibilities of directors and auditors

As described on page 8, the charity's trustees, who are also the company's directors, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

We read the Directors' and Trustees' Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

Independent Auditors report to the members of Food for the Hungry UK - **continued**

Basis of opinion - continued

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 Practices applicable to Smaller Entities, of the state of the charitable company's affairs as at 31 December 2005 and of its incoming resources and application of resources for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Nigel Wordingham Ltd
Chartered Accountants
and Registered Auditors

De Vere House
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NR1 1NE

2006