

INTERNATIONAL ALERT

STANDING INTERNATIONAL FORUM
ON ETHNIC CONFLICT, GENOCIDE
AND HUMAN RIGHTS
(Limited by Guarantee)

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2003



Company Registration Number 2153193
Registered Charity Number 327553



INTERNATIONAL ALERT

Standing International Forum on Ethnic Conflict, Genocide and Human Rights

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees

- * Leah Levin, Chair (UK)
- * Pauline Neville-Jones, Vice Chair (UK)
- * Philip Deer, Vice Chair (Australia)
- * Tahir Maher, Honorary Treasurer (UK)
Arnold Quainoo (Ghana)
Claes Cronstedt (Sweden)
- * Marianne Heiberg (Norway)
Ahmedou Ould-Abdallah (Mauritania) retired 29 April 2003.
John Tirman (USA)
Francis Deng (Sudan)
Henny van der Graaf (Netherlands)
Kamal Hossein (Bangladesh)
Wigberto Tañada (Philippines)
Swanee Hunt appointed 29 April 2003
- * Jan Pronk appointed 29 April 2003
- * Member of Management Advisory Committee

Principal Officers

Kevin Clements	Secretary General (to 30 September 2003)
Dan Smith	Secretary General (from 10 December 2003)
Susan McCready	Chief Operating Officer and Company Secretary
Andrew Webb	Director of Development

Auditors

Horwath Clark Whitehill
Chartered Accountants and Registered Auditors
25 New Street Square
London EC4A 3LN

Bankers

National Westminster Bank
PO Box 35
10 Southwark Street
London SE1 1TT

Solicitors

Bates Wells & Braithwaite
61 Charterhouse Street
London EC1M 6HA

Status

Company limited by guarantee without share capital, governed by Memorandum and Articles of Association, incorporated on 6 August 1987, registered as a charity on 24 September 1987.

Registered Office

346 Clapham Road
London SW9 9AP

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The trustees present their report for the year ended 31 December 2003 for the purposes of section 45 of the Charities Act 1993 and directors' report for the purposes of section 234 of the Companies Act 1985.

The financial statements comply with current statutory requirements, the memorandum and articles of association, and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000).

International Alert

International Alert works to build just and lasting peace in areas of violent conflict. An international non-governmental organisation based in London, it was established in 1985 by a group of human rights advocates that included Martin Ennals, former Secretary General of Amnesty International, in response to the escalation of violent conflict within many countries and the related abuse of individual and collective human rights.

IA's Vision

International Alert's Vision is of a world where conflicts are managed and resolved with justice and without violence in accordance with universally agreed standards and practices. We work to enhance the capacity of individuals, networks and organisations to build sustainable peace and reduce the likelihood of war. We do this by analysing the causes of conflict, enabling mediation and dialogue to take place, setting standards of conduct to avoid violence and helping to develop skills to resolve disputes peacefully. We focus our work on specific conflicts and design programmes to address their root causes, using a combination of approaches and methodologies in our activities. We also conduct policy research on cross-cutting themes in conflict and peacebuilding and disseminate the results in order to help improve general international policies on key problems and their potential solutions.

Activities

We currently work with partners in over forty projects in West Africa, the Great Lakes region of Africa, the Caucasus region of the former Soviet Union, Colombia, Sri Lanka, Nepal and the Philippines. Our projects have a particular focus on the control of light weapons, security sector reform, the impact of development and humanitarian aid and the roles of the private sector, gender and religion in building peace. Our research into and analysis of these issues feeds into the development of long-term approaches to conflict prevention and peacebuilding based on practical, concrete and accountable initiatives and advocating for policy changes at government and UN levels.

Our Code of Conduct, based on the lessons learned and experience acquired during the course of our work, provides an ethical framework and guiding principles for conflict transformation work, discussion on issues relating to human rights and impartiality as well as guiding principles for the organisation and for the development of policies on human rights.

International Alert currently has a multi-national team of around 80 staff, consultants and volunteers, headed by a Secretary General and governed by an international Board of Trustees.

Our income currently comes almost entirely from major institutional donors - governments, development NGOs and foundations from around the world.

A detailed review of activities for the year and future developments is contained in the Annual Review.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

Organisational Background

International Alert has been undergoing rapid year on year growth in turnover, volume of work and staff numbers since 2000. Total incoming resources have increased from £2.7 million in 2000 to £5.6 million in 2003.

This has been accompanied by a commensurate increase in total expenditure. With our income projected at £6.5 million in 2004, this trend is set to continue. Accordingly, managing sustainable growth is an ongoing organisational priority.

At the same time we are addressing two funding related issues which are relatively common across the charity sector: 'structural underfunding' and a decrease in the proportion of unrestricted funding we receive. Structural underfunding occurs when the funding we receive for specific programme activities does not adequately cover the total indirect costs associated with those activities - and therefore demands greater levels of co-funding from unrestricted funding sources. This issue is compounded by a decrease in the ratio of unrestricted funds we receive as we grow. In 2000 we received 29% of our income as unrestricted; in 2003 this decreased to 17%.

We have identified and taken steps to address the inter-linked challenges posed by rapid organisational growth, the decrease in the ratio of unrestricted funds and structural underfunding. Key among these are investing time and resources into capacity building and organisational development. Specific measures have already been taken to build capacity for sustainable growth including relocation to larger premises in late 2002 and restructuring at senior management level in 2002 and 2003. We are looking at initiatives to expand our unrestricted funding and a specific programme is under way to achieve this. We are examining our internal cost structures to improve our project costing.

IA's senior management was strengthened in 2002 with the recruitment of a Chief Operating Officer and a Director of Development. During 2003, IA's Secretary General Dr Kevin Clements left IA to assume a Professorship at the University of Queensland and Martin Honeywell, Director of Programmes, left IA to become an independent consultant. The Chief Operating Officer and Director of Development managed a smooth transition until IA's new Secretary General, Dan Smith, joined the organisation in December 2003. Further senior management adjustments are planned in 2004 as part of the process of managing growth.

The following measures were initiated in 2003 and will continue in 2004:

- improving efficiency and effectiveness of use of resources;
- improving financial analysis and resource planning;
- further strengthening of management information systems;
- further strengthening of financial systems and controls;
- further strengthening of fundraising processes and procedures;
- diversifying the funding base;
- improving management of communications and external relations; and
- further strengthening of human resource processes and procedures.

A major Strategic Review in 2004 will consolidate and strengthen our focus in 2004 and beyond.

Results for the year

2003 was a year of organisational development accompanied by continued, planned growth for International Alert and it is a testament to the dynamism and strength of IA that unanticipated changes at Senior Management level did not in any way impede organisational progress over the course of the year.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

Results for the year (continued)

Total incoming resources during the year ended 31 December 2003 were £5.6 million. This is a 22% increase on the comparable figure for 2002, which was £4.6 million. In 2002, in addition to ordinary charitable incoming resources of £4.6 million, International Alert received £525,000 from its landlord at 1 Glyn Street, just before the year end. This resulted from an agreement (beneficial to International Alert) to vacate the Glyn Street premises 3 years before the term of the lease was to expire.

In 2003 the net movement on unrestricted funds was a deficit of £151,000. Although International Alert would normally seek to add to unrestricted reserves each year, this deficit is not a cause for concern for the following reasons. First, International Alert received £525,000 from the Glyn Street landlord at the end of 2002 and, after initial expenditure on refurbishment, was able to add £433,000 to unrestricted reserves. However, there remained considerable costs to be incurred in 2003 to adapt the premises for effective working. These costs in 2003 amounted to £75,000. Second, during 2003 the charity transferred £109,000 of unrestricted funds to supplement restricted programme funds. Third, during 2003 the charity incurred recruitment costs of a new Secretary General. Overall, over the two years 2002 and 2003, the charity added a total of £282,000 to unrestricted funds.

The net movement on restricted funds was a surplus of £19,000. The balance of restricted funds at the year end was £853,000.

Total charitable expenditure in 2003 was £5.4 million (compared with £4.1 million in 2002). This was an increase of 32%. £1,044,000 was spent on grants to partner organisations (compared with £621,000 in 2002). £3,276,000 was spent on programme operation costs, comprising costs of staff, consultancy, travel and implementation for field programmes and thematic programmes (compared with £2,502,000 in 2002).

Overall, despite the reduction of unrestricted funds in 2003, at the year end IA's balance sheet and cash flow were both healthy and secure.

Reserves Policy

Unrestricted funds are primarily a contingent buffer that can be used, for example, for long term investment in competence among staff and investment in new programmes, to fund fixed assets, to provide a degree of stability in a period of adverse funding, manage fluctuations in cash flow or to respond rapidly to opportunities that may present themselves. Unrestricted reserves have been built up in accordance with the policy initially approved by the trustees in 2000 and confirmed in 2003. This policy is that general unrestricted reserves should be equal to at least two months of total budgeted expenditure plus the net book value of fixed assets, or £500,000, whichever is the greater.

Although there was no contribution to reserves in 2003, for the reasons indicated above, overall, in the two years 2002 and 2003, the charity added a total of £282,000 to unrestricted funds. General unrestricted reserves at 31 December 2003 were £394,000.

The reserves policy is subject to regular review and further increases to unrestricted reserves will be made until the targeted level is reached.

Grant Making Policy

International Alert makes grants to organisations engaged in conflict resolution and related work. In all cases

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

Grant Making Policy (continued)

it is ascertained that the charitable purposes of International Alert will be furthered by the grant and it is ascertained that the grant is in line with the agreed strategy for the particular programme of work within which the grant falls.

Before any grant is agreed, International Alert ensures that it is able to monitor the use of the grant, ensure that the required work is done, and ensure that the funds are properly managed and spent for the purposes intended.

Risk Management

The Board is responsible for the management of risks, and is assisted by senior charity staff. In 2000 the Board commissioned an external consultant to carry out a risk assessment. In 2002 a further, internal review was carried out. As a result of these reviews systems have been established to mitigate identified risks. Key controls include:

- risk as a formal agenda item for Board activities;
- risk as a formal agenda item for senior management meetings;
- comprehensive strategic planning, budgeting and management accounting;
- established organisational and governance structure and lines of reporting;
- continual review of risk;
- institutional security policy securing employees against possible harm;
- comprehensive formal written policies in line with latest legislation, and
- hierarchical authorisation and approval levels.

Through the risk management processes established, the trustees are satisfied that the major risks identified are being adequately addressed. It is recognised that systems can provide reasonable but not absolute assurance that major risks have been adequately managed.

Trustees

A list of trustees is given on page 2. The Board of Trustees met 3 times in 2003. In addition there were 4 meetings of the Management Advisory Committee of the Board, chaired by the Chair of the Board of Trustees and made up of four trustees based in the United Kingdom, including IA's Treasurer, and also two trustees based overseas.

The charity is a company limited by guarantee and has no share capital. In the event of winding up each member is liable to contribute a sum not exceeding £5 whilst a member or within 12 months of ceasing membership.

There were no contracts in which a trustee had an interest either during or at the end of the financial year.

New trustees are elected by the Board of Trustees, and serve for a period of 3 years. Thereafter, trustees may be re-elected for one further term of three years.

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TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTINUED)

Trustees' responsibilities

Company law requires the trustees, who are directors under Company Law, to prepare financial statements for each financial year which give a true and fair view of the charitable company's financial activities during the year and of its financial position at the year-end.

In preparing these financial statements the trustees are required to:

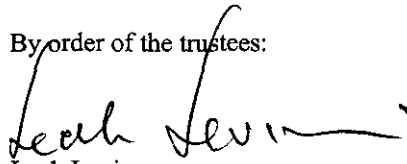
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures which are disclosed and explained in the financial statements,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

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

Auditors

Horwath Clark Whitehill have expressed their willingness to continue as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

By order of the trustees:



Leah Levin

Chair

20 May 2004

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL ALERT

We have audited the financial statements of International Alert for the year ended 31 December 2003, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes set out on pages 12 to 21. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters, which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of the directors and auditors

The responsibilities of the directors, who are also the charity trustees for the purposes of charity law, for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' responsibilities on page 7.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. 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 opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees 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 information and explanations, which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether 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.

Unqualified opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company as at 31 December 2003 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Horwath Clark Whitehill

Horwath Clark Whitehill
Chartered Accountants and Registered Auditors
20 May 2004

25 New Street Square
London
EC4A 3LN

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STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2003.

		Unrestricted Funds	Restricted Funds	2003 Total	2002 Total
	Notes	£'000	£'000	£'000	£'000
Incoming resources					
Activities to further the charity's objectives					
Grants receivable	3	824	4,598	5,422	4,476
Miscellaneous income		54	36	90	105
Bank interest		40	-	40	24
		<u>918</u>	<u>4,634</u>	<u>5,552</u>	<u>4,605</u>
Other incoming resources					
Lease termination		-	-	-	525
Total incoming resources		<u>918</u>	<u>4,634</u>	<u>5,552</u>	<u>5,130</u>
Less: Cost of generating funds					
Fundraising costs		256	8	264	202
Net incoming resources available for charitable application		<u>662</u>	<u>4,626</u>	<u>5,288</u>	<u>4,928</u>
Charitable expenditure					
Grants to partner organisations	6	-	1,044	1,044	621
Programme operation costs		-	3,276	3,276	2,502
Programme support costs		549	396	945	872
Managing and administering the charity		80	-	80	74
Move costs		75	-	75	-
Total charitable expenditure		<u>704</u>	<u>4,716</u>	<u>5,420</u>	<u>4,069</u>
Total resources expended	2	<u>960</u>	<u>4,724</u>	<u>5,684</u>	<u>4,271</u>
Net (outgoing)/ incoming resources before transfers		<u>(42)</u>	<u>(90)</u>	<u>(132)</u>	<u>859</u>
Transfers between funds	9	(109)	109	-	-
Net incoming resources after transfers		<u>(151)</u>	<u>19</u>	<u>(132)</u>	<u>859</u>
Funds brought forward at 1 January 2003		815	834	1,649	790
Funds carried forward at 31 December 2003		<u>664</u>	<u>853</u>	<u>1,517</u>	<u>1,649</u>

The Statement of Financial Activities includes all gains and losses recognised in the current and preceding year.

The notes on pages 12 to 21 form part of these financial statements.

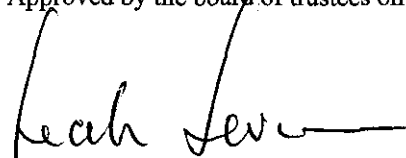
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BALANCE SHEET AT 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
Fixed assets			
Tangible assets	10	<u>224</u>	<u>126</u>
Current Assets			
Debtors	11	611	249
Deposits		934	1,767
Cash at bank and in hand		<u>58</u>	<u>232</u>
		1,603	2,248
Creditors			
Amounts falling due within one year	12	310	725
Net current assets		<u>1,293</u>	<u>1,523</u>
Total net assets	14	<u>1,517</u>	<u>1,649</u>
Funds			
Unrestricted			
General funds		394	545
Designated funds		<u>270</u>	<u>270</u>
	15	664	815
Restricted		853	834
	15	<u>1,517</u>	<u>1,649</u>

Approved by the board of trustees on 20 May 2004 and signed on its behalf by:



Leah Levin
Chair

Tahir Maher
Honorary Treasurer



The notes on pages 12 to 21 form part of these financial statements.

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CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £'000	2002 £'000
Net cash (outflow)/inflow from operating activities	16a	(913)	1,141
Return on investments			
Deposit interest received		40	24
Capital Expenditure			
Purchase of tangible fixed assets	9	(134)	(151)
Cash (outflow)/inflow before use of liquid resources		<u>(1,007)</u>	<u>1,014</u>
Management of liquid resources			
Cash withdrawn from / (added to) deposits		833	(1,090)
(Decrease) in cash at bank and in hand	16b	<u>(174)</u>	<u>(76)</u>

The notes on pages 12 to 21 form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

- a) The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. The accounts follow the recommendations in *Accounting and Reporting by Charities: Statement of Recommended Practice*, issued in October 2000.
- b) Incoming resources are accounted for when receivable. Grants receivable are credited to the Statement of Financial Activities as soon as the conditions of receipt have been satisfied.
- c) Restricted funds are grants received for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to these funds. Funds unspent at the year-end which will be spent in future accounting periods are carried forward as restricted funds.
- d) Unrestricted funds are funds which can be freely used in accordance with International Alert's charitable objectives at the discretion of the trustees. Designated funds are funds set aside by the trustees out of unrestricted general funds for specific future purposes or projects.
- e) Grants to partner organisations are included in the Statement of Financial Activities when payment is due, as defined in the terms and conditions for the grant. The value of grants due but unpaid at the year end is accrued. Grants where certain conditions are yet to be met before the grant is released are not accrued but are noted as commitments.
- f) Depreciation is provided in order to write off the cost of the assets over their estimated useful lives on a straight line basis as follows:-

Office equipment and computers	over three years
Property improvements	over seven to ten years

Assets over a capitalisation limit of £1,500 are treated as fixed assets. Those not over £1,500 are written off to expenditure.

The accounting policy for depreciation of Property Improvements was reassessed during 2003. As a result, the period for estimated useful lives was changed from 5 years to 7-10 years.

- g) Expenditure is classified under the two principal categories of Cost of Generating Funds and Charitable Expenditure, rather than the type of expense.

Charitable expenditure comprises all expenditure directly related to the objects of the charity including direct staff costs attributable to each activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of the resources.

Management and administration costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements such as board meetings and audit. They include a proportion of the costs of administrative staff based on estimated time spent.

Costs of generating funds comprise salaries, direct costs and overheads of staff engaged in fundraising.

Expenditure is accounted for on an accruals basis. Irrecoverable VAT is included with the item of expense to which it relates.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

- h) Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Assets and liabilities at the year-end are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are accounted for in the Statement of Financial Activities.
- i) No provision has been made for taxation since all income is charitable and charitable status was obtained following incorporation.
- j) The charitable company as an employer contributes to personal pension plans of its employees. The contributions are equal to 10% of basic salary and are available to all employees whose contracts are for more than a year and who have successfully completed the first six months of their employment.
- k) Rentals payable under operating leases where substantially all the risks and rewards of ownership remain with the lessor are charged to the Statement of Financial Activities in the period in which they fall.

2. Total resources expended

	Fund-raising	Grants to Partners	Programmes and Support	Management & Admin.	2003 Total	2002 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employment costs (note 5)	203	-	1,672	22	1,897	1,587
Temporary staff	-	-	70	-	70	53
Consultants	3	-	492	-	495	401
Travel and subsistence	14	-	350	21	385	271
Partner grants (note 6)	-	1,044	-	-	1,044	621
Conferences, training	10	-	733	2	745	465
Print, translation etc	3	-	165	-	168	110
Telephone, fax, post	3	-	113	2	118	120
Audit	-	-	1	15	16	15
Professional fees	-	-	47	13	60	61
Bank charges	-	-	21	-	21	12
Operating leases	-	-	175	-	175	152
Office costs	18	-	176	5	199	258
Depreciation	2	-	34	-	36	35
Staff training	2	-	87	-	89	43
Recruitment	6	-	85	-	91	67
	<u>264</u>	<u>1,044</u>	<u>4,221</u>	<u>80</u>	<u>5,609</u>	<u>4,271</u>
Move costs in 2003					75	-
					<u>5,684</u>	<u>4,271</u>

Move costs are costs incurred in 2003 which are directly related to the move to new premises in December 2002.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Grants receivable

	2003	2002
	£'000	£'000
Bread for the World. Germany.	87	79
British Council. UK.	-	3
Christian Aid. UK.	20	17
CIDA. Canada.	45	73
Comic Relief. UK.	250	305
Commonwealth Foundation. UK.	6	-
Community Fund. UK.	298	190
Compton Foundation. USA.	-	19
Cordaid. Netherlands.	28	51
David's Trust. UK.	-	3
Department for International Development. UK.	2,388	1,554
Doctors of the World. UK.	-	17
Eurasia Foundation. USA.	8	10
European Commission.	196	386
Ford Foundation. USA.	-	123
Foreign and Commonwealth Office. UK.	-	100
Hewlett Foundation. USA.	54	121
ICCO. Netherlands.	27	25
IDRC. Canada.	81	23
Joseph Rowntree Charitable Trust. UK.	58	19
Ministry of Foreign Affairs and International Trade. Canada.	21	10
Ministry of Foreign Affairs. Denmark.	235	191
Ministry of Foreign Affairs. Finland.	94	86
Ministry of Foreign Affairs. Italy.	30	-
Ministry of Foreign Affairs. Netherlands.	425	375
Ministry of Foreign Affairs. Norway.	178	87
Ministry of Foreign Affairs. Republic of Ireland.	35	28
Ministry of Foreign Affairs. Switzerland.	20	-
Misereor. Germany.	-	41
Network for Social Change.	13	-
NOVIB Foundation. Netherlands.	183	128
Olof Palme International. Sweden.	-	35
Risso Kosei-Kai. Japan.	-	26
Saferworld. UK.	44	-
SIDA. Sweden.	580	311
Trocaire. Republic of Ireland.	-	16
Westminster Foundation for Democracy. UK.	4	16
Other Grants.	14	8
	<u>5,422</u>	<u>4,476</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Termination of lease

International Alert vacated premises at 1 Glyn Street at the end of November 2002, three years before the term of the lease was to expire. In compensation for this, International Alert was paid £525,000 by the landlord. International Alert moved to new leased premises at 346 Clapham Road.

5. Staff numbers and costs

The average numbers of employees throughout the year were as follows:

	2003 No.	2002 No.
Programmes operations	42	38
Programmes support	8	10
Fundraising	6	4
Management and administration	2	2
	<u>58</u>	<u>54</u>

Staff costs during the year were as follows:

	2003 £'000	2002 £'000
Salaries	1,579	1,329
Employer's National Insurance contributions	163	126
Pension costs	155	132
	<u>1,897</u>	<u>1,587</u>

The numbers of employees receiving emoluments in the following ranges were:

	2003 No.	2002 No.
between £50,000 and £59,999	2	1
between £60,000 and £69,999	1	1
between £70,000 and £79,999	-	1

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Grants to local partners

	2003 £'000	2002 £'000
Press Union of Liberia. Liberia	-	23
Collectif des Associations Feminines et ONGs du Burundi. Burundi.	12	22
FRC. Burundi.	-	7
Eben-Ezer Ministry International. Burundi.	49	-
Dialogue pour la Paix. DRC.	-	58
Caucasus NGO Forum. Caucasus Region.	83	149
Observatoire de l'Action Gouvernementale. Burundi.	38	25
Compagnie des Apôtres de la Paix. Burundi.	36	37
Institute for Security Studies. South Africa.	32	-
Institute for Social Justice. Ghana.	34	-
Association des Femmes pour les Initiatives de la Paix. Mali.	-	8
Amani Forum. Great Lakes Region of Africa.	234	12
Réseau des Femmes pour un Développement Associatif. DRC.	20	7
Centre for Justice and Peace Studies. Liberia.	12	16
Solidarité Femmes Parlamentaires. Burundi.	16	-
Indian Institute for Peace and Disarmament. India.	-	5
International Physicians to Prevent Nuclear War. USA.	-	18
Fundación Gamma Idear. Colombia.	-	6
Women's Institute for Further Development. Trinidad.	-	15
Foundation for Security and Development in Africa. Ghana.	6	21
IEPADES. Guatemala.	-	12
VIVA RIO. Brazil.	-	12
CEFI. Burundi.	-	9
L'Association Encadrement de Personnes Vulnérables en Afrique. Burundi.	6	-
Gaston Ortigas Peace Institute. Philippines.	-	5
Conference Mundial. Canada.	-	5
IANSA South Pacific and Australasia. New Zealand.	-	8
People with Disabilities. Uganda.	-	7
Kenya Coalition Against Landmines. Kenya.	-	10
Mission des Jacobins Sage. DRC.	6	-
Caucasus Dialogue. Georgia.	51	6
South Asia Partnership International. Sri Lanka.	-	16
Comité de Co-ordination pour des Actions de Paix. DRC	5	-
The Britain Russia Centre. UK.	-	5
Press Club Abkhazia. Caucasus Region.	5	-
Business Development Alliance. Azerbaijan.	-	12
Réseau des Femmes pour la Défense des Droits et la Paix. DRC.	35	11
Commission Episcopale de Justice et Paix. Burundi.	20	-
Ex combattants Project. Caucasus Region.	6	-
LINKS. UK.	164	-
Conciliation Resources. UK.	6	-
Saferworld. UK	6	-
ISAR. Azerbaijan.	10	-
Consortium of Humanitarian Agencies. Sri Lanka.	8	-
Himayadar Humanitarian Organisation. Azerbaijan.	9	-
Campaign for Good Governance. Sierra Leone.	12	-
Carried forward	921	547

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Grants to partners (continued)

	2003	2002
	£'000	£'000
Brought forward	921	547
Pole Institute. DRC.	38	-
Grants less than £5,000.	85	74
	<u>1,044</u>	<u>621</u>

Grants were made to 77 partners (2002: 54).

7. Trustees' remuneration

Trustees received no remuneration in 2003 (2002: nil). In 2003 costs of travel, accommodation and related expenses reimbursed to nine trustees amounted to £14,316 (in 2002 nine trustees received £14,330).

8. Trustees' Liability Insurance

The cost of trustees' liability insurance was £4,331 (2002: £2,784).

9. Transfers between funds

£109,000 was transferred from unrestricted funds to restricted programme funds to meet costs of programme work not covered directly by specific grant income.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Tangible Fixed Assets

	Property Improvements	Office Equipment and Computers	Total
	£'000	£'000	£'000
Cost			
At 1 January 2003	143	23	166
Additions	91	43	134
At 31 December 2003	234	66	300
Accumulated depreciation			
At 1 January 2003	29	11	40
Charge for the year	13	23	36
At 31 December 2003	42	34	76
Net book values			
At 31 December 2003	192	32	224
At 31 December 2002	114	12	126

There was a commitment for capital expenditure of £52,019 (note 13) at 31 December 2003 (2002: Nil).

11. Debtors

	2003 £'000	2002 £'000
Grant income	572	212
Prepayments	32	24
Sundry debtors	7	13
	<u>611</u>	<u>249</u>

12. Creditors

	2003 £'000	2002 £'000
Trade creditors	49	95
Taxation and social security	44	41
Accrued expenditure	78	32
Deferred income	-	467
Sundry creditors	139	90
	<u>310</u>	<u>725</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Commitments

At 31 December 2003 International Alert had commitments totalling £2.76million under non-cancellable operating leases. Details are as follows.

Premises are held under a 20 year lease which commenced at 17 September 2002 and which expires at 16 September 2022. Payment of rent, at £145,000 per annum, commenced at 15 August 2003. There will be rent reviews at 31 December 2005, 31 December 2010 and 31 December 2015, when the rent will be adjusted to a market rate. Rent from 1 January 2006 will not be less than £150,000 per annum. The equivalent annual cost commitment till 31 December 2005, with the benefit of the rent payment free period from 17 September 2002 to 14 August 2003, is £104,886. The total commitment till the end of the lease is £2.70 million.

One photocopier is held under a lease which expires at October 2005. The total commitment is £4,900.

Office equipment is held under a six year lease which expires at 31 March 2007. The total commitment is £2,878.

At 31 December 2003 International Alert was in the process of installing a central heating and air conditioning system at 346 Clapham Road. The outstanding capital expenditure commitment at 31 December was £52,019.

The table below summarises lease cost commitments.

	Land and Buildings	Photocopiers and Office Equipment	Total
	£'000	£'000	£'000
Within one year	157	4	161
Within two to five years	555	4	559
Over five years	2,043	-	2,043
Total	<u>2,755</u>	<u>8</u>	<u>2,763</u>

14. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
Fixed assets	224	-	224
Current assets	<u>578</u>	<u>1,025</u>	<u>1,603</u>
	802	1,025	1,827
Less: Creditors	138	172	310
	<u>664</u>	<u>853</u>	<u>1,517</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Movement on Funds

The overall movement on funds is shown below. The restricted funds comprise unexpended balances of grants held on trust to be applied for specific purposes.

	At 1 January 2003 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers between Funds £'000	At 31 December 2003 £'000
Restricted funds					
Africa	275	1,699	(1,700)	6	280
Asia and the Americas	(11)	260	(159)	10	100
Eurasia	194	765	(766)	0	193
Global Issues	376	1,910	(2,099)	93	280
	834	4,634	(4,724)	109	853
Unrestricted funds					
Designated fund	270	0	0	0	270
Other unrestricted funds	545	918	(960)	(109)	394
	815	918	(960)	(109)	664
Total Funds	1,649	5,552	(5,684)	0	1,517

The Africa, Asia and the Americas, and Eurasia funds cover practical regional and country specific programmes in these areas. The Global Issues funds cover thematic programmes relating to security, gender, development and corporate business.

Within unrestricted funds, the designated fund is for organisational development. It will be used to meet costs of initiatives to develop International Alert and to make it a more effective organisation.

16. Notes to the Cash Flow Statement

(a) Reconciliation of net movement in funds to net cash inflow from operating activities.

	2003 £'000	2002 £'000
Net (outgoing) / incoming resources after transfers	(132)	859
Less investment income – interest received	(40)	(24)
Depreciation	36	35
Increase in debtors	(362)	(209)
(Decrease)/increase in creditors	(415)	480
Net cash (outflow) / inflow	(913)	1,141

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(b) Analysis of net cash resources.

	31/12/2002	Cash- flow	31/12/2003
	£'000	£'000	£'000
Cash at bank and in hand	232	(174)	58
Deposits	1,767	(833)	934
Overdrafts	-	-	-
Net funds	<u>1,999</u>	<u>(1,007)</u>	<u>992</u>