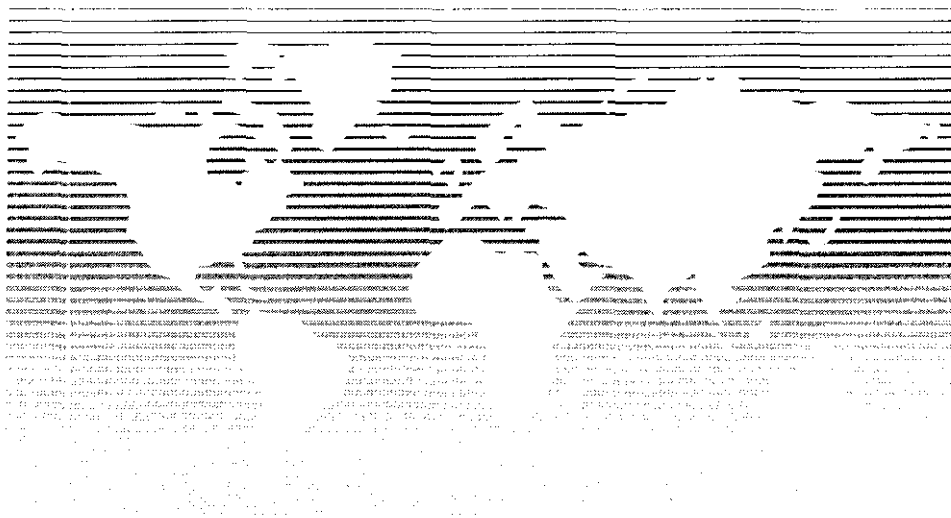


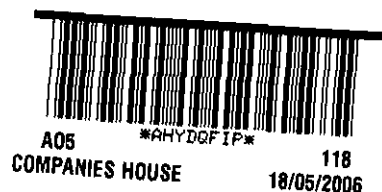
INTERNATIONAL ALERT

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

REPORT AND FINANCIAL STATEMENTS
31 DECEMBER 2005



Company Registration Number 2153193
Registered Charity Number 327553



INTERNATIONAL ALERT

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees

- * Philip Deer, (Australia) Chair
- * Claes Cronstedt (Sweden)
- * Craig McGilvray, Honorary Treasurer (UK)
- Francis Deng (Sudan)
- Henny van der Graaf (Netherlands)
- John Tirman (USA) resigned 01.05.05
- Kamal Hossain (Bangladesh)
- * Leah Levin, (UK)
- Paulina Lampsa (Greece)
- Pumla Gobodo-Madikizela (South Africa)
- * Richard Dales (UK)
- Swannee Hunt (USA)
- Wigberto Tañada (Philippines)
- Brendan O'Leary (Ireland) appointed 08.12.05
- Martin Woollacott (UK) appointed 08.12.05

- * Member of Management Advisory Committee

Principal Officers

Dan Smith	Secretary General
Susan McCready	Chief Operating Officer, Company Secretary
Andrew Webb	Director of Development
Philip Champain	Director of Programmes
Philip Vernon	Director of Programmes

Auditors

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Bankers

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

Solicitors

Bates Wells & Braithwaite
Scandinavian House
2-6 Cannon Street
London
EC4 6YH

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

INTERNATIONAL ALERT

TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

The trustees present their report for the year ended 31 December 2005 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 (IA) 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 subsequent abuse of individual and collective human rights.

International Alert's Mission and Vision

International Alert has defined a three-part mission:

1. To work together with people who live in areas affected or threatened by armed conflict, to make a positive difference for peace;
2. To improve both the substance and implementation of international policies that affect peacebuilding and the prospects for peace;
3. To strengthen the peacebuilding sector.

These three broad tasks are taken on in order to make progress towards fulfilling International Alert's vision of a world in which, when people pursue their human rights and seek chances for betterment for themselves and their communities, conflicts that arise are pursued with honesty, with forthrightness and also with wisdom so that they do not erupt into violence. The problem is not conflict – the problem is violent conflict.

The work of International Alert is guided by its code of conduct, which is publicly available and stresses impartiality, partnership and transparency in working for peaceful outcomes to conflict.

Activities

We currently work with partners in over 40 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 85 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.

INTERNATIONAL ALERT

Organisational Context

In 2005, International Alert's 2005–9 Strategic Perspective was launched and at the same time, IA consolidated its infrastructure, activities and funding base following 5 years of growth in turnover, volume of work and staff numbers. Incoming resources totalled £5.2 million in 2005 (£5.6million in 2004).

Following necessary investment in organisational capacity building (people and systems) in 2004, IA benefited from strong and stable senior management throughout 2005. Programme capacity was reviewed and several new middle managers and senior project staff were recruited. In line with the expectation stated in the Strategic Perspective, IA's overseas presence in terms of offices and staff increased during the period in question.

Consolidation and restructuring in 2005 aimed to maximise resource utilisation in the context of "structural underfunding" (the situation where restricted income does not cover the full cost of activities and unrestricted income is no longer sufficient to make up the shortfall). A number of smaller programmes were merged for greater impact and efficiency, the Development and Fundraising Team was restructured, the capacity of the Communications function was further developed and several key management systems were developed or upgraded. With improved financial management systems, stringent measures to keep core costs low and ensure a contribution to reserves in 2005 were successful.

In 2004, IA's Trustees agreed to invest £100,000 from a Designated Fund (totalling £270k) for development of new sources of unrestricted income. Activities aimed at building and diversifying our funding base bore fruit in 2005 and we achieved a number of important breakthroughs. Expenditure of £41k on this work in 2005 leaves £174k in the Fund to carry forward to 2006. In addition, a number of small-scale initiatives have been undertaken in 2005 aimed at raising IA's public profile and securing unrestricted funding from new sources. It is anticipated this work will continue into 2006.

We entered 2005 with low restricted income streams. Uncertainty about income impacted on activity and expenditure levels in the first half of the year as programmes exercised caution. The fundraising function for restricted funds was restructured mid-year and it is anticipated that the challenge of low restricted income streams should have eased by early 2006.

Results for the year

2005 has been a challenging year financially; however, with improved financial management systems and increased capacity, we have responded effectively to the challenges and emerged in a stable financial position at the end of 2005, as forecast in our report on 2004.

Work underway to diversify sources of unrestricted income and to increase contributions to indirect costs has started to bear fruit in 2005, while efforts to increase restricted income streams should come to fruition in 2006. Total incoming resources during the year ended 31 December 2005 were £5.2 million. This represents a 7% decrease on the comparable figure of £5.6 million in 2004, largely due to low restricted income streams in the first half of the year.

In line with our Reserves Policy, International Alert seeks to add to unrestricted reserves each year in order to reach the stated target. The contribution to reserves in 2005 is £84,508. There was a reduction in the Net Book Value of Unrestricted assets alongside a net movement in unrestricted funds of £43,436, (compared to a deficit of £305,560 in 2004).

Unrestricted income of £1.35 million was recognised in 2005, with expenditure recorded at £1.28 million. The balance of unrestricted funds at the year end was £349k. This is an increase on 2004 unrestricted income of £669k and expenditure of £679k and reflects the efforts that have been taken to increase unrestricted income streams from core donors. This increase is partly offset by decreases in restricted income and expenditure.

Restricted income of £3.88 million was recognised in 2005, with expenditure recorded at £4.17 million. The balance of restricted funds at the year end was £0.9 million. This is slightly down on 2004 when restricted income of £5.0 million was recognised, expenditure of £4.6 million was recorded and the balance of restricted funds at the year end was £1.2 million.

INTERNATIONAL ALERT

Total charitable expenditure in 2005 was £5.2 million, a slight decrease on £5.3 million in 2004. £1 million was spent on grants to partner organisations (compared with £1.5 million in 2004). £3.2 million was spent on programme operation costs, comprising costs of staff, consultancy, travel and implementation for field programmes and thematic programmes (compared with £2.8 million in 2004).

Overall, despite a slight decrease in incoming resources and expenditure, a small contribution to reserves has been made in 2005 and IA's balance sheet and cash flow at the year-end are secure. Systems changes, restructuring, capacity building and investment in 2004 and 2005 have all contributed to a stable picture at the end of 2005 and we are anticipating a resumed period of financial growth in 2006.

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.

International Alert's Reserves Policy is that general unrestricted reserves, excluding any part which represents the book value of fixed assets, should be sufficient to cover two months of unrestricted expenditure and programme employment costs. General unrestricted reserves at 31 December 2005 were £168,449 (compared to £83,941 at 31 December 2004). This is still lower than the targeted level and further increases to unrestricted reserves will be made until the targeted level is reached.

The reserves policy is subject to annual review.

Grant Making Policy

International Alert makes grants to organisations engaged in conflict resolution and related work. In all cases 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 assisted by senior staff. Risk management systems which are consistent with SORP legal requirements and SORP guidance on risk management for charities 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.

INTERNATIONAL ALERT

Trustees

A list of trustees is given on page 2. The Board of Trustees met 3 times in 2005. In addition there were 3 meetings of the Management Advisory Committee of the Board, which is chaired by the Chair of the Board of Trustees, and includes IA's Treasurer and three further trustees.

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.

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 LLP were reappointed as auditors at the Annual General Meeting held in April 2005.

By order of the trustees:



Philip Deer
Chair
26th April 2006

INTERNATIONAL ALERT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL ALERT

We have audited the financial statements of International Alert for the year ended 31st December 2005, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes set out on pages 11 to 19. 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 we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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' Annual 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 6.

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 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 directors' 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 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 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, in accordance with the United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the charitable company as at 31st December 2005 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 LLP

Horwath Clark Whitehill LLP
Chartered Accountants and Registered Auditors
26th April 2006

St Bride's House
10 Salisbury Square
London EC4Y 8EH

INTERNATIONAL ALERT

STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2005

		Unrestricted Funds	Restricted Funds	2005 Total	2004 Total
	Notes	£'000	£'000	£'000	£'000
Incoming resources					
<i>Activities to further the charity's objectives</i>					
Grants receivable	3	1,321	3,803	5,124	5,534
Miscellaneous income		18	73	91	73
Bank interest		14	-	14	25
Total incoming resources		1,353	3,876	5,229	5,632
Less: Cost of generating funds					
Fundraising costs		212	-	212	362
Net incoming resources available for charitable application		1,141	3,876	5,017	5,270
Charitable expenditure					
Grants to partner organisations	5	-	1,025	1,025	1,464
Programme operation costs		331	2,898	3,229	2,826
Programme support costs		671	244	915	979
Managing and administering the charity		70	-	70	35
Total charitable expenditure		1,072	4,167	5,239	5,304
Total resources expended	2	1,284	4,167	5,451	5,666
Net (outgoing)/ incoming resources before transfers		69	(291)	(222)	(34)
Transfers between funds	8	(26)	26	-	-
Net incoming resources after transfers		43	(265)	(222)	(34)
Funds brought forward at 1 January 2005		306	1,177	1,483	1,517
Funds carried forward at 31 December 2005		349	912	1,261	1,483

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

The notes on pages 11 to 19 form part of these financial statements.

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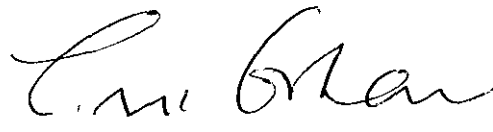
BALANCE SHEET AT 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Fixed Assets			
Tangible assets	9	<u>184</u>	<u>227</u>
Current Assets			
Debtors	10	719	708
Deposits		214	298
Cash at bank and in hand		<u>633</u>	<u>510</u>
		1,566	1,516
Creditors			
Amounts falling due within one year	11	<u>489</u>	<u>260</u>
		489	260
Net current assets		1,077	1,256
Total net assets	13	<u>1,261</u>	<u>1,483</u>
Funds			
Unrestricted			
General funds		175	90
Designated funds		<u>174</u>	<u>215</u>
	14	349	305
Restricted		912	1,178
	14	<u>1,261</u>	<u>1,483</u>

Approved by the board of trustees on 26th April 2006 and signed on its behalf by:



Philip Deer
Chair



Craig McGilvray
Honorary Treasurer

The notes on pages 11 to 19 form part of these financial statements.

INTERNATIONAL ALERT

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow/ (outflow) from operating activities	15a	32	(150)
Return on investments			
Deposit interest received		14	25
Capital Expenditure			
Purchase of tangible fixed assets	9	(7)	(59)
Cash inflow/ (outflow) before use of liquid resources		39	(184)
Management of liquid resources			
Cash withdrawn from deposits		84	636
Increase in cash at bank and in hand	15b	123	452

The notes on pages 11 to 19 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
Motor Vehicles	over three years

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

- 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.

- 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.

INTERNATIONAL ALERT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. Accounting policies (continued)

- 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	2005 Total	2004 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Employment costs (note 4)	171	-	2,007	34	2,212	2,039
Temporary staff	-	-	37	-	37	54
Consultants	9	-	332	-	341	345
Travel and subsistence	4	-	385	15	404	336
Partner grants (note 5)	-	1,025	-	-	1,025	1,465
Conferences, training	6	-	407	-	413	421
Print, translation etc	9	-	150	-	159	118
Telephone, fax, post	2	-	87	1	90	92
Audit	-	-	37	11	48	29
Professional fees	-	-	19	-	19	38
Bank charges	-	-	10	-	10	13
Operating leases	-	-	107	-	107	110
Office costs	8	-	398	9	415	417
Depreciation	1	-	49	-	50	56
Staff training	1	-	85	-	86	58
Recruitment	1	-	34	-	35	75
	212	1,025	4,144	70	5,451	5,666

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Grants receivable

	2005 £'000	2004 £'000
BICC. Germany	1	5
Bread for the World. Germany	52	120
CAFOD. UK	-	13
CAF America	8	-
Christian Aid. UK	0	10
CIDA. Canada	-6	-
Comic Relief. UK	310	340
Commonwealth Secretarial	3	-
Cordaid. Netherlands	-	40
Department for International Development. UK	1,532	1,786
Department for International Development. UK CHASE	100	-
European Commission.	347	470
FEWER. UK	-	12
Foreign Affairs Canada (formerly DFAIT). Canada	6	-
Ford Foundation	55	-
Foreign and Commonwealth Office. UK	157	642
GTZ. Germany	5	4
Hewlett Foundation. USA	-	1
ICCO. Netherlands	-	40
IDRC. Canada	56	-
Inter-faith Mediation Centre. Nigeria	4	4
International Crisis Group	114	-
International Institute for Sustainable Development. Canada	-	5
Joseph Rowntree Charitable Trust. UK	-	12
Ministry of Foreign Affairs. Denmark	92	92
Ministry of Foreign Affairs. Finland	101	66
Ministry of Foreign Affairs. Italy	-	-
Ministry of Foreign Affairs. Netherlands	250	282
Ministry of Foreign Affairs. Norway	402	149
Ministry of Foreign Affairs. Republic of Ireland	135	-
Ministry of Foreign Affairs. Switzerland	59	32
Ministry of Foreign Affairs. Canada	2	130
Misereor. Germany	-	153
National Endowment for Democracy. USA	6	8
The Big Lottery Fund (formerly NLCB / Community Fund). UK	-	119
Network University.	-	2
NOVIB Foundation. Netherlands	2	144
Rowan Charitable Trust	3	-
Saferworld. UK	90	3
SIDA. Sweden	667	588
Swiss Development Co-Operation	243	-
Sigrid Rausing Trust (formerly Ruben & Elizabeth Rausing Trust). UK	40	76
Stichting Nederlandse Vrijwilligers (SNV)	54	-
Organisation For Security & Co-operation Europe	11	-
The Philanthropic Trust	2	-
UNDP. USA	-	9
Unifem. Global	-	17
USAID. USA	220	106
Westminster Foundation for Democracy. UK	4	18
Zivik. Germany	-13	29
Voluntary Donations	10	4
Other Grants	-	4
	5,124	5,534

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Staff numbers and costs

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

	2005 No.	2004 No.
Programmes operations	39	41
Programmes support	9	12
Fundraising	8	9
Management and administration	2	2
	<u>58</u>	<u>64</u>

Staff costs during the year were as follows:

	2005 £'000	2004 £'000
Salaries	1,861	1,722
Employer's National Insurance contributions	180	179
Pension costs	171	138
	<u>2,212</u>	<u>2,039</u>

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

	2005 No.	2004 No.
between £50,000 and £59,999	3	3
between £60,000 and £69,999	-	1
between £70,000 and £79,999	2	1

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Grants to partners

	2005 £'000	2004 £'000
ADEPAE Burundi	-	5
AFIP / AFEC	15	10
All Party Parliamentary Group. (APPG) Great Lakes Region	5	5
Amani Forum Great Lakes Region of Africa	21	47
Association Dushirhamwe, Burundi	29	34
Business Development Alliance, Azerbaijan	-	13
Catholic Relief Services Armenia	77	123
Caucasus De Femmes	12	-
Caucasus Dialogue Foundation	17	36
Caucasus House	87	11
Caucasus NGO Forum, Caucasus Region	-	72
Centre for Humanitarian Programme	19	-
Collectif des Associations Feminines et ONGs du Burundi (CAFOB)	15	15
Comité de Co-ordination pour des Actions de paix, DRC	-	6
Commission Episcopale de Justice et Paix, Burundi	20	21
Compagnie des Apotres de la Paix, Burundi (CAP)	5	27
Conciliation Resources, UK	90	108
Consortium of Humanitarian Agencies	-	19
Eben-Ezer Ministry International, Burundi	22	32
Economy & Conflict Research Group Caucasus Region	-	19
Ex Combatants Project, Caucasus Region	-	4
Forum of Azeri NGOs on Migration, Azerbaijan	8	12
Foundation for Development of Human Resources, Georgia	-	9
Friends for Peace, Nepal	20	37
Gaston Ortigas Peace Institute, Philippines	-	5
Groupe d'Actions de Citoyens pour la Surveillance de la Transition (GAT)	27	-
Hayat (Baku Resource Centre)	10	-
Himayadar Humanitarian Organisation, Azerbaijan	6	-
IA/CJPS/PUL/IPC Media Project	55	23
LINKS, UK	181	476
Mano River Union Peace Forum (MRUPF) Sierra Leone	54	112
Millenium Association for Education & Research, Armenia	6	8
NBI Church	7	-
Observatoire de l'Action Gouvernementale, Burundi	22	23
Pole Institute, DRC	8	38
Profemmes Twesehamwe	20	-
Profemmes Rwanda	6	30
Réseau des Femmes pour la Defense des Droits et la Paix, (RFDP)	15	20
Réseau des Femmes pour la Développement Associatif (RFDA)	12	10
Saferworld, UK	11	9
SERACOB	7	-
Sukhumi Youth House	20	-
University of Bradford	6	-
West Africa Civil Society Organisation Forum (WACSOFF)	80	-
Wildaf Project Divers	6	7
Grants less than £5000	4	38
	1,025	1,464

Grants were made to 37 partners (2004: 35).

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Trustees' remuneration

Trustees received no remuneration in 2005 (2004: nil). In 2005 costs of travel, accommodation and related expenses reimbursed to fifteen trustees amounted to £18,242 (in 2004 fourteen trustees received £18,002).

7. Trustees' Liability Insurance

The cost of trustees' liability insurance was £5,176 (2004: £4,596).

8. Transfers between funds

£26,487 of expenditure was transferred from restricted programme funds to unrestricted funds to meet unanticipated costs of programme work, where specific grant income was not sufficient to cover these costs (2004: £11,439).

9. Tangible Fixed Assets

	Property Improvements	Office Equipment and Computers	Motor Vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2005	286	45	4	335
Additions	-	7	-	7
Disposals	-	(7)	-	(7)
At 31 December 2005	286	45	4	335
Accumulated depreciation				
At 1 January 2005	76	32	-	108
Charge for Year	35	14	1	50
Charge for Year	-	(7)	-	(7)
At 31 December 2005	111	39	1	151
Net book values				
At 31 December 2005	175	6	3	184
At 31 December 2004	210	13	4	227

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Debtors

	2005 £'000	2004 £'000
Grant income	653	683
Prepayments	59	19
Sundry debtors	7	6
	<u>719</u>	<u>708</u>

11. Creditors

	2005 £'000	2004 £'000
Trade creditors	143	90
Taxation and social security	-	-
Accrued expenditure	70	98
Sundry creditors	276	72
	<u>489</u>	<u>260</u>

12. Commitments

At 31 December 2005 International Alert had commitments totalling £2.4 million 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 was a rent review in December 2005 and further reviews are scheduled for 31 December 2010 and 31 December 2015, when the rent will be adjusted to a market rate. The rent review set the rent at £142,500 from 2006 through to 2009 inclusive and at £150,000 for 2010 when the next review is due. The remaining commitment until the end of the lease is £2.39 million.

Some office equipment is held under a four year lease which expires at 31 January 2007. The remaining commitment is £501. Further office equipment is held under a five year lease which expires at 28 February 2008. The remaining commitment is £1,248.

The table below summarises lease cost commitments.

	Land and Buildings £'000	Photocopiers and Office Equipment £'000	Total £'000
Within one year	143	1	144
Within two to five years	728	1	729
Over five years	1,518	-	1,518
Total	<u>2,389</u>	<u>2</u>	<u>2,391</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Analysis of net assets between funds

	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
Fixed assets	181	3	184
Current assets	331	1,235	1,566
	<u>512</u>	<u>1,238</u>	<u>1,750</u>
Less: Creditors	163	326	489
	<u>349</u>	<u>912</u>	<u>1,261</u>

14. 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 2005 £'000	Movements between Programmes £'000	At 1 January 2005 £'000	Incoming Resources £'000	Outgoing Resources £'000	Transfers between Funds £'000	At 31 December 2005 £'000
Restricted Funds							
Africa	496	43	539	1,430	-1,550	1	420
Asia and Americas	103	-6	97	453	-450	20	120
Eurasia	406	-40	366	1,031	-1,276		121
Global Issues	173	2	175	962	-891	5	251
	<u>1,178</u>	<u>-1</u>	<u>1,177</u>	<u>3,876</u>	<u>-4,167</u>	<u>26</u>	<u>912</u>
Unrestricted Funds							
Designated fund	215		215	0	-41	0	174
Other unrestricted funds	90	1	91	1,353	-1,243	-26	175
	<u>305</u>	<u>1</u>	<u>306</u>	<u>1,353</u>	<u>-1,284</u>	<u>-26</u>	<u>349</u>
Total Funds	<u>1,483</u>	<u>0</u>	<u>1,483</u>	<u>5,229</u>	<u>-5,451</u>	<u>0</u>	<u>1,261</u>

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. At the beginning of 2005, there was an internal re-organisation and re-alignment of some thematic programmes to the appropriate regions.

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.

INTERNATIONAL ALERT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Notes to the Cash Flow Statement

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

	2005 £'000	2004 £'000
Net outgoing resources after transfers	(222)	(34)
Less investment income - interest received	(14)	(25)
Depreciation	50	56
Increase in debtors	(11)	(97)
Increase / (decrease) in creditors	229	(50)
Net cash inflow / (outflow)	<u>32</u>	<u>(150)</u>

(b) Analysis of net cash resources.

	31/12/2004 £'000	Cashflow £'000	31/12/2005 £'000
Cash at bank and in hand	510	123	633
Deposits	298	(84)	214
Net Funds	<u>808</u>	<u>39</u>	<u>847</u>