

The United Kingdom Committee for UNICEF

**Trustees' Report and Consolidated
Financial Statements**

31 December 2002

Registered Charity No. 1072612

Registered Company No. 3663181



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The United Kingdom Committee for UNICEF Annual Report

Legal and administrative information

Board of Trustees

The Baroness Howe of Idlicote CBE <i>President</i>	(Retired July 2002)
The Lord Puttnam of Queensgate <i>President</i>	(Appointed July 2002)
The Rt. Hon. Sir John Waite <i>Chairman</i>	
Lady Crofton <i>Vice-Chair</i>	
Mr Kevin O'Sullivan <i>Vice-Chair</i>	
Mr Andrew Hind <i>Treasurer</i>	(Retired July 2002)
Mr Brian Smith <i>Treasurer</i>	(Appointed July 2002)
Dr Zaki Badawi	
Ms Maggie Black	
The Rt. Hon. Baroness Dean of Thornton-le-Fylde	
Mr Paddy Coulter	(Retired July 2002)
Professor David Hall	
Ms Gerison Lansdown	
Ms Kathleen Marshall	
Bruce Mauleverer QC	(Appointed July 2002)
Ms Alison Richards	
Mr Robert Scott	

Executive Director

David Bull

Registered Office

Africa House, 64-78 Kingsway, London, WC2B 6NB

Auditors

KPMG LLP, PO Box 695, 8 Salisbury Square, London, EC4Y 8BB

Bankers

HSBC, 133 Regent Street, London, W1A 4BQ

Solicitors

Goodman Derrick, 90 Fetter Lane, London, EC4A 1PT

Sinclair Taylor & Martin, 9 Thorpe Close, Portobello Road, London, W10 5XL

Report of the Trustees of The United Kingdom Committee for UNICEF for the year ended 31 December 2002

The Trustees, who are also Directors of the charity for the purposes of the Companies Act, submit their annual report and the audited financial statements for the year ended 31 December 2002. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the charity.

The charity, The United Kingdom Committee for UNICEF (UNICEF UK), is a charitable company limited by guarantee and was set up on 5 November 1998. It is governed by a memorandum and articles of association which were last amended on 20 June 2001.

Its objects are to further the charitable work throughout the world of UNICEF (the United Nations Children's Fund) for the relief of children who are poor or in need of care and attention, the education and training of children, and the promotion of the health of children.

Review of Developments

The year 2002 saw UNICEF UK's total income at an all time high, breaking the £34 million barrier. This represents an increase of £4.3m from 2001 and is primarily attributable to the doubling of income received from Government (£10.5m). Voluntary income to UNICEF UK actually decreased in 2002 by £1.4m (5.5%). The reason for this is that emergencies work (excluding Government funding) in 2002 received £3.2m less than in 2001, since there were fewer media-orientated emergencies like the Gujarat earthquake and Afghanistan crisis of the previous year. Despite the lack of media coverage, UNICEF UK still managed to raise a total of £12.5m (including Government funding) to support UNICEF's emergency work around the globe.

At the beginning of 2002, the continued plight of women and children in Afghanistan, struggling in the freezing winter conditions, slowly faded from the attention of the media. UNICEF UK sent over £3.5m to the region to help protect women and children, providing emergency support and longer-term developmental support. In March 2002, UNICEF undertook one of its biggest logistical operations in history – the "Back to School" campaign which successfully saw over 3 million children return to school in Afghanistan, some for the first time in six years.

Later in 2002, the crisis in Southern Africa came slowly to the attention of the media. Women and children in Malawi, Mozambique, Lesotho, Swaziland, Zimbabwe, Zambia and Angola were in dire need of immediate humanitarian assistance, with a total of over 17 million people at risk. The prevalence of HIV/AIDS in the region, the erratic weather conditions, and economic and government policies meant that, for many, the situation at a household level was bleak. UNICEF UK's appeals raised over £1m to help not only with short-term provision of food supplements but also in combating HIV/AIDS through education, rebuilding water supplies, immunising children against disease and giving support to the millions of vulnerable children orphaned by HIV/AIDS. Reports show that mass starvation was actually averted in 2002 by emergency aid sent to the region, but the appeal continues into 2003 as numbers in need and HIV/AIDS infection rates continue to rise.

This was the second year of the implementation of the plan to double our fundraising income over 5 years and we continue to make excellent progress towards this goal. Excluding governmental and emergency income, an additional 9% was raised in comparison to 2001. UNICEF UK contributed towards both emergency work and on-going programmes in 30 countries. These achievements reflect the successful development of relationships with both new and existing donors and supporters, be they individuals, celebrities, trusts, organisations, statutory bodies or companies.

Charitable trusts and institutions

UNICEF's work continued to benefit from wide ranging support from charitable trusts and institutions. In 2002, the final allocation of money was received from The Community Fund for UNICEF's post-conflict education programme in Mozambique. Over 200,000 children and 4,000 teachers have benefited from Community Fund support since 1999. UNICEF UK is also grateful to the Robbie Williams Give it Sum Fund, which gave £29,000 to support the reintegration of former child soldiers in Rwanda. We would also like to thank the Trustees of The Parthenon Trust for their generous and wide-ranging support of UNICEF's work in over 12 countries. Our thanks also extend to all our charitable donors for their continued support of UNICEF's emergency programmes in 2002. In particular, we would like to thank the Band Aid Trust for their grant supporting UNICEF's health programme in Southern Sudan and the Kate MacAskill Foundation for their generosity in supporting the "Back to School" campaign in Afghanistan.

Significant funding from the States of Jersey in 2002 included grants for street children in Malawi, sanitation and hygiene in Nepal and three-year funding for malaria control in Tanzania. Further emergency grants were received from Jersey for the crises in Afghanistan, Congo, Angola and Malawi.

Regional fundraising

"Day for Change" (National Non-Uniform Day) saw a record total of over 4,400 schools registering and raised nearly £500,000. Schools also contributed through the Times Education Supplement appeal for children in Afghanistan. This initiative involved a partnership between TES and UNICEF UK to support UNICEF's efforts in rebuilding the education system in Afghanistan through the "Children Helping Children" campaign. Teachers and students in more than 500 UK schools took part and raised well over £190,000. Participating schools were able to access specially designed online lesson plans, assembly ideas linked to the UK national curriculum and a database of fundraising ideas through a dedicated microsite within the TES's website.

Community organisations continued their fundraising support, with Lions focusing on Edukits and Soroptimists on HIV/AIDS. A new partnership with Girlguiding UK was successful in marketing Pumpkin Week and resulted in 3,000 guiding units raising funds for immunisation in Bangladesh.

Groups and individuals continued to support UNICEF's work through fundraising events and activities in local communities around the UK, with a focus on "Great Expectations", UNICEF UK's 2002 campaign to raise £2 million to protect the 30,000 women and 200,000 babies that die needlessly from maternal and neo-natal tetanus each year. Some local communities in the UK also contributed through their local papers that ran fundraising appeals for the food shortages in southern Africa and raised around £250,000.

Cards and gifts sales

Revenues from the sales of UNICEF cards and gifts totalled almost £2.3 million, up nearly 14% year on year. Sales via mail order increased by 20% and retail sales, with huge thanks to The Pier, rose by 68%. The corporate card market proved difficult for a second year, although we managed an increase of 5% over 2001.

High profile support

UNICEF UK's high profile supporters continued to bring great value to UNICEF's work in 2002. A key achievement was the successful recruitment of a new President to replace Lady Howe. Lord Puttnam took office in July 2002 and has brought huge energy and insight into the organisation. He and Lady Puttnam undertook their first UNICEF field visit – to Bosnia – in October. Also strengthening UNICEF's ability to lobby and persuade at the highest levels was the appointment of four Vice Presidents: Lord Alli (media), Tim Clark (music), Nicola Horlick (finance) and Digby Jones (business).

Special Representatives and Ambassadors greatly enhanced UNICEF's achievements through their involvement and profile. Roger Moore's support for corporate partnerships has continued: Western Union, FTSE4Good, Kodak and HSBC have all appreciated his direct involvement. Roger also travelled to Zambia in November to highlight the desperate food shortages in Southern Africa. Martin Bell, Special Representative for Humanitarian Emergencies, also raised awareness of this crisis through two media visits to Malawi.

Jemima Khan played a key role in promoting the "Great Expectations" campaign to a wide audience. In March she travelled to Bangladesh with a Channel 5 crew to raise awareness of maternal and neo-natal tetanus. She has also spearheaded a photographic project involving high profile mothers and their children, which will be the culmination of the campaign. Kirsty Young, Trudie Styler, Bella Freud, Sharlene Spiteri, Cate Blanchett, Queen Rania of Jordan, Mia Farrow and a host of other famous mums joined her in this project. Others lending their support to "Great Expectations" included Kirsty Young, who hosted a high profile women's breakfast at Soho House, and Andrew O'Hagan who narrated the video widely used to brief supporters.

"United for UNICEF" went from strength to strength, with the highlight being a benefit match against Boca Juniors of Argentina in August. This raised significant income for, and awareness of, UNICEF's work. Sir Alex Ferguson was proud to be appointed UNICEF UK Special Representative by Roger Moore at that match. Naturally there was much press coverage of the event.

The importance of *The Weekenders* project was underlined when it won Best Travel Book in the WH Smith Book Awards and Special Representative Andrew O'Hagan agreed to lead on *The Weekenders II* which will focus on child protection and Calcutta. This will tie in with UNICEF's new campaign for 2003-2006, "End Child Exploitation", an initiative which has involved much forward planning and preparation in the latter half of 2002.

Celebrities continued to support UNICEF events: in April, Roger Moore hosted the charity gala of *Chitty Chitty Bang Bang*; Bill Deedes hosted the Indian Palace Ball at the In and Out Club, Kirsty Young spoke at the Toy Soldiers Gala, where Steve Coogan brought real humour to the charity auction; and Jemima Khan, Bill Deedes and Roger Moore all attended the launch of the UNICEF UK "Childscapes" photographic exhibition at the Proud Gallery, London in November.

Partnerships with companies contributed over £4.1 million in 2002. The majority of this income came from our established partnerships with British Airways (Change for Good), Starwood Hotels (Checkout for Children), Manchester United (United for UNICEF), FTSE (FTSE4Good), Six Continents and Kodak. Significant income also came from newer partners such as Western Union (who donated 1m euros as a result of a pan European promotion) and HSBC Bank (who raised over £100,000 from a foreign coin collection). Special events went from strength to strength last year as well, contributing over £250,000 to the overall total due in particular to the success of the Toy Soldiers and Cabaret events.

Press coverage

Afghanistan continued to be one of the main issues for the press team, along with the Southern African crisis, the "Great Expectations" campaign and the World Cup. Media field visits during the year included Tajikistan (a series of 5 programmes with SKY News), Jemima Khan to Bangladesh (Channel 5 and Telegraph pieces on "Great Expectations"), Roger Moore to Japan for the World Cup (BBC Breakfast, SKY News and the Guardian), Martin Bell to Malawi (Channel 5 and the Telegraph), BBC Newsround to West Africa (resulting in pieces on child trafficking and the Special Session), and Afghanistan with the Telegraph and the Times Educational Supplement (TES). Other office-based media work included the launch of the UNICEF Teenage Pregnancy Report (Independent, BBC World Tonight, Guardian) and the HIV AIDS report launch (Radio 4, Radio 5, News 24, Metro).

Advocacy work

In May 2002, the UN Special Session on Children was held in New York. The official British delegation included UK NGO representatives and two young people as well as government delegates. All signatory governments are now responsible for incorporating the outcomes in the final declaration from the Special Session into their national strategies for young people. The UK Government has now done this and UNICEF participated in the consultation held by the Children's and Young People's Unit.

In terms of lobbying in 2002, UNICEF UK worked within the Refugee Children's Consortium on the Nationality, Immigration and Asylum Bill. The main areas of concern were Government proposals to detain young people with their families in special centres and to refuse the right to mainstream education. We were also campaigning for unaccompanied asylum-seeking children to receive better protection from local authorities, including support when they turn 18. We had a number of successes, including when the House of Lords defeated Government proposals and a large number of backbench Labour MPs rebelled against the Government line.

We also worked with the "StopAIDS" campaign to lobby for increased Government funding for AIDS work globally. This culminated with an event in November at the London Eye, involving celebrities, politicians and southern AIDS activists. This gained media attention as well as raising money for the campaign.

As anticipated, the arrival of the new Citizenship/PSHE curricula in UK schools in September 2002 has provided an ideal opportunity for UNICEF to reach teachers in order to educate children about the Convention on the Rights of the Child (CRC). All targets for reaching teachers for in-service training sessions in 2002 were met, and that before the appointment of a new Education Officer for Scotland (August). The TES Appeal for Afghanistan was a challenge we rose to, producing a complete on-line education pack in three months. The launch of our new rights-focused youth website, www.therightssite.org.uk, has established us as an organisation seriously working with this audience. The publication of a totally youth-produced education pack about the CRC, put together with assistance from our Youth Officer and funded by the new government-sponsored Children's and Young People's Unit, has also helped to establish UNICEF in the national youth participation forum. The DFID-funded joint agency project with Oxfam and Save the Children began and will run for three years. The project will build a useful guide for schools about how to incorporate global citizenship across the curriculum.

Baby Friendly

UNICEF UK continues to play an active part in the global UNICEF programme by working with health professionals to promote the benefits of breastfeeding and to ensure "Baby Friendly" practices. Nine new Baby Friendly awards were made during 2002, bringing the total number of Baby Friendly health care facilities in the UK to 47. Prime Minister Tony Blair presented the first Baby Friendly award to a Sure Start programme in December. Another 72 hospitals and health centres have a Certificate to show they are working towards accreditation. UNICEF UK launched a new programme to help ensure that student midwives and health visitors qualify from their pre-registration training with the skills to support successful breastfeeding.

Yet again, the UNICEF UK website has seen a marked growth in interest from supporters and members of the public. Website traffic in November 2002 reached an all-time record – over 20,000 visitors, generating 1.8 million page impressions. Online sales of cards and gifts during the Christmas period doubled in comparison to the previous year, and, following investment in a secure system for online credit card transactions, donations via the website have started to climb.

The year 2002 saw the expansion and reorganisation of the Chelmsford offices, enabling us to stay at this site for as long as possible, extending our lease until it finally runs out. As outsourcing Trading fulfilment became established, some staff at the centre expanded their roles and took on additional duties. This has allowed us to build on the administrative support we provide for the Regions. The Help Desk has gone from strength to strength and is a well-established part of the support we offer to the Committee as well as to our donors. The Donations team and the Committed Giving team have risen to the challenge and dealt with the increased complexity of processing donations and the growth in regular giving in their usual fast, efficient and effective way.

At our London Headquarters we continue to seek means to maintain professional and effective administrative services at minimum cost. We continue to apply progressive computer technology to enable staff, volunteers and supporters to access UNICEF communications and information as easily as possible.

Review of transactions

Incoming Resources

In 1990 UNICEF UK set itself the target of doubling and doubling again its total income of £4 million by 2000. That target total of £16 million was more than achieved. The Committee's target for the first half of the new decade is to double its base voluntary income. Base voluntary income is all income except income from government grants, exceptional emergencies and business development. The 2002 results indicate we are still on course to achieving our target, though times are getting tougher and reaching the target may cost more than we had originally forecast.

2002 was another record year for UNICEF UK, thanks this time to funding from DFID. Gross income increased by £4.3 million (14.3%) to £34.6 million. However, if we exclude Government funding, which more than doubled to £10.5 million, voluntary income actually declined by £1.4 million (5.5%) because there were fewer high profile emergencies. Income from emergency appeals was £3.2 million less in 2002 than in 2001. This is not to say there were fewer emergencies. The many silent emergencies, such as illness and death from HIV/AIDS and conflicts in Sudan and West Africa, continue remorselessly. They just do not hit the headlines.

Direct mail donations from non-emergency appeals however increased by £1.5 million thanks to continued investment in developing the Committee's biggest single source of income and, in particular, encouraging supporters to donate on a regular basis by direct debit, which is both more consistent and more cost effective. More supporters have taken advantage of the gift-aid aid method of making payments, which raised approximately £1.9 million in 2002, the same amount as in 2001.

Income from other on-going activities was just £295,000 more than in 2001, which was made up of a number of different trends – corporate income was up, while trust and legacy income was down.

Other points of note include:

Income raised by UNICEF UK's regional fundraising increased yet again to nearly £2.4 million, an increase of £365,000.

Similarly, sales of UNICEF's cards and gifts, including donations with orders, also increased again by £280,000 to almost £2.3 million. The focus remains on the more cost effective direct mail sales to private homes and to companies. To cope with the increasing business we have outsourced our warehousing operation to the Two Ten company in Wetherby, Yorkshire. In the short term this has increased our costs considerably because we cannot make all the expected savings at our Chelmsford Office immediately but these will work through in 2003 and 2004, as the focus of Chelmsford activities shifts to donations fulfilment and customer service. The UNICEF "Help Desk" is now fully operational at Chelmsford.

Despite the continuing effects of September 11th and the downturn in airline travel, the British Airways "Change for Good" campaign still achieved income of £1.7 million, compared to £2.3 million in 2001. The decline was minimised thanks to the efforts of the "Change for Good" champions.

Other noticeable income from UNICEF UK's corporate partners were £523,000 from the Starwood Hotels "Check-out for Children" programme, one million euros from Western Union, £140,000 from Kodak and £100,000 from HSBC. In addition, following the benefit game in June, Manchester United reached the one million pounds target for the "United for UNICEF" partnership. Also in 2002, total funds raised from FTSE4Good passed one million dollars.

The grants from Government (including the Channel Islands) totalled £10.5 million, the highest ever received by UNICEF UK. DFID contributed funds for work in Afghanistan, Korea, Somalia, Sierra Leone, North Caucasus, Liberia, Kazakhstan and Ijiga and Tigray in Ethiopia. The States of Jersey gave grants of £257,000 in 2002 both for UNICEF's long-term development work and for emergencies, over £100,000 more than in 2001.

The UK Government also made direct transfers to UNICEF HQ of £47.9 million, (2001: £45 million) which are not shown in UNICEF UK's accounts. Of these funds £37.2 million went to UNICEF programmes including £17 million for regular programmes; £4 million for the UNICEF/Government of India - Child's Environment – sanitation, hygiene and water supply programme; £2.7 million for Afghanistan programmes including £2.3 million for education; and £1.1 million to support drought relief efforts in Madhya Pradesh. In addition £10.7 million was for the Global Alliance for Vaccines and Immunization (GAVI), one of the global Trust Funds facilitated by UNICEF. Therefore the Government's total contribution to UNICEF in 2002 both direct and through UNICEF UK was £47.5 million for UNICEF programmes and £10.7 million for GAVI compared to £49.2 million for programmes and £200,000 for GAVI in 2001.

Costs of generating funds:

The revised Statement of Recommended Practice (SORP), which charities follow to present their accounts, recommends showing the "costs of generating funds" immediately after the gross total of those funds, which have been generated by that expenditure. In the Consolidated Statement of Financial Activities on page 9 it can be seen that total donations, legacies and gifts in kind of £21.3 million were generated by costs of £6.1 million, 28.6% of the income (2001: 23%). Sales of UNICEF's cards and gifts cost over £1.2 million, 54% of the £2.3million total (2001: 46%).

In 2002, as part of UNICEF UK's 5 year plan, the Trustees agreed to invest further in fundraising to grow long-term support. The investment is reflected in this year's additional £815,000 of fundraising costs. In year two of the plan it contributed to the additional £1.5 million raised from UNICEF UK's regular non-emergency direct mail income.

Charitable expenditure:

Of the total income raised, £26.4 million (76.2 per cent) went to programmes to benefit children: £22 million for specific country programmes chosen by the Committee or its donors; £2.5 million for UNICEF core programmes and £1.9 million for the Committee's advocacy and education programmes in this country, including those of the Baby Friendly Initiative. Thus total transfers for UNICEF's work overseas is £2.9 million more than in 2001 because of the increased income.

Management and Administration:

Management and administration costs were £723,000, compared to £698,000 in 2001. As a percentage of all income, (excluding Government grants, which are transferred to UNICEF without any deduction for administration), management and administration costs are 3.0 per cent (2001: 2.7 per cent). When Governments grants are included this falls to 2%.

UNICEF UK Enterprises Limited

The charity's wholly owned trading subsidiary carries out non-charitable trading activities for the charity. During the year, income of £1,573,436 (2001: £539,823) was raised from events, corporate sponsorship, commission and royalties. After allowing for the associated expenditure and management charges, £1,521,132 (2001: £454,921) was covenanted to UNICEF UK.

Reserves

UNICEF UK's policy on reserves is to:

- 1) Retain an emergency fund of £100,000 which can be used for rapid transfers to UNICEF HQ for immediate needs before appeals are made to donors.
- 2) Maintain a general fund of £550,000 to finance the purchase of fixed assets and working capital for current needs. UNICEF UK has no need for reserves to provide for future programmes, as these are the commitment of UNICEF HQ. Also the Committee's diversified sources of income make any large provision for a sudden reduction in donations unnecessary.

At the year end there was an additional £180,000 of reserves. This relates to income which has been allocated to 2003/4 UK programmes and hence has not been paid to UNICEF HQ.

Changes in fixed assets

The movements in fixed assets are set out in note 11 to the financial statements.

Governance and Internal Controls

UNICEF UK is governed by a Board of Trustees, which consists of a President and not less than seven, or more than sixteen other elected Board Members. The Board selects from amongst themselves the following officers: a Chair Person, two Vice Chairs and Treasurer and has a power to co-opt not more than six further Trustees. The maximum term of service for a Trustee is six consecutive years; officers of the Charity can serve for nine consecutive years. Thereafter, a year must elapse before re-election or re-appointment to the Board.

Trustees regularly review composition of the Board to identify any likely vacancies or requirements for special skills.

The Board of Trustees meets quarterly. A Management Committee of up to seven of the Trustees meets more frequently to consider recommendations of senior management for approval by the whole Board of Trustees.

Law applicable to incorporated charities in England and Wales requires the Trustees who are also the Directors of the company to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the group and of its financial activities during the year.

In preparing those financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;

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

The Trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the charity is operating efficiently and effectively;
- its assets are safeguarded against unauthorised use or disposition;
- proper records are maintained and financial information used within the charity or for publication is reliable;
- the charity complies with relevant laws and regulations.

The systems of internal control are designed to provide reasonable assurance, but not absolute, assurance against material misstatement or loss. They include:

- A strategic plan and an annual budget approved by the Trustees.
- Regular consideration by the Trustees of financial results, variances from budgets, non-financial performance indicators and benchmarking reviews.
- Delegation of authority and segregation of duties.
- Identification and management of risks.

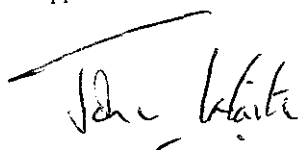
The Trustees have, with advice from their auditors, introduced a formal risk management process to assess business risks and implement management strategies as part of UNICEF UK's five-year plan. This involved identifying the risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, and putting into place systems to mitigate these risks. The top risk identified was 'a major source of income drying up'. We are combating this potential loss by placing the focus on committed giving and by developing long term partnerships. Also as part of this process the Trustees have reviewed the adequacy of the charity's current internal controls. The Trustees are pleased to report that UNICEF UK's internal financial controls, in particular, conform with the guidelines issued by the Charity Commission.

A Risk Working Group has been set up to review current procedures and work practices on an ongoing basis. These are being updated as necessary to ensure risk is minimised. The group reports at least twice a year to the Trustees.

Auditors

KPMG LLP were appointed as the charitable company's auditors during the year and have expressed their willingness to continue in that capacity.

Approved on behalf of the Trustees by:



The Rt. Hon. Sir John Waite
Chairman



KPMG LLP

PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the independent auditors to the Trustees of The United Kingdom Committee for UNICEF

We have audited the financial statements on pages 9 to 21.

This report is made solely to the charity'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 charity's members those matters 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 charity and the charity's members as a body, for our audit work, for this report, or the opinions we have formed.

Respective responsibilities of Trustees and Auditors

As described on page 2, the Trustees, who are also the Directors of The United Kingdom Committee for UNICEF for the purposes of company law, are responsible for preparing the Trustees' report and, as described on page 7, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent Auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. We also report to you if, in our opinion, the Trustees' report is not consistent with the financial statements, if the charity 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 group is not disclosed.

We read the other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and the group as at 31 December 2002 and of the group's incoming resources and application of resources, including its income and expenditure, in the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP
KPMG LLP
Chartered Accountants
Registered Auditor

28 May, 2003

**Consolidated Statement of Financial Activities
for the year ended 31 December 2002**

	Notes	Unrestricted funds £	Restricted funds £	Total 31 December 2002 £	Total 31 December 2001 £
Income and expenditure					
Incoming resources					
Donations, legacies and gifts in kind	2	9,669,264	11,582,702	21,251,966	22,985,264
Government grants	3	-	10,532,836	10,532,836	4,782,308
Activities for generating funds:					
UNICEF cards and gift sales	4	2,286,732	753	2,287,485	2,010,557
Advocacy/Baby friendly sales		399,552	23,324	422,876	319,717
Investment income		132,341	-	132,341	179,406
Gross resources		12,487,889	22,139,615	34,627,504	30,277,252
Costs of generating funds					
Fundraising	6	(2,657,653)	(3,429,319)	(6,086,972)	(5,271,818)
UNICEF cards and gift costs	4	(1,236,800)	-	(1,236,800)	(915,328)
Net incoming resources available for charitable application		8,593,436	18,710,296	27,303,732	24,090,106
Charitable expenditure					
<i>Cost of activities in furtherance of the charity's objects:</i>					
Core programmes		2,509,486	-	2,509,486	5,583,266
Supplementary programmes		3,668,485	18,319,697	21,988,182	16,054,879
Advocacy programmes	5	1,899,251	3,324	1,902,575	1,753,659
Management and administration	7	376,214	347,275	723,489	698,302
		8,453,436	18,670,296	27,123,732	24,090,106
Net surplus of income over expenditure carried forward		140,000	40,000	180,000	-
Fund balances brought forward		650,000	-	650,000	650,000
Fund balances carried forward	16	790,000	40,000	830,000	650,000

There are no gains or losses other than those recognised in the statement of financial activities.

Incoming resources and resulting net movement in funds in the period arises from continuing operations.


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

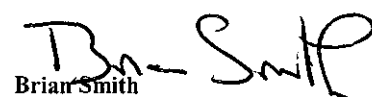
Balance Sheets
at 31 December 2002

	Note	Group 2002 £	Committee 2002 £	Group 2001 £	Committee 2001 £
Fixed assets					
Tangible assets	11	380,634	380,634	498,454	498,454
Investments	12	-	20,000	-	20,000
		<hr/>	<hr/>	<hr/>	<hr/>
		380,634	400,634	498,454	518,454
		<hr/>	<hr/>	<hr/>	<hr/>
Current assets					
Debtors	13	1,300,846	1,190,866	2,953,388	3,235,400
Cash at bank		4,324,716	4,302,673	3,031,580	2,278,568
		<hr/>	<hr/>	<hr/>	<hr/>
		5,625,562	5,493,539	5,984,968	5,963,968
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: amounts falling					
Due within one year					
Creditors and accrued charges	14	1,784,224	1,672,201	1,040,803	1,039,803
Amounts due to UNICEF		3,391,972	3,391,972	4,792,619	4,792,619
		<hr/>	<hr/>	<hr/>	<hr/>
		5,176,196	5,064,173	5,833,422	5,832,422
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets		449,366	429,366	151,546	131,546
		<hr/>	<hr/>	<hr/>	<hr/>
Net assets		830,000	830,000	650,000	650,000
		<hr/>	<hr/>	<hr/>	<hr/>
Funds	16	830,000	830,000	650,000	650,000
		<hr/>	<hr/>	<hr/>	<hr/>

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

These financial statements were approved by the Trustees on 30 April 2003 and were signed on its behalf by:


The Rt. Hon. Sir John Waite
Chairman


Brian Smith
Treasurer

Consolidated Cash Flow Statement
for the year ended 31 December 2002

	<i>Note</i>	2002 £	2001 £
Net cash inflow from operating activities	<i>17</i>	1,245,610	253,070
Returns on investments and servicing of finance			
Interest received		132,341	179,406
Capital expenditure			
Purchase of tangible fixed assets		(81,117)	(169,554)
Disposal of tangible fixed assets		5,676	7,054
Financing			
Capital element of finance lease rental payments	<i>18</i>	(9,374)	(16,326)
Increase in cash	<i>19</i>	1,293,136	253,650

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

Notes

forming part of the financial statements for the period ended 31 December 2002

1 Accounting policies

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. UNICEF UK has adopted the principles of the revised Statement of Recommended Practice (Accounting and Reporting by Charities) which was issued by the Charity Commissioners in October 2000.

b) Basis of consolidation

UNICEF UK Enterprises Limited is treated as a branch of UNICEF UK as defined in the SORP and therefore all its transactions have been accounted for gross in these financial statements.

c) Incoming resources and resources expended

All income and expenditure is shown in the Statement of Financial Activities.

Incoming resources

All incoming resources are included in the Statement of Financial Activities when receivable. Gifts donated for resale are included as income when they are sold. Legacy income is recognised when it is capable of being quantified financially. Grants are recognised in full in the SOFA in the year in which they are receivable. The value of services provided by volunteers has not been included.

Unrestricted funds are donations and other incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds. Restricted funds are to be used for specific purposes as laid down by the donor.

Costs of Generating Funds

Resources expended are accounted for on an accruals basis. They include attributable VAT, which cannot be recovered. Costs of generating funds comprise those operational costs directly attributable to fundraising and sales of UNICEF cards and gifts. These include direct costs, which are allocated on an actual basis to the relevant expense heading, salaries and other overhead expenses. Added to this is an allocation (based on space, usage or time spent) of the salaries and overhead costs of support.

Charitable Expenditure

Charitable expenditure is the cost of activities carried out by UNICEF UK in the furtherance of its objectives and includes the funds sent to programmes to benefit children:

Core programmes are financed by unearmarked (unrestricted) donations which are used for UNICEF general programmes such as immunisation and education.

Supplementary programmes are specific project or country programmes, chosen by UNICEF UK or its donors.

Advocacy programmes are UNICEF UK's advocacy and education programmes in the UK, including those of the Baby Friendly Initiative.

Costs of managing and administering the charity are those incurred by finance, information technology, human resources and directorate departments attributable to the management of the charity's assets, organisational administration and, compliance with constitutional and statutory requirements.

d) Tangible fixed assets

Fixed assets are shown at cost less depreciation.

Depreciation is calculated so as to write off the cost of fixed assets over their estimated useful lives as follows:

Leasehold property	20%	Computer hardware	33 ¹ / ₃ %
Office equipment	20%	Motor vehicles	25%

e) Grants

Direct transfers to UNICEF from Her Majesty's Government totalling £47.9 million (2001: £45 million) are not included in these financial statements. Of these funds £10.7 million went to the Global Alliance for Vaccines and Immunization (GAVI). The remaining £37.2 million went to UNICEF programmes including £17 million for regular programmes and £4 million for UNICEF/Government of India - Child's Environment - sanitation, hygiene and water supply programme. £2.7 million went to Afghanistan programmes including £2.3 million for education and £1.1 million to support drought relief efforts in Madhya Pradesh.

f) Pensions

The charity operates two defined contribution pension schemes. The assets of the schemes are held separately from the charity in independently administered funds. Contributions payable to the schemes are charged to expenditure as incurred. Contributions amounted to £138,190 (2001: £118,514).

g) Hire purchase contracts

Where assets are purchased using hire purchase contracts the assets are included within fixed assets and the capital element of the hire purchase commitment is shown as obligations under hire purchase contracts.

The hire purchase payments are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profits in proportion to the reducing capital element outstanding. Assets held under hire purchase contracts are depreciated over the shorter of the hire purchase contract and useful life of equivalent owned assets.

2 Donations, grants, legacies and gifts

* See also note 3

	Unrestricted	Restricted	Total	Total
	2002	2002	2002	2001
	£	£	£	£
Direct mail	5,073,137	5,578,813	10,651,950	11,884,597
Change for Good	1,692,731	-	1,692,731	2,331,632
Check Out for Children	-	522,937	522,937	436,287
UNICEF Enterprises Ltd covenanted net income	1,521,107	-	1,521,107	454,921
Other donations and grants*	190,090	5,480,952	5,671,042	6,213,056
Legacies	1,192,199	-	1,192,199	1,664,771
	<u>9,669,264</u>	<u>11,582,702</u>	<u>21,251,966</u>	<u>22,985,264</u>

The above figures exclude a disputed legacy of £80,000.

Notes (continued)

3 Grants

Government grants

UNICEF UK received grants for overseas aid during the year from the UK Government of £10,275,634 (2001: £4,580,000) and from the States of Guernsey and Jersey of £257,202 (2001: £140,376). No Government grants for education programmes in the UK were received in the year (2001: £61,932).

Other Grants

This income is included at Note 1

Income in the year from non-governmental organisations includes:

	Income 2002 £	Income 2001 £
The Parthenon Trust (support in over 12 countries)	1,500,000	2,250,000
The Community Trust (post-conflict education in Mozambique)	199,000	244,891
The Band Aid Trust (health programme in Southern Sudan)	40,375	-
Robbie Williams Give It Sum Fund (support former child soldiers in Rwanda)	29,000	50,000
The Kate MacAskill Foundation (education in Afghanistan)	80,000	-
	<hr/> 1,848,375 <hr/>	<hr/> 2,544,891 <hr/>

4 UNICEF cards and gifts

	Unrestricted 2002 £	Restricted 2002 £	Total 2002 £	Total 2001 £
Sales of UNICEF cards and gifts	2,010,382	-	2,010,382	1,734,552
Donations with orders	276,350	753	277,103	276,005
	<hr/> 2,286,732	<hr/> 753	<hr/> 2,287,485	<hr/> 2,010,557
Costs of selling UNICEF cards and gifts	(1,236,800)	-	(1,236,800)	(915,328)
	<hr/> 1,049,932	<hr/> 753	<hr/> 1,050,685	<hr/> 1,095,229
Net profit	<hr/> <hr/> 1,049,932	<hr/> <hr/> 753	<hr/> <hr/> 1,050,685	<hr/> <hr/> 1,095,229

Operating costs include staff costs of £ 320,966 (2001: £349,008).

Notes (continued)

5 Advocacy programmes

In accordance with its stated objectives, the UK Committee incurs expenditure on development education in schools. It also promotes the health of children through the Baby Friendly Initiative, provides information and resources and communicates with parliamentarians and the media about the work of UNICEF.

Funds allocated to UNICEF advocacy for children comprise:

	Unrestricted 2002 £	Restricted 2002 £	Total 2002 £	Total 2001 £
Development education	492,781	1,481	494,262	497,158
Baby Friendly Initiative	454,369	-	454,369	391,820
Management of information resources	326,170	1,136	327,306	312,707
Communication of UNICEF's programmes	380,033	-	380,033	377,130
Management of high profile supporters	68,067	-	68,067	5,572
Parliamentary liaison	177,831	707	178,538	169,272
	<u>1,899,251</u>	<u>3,324</u>	<u>1,902,575</u>	<u>1,753,659</u>

The above expenditure includes staff costs of £1,123,487 (2001: £949,892).

6 Fundraising expenditure

	Unrestricted 2002 £	Restricted 2002 £	Total 2002 £	Total 2001 £
Direct costs	1,638,857	2,057,225	3,696,082	2,985,775
Staff costs	667,465	899,354	1,566,819	1,470,083
Other costs	351,331	472,740	824,071	815,960
	<u>2,657,653</u>	<u>3,429,319</u>	<u>6,086,972</u>	<u>5,271,818</u>

7 Management and administration expenditure

	Unrestricted 2002 £	Restricted 2002 £	Total 2002 £	Total 2001 £
Staff costs	171,706	158,498	330,204	328,297
Other costs	204,508	188,777	393,285	370,005
	<u>376,214</u>	<u>347,275</u>	<u>723,489</u>	<u>698,302</u>

Notes (continued)

8 Other employee information

	2002 No	2001 No
The average number of employees of the Committee during the period was	121	109
	<hr/>	<hr/>
	£	£
Wages and Salaries	2,691,223	2,357,750
Employer's social security costs	243,519	216,423
Employer's pension costs	138,190	118,514
	<hr/>	<hr/>
The total emoluments of these employees were	3,072,932	2,692,687
	<hr/>	<hr/>
	No.	No.
Employees with emoluments over £50,000 were as follows:		
£60,001 - £70,000	1	-
£50,001 - £60,000	2	2
	<hr/>	<hr/>

There were three Directors in the year (2001: two Directors) with emoluments over £50,000 who accrued retirement benefits under the charity's defined pension scheme(s).

Three Trustees (2001: four Trustees) reclaimed UK travelling expenses totalling £177. The Chairman also incurred travel and accommodation expenses of £607 for attendance at UNICEF international meetings. Total Trustees' expenses for the period was £784 (2001: £2,277).

9 Auditors' remuneration

	2002 £	2001 £
Audit fee	18,500	16,480
	<hr/>	<hr/>

Notes (continued)

10 UNICEF development programme

Expenditure on trading activities and fundraising is stated after deduction of the following financial support provided by UNICEF Headquarters, Marketing, Research and Development and Fundraising Development Programmes.

	2002 £	2001 £
Market development programme		
Greeting Card Operation	249,874	225,600
Research and development programme		
Donor recruitment	74,060	97,173
Fundraising development programme		
Donor recruitment	619,718	632,864
	<hr/>	<hr/>
	943,652	955,637
	<hr/>	<hr/>

Movements on UNICEF Development Programme Funds

	Marketing Development Programme £	Research and Development Programme £	Fundraising Development Programme £	Total 2002 £	Total 2001 £
Balance at 1 January 2002	158,101	56,459	104,219	318,779	369,896
Funding received	313,500	73,696	620,000	1,007,196	904,520
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Funding available	471,601	130,155	724,219	1,325,975	1,274,416
Funding utilised	(249,874)	(74,060)	(619,718)	(943,652)	(955,637)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at end of year	221,727	56,095	104,501	382,323	318,779
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Fixed assets (Committee & Group)

	Short leasehold property £	Office Equipment £	Computer Hardware £	Motor Vehicles £	Total £
Cost					
At 1 January 2002	291,146	272,906	277,956	53,714	895,722
Additions	6,969	23,541	50,607	-	81,117
Disposals	-	-	-	(20,689)	(20,689)
At 31 December 2002	298,115	296,447	328,563	33,025	956,150
Depreciation					
At 1 January 2002	(100,550)	(80,111)	(172,234)	(44,373)	(397,267)
Provided in the year	(68,821)	(55,958)	(65,668)	(8,490)	(198,938)
Disposals	-	-	-	20,689	20,689
At 31 December 2002	(169,371)	(136,069)	(237,902)	(32,174)	(575,516)
Net book value					
At 31 December 2002	128,744	160,378	90,661	851	380,634
At 31 December 2001	190,596	192,795	105,722	9,341	498,454

Included in the total net book value of motor vehicles is £851 (2001: £9,341) in respect of assets held under finance leases.

12 Fixed asset investments

	Committee 2002 £	Committee 2001 £
20,000 £1 ordinary shares UNICEF UK Enterprises Limited at cost	20,000	20,000

UNICEF UK Enterprises Limited is registered in England and Wales and is a 100% subsidiary undertaking.

Notes (continued)

13 Debtors

	Group 2002 £	Committee 2002 £	Group 2001 £	Committee 2001 £
Trade debtors	965,144	855,164	818,006	548,153
Other debtors	223,679	223,679	2,135,382	2,135,382
Amounts due from subsidiary undertaking	112,023	112,023	-	551,865
	<u>1,300,846</u>	<u>1,190,866</u>	<u>2,953,388</u>	<u>3,235,400</u>

14 Creditors and accrued charges

	Group 2002 £	Committee 2002 £	Group 2001 £	Committee 2001 £
Trade creditors	720,166	720,166	276,250	276,250
Other creditors and accruals	951,049	951,049	754,193	753,193
Obligations under finance leases and hire purchase contracts	986	986	10,360	10,360
Amounts due to subsidiary undertaking	112,023	-	-	-
	<u>1,784,224</u>	<u>1,672,201</u>	<u>1,040,803</u>	<u>1,039,803</u>

15 Obligations under finance leases and hire purchase contracts

	Committee 2002 £	Committee 2001 £
Amounts due within one year	986	10,360
	<u>986</u>	<u>10,360</u>

Notes (continued)

16 Funds

	2002 £	2001 £
Surplus income over expenditure carried forward:		
Restricted funds	40,000	-
Designated fund	140,000	-
Unrestricted Reserves:		
General fund	550,000	550,000
Emergency fund	100,000	100,000
	<u>830,000</u>	<u>650,000</u>

In 2002 £180,000 was allocated for expenditure on 2003/4 UK programmes. £140,000 is to be spent on the Change for Good education programme. £20,000 is from the proceeds of the Pearl Ball and is to support an education officer post in Northern Ireland over 2003/4. Also Bulgari gave sponsorship of £20,000 to fund the forthcoming 'Vogue' event (April 2003).

17 Reconciliation of net movement in funds to net cash inflow from operating activities

	2002 £	2001 £
Net movement in funds	180,000	-
Interest receivable	(132,341)	(179,406)
Profit on sale of motor vehicles	(5,676)	(7,054)
Depreciation	198,938	213,190
Decrease/(Increase) in debtors	1,652,542	(1,150,673)
Increase/(Decrease) in creditors and accrued charges	752,795	(582,273)
(Decrease)/Increase in UNICEF creditor	(1,400,648)	1,959,286
Net cash inflow from operating activities	<u>1,245,610</u>	<u>253,070</u>

18 Analysis of net debt

	1 January 2002 £	Repayment of finance Leases £	Cash flow £	31 December 2002 £
Cash at bank and in hand (liquid resources)	3,031,580	-	1,293,136	4,324,716
Finance leases	(10,360)	9,374	-	(986)
Total	<u>3,021,220</u>	<u>9,374</u>	<u>1,293,136</u>	<u>4,323,730</u>

Notes (continued)

19 Reconciliation of net cash flow to movement in net debt

	2002	2001
	£	£
Increase in cash in the period	1,293,136	253,650
Cash outflow from decrease in finance leases	9,374	16,858
	<hr/>	<hr/>
Movement in net debt in the period	1,302,510	270,508
	<hr/>	<hr/>
Net debt at 1 January	3,021,220	2,750,712
	<hr/>	<hr/>
Net debt at 31 December	4,323,730	3,021,220
	<hr/>	<hr/>

20 Capital commitments

At 31 December 2002 UNICEF UK had contractually committed to spend £nil (2001: £nil) on capital expenditure.

21 Annual Review

The figures disclosed in these financial statements are included, in summary, in the annual review of the UK Committee (UNICEF UK). This report gives details of the support to UNICEF provided by UNICEF UK and a detailed narrative analysis of the Committee's activities during the period.

Copies of the annual review may be obtained from UNICEF UK, The Helpdesk, Unit 1, Rignals Lane, Galleywood, Chelmsford, Essex, CM2 8TU. Telephone: 0870 606 3377 Email: helpdesk@unicef.org.uk

22 Related party transactions

The "old" unincorporated UK Committee for the United Nations Children's Fund is under the control of the same management team as UNICEF UK, the "new" incorporated Committee. A resolution was passed on 11 December 2002 to dissolve the "old" unincorporated Committee and to transfer its remaining assets and liabilities to the "new" incorporated Committee on the same date.