

ANNUAL REPORT AND STATEMENT OF ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2005
FOR ETHIOPIAID

(Company Limited by Guarantee)

R A McLeod & Co
Registered Auditor
Chartered Accountants
10 Portland Business Centre
Manor House Lane
Datchet
Berkshire SL3 9EG

Ethiopiaid
(Company Limited by Guarantee)

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Ethiopiaid
(Company Limited by Guarantee)

COMPANY INFORMATION AT 31 DECEMBER 2005

TRUSTEES:	A E Reed CBE FCMA K F Livesey MA FCA P G Green MRAC CDA A M Chapman MA MPhil P W Scope LLB S Pridgeon BA D J Beal BA FCA
SECRETARY:	R Sturdy
REGISTERED OFFICE:	6 Sloane Street London SW1X 9LE
AUDITORS:	R A McLeod & Co Registered Auditor Chartered Accountants 10 Portland Business Centre Manor House Lane Datchet Berkshire SL3 9EG
BANKERS:	Barclays Bank Plc 210 High Street Hounslow Middlesex TW3 1DL
LEGAL ADVISERS:	Wilsons Steynings House Fisherton House Salisbury SP2 7RJ
COMPANY REGISTRATION NUMBER:	2435882
CHARITY REGISTRATION NUMBER:	802353

Ethiopiaid
(Company Limited by Guarantee)

REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2005

The trustees, who are also directors, present their report with the audited accounts of the company for the year ended 31 December 2005. 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 company is a charitable company, Limited by Guarantee and was set up on 25 October 1989. It is governed by a Memorandum and Articles of Association.

Company Objects

The objects of the charity are to relieve poverty and sickness, to preserve and protect health and to advance education amongst the people of Ethiopia who are in need.

Our Policies

All cash in the bank, which was available for distribution at the end of the calendar year, was transferred to Ethiopia before the end of January 2006, with the following exceptions:

£440,000 from the £500,000 pledged in 2004 to the University of Addis Ababa. £60,000 of this grant was donated in 2005 to be used for assistive technology. The trustees decided that the remaining £440,000 should be available to any state-run Ethiopian University who submit an appropriate proposal for the funds. At 1 January 2005 we also held £19,543, from the initial grant of £500,000 pledged to the University of Addis Ababa computer network. This is still outstanding at 31 December 2005.

£1,000,000 pledged to Hope Enterprises. This is restricted to fund the construction of the Hope University College and will be donated in four annual instalments, beginning in 2006.

£36,592 pledged to Operation Smile. This is the remainder of the costs for their 2005 trip, which we are holding until mid-2006.

Review of the year

Ethiopiaid enjoyed a very successful year in 2005. We were able to send a total of £2,018,077 to our partners in Ethiopia (2004: £2,017,000).

We currently have 14 partner organisations and are one of the largest sources of funding for NGO's working in and around Addis Ababa, Ethiopia's capital. In 2005 we ceased to work with the Agency for the Assistance of Refugees, Environmental Protection and Assistance, Farm Africa, Jerusalem Association Children's Home and Yeteem Children & Mothers Aid. We still work with the Black Lion Hospital and Medical Missionaries of Mary, but made no donations in 2005.

In October 2005 the Trustees set aside £1,000,000 as additional funds and invited projects to tender for these funds. The additional funds were awarded to Hope Enterprises to start the Hope University College. This will be a university that educates the brightest Ethiopian students regardless of means.

A breakdown of the support given by Ethiopiaid to our partner projects in 2005 follows:

The Addis Ababa Fistula Hospital

£200,000

The Hospital is world-renowned for its treatment of women who have suffered terrible injuries during childbirth. They have treated over 25,000 patients, many of whom have endured years of incontinence before hearing that there is a simple operation that can cure them completely. The Hospital has constructed a village, Desta Mender, to house women whose fistulae are incurable.

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2005

- Cheshire Services*** **£200,000**
This is a home just outside Addis Ababa, which takes in children from all over the country with severe physical disabilities. They perform corrective surgery and intensive physiotherapy and many children leave able to walk for the first time ever. The Home also has a mobile unit which travels to rural areas across the country.
- Hope Enterprises*** **£200,000**
Ethiopia's first indigenous Non Governmental Organisation runs projects with the aim of providing a future for the children of Ethiopia. They have established extremely successful primary and secondary schools, as well as running vocational centres, which have a great record of job placement and even job creation. In 2000 they began a breakfast for street children, which was initiated by Ethiopiaid.
- Hope University College*** **£1,000,000**
Hope University College is being set up to provide further education to the brightest students in Ethiopia, regardless of background. The construction will begin in September 2006, with the first intake of students planned for 2009.
- Mother Theresa's Missionaries of Charity*** **£200,000**
This is a hospice for the most needy in Addis Ababa. The women who work here make it possible for patients to die with dignity and give them shelter in their final days. They also run an orphanage for children and have a special home for children who are HIV positive, now an alarming problem in Ethiopia.
- Destitute Elders Welfare Association (formerly Children of Light Welfare Association)*** **£50,000**
This project offers assistance to the elderly who have no family to support them. They provide subsistence food and clothing, housing repairs, as well as improving the elderly's quality of life by performing cataract operations.
- Children Aid Ethiopia (CHAD-ET)*** **£30,000**
This organisation provides services to children suffering from HIV and Aids, and provides help and education for those involved in prostitution. They are also very active in preventative work through a peer education programme and educational shows, which tour schools and market squares.
- Addis Development Vision (formerly Voluntary Council for the Handicapped)*** **£20,000**
This small indigenous organisation works in the community to train and rehabilitate the disabled. They also run small schools where disabled students are taught alongside able-bodied children.
- Facilitators for Change*** **£10,000**
This project runs a revolving credit programme for female-headed households in Debre Zeit. This is a military area and, as a result of the war against Eritrea, there are many households where the woman is the only income earner for the entire family.
- Focus on Children at Risk*** **£10,000**
Focus sponsors the poorest children through education by paying for their school fees and uniforms. They also finance projects, such as classroom construction, in deprived schools and provide after hour education for children who have to work during the day.
- Eneredada Elder Peoples' Association*** **£3,000**
This small NGO provides monthly food, clothing and medicine rations for its fifty-five elderly beneficiaries, whose families are unable to support them. The Association's centre offers a friendly environment where the elderly gather daily to socialise and work together.

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REPORT OF THE TRUSTEES FOR THE YEAR ENDED 31 DECEMBER 2005

FIDO **£25,000**
FIDO, which was established in 2002, specialises in building and repairing houses in one of the poorest areas of Addis.

Operation Smile **£70,077**
Volunteer doctors, nurses and dentists who work to repair childhood facial deformity such as split lips and cleft pallets. The volunteers also train local staff and educate the communities they practise in. We funded Operation Smile's mission to the Black Lion Hospital in December 2005, which treated 184 children.

Total Donations to partner projects **£2,018,077**

Organisational structure of the charity.

There is only one full time member of staff. This employee is also the Company Secretary and he or she co-ordinates all fundraising and associated activities for the charity. He or she reports directly to the charity's voluntary Chief Executive, Alec Reed. In turn, the Chief Executive sits on, and reports to, the Board of Trustees. The Board of Trustees is the ultimate decision-maker.

Relationships with other charities.

The charity benefits from free office space donated by Reed Charity.

Reserves

All cash in the bank, which was available for distribution at the end of the calendar year, was transferred to Ethiopia before the end of January 2006, with the following exceptions:

£440,000 from the £500,000 pledged in 2004 to the University of Addis Ababa. £60,000 of this grant was donated in 2005 to be used for assistive technology. The trustees decided that the remaining £440,000 should be available to any state-run Ethiopian University who submit an appropriate proposal for the funds. At 1 January 2005 we also held £19,543, from the initial grant of £500,000 pledged to the University of Addis Ababa computer network. This is still outstanding at 31 December 2005.

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£36,592 pledged to Operation Smile. This is the remainder of the costs for their 2005 trip, which we are holding until mid-2006.

Major risks to which the charity is exposed.

The Trustees have identified and reviewed the major risks to which the charity is exposed. They confirm that that appropriate systems are in place to manage and mitigate those risks.

Statement of Trustees' Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue

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

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**REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2005**

Appointment and Training of Trustees

The Charity Trustees have a cross section of skills and experience and are chosen on the basis of their successful business record. Because of their prior expertise, additional training is not considered necessary.

Trustees

The directors in office during the year were:

D J Beal BA FCA

P G Green MRAC CDA

S Pridgeon BA

P W Scope LLB

A M Chapman MA Mphil

K F Livesey MA FCA

A E Reed CBE FCMA

Auditors

The auditors, R A McLeod & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

The Trustees' Report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

ON BEHALF OF THE BOARD

.....
Trustee

Dated:

Ethiopiaid
(Company Limited by Guarantee)

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS
OF ETHIOPIAID

We have audited the financial statements of Ethiopiaid for the year ended 31 December 2005 on pages seven to fourteen. These financial statements have been prepared in accordance with the accounting policies set out therein, and the requirements of the Financial Reporting Standard for smaller entities (effective Jan 2005).

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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described on page five the company's trustees are responsible for the preparation of the financial statement in accordance with applicable law and United Kingdom Accounting Standards.

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

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

We read the Report of the Trustees and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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 the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom generally accepted accounting practice, of the charitable company's state of affairs as at 31 December 2005 and of its incoming resources and application of resources, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

R A McLeod & Co
Registered Auditor
Chartered Accountants
10 Portland Business Centre
Manor House Lane
Datchet
Berkshire SL3 9EG

Dated:

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Statement of Financial Activities for the year ended 31 December 2005

	Unrestricted Funds	Restricted Funds	2005 Total Funds	2004 Total Funds
Notes	£	£	£	£
Incoming Resources				
Donations	2,698,939	24,063	2,723,002	2,724,954
Legacies	328,009	-	328,009	104,894
Intangible income	9 9,140	-	9,140	12,218
Interest receivable	8 <u>22,352</u>	<u>-</u>	<u>22,352</u>	<u>12,544</u>
	<u>3,058,440</u>	<u>24,063</u>	<u>3,082,503</u>	<u>2,854,610</u>
Resources Expended				
Costs of generating funds:				
Fundraising & publicity	5 898,525	-	898,525	875,309
Management & administration	6 <u>65,965</u>	<u>-</u>	<u>65,965</u>	<u>80,480</u>
	964,490	-	964,490	955,789
Charitable Expenditure	4 <u>994,014</u>	<u>1,024,063</u>	<u>2,018,077</u>	<u>2,017,000</u>
Total resources expended	<u>1,958,504</u>	<u>1,024,063</u>	<u>2,982,567</u>	<u>2,972,789</u>
Net (resources expended)/ incoming resources	1,099,936	(1,000,000)	99,936	(118,179)
Transfer between reserves	(1,000,000)	1,000,000	-	-
Fund balances brought forward at 1 January 2005	<u>294,285</u>	<u>-</u>	<u>294,285</u>	<u>412,464</u>
Fund balances carried forward at 31 December 2005	2 <u><u>394,221</u></u>	<u><u>-</u></u>	<u><u>394,221</u></u>	<u><u>294,285</u></u>

The notes form part of these financial statements

Ethiopiaid
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Income and Expenditure Account for the year ended 31 December 2005

	Notes	2005 £	2004 £
Gross income from continuing operations		3,051,011	2,829,848
Income from non-charitable operations		<u>31,492</u>	<u>24,762</u>
Total income from continuing operations	3	3,082,503	2,854,610
Total expenditure of continuing activities	3	<u>2,982,567</u>	<u>2,972,789</u>
		99,936	(118,179)
Balances brought forward at 1 January 2005		<u>294,285</u>	<u>412,464</u>
Balances carried forward at 31 December 2005	2	<u>394,221</u>	<u>294,285</u>

The notes form part of these financial statements

Ethiopiaid
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Balance Sheet as at 31 December 2005

	Notes	£	2005 £	£	2004 £
Fixed Assets					
Intangible asset - Donor Base	10		180,382		195,680
Current Assets					
Bank		1,425,525		606,130	
Income tax repayment claim		439,569		280,000	
Other Debtors		<u>2,345</u>		<u>32,820</u>	
		1,867,437		918,950	
Creditors: Amounts falling due within one year:					
	11	<u>1,653,600</u>		<u>820,345</u>	
Net Current Assets					
			<u>213,837</u>		<u>98,605</u>
			<u>394,221</u>		<u>294,285</u>
Funds and Reserves					
Funds	2		<u>394,221</u>		<u>294,285</u>

These Financial Statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies, and with the Financial Reporting Standard for smaller entities (effective Jan 2005).

.....
Trustee

.....
Trustee

Date:

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for smaller entities (effective Jan 2005) including the recommendations of the Statement of Recommended Practice (SORP) 'Accounting and reporting for Charities', issued by the Charity Commissioners in October 2000.

Income and Expenditure

Income and Expenditure has been accounted for on an accruals basis.

Grants and Donations

Grants and donations by the Company have been charged to the Income and Expenditure account.

Intangible Fixed Assets

It is the company policy to capitalise part of the cost of advertising, as a donor base is created from the names and addresses of donors obtained. The value of the donor base derives from the ability to target past donors in future campaigns, by direct mail, without the need to incur further advertising costs.

The donor base is amortised at 25% per annum on a straight line basis. There is no amortisation provided in the first year of a donor appearing on the donor base.

2. FUNDS AND RESERVES

Unrestricted Funds

	£
At 1 January 2005	294,285
Net Incoming Resources for the year	1,099,936
Transfer to restricted fund	<u>(1,000,000)</u>
At 31 December 2005	<u>394,221</u>

Restricted Funds

	£	£
At 1 January 2005		-
Transfer from unrestricted Funds		1,000,000
Funds received in the year		24,063
Funds donated in year:		
Addis Ababa Fistula Hospital	23,078	
Hope University College	1,000,000	
Destitute Elders Welfare Association	80	
Operation Smile	770	
Mother Theresa's Missionaries of Charity	135	
		<u>1,024,063</u>
As at 31 December 2005		<u>-</u>

NOTES TO THE FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

Analysis of Net Assets between Funds

	Intangible fixed assets	Net current assets	Total
	£	£	£
Unrestricted Funds	180,382	1,213,839	1,394,221
Restricted Funds	-	(1,000,000)	(1,000,000)
Total	<u>180,382</u>	<u>213,839</u>	<u>394,221</u>

3. INCOME & EXPENDITURE from continuing operations

Income

All income is attributable to the one principal activity of the Charity.

Expenditure

	Total 2005	Total 2004
	£	£
Direct charitable expenditure (Note 4)	2,018,077	2,017,000
Fundraising and publicity (Note 5)	898,525	875,309
Management and administration (Note 6)	<u>65,965</u>	<u>80,480</u>
	<u>2,980,567</u>	<u>2,972,789</u>

4. DIRECT CHARITABLE EXPENDITURE

	Unrestricted Funds	Restricted Funds	Total 2005	Total 2004
	£	£	£	£
General Grants:				
Addis Ababa University	-	-	-	500,000
Addis Ababa Fistula Hospital	176,922	23,078	200,000	300,000
Cheshire Home for Disabled Children	200,000	-	200,000	300,000
Mother Theresa's Missionaries of Charity	199,865	135	200,000	300,000
Hope Enterprises	200,000	-	200,000	300,000
Hope University College	-	1,000,000	1,000,000	-
Jerusalem Association Children's Home	-	-	-	5,000
Medical Missionaries of Mary	-	-	-	20,000
Destitute Elders Welfare Association	49,920	80	50,000	90,000
Environmental Protection & Assistance	-	-	-	4,000
Yeteem Children & Mothers Aid	-	-	-	-
Agency for the Assistance of Refugees	-	-	-	20,000
Children Aid - Ethiopia	30,000	-	30,000	50,000
Farm Africa	-	-	-	25,000
Addis Development Vision	20,000	-	20,000	30,000
Black Lion Hospital	-	-	-	-
Eneredada Elders Association	3,000	-	3,000	5,000

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

4. DIRECT CHARITABLE EXPENDITURE (CONT)

	Unrestricted Funds	Restricted Funds	Total 2005	Total 2004
	£	£	£	£
Facilitators for Change Ethiopia	10,000	-	10,000	15,000
Focus on Children at Risk	10,000	-	10,000	13,000
FIDO	25,000	-	25,000	40,000
Operation Smile	69,307	770	70,077	-
Total	<u>994,014</u>	<u>1,024,063</u>	<u>2,018,077</u>	<u>2,017,000</u>

5. FUNDRAISING AND PUBLICITY

	Unrestricted Funds	Restricted Funds	2005 Total Funds	2004 Total Funds
	£	£	£	£
Advertising	628,286	-	628,286	714,900
Less: amounts capitalised	<u>64,169</u>	<u>-</u>	<u>64,169</u>	<u>87,318</u>
Net advertising costs	564,117	-	564,117	627,582
Other fundraising costs	181,608	-	181,608	102,195
Database processing costs	73,333	-	73,333	64,593
Amortisation of database	<u>79,467</u>	<u>-</u>	<u>79,467</u>	<u>80,939</u>
Total	<u>898,525</u>	<u>-</u>	<u>898,525</u>	<u>875,309</u>

Due to our ongoing commitment to investing in our database, the costs of acquiring donors requires a high initial expenditure on advertising and publicity. Once donors are acquired, the returns on money spent on fundraising are considerable.

6. MANAGEMENT AND ADMINISTRATION OF THE CHARITY

	Unrestricted Funds	Restricted Funds	2005 Total Funds	2004 Total Funds
	£	£	£	£
Salaries	48,052	-	48,052	43,467
Audit & accountancy	3,525	-	3,525	3,585
Bank charges	312	-	312	635
Monitoring & evaluation of projects	-	-	-	1,433
Office Costs	9,140	-	9,140	12,128
Miscellaneous	4,936	-	4,936	6,958
Interest paid to Inland Revenue	-	-	-	12,274
Total	<u>65,965</u>	<u>-</u>	<u>65,965</u>	<u>80,480</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

7. STAFF COSTS

	2005	2004
	£	£
Wages and salaries	48,052	43,467
	<u> </u>	<u> </u>
The weekly number of employees during the year was as follows:		
Administration	2	2
	<u> </u>	<u> </u>

8. INTEREST RECEIVABLE

	2005	2004
	£	£
Deposit Account interest	22,352	12,544
	<u> </u>	<u> </u>

9. INTANGIBLE INCOME

The intangible income of £9,140 (2004 £12,128) relates to free office space occupied by the Charity, some donated by Reed Charity and the remainder by Reed Executive.

10. INTANGIBLE FIXED ASSETS

	Donor Base	Donor Base
	£	£
Cost As at 1 January 2005	437,227	
Amortisation As at 1 January 2005	<u>241,547</u>	
Net Book Value As at 1 January 2005		195,680
Deduct Cost of lapsed donors written off this year	(98,903)	
Less Amortisation on lapsed donors	98,903	
Net current value of lapsed donors	<u>(-)</u>	
Amortisation charge for this year	Note 5 <u>(79,467)</u>	
		<u>(79,467)</u>
Add Capitalisation of Advertising Costs	Note 5	116,213
		<u>64,169</u>
Net Book Values As at 31 December 2005		<u>180,382</u>

NOTES TO THE FINANCIAL STATEMENT
for the Year Ended 31 December 2005

The number of donors at 31 December 2005 was 57,499 (2004: 62,461) and has consistently been valued by the trustees at £7 each. We have implemented a policy of lapsing any donors who have not responded to a mailing within the last two years. These donors have been written off the donor base; however, the names are retained and mailed periodically in an attempt to reactivate their giving.

11. CREDITORS

	2005	2004
	£	£
Accruals	72,697	148,799
Other Creditors	1,544,187	671,546
	<hr/> 1,614,884 <hr/>	<hr/> 820,345 <hr/>

12. FUNDS & RESERVES

It is the policy of the Trustees that cash available for distribution at the year end is sent to Ethiopia within three months. All cash available was sent to Ethiopia in December 2005, except £440,000 pledged to the University of Addis Ababa and £36,592 pledged to Operation Smile. The University of Addis Ababa grant was pledged on the condition that student bodies would be allowed greater involvement in the decision making over the use of the funds. Ethiopiaid is in talks with student and University bodies to fulfil this condition. Ethiopiaid will hold the funds for the University until the condition is met. The balance of the Operation Smile pledge was paid in

13. COMPANY STATUS

The Company is limited by guarantee, not having a capital divided into shares. In the event of the Company being wound up, every member undertakes to contribute a sum not exceeding £1.

14. RELATED PARTY TRANSACTIONS

Other Creditors include £48,052 owing to Reed Charity being salary and expenses paid on behalf of Ethiopiaid.