

28 June 2017

**The Trustees  
International Alert**  
346 Clapham Road  
London  
SW9 9AP

Our ref: NMF/I1142/sc

Your ref: SA95DR

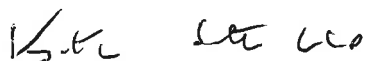
Dear Sirs

**Certification of Bangsamoro Conflict Monitoring System Project: Income and Expenditure in 2016**

We confirm that the project income and expenditure as detailed in the table below, is derived from information included in the audited accounts for the year ended 31 December 2016.

Grant reference	Opening balance at 1 January 2016 (£)	Income (£)	Expenditure (£)	Closing balance at 31 December 2016 (£)
Bangsamoro Conflict Monitoring System Project	-	-	(142,237.75)	(142,237.75)

Yours faithfully



**Kingston Smith LLP**



international  
**alert**

# Report and financial statements

31 December 2016



Limited by Guarantee  
Company registration number 2153193  
Registered charity number 327553

Peace  
is within  
our power



## LEGAL AND ADMINISTRATIVE INFORMATION

<b>Trustees</b>	<p>Pierre Schori* (Swedish) Chair (end of term 26.05.2016) Christopher John Mullin* (UK) Chair (appointed 26.05.2016) Gregor Stewart* (UK) Honorary Treasurer Sir Edward Clay* (UK) (end of term 26.05.2016) Soli Özel (Turkey) Dr Oluwafunmilayo Olonisakin (UK) Gordana Duspara Moriarty* (UK) Dr Dhananjayan Sriskandarajah (UK) Carol Allen-Storey (USA) Padma Jyoti (Nepal) Helena Puig Larrauri (Spain) Olivier Kemp* (UK) Christopher Deri (USA) (appointed 26.05.2016) Dr Alaa Murabit (Libya, Canada) (appointed 26.05.2016)</p> <p><i>* Denotes member of Management Advisory Committee</i></p>
<b>Principal Officers</b>	<p>Harriet Lamb, Chief Executive Officer Susan McCready, Chief Operating Officer, Company Secretary Philip Vernon, Director of Programmes Mohsin Baluch, Chief Finance Officer</p>
<b>Auditors</b>	<p>Kingston Smith LLP Chartered Accountants Devonshire House 60 Goswell Road London, EC1M 7AD</p>
<b>Bankers</b>	<p>National Westminster Bank PO Box 35 10 Southwark Street London, SE1 1TT</p>
<b>Solicitors</b>	<p>Clarkslegal LLP One Forbury Square, The Forbury Reading, RG1 3EB</p>
<b>Status</b>	<p>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</p>
<b>Registered Office</b>	<p>346 Clapham Road London, SW9 9AP</p>

## TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Trustees present their report for the year ended 31 December 2016 for the purposes of Section 162 of the Charities Act 2011 and Directors' report for the purposes of Section 415 of the Companies Act 2006.

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, and the Financial Reporting Standard (FRS 102).

### 1. OBJECTIVES AND ACTIVITIES

#### 1.1 Vision and mission

Our vision is for a world where people resolve their differences peacefully. A world where, when people seek better lives for their families and communities, they are able to manage any conflicts that may arise with honesty and wisdom, without resorting to violence.

Our three-part mission is to build a more peaceful world by:

1. Working with people directly affected by conflict to find peaceful solutions.
2. Shaping policies and practices to support peace.
3. Collaborating with all those striving for peace to strengthen our collective voice and impact.

#### 1.2 Overall objectives

We are one of the world's leading peacebuilding organisations, with 30 years' experience. We believe peace is possible where people can live in safety, have fair and effective laws, participate in shaping political decisions, make a decent living and improve their wellbeing.

We work in over 25 countries and territories around the world where we support local people to build peace, and we advise governments, organisations and companies on how to support peace. In 2016, including countries where we implemented one-off activities, we worked in 44 countries and territories in total.

We focus on solving the root causes of conflict with people from across divides. From the grassroots to policy level, we all come together to build everyday peace, from the ground up. This includes governance, economics, gender relations, social development, climate change, and the role of businesses and international organisations in high-risk places.

We work in Africa, Central, South and Southeast Asia, the South Caucasus, and other parts of Europe, Latin America and the Middle East and North Africa, with 18 offices around the world.

We work with people directly affected by conflict to build lasting peace. We empower local people to build peace by providing them with training, advice and support. We bring together communities divided by conflict to find ways to resolve their differences without violence. We also advise companies, governments and international organisations on how their policies and operations can better support peace.

To do this effectively, we research the root causes of conflict around the world and address key issues that affect lasting peace and stability in high-risk places.

To build peace, we use the following methods:

- Research – we research the causes of conflict around the world;
- Dialogue – we bring people together to help them better understand their differences and resolve them peacefully;
- Training – we provide people with the skills they need to support and bring about peace;
- Advocacy – we advise on international policies and practices that affect peace, and we ensure that the voices and needs of local communities are heard nationally and internationally;
- Accompaniment – we offer guidance and advice to people, organisations and companies as they build peace or operate in high-risk places.

The Trustees have complied with Section 17 of the Charities Act 2011 to have due regard to the guidance on public benefit published by the Charity Commission. In particular, the Trustees consider how planned activities will contribute to the aims and objectives they have set for 2016.

### 1.3 Programming pathways and priorities 2016

In 2014, we defined a new five-year strategy for 2015–2019 in terms of seven strategic programming pathways and seven organisational priorities. Our priorities for 2016 were derived from these.

Programming pathways	Organisational priorities
Improve inter- and intra-community relations	Improve internal coherence and coordination
Improve citizen–state relations	Innovate
Improve gender relations for peace	Strengthen skills and pool talents and competence across International Alert
Manage natural resources for peace	Strengthen impact reporting and DMEL (design, monitoring and evaluation)
Address conflicts caused by climate change and ensure climate adaptation is conflict-sensitive	Diversify and increase income
Reduce the impact of crime on instability and violence	Boost outreach, expand constituency and strengthen advocacy
Ensure economic development supports peace	Internalise business plan targets

The role of the strategic pathways is to:

- Help focus International Alert’s work on the priorities for peace where we can have the greatest impact and add the most value;
- Provide a programming hypothesis in any situation, whereby at least one of the recognised pathways is relevant there;
- Allow us to capture knowledge and replicate our programming effectively and efficiently on a limited number of issues/methods.

## 2. STRATEGIC REPORT – ACHIEVEMENTS, PERFORMANCE AND IMPACT

### 2.1 Identifying and measuring achievement

Our achievements are measured on a project-by-project basis, using theories of change, goals and indicators designed per project and per context. These achievements also fit within our three

mission goals and our strategic pathways, and a selection is reported here in relation to the pathways. Below that, we also include a report on our achievements against the seven organisational 'enabling' initiatives (priorities).

## **2.2 Review of performance against objectives**

In 2016, every two months, International Alert's management team reported to the Board or its sub-committee, the Management Advisory Committee, on progress against the annual objectives. A detailed review of performance against objectives takes place at the December meeting of the Board of Trustees, at which objectives for the coming year are also discussed and established on the basis of earlier discussion by the Senior Management Team, Programme Managers and other staff. Comparing performance against objectives, we present the organisational and programme priorities for 2016. We also report separately to the donors who fund specific projects.

### *2.2.1 Achievement of organisational programming priorities 2016*

Overall, restricted programme expenditure grew by over a third during the year, driven in particular by large contracts in Syria, West Africa and Ukraine.

Geographically, our programming footprint remained largely unchanged in 2016, with work conducted primarily in Afghanistan, Armenia, Azerbaijan, Burundi, Colombia, the Democratic Republic of Congo (DRC), Georgia, Jordan, Kenya, Lebanon, Liberia, Mali, Myanmar, Nepal, Nagorny-Karabakh, Nigeria, Pakistan, Philippines, Rwanda, Somalia, South Ossetia, South Sudan, Sri Lanka, Syria, Tajikistan, Tunisia, Uganda and Ukraine – as well as on regional and global policies.

The Pakistan programme developed our relationship with the government and raised new funds for a new project on improving tolerance in the media. We also successfully raised funds in 2016 to re-open our Kyrgyzstan office, piloted activities in Jordan for the first time, and made progress on plans to develop our small presence in Colombia into a more viable team. Programme growth in Syria and with Syrian refugees stalled in the second half of 2016 due to funding constraints.

Our core funding agreement with the UK's Department for International Development (DFID) was due to end in December, so we restructured our thematic capacity, reducing the number of thematic experts and focusing them further on the 'strategic pathways'. We also reduced these pathways from seven to six, combining Natural Resources Management with Climate Change, given the overlap between these pathways.

This summary uses these six pathways to highlight some of the programming achievements in 2016. We have not mentioned partners here by name, but almost all the activities were carried out in collaboration with civil society, governmental, intergovernmental or business partners.

### **Intra- and inter-community relations**

A large part of our work was dedicated to building peaceful collaboration within, between and among communities. For example, we:

- Built the leadership capacity and supported the efforts of young people to promote improved relationships between Georgia and its breakaway regions Abkhazia and South Ossetia, as well as more widely in the South Caucasus; helped the youth wings of Lebanese political parties to convene dialogue across the political-sectarian spectrum on sensitive political topics; trained and supported young Ugandans in mediation; supported peace camps for children and youth in Ukraine and Uganda, and provided peace education and trauma healing for Syrian children and youth, both inside the country and in refugee settings;
- Built dialogue capacity and supported community problem solving, mediation, conflict resolution and reconciliation in DRC, Lebanon, Burundi, Mali, Rwanda, Somalia and Uganda; and used

online tools and other technologies to facilitate links and build relationships across borders and between people in parts of the South Caucasus and the Middle East;

- Used trauma healing techniques, including art, to help with the psychosocial recovery of people affected by conflict in Rwanda and Ukraine, and with Syrian refugees;
- Contributed to the development of a civil society road map for peace in Afghanistan; supported networks for free and responsible reporting in Nepal and South Caucasus; piloted community-based gun control in the Philippines; promoted safe urban environments in Uganda, Kenya and the Philippines; convened diaspora and resident Sri Lankans, along with the government, to agree on reconciliatory and collaborative approaches to post-war recovery; and helped advocate for improved media and civil society environments in many countries;
- Trained local, national and international agencies in peacebuilding and conflict-sensitive approaches to development and humanitarian work in most of our country programmes.

### **Citizen–state relations**

Under this pathway, designed to improve collaboration and mutual empowerment between the governed and those who govern them, we:

- Participated in formal and back-channel peace processes between the government and rebel groups in the Philippines;
- Provided training and support to civil society, including youth and women's organisations, to help them build functional relationships with local governments and thus improve their own sense of belonging and citizenship, as well as their local circumstances. For example, we helped marginalised young Tunisians to use OpenStreetMap on their phones to map their neighbourhoods. Based on this initiative, the young people led a participatory budgeting process for the local community to decide on local government expenditure in the area. We provided civic training to civil society within the Syrian community, and in Ukraine and the South Caucasus – where civil society members with whom we have worked for years were instrumental in bringing calm during last year's political crisis in Abkhazia. We helped Rwandese communities collaborate and advocate with government, to reduce tensions over access to land;
- Addressed violent extremism (VE) through civic action, dialogue, research and policy advocacy in Kenya, Lebanon, Mali, Nigeria, Philippines, Syria, Tunisia and Uganda;
- Convened security and other state operatives together with citizens and businesses, to improve their collaboration on security and/or cross-border trade in Burundi, DRC, Lebanon, Mali, Philippines, Rwanda, Tunisia and Uganda; and strengthened citizen–state forums for collaborative approaches to security in Liberia and Nigeria.

### **Gender relations**

Understanding and enhancing gender relations is an essential component of peacebuilding. In 2016, we:

- Used approaches, including action research and community dialogues, to help improve gender relations in families and communities, leading to changed behaviours in Burundi, DRC, Rwanda and Tajikistan, and a reduction in stigmatisation of women and girls who are victims of sexual or gender-based violence (SGBV) in Somalia and Nigeria;
- Provided training on gender relations to civil society and/or government in many of our country programmes – in Afghanistan, DRC, Lebanon, Myanmar, Nigeria, Uganda and Ukraine – as well as to donors and international agencies including NATO; and helped the government in Uganda to start developing a national policy on gender as it affects the oil and gas sector.
- Helped women's and other civil society organisations to widen the space for more formal and informal political participation for women in DRC, locally, at province and national levels;
- Completed research into the links between peace, conflict, and sexual and gender minorities (SGM), and into masculinities, which will be disseminated in 2017; completed and disseminated research into how post-earthquake reconstruction could integrate a gender relational approach; and started research on gendered impacts of conflicts in Yemen, Iraq, Egypt and Palestine.

### **Crime, violence and instability**

Organised crime both feeds off and feeds instability and violence in society, in a pernicious feedback loop. In 2016, we:

- Completed and shared the findings of research in Mali, Nigeria, Colombia, Peru and Afghanistan on how organised drug production and value chains are linked with instability and violence; and used these findings to advocate with national and international agencies on recommending the adoption of peacebuilding components into their approaches;
- Sought improved collaboration between border communities and security agencies in Mali, Philippines and Tunisia as a way to reduce the impact of organised crime on stability; and tested community-based approaches to gun control in Philippines;
- Promoted the adoption of peacebuilding approaches – for example, in a donor round-table in Mali, and within the Development Dialogue on Organised Crime, the Global Initiative against Transnational Organised Crime, and the Drug Policy Reform Forum.

### **Natural resource management and climate change**

The governance and management of natural resources is frequently a driver of conflict and violence, and is thus an opportunity for building peace. Similarly, responses to the environmental impacts of climate change can either enhance or reduce peace and security. In 2016, we:

- Continued operations research into urban resilience to the impacts of climate change in Kenya, supporting infrastructure programmes design and monitoring their conflict-sensitivity;
- Fed the knowledge gained from our climate change and security work over several years into the commitments to building resilience made at the World Humanitarian Summit;
- Implemented an ambitious project designed to use multi-stakeholder process to improve forestry governance in Myanmar, with an initial focus on training civil society and advising the government;
- Supported communities and local governments to minimise land-based conflicts in Philippines, Liberia, Rwanda, Uganda and DRC through improved local mechanisms and land policies – including new legislation in Rwanda that promotes gender equality in land inheritance.

### **Economic development for peace**

The nature of economic activity and economic growth in conflict-affected contexts has a major influence on peace. To promote peace through prosperity, in 2016, we:

- Used comparative research on the economic links between the sides in other ‘frozen’ conflicts to facilitate dialogue between Georgia and Abkhazia about normalisation of their relationship;
- Conducted a positive scoping study on the opportunity to create a ‘peace brand’, initially in Colombia; and carried out research on the links between jobs/livelihoods and peace and stability in Lebanon, in Syria, Turkey, Iraq and Jordan, in Uganda, and in Afghanistan;
- Continued – in collaboration with a group of mining, oil and gas companies – to update Alert’s seminal Conflict-Sensitive Business Practices (CSBP) for the Extractive Industry, with the addition of guidance on how to integrate CSBP into human rights due diligence assessments; and advised and trained staff and other stakeholders of extractive and similar companies and projects in Albania, Colombia, Liberia, Myanmar, Philippines, South Africa, Uganda and Mali on how to implement CSBP as well as the Voluntary Principles on Security and Human Rights;
- Trained and assisted multi-stakeholder processes to anticipate and resolve grievances linked to extractive industry in Colombia, Mali and Uganda;
- Developed petty trade as a livelihoods- and peace-promoting activity on both sides of the DRC’s border with Burundi, Rwanda and Uganda; began scoping opportunities to do the same between Uganda and South Sudan, and elsewhere in the Horn of Africa; and updated our conflict-sensitive investment advice for Northern Uganda.

#### *2.2.2 Achievement of organisational priorities 2016*

International Alert also had seven internal organisational priorities for 2016, on which it made good progress, as follows.



### **Improve internal coherence and coordination**

We revised our business model. Phases one and two of a restructuring process were completed, and we have secured the savings required. The in-house designed projects database ('PROMPT') is now being used, making access to project information easier across Alert. Revising our ethical guidelines was underway by the end of the year, and will be completed in 2017. A new approach to planning was piloted in the run-up to 2017 and has helped to identify clearer opportunities for internal collaboration.

### **Innovate**

Innovation continued to be taken seriously, and recognised, across Alert. For example, approaches to using technology for peacebuilding include improving social accountability using smart phones in Uganda and the OpenStreetMap in Tunisia, and we also held a number of 'peace hacks'. We have had discussions with a *pro bono* external advisor about social enterprise options, and have investigated the legal and tax implications of that – for example, looking at peace-branded consumer products. We are moving ahead with the idea of a 'peace brand', with an initial pre-feasibility study completed in 2016.

### **Strengthen skills and pool talents and competence across International Alert**

We restructured the human resources (HR) department in 2016 and created a new strategic HR position based overseas. We commenced a review of staff development, and this will be a priority for 2017. Our consultant database was reviewed – it was found to be under-performing, so we are looking at options for improvement. Planned discussions about how we best provide conflict-sensitivity advice and training were delayed, and only formally started in November. Workshops for finance and operations staff across Alert were held, improving knowledge and internal networks as well as providing some useful systems improvement ideas. A staff survey conducted in the third quarter yielded useful management data and indicated a largely well-motivated workforce. We also provided management training for some staff and will do more next year.

### **Strengthen impact reporting and Design, Monitoring and Evaluation (DMEL)**

We conducted an assessment of how to evaluate our work. Based on this, we will commission an organisational review of the impact of our economic development for peace programming in 2017. The annual *Results Framework* report was completed and published. We held a workshop in Rwanda to review and share the impact of dialogue activities across Alert. Overall, collecting and sharing impact stories remains a challenge that we are seeking to address.

### **Diversify and increase income**

A new fundraising strategy was finalised, with a focus on growth and diversification, recognising that this will take time to achieve. We secured an increase in two of our unrestricted grants. Meanwhile, restricted income increases mean that our out-turn for 2016 was at least 15% up on the previous year, and next year's plan is for a further 10% in growth. We led a large commercial bid for the first time and, although unsuccessful, this was a significant learning opportunity.

### **Boost outreach, expand constituency and strengthen advocacy**

We focused on four outreach priorities – the Middle East and North Africa, Violent Extremism, Economic Development for Peace and Impact – achieving considerable success on three of these, while the approach on Impact is still being formulated. Website and media coverage was significantly up on last year. The Communications team was restructured to improve effectiveness, and our approach was revised to become more proactive. For example, we achieved international coverage on our *Bad blood* report on the stigmatisation of women, girls and children who have escaped Boko Haram; and we continuously communicate our perspectives on Syria, using our research data. We rebranded, launching the new look in mid-September. We have begun to explore options for working with other organisations to engage with a movement seeking to raise the profile of peacebuilding globally. The Talking Peace Festival was hosted successfully in September, and included the first external speech by the new Minister of State at DFID.

## **Internalise business plan targets**

The business plan was finalised, and the 2017–2019 budget was completed reflecting this plan. No change was made in our overheads system as we did not have capacity for that last year.

## **2.3 Plans for the future**

### *2.3.1 Organisational priorities 2017*

For 2017, we have agreed three overarching organisational priorities as follows:

- Impact;
- Budget growth of at least 10%;
- Improvement of organisational effectiveness.

### **Impact**

By continuing to improve DMEL across Alert, we will enhance our understanding of how to maximise our impact on peace, and to report and explain this to others. This will improve our capacity and our attractiveness to donors and partners, including the communities, as well as the governments whose support and participation we need to be successful. By learning more about what works well, and what works less well, we will also enhance our own confidence and motivation.

We have made good progress in the past few years. We will continue to embed the understanding and culture that programming without decent DMEL is irresponsible, is liable to be ineffective and will ultimately undermine our viability. The next step is to improve our ability to learn and adapt based on monitoring and evaluation (M&E) data, and to develop a culture of learning. Our internal and external communications will feature more impact stories. On this basis, we will:

- Conduct an organisational drive to identify information on our impact, linked to specific peacebuilding approaches, and share these internally and externally;
- Ensure that the 2016 *Results Framework*, along with other organisational reporting processes, contains strong examples of impact that are backed up by data;
- Initiate annual organisational reflection per pathway, focused on learning and impact, identify actual and potential new approaches, and disseminate learning externally;
- Routinely share examples of impact in telling the story of Alert's work;
- Start to build a global movement designed to increase public support for peacebuilding, using stories of successful peacebuilding impact;
- Review progress in using new technologies for peacebuilding impact, and agree a strategy accordingly.

### **Growth**

International Alert exists to make an impact through its peacebuilding activities, as set out in the *Strategic Perspective*. Without long-term financial sustainability, we cannot make that impact. By increasing the number of income sources, we increase our resilience and independence, and thus improve our future viability and peacebuilding effectiveness. This requires us to continue increasing our income and volume of activities, while maintaining the quality of our work.

Despite a healthy financial position going into 2017, with strong reserves, excellent growth and a reasonable pipeline, there is uncertainty – in particular, linked to changes in governments' funding, Brexit-related delays in decision-making by the UK government about future funding for non-governmental organisations (NGOs), exchange rate (FX) fluctuations, and our funding relations with the EU (and possibly with other European donors). Our challenge will be to maintain sustainable growth through a range of strategies that address the external environment and apply rigour in adhering to our business plan targets, our core values and high-quality standards. Against this background, we will:

- Continue to position Alert with the UK and all other governments for future funding;
- Continue to position Alert in Europe for the post-Brexit period (EU funds and funding from current and new European core funders) – for example, registration in another European country;
- Continue to focus on project fundraising across all programmes and on achievement of income to cost targets in the Business Plan (unrestricted contributions from grants meet or exceed unrestricted allocations to programmes);
- Agree on performance metrics for internal teams;
- Further develop the peace brand as a social enterprise, if feasible;
- Achieve increased funds from commercial contracting;
- Identify organisation-wide measures to enhance efficiency and effectiveness;
- Manage cost ratios and avoid or mitigate forex losses.

### **Organisational effectiveness**

The 2016–2019 Business Plan aims for growth, with higher turnover. At the same time, we need to avoid increasing (and reduce where possible) unrestricted costs. In order to manage growth with quality, we must therefore make changes that improve our efficiency and effectiveness and that better equip us to deliver our Strategic Perspective, business model and business plan.

The 2016 organisational Home Days meeting, finance and operations workshops, and global staff engagement survey have contributed to a strong baseline understanding of what is required to enhance organisational efficiency and effectiveness through improved structures, systems and tools in the period 2017–2019. Against this background, we will seek to:

- Make progress on empowering the right people to make and implement the right decisions well – this includes developing a ‘global leadership team’, building the capacity of selected overseas offices and staff, reviewing structures and identifying ways of working that leverage local and HQ office staff strengths and talents intra- and inter-regionally;
- Continue working towards coordinated organisational planning and reporting, introducing strategies and business plans for selected overseas offices;
- Provide organisational tools and models, along with training/learning processes, where necessary. Selected priorities include improved sub-granting; people and project management; institutionalising the projects database; commercial contracting; and identifying and developing priority programming models and resources;
- Ensure that organisational policies, procedures and systems are fit for purpose, including a global HR strategy; and review and simplify finance, procurement, HR, fundraising, communications and security policies, procedures, systems and forms;
- Optimise the use of technology for organisational effectiveness, including use of an alternative platform to the intranet for knowledge sharing; develop a security resource centre; introduce HR ‘one stop shop’ software; introduce electronic finance forms; provide selected online induction and training; and ensure increased use of Skype for Business for global communications and training.

### **Programmes**

This summary highlights some of the interventions planned under each of the six strategic pathways. We resumed our pattern of budget growth (which had plateaued in 2015) in 2016, and we plan to grow our budget by at least 10% again in 2017. However, we expect this growth to occur in countries where we already work, rather than by expansion to new areas.

In 2016, we reorganised the teams, creating a new, smaller unit – the Peacebuilding Advisory Unit (PAU) – which provides expertise on each of the six pathways, and on training and learning. The first full year of this unit will be 2017, during which we will aim to maximise its value in terms of internal collaboration and support, and external advice and advocacy. We will also make additional efforts to improve our understanding of the impact of our programmes in 2017, and to incorporate this in our reporting, in adaptive programming decisions and in new project designs.

### **Relations within and between communities**

- Continue to build relations in all our areas of operation – for example, between ethnic, religious and other identity groups among Syrians, Filipinos, Pakistanis, Congolese, Malians, Somalis, Nigerians, Rwandese, Liberians, Lebanese, Jordanians, Ugandans, Sri Lankans, and the people of Kyrgyzstan, Myanmar, Ukraine and the South Caucasus.
- Further refine Alert's model for building relations within and between communities, and identify the methodologies most critical to its success, and measures of success; develop clear dialogue guidelines and methods for dialogue; build understanding of these in relevant programmes; and integrate these methods into at least two projects in the Middle East and Africa.
- Help journalists report in a way that minimises inter-community tensions in Nepal, Kyrgyzstan and Pakistan.
- Expand arts-based peacebuilding work within the Middle East and North Africa (MENA); and pilot cultural heritage-based work in at least one context.

### **Citizen–state relations**

- Continue to strengthen citizen–state relations in all the regions where we work – for example, in formal peace processes in the Philippines, and more broadly as a core element of our work on issues such as security, governance, service provision, water, land and religion in Tunisia, Mali, Jordan, Nigeria, Liberia, DRC, Kenya, Rwanda, Lebanon, Kyrgyzstan, Myanmar, Somalia and the South Caucasus.
- Finalise a clear framing of Alert's approaches to citizen–state relations and identify opportunities for adapting and scaling up programming and managing knowledge.
- Support the provision of peace-reinforcing education and civic education for Syrians and Ukrainians, and in the South Caucasus.
- Continue to experiment with and explore approaches to violent extremism in Kenya, Syria, Tunisia, Mali, Nigeria, Uganda, Pakistan, Lebanon and the Philippines, and expand to one other context.
- Develop an empirically-based advocacy ask for western and other governments on the issue of violent extremism, built around the need to take a longer-term, preventive approach.

### **Gender relations**

- Continue to integrate gender relational analysis and programming in country programmes such as in Afghanistan, Myanmar, Nepal, Tajikistan, Kyrgyzstan, the Caucasus, Lebanon, Syria, Tunisia, Uganda, Rwanda, DRC, Kenya, Somalia, Nigeria and Mali.
- Develop new advocacy and programming on the issue of SGM in conflict, and on masculinities in relation to violent extremism.

### **Conflict, violence and instability (CVI)**

- Finalise Alert's approach to CVI and continue to explore ways to make a difference for peace on CVI issues, building up a body of internal knowledge – for instance, based on our work in Afghanistan, Kenya, Mali, Philippines and Tunisia.
- Sustain engagement with the Development Dialogue on Organised Crime to promote greater support for local civil society efforts to mitigate the harmful effects of organised crime.

### **Natural resource management (NRM) and climate change**

- Develop a new framework and guidance note for NRM and climate change work in Alert.
- Start new programming in at least one country, building on experiences in Myanmar, where we are implementing a project on conflict-sensitive forest management.
- Finalise the research and recommendations based on urban research on climate resilience in Kenya, and identify the next steps for advocacy and new programming there; use the results to advocate for changes.



### Economic development for peace (EDP)

- Continue to work on the economy as a major priority in Liberia, Mali, Uganda, DRC, Philippines, Sri Lanka, Afghanistan, Myanmar, the Caucasus, Kenya and Somalia.
- Develop a multi-year strategic plan.
- Conduct and share the findings of an evaluation of our EDP programming in Uganda and more broadly.
- Implement stage two of the 'peace brand' pilot project.
- Launch our updated guidance on conflict-sensitive business practices (CSPB).
- Expand our advisory work with large companies to two new sectors, probably agribusiness and renewables.

### Strategic pathways emphasis

In this table, we aim to illustrate the degree of emphasis given to each of our strategic pathways in 2017, in our main operating countries, as represented by the number of Xs.

Country	Communities	Citizen–state	Gender	CVI	NRM/Climate	EDP
Afghanistan	X	XX	XX	X		XX
Caucasus	XX	XX	X		X	XX
Colombia	X	X		X		XX
DRC	XX	XX	XX		X	XX
Jordan	XX	XX	X			X
Kenya	XX	XX	X	XX	XX	XX
Kyrgyzstan	XX	XX	XX			
Lebanon	XX	X	X			X
Liberia	XX	XX	X		X	XX
Mali	XX	XX	XX	X	X	X
Myanmar	X	XX	XX	X	XX	XX
Nepal	XX	XX	XX			X
Nigeria	XX	XX	XX	X	X	X
Pakistan	XX	X	XX	X	X	XX
Philippines	XX	XX	X	X	XX	XX
Rwanda	XX	XX	XX			XX
Somalia	XX	XX	XX	X	X	XX
Sri Lanka	XX	XX	X			X
Syria	XX		XX	XX		X
Tajikistan	XX	XX	XX	X		X
Tunisia	XX	XX			X	
Uganda	XX	X	X	X	XX	XX
Ukraine	XX	XX	X			

## 2.4 Risk management

The Board is responsible for the management of risks and is assisted by the Senior Management Team (SMT) in the implementation of this. Risk management priorities are assessed and agreed at the December Board meeting for the next calendar year. A risk management report was presented to three Management Advisory Committee (MAC) meetings during the year, and experience during the year is assessed at the December Board meeting as part of the basis for preparing the next year's priorities. The Trustees recognise that risk is relative, that International Alert works in conflict zones, and that systems can provide reasonable but not absolute assurance that major risks are adequately managed. Trustees are satisfied that the risk management process they have established is identifying the correct risks and addressing them adequately. Major risks are those

with the highest gross score and those with an impact of 4 or above. Alert's Trustees agreed to monitor the following major risks in 2016.

- **Financial viability:** Maintaining existing levels of unrestricted funding and continuing to increase restricted funds raised are essential for a sustainable growth pattern. This risk is mitigated through regular reviews of market intelligence and ongoing monitoring of a range of indicators – including income diversity, funding quality and pipeline, and overhead recovery and cost ratios. Monitoring tools include business planning, project and multi-year organisational budgets, and mid-year re-forecasting. Findings are shared with budget-holders in monthly management accounts and reflected in financial reporting to the MAC and Board.
- **Managing growth with quality:** Failures to maintain the quality of our work and high standards of financial stewardship and control might compromise financial viability and reputation, especially in the current donor environment. This risk is mitigated through regular review of the peacebuilding impact of our work and of our standards of financial stewardship and control. Monitoring bodies include an Internal Audit Committee, a Finance and Operations Group, the SMT, and the MAC and Board. Monitoring tools include internal programme plans and reports, the International Alert Results Framework, project evaluations, internal and external audits, donor reports, field visits from London staff and regular reviews of internal processes.
- **Operating in high-pressure situations:** The potential for instability may be exacerbated by a range of political, economic, social, technological and economic factors. The narrowing of our operational space also adds to the risk of financial instability. This risk is mitigated through regular review of changes in the external environment and the fitness for purpose of International Alert's Security Framework (including internal processes such as performance management and training). Monitoring bodies include an organisational Crisis Management Group, the management structure and incident management team in each country office, the SMT, and the MAC and Board. Monitoring tools include individual and country security plans, incident reports, narrative reporting to the SMT and Trustees, internal audits, field visits from London staff and regular reviews of internal processes.

## 2.5 Remuneration policy

International Alert's Salary Policy aims to adhere to quality standards that will ensure that its implementation will be fair, open, objective, responsible and effective. The policy is implemented through clearly defined salary procedures.

The Salary Policy aims to reflect good practice, including:

- A clear policy on salaries, which is linked to Alert's objectives, with the SMT taking responsibility for the review and implementation of the policy;
- A clear policy on salaries, which is linked to rewarding employees that display exceptional skills and talent;
- Guidelines for the impartial review of jobs and a process for making valid and reliable market comparisons.

### Senior executive remuneration

In deciding remuneration for International Alert's senior executives (SMT), the charity considers the potential impact of remuneration levels and structures of senior executives on the wider workforce and the following additional principles:

- To ensure that International Alert can access the skills, experiences and competencies that it needs in its senior staff, the specific scope of these roles in the charity and the link to pay;

- The nature of the wider employment offer made to senior employees, where pay is one part of a package that includes personal development, personal fulfilment and association with the public benefit delivered.

## 2.6 Grant making

Almost a quarter of International Alert's annual expenditure is passed on as grants to partner organisations. In some cases, this is because the charity is the lead in a consortium, while in other cases the project involves capacity building of a specific recipient organisation; in addition, a number of local NGOs receive small grants for their own specific projects.

In all cases, Alert conducts due diligence to ensure that its charitable purposes and its aims will be furthered by the grant, and to establish that the grant is in line with the agreed strategy for the particular programme of work within which it falls. Before any grant is agreed, Alert ensures that it is able to monitor the use of the grant, that the required work is done, and that the funds are properly managed and spent for the purposes intended.

## 2.7 Financial review and reserves policy

Continuing the trend of recent years, with sound financial management systems, effective fundraising and robust management, we emerged in a positive financial position at the end of 2016. Total income for the year ended 31 December 2016 was £17.92 million (£15.12 million in 2015). Total expenditure in 2016 was £17.96 million (£14.04 million in 2015), an increase of £3.92 million on 2015.

Unrestricted income in 2016 was £3.30 million (£2.41 million in 2015). Unrestricted expenditure was £2.53 million (£2.42 million in 2015) and comprised £2.32 million (£2.24 million in 2015) on charitable activities and £0.20 million in costs of raising funds (£0.18 million in 2015). The balance of unrestricted funds at the year-end was £2.96 million (£1.98 million in 2015).

The balance of restricted funds at the year-end was £3.51 million. This was £0.61 million less than at the end of 2015 and mainly due to timing of receipts for project activities continuing into 2017. Restricted funds are carried forward each year in respect of planned project expenditure.

The breakdown of expenditure against activities in 2016 was as follows:

- Mission Goal 1: Working with people to make a positive difference for peace: £13.39 million (£9.98 million in 2015).
- Mission Goal 2: Improving international policies that affect the prospects for peace: £3.87 million (£3.32 million in 2015).
- Mission Goal 3: Strengthening the peacebuilding sector: £0.49 million (£0.56 million in 2015).

International Alert's Reserves Policy requires that General Unrestricted Reserves, excluding any part that represents the book value of fixed assets and designated funds, should be sufficient to cover two months of unrestricted expenditure and programme employment costs in order to cover core contractual obligations to staff and for rent, leases and associated costs (£1.47 million). The General Unrestricted Reserves at the year-end was £1.50 million (£1.43 million in 2015). In addition, the charity has designated, in an Organisational Investment Fund, a further £0.5 million to support the investment needs of the charity – for example, to develop programming ideas in new countries of operation. The Reserves Policy is subject to annual review.

General Unrestricted Reserves (excluding designated funds and fixed assets) at 31 December 2016 were £1.50 million (compared with £1.43 million at 31 December 2015), reflecting a net contribution of £0.07 million to this reserve in 2016.

Following a successful year, we were also able to set aside £0.51 million in a temporary Designated Fund for Development. This will provide much-needed flexibility to meet our objectives and in a transition year, as DFID's Programme Partnership Agreement (PPA) funding ended in December 2016. These funds will be utilised during 2017.

Unlike recent years due to devaluation of Great Britain's Pound Sterling, we made book gains during 2016. These have been set aside in a Designated Fund for Foreign Exchange Movement aggregating £0.45 million. This fund will be used to provide cover for exchange losses during 2017 and in the years to follow.

A sum of £0.50 million was brought forward in an Organisational Investment Fund from 2015. As planned, £0.20 million was invested in programme development activities during 2016. However, the financial growth in 2016 provided an opportunity to put £0.20 million back into the Fund for programme investment in 2017 and beyond. A sum of £0.23 million has already been budgeted for spending in 2017. The balance in the Organisational Investment Fund amounted to £0.50 million at the year-end.

Total unrestricted funds, including General Unrestricted Reserves at 31 December 2016, were £2.96 million (compared with £1.98 million at 31 December 2015).

Building on a stable financial picture at the end of 2016, overall funds being carried forward to 2017 are £6.47 million (£6.10 million in 2016), split between unrestricted funds of £2.96 million and restricted funds of £3.51 million. This level of unrestricted funds provides International Alert with stability and the ability to invest in future development. As highlighted earlier in the report, restricted funds held are mainly due to timing of receipt of funds. Restricted funds held at the year-end will be spent on specific projects, in line with commitments to funders, during 2017.

Unrestricted funds are further split into General Unrestricted Reserves, a Designated Fund for Development, a Designated Fund for Foreign Exchange Movement and a Designated Organisational Investment Fund. General Funds are held in line with International Alert's Reserves Policy. The Organisational Investment Fund is held primarily as a contingent buffer that can be used to provide a degree of stability in an uncertain economic climate or a period of adverse funding. They also enable International Alert to make long-term investments in staff and new programmes, to fund fixed assets, to manage fluctuations in cash flow or to respond rapidly to opportunities that may present themselves. In order to prepare in the current funding climate, we plan to spend £0.23 million from the Organisational Investment Fund on programme development during 2017.

International Alert's balance sheet and cash flow at the year-end are secure. We are optimistic that we will have a continued period of financial growth in 2017, notwithstanding the current economic and donor climate.

## **2.8 Fundraising activities**

International Alert receives most of its funds in the form of restricted (project) or unrestricted (general support) grants from institutional funders, primarily governments, together with some charitable trusts and foundations. To diversify our financial base, in recent years Alert has begun to explore fundraising from private individuals and companies. In 2016, the charity raised £0.13 million (£0.11 million in 2015) from donations and gifts from sponsored activities, public performances and corporate funding. We plan to grow these sources of income.



## 2.9 Factors affecting performance

Four key factors affect our performance, and the degree to which we can control each one varies. Regular reporting on our risk management forms the framework within which we assess and respond to these factors. The four factors are as follows:

- 1) **Stability of income:** Much of our income derives from eight government donors, as well as the EU and UN, and our activities are therefore dependent on their policy decisions. We work closely with our major donors to ensure the best possible communication and mutual understanding and to ensure that we receive the earliest possible indications of potentially relevant policy changes. However, DFID's PPA funding mechanism ended in 2016, and the implications of Brexit are causing uncertainty over future funding. We are engaged in a long-term effort to diversify our funding base to ensure that we do not become reliant on undependable or single sources of income.
- 2) **Operating environment:** The environment in which we work around the world is often volatile and, even when not actively hostile or positively dangerous, is complex and difficult. We maintain close liaison between head office and country staff, constantly monitoring security issues and the local political environment. We select staff who are capable of working in such environments, and they develop a network of local contacts for implementing their tasks and staying abreast of developments. The Senior Management regularly reviews the security situation in our programme countries and the security plans and preparations of our country offices.
- 3) **Organisational structure:** We regularly review management structure and the financial model. During early 2016, we produced a Business Model and Plan for 2016 to 2019. In light of financial challenges, we took measures by undertaking internal reorganisation for effectiveness and efficiencies, which proved timely and helped us to reduce our cost base. Our organisational structure and approaches still offer the robustness of up-to-date systems and flexibility of process that are required in a globally dispersed organisation. They also position International Alert well in relation to emerging donor funding structures.
- 4) **Quality of staff:** We work hard on recruitment and on training and development of high-quality staff at all levels within the organisation. However, with Brexit looming we are considering measures to maintain staff levels and quality.

## 3. TRUSTEES' RESPONSIBILITIES

The Trustees (who are also Directors of International Alert for the purposes of company law) are responsible for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the charity's state of affairs and of its income and expenditure for that period.

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

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities Statement of Recommended Practice (SORP);
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- State whether a SORP applies and has been followed, subject to any material departures, which are explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue on that basis.

The Trustees are responsible for keeping proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the charity and that enable the Trustees to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps to prevent and detect fraud as well as other irregularities.

Insofar as the Board is aware:

- There is no relevant audit information of which the charity's auditors are unaware;
- The Trustees has taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. UK legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **4. STRUCTURE, GOVERNANCE AND MANAGEMENT**

### **4.1 Organisational structure**

International Alert is a London-based NGO, registered with Companies House and the Charities Commission. The charity is a company limited by guarantee and has no share capital. Alert is governed by a Board of Trustees that may consist of 3 to 15 members. Generally, the number has ranged between 9 and 13 members. The Board is international in order to reflect the diversity of the organisation's work. In addition, the Board has established a sub-committee, the MAC, which is chaired by the Board Chair and includes the Treasurer and three further Trustees. The MAC met six times last year to advise on and monitor the work of the SMT. International Alert's SMT comprises the Chief Executive Officer (CEO), the Director of Programmes, the Chief Operating Officer and the Chief Financial Officer.

There are around 214 multinational staff based in London and the conflict regions where Alert works – namely, Africa (Great Lakes Region and West Africa), the Middle East and North Africa (Lebanon and Tunisia), the Caucasus, Central Asia, South and Southeast Asia, and Latin America. There is also a team that works on peacebuilding issues. The work of the programmes is supported by administrative, financial, IT and HR teams, as well as communications and fundraising teams, all of which are located in London.

### **4.2 Trustees**

New Trustees are elected at the AGM or by the Board at a regular meeting, and serve for a period of three years. Thereafter, Trustees may be re-elected for one further term of three years. Before a decision is taken, meetings are arranged for the potential new Trustee with the CEO and with one or two senior Board members, normally including the Board Chair, unless special circumstances intervene. On appointment, new Trustees receive a full induction on their responsibilities under company law and charity law and on International Alert. The process includes both a pack of relevant documentation and a series of meetings for the new Trustee with senior and middle management. During 2016, three new Trustees were appointed to the Board, while three Trustees completed their term.

### 4.3 Decision-making

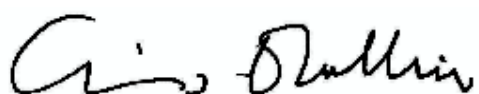
The Board meets three times a year and is responsible for governance, for establishing the organisation's strategic framework and annual objectives, and for setting the annual budget. The Trustees are Directors under company law and, in line with that responsibility, they oversee the financial reporting by International Alert and ensure that proper financial statements are made for each financial year to give a true and fair view of the organisation's financial activities during the year and its financial position at the year-end. In addition to the Board, the MAC is the key Committee of the Board of Trustees (Board) of the charity. The Committee has been entrusted with the more detailed management of key areas including finance and all budgetary issues, fundraising, security and HR issues of the charity. It meets three times a year, unless required more frequently to deal specific matters.

The CEO is accountable to the Board for all the work of the organisation, and the three other members of the SMT report to the CEO. The SMT reports to each Board and MAC meeting on the organisation's work, activities and finances, presenting progress in relation to the budget, annual objectives and strategic framework.

## 5. AUDITORS

Kingston Smith LLP were reappointed as auditors at the Annual General Meeting held in May 2016.

This report, including the Strategic Report and Financial Statement, was approved by the Board of the Trustees on 18 May 2017 and signed on its behalf.



**Chris Mullin**  
Chair

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INTERNATIONAL ALERT

We have audited the financial statements of International Alert for the year ended 31 December 2016, which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including the Financial Reporting Standard Applicable in the UK and the Republic of Ireland (FRS 102).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable 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 auditor**

As explained more fully in the Trustees' Responsibilities Statement [set out on page 16], the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for preparing the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

### **Opinion on financial statements**

In our opinion, the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 December 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- Have been prepared in accordance with the requirements of the Companies Act 2006.



### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- The Strategic Report and the Trustees' Annual Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Trustees' Annual Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and returns; or
- Certain disclosures of trustees' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.



.....  
**Neil Finlayson** (Senior Statutory Auditor)  
for and on behalf of Kingston Smith LLP, Statutory Auditor  
Devonshire House  
60 Goswell Road  
London  
EC1M 7AD

18 May 2017

**STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING INCOME AND EXPENDITURE ACCOUNT) FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	Unrestricted Funds 2016 £'000	Unrestricted Funds 2015 £'000	Restricted Funds 2016 £'000	Restricted Funds 2015 £'000	Total 2016 £'000	Total 2015 £'000
<b>Income from:</b>	4						
<b>Grants and donations</b>							
Institutional grants		1,965	1,379	-	-	1,965	1,379
Donations		131	108	-	-	131	108
<b>Charitable activities</b>							
Working with people to make a positive difference for peace		844	668	11,669	9,606	12,513	10,274
Improving international policies that affect the prospects for peace		318	226	2,770	2,873	3,088	3,099
Strengthening the peacebuilding sector		44	25	174	230	218	255
<b>Investments</b>		2	1	4	2	6	3
<b>Total income</b>		3,304	2,407	14,617	12,711	17,921	15,118
<b>Expenditure on:</b>							
Raising funds		209	182	-	-	209	182
<b>Charitable activities</b>							
Working with people to make a positive difference for peace		1,316	1,267	12,075	8,714	13,391	9,981
Improving international policies that affect the prospects for peace		701	668	3,165	2,652	3,866	3,320
Strengthening the peacebuilding sector		299	306	192	253	491	559
<b>Total expenditure</b>	2	2,525	2,423	15,432	11,619	17,957	14,042
Net income/(expenditure)		779	(16)	(815)	1,092	(36)	1,076
Transfers between funds		(199)	(107)	199	107	-	-
Foreign exchange gains		406	40	-	-	406	40
<b>Net movement in funds</b>		986	(83)	(616)	1,199	370	1,116
Total funds brought forward at 1 January		1,977	2,060	4,121	2,922	6,098	4,982
<b>Total funds carried forward at 31 December</b>		2,963	1,977	3,505	4,121	6,468	6,098

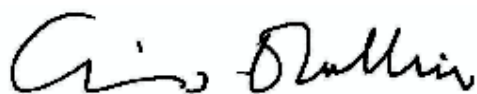
The Statement of Financial Activities includes all gains and losses recognised in the current and preceding year and has been prepared on the basis that all operations are continuing operations.

The notes on pages 24 to 37 form part of these financial statements.

## BALANCE SHEET AT 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
<b>Fixed assets</b>			
Tangible assets	10	<u>1</u>	<u>6</u>
<b>Current assets</b>			
Debtors	11	970	1,876
Cash at bank and in hand		<u>6,335</u>	<u>5,294</u>
		<b>7,305</b>	<b>7,170</b>
<b>Creditors</b>			
Amounts falling due within one year	12	<u>838</u>	<u>1,078</u>
		<b>838</b>	<b>1,078</b>
<b>Net current assets</b>		<b>6,467</b>	<b>6,092</b>
<b>Total net assets</b>	14	<u><b>6,468</b></u>	<u><b>6,098</b></u>
<b>Funds</b>			
Unrestricted			
General Unrestricted Reserves		1,500	1,430
Designated Fund for Foreign Exchange Movement		446	40
Designated Fund for Development		510	-
Designated to Organisational Investment Fund		<u>507</u>	<u>507</u>
		<b>2,963</b>	<b>1,977</b>
Restricted		<b>3,505</b>	<b>4,121</b>
	15	<u><b>6,468</b></u>	<u><b>6,098</b></u>

Approved by the Board of Trustees and authorised to issue on 18 May 2017 and signed on its behalf by:



**Chris Mullin**  
Chair



**Gregor Stewart**  
Honorary Treasurer

Company Registration Number 2153193

*The notes on pages 24 to 37 form part of these financial statements.*

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 £'000	2015 £'000
<b>Cash flows from operating activities:</b>			
Net cash provided by operating activities	16	1,035	574
<b>Cash flows from investing activities:</b>			
Interest from deposits		6	3
<b>Net cash provided by investing activities</b>		<u>6</u>	<u>3</u>
<b>Change in cash and cash equivalents in reporting period</b>		<b>1,041</b>	<b>577</b>
<b>Cash and cash equivalents at beginning of reporting period</b>		<u><b>5,294</b></u>	<u><b>4,717</b></u>
<b>Cash and cash equivalents at end of reporting period</b>		<u><b>6,335</b></u>	<u><b>5,294</b></u>

*The notes on pages 24 to 37 form part of these financial statements.*

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Accounting policies

a) These financial statements are prepared on a going concern basis, under the historical cost convention, modified to include certain financial instruments at fair value. The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest pound. The principal accounting policies adopted are set out below.

The financial statements have been prepared in accordance with the Financial Reporting Standard Applicable in the UK and the Republic of Ireland (FRS 102). The charitable company is a public benefit company for the purposes of FRS 102, and the charity has also prepared its financial statements in accordance with the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland (The FRS 102 Charities SORP), the Companies Act 2006 and the Charities Act 2011.

The Trustees have assessed whether the use of the going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charity to continue as a going concern. The Trustees have made this assessment for a period of at least one year from the date of approval of the financial statements. In particular, the Trustees have considered the charity's forecasts and projections and have taken account of pressures on donation and investment income. After making enquiries, the Trustees have concluded that there is a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. The charity therefore continues to adopt the going concern basis in preparing its financial statements.

In preparing financial statements, it is necessary to make certain judgements, estimates and assumptions that affect the amounts recognised in the financial statements. In the view of the Trustees in applying the accounting policies adopted, no judgements were required that have a significant effect on the amounts recognised in the financial statements and no estimates or assumptions made carry a significant risk of material adjustment in the next financial year.

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. Income is classified under two principal categories of Grants and Donations, and Charitable Activities. Incoming resources for charitable activities are analysed using the same categories as used for resources expended.

c) Restricted funds are grants received for specific purposes as laid down by the donor. Expenditure that meets these criteria is charged to these funds. Funds unspent at the year-end that will be spent in future accounting periods are carried forward as restricted funds.

d) Unrestricted funds are funds that can be freely used in accordance with International Alert's charitable objectives at the discretion of the Trustees. Organisational Investment Funds are funds set aside by the Trustees out of unrestricted general funds for specific future purposes or projects. Designated Fund for Development has been created to set aside funds for development work of the charity's objectives during 2017.

e) Grants to partner organisations are included in the Statement of Financial Activities when payment is incurred, as defined in the terms and conditions for the grant.

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. Assets purchased from donor funding are written off to expenditure when acquired.

g) Expenditure is classified under the two principal categories of Raising Funds and Charitable Activities. Costs of raising funds comprise salaries, direct costs and overheads of staff engaged in fundraising.

Charitable activities are all the resources expended on programme and project work that is directed at the achievement of its charitable aims and objectives. Such costs include the direct costs of the charitable activities together with those support costs incurred that enable these activities to be undertaken. Direct project costs have been allocated in accordance to resources expended against the stated activities.

Support costs have been apportioned on a reasonable, justifiable and consistent basis to each of the activity cost categories being supported. Support costs have been allocated either on the basis of time spent on the activity or on the basis of usage – that is, on the same basis as expenditure incurred directly in undertaking the activity.

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. We have segregated foreign exchange gains and losses in separate designated funds as shown Note 15.

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 the personal pension plans of its employees. The contributions are equal to 10% of basic salary and are available to all employees with contracts over one 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 lesser are charged to the Statement of Financial Activities in the period in which they fall.

l) Other financial instruments:

- Cash and cash equivalents: Cash and cash equivalents include cash at banks and cash in hand and in short-term deposits with a maturity date of three months or less.

- Debtors and creditors: Debtors and creditors receivable or payable within one year of the reporting date are carried at their transaction price. Debtors and creditors that are receivable or payable in more than one year and not subject to a market rate of interest are measured at the present value of the expected future receipts or payment discounted at a market rate of interest.

## 2. Total resources expended

Activity or programme	Activities undertaken directly	Direct staff costs	Grant funding of activities	Support costs	2016 total
	£'000	£'000	£'000	£'000	£'000
Raising funds	44	138	-	27	209
Working with people to make a positive difference for peace	4,735	3,781	3,746	1,129	13,391
Improving international policies that affect the prospects for peace	1,413	1,371	555	527	3,866
Strengthening the peacebuilding sector	125	111	51	204	491
	<b>6,317</b>	<b>5,401</b>	<b>4,352</b>	<b>1,887</b>	<b>17,957</b>

(Note 6)

(Note 3)

Activity or programme	Activities undertaken directly	Direct staff costs	Grant funding of activities	Support costs	2015 total
	£'000	£'000	£'000	£'000	£'000
Raising funds	17	138	-	27	182
Working with people to make a positive difference for peace	4,334	2,697	1,967	983	9,981
Improving international policies that affect the prospects for peace	1,413	1,081	351	475	3,320
Strengthening the peacebuilding sector	230	100	34	195	559
	<b>5,994</b>	<b>4,016</b>	<b>2,352</b>	<b>1,680</b>	<b>14,042</b>

## 3. Support cost breakdown by activity 2016

Support cost	Raising funds	Working with people to make a positive difference for peace	Improving international policies that affect the prospects for peace	Strengthening the peacebuilding sector	2016 total	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	
Management	4	75	66	44	189	Time
Finance	4	220	81	17	322	Usage
Technology	4	248	90	18	360	Usage
Human resources	3	141	54	14	212	Usage
Facilities	5	302	109	21	437	Usage
Communications	7	143	127	90	367	Time
	<b>27</b>	<b>1,129</b>	<b>527</b>	<b>204</b>	<b>1,887</b>	



**Support cost breakdown by activity 2015**

Support cost	Raising funds	Working with people to make a positive difference for peace	Improving international policies that affect the prospects for peace	Strengthening the peacebuilding sector	2015 total	Basis of allocation
	£'000	£'000	£'000	£'000	£'000	
Management	4	79	69	47	199	Time
Finance	3	187	70	16	276	Usage
Technology	4	236	86	18	344	Usage
Human resources	3	135	53	14	205	Usage
Facilities	6	208	74	14	302	Usage
Communications	7	138	123	86	354	Time
	27	983	475	195	1,680	

**4. Total incoming resources**

	2016 £'000	2015 £'000
<b>Institutional funding</b>		
Australian Government's Overseas Aid Programme (AusAid)	1,118	306
British Council	571	264
Department for International Development (DFID), UK	882	647
Department for International Development (DFID), UK PPA	1,739	1,739
Department of Foreign Affairs and Trade, Republic of Ireland – Core grant	-	100
Department of Foreign Affairs and International Trade, Canada	14	-
European Union	2,916	2,384
Federal Department of Foreign Affairs, Switzerland	289	150
Foreign and Commonwealth Office, UK	2,017	1,164
Government of Canada	-	6
Ministry of Foreign Affairs, Denmark	366	422
Ministry of Foreign Affairs, Finland	143	-
Ministry of Foreign Affairs, Netherlands	1,067	1,071
Ministry of Foreign Affairs, Norway	192	571
Swedish International Development Cooperation Agency (SIDA), Sweden – Core grant	905	453
Swedish International Development Cooperation Agency (SIDA), Sweden – Restricted	2,009	3,029
United Nations Development Programme (UNDP)	216	132
United Nations Entity for Gender Equality and the Empowerment of Women (UN Women)	53	22
United Nations High Commissioner for Refugees (UNHCR)	-	162
United Nations International Children Emergency Funds	105	67
United States Agency for International Development (USAID)	346	198
United States Department of State	41	-
	<b>14,989</b>	<b>12,887</b>

**4. Total incoming resources (continued)**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Foundations, trusts and other organisations</b>		
Action for Change	8	9
Adelphi	1	74
African Development Bank (AfDB)	-	6
Agence Française de Développement (AFD)	41	-
Alliance Against Hunger and Malnutrition (AAHM)	-	5
Aktis Strategy Ltd.	10	22
Bonn International Center for Conversion (BICC)	11	25
CARE International	895	560
Centre International des Sciences de l'Homme de l'UNESCO	10	53
Comitato Internazionale per lo Sviluppo dei Popoli (CISP)	329	241
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)	175	94
Development Alternative Initiatives – Europe	16	135
Foundation Open Society Institute (FOSI)	98	-
Fund for Peace	-	2
GRM International Ltd.	-	10
ICCO Foundation	-	22
International Council on Mining and Metals (ICMM)	-	10
International Rescue Committee	-	6
ISAGEN SA ESP	8	7
King's College London	51	16
Living Earth Foundation	60	180
Management Systems International, DRC	41	-
Misereor	24	68
Netherlands Organisation for Scientific Research	9	-
Now-Worto	25	-
Occidental de Colombia LLC	-	14
Open Gate Trust	-	2
Overseas Development Institute	14	-
Oxfam	6	91
Oxford Policy Management	9	-
Peace, Training and Research Organisation	34	-
PeaceNexus Foundation	10	18
Souter Charitable Trust	-	3
South African Medical Research Council (SAMRC)	355	96
Stichting The Network University	15	-
Swisspeace	-	3
Swiss Agency for Development and Cooperation	12	-
The Bryan Guinness Charitable Trust Ltd.	-	3
The Danish Institute for Human Rights	5	-
TradeMark East Africa (TMEA)	-	35
Utopia	57	-
United States Institute of Peace	27	-

**4. Total incoming resources (continued)**

	2016 £'000	2015 £'000
SOAS, University of London	10	-
Geneva Graduate Institute	5	-
Change For Results EEIG (CHARE)	10	-
World Bank Group	34	78
Zentrum für Internationale Friedenseinsätze (ZIF)	4	26
ZIVIK	58	-
	<b>2,477</b>	<b>1,914</b>

**Corporate and private individuals, bank interest and other donations/income**

Anglo American Services Ltd.	135	135
Barrick Gold Corporation	-	10
BHP Billiton	12	-
Kosmos Energy Ltd.	-	10
Newmont Mining Corporation	-	10
Palladium International UK	34	-
Repsol SA	-	19
Resolute Mining Ltd.	8	-
Roskilde University	55	-
Shell International Ltd.	-	10
Stratos, Inc.	-	4
TFS Stockholm	12	-
Total SA	-	10
Trans Adriatic Pipeline AG	46	-
Transtec SA	49	-
Bank Interest	6	3
Other Donations/Income	98	106
	<b>455</b>	<b>317</b>
<b>Total income</b>	<b>17,921</b>	<b>15,118</b>

## 5. Staff numbers and costs

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

	<b>2016 No.</b>	<b>2015 No.</b>
Raising funds	5	9
Charitable activities – direct	47	63
Charitable activities – support	24	22
Overseas staff	138	96
	<b>214</b>	<b>190</b>

Staff costs during the year were as follows:

	<b>2016 £'000</b>	<b>2015 £'000</b>
Salaries (on the UK payroll)	4,058	3,827
Employer's national insurance contributions (on the UK payroll)	380	374
Pension costs (on the UK payroll)	415	394
Overseas staff cost	2,433	1,764
	<b>7,286</b>	<b>6,359</b>

During the year, redundancy payments made amounted to £150,795 (2015: £15,724) as a result of a restructuring of the Charity.

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

	<b>2016 No.</b>	<b>2015 No.</b>
Between £60,000 and £69,999	8	7
Between £70,000 and £79,999	1	1
Between £80,000 and £89,999	2	2
Between £90,000 and above	1	0

Pension contributions amounting to £85,148 were made during 2016 for employees whose emoluments for the year exceeded £60,000 (2015: £69,440).

Key management personnel include the Chief Executive Officer/Secretary General and senior staff reporting directly to the Chief Executive Officer/Secretary General. The total employee remuneration of the charity for 2016 for key management personnel was £344,633 (2015: £322,143) and the pension amount was £34,463 (2015: £32,214).

**6. Grants funding of activities – Grants to partners**

	2016 £'000	2015 £'000
AboitizPower	(17)	5
Action Chrétienne pour la Paix et le Développement (ACPD)	5	-
Action Coopérative des Eleveurs et Concessionnaires du Congo (ACOOPEC)	-	6
Action des Chrétiens Unis pour le Développement Intégral (ACUDI)	7	6
Action pour la Protection des Droits de l'Homme (APDH)	48	21
Action pour la Solidarité et la Paix (ASP)	7	5
Action pour le Développement et la Paix Endogènes (ADEPAE)	3	-
Action pour le Développement des Populations Défavorisées (ADPD)	34	55
Adyan Village	181	35
Afia Mama	4	-
Agence de Développement Territorial de la Région de Kayes (ADTRK)	52	24
Aide et Action pour la Paix (AAP)	44	94
Aktis Strategy Ltd.	72	88
Alliance Malienne pour Refonder la Gouvernance en Afrique (ARGA)	103	50
Amaliyot Taraqqiyot Obodoni	14	1
Appui à la Promotion de l'Entrepreneuriat Local au Kivu (APPEL-Kivu)	8	45
Appui Conseil en Développement et Réduction de la Pauvreté	(1)	6
Association Communautaire pour la Consolidation de la Paix et le Développement	4	6
Association des Femmes des Médias de Sud Kivu (AFEM-SK)	38	79
Association for Repatriated Women in Burundi (AFRABU)	49	33
Association Malienne pour la Survie au Sahel (AMSS)	71	-
Association pour la Promotion de l'Entreprenariat Féminin (APEF)	17	54
Association Rwandaise des Conseillers en Traumatisme (ARCT)	2	5
Avangard	-	5
Basmeh and Zeitooneh	388	138
Bureau d'Étude et d'Appui Développement de Walikale (BEDEWA)	6	5
Bureau pour le Volontariat au Service de l'Enfance et de la Santé	-	5
Business Centre Gyumri	-	2
Business Centre Tbilisi	-	2
Caritas Goma	10	-
Caritas Ukraine	41	-
Caucasus Dialogue Foundation	-	4
Caucus des Femmes Congolaises pour la Paix	-	99
Caucus des Femmes du Sud-Kivu	83	-
Centre for Cultural Relations – Caucasian House	22	4
Centre for European Initiatives	19	-
Centre for Humanitarian Programmes (CHP)	25	18
Centre for Justice and Peace Studies (CJPS)	56	(1)
Centre National d'Appui au Développement et à la Participation Populaire (CENADEP)	-	4
CESVI Foundation	68	38
Collectif Alpha Ujuvi	71	51
Commission Diocésaine pour la Justice et la Paix	72	84
Conciliation Resources	224	114
Congo Men's Network (COMEN)	38	38
Crisis Management Initiative	352	138
Duterimbere ASBL	2	9
Duterimbere IMF Ltd.	-	1
<b>Balance C/F</b>	<b>2,222</b>	<b>1,376</b>

**6. Grants funding of activities – Grants to partners (continued)**

	2016 £'000	2015 £'000
Énergie Libre pour la Paix Mondiale	8	-
Environmental Legal Assistance Center, Inc. (ELAC)	-	1
European Peacebuilding Liaison Office	-	-
Farodis	31	1
Federation of Muslim Women's Associations in Nigeria	78	-
Federation of Nepali Journalists	23	-
For the Right to Life	50	-
Forte pour le Développement Intégral (FODI)	5	11
Forum for Women, Law and Development	22	-
Foundation of United Hearts	3	-
FRAME	26	30
Georgian Centre for Psychosocial and Medical Rehabilitation of Torture Victims (GCRT)	-	3
Global Initiative on Psychiatry – Tbilisi	107	-
Group of Initiative Volunteers Accent (GIV-Accent)	-	2
Groupe d'Appui-Conseils aux Réalisations pour le Développement Endogène	4	-
Groupe d'Études et de Recherche en Sociologie et Droit Appliqué (GERSDA)	-	4
Guichet d'Économie Locale du Sud-Kivu (GEL)	25	-
Helsinki Citi. Asse. Azer. Nat	1	-
Heritage	29	-
Herwa Community Development Initiatives	82	-
Imbaraga	28	69
Indigenous People's Apostolates (IPA)	-	1
Indigenous People's Center for Development Services, Inc. (IPCDS)	-	2
Initiative Congolaise pour la Justice et la Paix (ICJP)	-	6
Journalists for Democracy and Human Rights	17	-
Kabarole Research and Resource Centre (KRC)	7	17
Kenya Muslim Youth Alliance	6	-
Kings N Queens	9	-
Kitara Heritage Development Agency (KHEDA)	12	12
Kvinna til Kvinna	205	62
Lebanese Center for Policy Studies	2	14
Legal Agenda	-	5
Legal Aid and Consultancy Centre (LACC)	(1)	18
Liberia National Law Enforcement Association	36	-
Lighthouse Communications Company, Inc.	15	-
LINKS	156	51
Living Earth	15	-
Lori TV	-	1
Lupah Sug Bangsamoro Women Association, Inc.	29	12
Mary Mediatrix of All Grace and Foundation, Inc. (Mediatrix)	-	1
Mental Health and Trauma Therapy Center 'Integration'	26	-
Mindanao Business Council, Inc. (MBC)	10	6
Mindanao Peacebuilding Institute Foundation, Inc. (MPI)	16	-
Mindanao State University, General Santos City	-	1
Mindanao State University, Iligan Institute of Technology	7	1
Myanmar Business Coalition on Aid	-	1
<b>Balance C/F</b>	<b>1,089</b>	<b>332</b>



**6. Grants funding of activities – Grants to partners (continued)**

	2016 £'000	2015 £'000
Noyau de Réflexion sur les actualités Sociopolitiques	8	-
Observatoire de la Parité	13	9
Observatoire Gouvernance et Paix (OGP)	6	4
Organisation pour la Paix et le Développement (OPD)	4	-
Pailig Development Foundation, Inc.	9	16
Parliamentary Forum on Oil and Gas (PFOG)	5	6
Phan Tee Eain	7	-
Pole Institute	-	13
Pro-Femmes Twese Hamwe (PFTH)	90	18
Public Committee for Development Tajikistan	(7)	22
Public Diplomacy Institute	-	5
Réseau des Associations des Femmes Juristes de l'Est (RAFEJE)	31	-
Réseau des Femmes Ouvrant pour le Développement Rural	-	50
Réseau des Femmes pour un Développement Associatif	32	-
Rural Initiative for Community Empowerment West Nile (RICE-WN)	15	25
Sindh Agricultural and Forestry Workers Coordinating Organization	-	22
Solidarité des Femmes Activistes pour la Défense des Droits Humains (SOFAD)	70	73
Solidarité des Femmes de Fizi pour le Bien-Etre Familiale	21	-
Solidarité des Volontaires pour l'Humanité (SVH)	-	9
Solidarité Féminine pour la Paix et le Développement Intégral (SOFEPADI)	56	80
SOS Villages	47	-
Strategic Capacity Group	59	113
Symbiosis	7	-
Synergie des Femmes pour la Paix et la Réconciliation des Peuples des Grands Lacs	-	4
Syrian civil society organisations (identities withheld for safety reasons)	458	153
Tabang Ako Siyap Ko Bangsa Iranun Saya Ko Kalilintad Ago Kapamagayon, Inc. (TASBIKKA)	31	16
The New African Research and Development Agency (NARDA)	-	(8)
Thingaha Gender Organisation	5	-
Tunisia Network for Ecotourism	2	-
UCU Model Centre	24	-
Ukrainian Center for Independent Political Research	19	-
Umuseke	1	3
University of Notre Dame	6	-
Valeri Basaria	-	(2)
We Can End All Violence Against Women	-	9
Western Mindanao State University (WMSU)	8	1
Women of the Orient	14	2
Youth and Society	-	1
<b>Total grants to partners</b>	<b>4,352</b>	<b>2,352</b>

**7. Trustees' remuneration**

Trustees received no remuneration in 2016 (2015: nil). In 2016, costs of travel, accommodation and related expenses reimbursed to nine Trustees amounted to £12,661 (in 2015, seven Trustees received £13,469).

One of the Trustees has donated £180 (2015: £180).

**8. Trustees' liability insurance**

The cost of Trustees' liability insurance for 2016 was £2,937 (2015: £3,423).

**9. Included in the income and expenditure are:**

	2016 £'000	2015 £'000
Statutory audit fees	(10)	(11)
Project audit fees	(80)	(122)
Depreciation	(5)	(33)
Foreign exchange gain/(loss)	<u>406</u>	<u>40</u>

**10. Tangible fixed assets**

	Property improvements £'000	Office equipment and computers £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2016	<u>286</u>	<u>134</u>	<u>62</u>	<u>482</u>
At 31 December 2016	<u>286</u>	<u>134</u>	<u>62</u>	<u>482</u>
Accumulated depreciation				
At 1 January 2016	<u>286</u>	<u>128</u>	<u>62</u>	<u>476</u>
Charge for year	<u>-</u>	<u>5</u>	<u>-</u>	<u>5</u>
At 31 December 2016	<u>286</u>	<u>133</u>	<u>62</u>	<u>481</u>
Net book values				
At 31 December 2016	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>
Net book values				
At 31 December 2015	<u>-</u>	<u>6</u>	<u>-</u>	<u>6</u>

**11. Debtors**

	2016 £'000	2015 £'000
Accrued grant income	755	1,661
Prepayments	179	168
Sundry debtors	<u>36</u>	<u>47</u>
	<u>970</u>	<u>1,876</u>

Included in the above are financial instruments of the charity amounting to £791,000 (2015:£1,708,000).

**12. Creditors**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	100	94
Taxation and social security	92	105
Accrued expenditure	139	128
Deferred income	345	570
Pension creditors	140	150
Sundry creditors	22	31
	<b>838</b>	<b>1,078</b>

Included in the above are financial instruments of the charity amounting to £493,000 (2015: £508,000).

**12a. Deferred income**

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
Opening balance	570	435
Less: Realised during the year	(570)	(435)
	-	-
Add: Deferred income during the year	345	570
	<b>345</b>	<b>570</b>

Deferred income relates to unrestricted grants received in 2016 for 2017 projects.

**13. Commitment**

At 31 December 2016, International Alert was committed to making the following payment under non-cancellable operating leases in the year to 31 December 2017:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operating leases which expire</b>				
Within one year	150	150	24	52
Within two to five years	600	600	41	84
Over five years	113	263	-	-

**14. Analysis of net assets between funds**

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Total funds</b>	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Total funds</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Fixed assets	1	-	1	6	-	6
Current assets	3,340	3,965	7,305	2,571	4,599	7,170
	<b>3,341</b>	<b>3,965</b>	<b>7,306</b>	<b>2,577</b>	<b>4,599</b>	<b>7,176</b>
Less: Creditors	378	460	838	600	478	1,078
	<b>2,963</b>	<b>3,505</b>	<b>6,468</b>	<b>1,977</b>	<b>4,121</b>	<b>6,098</b>

## 15. Movement on funds

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

	At 1 Jan. 2016	Utilisation of organisational investment funds	Incoming resources/ gains	Outgoing resources	Other transfers	At 31 Dec. 2016
	£'000	£'000	£'000	£'000		£'000
<b>Restricted funds*</b>						
Africa	2,894	85	5,754	(7,234)	-	1,499
Asia	118	73	1,947	(1,943)	-	195
Eurasia	614	-	2,858	(2,613)	-	859
Global Issues	335	16	759	(832)	-	278
Middle East & North Africa	119	25	3,087	(2,565)	-	666
Emerging Programme	41	-	212	(245)	-	8
	<b>4,121</b>	<b>199</b>	<b>14,617</b>	<b>(15,432)</b>	<b>-</b>	<b>3,505</b>
<b>Unrestricted funds</b>						
Unrestricted funds	1,430	-	3,304	(2,525)	(709)	1,500
Designated Fund for Foreign Exchange Movement *	40	-	406	-	-	446
Designated Fund for Development **	-	-	-	-	510	510
Designated to Organisational Investment Fund ***	507	(199)	-	-	199	507
	<b>1,977</b>	<b>(199)</b>	<b>3,710</b>	<b>(2,525)</b>	<b>-</b>	<b>2,963</b>
<b>Total funds</b>	<b>6,098</b>	<b>-</b>	<b>18,327</b>	<b>(17,957)</b>	<b>-</b>	<b>6,468</b>

\* Designated Fund for Foreign Exchange Movement: This fund denotes book gain made on foreign currency accounts held during the year. This fund will be used for exchange gains and losses during 2017 and beyond.

\*\* Designated Fund for Development: This fund is reinstated from 2016 surplus to sustain the organisational development in line with its objective during 2017 and partly to fill the funding left by the DFID PPA funding agreement that ended in 2016. These funds will be used during 2017.

\*\*\* Organisational Investment Fund: During 2016, £199,000 was drawn from the investment fund for longer-term programme development. However, given a good year-end outcome, £199,000 was put back into the fund to maintain the fund at over £500,000. There is a plan to spend £232,000 during 2017, with further plans to then maintain the fund level between £150,000 and £200,000 to sustain organisational growth.

**15. Movement on funds (continued)**

	At 1 Jan. 2015	Utilisation of organisational investment funds	Incoming resources	Outgoing resources	At 31 Dec. 2015
	£'000	£'000	£'000	£'000	£'000
<b>Restricted funds</b>					
Africa	2,242	40	6,379	(5,767)	2,894
Asia	208	42	1,413	(1,545)	118
Eurasia	123	25	1,960	(1,494)	614
Global Issues	289	-	982	(936)	335
Middle East & North Africa	-	60	1,583	(1,524)	119
Emerging Programme	60	(60)	394	(353)	41
	<b>2,922</b>	<b>107</b>	<b>12,711</b>	<b>(11,619)</b>	<b>4,121</b>
<b>Unrestricted funds</b>					
Unrestricted funds	1,400	(18)	2,407	(2,359)	1,430
Designated Fund for Foreign Exchange Movement	-	-	-	-	40
Designated Fund for Development *	64	-	-	(64)	-
Designated to Organisational Investment Fund **	596	(89)	-	-	507
	<b>2,060</b>	<b>(107)</b>	<b>2,407</b>	<b>(2,423)</b>	<b>1,977</b>
<b>Total funds</b>	<b>4,982</b>	<b>-</b>	<b>15,118</b>	<b>(14,042)</b>	<b>6,098</b>

\* Designated Fund for Development: This fund was established from 2013 surplus for designated expenditure towards development of organisational objectives during 2014. With the Board's approval, we have spent £106,000 in 2014 on development and the remaining £64,000 will be carried forward to 2015 to be spent during the year.

\*\* Designated to Organisational Investment Fund: This fund was established to meet organisation investment needs, and we intend to use the fund for our growth in the next three to four years.

**16. Notes to the Cash Flow Statement****Reconciliation of net income to net cash flow from operating activities**

	2016 £'000	2015 £'000
Net income for the period	(36)	1,076
Interest from deposits	(6)	(3)
Depreciation	5	33
Exchange rate gain/(loss)	406	40
(Increase)/Decrease in debtors	906	(666)
Increase/(Decrease) in creditors	(240)	94
<b>Net cash inflow/(outflow) from operating activities</b>	<b>1,035</b>	<b>574</b>

**17. Related party transactions**

There were no related party transactions in the year (2015: none).