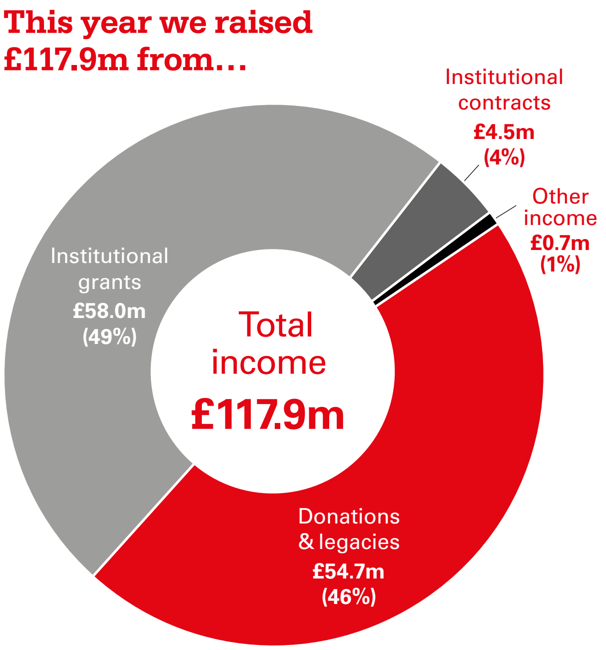
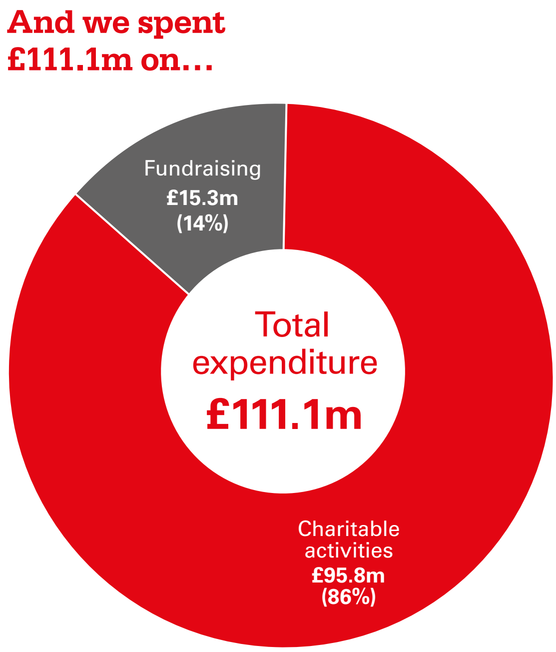
Financial review





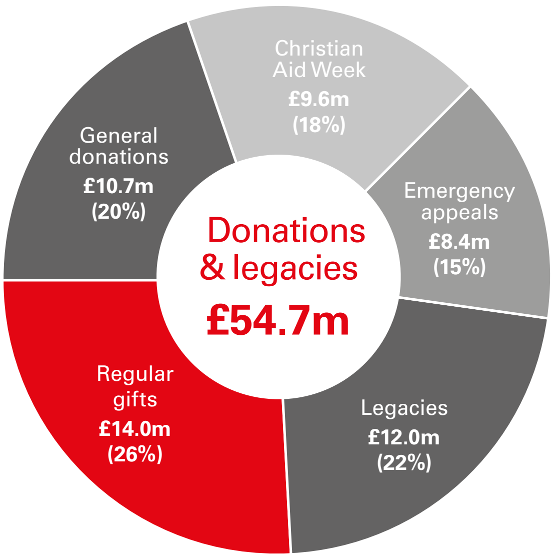
We worked with 495 partners in 37 countries, delivering long-term development programmes, responding to humanitarian crises and, through campaigning, advocacy and education, achieving long-term change for the world's poorest communities.

Income

Total income for 2017/18 was a record £117.9m (2016/17: £97.0m), ahead of plan and 22% up on the previous year, driven mainly by an excellent performance in institutional funding.

As highlighted in the table below, donations were maintained at the same level as last year. Institutional income saw a significant increase, boosted by a full year of a £15m food aid distribution programme in Nigeria.

Total income by type	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2017/18 change**
Donations	£59.5m	£56.9m	£62.6m	£54.7m	£54.7m	0%
Institutional grants	£31.5m	£31.6m	£34.5m	£36.8m	£58.0m	58%
Institutional contracts	£12.0m	£10.5m	£9.5m	£5.3m	£4.5m	-15%
Other income	£0.6m	£0.4m	£0.4m	£0.2m	£0.7m	250%
Total income	**£103.6m**	**£99.4m**	**£107.0m**	**£97.0m**	**£117.9m**	**22%**



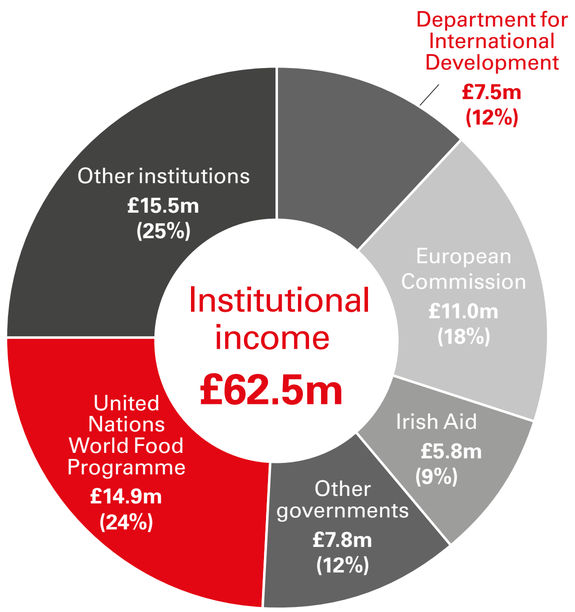
Donations

Donations were in line with our plan, remaining constant at £54.7m. This reflects a year in which:

- Legacies raised £12m in 2017/18, up from £9.8m in 2016/17. This is a growing source of income and our legacy pipeline remains healthy and growing at £11.4m (2016/17: £8.5m).
- We raised £8.4m in 2017/18 through emergency appeals (2016/17: £7.4m). Major appeals for East Africa, Yemen and the Rohingya refugee crisis in Bangladesh generated £6.3m or 75% of the total. We also responded to many lower-profile emergencies around the world and continued much of our existing humanitarian work. We continue to work in Nepal in response to the 2015 earthquake; in the Philippines following the floods; Haiti following Hurricane Matthew; and are making a contribution to tackling the situations in South Sudan and Syria. In Nigeria, we continued the food distribution programme with the World Food Programme that began in the final quarter of 2016/17.
- Our income from Christian Aid Week in 2017/18 was £9.6m, a decrease of £0.8m on the £10.4m raised in 2016/17. We continue to reach more churches each Christian Aid Week. However, our house-to-house and cash-based fundraising model continues to see declining returns and we have experienced slower growth than planned in diversifying our approach.
- We raised £14.0m from regular gifts, £0.5m less than the previous year. Unlike other aid agencies, we saw few direct debit cancellations following the negative news stories about development charities in February 2018, reflecting the continuing loyalty of our supporters.
- Our Christmas appeal performed strongly this year raising £3.5m (2016/17: £1.0m). Of the total Christmas income of £6.2m, we are grateful to the Department for International Development (DFID) for their matching contribution of £2.7m. The Harvest and Lent appeals raised a further £1.5m (2016/17: £0.8m).

Institutional income (grants and contracts)

Income from institutions, both grants and contracts, saw strong growth this year, with £62.5m recognised in the year, compared with £42.1m received in 2016/17 – a significant 48% increase.



Institutional income	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2017/18 change**
Number of grants and contracts submitted	173	119	143	125	149	19%
Number of grants and contracts awarded	83	71	77	70	94	34%
Value of grants and contracts awarded	£28.7m	£47.4m	£43.5m	£47.5m	£77.4m	63%
Income receivable in the year	**£43.5m**	**£42.1m**	**£44.0m**	**£42.1m**	**£62.5m**	**+48%**

The lifetime value of grants and contracts awarded during the year was £77.4m, up 63% on the previous year. This was a very successful year in terms of new awards and delivery of our existing contracted programmes.

During the year, we successfully completed delivery of three large programmes funded by UK aid. In Malawi, our Enhancing Community Resilience Programme (ECRP) has reduced vulnerability and strengthened resilience to climate change, while increasing household assets and income through savings and loans. The six-year, £15m programme achieved an overall A+ rating in its final report. The final evaluation reported that 'ECRP has helped to mitigate the impact of a succession of severe shocks, including floods and droughts'. DFID stated that ECRP has made a unique contribution to building resilience in Malawi.

In Ethiopia and Burkina Faso, we have completed two BRACED projects to increase resilience of pastoral and agro-pastoral communities to a changing climate. These three programmes have trained communities in civil protection and disaster response, and improved animal husbandry and solar-powered and traditional irrigation (see p13).

In Nigeria, we successfully concluded the DFID-funded Voice to the People (V2P) governance project, supporting communities in Kaduna State and the south-east to take ownership of their development. The programme promotes inclusive governance and empowers marginalised groups to claim their rights.

It was piloted in 12 out of 21 local government areas in Anambra State. After being recognised as an A+ programme, it was extended to cover the south-east region, using a hub model operating from Enugu State, while testing the V2P approach in a different socio-cultural and political context in Kaduna State. At our most recent review, V2P earned our highest project score from DFID (A++). V2P officially ended in July 2018.

With support from DFID, we have completed implementation of a portfolio of innovative Disaster Emergency Preparedness Programme (DEPP) projects via the START Network. This has included the Linking Preparedness Resilience and Response (LPPR) programme in Bangladesh, Colombia, the Democratic Republic of Congo, Indonesia, Kenya, Pakistan and the Philippines. LPPR has improved the understanding and use of best practices in preparedness and resilience to support communities affected by emergencies and communities at risk of violence.

Another successfully evaluated DEPP project is the Public Health Emergency Preparedness Project in Ethiopia, with the Ministry of Health, National Meteorology Agency, Regional Health Bureau, and AMREF Health Africa (see p20).

The Scottish Government continues to support our work in Malawi, including a new five-year, £1.3m project in Zambia: the Making Agriculture a Business programme. This will harness the potential of small-scale farmers and entrepreneurs as champions of economic development in four districts of Central Province.

The European Commission, through DG DEVCO/ EuropeAid and DG ECHO, has continued to support our work across countries in Latin America and the Caribbean, Africa, Asia and the Middle East, and has become one of our largest donors this year. In 2017/18 we started 10 new projects with EuropeAid in Colombia, Honduras, the Dominican Republic, Malawi, Burkina Faso, Ethiopia and Bangladesh. This includes a four-year programme for promoting women as entrepreneurs in energy access enterprises, called Breaking the Barriers. This will increase women's access to production, marketing and distribution of sustainable energy products and services, and influence environmental and energy policy at national level in line with our Big Shift campaign. We also received significant support from DG ECHO in Nigeria, Bangladesh and the Sahel region of Africa.

We are cognizant of the potential impact of a no-deal Brexit on our institutional funding and have developed plans in response, including on whether we access future funding through Christian Aid Ireland.

The US Government has approved a new programme to reach 170,000 orphans and vulnerable children, from 52,000 households, who are affected by HIV/AIDS. The very ambitious Comprehensive Assistance, Support and Empowerment of Orphans and Vulnerable Children (CASE-OVC) programme is a five-year, USAID-funded grant implemented by Christian Aid in Kenya. The goal is to improve the children's wellbeing by ensuring they can access social services (ie, health, nutrition, education, legal protection, psychosocial support and social protection). Most importantly, it focuses on strengthening households economically, so that OVC households and caregivers are more included in local value chains. This will improve their livelihood options so they can better care for themselves, and help carers and families to become more financially independent. The project also focuses on building and strengthening informal and formal community systems that care for orphans and vulnerable children. This includes strengthening evidence-based policy, planning and interventions by supporting the roll-out of systems to manage child protection information.

Our humanitarian programme in north-east Nigeria has continued to support internally displaced people fleeing the conflict caused by Boko Haram. We have sustained support from the EU's DG ECHO, the UN World Food Programme, the UN Food and Agriculture Organization, the UN Office for the Coordination of Humanitarian Affairs and ICCO Netherlands, and brought in support via our sister agencies from the governments and people of Norway (Norwegian Church Aid), Sweden (Church of Sweden, Germany (Diakonie Katastrophenhilfe), Canada (The Primate's World Relief and Development Fund/Anglican Church of Canada), Netherlands (ICCO Cooperation) and Switzerland (Swiss Church Aid).

In Bangladesh, we started a significant programme supporting Rohingya refugees from Myanmar, working with our Bangladeshi partners. We are using support from the UN International Organisation for Migration (IOM), UNICEF, UNOPS and UK Aid, Scottish Government and Irish Aid, together with donations from the Disasters Emergency Committee (DEC) and sister agencies and foundations in Europe. Christian Aid has provided humanitarian support in the health, water and sanitation and shelter sectors in Jamtoli Camp, home to around 51,000+ refugees.

Expenditure

Expenditure also increased significantly in 2017/18 in line with the growth in income. It increased by £17.5m or 19% to £111.1m from the £93.6m spent last year.

Direct charitable expenditure in the year was £95.8m (2016/17: £80.5m), representing 86% of our total expenditure.

In 2017/18 we spent £47.7m (2016/17: £42.1m) on long-term development, an increase of £5.6m or 13%. The breadth and depth of our development work is described on p12 to p26.

We spent £39.0m (2016/17: £28.9m) on our humanitarian work, an increase of £10.1m or 35% on last year. The main contributor to the increase is the inclusion for the first time of a full year of food aid distribution in Nigeria funded by WFP, including £12.6m of recognised gifts-in-kind. Our work in the area is described on p28 to p29.

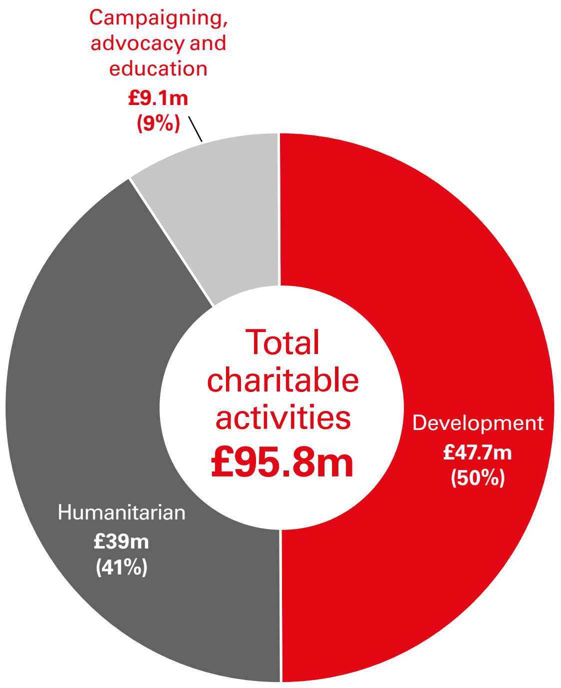
Our expenditure on campaigning, advocacy and education was £9.1m (2016/17: £9.5m), in line with previous years. This figure includes education and raising awareness with churches and Christian Aid supporters about our work to tackle poverty and its causes. Our advocacy priorities remain climate change, economic justice, gender inequality and refugees.

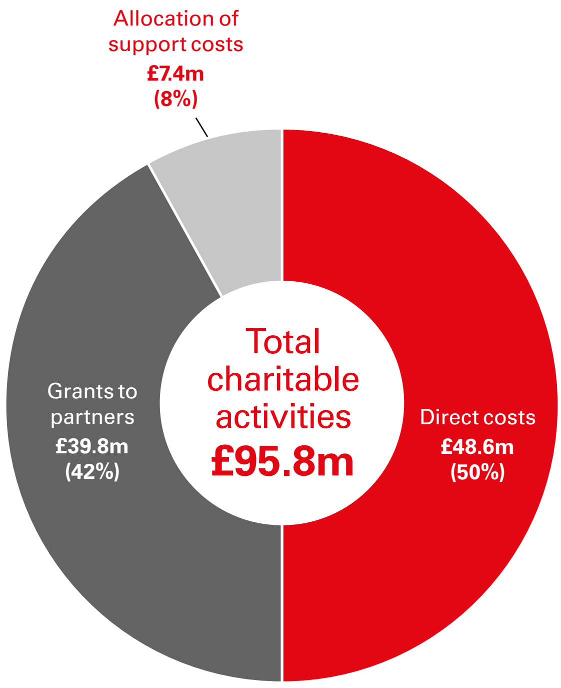
Fundraising costs as a percentage of total expenditure are 14% (2016/17: 14%), in line with last year. Overall fundraising spend increased by £2.2m to £15.3m. Whilst we continue with reduced spend on some fundraising approaches, particularly communicating with supporters by telephone, we have seen increased investment in brand awareness, promotional activities and systems.

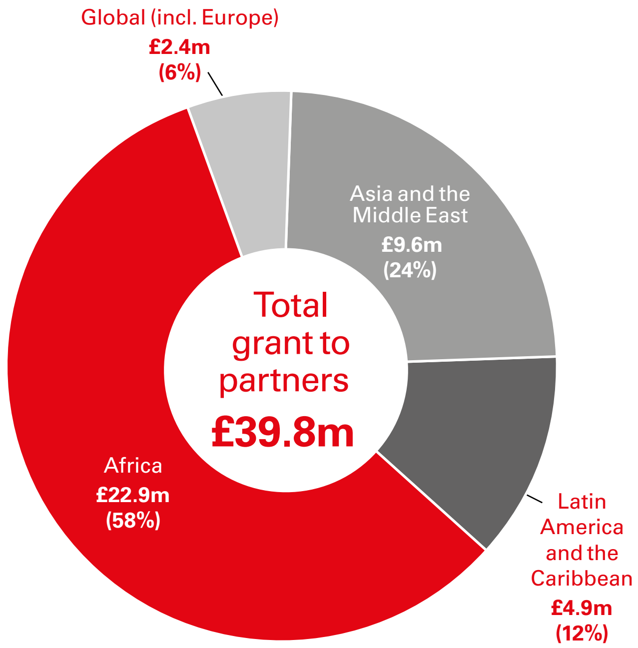
Despite the overall increase in total expenditure, expenditure on staff costs declined slightly from £32.1m last year to £31.8m, reflecting a slight decline also in full-time equivalents from 884 to 872. 50% of our staff are based outside Europe in our country programmes.

Grants to partners, at £39.8m, were in line with our plans and slightly up on the £39.1m granted to partners last year. We spent a further £1.5m on direct implementation of programmes, most notably in Nigeria (plus a further £12.6m in recognised food aid) and Bangladesh.

Total expenditure	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2017/18 change**
Direct charitable activity	£85.6m	£79.7m	£85.3m	£80.5m	£95.8m	19%
Fundraising	£13.6m	£14.4m	£15.2m	£13.1m	£15.3m	17%
Total expenditure	**£99.2m**	**£94.1m**	**£100.5m**	**£93.6m**	**£111.1m**	**19%**


Campaigning, advocacy and education
£9.1m
(9%)
Development
£47.7m
(50%)
Humanitarian
£39m
(41%)
Total charitable activities
£95.8m


Allocation of support costs
£7.4m
(8%)
Grants to partners
£39.8m
(42%)
Direct costs
£48.6m
(50%)
Total charitable activities
£95.8m


Global (incl. Europe)
£2.4m
(6%)
Asia and the Middle East
£9.6m
(24%)
Africa
£22.9m
(58%)
Latin America and the Caribbean
£4.9m
(12%)
Total grant to partners
£39.8m

Reserves

In 2016/17 the trustees reviewed the reserves policy. This review was based on a benchmarking exercise comparing ourselves with other agencies in our sector, a review of the risks facing us, and the latest Charity Commission guidance on reserves policies. Based on this assessment and taking a 'reserves first' approach to financial planning, our operational reserves target is now £16m, which equals 1.7 months of operational expenditure, having been £20m in previous years. We also introduced a policy of allowing for a £2m range, either above or below the target, in which to manage our funds.

Operational reserves ended the year at £17.2m, within the accepted range, and movements during the year are set out in note 14 to the accounts on page 85.

Restricted reserves have increased by £4.6m or 24% to £23.7m and movements during the year are set out in note 15 to the accounts on page 86. The trustees remain content that the fund balance held against each programme is appropriate to the stage of the life-cycle of the programme.

A foreign exchange stabilisation fund was created in 2015/16 to mitigate the risk of future sterling fluctuation post-Brexit. As a result of the ongoing impact of the weaker pound, we have drawn down on this fund during the year to support our international programmes.

The final salary pension fund surplus increased by £6.5m to £12.1m (2016/17: £5.6m). The scheme assets have grown due to continued strong market performance and as we continued to contribute funds in line with the recovery plan to February 2018, as agreed with the Pensions Trust. The surplus in the scheme cannot be recognised in the balance sheet under FRS 102 as it is not recoverable.

Reserves	**2015/16**	**2016/17**	**2017/18**	**2017/18 change**
Operational reserve	£11.6m	£14.5m	£17.2m	19%
Foreign exchange stabilisation fund	£1.2m	£1.2m	£0m	-100%
Fixed asset reserves	£7.7m	£8.3m	£7.1m	-15%
Other unrestricted reserves	£0.8m	£1.5m	£2.8m	87%
FRS 102 calculated pension deficits	£0m	£0m	£0m	0%
Unrestricted reserves	**£21.3m**	**£25.5m**	**£27.1m**	**6%**
Restricted reserves	£22.9m	£19.1m	£23.7m	24%
Total reserves	**£44.2m**	**£44.6m**	**£50.8m**	**14%**